

# **Young adults' relationship intentions towards their cell phone network providers**

by

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## **ABSTRACT**

Marketers use relationship marketing in order to establish mutually beneficial long-term relationships with their customers as a means to retain these customers in the competitive market environment. Relationship marketing should, however, not be used to target each and every customer as not all customers want to build long-term relationships with organisations. In order to identify the most profitable customers to target through relationship marketing, organisations should consider their customers' relationship intentions to form long-term relationships with them.

The primary objective of this study was to determine young adults' (aged 18 to 25) relationship intentions towards the South African cell phone network providers they use, namely Vodacom, MTN or Cell C. This was done by considering the five constructs used to measure relationship intention, namely involvement, expectations, forgiveness, feedback and fear of relationship loss. A focus group was used to determine which features related to cell phone network providers young adults consider when selecting a cell phone network provider. This data was used to develop a self-administered questionnaire, which was distributed among respondents studying at the Potchefstroom Campus of the North-West University in the North-West Province. A convenience (non-probability) sampling method was used and a total of 315 respondents participated in this study. The distribution between the cell phone network providers was Vodacom (115), MTN (101) and Cell C (99). Initial data analysis revealed that 73% of respondents had high relationship intentions, while the remainder (26%) had low relationship intentions of forming long-term relationships with their respective cell phone network providers.

By means of a factor analysis it was determined that the five relationship intention factors, namely involvement, expectations, forgiveness, feedback and fear of relationship loss, were valid and reliable to measure the relationship intentions of respondents. The results further indicated that respondents with a high relationship intention are more involved with their cell phone network providers and feared losing their relationships with their cell phone network providers more than those respondents with a low relationship intention. Furthermore, respondents from the different cell phone network providers do not view the five factors comprising relationship intention differently, but they do differ with regards to other factors related to cell phone network

providers. It was found that the majority of respondents regard Vodacom (not necessarily the respondent's cell phone network provider) as the cell phone network provider with the latest technology, as being the quickest, having the best coverage, best handsets, coolest image and best service. The majority of respondents regard Cell C as being the cheapest and MTN as being the most expensive. Results also indicate that respondents' parents play an important role with regard to the choice of their cell phone network providers as the majority of respondents' parents initially chose the cell phone network providers and pay their cellular expenses.

It is recommended that cell phone network providers should target young adults' parents with a view to gain a foothold in the young adult market. Furthermore, it is recommended that cell phone network providers should determine how their customers perceive them as compared with competitors in order to better position themselves and to improve communication with young adults. Most importantly, it is recommended that cell phone network providers should identify those young adults with high relationship intentions (those young adults who are more involved with and fear losing their relationship with the cell phone network provider more) in order to retain them by attempting to build long-term relationships with these young adults through dedicated relationship marketing efforts.

Recommendations for future research include examining relationship intention with regards to other age groups (such as scholars and adults), other service industries and other geographical areas. Furthermore, the influence which young adults exert on decisions concerning cell phone network providers and the influence of parents on young adults' product and service choices, can be explored in future research by means of the family decision roles.

## UITTREKSEL

Bemarkers gebruik verhoudingsbemarking ten einde wedersyds-voordelige langtermyn-verhoudings met hulle kliënte vas te lê in 'n poging om hierdie kliënte te behou binne 'n toenemend-kompeterende mark. Verhoudingsbemarking moet egter nie gebruik word om iedere kliënt te teiken nie, omdat nie alle kliënte verhoudings met organisasies wil bou nie. Om die mees winsgewende kliënte vir verhoudingsbemarking te identifiseer moet organisasies hul kliënte se verhoudingsvoorneme om langtermynverhoudings met hul te bou, in ag neem.

Die primêre doelwit van die studie was om die verhoudingsvoorneme van jong volwassenes (tussen die ouderdomme van 18 en 25) jeens die Suid-Afrikaanse selfoonnetwerkverskaffers wat hulle gebruik, naamlik Vodacom, MTN en Cell C, te bepaal. Dit is gedoen deur die vyf konstrakte wat gebruik word om verhoudingsvoorneme te toets, naamlik betrokkenheid, verwagtinge, vergifnis, terugvoer en vrees vir die verlies van die verhouding, te oorweeg. 'n Fokusgroep is gebruik om daardie eienskappe in verband met selfoonnetwerkverskaffers wat jong volwassenes oorweeg wanneer 'n selfoonnetwerkverskaffer gekies word, te bepaal. Hierdie data is gebruik om 'n self-geadministreerde vraelys te ontwerp wat versprei is onder respondente aan die Potchefstroom kampus van die Noordwes-Universiteit in die Noord-Wes Provinsie. 'n Gerieflikheid-streekproefmetode (nie-waarskynlikheidstreekproefmetode) is gebruik en 'n totaal van 315 respondente het aan die studie deelgeneem. Die verspreiding tussen die selfoonnetwerkverskaffers was Vodacom (115), MTN (101) en Cell C (99). Voorlopige data-analise het getoon dat 73% van die respondente hoë verhoudingsvoornemens gehad het, terwyl die oorblywende (26%) lae verhoudingsvoornemens gehad het om langtermynverhoudings met hulle selfoonnetwerkverskaffers te vorm.

Deur middel van 'n faktoranalise is bepaal dat die vyf verhoudingsvoorneme-konstrakte, naamlik betrokkenheid, verwagtinge, vergifnis, terugvoer en vrees vir die verlies van die verhouding, geldig en betroubaar was om die verhoudingsvoornemens van respondente te meet. Die resultate het verder getoon dat respondente wat 'n hoë verhoudingsvoorneme het, meer betrokke by hul selfoonnetwerkverskaffer is en meer vrees toon ten opsigte van die verlies van die verhouding met hul selfoonnetwerkverskaffer as respondente met 'n lae verhoudingsvoorneme. Verder

beskou respondente van die verskillende selfoonnetwerkverskaffers nie die vyf faktore waaruit verhoudingsvoorneme bestaan verskillend nie, maar hulle verskil wel ten opsigte van ander faktore wat met selfoonnetwerkverskaffers verband hou. Daar is vasgestel dat die meerderheid respondente Vodacom (wat nie noodwendig die respondent se selfoonnetwerkverskaffer is nie) beskou as die selfoonnetwerkverskaffer met die nuutste tegnologie, as die vinnigste, die beste dekking, met beste handtoestelle, die 'coolste' beeld en beste diens. Die meerderheid van die respondente beskou Cell C as die goedkoopste en MTN as die duurste. Resultate het ook getoon dat respondente se ouers 'n belangrike rol speel in terme van die keuse van die selfoonnetwerkverskaffer, aangesien die meerderheid van die respondente se ouers oorspronklik die selfoonnetwerkverskaffer gekies het en ook betaal vir hul selfoonuitgawes.

Daar word aanbeveel dat selfoonnetwerkverskaffers jong volwassenes se ouers moet teiken om 'n voet in die deur binne die jong volwasse mark te kry. Verder word daar aanbeveel dat selfoonnetwerkverskaffers hul kliënte se persepsie van hulle in vergelyking tot dié van hul mededingers moet bepaal ten einde hulself beter te posisioneer en kommunikasie met jong volwassenes te verbeter. Die belangrikste aanbeveling is dat selfoonnetwerkverskaffers die jong volwassenes met hoë verhoudingsvoornemens moet identifiseer (daardie jong volwassenes wat meer betrokke is by en meer vrees vir die verlies van hul verhouding met hul selfoonnetwerkverskaffer) om hulle te behou, veral deur te poog om langtermyn-verhoudings met dié jong volwassenes te bou deur verhoudingsbemarkingspogings.

Aanbevelings vir toekomstige navorsing sluit in om verhoudingsvoorneme met verband tot ander ouderdomsgroepe (soos skoliere en volwassenes), ander diens-industrieë en ander geografiese areas te ondersoek. Verder kan die invloed wat jong volwassenes uitoefen tydens die keuse van selfoonnetwerkverskaffers en die invloed wat ouers op jong volwassenes se produk- en dienskeuses uitoefen, ondersoek word in toekomstige navorsing deur middel van 'n ondersoek na die familiebesluitnemingsrolle.

## **List of key terms and definitions**

### **Young adults**

In marketing circles, the segment of the population aged 14-24 is considered as the youth market (Ostrow & Smith, 1988:258) and enormous potential value can be found in this market segment (Ferguson & Hlavinka, 2008:117). Today the term young adults is considered to include 18-34 year olds (Thompson & Thompson, 2009:1281, 1283). For this reason, young adults include university students, professionals and people starting families (Fuhrman, 2006:65). Previous studies among young adults used students as a sample group (Callen-Marchione & Ownbey, 2008:369; Rahman, Zhu & Liu, 2008:221; Rugimbana, 2007:11; Thakor, Suri & Saleh, 2008:141). For the purpose of this study, young adults will refer to students aged 18 to 25.

### **Relationship marketing**

Relationship marketing involves that organisations foster long-term mutually beneficial relationships with customers and other stakeholders (Baran, Galka & Strunk, 2008:48, 83, 111; Lamb, Hair, McDaniel, Boshoff & Terblanche, 2008:11; Payne, 2006:11; Evans, O'Malley & Patterson, 2004:210). This study examines relationship marketing in terms of customers based on the underlying principle that strong long-term relationships with a core group of customers result in customer profitability (Schiffman, Kanuk & Wisenblit, 2010:506, 509).

### **Relationship intention**

Relationship intention can be defined as the customer's intention to build a relationship with an organisation when buying a product or making use of a service provided by the organisation (Kumar, Bohling & Ladda, 2003:669). Relationship intention is therefore the tendency to build, maintain and enhance customers' relationships with the organisation through trust and emotional attachment (Kumar *et al.*, 2003:667, 669).

## **Cell phone network providers**

South Africa has three cell phone network providers, namely Vodacom, MTN and Cell C (Rainbow Nation, 2009; WC, 2006), each with a GSM licence. Martz (2008) defines GSM as "Global System for Mobile Communications", which means a network of short-range transmitters located in overlapping cells throughout a region, connected to a central station. With GSM, data is sent over a wireless network. GSM makes services such as voice transmitting, faxing, encryption, text messaging, call forwarding, caller identification, call waiting and multi-party conferencing possible. It can therefore be said that the cell phone network provider offers different services to suit the wants and needs of customers with wireless devices through GSM (TechTarget, 2007).



## TABLE OF CONTENTS

ABSTRACT .....	i
UITTREKSEL .....	iii
LIST OF KEY TERMS AND DEFINITIONS .....	v
LIST OF FIGURES .....	xiv
LIST OF TABLES .....	xiv

### CHAPTER 1: CONTEXTUALISATION OF THE STUDY

1.1	INTRODUCTION .....	1
1.2	PROBLEM STATEMENT .....	1
1.3	OBJECTIVES OF THE STUDY .....	5
1.3.1	Primary objective .....	5
1.3.2	Secondary objectives .....	5
1.4	RESEARCH METHODOLOGY .....	6
1.4.1	Literature study .....	6
1.4.2	Empirical investigation .....	6
1.4.2.1	Research design and method of data collection .....	7
1.4.2.2	Development of the sample plan .....	8
1.4.2.3	Research instrument .....	9
1.4.2.4	Pilot study of the questionnaire used for this study .....	9
1.4.2.5	Data analysis .....	10
1.5	CHAPTER STRUCTURE .....	10
1.6	CONCLUSION .....	11

### CHAPTER 2: RELATIONSHIP MARKETING

2.1	INTRODUCTION .....	12
2.2	DEVELOPMENT OF RELATIONSHIP MARKETING .....	13
2.3	TRANSACTIONAL MARKETING VERSUS RELATIONSHIP MARKETING .....	19
2.4	BENEFITS AND COSTS OF RELATIONSHIP MARKETING .....	21
2.4.1	Benefits of relationship marketing to the organisation .....	23
2.4.2	Costs of relationship marketing for the organisation .....	25
2.4.3	Benefits of relationship marketing to the customer .....	26
2.4.3.1	Confidence benefits .....	27
2.4.3.2	Social benefits .....	28

2.4.3.3	Special treatment benefits .....	28
2.4.4	Costs of relationship marketing for the customer .....	28
2.5	INITIAL RELATIONSHIP MARKETING FRAMEWORK.....	29
2.6	LEVELS OF RELATIONSHIP BUILDING .....	31
2.7	DRIVERS OF RELATIONSHIP MARKETING .....	33
2.7.1	Trust.....	34
2.7.1.1	Opening lines of communication.....	36
2.7.1.2	Guaranteeing the service .....	36
2.7.1.3	A higher standard of conduct .....	36
2.7.2	Commitment .....	37
2.7.3	Value creation .....	38
2.7.4	Service quality.....	40
2.7.5	Satisfaction .....	43
2.7.6	Loyalty .....	46
2.7.7	Interrelationship of the drivers of relationship marketing.....	50
2.8	CONCLUSION .....	51

### **CHAPTER 3: RELATIONSHIP INTENTION**

3.1	INTRODUCTION .....	52
3.2	RELATIONSHIP MARKETING FROM THE CUSTOMER'S PERSPECTIVE: FOCUS ON CUSTOMERS' RELATIONSHIP INTENTION.....	52
3.3	CONSTRUCTS OF RELATIONSHIP INTENTION.....	54
3.3.1	Involvement .....	55
3.3.1.1	Service ideation, concept, prototype, design and development .....	59
3.3.1.2	Manufacturing and customisation .....	60
3.3.1.3	Customer service and feedback.....	60
3.3.2	Expectations .....	62
3.3.3	Forgiveness .....	65
3.3.4	Feedback .....	70
3.3.5	Fear of relationship loss.....	73
3.3.5.1	Bonds.....	74
3.3.5.2	Non-monetary costs.....	77
3.3.5.3	Risk.....	77
3.4	CONCLUSION .....	78

## CHAPTER 4: MARKET SEGMENTATION

4.1	INTRODUCTION .....	79
4.2	MARKET SEGMENTATION IN PERSPECTIVE.....	79
4.3	DEFINING MARKET SEGMENTATION .....	84
4.4	CRITERIA FOR MARKET SEGMENT VIABILITY .....	85
4.5	LEVELS OF SEGMENTATION.....	86
4.6	BASES FOR SEGMENTATION.....	88
4.6.1	Geographic segmentation .....	90
4.6.1.1	Place of residence .....	91
4.6.1.2	Population density.....	91
4.6.1.3	Climate and terrain.....	92
4.6.2	Demographic segmentation .....	92
4.6.2.1	Gender.....	93
4.6.2.2	Age .....	94
4.6.2.3	Income .....	96
4.6.2.4	Education and occupation.....	96
4.6.2.5	Family size and family life-cycle.....	96
4.6.2.6	Ethnicity, race and population group.....	98
4.6.3	Behavioural segmentation .....	98
4.6.3.1	Usage segmentation .....	99
4.6.3.2	Occasion segmentation .....	100
4.6.3.3	Benefit segmentation .....	100
4.6.3.4	Readiness of buyer .....	102
4.6.3.5	Recency, frequency and monetary value of customers (RFM) .....	102
4.6.3.6	Attitude towards the product or service.....	102
4.6.3.7	Diffusion of innovation.....	103
4.6.3.8	Loyalty segmentation .....	103
4.6.3.9	Relationship intention.....	104
4.6.4	Psychographic segmentation.....	105
4.6.4.1	Geodemographic segmentation .....	106
4.6.4.2	Motives .....	107
4.6.4.3	Social class and lifestyle .....	107
4.6.4.4	Personality .....	110
4.7	CONCLUSION.....	111

## **CHAPTER 5: PERSONALITY**

5.1	INTRODUCTION .....	112
5.2	CONSUMER DECISION-MAKING .....	113
5.3	DEFINING PERSONALITY.....	117
5.4	PERSONALITY THEORIES IN THE FIELD OF MARKETING .....	119
5.4.1	Social theory .....	120
5.4.2	Self-concept theory .....	121
5.4.3	Freudian or psychoanalytical theory .....	123
5.4.4	Trait theory.....	125
5.5	BIG FIVE PERSONALITY DOMAINS .....	128
5.5.1	Extraversion .....	129
5.5.2	Agreeableness .....	130
5.5.3	Conscientiousness .....	131
5.5.4	Neuroticism .....	132
5.5.5	Openness to experience .....	132
5.5.6	Previous research on the big five personality domains .....	133
5.6	CONCLUSION .....	135

## **CHAPTER 6: RESEARCH METHODOLOGY**

6.1	INTRODUCTION .....	137
6.2	STAGE 1: FORMULATE THE PROBLEM .....	138
6.2.1	Objectives of the study.....	138
6.2.1.1	Primary objective .....	138
6.2.1.2	Secondary objectives.....	138
6.3	STAGE 2: DETERMINE THE RESEARCH DESIGN .....	139
6.3.1	Descriptive research design.....	139
6.3.2	Causal or experimental research design.....	140
6.3.3	Exploratory research design .....	140
6.4	STAGE 3: DESIGN THE DATA COLLECTION METHOD AND FORMS.....	141
6.4.1	The research method.....	141
6.4.1.1	Qualitative research .....	142
6.4.1.2	Quantitative research .....	143
6.4.2	Research instrument.....	144
6.4.2.1	Section A: Classification information.....	146
6.4.2.2	Section B: Relationship intention .....	148

6.4.2.3	Section C: Personality.....	150
6.4.2.4	Section D: Demographic details.....	151
6.4.2.5	Linking objectives with the questionnaire.....	151
6.4.2.6	Pilot study of the questionnaire used for this study.....	152
6.5	STAGE 4: DESIGN THE SAMPLE AND COLLECT DATA.....	152
6.5.1	Target population.....	152
6.5.2	Sampling methods.....	153
6.5.2.1	Probability sampling.....	153
6.5.2.2	Non-probability sampling.....	155
6.5.3	Sample size.....	157
6.5.4	Collecting the data.....	157
6.6	STAGE 5: ANALYSING AND INTERPRETING THE DATA.....	157
6.6.1	Reliability and validity.....	158
6.6.1.1	Factor analysis.....	160
6.6.2	Guidelines for the interpretation of statistics.....	162
6.6.2.1	Statistical significance.....	162
6.6.2.2	Practical significance.....	162
6.6.3	Methods and statistical techniques.....	164
6.6.3.1	Descriptive statistics.....	164
6.6.3.2	Analyses done in this study.....	164
6.7	STAGE 6: PREPARE THE RESEARCH REPORT AND FORMULATE CONCLUSIONS.....	167
6.8	CONCLUSION.....	167

## CHAPTER 7: RESULTS

7.1	INTRODUCTION.....	168
7.2	DEMOGRAPHIC PROFILE OF RESPONDENTS.....	168
7.3	RESPONDENTS FROM THE DIFFERENT CELL PHONE NETWORK PROVIDERS.....	169
7.4	RESULTS OBTAINED FROM SECTION A OF THE QUESTIONNAIRE.....	170
7.4.1	Results obtained for question 1 in section A.....	170
7.4.2	Results obtained for question 2 in section A.....	171
7.4.3	Results obtained for question 3 in section A.....	172
7.4.4	Results obtained for question 4 in section A.....	173
7.4.5	Results obtained for question 5 in section A.....	174

7.4.6	Results obtained for question 6 in section A .....	175
7.4.7	Results obtained for question 7 in section A .....	176
7.4.8	Results obtained for question 8 and 9 in section A .....	177
7.4.9	Results obtained for question 10 in section A .....	178
7.4.10	Results obtained for question 11 in section A .....	179
7.4.11	Results obtained for question 12 in section A .....	181
7.5	RESULTS OBTAINED FROM SECTION B OF THE QUESTIONNAIRE.....	182
7.5.1	Validity of section B: Factor analysis of section B .....	182
7.5.2	Reliability of section B: Cronbach alpha values for section B .....	184
7.5.3	Results obtained for question 27 in section B .....	185
7.5.4	Respondents' relationship intentions .....	186
7.5.4.1	Differences between respondents with a high relationship intention and respondents with a low relationship intention.....	186
7.5.4.2	Differences between respondents using Vodacom, MTN and Cell C.....	188
7.5.4.3	Further analyses on respondents' relationship intentions .....	189
7.6	RESULTS OBTAINED FROM SECTION C OF THE QUESTIONNAIRE ....	192
7.6.1	Reliability of section C: Cronbach alpha values for section C .....	192
7.7	RESULTS OBTAINED FROM SECTION D OF THE QUESTIONNAIRE ....	193
7.7.1	Associations between section D and section A.....	193
7.8	SUMMARY OF MAIN FINDINGS.....	195
7.9	CONCLUSION .....	199

## **CHAPTER 8: OVERVIEW, CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS**

8.1	INTRODUCTION .....	200
8.2	OVERVIEW .....	200
8.3	CONCLUSIONS AND RECOMMENDATIONS .....	202
8.3.1	Conclusion from objective 1 .....	203
8.3.2	Conclusion from objective 2 .....	204
8.3.3	Conclusion from objective 3 .....	205
8.3.4	Conclusion from objective 4 .....	207
8.3.5	Conclusion from objective 5 .....	208
8.3.6	Conclusion from objective 6 .....	209
8.3.7	Conclusion from objective 7 .....	209
8.4	LINKING OBJECTIVES TO MAIN FINDINGS .....	211

8.5	LIMITATIONS OF THE STUDY .....	212
8.6	DIRECTIONS FOR FUTURE RESEARCH .....	212
8.7	CONCLUSION .....	213
	REFERENCES .....	214
	APPENDIX A: FOCUS GROUP .....	228
	APPENDIX B: EXPLORATORY FACTOR ANALYSIS OF THE ADAPTED RELATIONSHIP INTENTION MEASURE .....	233
	APPENDIX C: CUSTOMISED QUESTIONNAIRES .....	237
	APPENDIX D: ASSISTANCE IN STATISTICAL ANALYSIS.....	253

## LIST OF FIGURES

FIGURE 2.1:	Chapter outline .....	12
FIGURE 2.2:	The six markets model .....	16
FIGURE 2.3:	Continuum of value-orientated exchanges .....	40
FIGURE 2.4:	Conceptual model of service quality .....	42
FIGURE 3.1:	Chapter outline .....	52
FIGURE 4.1:	Chapter outline .....	79
FIGURE 4.2:	Levels of segmentation .....	87
FIGURE 4.3:	The market as it can be segmented according to the bases for segmentation and the variables discussed in this study (outline for the rest of this chapter) .....	89
FIGURE 5.1:	Chapter outline .....	113
FIGURE 5.2:	The consumer decision-making process .....	116
FIGURE 5.3:	Psychoanalytical theory of personality .....	123
FIGURE 6.1	Chapter outline: The marketing research process .....	137

## LIST OF TABLES

TABLE 2.1:	Four partnerships and ten relationships .....	14
TABLE 2.2:	The 30 relationships of relationship marketing (the 30Rs) .....	15
TABLE 2.3:	Major differences between transactional and relationship marketing .....	20
TABLE 2.4:	Benefits of customer satisfaction and loyalty to the organisation ....	46
TABLE 3.1:	The effects of customer expectations .....	63
TABLE 3.2:	Summary of the justice theory used to evaluate service recovery ...	67
TABLE 4.1:	Cash expenditure in South Africa on communication and LSM group in 2005 .....	109



TABLE 5.1:	Main features of the four personality theories referred to in the field of marketing .....	119
TABLE 6.1	Measurement of classification information .....	147
TABLE 6.2	Measurement of relationship intention.....	149
TABLE 6.3	Measurement of personality .....	150
TABLE 6.4	Measurement of demographic details .....	151
TABLE 6.5	Relationship between objectives and questionnaire .....	151
TABLE 7.1	Demographic profile of respondents.....	168
TABLE 7.2	Respondents from the different cell phone network providers.....	170
TABLE 7.3	Respondents' contracts with their cell phone network providers .....	170
TABLE 7.4	Length of relationship with cell phone network provider .....	171
TABLE 7.5	Single most important reason why respondents use their current cell phone network provider .....	172
TABLE 7.6	Why respondents' cell phones are important to them (multiple options).....	173
TABLE 7.7	Why respondents initially chose their cell phone network provider .	174
TABLE 7.8	Why respondents stay with their cell phone network provider .....	175
TABLE 7.9	Respondents' intentions to stay with their cell phone network providers in the future.....	176
TABLE 7.10	Use of other cell phone network providers (number of times switched) .....	177
TABLE 7.11	Aspect considered when choosing between the three cell phone network providers .....	178
TABLE 7.12	Aspects respondents most associate with Vodacom, MTN or Cell C .....	179
TABLE 7.13	Who pays cellular expenses.....	181
TABLE 7.14	Five factors obtained from the confirmatory factor analysis .....	184
TABLE 7.15	Cronbach alpha values associated with the factor analysis of relationship intention .....	185
TABLE 7.16	Respondents' consideration of a long-term relationship with their cell phone network provider .....	185
TABLE 7.17	Relationship intention scored for high and low relationship intention respondents.....	187

TABLE 7.18	Effect sizes of relationship intention towards the three cell phone network providers of South Africa (three independent groups) .....	189
TABLE 7.19	Cronbach alpha values associated with the correlation between personality items .....	192
TABLE 8.1	Linking objectives, questionnaire and main findings .....	211
TABLE A1	Questions asked and answers obtained from the focus group.....	231
TABLE B1	Rotated factor pattern for relationship intention during pilot study..	234

## **CHAPTER 1**

### **CONTEXTUALISATION OF THE STUDY**

#### **1.1 INTRODUCTION**

This chapter provides the contextual background to this study. The rationale for the study is explained and the main constructs, namely relationship marketing, relationship intention, segmentation and personality, are introduced. Furthermore, the context in which the South African cell phone network providers operate is briefly examined. The primary and secondary objectives of this study are stated and the methodology used to reach these objectives is set out. The chapter concludes with an overview of the structure of this study.

#### **1.2 PROBLEM STATEMENT**

Prior to the recent paradigm shift towards the notion of relationship marketing, marketers' efforts were primarily described as transactional marketing. This entailed that they focused on increasing the number and value of transactions (Payne, 2006:11). In contrast to transactional marketing, relationship marketing entails that organisations foster long-term mutually beneficial relationships with customers and other stakeholders (Jooste, Strydom, Berndt, & Du Plessis, 2009:322; Baran *et al.*, 2008:48, 83, 111; Lamb *et al.*, 2008:11; Payne, 2006:11; Evans *et al.*, 2004:210).

The aim of relationship marketing is profit through relationships (Baran *et al.*, 2008:107). In this study, the notion of relationship marketing in terms of customers will be emphasised throughout. The foundation for this dissertation is lodged in the fact that strong long-term relationships with a core group of customers results in customer profitability (Schiffman *et al.*, 2010:506, 509). Relationship marketing is used to increase value for customers by responding to identified customer needs (Pride & Ferrell, 2010:14). Organisations focus on relationship marketing because long-term customer relationships are favourable for the organisation's profitability, as a satisfied customer is more likely to spend on additional services and spread favourable word-of-mouth communication than short-term customers are likely to do (Liang & Wang, 2006:124).

Most organisations, however, have both transactional and relational customers (Baran *et al.*, 2008:107). Steyn, Mostert and De Jager (2008:139, 146) support this view by stating that not all customers necessarily need or want a relationship with an organisation, and it follows that customers with a transactional intention also do not necessarily want a relationship with the organisation. Although customers with a transactional intention can constitute a great volume of the business of an organisation, any organisational resources spent on building a relationship with these customers will be wasted (Liang & Wang, 2006:139-140; Kumar *et al.*, 2003:668). Organisations should therefore focus their relationship marketing efforts on customers with a relationship intention (Kumar *et al.*, 2003:669) instead of mistakenly believing that relationships can be formed with any customer (Odekerken-Schröder, De Wulf & Schumacher, 2003:178).

From the above-mentioned contextualisation, the importance of identifying customers with a relationship intention is evident. Kumar *et al.* (2003:668-670) explain that relationship intention can be considered as customers' urge (willingness and need) to form a relationship with the organisation. In this vein, Kumar *et al.* (2003:670) propose five constructs that can be used to measure customers' relationship intention, namely involvement, expectations, forgiveness, feedback and fear of relationship loss. Previous studies on relationship intention in South Africa focussed on the validity of these five constructs of relationship intention posited by Kumar *et al.* (2003:670) with a view to measure the relationship intention in the short-term insurance industry (De Jager, 2006:5), the motor vehicle industry (Mentz, 2007:2) and the banking and life-insurance industries (Delport, 2009:5). Furthermore, Delport, Mostert and Steyn (2009) recommend that relationship intention can be used as a segmentation variable.

Segmentation is the process of identifying groups of customers who are of greater value to the organisation than the rest of the market and focussing on meeting their needs (Blythe, 2006:176; Fill, 2006:328). By means of this process, the limited resources of the organisation are applied effectively and efficiently (Baines, Fill & Page, 2008:218). In other words, market segmentation enables organisations to focus resources on those target segments offering the greatest advantage in terms of profitability (Stokes & Lomax, 2008:179-181). Geographic, demographic, behavioural and psychographic variables can be used for segmentation purposes (Pride & Ferrell, 2010:165; Kotler & Keller, 2009:253). According to Winer (2007:94-95), psychographics (such as

personality) can provide valuable information when combined with behavioural segmentation variables (such as relationship intention). The use of personality for segmentation purposes is supported by Pride and Ferrell (2010:170) and Doyle and Stern (2006:70) because marketing practitioners believe there is a relationship between personality and customers' needs and behaviour.

Wong and Hsu (2008:78) propound that important interactions exist between personality and the behaviour of customers. For this reason, personality can influence the behaviour and relationship intention of customers significantly, because personality characteristics induce customers to experience and demonstrate different emotions, behaviours and decisions (Gountas & Gountas, 2007:72). Ferguson (2004:311-312) supports this view by arguing that there is a growing realisation that marketing strategies targeted at behavioural tendencies associated with personality may be more successful than marketing strategies targeted at other characteristics of customers.

Mowen, Park and Zablah (2007:590-591) suggest that current research on personality in terms of customer behaviour causes confusion as this research tends to focus on dreams, conditioned responses, personality constructs, motives and identities. In order to circumvent the elusive nature of personality, the current study will focus on the Big Five personality domains (Bernard, Walsh & Mills, 2005:42). Bernard *et al.* (2005:42) and Donahue (1994:46) explain that the Big Five personality domains have been named according to the semantic theme shared by the traits contributing to five broad factors, namely extraversion (or surgency), agreeableness, conscientiousness, emotional stability (vs. neuroticism) and openness (or intellect/culture). Pineles, Vogt and Orr (2009:48) describe a number of characteristics associated with each of the Big Five personality domains. For example, high extraversion individuals are characterised as sociable, fun-loving and affectionate, while high neuroticism is characterised by anxiety, insecurity and self-consciousness. Openness to experience relates to originality, imaginativeness and having an array of interests. Individuals categorised into the domain of high agreeableness are sympathetic, forgiving and consenting. Lastly, conscientious individuals are careful, reliable and hardworking.

Each young adult between 18 and 34 years of age (Thompson & Thompson, 2009:1281, 1283) – a group that includes students (Callen-Marchione & Ownbey, 2008:369; Rahman *et al.*, 2008:221; Thakor *et al.*, 2008:141; Fuhrman, 2006:65;

Rugimbana, 2007:11), has a specific personality type. Personality develops due to genetics and the learning history of the individual (Mowen *et al.*, 2007:590-591). Moroz (2008:5) states that young adults know who they want to be, have a plan for achieving that and choose brands and services to complement their unique personalities. Since young adults are technologically informed, literally live with their cell phones - they rely on their cell phones to communicate (Moroz, 2008:26; Andelman, 2007:48) - and are the largest group using cell phone text messaging (Schiffman *et al.*, 2010:410), the choice of a cell phone network provider is very important to them. Young adults will try to demonstrate who they are and what their personal style is through their technology-product choices (Ling, 2008:892). This is evident when considering that, in a study amongst young South African adults concerning South African cell phone network providers, it was found that Vodacom was perceived to be the “cool” cell phone network provider, MTN the “most expensive” cell phone network provider and Cell C the “cheap and youthful” cell phone network provider (Koutras, 2006).

The importance of cell phone network providers in South Africa is further indicated with reference to a 2009 survey by Doke (2009:3) where Vodacom was voted the second overall favourite brand of South Africa. In the 2008 survey by Doke (2008:3) it was found that Vodacom was voted the fourth overall favourite brand in South Africa and MTN eighth.

It therefore appears that the cell phone network providers of South Africa have a strong brand presence. As young adults attach great value to technology (Moroz, 2008:26) and view cell phone network providers as important brands (Doke, 2008:3), the choice of a cell phone network provider is important to them. When selecting a product or service, young adults have proven to place much interest on product categories which they view as important, use heavily and are well acquainted with (Belch, Krentler & Willis-Flurry, 2005:570). Since young adults are becoming increasingly important in today's market arena due to their numbers and buying power (Ling, 2008:890), cell phone network providers should endeavour to identify those young adults who want to form long-term relationships with the organisation. A maintained relationship between the young adult and the organisation will ultimately result in higher profitability for the organisation, especially if young adults are loyal to cell phone network providers over a long period of time. Also, by identifying and building relationships through relationship marketing with young adults with a high relationship intention, cell phone network providers will in all

probability retain these customers once they gain more disposable income when they start to work or through career advancements. For this reason, those young adults with a relationship intention should be identified by the marketer. The aim of this study is therefore to examine young adults' relationship intentions towards their cell phone network providers.

### **1.3 OBJECTIVES OF THE STUDY**

The following primary and secondary objectives were set for this study:

#### **1.3.1 Primary objective**

The primary objective of this study is to determine young adults' relationship intentions towards their cell phone network providers.

#### **1.3.2 Secondary objectives**

The following secondary objectives are set to support the primary objective:

1. Determine whether the five relationship intention constructs proposed by Kumar *et al.* (2003:670) are valid in order to measure the relationship intentions of young adults.
2. Determine the influence of relationship length on young adults' relationship intentions towards their cell phone network providers.
3. Determine which features related to cell phone network providers young adults consider when selecting a cell phone network provider.
4. Determine whether there are differences between young adults who subscribe to the different cell phone network providers with regard to their relationship intentions.
5. Determine whether differences exist between young adults with a high relationship intention and young adults with a low relationship intention with regard to the constructs used to measure relationship intention.
6. Determine whether the ten-item personality inventory (TIPI) as proposed by Gosling, Rentfrow and Swann (2003:525) is a valid and reliable instrument to

measure young adults' personality types in terms of the Big Five personality domains.

7. Determine whether there are differences between young adults with regard to their demographic differences.

## **1.4 RESEARCH METHODOLOGY**

The methodology of the study will be discussed according to the literature study and the proposed empirical investigation.

### **1.4.1 Literature study**

Scientific journals, articles, books and research documents were consulted during this study.

The following databases are relevant in this regard:

- SACat: National catalogue of books and journals in South Africa.
- NEXUS: Databases compiled by the NRF of current and completed research in South Africa.
- SAePublications: South African journals.
- EbscoHost: International journals on Academic Search Premier, Business Source Premier, Communication and Mass Media Complete and EconLit.
- Emerald: International journals.
- ScienceDirect: International journals.
- ProQuest: International dissertations in full text.
- Internet: Google Scholar.
- SAMEDIA: Newspaper articles.

### **1.4.2 Empirical investigation**

The empirical investigation will be discussed according to the research design and method of data collection, development of the sample plan, research instrument, pilot study and data analysis.



#### 1.4.2.1 Research design and method of data collection

Zikmund and Babin (2010:50) and Aaker, Kumar and Day (2007:79-81) state that there are three general approaches to research, namely exploratory, causal and descriptive research. Zikmund and Babin (2010:50-55) and Aaker *et al.* (2007:79-81) assert that when the general nature of a problem, possible decision alternatives and relevant variables are considered, exploratory research is used. Exploratory research is highly flexible and unstructured, and research hypotheses are vague or do not exist at all, while causal research aims to show that one variable causes or determines the values of other variables. With causal research it is necessary to have reasonable proof that one variable preceded the other and that no other factors were responsible for the relationship of the variables (Zikmund & Babin, 2010:53-54). Zikmund and Babin (2010:51) and Aaker *et al.* (2007:79-81) propound that descriptive research is conducted in order to provide an accurate report of some aspect of the market environment as it offers a representation of the characteristics of a specific situation.

**This study used descriptive research.** This approach is relevant because the current study aims to determine whether young adults have the intention to form long-term relationships with their cell phone network providers.

Since descriptive research was used for this study, it is necessary to briefly consider qualitative and quantitative methods of research. According to Shank (2006:4), qualitative research is a form of systematic empirical enquiry into meaning. Burns and Bush (2006:202) further explain that qualitative research involves observing what people do and say. Qualitative research is used for gaining insight into a specific domain from a small group of individuals (Parasuraman, Grewal & Krishnan, 2007:178). Quantitative research, on the other hand, is defined as the use of structured questions in which the response options have been predetermined and the primary data is collected from a large number of individuals. This type of research is used to test hypotheses or to prove what is expected about a specific domain and to investigate the natural order by looking at variables (Parasuraman *et al.*, 2007:178-179). Quantitative research, furthermore, emphasises the relationship between variables, differences between individuals regarding specific variables and the causes of behaviour (Struwig & Stead, 2004:18).

The current study followed a two-stage design. Firstly, **qualitative research** in the form of a focus group was used to attain young adults' views of cell phone network providers. The information gathered from the focus group was used to construct a part of the questionnaire used in the second stage of this study. **Quantitative research** (in the form of self-administered questionnaires) was used to obtain data on the relationship intentions of young adults.

#### **1.4.2.2 Development of the sample plan**

The population of this study comprises young adults studying at the Potchefstroom Campus of the North-West University in the North-West Province and the sample was drawn from this population.

According to McDaniel and Gates (2005:359) and Welman, Kruger and Mitchell (2005:57) two sampling methods can be used to draw the sample, namely probability and non-probability sampling. Probability sampling is a sampling technique where every element in the population has a known probability of being included in the sample (Parasuraman *et al.*, 2007:338). The results obtained from a probability sample can be generalised to the entire universe or population (Struwing & Stead, 2004:118). For this study, however, a non-probability sampling technique was used. Unlike probability sampling, non-probability sampling entails that the probability of any particular member of the population being chosen, is unknown. A non-probability sample does not involve random selection and, for this reason, it is difficult to generalise research results to the wider population. A non-probability sampling technique is representative of the researcher's skill and judgement (Parasuraman *et al.*, 2007:339). Despite this fact, non-probability sampling is still a very reliable sampling technique (Churchill & Iacobucci, 2005:324). The benefits of using non-probability sampling methods include the elimination of the costs and trouble required to develop a sampling frame (Aaker *et al.*, 2007:393). According to Aaker *et al.* (2007:393-395), non-probability sampling comprises the following sampling methods: judgemental sampling - where the expert judgement of the researcher is used to select a representative sample from the population; quota sampling - where certain criteria or characteristics are used to select a sample from the population; snowball sampling - which is a combination of different sampling techniques and where each respondent is asked to identify one or more others in the field; and convenience sampling - where a sample is chosen purely on the

basis of availability as sampling units which are convenient are contacted. Furthermore, the convenience sample is simple, quick and inexpensive (Aaker *et al.*, 2007:395). For this study, **non-probability sampling in the form of convenience sampling** was considered relevant and the sample comprised 315 respondents.

#### **1.4.2.3 Research instrument**

The questionnaire was compiled from the literature review and the focus group. The questionnaire comprised four sections. In section A, the classification of information concerning the cell phone network providers was set out. This section was constructed from information obtained during the focus group interviews. Section B measured relationship intention. The questionnaire designed by Kumar *et al.* (2003:675-676) and adapted by De Jager (2006:18) and Delport (2009:31) was adapted to improve the reliability and validity of the measure. A pilot study of the revised measure of relationship intention was then conducted with 202 young adults from the target population and this improved measure was used in section B of the questionnaire. Section C measured personality by means of the ten-item measurement instrument of Gosling *et al.* (2003:525), known as the TIPI (ten-item personality inventory) measuring the Big Five personality domains. This personality measure was used as prior research supports the self-rating approach to personality assessment and because it is ideal for situations where very short measures are needed (Bernard *et al.*, 2005:41, 54; Gosling *et al.*, 2003:504). Section D aimed at obtaining demographic details such as age, gender and home language.

#### **1.4.2.4 Pilot study of the questionnaire used for this study**

Zikmund and Babin (2010:61) view a pilot study as a small-scale research project as data is collected from similar respondents to those of the study. A pilot study is used to examine respondents' reaction to the questionnaire in order to test the feasibility and understanding of the questionnaire (Zikmund & Babin, 2010:61; McDaniel & Gates, 2005:339). A pilot study of the questionnaire for this study was conducted using 10 young adults from the target population.

### 1.4.2.5 Data analysis

The SPSS statistical program (SPSS, 2007) and the SAS statistical program (SAS, 2007) were used for statistical processing.

The following data analyses were performed in the study:

- Determining the validity of the questionnaire as a measuring instrument through Explorative Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA).
- Determining the reliability of the questionnaire as a measuring instrument through Cronbach alpha-values.
- Cross-tabulations for obtaining frequencies for two variables.
- T-tests to determine whether a statistically significant difference exists between the population means of two groups.
- Analysis of variance to determine whether a statistically significant difference exists between the population means of more than two groups.
- d-values of Cohen to determine practical significance by means of effect size.

## 1.5 CHAPTER STRUCTURE

This study comprises eight chapters. The chapter contents are briefly set out. **Chapter 1** provides a contextual overview of the study by identifying the main motivations for undertaking the study and by presenting the research problem, objectives, research methodology and structure of the study.

Chapters 2 to 5 constitute the theoretical basis of the study. As relationship marketing provides the framework for relationship intention, **chapter 2** focuses on relationship marketing. This chapter examines the development of relationship marketing, transactional marketing as opposed to relationship marketing, the benefits and costs of relationship marketing to both the organisation and its customers, initial relationship marketing framework and levels of relationship marketing. A discussion of the notions of trust, commitment, value creation, service quality, satisfaction and loyalty as well as the interrelationship between these drivers of relationship marketing concludes **chapter 2**.

**Chapter 3** explores relationship intention, the main focus of this study. Relationship intention is viewed as relationship marketing from the customers' viewpoint and the five

constructs of relationship intention as proposed by Kumar *et al.* (2003:670) are scrutinised. The foundations of relationship intention as found in involvement, expectations, forgiveness, feedback and fear of relationship loss are observed to further establish the phenomenon of relationship intention.

**Chapter 4** focuses on segmentation. The bases for segmentation and variables within each base are presented and discussed in this chapter. The relevance of demographic segmentation in this study relates to the age of young adults, behavioural segmentation to relationship intention and psychographic segmentation to personality.

Personality is further explored in **chapter 5**. To understand why personality is important to this study, the consumer decision-making process is presented followed by a discussion of personality theories in the field of marketing, namely the social theory, self-concept theory, the Freudian or psychoanalytical theory and the trait theory. This discussion is followed by an exposition of the Big Five personality domains where extraversion, agreeableness, conscientiousness, neuroticism and openness to experience receive attention are briefly dealt with.

**Chapter 6** sets out the empirical research methodology used in this study by describing the methodology applied for each stage of the marketing research process. **Chapter 7** presents the results of this study in sequence of the questionnaire of the study. **Chapter 8** follows with the discussion of the results obtained during the empirical study and conclusions drawn from the findings about young adults' relationship intentions towards their cell phone network providers. Recommendations for cell phone network providers are presented and the chapter concludes by listing the study's limitations and suggestions for future research.

## 1.6 CONCLUSION

This chapter described the motivation for undertaking this study by stating the research problem. The objectives for this study were formulated and the research methodology applied throughout the study was briefly set out. From the research problem and the methodology, the literature review needed to contextualise this study became apparent. The next chapter will focus on relationship marketing as a framework for investigating young adults' relationship intentions towards their cell phone network providers.

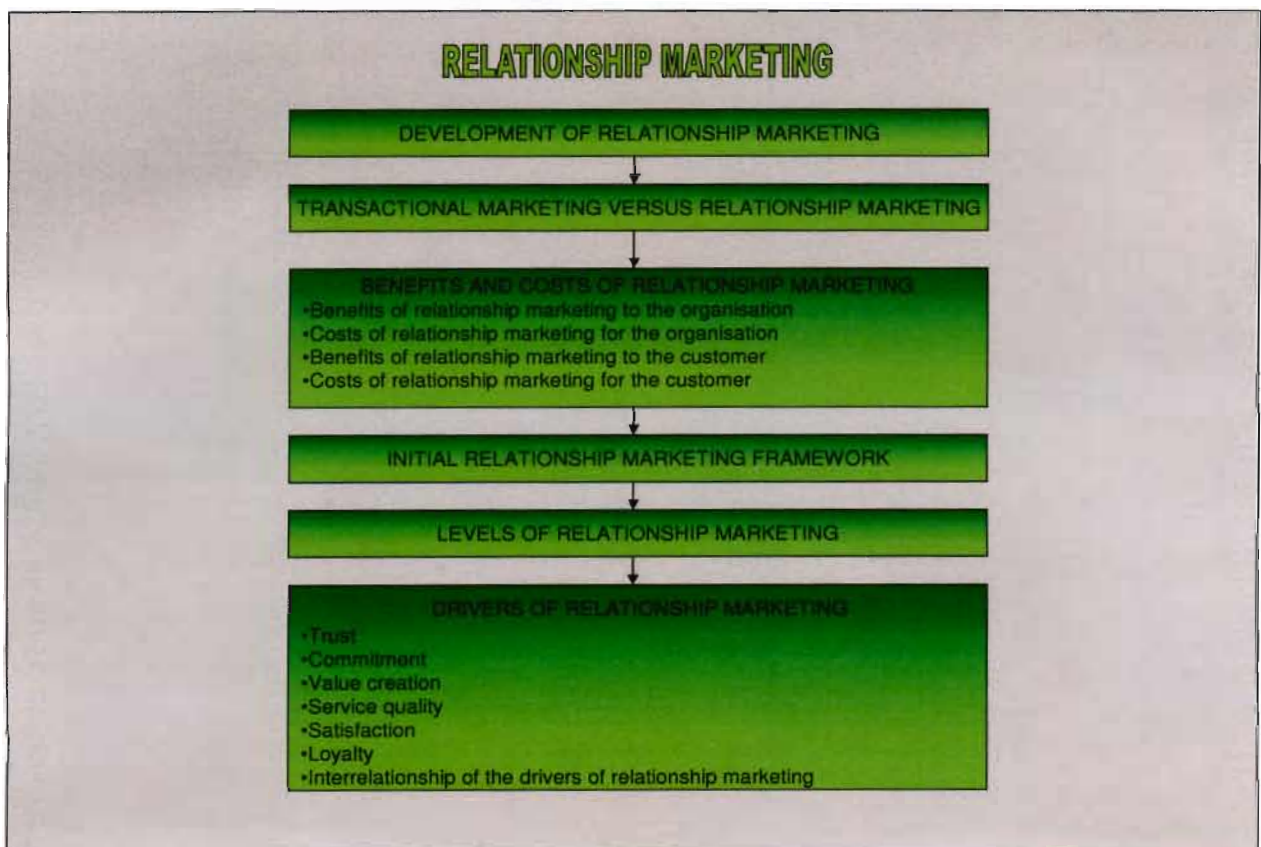
## CHAPTER 2

### RELATIONSHIP MARKETING

#### 2.1 INTRODUCTION

This study examines the relationship between young adults (students in particular) and their cell phone network providers, in view of the fact that the aim of this study is to determine the relationship intentions of young adults towards their respective cell phone network providers. For this reason, relationship marketing is the foundation of this study. In this chapter the development of relationship marketing is discussed after which transactional marketing is compared to relationship marketing. The benefits and costs of relationship marketing to both the organisation and customer motivate for the use of relationship marketing as framework for this study. The initial relationship marketing framework and levels of relationship marketing further indicate that not all customers want a relationship with an organisation. The drivers of relationship marketing conclude the context in which this study is undertaken. Figure 2.1 provides the chapter outline.

**Figure 2.1: Chapter outline**



## 2.2 DEVELOPMENT OF RELATIONSHIP MARKETING

Hou (2008:1251), Doyle and Stern (2006:39) and Seiders, Voss, Grewal and Godfrey (2005:36) describe the marketing concept as understanding and satisfying the current and potential wants and needs of customers better than competitors. Barrena and Sánchez (2009:144) add that marketing practises are changed to adapt to the trends in consumption patterns and customer preferences. In order to understand the wants and needs of customers, marketers need knowledge about customer behaviour which can be used to develop effective marketing strategies (Verma & Kapoor, 2003:7). Pride and Ferrell (2010:14) mention that successful marketers respond to the identified customer needs and strive to increase value to customers over time, for which relationship marketing is used. For this reason Baran *et al.* (2008:98) are of the opinion that relationship marketing forms part of the essence of marketing.

Egan (2004:9-10) explains that marketing entered centre stage during the period 1950 to 1970 in the form of the traditional marketing framework consisting of the marketing mix and mass marketing. However, by 1980 the traditional marketing tools did not seem to work effectively anymore. Peck, Payne, Christopher and Clark (1999:2) support this view by stating that the early 1980s was marked by an alternative approach to marketing theory namely, relationship marketing. Egan (2004:13-15) concurs that marketing research was primarily focused on consumer goods marketing and ignored all the relational aspects of exchange. Research in industrial and services marketing revealed that transactions were primarily based on business relationships, thus exposing the problems of the traditional marketing framework which are summarised as the 4Ps (product, price, place and promotion) framework by Peck *et al.* (1999:2). In this way, the platform for relationship marketing was born.

Blythe (2006:372) suggests that the origin of relationship marketing can be found in the Japanese *keiretsu* system. The *keiretsu* system entails that all organisations in the value chain become extremely involved and linked through arrangements and high degrees of trust and loyalty. This results in more efficient functioning of the value chain than what is the case with Western organisations. The result of such views was that Western organisations began to consider implementing relationship marketing. Upstream and downstream involvement made the value chain more efficient and increased profitability for all concerned.



Egan (2004:126-127) and Peck *et al.* (1999:11-21) explain the development of relationship marketing theory by starting with the six markets model that Christopher, Payne and Ballantyne presented in 1991. The six markets model provides a strategic overview of relationship marketing, but the theory had to be developed meticulously in detail; the work of Kotler in 1992 concerning the total marketing framework in terms of four players (suppliers, distributors, end-users and employees) further shaped the relationship marketing theory. This paved the way for Hunt and Morgan's interactive relationships which were categorised into four partnership types (supplier, internal, buyer and lateral) in 1994. Table 2.1 provides the four partnerships and ten relationships identified by Hunt and Morgan (1994:22-23).

**Table 2.1: Four partnerships and ten relationships**

RELATIONSHIPS	PARTNERSHIPS			
	Buyer partnerships	Supplier partnerships	Internal partnerships	Lateral partnerships
	Intermediate customers	Goods suppliers	Business units	Competitors
	Ultimate customers	Service suppliers	Employees	Non-profit organisations
			Functional departments	Government

Source: Adapted from Egan (2004:126) and Hunt and Morgan (1994:22-23).

Doyle (1995:34) deconstructed relationship marketing in 1995 and identified a series of dyadic relationships between the organisation and role-players (referred to as networks or partnerships due to the two-way interaction between these) in order to integrate key concepts of core capabilities, strategic intent and value creation. Four partnerships are identified. The first two partnerships entail the organisation's supply chain, namely partnerships with customers (both final customers and channel partners) and suppliers. The organisation's partnerships with suppliers result in high quality inputs and reaching just-in-time (JIT) and total quality management (TQM) objectives. Thirdly, external partnerships with competitors, strategic alliances and governments enable technology development, core marketing and global alliances. Lastly, internal partnerships refer to partnerships with employees (to achieve strategic intent), functional departments (to build strong core processes) and other strategic business units within the organisation (to achieve synergies and share skills).

Gummesson (1999:20-23) expanded this field of study in 1996 and 1999 and identified 30 relationships in relationship marketing classified as either market relationships or



non-market relationships (referred to as the 30Rs). Market relationships are divided into Classic market relationships and Special market relationships. Non-market relationships are divided into Mega relationships which exist above the market relationships as these relationships provide a platform for market relationships and concern the economy and society in general. Lastly, there are Nano relationships, which are relationships inside the organisation. Table 2.2 summarises the 30 relationships of relationship marketing.

**Table 2.2: The 30 relationships of relationship marketing (the 30Rs)**

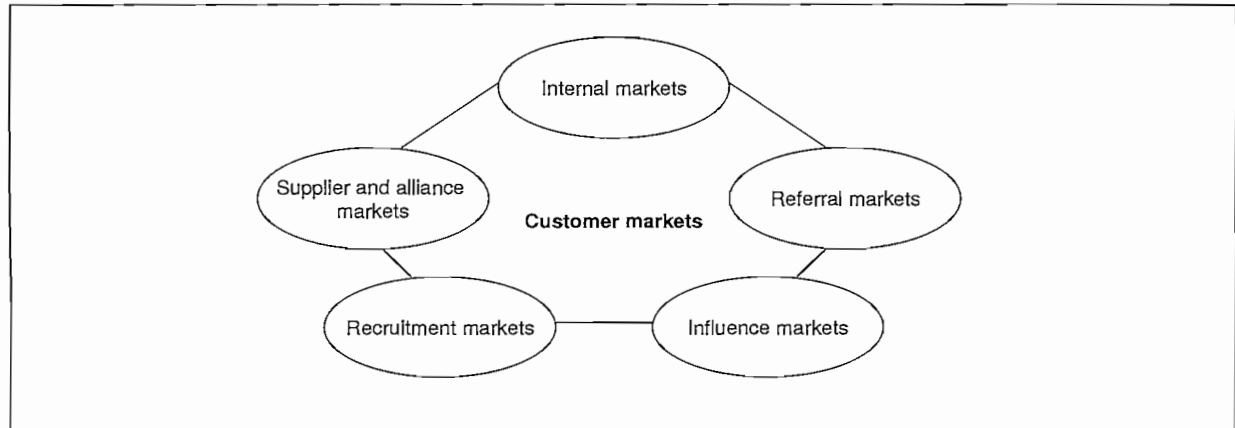
<b>Classic market relationships</b>	
<b>R1</b>	The classic dyad – relationship between the supplier and the customer
<b>R2</b>	The classic triad – the drama of the customer-supplier-competitor triangle
<b>R3</b>	The classic network – distribution channels
<b>Special market relationships</b>	
<b>R4</b>	Relationships via full-time marketers and part-time marketers
<b>R5</b>	The service encounter – interaction between the customer and the service provider
<b>R6</b>	The many-headed customer and the many-headed supplier
<b>R7</b>	The relationship to the customer's customer
<b>R8</b>	The close versus the distant relationship
<b>R9</b>	The relationship to the dissatisfied customer
<b>R10</b>	The monopoly relationship: the customer or supplier as prisoners
<b>R11</b>	The customer as 'member'
<b>R12</b>	The electronic relationship
<b>R13</b>	Parasocial relationships – relationships to symbols and objects
<b>R14</b>	The non-commercial relationship
<b>R15</b>	The green relationship
<b>R16</b>	The law-based relationship
<b>R17</b>	The criminal network
<b>Mega relationships</b>	
<b>R18</b>	Personal and social networks
<b>R19</b>	Mega marketing – the real 'customer' is not always found in the marketplace
<b>R20</b>	Alliances change the market mechanisms
<b>R21</b>	The knowledge relationship
<b>R22</b>	Mega alliances change the basic conditions for marketing
<b>R23</b>	The mass media relationship
<b>Nano relationships</b>	
<b>R24</b>	Market mechanisms are brought inside the organisation
<b>R25</b>	Internal customer relationship
<b>R26</b>	Quality providing a relationship between operations management and marketing
<b>R27</b>	Internal marketing: relationships with the 'employee market'
<b>R28</b>	The two-dimensional matrix relationship
<b>R29</b>	The relationship to external providers of marketing services
<b>R30</b>	The owner and financier relationship

Source: Adapted from Egan (2004:126) and Gummesson (1999:20-23).

Ballantyne (2000:274) supports this panacea as the 4Ps marketing approach held sway during the 1980s, but in the 1990s relationship marketing gained popular interest and became one of the key marketing issues of the decade. Finally, the six markets model was revised by Peck *et al.* (1999:1, 11, 22-23); this revision encompasses all the parties implied when referring to relationship marketing. The authors emphasise that the customer markets must be central to relationship marketing with the other five markets labelled as internal markets, referral markets, supplier and alliance markets, recruitment

markets and influence markets revolving around the customer markets, thus providing a simple framework for relationship marketing. This six markets model acknowledges the strategic alliances and joint ventures of network partners operative in relationship marketing. Figure 2.2 is a graphic representation of the six markets.

**Figure 2.2: The six markets model**



Source: Adapted from Peck *et al.* (1999:23).

Egan (2004:125) mentions all previous research on relationship marketing, be it concerned with markets, players, partnerships or 3ORs, views the paradigm shift towards relationship marketing as entailing a move away from a dyadic supplier-customer interaction towards a multifaceted series of interrelationships. Evans *et al.* (2004:210) suggest that the definition of relationship marketing derived from diverse relational schools. Relationship marketing can in essence be divided into the purpose of satisfying the objectives and enhancing the experience of both parties involved, the focus on key customers, the process of identifying, specifying, initiating, maintaining, and dissolving relationships, the key elements of mutual exchange, the fulfilment of promises and the adherence to relationship norms. However, relationship marketing in terms of customers will be emphasised throughout the current this chapter and in the study as a whole.

Stone and Dickey (2002:485) define customer relationship marketing as something that occurs when organisations build appropriate and enduring relationships with customers. They further assert that there is no reason to improve customer service levels if the customer relationship is unstable. Researchers found relationships to develop over time (Ha, 2004:191), and also found that relationships do not develop overnight, but rather in

terms of a series of episodes (Egan, 2004:137-138). Episodes are those interactions between an organisation's customer contact employees and the customers which result in a string of episodes, each of which has a bearing on the future relationship between the organisation and the customer.

According to Baran *et al.* (2008:48, 83, 111) and Lamb *et al.* (2008:11), relationship marketing focuses on establishing, maintaining and enhancing organisational relationships. Relationship marketing entails building long-term bonds through maintaining a continuous relationship with customers and other stakeholders. Parvatiyar and Sheth (2000:9) conclude that relationship marketing requires cooperation and collaboration through which mutual economic value at reduced cost is experienced by both parties in the business relationship. Pride and Ferrell (2010:14) maintain that the term relationship marketing refers to long-term, mutually beneficial arrangements. The focus on value enhancement ensures that both parties benefit from more satisfying exchanges. Evans *et al.* (2004:219) note that the interdependent and interactive nature of the relationship through cooperation is necessary to adapt products, services, systems or processes to meet specific needs. Furthermore, relationship marketing communicates the organisational goal to interact with its publics over the long-term (Evans *et al.*, 2004:209).

Liang and Wang (2006:121) and Odekerken-Schröder *et al.* (2003:178) define an organisational relationship as exchanges (one or more) between a customer and an organisation. For such a relationship to exist there are three prerequisites, namely that the first exchange marks the beginning of the continuum of the relationship, the customer must feel that the relationship exists (focussing on the customer's perspective) and the customer must view the exchange to be connected with past and future exchanges. The last two prerequisites mentioned are indicative of a focus on the customers' perspective. Egan (2004:68) concludes that unless the customer recognises the affiliation with the organisation, there is no relationship between the organisation and the customer.

Evans *et al.* (2004:220) suggest that the relationship between the organisation and customers must be attractive to at least one party in order to be initiated. The attraction occurs as one party perceives economic attractiveness (in terms of higher value or lower costs), resource attractiveness (access to particular products, services,

technologies or customers necessary to reach specific goals) or social attractiveness (the possibility to further social bonds and access to social situations or individuals).

Wong and Hsu (2008:79) explain that relationship marketing continually deepens the customer's trust in the organisation, which in turn results in a better understanding of customer needs as the organisation can collect customer information from the trusting customer. This improved understanding of needs is then used to develop the relationship with customers even further. Over time, the interaction between the organisation and customers turns into a relationship which enables cooperation and mutual dependency (Pride & Ferrell, 2010:14). Evans *et al.* (2004:210) explain that each interaction between the organisation and customers has an impact on the customer's perception of the organisation that will either result in deepening the relationship or adversely affecting the relationship, ultimately leading to a weaker relationship.

Although the benefit of relationship marketing could be to increase profitability, few Western organisations have implemented this notion in their marketing efforts. Egan (2004:57-58) states that historically, traditional marketing focused on creating new customers despite the fact that success can only be achieved through having both a constant flow of new customers and minimising customer defections. However, Blythe (2006:373) asserts that a turning point in the thinking on relationship marketing came with the publication of research suggesting that cross-selling to an existing customer costs one-sixth as much as selling to a new customer – a finding which emphasised the importance of retaining customers. Stone, Abbott and Buttle (2002:23) also maintain that obtaining new customers in mature markets costs far more than keeping customers. Peck *et al.* (1999:6) previously found that the link between customer retention and profitability in service organisations motivated the shift towards relationship marketing. Egan (2004:58) explains that a long-term relationship where the focus is on the retention of customers provide additional profit potential to the organisation. In summary, Lamb *et al.* (2008:11) insist that open-minded marketers realised that they needed to focus on building long-term relationships with their customers rather than on short-term transactions, because - as Verma and Kapoor (2003:13) state - customers for life (long-term customers with a relationship with the organisation) will buy from the organisation in the future and express their satisfaction with the organisation to others. Zikmund, McLeod and Gilbert (2003:4) contend that the concept of marketing has been revitalised through relationship marketing. Relationship

marketing efforts are facilitated by means of customer relationship marketing, which focuses on people and processes (established by information technology) and is used to build long-term mutually beneficial relationships (Kotzé, Prinsloo & Du Plessis, 2003:16-17).

Evans *et al.* (2004:209) are of the opinion that as the marketing environment became more dynamic and competitive (along with products and services becoming more alike and customers switching to competitors) the need for relationship marketing as a means for differentiation also became a motivator to incorporate relationship marketing as part of organisational marketing. Most organisations do, however, have both transactional and relational customers (Baran *et al.*, 2008:107). With the realisation that retaining customers is more important than getting customers (Zikmund *et al.*, 2003:2), marketers' efforts have shifted from transactional marketing towards relationship marketing (Payne, 2006:11). For this reason, the difference between relationship marketing and transactional marketing must be elucidated.

## **2.3 TRANSACTIONAL MARKETING VERSUS RELATIONSHIP MARKETING**

Egan (2004:84-85) propounds that relationship marketing and transactional marketing are two perspectives that are both integral to marketing. The concept of the marketing continuum between relationship marketing and transactional marketing leaves room for elements of both perspectives to be present in an organisation's marketing activities.

Baran *et al.* (2008:101) maintain, firstly, that relationship marketing focuses on customers - as opposed to transactional marketing which focuses on prospects (see section 2.6). Secondly, relationship marketing focuses on relationships instead of one-time transactions in transactional marketing. Thirdly, relationship marketing focuses on individuals and not on the masses as is the case with transactional marketing and, fourthly, relationship marketing attempts to improve the organisation's offering to each individual by examining the individual's needs more closely. Zikmund *et al.* (2003:72) hold that relationship-oriented customers, committed to the relationship, are willing to negotiate or compromise to maintain interactions over time. Relationship marketing emphasises cooperative actions, compromises, sharing of benefits and costs and plans for future interactions. Evans *et al.* (2004:209) conclude that in relationship marketing, resources are directed towards those areas that provide the most value for customers.

Through relationship marketing customer needs are better satisfied and the organisational costs are cut by focusing on areas relevant and of value to customers. Payne *et al.* (quoted by Egan, 2004:26) further propose that relationship marketing has a long-term focus as it entails developing and retaining relationships with key publics of the organisation as opposed to the case of transactional marketing which focuses only on the transaction at hand. Table 2.3 summarises the major differences between transactional marketing and relationship marketing which can also be viewed as a transactional/relational continuum.

**Table 2.3: Major differences between transactional and relationship marketing**

	Transactional marketing (TM)	Relationship marketing (RM)
	<div style="display: flex; align-items: center; justify-content: space-between;"> <div>TM</div> <div style="flex-grow: 1; border-bottom: 1px solid black; position: relative;"> <div style="position: absolute; left: -10px; top: -5px;">←</div> <div style="position: absolute; right: -10px; top: -5px;">→</div> </div> <div>RM</div> </div>	
<b>Objective</b>	<ul style="list-style-type: none"> <li>• Make a sale</li> </ul>	<ul style="list-style-type: none"> <li>• Create a customer</li> </ul>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Own benefit</li> <li>• Little emphasis on customer service</li> <li>• Limited customer commitment</li> <li>• Limited customer contact</li> <li>• Quality is an operations concern</li> </ul>	<ul style="list-style-type: none"> <li>• Interdependence</li> <li>• High emphasis on customer service</li> <li>• High customer commitment</li> <li>• High customer contact</li> <li>• Quality is the concern of the entire organisation</li> </ul>
<b>Focus</b>	<ul style="list-style-type: none"> <li>• Prospects (obtaining new customers)</li> <li>• One-time transactions</li> <li>• Masses</li> <li>• Short-term</li> <li>• Product features</li> </ul>	<ul style="list-style-type: none"> <li>• Customers (customer retention)</li> <li>• Developing relationships</li> <li>• Individuals</li> <li>• Long-term</li> <li>• Customer value</li> </ul>
<b>Criteria of success</b>	<ul style="list-style-type: none"> <li>• Volume</li> <li>• Price</li> <li>• New customers attracted</li> </ul>	<ul style="list-style-type: none"> <li>• Value enhancements</li> <li>• Repeat exchanges</li> <li>• Retaining customers</li> </ul>
<b>Interaction tone</b>	<ul style="list-style-type: none"> <li>• Sale as a conquest</li> <li>• Discreet event</li> </ul>	<ul style="list-style-type: none"> <li>• Sale as an agreement</li> <li>• Continuing process</li> <li>• Improve organisation's offering</li> </ul>

Source: Adapted from Baran *et al.* (2008:101), Zikmund *et al.* (2003:72) and Peck *et al.* (1999:44).

Relationship marketing requires continuous customer contact while customer contact in transactional marketing is discontinuous. Also, transactional marketing focuses on product features while relationship marketing stresses customer value (Egan, 2004:130). Transactional marketing, furthermore, places little emphasis on customer service – in contrast with relationship marketing where organisations are committed to meet customer expectations. Egan (2004:88) also mentions that relationship marketing requires the organisation to integrate interaction between all functions and departments. On the other hand, transactional marketing does not call for a high level of interdependency within organisational functions and departments. Characteristics of

high relational richness are high levels of trust, personal friendships and similar goals (Zikmund *et al.*, 2003:72). Relationship marketing is identified by the strategic shift from extracting value from transactions towards developing and maintaining mutual value through relationships (Ballantyne, 2000:274).

Grönroos (quoted by Evans *et al.*, 2004:220) explains that the organisation's choice of strategy is not simply a choice between transactional marketing and relationship marketing – the author suggests that the transactional/relational continuum should be used instead. Between the two extremes of the continuum, relationships with different degrees of intensity and characteristics can be found. Egan (2004:93) advises that organisations may use a range of strategies which can be dominated by either the transactional or relational end of the continuum.

## **2.4 BENEFITS AND COSTS OF RELATIONSHIP MARKETING**

Steyn *et al.* (2008:139) and Evans *et al.* (2004:272) agree that the relationship between the organisation and the customer is a collaboration, offering benefits to both parties and demanding input from both parties. Thus, there are benefits and costs associated with relationship marketing for both the organisation and the customer. These benefits and costs of relationship marketing to both the organisation and customers are briefly discussed.

Gamble, Stone, Woodcock and Foss (2006:9-10) state that the profit potential of customer relationship marketing is explained through two arguments, namely one based on costs and one based on profits. Acquiring new customers holds initial costs of welcoming, learning, administration and opportunity losses in terms of reduced up-selling and cross-selling. The potential profit of relationship marketing can be viewed to include the lifetime-value of customers. Hence, in order to fully understand the benefits and costs of relationship marketing, it is necessary to consider the customer life-cycle and the lifetime-value of the relationship between the organisation and the customer.

Zikmund *et al.* (2003:10, 100) define the customer life-cycle as the stages through which a customer proceeds in terms of making use of the organisation, ranging from before the first exchange with the organisation, to the dissolution of the relationship between the organisation and the customer. From the organisation's perspective there

is an acquisition stage, a retention stage and – in many cases – a customer win-back stage for lost customers. Evans *et al.* (2004:65) mention that as customers progress through their life-cycles, their ability to buy more expensive products and services is likely to increase. The fact that retaining customers is less expensive than acquiring new customers, along with the opportunity for repeat buying and possible up-selling, increase the lifetime-value of the customer. For the duration of the relationship between the organisation and the customer, the lifetime-value of the relationship is defined as the net benefit to each party in an exchange over the length of time that interactions occur. The lifetime-value of a customer is also influenced by the type of products and services the organisation offers, for example purchase of baby products will only occur for a short period of time (as the baby grows older customers will no longer have the need to purchase baby products). Gamble *et al.* (2006:181) define the lifetime-value as the period of time that customers are retained and their purchase rate – both accumulated as one function. Payne (2006:9) maintains that one of the key principles of relationship marketing is an emphasis on the retention of profitable customers through maximising the lifetime-value of the customer's relationship. Relationship marketing is therefore much like marriage (Baran *et al.*, 2008:98) as both parties make sacrifices for mutual understanding and benefit.

Egan (2004:69-70) concludes that it is the lifetime-value of the customer which acts as motivator to abandon the short-term perspective of profit and loss and embrace a perspective focussing on the income derived from the organisation's lifetime alliance with the customer. The problem with this concept is, however, that the organisation has no guarantee that the customer will remain with the organisation – especially when there are low exit barriers, substitutions, rapidly changing markets (such as telecommunications) and sales promotions. Egan (2004:77) posits that only when past experience merits the idea that the average customer will continue to purchase a product or service from the organisation, the benefits of relationship marketing come into play. Evans *et al.* (2004:217) also argue that the motivation for the relationship between the organisation and customers are mutual goals. This does not mean that the organisation and the customer have the same goals, but rather implies the possibility for both the organisation and the customer to reach their goals through the relationship.



### 2.4.1 Benefits of relationship marketing to the organisation

Evans *et al.* (2004:211) propound that, as relationship marketing is concerned with relationships with all publics, supplier relationships will improve value or even reduce costs through more efficient ordering systems. From here relationships with distributors will accommodate new product introductions more easily – and the competitive position of the organisation will be enhanced due to the network of relationships in which the organisation is involved which, in turn, will contribute towards adding value and reducing costs, all of which will ultimately result in enhancing customer relationships.

Gamble *et al.* (2006:108-183) assert that justifying any marketing activity to top management is revenue-based. Relationship marketing firstly offers revenue protection by lowering the attrition rate (the rate of customer loss), increasing customer satisfaction levels and the lifetime-value of the relationship with the customer. Secondly, revenue is extended through relationship marketing via cross-selling, up-selling, increased share of customers' wallets and reactivating customers who were lost to a competitor. Thirdly, relationship marketing develops revenue by recruiting new customers of the right quality and potential. Lastly, revenue is retained due to improved effectiveness of marketing activities and fewer misdirected actions. Jooste *et al.* (2009:323) and Berry (2000:153) explain that this state of affairs can be ascribed to the fact that relationship marketing allows the organisation to become more knowledgeable about customer needs and expectations. This knowledge, along with social rapport (the emotional connection between the organisation and the customer) developed over a series of relationship episodes, enables organisations to customise service to individual customer needs, resulting in greater customer satisfaction.

A number of other authors agree with the benefits mentioned above, and explain these benefits in more detail. According to Jooste *et al.* (2009:324) and Lamb *et al.* (2008:11), the successful use of relationship marketing results in lower costs for the organisation as it is less expensive to retain customers than to attract new customers. Furthermore, organisations will benefit from loyalty of customers through repeat sales and referrals resulting in increased sales, market share and profits. This argument is supported by Steyn *et al.* (2008:140) and Payne (2006:9) who suggest that the benefits of relationship marketing for the organisation are lodged in customer retention which results in lower business costs, an increase in customer spending, referrals and price-premiums.

Also, a long-term customer relationship is favourable for the organisation's profitability as satisfied customers are more likely to buy additional services and spread favourable word-of-mouth communication than short-term customers (Liang & Wang, 2006:124). Zikmund *et al.* (2003:7) further elucidate these benefits by adding that organisations first experience share of customers' wallet (that is, satisfied customers wanting the organisation to sell them something else); secondly, relationship marketing results in cross-selling where complementary products are marketed to existing customers; and thirdly, up-selling, where higher value products are marketed to existing customers. Ha (2004:199) summarises these benefits as: building relationships with customers provides reduced marketing costs (as customer acquisition costs require more money), lower transaction costs (in terms of transaction negotiation and order processing), reduced customer turnover (because fewer customers are lost and need to be replaced) and more positive word-of-mouth communication. The effect of all the aforementioned benefits of relationship marketing for the organisation is an increase in the long-term profitability of the organisation (Zikmund *et al.*, 2003:7).

Three different perspectives on relationship marketing reveal more benefits to the organisation. Firstly, benefits in terms of personal contact; secondly differentiation and lastly, involvement will be mentioned. Evans *et al.* (2004:218) propound that the benefits of relationship marketing are found in the personal contact between the organisation and customer. Fostering personal contacts is important because it facilitates the transfer of soft information, enhances subjective judgements through frequent interaction in both formal and informal situations and makes customers more tolerant of service failures. For this reason, Evans *et al.* (2004:223) conclude that organisations can achieve increased loyalty and retention of customers through relationship marketing, resulting in the strengthening of relational bonds. Furthermore, the opportunity for competitors to encourage switching behaviour is also minimised. Ha (2004:199, 201) proposes that the familiarity created through a long-term relationship results in improved brand perceptions and positive emotion which, in turn, maintains sound relationships. Long-term relationships improve security and privacy, create brand-trust, and facilitate positive feedback. Berry (2000:152) regards the differentiation offered to organisations that implement relationship marketing strategies as a benefit. Finally, Sheth and Parvatiyar (2000:196) mention that the involvement of customers (see section 3.3.1) reduces the organisation's costs associated with the tasks performed by the customers self, resulting in greater efficiency.

From the above it is suggested that the purpose of establishing a long-term relationship with customers is to ensure that they are retained and keep coming back (Blythe, 2006:378). Berry (2000:152) concludes that relationship marketing lowers the defection rate of customers which directly influences profitability positively.

#### **2.4.2 Costs of relationship marketing for the organisation**

Jooste *et al.* (2009:325) summarise the cost of relationship marketing to the organisation in terms of time (relationships continue to develop over time), money (direct and indirect costs) and resources (to establish and enhance relationship marketing within the organisation). Concerning time, Egan (2004:73-75) discusses benefits of retention through relationship marketing such as revenue growth, cost savings, referral income and price premiums critically, and concludes that it is difficult to increase the growth of revenue without intervention by the organisation. Furthermore, customers can choose between different organisations to save them costs (and for this reason the organisation will not necessarily save costs); referrals alone will not increase revenue, and price premiums can be a threat to customer satisfaction. For these reasons the benefits of relationship marketing can also boomerang, resulting in actual and unforeseen costs to the organisation.

Concerning money, Egan (2004:147) states that organisations incur direct and indirect costs from serving a customer with relationship marketing and that the relationship profitability is the relationship revenue (the total revenue generated from a customer relationship during a financial year) minus relationship costs. Because the costs of serving a customer include both the cost of facilitating a transaction and all the communication with the customer, the costs of relationship management varies (Evans *et al.*, 2004:287).

Concerning resources, Zikmund *et al.* (2003:8) assert that the process change (the altering of the pattern within the organisation to accommodate relationship marketing; the information technology used for relationship marketing; the infrastructure and investment of other irrecoverable resources such as time and effort in the relationship) can be costly. Gamble *et al.* (2006:108-183) add that the cost of customer contact strategies of relationship marketing include direct costs (such as salaries and equipment), management overheads (to support the direct sales), office support costs

(in terms of the administrative personnel supporting the sales process), marketing costs (including promotional media, database operations and analyst costs) and office overhead allocation (such as rent, insurance and inventory). However, when the accrued positive outcomes exceed these costs, relationship marketing is a feasible strategy for the organisation (Zikmund *et al.*, 2003:8).

### **2.4.3 Benefits of relationship marketing to the customer**

Although relationship marketing has several benefits for the organisation, the benefits that customers derive from relationship marketing are of importance for this study because this study focuses on and measures the relationship intention of customers (discussed in chapter 3). For this reason the benefits that customers experience through relationship marketing is significant.

Pride and Ferrell (2010:15) maintain that generally, the benefits that customers experience from relationship marketing include anything customers receive in their exchanges with the organisation. Buttle (2004:26-27) mentions that customers may want a relationship with organisations for other than the obvious reasons in terms of benefits derived from acquiring, consuming or using the product or service. Firstly, recognition and being addressed by name can make customers feel more valued. Personalisation is a second benefit customers may strive towards as the organisation can understand the specific preferences or expectations of customers better over time. Thirdly, customers may feel that the perceived irregularity of power between the organisation and customers is reversed through relationship marketing as the customer becomes a partner. Fourthly, high levels of perceived risk in terms of performance, physical, financial, social and psychological risks (which are uncomfortable for customers) may be reduced and in extreme cases eliminated through relationship marketing. In the fifth place, the feeling of enhanced status through a relationship with the organisation motivates the customer to engage in relationship marketing. Lastly, the affiliation from the relationship with the organisation is a benefit customers might enjoy. In short, the intangible nature of services makes it difficult for customers to evaluate the service before use and for this reason excellent service in the past will act as motivation to remain loyal to the organisation who previously delivered on customer expectations (Berry, 2000:152-153). Hoffman and Bateson (2006:333, 405) assert that consistent service quality in the relationship is necessary for customer satisfaction, and for this

reason consistent service quality is a precondition and assumption for relationship marketing.

Sheth and Parvatiyar (2000:173) conceptualise customer benefits as shopping in a familiar environment, or a customised product or service and reduced time and effort (search costs). According to Evans *et al.* (2004:211) benefits include that customers will feel an affinity with the organisation; customers will feel 'known' to the organisation (in contrast to anonymous customers) and akin to the personal interaction; customers will receive special treatment and extra spoils from the organisation; and lastly, they would receive relevant and timely communication of offers of interest to them at the moment. For this reason, Evans *et al.* (2004:209) maintain that customers value relationships with organisations due to risk reduction, the social benefits along with special treatment benefits and the simplified buying process. The choice reduction due to the simplified buying process will result in an evoked set and create behaviour routines when specific products and services are needed, resulting in habitual action and behavioural loyalty (Sheth & Parvatiyar, 2000:175-176).

Steyn *et al.* (2008:140) and Ruiz, Castro and Armario (2007:1091) also conclude that the benefits customers experience through a positive relationship with an organisation include confidence, social and special treatment benefits. These benefits are briefly discussed below.

#### **2.4.3.1 Confidence benefits**

Ruiz *et al.* (2007:1091), Evans *et al.* (2004:272) and Sheth and Parvatiyar (2000:179) describe confidence benefits as feelings of increased trust and anxiety reduction. Over the series of episodes of the relationship, customers accumulate experiences and their levels of uncertainty decrease as knowledge of the organisation rises. Zikmund *et al.* (2003:8-9) support this view and suggest that confidence benefits reduce the risk for customers firstly because the risk of dealing with a new supplier is eliminated, and secondly, because customers are assured of quality and expectations are met. Furthermore the ongoing relationship with the same organisation simplifies the buying process.

### **2.4.3.2 Social benefits**

Bergeron, Roy and Fallu (2008:171) examined the influence of social benefits such as acknowledging a family member's birthday and giving tickets to an entertainment venue, and found that customers' trust, satisfaction, purchase intentions and word-of-mouth intentions increased. Also, at contact touch points - those places where customers have direct contact with personnel of the organisation - customers can communicate and explain their needs (Zikmund *et al.*, 2003:9). Through this interaction, friendships, recognition and fraternisation might arise between the organisation and the customer accruing to the social benefits of the relationship (Ruiz *et al.*, 2007:1091; Evans *et al.*, 2004:273).

### **2.4.3.3 Special treatment benefits**

Special treatment benefits can include personalisation in terms of one-to-one marketing through tailored individual offers (Zikmund *et al.*, 2003:9). Lamb *et al.* (2008:11) argue that customers benefit from stable relationships with organisations through reward schemes. Evans *et al.* (2004:285) add skipping queues, receiving special prices and promotional offers to special treatment benefits. Ruiz *et al.* (2007:1091) summarise the special treatment benefits as functional benefits such as better service conditions, better buying decisions, advice, preferences and economic advantages.

### **2.4.4 Costs of relationship marketing for the customer**

Ruiz *et al.* (2007:1091) view monetary and non-monetary costs as sacrifices that the customer has to make in order to maintain the relationship with the organisation. Some customers might view the non-monetary costs as more important than the monetary costs. Ruiz *et al.* (2007:1092) further propose that service convenience reduces non-monetary costs and affects customer satisfaction, perceived quality and perceived fairness. The customer's willingness to sacrifice convenience for a lower price and vice versa reveals his or her monetary or non-monetary orientation. On the other hand, Sheth and Parvatiyar (2000:173) propound that although customers enjoy choice reduction through ongoing loyalty relationships with organisations, this can be viewed as a form of commitment in support of the specific organisation instead of exercising market choices. By doing this, however, customers lose the opportunity to choose other

organisations, products or services. Engaging in a long-term relationship with an organisation therefore implies that customers deliberately reduce their choices (even when there are many) through relationship marketing behaviour. The current study particularly examines the customer's intention to build a relationship and therefore reduce choices (see chapter 3).

According to Zikmund *et al.* (2003:9-10), the costs of relationship marketing for customers are to a large extent intangible as customers lose their privacy and forfeit the opportunity cost associated with ignoring other offers from competitors. Pride and Ferrell (2010:16) conclude that the cost of relationship marketing for customers include anything that must be given up to support the same trusted organisation.

## **2.5 INITIAL RELATIONSHIP MARKETING FRAMEWORK**

After having considered the benefits and costs of relationship marketing, it has become evident that organisations use relationship marketing in order to increase profitability (Egan, 2004:114). Stone and Nathan (2002:227) argue that the central focus of customer relationship marketing is to offer better service to higher-value customers. Organisations must therefore have some way of deciding whether relationship marketing will be used to increase profitability or whether it will not be profitable to use relationship marketing. Peck *et al.* (1999:46) state that an important implication of the ladder of loyalty (also referred to as the different stages of relationship development) is that organisations may not necessarily want to start a relationship with specific customers as they may not be suited for the investment and it may prove too costly to do so. For this purpose, organisations have the initial relationship marketing framework. Gamble *et al.* (2006:47-48) describe the initial relationship marketing framework with the three W's which are:

- **Wish:** The ideal relationship which the organisation would like to achieve with the customer;
- **Will:** As it is difficult to reach the wish level of relationship the will position refers to the level of relationship which the organisation is willing to accept opposed to the level that is unacceptable. For example, the organisation might view customers with a relationship level where 50 per cent of the purchases are made with the organisation as appropriate; and

- Walk away: Walk away refers to the organisation realising that it is simply not worth it to build a relationship with the identified customers falling into this category as the relationship will not be profitable to the organisation.

According to Parvatiyar and Sheth (2000:16), the overall objectives of relationship marketing are improved productivity and enhanced mutual value for the organisation and its customers. Ha (2004:199) explains that profit-oriented relationships, however, imply that the organisation should identify only those customers who will deliver quality relationships. In the long run Egan (2004:70) propounds that the organisation should use the cost-benefit basis to decide whether to build a relationship with customers or not. Although there are significant benefits to reap from relationship marketing, a close, long-term relationship with customers is not always viable or necessary (Evans *et al.*, 2004:215). Gamble *et al.* (2006:220) conclude that customers are not equally valuable; for this reason organisations should decide which customers they want to attract and how they want the customers to engage in the relationship.

Peck *et al.* (1999:410-414) state that the philosophy of relationship marketing does not imply that the organisation must establish mutually beneficial relationships with all its customers or that all the customers want or require such a relationship. Two ways of determining with which customers the organisation should build a relationship are through customer profitability, and through opportunities for creating additional value for those customers. Customers generate profits, in contrast to the general belief that products and services generate profits. For this reason, customer profitability must be determined. The authors refer to the Pareto's Principle: the 80/20 rule that 80 per cent of organisational profit is generated by 20 per cent of the organisation's customers. The key to relationship marketing is to focus relational efforts on only those customers who are or will become high-performing partners. Mutually beneficial relationships are based upon collaboration and interaction between the organisation and partners.

Stone and Field (2002:394) propound that organisations should recognise which customers offer them the best potential, keep these identified customers informed about the benefits of supporting the organisation, persuading them to stay with the organisation, and also give customers the individual required level of service and rewards for staying with the organisation. Egan (2004:75) emphasises that all customers do not contribute equally towards organisational profitability, regardless of



the length of their relationships. For this reason, organisations should decide which customers to target as losing a profitable customer will be a great loss to the organisation - whereas losing a non-profitable customer can actually benefit the organisation.

Evans *et al.* (2004:212) use marriage as metaphor to describe the ideal relationship between an organisation and customers, because both the organisation and the customer must be committed and loyal to the relationship, focussing on the long-term nature of the relationship. Both parties must be on equal footing based on mutuality and fairness. The objective of relationship marketing can thus be explained as organisations trying to turn prospects into partners.

## **2.6 LEVELS OF RELATIONSHIP BUILDING**

Organisations using relationship marketing ultimately want to reach the level of partnering through relationship building. Payne (2006:111-112) and Peck *et al.* (1999:45) describe the different stages of relationship development between an organisation and customers in terms of the ladder of customer loyalty. The stages, in descending order, include:

- Partner: This type of loyal customer is a business partner as both parties seek an ongoing profitable relationship. Egan (2004:130) maintains that the aim of relationship marketing is to treat customers as valued partners. This is achieved by means of knowledge about customer needs and developing customer loyalty through quality service;
- Advocate: This type of loyal customer spread favourable word-of-mouth by actively recommending the organisation to others and does a fair part of the organisation's marketing without realising it;
- Supporter: Customers who like the organisation but only support the organisation passively, are supporters;
- Client: Customers referred to as clients are repeat customers who may be negative or hopefully neutral towards the organisation;
- Buyer/Purchaser: Customers who have conducted business once with the organisation are referred to as buyers; and

- Prospect: Prospects are customers who have not yet conducted business with the organisation but may be persuaded to do so. Evans *et al.* (2004:271-272) argue that some organisations believe that new customers are the only way to establish organisational growth and this perspective causes organisations to treat all customers as prospects, also giving conflicting information to customers - which ultimately undermines customer value to the organisation. This perspective also causes organisations to be unaware of defecting customers and the reason for defecting as well as being unable to improve strategies in the future. Stone and Weston (2002:460) explain that prospects do not suddenly appear out of nowhere; rather, they move towards or approach the brand or category of products and services that the organisation offers. For this reason, organisations should be able to identify customers who are approaching prospect status with a view to move them through the different stages of relationship development to the stage where the customer will become a partner for the organisation.

Peck *et al.* (1999:44) propound that new and existing customers require different strategies concerning relationship marketing and the marketing budget should be allocated accordingly. Egan (2004:64, 66) asserts that each customer is at a different stage of relationship development and therefore each customer should be treated differently. Furthermore, the relationship stages can only exist when both the organisation and the customer recognise the potential benefits to be gained from the relationship. Organisations aim to move customers through the stages of relationship development to the level of partnering. Stone and Nathan (2002:235) conclude that timeliness, relevance, responsiveness, accessibility, service recovery and immediate access to information the customer has previously given to the organisation, will enable the organisation to manage each stage of the relationship and to move customers into the next stage of the relationship.

The different stages of relationship development reflect the level of relationship building used by the organisation. As the relationship between the organisation and the customer develops, the level of relationship building will also increase. Gamble *et al.* (2006:67) identify five levels of relationship building, namely:

- Basic: The sales personnel simply sells the product or service to customers;

- Reactive: After the sale the customer is encouraged to provide feedback concerning satisfaction and needs;
- Account management: Account management is characterised by an increased search for feedback. The customer is called to obtain whether the service was satisfactory or not and a response for improvements or enhancements follows. At this level, additional attention is given to orders and deliveries;
- Proactive: The customer receives access to new products and services and time is spent to determine how the product or service is used. There is a search for ways to add value for the customer; and
- Partnering: The organisation works together with the customer in order to perform better in relation to customer expectations and needs. During communication the word 'we' is used.

Evans *et al.* (2004:211) continue that the aim of relationship marketing is to build long-term relationships with customers to realise their lifetime value. The relationship between the organisation and customer is described as an interaction between two partners and characterised by trust, commitment, respect, loyalty, affection, communication and sharing, ultimately resulting in mutual achievement of goals.

## **2.7 DRIVERS OF RELATIONSHIP MARKETING**

Organisations build different levels of relationships with customers by offering value and providing satisfaction on a consistent basis (Lamb *et al.*, 2008:11). According to Blythe (2006:387), the quality of the relationship between the organisation and its customers depends on how well the organisation manages it. On the other hand, Fill (2006:97-98) argues that the value of the relationship between the organisation and the customer depends upon the mutual maintenance of trust, equity, responsibility and commitment. From the above discussion, a number of constructs influencing relationship marketing can be identified, which will now be addressed.

Little and Marandi (2003:43-55) suggest that organisations hold a customer orientation with which all the drivers of relationship marketing, namely trust, commitment, customer value, service quality, satisfaction and loyalty, are integrated to achieve all the benefits of relationship marketing.

Baran *et al.* (2008:111) maintain that satisfaction, trust and commitment are very important when describing the relationship between an organisation and a customer. Concurrently, Liang and Wang (2006:121) identify relationship satisfaction, trust, commitment and buying behaviour as relationship outcomes. Odekerken-Schröder *et al.* (2003:178) support this statement and propose that relationship satisfaction, trust, commitment and buying behaviour can strengthen the relationship between the organisation and the customer. Gamble *et al.* (2006:8) suggest that understanding the basis of satisfaction and loyalty is one of the changes that an organisation must undergo when implementing relationship marketing.

Egan (2004:91) asserts that drivers of relationship marketing are factors likely to have a positive impact on relationship marketing rather than predicting relationship marketing. Trust, commitment, value creation, service quality, satisfaction and loyalty as drivers of relationship marketing will now be discussed.

### **2.7.1 Trust**

Steyn *et al.* (2008:140) maintain that trust is necessary in order to establish a long-term relationship with customers. Evans *et al.* (2004:213) support this statement by suggesting that trust is considered as the foundation of a relationship. Liang and Wang (2006:126) add that it is of the utmost importance to establish trust between the organisation and the customers in the beginning of the relationship as trust is a basis to build stable relationships. This is due to the fact that trust fosters confidence in the partner's reliability and honesty. Evans *et al.* (2004:214) further note that a relationship cannot be initiated unless there is trust. Customers will only engage in an exchange when they trust the word of an individual, organisation or brand. Trust entails that the organisation must keep explicit and implicit promises, uphold visible elements of the organisation signalling quality, and paying attention to details that matter to customers. Steyn *et al.* (2008:141-142) believe that the essence of trust lies in one party's perception of the competence, reliability and integrity of the other party. From the organisation's viewpoint, this entails that the organisation must possess the required skills and knowledge to supply the service needed. Trust results in more forgiving and more loyal customers for the organisation. Furthermore, trust acts as insurance against risks and unexpected behaviour of customers for the organisation.

Egan (2004:102-103) identifies four terms to describe trusting relationships between the organisation and customer. Firstly, probity refers to honesty and integrity and secondly, equity refers to fair-mindedness, benevolence, caring and sincerity. Thirdly, the ability of the organisation to perform promised service effectively and consistently through expertise is termed reliability. Lastly, satisfaction encompasses the belief in organisational competence to perform certain services under specific circumstances.

Blythe (2006:373) views trust as the moderating variable when it comes to the perception of the relational orientation of both the organisation and the customer. From the first transaction, the relationship between the organisation and the customer grows to one where the focus is on cooperation and not the transaction itself. For this reason, the first transaction between the organisation and the customer is characterised by product or service-related problems to solve and as the relationship grows, the focus shifts to the way in which the interaction occurs. Steyn *et al.* (2008:141) support this view and suggest that repeated transactions are a prerequisite for creating trust, which means that past experiences and prior actions build trust. Berry (2000:164) maintains that customers with a trusting relationship with the organisation reduce their uncertainty and vulnerability with past experience. For this reason, customers tend to remain with the organisation that they trust. Services which are personally important to customers, which require considerable involvement and which are heterogeneous or complex in nature will increase the uncertainty and vulnerability experienced by customers. Therefore, customers would rather make use of an organisation with whom they have a trusted relationship based on previous experience. Evans *et al.* (2004:214) found that customers' trust is based on both their experience with the organisation and their experience with similar organisations. However, Steyn *et al.* (2008:141) state that repeated transactions alone do not result in a relationship. Only when each party has demonstrated their commitment to the relationship through sacrificing their independence, a relationship between the organisation and the customer is present.

Berry (2000:164-166) argues that organisations can demonstrate their trustworthiness through opening lines of communication, guaranteeing the service and implementing a higher standard of conduct. A brief elaboration of each of these means of demonstrating trustworthiness follows.

### **2.7.1.1 Opening lines of communication**

Straightforward, high-frequency, two-way communications are very important as these convey the organisation's interest in the customer's welfare (Berry, 2000:164). Egan (2004:105) mentions that sharing meaningful communication with customers builds trust. Delivering service through cross-functional teams also cultivate communication with customers and continuity of the relationship (Berry, 2000:165). According to Cutlip, Center, Broom and Du Plessis (2002:28, 46, 52, 103), two-way symmetrical communication depends on mutual trust between the organisation and the customer and is viewed as an essential tool of management. Two-way symmetrical communication provides both the organisation and the customer with opportunities to speak and opportunities to listen. To achieve the level of partnering in relationship marketing, organisations must use two-way symmetrical communication where the communication process causes changes on both sides of the organisation and customer relationship.

### **2.7.1.2 Guaranteeing the service**

Egan (2004:100-101) mentions that trust overcomes the insecurity and risk perception that customers associate with making purchasing decisions, and implies relying on the word of another. By means of service guarantees, organisations minimise the perceived risk for customers as customers can invoke the guarantee and receive compensation if they are dissatisfied with the products or services. The service guarantee is a symbolic way for the organisation to prove its commitment to fair business practices and to create a point of competitive differentiation (Berry, 2000:166).

### **2.7.1.3 A higher standard of conduct**

Organisations aiming to build long-term mutually beneficial relationships must improve their standard of conduct from only doing what is legally required to taking the socially acceptable action (Berry, 2000:166-167). Berry (2000:163) summarises the trust between an organisation and its customers by pointing out that the good intentions of parties can not be in doubt, parties must be willing to give and receive and communication must be open, honest and frequent. Egan (2004:105) states that

opportunistic behaviour, where one party takes advantage of the relationship partner, on the part of either party, will decrease the trust and commitment levels of the relationship.

### **2.7.2 Commitment**

Liang and Wang (2006:125) hold that trust and commitment are the main variables in successful relationship marketing. Trust and commitment are alike because an initial level of commitment is necessary to start a relationship and along with the relationship, the existence and evidence of commitment increases (Evans *et al.*, 2004:215). Egan (2004:100, 147) and Zikmund *et al.* (2003:71) define relationship commitment as a continuing aspiration to maintain a valued relationship, or as both the organisation's and the customers' intentions to act and their attitude towards interacting with the other party. For this reason, commitment implies an attitude or affective response, a willingness to invest valuable resources in the relationship, and the idea that the interactions or relationship will exist over time.

The way customers feel every time they interact with the organisation, its products, services and the community at large, will directly impact on their commitment and advocacy towards the organisation and the brand (Gamble *et al.*, 2006:244). On the other hand, shared values also influence commitment. Egan (2004:100) states that shared values between the organisation and customer influence relationship commitment because the extent to which both parties have common goals, behaviours and policies affects commitment to the relationship.

Steyn *et al.* (2008:142-143) and Evans *et al.* (2004:214-215) argue that the degree of commitment displayed by customers is a measure of the relationship marketing efforts of an organisation. Concerning commitment, the non-retrievable investments (investments with no value unless the relationship is maintained in the long run) are indicators of the commitment towards the relationship (Evans *et al.*, 2004:215).

Customer commitment towards the organisation has three benefits for the organisation (Steyn *et al.*, 2008:142-143). Firstly, the commitment of customers demonstrates a long-term approach and can act as a motivation to enter into a business transaction with the organisation. Secondly, commitment prompts customers to make short-term sacrifices by resisting attractive short-term alternatives presented by other organisations, as

customers expect benefits for supporting the long-term relationship with the existing service provider. Thirdly, commitment increases profitability due to repeated buying by and cross-selling to committed customers.

Blythe (2006:373) asserts that good relationships depend upon trust and commitment. According to Baran *et al.* (2008:111) trust and commitment are important for three reasons. Firstly, trust and commitment preserve the relationship through cooperation, secondly, these encourage partners to resist the attractive short-term alternatives of competitors because of expected long-term benefits, and lastly, parties will take risks since they are confident that their partner will not act opportunistically. Furthermore, Egan (2004:100) states that the value of relationship marketing strategies is indicated through trust and commitment. Egan (2004:104-105) proposes that trust and commitment seem inseparable in the framework of relationship marketing. This implies that trust and commitment must be established if either the organisation or the customer wants to build a relationship through relationship marketing.

Liang and Wang (2006:126) and Zikmund *et al.* (2003:71) maintain that strong commitment marks mutually beneficial relationships. Strong commitment to a relationship will result from ongoing benefits for each party in terms of the value of the relationship. Egan (2004:147) concludes that commitment is positively influenced by high relationship value.

### **2.7.3 Value creation**

Blythe (2006:368) maintains that the value that the customer receives from the product or service is the first element in building customer relationships. Steyn *et al.* (2008:140) and Payne (2006:15) support this view by suggesting that a relationship between an organisation and customers will only be feasible as long as that relationship provides superior customer value on a sustained basis. Payne (2006:111) further states that customers value relationships with trusted organisations that make a superior offer which, in turn, means that organisational relationships with customers add value in the minds of the customers. Liang and Wang (2006:132, 135) conclude that the most effective relationship marketing programs are value-added services.



Ruiz *et al.* (2007:1088, 1090) assert that literature on the definition and measuring of customer value abounds, but no single conceptualisation of the construct is widely accepted. The first research regarding value is based on pricing with perceived quality and sacrifice as main components conceptualising value as a unidimensional construct. The other perspective - with a multidimensional approach - is that customer value has four major drivers in a service context, namely service quality, brand equity, confidence benefits and sacrifice.

Thompson, Stone and Foss (2002:189-194) maintain that organisations use customer value management (CVM) as the new basis for differentiation and growth by delivering optimal value to customers through aligning the organisational offer with customers' perception of value. CVM is defined as a methodology through which the organisation apply CVM strategically to every aspect of how the organisation delivers value to its customers increasing profitability (as CVM focuses on delivering customer benefits more effectively) and competitive positioning (by investing in the right capabilities to solve customer needs effectively and aligning all the organisational capabilities to deliver customer-defined value). Organisations will know what customer-defined value is by focussing on, understanding and serving defined segmented current and future customers. In contrast to traditional market research techniques that used to focus on product or service attributes, CVM aims to identify the ideal value customers seek to deliver value in terms of customers' ideals.

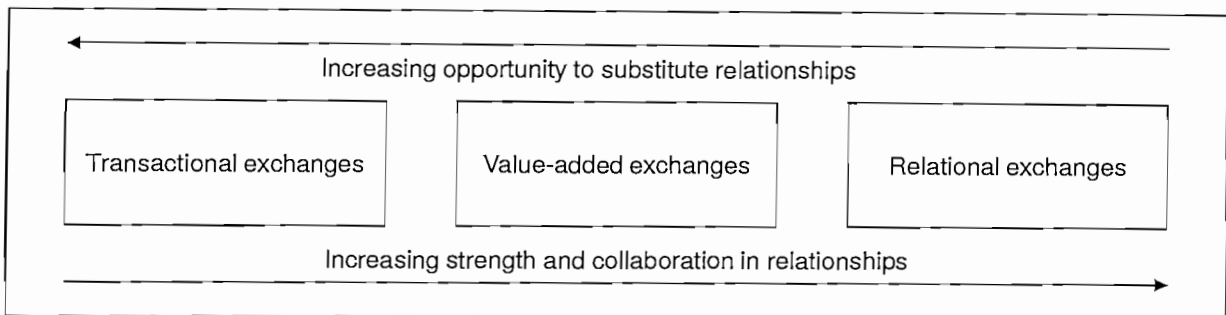
Pride and Ferrell (2010:15) explain that value is determined by customers. This is because value is determined by the customer's perceived benefits and expectations relative to the perceived customer costs (or sacrifices), in other words: customer value = customer benefits and expectations minus customer costs. From the organisation's perspective, a trade-off between increasing the value offered to a customer and maximising the profits from a transaction is made when considering the value offered to a customer. Payne (2006:204-205) describes the total value offer of an organisation with the following levels:

- Core or generic: The physical product or service;
- Expected: The physical product and the minimum purchase conditions which must be met;

- Augmented: The point of differentiation of the specific product or service from other products or services; and
- Potential: The added features and benefits that are or may be useful to some customers.

Fill (2006:235) proposes a continuum of value-orientated exchanges. On the one end of the continuum transactional exchanges occur, which increase the opportunity to substitute relationships. On the other end of the continuum relational exchanges are found, which increase the strength and collaboration in relationships. In the middle of the continuum value-added exchanges are found. Figure 2.3 illustrates the continuum of value-oriented exchanges.

**Figure 2.3: Continuum of value-orientated exchanges**



Source: Fill (2006:235).

Ruiz *et al.* (2007:1102) assert that customer value in terms of value-oriented exchanges is the basis of competitive advantage. Today customisation and customer relationship management are used to create this value for customers. Gamble *et al.* (2006:244-245) concur that the value that organisations provide can constitute a strong competitive advantage. The customer experience is the expression of value which the customer perceives and influences future behaviour. Customer experience comprises both the organisation's physical performance and the emotions the organisation evokes from the customer. Customers experience emotions regarding the organisation by comparing their expectations of organisational performance across all points of contact (every interaction with the organisation, its products and services).

### 2.7.4 Service quality

According to Zikmund *et al.* (2003:9), customers want organisations to provide a consistent level of product or service quality. Blythe (2006:375, 387) defines quality as the relationship between customers' expectations and what customers perceive to get in return for the transaction with the organisation. Thus, quality is the relationship between customers' expectations and their perceptions of reality in terms of the experience of products and services. From the aforementioned, it is clear that the perception of quality is closely related to the customer's views of what constitutes value for money. Steyn *et al.* (2008:143) concur that quality is not determined by the organisation but by the customer, as service quality is the comparison between the expectations of customers concerning service quality and customers' perceptions of the actual service quality. Blythe (2006:375) argues that the implication of the aforementioned definition is that pre- and after-sale support is very important when considering the quality of products and services. This is due to the fact that customer-contact employees will have the opportunity to determine customers' expectations during the interaction and employees can then either adjust customers' expectations to more realistic expectations or correct any problems with the product or service.

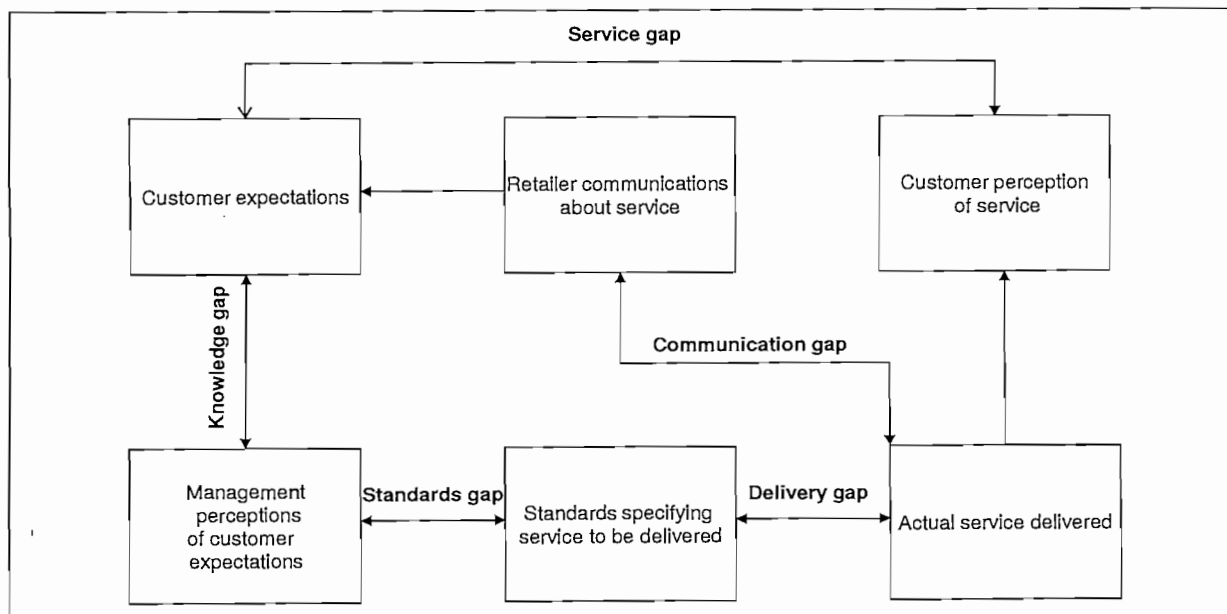
The advantages of improving service quality snowballs. Kasper, Van Helsdingen and Gabbott (2006:201-202) propound that improved service quality raises customers' satisfaction levels. Satisfied customers become loyal customers, allowing for greater share of wallet, positive word-of-mouth communication as well as customer retention. Steyn *et al.* (2008:144) note that the benefits of improved service quality are to a large extent similar to benefits reaped from relationship marketing - as service quality improves relationship strength, resulting in a long-lasting relationship and customer relationship profitability.

Because service quality can result in numerous benefits for organisations (as outlined above) and also because service quality is determined by customers (Hoffman & Bateson, 2006:333), organisations should attempt to eliminate anything preventing customers from experiencing poor service quality. There are common gaps in terms of service quality which may prevent customers from experiencing service quality. Parasuraman, Zeithaml and Berry (1985:44-46) have identified five such gaps which

might develop and which organisations can address (to reap the benefits of service quality) namely (illustrated in figure 2.4):

- The difference between actual customer expectations and management's perceptions of customer expectations. Lovelock and Wirtz (2007:424) define this gap as the knowledge gap;
- The difference between management's perceptions of customer expectations and service quality specifications. Lovelock and Wirtz (2007:424) refer to this gap as the standards gap;
- The difference between service quality specifications and the service actually delivered. Lovelock and Wirtz (2007:424) call this gap the delivery gap;
- The difference between service delivery and what is communicated about the service to customers, referred to as the interpretation/communication gap by Lovelock and Wirtz (2007:424); and
- The difference between customers' expectations and the perception of what is actually received. This gap is influenced by the other four gaps. Lovelock and Wirtz (2007:424) define this gap as the service gap.

**Figure 2.4: Conceptual model of service quality**



Source: Adapted from Hoffman and Bateson (2006:335) and Parasuraman *et al.* (1985:44).

Lovelock and Wirtz (2007:424) identify two more gaps in service design and delivery which influence service quality, namely:

- The internal communication gap is the difference between what the organisation can deliver and what the advertising and sales personnel of the organisation think the product or service features, performance and service quality level are; and
- The perceptions gap, which refers to the difference between what is delivered to customers and what they perceive to receive.

Besides addressing the gaps in service quality, organisations can also pay attention to dimensions related to service quality, as part of managing service quality to optimal levels in order to reap the benefits associated with service quality. Yang (2008:1275) is of the opinion that service quality should include tangibles, reliability, responsiveness, competence, courtesy, credibility, a feeling of security, access, communication and understanding. According to Boshoff and Du Plessis (2009:38), Lovelock and Wirtz (2007:420), Hoffman and Bateson (2006:341) and Zikmund *et al.* (2003:156), the five dimensions used to measure service quality are tangibles (such as the appearance of physical facilities, equipment and personnel), reliability (described as the ability to perform the promised service dependably and accurately), responsiveness (in terms of the organisation's willingness to help customers and provide prompt service), assurance (relating to the knowledge, competence and courtesy of employees and their ability to evoke trust and confidence for the organisation within customers) and empathy (provided by the organisation through individualised attention, caring for and understanding customers and good communications). The five dimensions combine to create the total service quality perceived by customers. Boshoff and Du Plessis (2009:39) assert that the organisation must provide superior service by consistently providing service that meets or exceeds customers' service quality expectations on the five dimensions of service quality.

Liang and Wang (2006:119-120) conclude that success and survival in the competitive environment are lodged in providing quality service. They further maintain that customers' expectations can be met through service quality enhancement which can, along with intrinsic qualities such as attributes, result in customer satisfaction.

### 2.7.5 Satisfaction

Liang and Wang (2006:120, 122, 139) found that the relationship intention of customers increases and becomes stronger when customers perceive a single service quality satisfaction. In other words, customers' willingness to consider building long-term relationships (relationship intention) with service providers increases after customers experience service quality satisfaction. Seiders *et al.* (2005:36) proclaim that satisfaction also has a direct positive affect on repurchase intentions. Another view, presented by Egan (2004:135-137), is that customer service (the service compound of a tangible product offering as well as a service itself) is directly connected to customer satisfaction as the quality of the service results in customer satisfaction. Although this is an oversimplified way to view customer service, it does not alter the fact that customer service forms an integral part of relationship marketing. To be sure, understanding customer needs and satisfying these needs while at the same time building bonds (see section 3.3.5.1) to ensure long-term mutually beneficial relationships between the organisation and its customers, is what customer service is concerned with.

Egan (2004:147) defines customer satisfaction as the customer's cognitive and affective evaluation of all the service encounters based on personal experiences resulting in a specific perception about the relationship. Baran *et al.* (2008:111) distinguish two different types of satisfaction, namely overall satisfaction (describing the overall experiences with an organisation) and transaction-specific satisfaction (relating to the customer's feelings about a single recent transaction). Liang and Wang (2006:125) maintain that customer satisfaction is a sentimental state resulting from the support of the relationship with a service provider.

Evans *et al.* (2004:219) describe satisfaction as a multi-dimensional construct because it includes the quality of the core product or service, the economic and social aspects of the relationship and comparison between the alternatives available. Customers will only remain with the organisation if there are no better alternatives available. However, Egan (2004:1115-1116) maintains that the role of inertia in customer satisfaction should not be underestimated. Inertia can cause customers to exercise habitual behaviour as they are not motivated by any external stimuli to act otherwise.

Boshoff and Du Plessis (2009:94), Lamb *et al.* (2008:5) and Egan (2004:108-109) argue that satisfying customers is a complex issue for the organisation as customers' expectations play a central role in customer satisfaction. Customer satisfaction is the judgement of the customers in terms of the extent to which the product or service provided by the organisation meet their expectations. Satisfaction is explained through the Disconfirmation Paradigm where meeting or exceeding customer expectations both lead to customer satisfaction - but when customers perceive the performance of the products or services offered by the organisation to fall short of their expectations, the result is dissatisfaction. Zikmund *et al.* (2003:73-73) support this view as customers can be either delighted when expectations are exceeded, satisfied when expectations are met or dissatisfied when a service failure is experienced. Customers have a zone of tolerance ranging from the expectations and satisfaction to what is minimally expected and unacceptable performance. The effects of customer expectations in terms of the Disconfirmation Paradigm are summarised in table 3.1 as part of the discussion relating to expectations (see section 3.3.2).

Lamb *et al.* (2008:7) hold yet another perspective in relation to satisfaction. The authors suggest the two-factor model of customer satisfaction which proposes that the same factors that contribute to satisfaction may not necessarily contribute towards dissatisfaction. There are two categories of factors which influence satisfaction and dissatisfaction, namely hygiene factors (which contribute to customer dissatisfaction if absent) - for example when the wrong change is given, and satisfiers (which contribute to customer satisfaction if present). Customers must experience the presence of the hygiene factors at an acceptable level of performance before the satisfiers come into play. Only after the hygiene factors meet customers' expectations will the satisfiers have the potential to increase customer satisfaction. For this reason, it is necessary to determine both the hygiene factors (to prevent dissatisfaction) and satisfiers (to create satisfaction) of products and services when aiming to establish customer satisfaction.

Zikmund *et al.* (2003:2) suggest that customers who purchase promises of satisfaction prefer to support the trusted organisation continuously. Lamb *et al.* (2008:8) further note that customer satisfaction does not necessarily result in customer loyalty or profitability. Satisfaction is, however, a necessary condition for building loyalty among customers. For this reason, the first exchange between the organisation and the customer must be satisfactory as a starting point to build long-term customer loyalty. Lovelock and Wirtz

(2007:371) describe customer satisfaction as the foundation for loyalty. Because customer satisfaction is an antecedent to customer loyalty, there are benefits related to both satisfaction and loyalty, as portrayed in table 2.4.

Egan (2004:114-115) explains the relation between satisfaction and loyalty by viewing those customers strong in relative attitude who frequently revisit the organisation as loyal for the time being, while dissatisfied customers may be spuriously loyal because they have no other option as there are no alternatives. For this reason, satisfaction cannot simply be used as a proxy measure of loyalty.

**Table 2.4: Benefits of customer satisfaction and loyalty to the organisation**

Benefits of customer satisfaction and loyalty	Explanation
Lower acquisition cost	Acquisition costs are lower due to the fact that customers remain with the organisation.
Increased base profit	Base profit is the price a customer pays for a product or service (a price higher than the organisation's costs) unaffected by other constructs such as time, loyalty and efficiency. The longer the lifetime-value of the relationship between the organisation and its customers, the longer the organisation can reap the base profit from sales.
Revenue growth	Revenue will grow because it is a fact that customers increase spending over time.
Cost savings	Efficiency results in cost savings. Satisfied and loyal customers tend to be informed and for this reason customers do not waste time requesting products or services the organisation does not provide. Satisfied and loyal customers furthermore do not depend on employees for information and advice. As the relationship between the organisation and customer grows, collaborative learning results in more productivity which directly translates into lower business costs.
Referrals	Favourable word-of-mouth is a very powerful source of promotion for the organisation and customers regard word-of-mouth as a more credible source of information.
Price premium and no competitor support	Loyal customers who perceive to get superior value are willing to pay a price premium for the products and services of the organisation as they are less price-sensitive. For this reason, satisfied and loyal customers are less likely to support a competitor with special offers and lower prices as these customers enjoy the superior quality offered by the organisation and thus their lifetime-value increases.

Source: Adapted from Lamb *et al.* (2008:7-8).

### 2.7.6 Loyalty

Blythe (2006:380-381) argues that customer loyalty and retention do not always result from satisfaction. Switching barriers (discussed as part of fear of relationship loss in section 3.3.5) can also influence customers' choice to support the organisation. It is important to remember that techniques aimed at generating loyalty as part of relationship marketing are expensive and require commitment from top management in the organisation. Lamb *et al.* (2008:11) state that the most recent refinement of the



marketing concept is that customer loyalty is an important consideration in long-term marketing success; however, Liang and Wang (2006:138) argue that the determinants of loyalty are still doubtful - which makes the development of customer loyalty difficult. In contrast to the difficulty of establishing loyalty, Ndubisi (2007:98) argues that building trust with customers, commitment to service, effective communication and service recovery (that is, the efficient handling of a service failure) as part of an organisation's marketing plans will establish and maintain customer loyalty. Zikmund *et al.* (2003:76) also add that the customer's history with the organisation has an influence on loyalty as the customer's history with the organisation influences the habits of the customer. For this reason a positive corporate image of an organisation can influence loyalty favourably, resulting in habitual responses to the organisation's name. Odekerken-Schröder *et al.* (2003:187) maintain that when customers perceive organisations to be concerned with customer loyalty, customers' satisfaction with and commitment towards the organisation is improved.

Evans *et al.* (2004:215, 281-282) assert that organisations often implement relationship marketing with the rationale of increasing customer loyalty. Loyalty has always been measured in terms of recency, frequency and monetary value (RFM) and the lifetime-value (LTV) of customers. However, all these measures are in fact reflective of behavioural loyalty, and customers could remain with the organisation not because they were loyal, but due to the absence of alternatives. Repeat purchases are not a good measure of loyalty as high repeat purchase may reflect situational constraints, and low repeat purchases may indicate different usage situations, variety-seeking or a lack of brand preference within a particular buying unit. For this reason, the authors define loyalty as the degree of repeat purchase behaviour, a positive attitude towards the organisation and the absolute choice of the organisation whenever the need for the products and services arise. Stone, Spier, Mullaly, Miller, Morrison and Selby (2002:389) argue that loyalty is a state of mind. Customers can be loyal simply because they feel dependent on the organisation or because they have the desire to feel privileged (through special treatment and recognition).

From the above discussion it is evident that loyalty can be divided into attitudinal loyalty, also referred to as emotional loyalty (due to the definition of this type of loyalty) and behavioural loyalty (Zikmund *et al.*, 2003:71, 73). Gamble *et al.* (2006:211) explain that loyalty based on a behavioural inclination is viewed as more rational and the focus of

such a loyalty approach is on incentives which reinforce the behaviour patterns of customers to support the organisation. In contrast, Gamble *et al.* (2006:210) define attitudinal/emotional loyalty as the customer's state of mind, a set of attitudes, beliefs and desires which cause the customer to support the organisation because of the existing relationship even when the purchase does not meet all the expected criteria. Attitudinal/emotional loyalty proceeds through six stages described as the loyalty pyramid. The first stage is called No presence, where customers may know about the organisation but do not think about it. The second stage, Presence, is the onset of attitudinal/emotional loyalty as customers are aware of the brand and the organisation is one of the known suppliers of the product or service. In the stage of Relevance and performance, the third stage of attitudinal/emotional loyalty, customers believe that the brand can meet their expectations at the right price. During stage four, Advantage, customers view the brand as important based on at least one attribute that is non-negotiable to them. Bonding, stage five, moves the brand up to customers' favourite brand and customers often disregard or forgive certain weak attributes on account of all the other brand attributes. The sixth stage, Halo, is the attitudinal/emotional loyalty which organisations strive for as the customer extends the relationship to other products and services offered by the organisation (Gamble *et al.*, 2006:211-212).

Zikmund *et al.* (2003:71) propose that the most desirable customers for an organisation are loyal customers with both attitudinal/emotional loyalty in terms of a strong attitude and behavioural loyalty through repeat purchase behaviour. The authors further hold that attitudinal loyalty is affected by satisfaction, emotional bonding (affect), trust, and risk reduction while behavioural loyalty is affected by choice reduction, habits and history with the organisation which, in turn, affect the degree of customer loyalty or commitment. Gamble *et al.* (2006:213-214) argue that customers are not equally loyal and a specific customer will not always show the same degree of loyalty. Stone, Sharman, Foss, Lowrie and Selby (2002:78) also maintain that there are different degrees of loyalty. The aim of the organisation is thus to provide excellent customer value to put the organisation a cut above the rest whenever customers make comparisons between the organisation and other organisations (Gamble *et al.*, 2006:213-214).

Evans *et al.* (2004:271) believe that loyal customers cost less to serve, pay more for services and spread favourable word-of-mouth as advocates for the organisation. The

benefits of customer loyalty were indicated in table 2.4. However, Evans *et al.* (2004:286) assert that the relationship between loyalty and profitability is complex as loyal customers are not necessarily cheaper to serve, less price-sensitive or more effective in bringing new customers to the organisation. For this reason, organisations should decide on which loyal customers to focus their marketing activities. The foundation for creating customer loyalty is lodged in the wheel of loyalty, focussing on identifying those customers for whom the organisation has been designed to deliver value, creating bonds between the organisation and the customers and eliminating factors resulting in customer defection (Lovelock & Wirtz, 2007:365, 367).

Dick and Basu (quoted by Evans *et al.*, 2004:216, 283-284) and Zikmund *et al.* (2003:79) propose that loyalty yields four categories of customers. Firstly, no loyalty customers have a weak attitude and low repeat patronage behaviour; secondly, inertia loyalty customers are strong on repeat behaviour but weak on attitude; thirdly, latent loyalty customers have strong attitudes but low repeat purchase; and lastly, loyalty customers are high in repeat purchase behaviour and strong in attitude.

Although four different categories of loyalty customers can be distinguished in terms of attitudinal and behavioural loyalty, different types of customer loyalty can also be identified in terms of the reason why customers remain loyal to the organisation. Blythe (2006:372) illustrates five different types of customer loyalty in relation to the reasons why customers remain loyal, namely:

- Price loyalty: As long as the organisation remains the price leader, these customers will remain loyal;
- Monopoly loyalty: There are no alternatives available at present, but as soon as alternatives become available, the customers will defect;
- Inertia loyalty: Customer will try to minimise the decisions they have to make each day by staying with the company;
- Emotional loyalty: Emotional loyalty is a function of involvement (see section 3.3.1). Customers who are prepared to pay extra for the product, who remain loyal to it no matter the circumstances and who recommend the product to their friends, are emotionally loyal; and
- Disloyalty: Dissatisfied customers will spread unfavourable word-of-mouth and will often persuade other customers to defect as well.

In the same way as there are different reasons for customers to remain loyal to an organisation, customers can also be loyal to different organisation-related aspects. Concerning customer loyalty, Zikmund *et al.* (2003:3, 69) emphasise the fact that customers can develop loyalty to the offered incentive and not the service provider. For example, customers can be loyal in regard to frequent flyer points and not the airline itself. Customer loyalty does indeed refer to a customer's commitment or attachment to a brand, store, manufacturer, service provider, or other entity. For this reason, loyalty can develop through positive experiences of the product, service and the organisation itself (Gamble *et al.*, 2006:210).

Stone and Field (2002:402) maintain that loyalty schemes provide the organisation with a range of powerful capabilities as these allow the organisation to recognise and welcome customers, facilitate the collection of information (resulting in tailor made service), and help to communicate with, reward and provide special service to loyal customers.

### **2.7.7 Interrelationship of the drivers of relationship marketing**

There is an interrelationship between the drivers of relationship marketing. Blythe (2006:375) points out that quality is closely related to perceived value. According to Liang and Wang (2006:120, 126, 137, 139), constructs of relationship quality are customer satisfaction, trust and commitment. From the reversed perspective, Lovelock and Wirtz (2007:371) identify service quality as a key input for customer satisfaction. Customer satisfaction leads to trust and commitment, which in turn, lead to behavioural loyalty. Odekerken-Schröder *et al.* (2003:188) support this statement as relationship satisfaction positively influences trust, which in turn influences relationship commitment positively, and which ultimately results in buying behaviour. Liang and Wang (2006:122, 138) further argue that organisations must satisfy customers and let the customers perceive the investment the organisation makes in the relationship in order to increase the trust and commitment of customers. The authors further propose that there is a positive correlation between perceived service quality and relationship intention.

## 2.8 CONCLUSION

This chapter examined the concept of relationship marketing. It commenced by providing an overview of the development of relationship marketing. The differences between transactional marketing and relationship marketing were examined, after which the benefits and costs of relationship marketing to both the organisation and customers were discussed. The initial relationship marketing framework and levels of relationship marketing further elaborated the concept of relationship marketing. This chapter concluded with a discussion of trust, commitment, value creation, service quality, satisfaction and loyalty as the drivers of relationship marketing and the interrelationship of these drivers.

It is evident that the value of relationship marketing lies in the fact that organisations should identify the most profitable customers for relationship marketing. It is clear that not all customers want or need to build a long-term mutually beneficial relationship with the organisation. The next chapter will address the notion of relationship intention; the customer's intention to form a long-term mutually beneficial relationship with the organisation (Kumar *et al.*, 2003:677, 699).

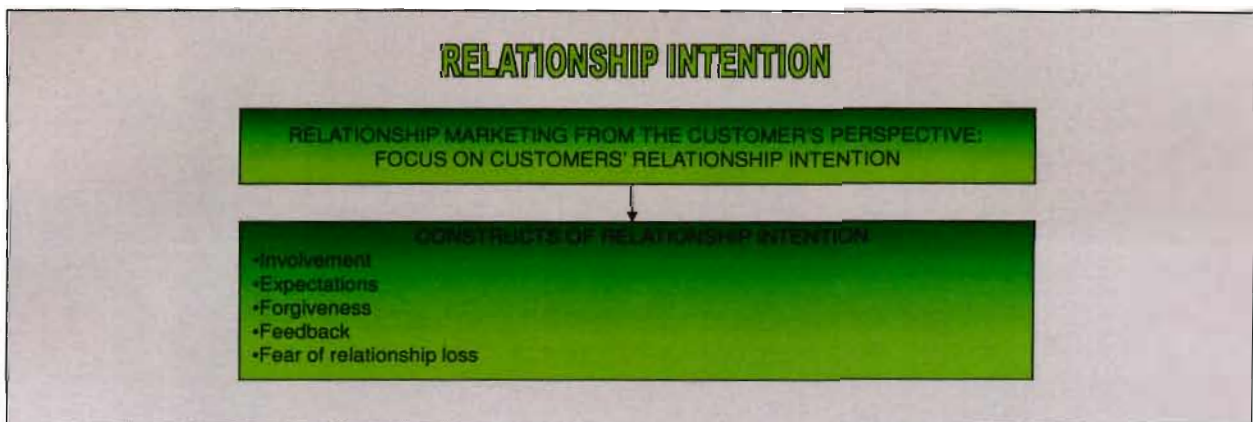
## CHAPTER 3

### RELATIONSHIP INTENTION

#### 3.1 INTRODUCTION

This study aims to determine young adults' relationship intentions towards their various cell phone network providers. For this reason, relationship intention is the main focus of this chapter and must be reviewed in detail. As relationship intention is a customer characteristic, chapter three also examines relationship marketing in terms of the customer. For this purpose, the five constructs of relationship intention namely involvement, expectations, forgiveness, feedback and fear of relationship loss are elaborated upon. The interrelationship of the relationship intention constructs and the drivers of relationship marketing conclude the chapter. Figure 3.1 below presents the chapter outline.

**Figure 3.1: Chapter outline**



#### 3.2 RELATIONSHIP MARKETING FROM THE CUSTOMER'S PERSPECTIVE: FOCUS ON CUSTOMERS' RELATIONSHIP INTENTION

Stone, Woodcock, Sheridan, Starkey, Machtynger and Mullaly (2002:306) argue that customer relationship management requires employees to have a customer orientation that views things from the customer's perspective, and to understand the basic marketing approach (identifying customer needs and meeting these needs profitably through the marketing mix). Thompson *et al.* (2002:195) explain that the marketing environment is rapidly changing and in this regard, it is particularly notable that the balance of power is shifting towards the customer. Organisational change or adaptation

due to organisational (internal) reasons may be perceived by customers to decrease value as customer needs continually change; organisations must, however, adapt to these changing needs. For this reason, organisations should direct their efforts towards examining the organisation from the customer's perspective. Ballantyne (2000:282) refers to the notion of customer consciousness which entails the belief in the centrality of the customer in the interactions between the organisation and the customer. Such a sense of customer consciousness is developed through knowledge by interacting directly with customers. An organisation with such a customer focus is thoroughly market-orientated (Hou, 2008:1251, 1254).

The need to examine relationship marketing from the customer's perspective is apparent; Steyn *et al.* (2008:139, 146), Egan (2004:107) and Peck *et al.* (1999:410) explain that the philosophy of relationship marketing does not imply that the organisation must establish mutually beneficial relationships with *all* its customers, or that all the customers want or require such a relationship. Although the metaphor of a marriage between the organisation and its customers implies a close and long-term relationship, not all relationships between the organisation and customers can or should be of this nature (Evans *et al.*, 2004:215). Organisations will simply not be able to establish and maintain relationships with customers who do not wish to be part of such a relationship. This view is supported by Tuominen (2007:182) and Odekerken-Schröder *et al.* (2003:178) who state that valuable resources are wasted if the organisation applies relationship marketing strategies to customers not desiring a relationship with the organisation. Gamble *et al.* (2006:48) agree that the organisation will waste both money and time when using a relationship-based approach on customers who want a purely transactional-based approach. On the other hand, failing to develop a relationship with customers who do wish to engage in a relationship will give competitors the opportunity to lure the organisation's customers away. Peck *et al.* (1999:6-7) suggest that certain situations, for example situations involving low-involvement products or commodity products, do not merit a relational approach as a quick and easy transaction is efficient and valued by the customers.

Berry (2000:156-157) propounds that some customers are more profitable than others, and some customers may therefore be unprofitable to serve. Also, some customers may be profitable as transactional customers even if they are not relationship customers (Lovelock & Wirtz, 2007:364). For this reason, organisations may choose to apply dual

strategies for both transactional and relationship marketing where specific market segments are targeted by means of these respective strategies. The idea of targeting the right customer for relationship marketing has emerged in the literature of the field (Berry, 2000:157). Egan (2004:92) agrees that organisations should choose a strategy (transactional or relational or a combination of both) appropriate to the particular situation because, as Evans *et al.* (2004:286) state, customers are not equally profitable; neither are all customers profitable with regards to relationship marketing. Liang and Wang (2006:124) conclude that marketers should focus on finding customers who are most receptive towards building a long-term relationship with the organisation, in harmony with relationship marketing. Ballantyne (2000:282) insists that a series of behavioural intentions underlie relationship development. From this discussion it is clear that some customers may want a relationship with the organisation; that is, they have a relationship intention, while others may not.

Kumar *et al.* (2003:667,669) define relationship intention as the customer's intention to build a relationship with an organisation when buying a product or making use of a service provided by the organisation. Such customers trust the organisation profoundly and are emotionally attached to the organisation. According to Steyn *et al.* (2008:144), customers have a relationship intention when they value a relationship approach and loyalty, trust and commitment are viewed as important factors in the relationship between the organisation and the customer. Kumar *et al.* (2003:668-670) further explain that relationship intention can be considered as customers' urge (willingness and need) to form a relationship with the organisation.

### **3.3 CONSTRUCTS OF RELATIONSHIP INTENTION**

Kumar *et al.* (2003:670) propose five constructs that can be used to measure the relationship intention of customers, namely involvement, expectations, forgiveness, feedback and fear of relationship loss. Specifically, the five proposed constructs are, respectively, the customer's involvement with the organisation, the customer's expectations of the organisation, the willingness to forgive service failures, whether the customer provides feedback to the organisation and whether the customer would fear the loss of the relationship with the organisation. These relationship intention constructs are subsequently discussed.



### 3.3.1 Involvement

Ha (2004:193) defines involvement as the perceived importance and interest on, or relevance of a specific subject, a drive or motivational state. Involvement consists of three decision factors, namely individual, product (referred to as product involvement) and situation involvement (referred to as high-involvement decision-making or low-involvement decision-making). Ruiz *et al.* (2007:1094) add ego or personal involvement (referring to the particular interest of an individual with the product or service) and purchase involvement (the level of concern with the particular purchase). Concerning relationship intention, however, only the individual involvement of customers will be discussed.

Mukherjee (2007:11) states that customers who know that their ideas and insights will be used, want to be involved. From the organisation's perspective, customer involvement reflects the shift towards customer control where customers actively engage in the organisation, be it in the service process or part of the product offering. Furthermore, from a marketing perspective, there is no better way to engage a customer than on the individual level. Engeseth (2006:36-37) regards customer involvement as the most effective way in which an organisation can remain relevant to customers. It is easier for organisations to move closer to those customers willing to get involved with the organisation and to exceed their expectations through this close relationship than to simply wage war against competitors in the hope to gain more market share than competitors. A simple example illustrates this notion: customers tend to tell their hairdressers more than they tell their banks because of the close relationship they have with the hair dresser. This interaction and involvement must be highly sought after. Evans *et al.* (2004:407) and Varki and Wong (2003:89) propound that the possibility for relationship development expands when customers are more involved. According to Seiders *et al.* (2005:39) organisations can identify highly involved customers in order to build long-term relationships with them.

Solomon (2005:26-28) proposes that customers take an interest in the organisations that they support. Today customers want to be involved with organisations to which they are loyal. Through this deliberation, customers become the partners that organisations seek to maintain. Customers are involved by sharing ideas for new product development (sometimes without being asked), calling in to vote for their pop icons on

shows like *South African Idols*; customers involve themselves in the marketing process, create brand identity, define customer expectations, act as reviewers, act as correspondents who report on emerging trends on the streets, provide early feedback on product prototypes and even become their own product distributors (for example internet purchases on eBay enables customers to act as distributor). Solomon (2005:26-28) continues that organisations should capitalise on this trend by accommodating and encouraging customers who want this proactive relationship as these actions will enhance the organisation's market effectiveness and competitive advantage. Such an approach emphasises the importance of two-way symmetrical communication between the organisation and the customer, but, in contrast to older marketing views, the dialogue can also be initiated by the customer. Customers feel empowered by choosing how, when or if they want to interact with the organisation. Mukherjee (2007:11) mentions that customers are looking for new ways to interact with organisations in order to help shape and personalise what they regard as important.

Engeseth (2006:37) argues that customers must be so involved with the organisation that they become one with the organisation. Krantz (2004:44-45) suggests that understanding customers' thinking gives the organisation the opportunity to formulate successful strategies and, for this reason, almost every book teaching selling skills and closing techniques encourages organisations to get the customer involved.

Ruiz *et al.* (2007:1103) found customer involvement to be especially relevant in the relationship between customers and mobile communications service providers. When customers are more involved with the service, have accumulated more experience with their service provider and enjoy the relational benefits from their service relationship, their value perceptions will be medium to high. The opposite is also true. Ha (2004:193, 200-201) remarks that when a customer builds a solid foundation with the organisation, the customer becomes involved with the organisation. This means that there is a definite connection between involvement and relationship marketing effectiveness. For this reason, organisations can identify involved customers for relationship building as these customers are most likely to engage in a relationship with the organisation. Involvement is thus instrumental in developing a relationship with customers.

Mascarenhas, Kesavan and Bernacchi (2004:494) assert that today customers are highly informed, demanding and savvy concerning products and services and want

more than merely the satisfaction of their expectations. Customers are cooperative and some want to be involved with the organisation. By giving customers the opportunity to be involved in every part of the value chain, organisations can make customers feel and believe that they are the central and primary concern of the organisation. It is important to note though that not all customers want to perform the same tasks or want to be involved to the same degree with the organisation, because all customers have unique capabilities and requirements. This is why relationship marketing is flexible and allows customers to choose their own tasks and ways of becoming involved with the organisation (Sheth & Parvatiyar, 2000:195-196).

Varki and Wong (2003:89) found that highly involved customers are more interested than low involvement customers in maintaining a long-term relationship with the organisation. There is no difference between high involvement customers and low involvement customers regarding the necessity or need for communication between the organisation and customer. Highly involved customers do, however, desire to be part of and involved in the solutions to any problems which may occur during the interaction between the organisation and customer and are more concerned about fair treatment. Customers' involvement in problem solutions entails that they are in fact functioning as part of the organisation through involvement on every organisational level and in every organisational process, whether it be managing, planning, design, development, marketing, production, using products or services, customer service or feedback. Baker, Cronin and Hopkins (2009:117) maintain that customers themselves decide whether they are or want to be involved or not.

Egan (2004:68) explains that customers can even become involved in managing the organisation. For example, when customers are members of a political party and they are actively involved in developing the policies of that specific political party, they are involved in managing the organisation. Parvatiyar and Sheth (2000:23) concur that managing the relationship between the organisation and customers requires a degree of customer involvement in the planning process. By involving customers in the planning process, their support in implementation and achieving goals is ensured. However, not all customers are willing to participate in the planning process, and from the organisation's perspective it is also not possible to involve all the customers in relationship marketing. Nonetheless, in order for organisations to manage cooperative

and collaborative relationships with customers, organisations must involve those customers able and desiring to be involved with the organisation.

Sheth and Parvatiyar (2000:193) argue that customer involvement in the design, development, and marketing processes of the organisation improves the effectiveness of marketing. Through customer involvement, organisations can build mutually beneficial relationships with customers while at the same time receiving invaluable information from customers who are committed to the organisation's marketing efforts. Egan (2004:67) mentions that when customers move to the relationship stage of advocate (see section 2.6), they become actively involved in the marketing of the organisation through word-of-mouth communication instead of only being responsive to the organisation.

A different reflection on the notion of involvement is presented by Lovelock and Wirtz (2007:245-246) who maintain that customers can be involved as co-producers of services. Here involvement refers to the actions and resources that customers supply towards the relationship in terms of mental, physical or emotional inputs. An example of this type of involvement is when an architect involves the customer in drawing the plans for a house. Orth (2005:119) also views involvement as the mental resources an individual commits to a decision problem. Baker *et al.* (2009:116) suggest that higher involvement means that customers make a greater cognitive investment in the relationship with a specific organisation. According to this view (Lovelock & Wirtz, 2007:245-246), customers can be categorised according to three levels of involvement, namely a low participation level, a moderate participation level and a high participation level.

Lovelock and Wirtz (2007:245-246) explain that customers with a low participation level receive a standardised service as such customers merely provide payment or must be physically present, as is the case when visiting a movie theatre. In the case of moderate participation, customers give some inputs to assist the organisation before the service can be delivered. They might be expected to give information, personal effort or physical possessions. Examples of moderate participation are the information given to a hairdresser or the invoices given to an accountant before a tax return can be prepared. In the case of high participation customers are actively involved with the production of the service, for example in marriage counselling. Evans *et al.* (2004:209) suggest that

customers should be encouraged to increase their involvement through self-service, self-ordering and co-production.

Another perspective on customer involvement with the organisation is presented by Maklan, Knox and Ryals (2008:221, 232, 234) who describe customers' involvement as that of being co-creators of value from a relational perspective. Here, customers are viewed as active participants. For this reason, relationship marketing should evolve from the focus on the validity of objectives concerning products and services (where customers are viewed as co-creators of innovation) to interactive collaboration with customers. Co-creation of value aims to enhance the value customers get when buying and using goods and services, reduces the risks associated with innovation, and enables organisations to understand and respond to deeper and more valuable customer needs. Through the co-creation of value, the organisation gives customers the ability to contribute. Mascarenhas *et al.* (2004:486) explain that customer involvement can affect every part and member of the value chain and, in turn, customer preferences can be affected by the value chain through their involvement. Customers are involved with the organisation as a whole and not only on one level.

Mascarenhas *et al.* (2004:487) describe customer involvement through co-creating, co-producing and co-owning with the organisation throughout the entire value chain. Through customers' involvement organisations generate knowledge and relationship assets for themselves. Customers can thus be involved in new service ideation, concept, prototype, design and development, in manufacturing and customisation and customer service and feedback which are all briefly discussed.

#### **3.3.1.1 Service ideation, concept, prototype, design and development**

Mascarenhas *et al.* (2004:489-490) describe new service development as creating a dependency between two previously unrelated marketing variables such as purpose and price and conclude customer involvement can enrich this process. The concept begins with customer needs and desires - and who better to consult than customers themselves, and specifically through customer involvement. Services in which customers can be involved are negotiation and contracting, for example paying and coverage of an insurance service, home mortgage and brokerage.

### **3.3.1.2 Manufacturing and customisation**

During manufacturing and customisation, customers are involved with production decisions, quality assurance and improvement and the utility lever through discussing and disclosing where, when and how the product or service will affect the customer (Mascarenhas *et al.*, 2004:490). Durray (2004:413) regards customer involvement in mass customisation as indispensable. Organisations implementing mass customisation have mass volume production with a wider variety of product choices through a combination or modification of the standard modules. The importance of mass customisation, from the relationship intention perspective, lies in the fact that the customisation is only feasible through customer involvement. Durray (2004:413, 416, 420) further asserts that the point of customer involvement in the production process will influence the degree of uniqueness and customisation in the product and the organisation's choice of production planning methods. Concerning mass customisation, customers can either be involved in the design and fabrication stages of manufacture (fabrication modularity) or the assembly or use stages of manufacture (standard modularity). Ha (2004:200) propounds that customised information brings customer needs and product relevance closer together and gives customers the opportunity to proactively take part in the relationship. Although manufacturing is not relevant for this study since the focus is on the service of cell phone network providers, cell phone network providers do have an operations part which resembles manufacturing.

### **3.3.1.3 Customer service and feedback**

In customer service and feedback, the customer-contact employees have a significant influence on the impression of the image and feeling the organisation evokes in customers. Involved customers enjoy knowledgeable, well-trained employees to assist them in transferring information (Mascarenhas *et al.*, 2004:491).

Baker *et al.* (2009:121) found that highly involved customers take customer contact employees' actions during the interaction as well as the organisation's customer-orientated efforts into account to examine service quality. For this reason, the organisation's customer-orientated efforts escalate proportionately as the customer's involvement increases. The result is that highly involved customers will respond positively to strategies tailored according to their specific needs and requirements. The

authors do note, however, that the effects of involvement may differ due to customers' individual characteristics. As few organisations automatically have highly involved customers - or more correctly from the relationship intention perspective, as only certain customers want to be involved with the organisation to enhance the relationship (Kumar *et al.*, 2003:669) - the need for organisations to identify those customers that are highly involved (segmentation) and the need to motivate customers to become highly involved (customisation) is apparent.

There are several benefits of customer involvement. Odekerken-Schröder *et al.* (2003:181) maintain that highly involved customers are more loyal. Griffin (2005:6) regards customer involvement as adding both value and loyalty to the relationship between the organisation and customer, which will automatically deepen the relationship. Sheth and Parvatiyar (2000:195) view customer satisfaction as another benefit. Customers are more satisfied if they perform certain tasks which organisations would normally do for them. Through involvement in the relationship, customers receive the opportunity to participate in, and perform certain tasks such as processing, designing and managing information. This makes customers feel empowered and more satisfied. Results from a study of Seiders *et al.* (2005:37) aiming at evaluating the influence of involvement on repurchase propensity indicate that involved customers spend more in relation to less involved customers, and that involved customers spend even more when their satisfaction is high. From a relationship perspective, Mascarenhas *et al.* (2004:486) propose that customer involvement in the value chain will build customer relationships, ensure customer delight and will also generate lifelong customer loyalties and positive feedback. Involved customers can give informative feedback which the organisation can use because involved customers have some degree of expertise in the market and for this reason involved customers are in a better position to judge the organisation (Ruiz *et al.*, 2007:1094). The involvement of customers reduces the organisation's costs associated with the tasks performed by the customers, resulting in greater efficiency (Sheth & Parvatiyar, 2000:196). Zikmund *et al.* (2003:79) point to the fact that low involvement individuals make decisions which they regard as satisfying, but such decisions are not optimal and for this reason low involvement individuals tend to be less loyal than high involvement customers. Consequently, Mascarenhas *et al.* (2004:492) contend that the primary force defining and directing the organisation should be the involvement of existing and prospective customers.

Kumar *et al.* (2003:670) conclude that involvement in terms of relationship intention should be defined as the degree to which customers would willingly engage in relationship activities in the absence of obligation or coercion. The authors further assert that involvement causes profound satisfaction and identification with the organisation, which result in emotional attachment to the organisation and cause customers to feel guilty and uncomfortable when considering making use of a competitor's products and services. In conclusion, Steyn *et al.* (2008:144) and Varki and Wong (2003:89) view the characteristics of highly involved customers to include customers wanting to build long-term relationships and developing more realistic expectations.

### **3.3.2 Expectations**

Liang and Wang (2006:120-121) are of the opinion that the investment of time, effort and other irrecoverable resources in a relationship is the motivation for different parties to sustain the relationship and develop expectations for the relationship. For this reason, Kumar *et al.* (2003:670) state that customer expectations are automatically developed when purchasing a product or service. When a customer has high expectations of an organisation, it is proof that the customer is concerned about the quality of the product or service and is also indicative that the customer has an intention to build a relationship with the organisation. Therefore, customers with high expectations will be involved in service delivery to enhance the quality of products and services.

Lovelock and Wirtz (2007:46-47) support this view by linking customer expectations directly to the evaluation of service quality. Customers compare what they expected and what they perceive to have received from the organisation in order to determine service quality. As indicated in the section on satisfaction (see section 2.7.5), when customer expectations are met or exceeded customers are satisfied, but when customer expectations are not met, customers will complain about the poor service, suffer in silence or switch to competitors in the future. Customers may judge the service provided by the organisation according to an internal standard which existed before the service experience. Egan (2004:116) further identifies the inertia-type behaviour of customers which might occur without any external stimuli; customers will remain with the organisation not because they are satisfied, but because of a lack of stimuli to act otherwise. Hereby, inertia is placed central to customers' expectations - between the organisations' realisation or exceeding of customer expectations - resulting in customer



satisfaction, and the organisation's failure to meet customer expectations, resulting in customer dissatisfaction. Table 3.1 summarises the effects of customer expectations (in terms of the Disconfirmation Paradigm) on perceived organisational performance.

**Table 3.1: The effects of customer expectations**

Expectations	Result	Consequence
<b>Met / Confirmation</b>	Satisfaction	<ul style="list-style-type: none"> <li>• Content</li> </ul>
<b>Exceeded / Positive confirmation</b>	Satisfaction and delight	<ul style="list-style-type: none"> <li>• Loyal</li> </ul>
<b>Lack of stimuli / No judgement</b>	Inertia	<ul style="list-style-type: none"> <li>• Content</li> </ul>
<b>Not met / Negative confirmation</b>	Frustration and dissatisfaction	<ul style="list-style-type: none"> <li>• Complain</li> <li>• Suffer in silence</li> <li>• Switch to competitor</li> </ul>

Source: Adapted from Lamb *et al.* (2008:5), Lovelock and Wirtz (2007:46-47, 49, 58-59) and Egan (2004:116).

Lovelock and Wirtz (2007:47-49) identify the following four components of customer expectations relating to service quality and satisfaction, proving that the customer is concerned with the organisation and has a relationship intention (Kumar *et al.*, 2003:670):

- Desired service levels are viewed as a combination between what customers believe the organisation can and should deliver to satisfy their personal needs;
- Adequate service levels are the minimum service levels that customers will accept without being dissatisfied. Adequate service levels are thus the threshold level of customer expectations;
- Predicted service levels influence these adequate service levels as it they constitute the service customers anticipate receiving; and
- The zone of tolerance is the extent of service variation customers are willing to accept as organisations can not always deliver exactly the same service.

Now that the components of expectations have been discussed, the antecedents of expectations deserve attention. As mentioned above, customers automatically develop expectations when buying a product or service portraying their relationship intention (Kumar *et al.*, 2003:670) and Lovelock and Wirtz (2007:47) propound that the antecedents of customer expectations are likely to be:

- Perceptions of service quality. The customer's perception of service quality is also an antecedent of customer satisfaction. If past performance/experience was satisfactory,

the customer will have high expectations for future interaction. Competing services in the same industry and related services in different industries also influence perceptions of service quality (see section 2.7.4). Furthermore, the customer's perception of service quality is linked to the image of the organisation;

- Organisational image. The image of the organisation, if portrayed too idealistically, can lead to unrealistic expectations. A positive image of the organisation, on the other hand, can result in customers making excuses for poor service performance;
- Word-of-mouth communication and news stories. When customers form expectations, what other customers say about an organisation is more important than what the organisation itself communicates since the experiences of other customers are viewed to be more credible;
- Tangible cues. Tangible cues are also used to evaluate service quality as these form part of the experience and will also influence the expectations of customers. Examples of tangible cues include the organisation's facilities, interior décor, furniture and equipment, the dress code of employees, crowding and noise; and
- Service promises and marketing activities. Explicit service promises will influence customer expectations.

Higher customer expectations lead to greater customer relationship intention (Kumar *et al.*, 2003:670). Lovelock and Wirtz (2007:47) assert that expectations change over time due to factors that the organisation can control (such as advertising, pricing, new technologies and service innovation) and social trends, word-of-mouth and amplified access to information via media and the Internet. Gamble *et al.* (2006:206-207) explain that, in general, customers hold certain expectations about the interaction with the organisation if they have previously given information at various stages of the relationship which is applicable to the present interaction. For instance, customers will expect details of their relationship with the organisation to be available and used, if necessary, by employees delivering the service. Customers further expect the organisation to consider their need for a long-term relationship by caring during the interaction and not focussing on individual transactions. Loyal customers expect to have better relationships with the organisation than non-loyal customers. Such high expectations and the fact that customers are concerned with the organisation show a high relationship intention (Kumar *et al.*, 2003:670). Organisations should therefore aim to maintain a balance between the rational and emotional expectations of customers by

meeting rational expectations and ensuring a positive emotional experience (Gamble *et al.*, 2006:248).

### **3.3.3 Forgiveness**

Kumar *et al.* (2003:670) state that customers with the intention of building a relationship with an organisation are more willing to continue support of the organisation, even when expectations are not always met. Steyn *et al.* (2008:145) maintain that loyal customers will be more willing to forgive service failures by overlooking a negative outcome. For this reason, it is evident that in order to fully understand the forgiveness of customers, service failures and service recovery must be examined.

Boshoff and Staude (2003:9-10) explain that service organisations which deliver on customer expectations in the presence of the customer during the service encounter, are more likely to (unintentionally) make service failures known to customers as customers are present during the service failure and service failures can therefore not be sugar-coated or hidden. Two of the most prominent reasons for service failures which customers with a relationship intention will forgive (Kumar *et al.*, 2003:670), besides the gaps in service quality (see section 2.7.4), are the cycle of failure and higher prices. Lovelock and Wirtz (2007:316-319) observe that customers often experience service failures because organisations are stuck in the cycle of failure. The cycle of failure occurs in organisations with high employee turnover due to the unrewarding atmosphere in which low-paid employees have to work. Because the employees are bored and have a poor service attitude, customers become part of the cycle of failure as they experience poor service and then employees cannot respond to the feedback of the dissatisfied customers (due to insufficient training) which, in turn, results in a high customer turnover. Kumar *et al.* (2003:670) state that customers can also view higher prices as a service failure. Customers willing to forgive such a service failure due to their relationship intention will thus be less price-sensitive and willing to pay a higher price for the service.

According to Egan (2004:140-141) customers react differently to service failures and they will see the service failure in a holistic fashion – in terms of all their encounters during the relationship with the organisation. Customers will evaluate the organisation's reaction to the service failure and evaluate the relationship with the organisation.

Customers are interested in justice and fairness. Lovelock and Wirtz (2007:391-392) explain that customers can take three courses of action in response to a service failure. Firstly, the customer can choose to take a form of public action by complaining to the organisation or a third party and by taking legal action to rectify the event. Secondly, he or she can choose to switch (defect) to a different organisation or spread negative word-of-mouth. Thirdly, the customer can choose to take no action at all. Egan (2004:141) asserts that customers can also choose to remain with the organisation even if they are dissatisfied due to switching costs and other barriers as discussed later in this chapter (see section 3.3.5). The customer can choose to use any one or a combination of these responses. Egan (2004:140-141) also notes that after the service recovery, customers can either be satisfied with the specific handling of the service failure or with the organisation self. Customers with relationship intention will, however, forgive the organisation and give the organisation another chance (Kumar *et al.*, 2003:670).

Boshoff and Staude (2003:10) assert that in order to avoid a double failure, organisations should have a contingency plan in place. The contingency plan is the service recovery and refers to the actions the organisation will take in response to a service failure. Lovelock and Wirtz (2007:395-396) define service recovery as the umbrella term for the systematic efforts of an organisation to correct a problem caused by a service failure in order to retain the complaining customer's goodwill. Customer satisfaction is achieved, or in most cases restored, through service recovery. Satisfactory service recovery increases the probability of complaining customers remaining loyal to the organisation. Furthermore, the service failure paradox entails that customers who have experienced effective service recovery (as the problem was resolved to their full satisfaction after a service failure) are sometimes more likely to make future purchases from the organisation than customers who have never experienced a service failure. However, customers' expectations are raised after they experienced excellent service recovery, setting the bar high for future service recovery. As higher expectations indicate relationship intention (Kumar *et al.*, 2003:670), satisfaction with service recovery is likely to increase customers' relationship intention.

Bhandari, Tsarenko and Polonsky (2007:181) reviewed service recovery in a comprehensive manner and determined that service recovery after a service failure should be considered as a whole new service encounter. This conclusion was reached after findings that customers develop expectations for service recovery based on past

experience or even recovery experiences with organisations offering completely different products and services, in the same way as they develop expectations for all the other interactions with the organisation (see section 3.3.2). For this reason, the evaluation of the effectiveness of service recovery depends on whether customer expectations were met or not. Huang and Chang (2008:1229) support this perspective on service recovery as certain customers have higher expectations for service recovery than others. To reiterate: customers with higher expectations who are willing to forgive a service failure and accepting the service recovery of organisations will have higher relationship intentions (Kumar *et al.*, 2003:670).

Boshoff and Du Plessis (2009:346-347) and Mattila (2001:584) postulate that customers use perceived fairness dimensions to evaluate service recovery. The perceived fairness dimensions are derived from justice theory and the perceived fairness dimensions hold that customers evaluate service recovery by means of distributive justice, interactional justice and procedural justice. Boshoff and Du Plessis (2009:346-347) describe distributive justice as an outcome-orientated approach as it is based on the outcome of the organisation's service recovery effort. Customers evaluate the compensation from service recovery, which can take the form of monetary and non-monetary redress, by determining whether the redress is adequate compensation for their emotional distress, loss and inconvenience caused by the service failure. Interactional justice refers to the fairness customers experience from employees during the interaction of service recovery. Procedural justice is determined by examining the process of arriving at the final outcome of service recovery; the process where conflict is resolved fostering continued productive relationships is evaluated to determine procedural justice. Table 3.2 summarises the perceived fairness dimensions and their definition.

**Table 3.2: Summary of the justice theory used to evaluate service recovery**

Perceived fairness dimensions	Definition
Distribution justice	Perceived fairness of the outcome (for example refund, discount or free gift)
Interactional justice	Perceived fairness of the manner in which the customer is treated (for example an apology to the customer)
Procedural justice	Perceived fairness of the process used to rectify the service failure (for example company policies)

Source: Mattila (2001:584).

Boshoff and Staude (2003:10-11, 15) developed the RECOVSAT measure to determine the satisfaction and loyalty of customers after service recovery. Six dimensions are identified which influence the satisfaction with service recovery. Firstly, atonement

refers to the value-added compensation offered to customers to restore the relationship and reimburse the inconvenience of the service failure. Atonement is not only viewed in monetary terms, but also includes the polite way in which the organisation offers it to the customer. Secondly, communication influences the satisfaction with service recovery. Concerning communication between the organisation and customer, the amount, timing, frequency and communication style all influence satisfaction with service recovery. Research indicated that organisations should use the convergence communication style, where the organisation (service provider) applies strategies to vocally, verbally and non-verbally experience encounters from the customer's perspective during service recovery. Communication has the largest influence on satisfaction during service recovery. Thirdly, empathy literally implies that the organisation should care about the problem, resolve the problem and reduce the inconvenience for customers. Fourthly, feedback from the organisation to the customer, regarding the resolution of the service failure, constitutes a dimension of satisfaction with service recovery. In the fifth place, empowering employees accompanied with the necessary training with which employees handling customer complaints are able to exert the necessary power and initiative to resolve service failure, and employees able to interact with complaining (emotional and angry) customers, add to satisfaction with service recovery. Lastly, tangibles such as employee dress code, equipment and the physical environment in which complaints are handled are very important in relation to the long-term loyalty of complaining customers who have experienced a service failure.

Blythe (2006:383) provides three ways of resolving a problem that the customer may experience: offer a fair outcome; offer a fair procedure; and offer fair treatment. Zikmund *et al.* (2003:97-98) maintain that customers want service recovery to be easy, hassle-free and immediate. As customers are emotional (angry and excitable) when they complain about a service failure, customer-contact employees must have the skill of interacting with all the different types of customers (some customers may be accommodating while others are extremely assertive). If customer-contact employees cannot interact with the customer due to incompatible personal styles, tension is likely to occur. To assist customer contact employees in handling customer complaints, organisations should have a system in place which is customer-centric and which enables these employees to express regret, resolve the conflict and follow up the situation, ensuring that the same service failure will not repeat itself. Zikmund *et al.* (2003:98-100) propose that a customer-centric approach entails that the organisation

understands the situation from the customer's point of view. Customer-contact employees handling customer complaints must listen attentively and display sensitivity to convey respect to the customer and to show that the organisation is customer-centric. As satisfaction or dissatisfaction is a direct result of confirmation or disconfirmation of customers' expectations (see section 3.3.2), employees can rephrase the customer's statement and ask what the organisation can do to resolve the matter, with a view to understand the customer's opinion and discover what the customer's expectations were. First and foremost, the organisation should express regret for the service failure and apologise for the situation which may calm down the angry customer. The apology can be reinforced with a gesture of appreciation or an upgrade of service. The next step is to resolve conflict if it should arise due to incompatible views of the customer and the organisation. The customer can ultimately decide to end the relationship with the organisation if the conflict is not resolved. The organisation can try to accommodate (through settling the conflict by means of cooperative behaviour, especially if the lifetime value of the customer is more important than the issue under dispute), to compromise (in an attempt to find a mutually acceptable solution good enough to both parties through negotiation) or to terminate the relationship with the customer as there is no hope of resolving the conflict. Lastly, organisations should always follow up on the situation to determine if the resolution was acceptable and prevent recurrence as only by eliminating already experienced service failures, can the organisation retain its customers. Zikmund *et al.* (2003:100) further assert that the advantages of service recovery lie in avoiding a double failure and that it can create loyal customer advocates.

An important finding of Lovelock and Wirtz (2007:395-396) is that customers may forgive a first service failure but tend to become disillusioned when failures re-occur. When the service failure is totally outrageous, such as dishonesty on the part of the organisation, the problem is not an isolated incident but one in a series of service failures or the service recovery is so poor it worsens the initial service failure, then the trust in the organisation will be completely destroyed and the relationship will end. However, Kumar *et al.* (2003:670) explain that a high relationship intention will make the customer more tolerant of service failures and reduce the likelihood of the customer defecting after experiencing a service failure. Although emotionally attached customers will not defect, the emotional bonding of the customer with the organisation can cause customers to feel betrayed when experiencing a service failure.

Evans *et al.* (2004:288) argue that an organisation will only be able to retain customers if the organisation understands why customers defect and makes the necessary changes in the future to prevent service failures. DeSouza and Keaveney (quoted by Evans *et al.*, 2004:281) identified the following reasons for customer defection:

- Lower prices;
- Purchase superior products;
- Get better service;
- Core service failure;
- Experienced a service-encounter failure or failed employee response to a service encounter;
- Inconvenience;
- Found a different market;
- Can convert from using one technology to another;
- As a result of ethical or political pressures; and
- Involuntary factors can also result in customers defecting.

Despite these reasons for defecting, Kumar *et al.* (2003:670) conclude that the emotional involvement will cause customers to feel guilty when considering alternatives and forgiveness will make customers more tolerant of service failures if customers have a high relationship intention.

### **3.3.4 Feedback**

According to Fill (2006:41), feedback is the part of the response the receiver of a message sends back to the organisation (in this case the sender of the message). Feedback is thus used to determine whether the message has been received correctly and aims to eliminate inefficient and ineffective marketing communications through identifying any misinterpretation, error or service failure. Feedback can be either overt in the form of questions, complaining or signing an order form or less overt such as gestures and body language. Less overt messages must be decoded accurately in order for the organisation to give an appropriate response.

Kumar *et al.* (2003:670) state that customers who believe in giving both positive and negative feedback to the organisation have a higher relationship intention. Kumar *et al.*



(2003:670) further assert that customers who do not expect a reward when providing feedback have a higher level of relationship intention. Loyal customers are most likely to provide data to the organisation as they trust the organisation, expect the organisation to use data with discretion and to their benefit (Gamble *et al.*, 2006:210). Lovelock and Wirtz (2007:392, 394-395, 412) argue that when customers give feedback, the organisation can use this information to provide service recovery if necessary. Complaining customers indicate that they want to continue their relationship with the organisation, and also highlight that they are disappointed with the organisation – this enables the organisation to rectify the situation. For this reason, it is important to obtain feedback as it gives the organisation the opportunity to correct problems that it might not even have been aware of before the complaint, to restore relationships with the complaining customers and to improve future satisfaction for all customers. Ha (2004:200) mentions that even though most customers do not complain directly to the organisation, those who do enable the organisation to improve and develop their relationship proactively. From the customer's perspective, effective service recovery counters negative feedback to other prospects.

Gamble *et al.* (2006:250-251) suggest that feedback is the backbone of continuous improvement of the organisation's products and services. Feedback enables organisations to resolve complaints and thereby reduces the number of defections, while at the same time increasing the chance of customers spreading favourable word-of-mouth. The secret of customers' feedback lies in the fact that the organisation has to turn the feedback into knowledge which can be used to strengthen the relationship between the organisation and customer.

Fill (2006:352) states that feedback is vitally important for an organisation as it provides the opportunity for learning from previous activities (in terms of what worked well and which service failures occurred) which can then be improved where necessary and thus, previous actions and feedback become the anchor for future activities. Lovelock and Wirtz (2007:406) and Egan (2004:112-113) maintain that the use of customer feedback is twofold. Firstly, the organisation has to listen to customers in order to satisfy customers' needs and wants which can be determined via feedback. Secondly, the actual performance of the organisation in terms of service quality, satisfaction along with areas of improvement can be identified through customer feedback.

Lovelock and Wirtz (2007:410, 412) suggest that feedback includes customer complaints, suggestions, compliments and inquiries; Egan (2004:113) adds comments to this list. Customers provide negative feedback in the form of complaints and positive feedback in the form of suggestions, compliments and comments. However, not all customers complain. Zikmund *et al.* (2003:97) explain that customers can choose alternative reactions to dissatisfaction with the organisation's products and services. When the monetary or psychological value of the service failure is low, some customers merely take no action at all and tell no one about the service failure. However, as the investment of customers increases, dissatisfied customers may choose to avoid the product and the organisation in the future and may spread negative word-of-mouth. Only when customers are still emotionally burdened by the service failure will they complain to the organisation, return the product or complain to regulatory agencies or in severe cases, the media. Customers complain to indicate their dissatisfaction with the product, service or the organisation. Lovelock and Wirtz (2007:392) propound that the reasons for customer complaints must be understood before the organisation will be able to deal effectively with the dissatisfied and complaining customers. The first underlying reason for complaining lies in the customer aiming to obtain restitution or compensation through recovering economic loss. The second reason for complaining is that some customers want to voice their anger about service failure. Customers complaining for this reason want to regain their self-esteem or simply get rid of their anger and frustration. When customers' self-esteem, self-worth and the sense of fairness are negatively affected by a service failure, they can become angry and emotional and this is when the second reason for complaining (to voice anger in an attempt to regain self-esteem or to get rid of the anger and frustration) becomes evident. Thirdly, highly involved customers try to contribute to service improvements by giving feedback. Altruism is the fourth reason for complaining as some customers want to prevent other customers from experiencing the same shortcomings and may feel guilty if they fail to give feedback which can avoid future service failures. The third and fourth reasons (improvement and altruism) encompass involvement and concern with the organisation which are characteristic of customers with high relationship intention (Kumar *et al.*, 2003:670).

According to Zikmund *et al.* (2003:97-98), there are four factors influencing a customer's decision to complain. Firstly, the level of dissatisfaction plays an important role as the degree of dissatisfaction can range from mild displeasure when performance did not

meet expectations, to raging anger if the purchase was important or the consumption was momentous - causing great disappointment and increasing the probability of complaint. Secondly, the attribution theory through which customers seek explanations for events and occurrences, entails that customers can blame the organisation (increasing the chances to complain) and even develop theories about the future poor performance of the organisation or the organisation's responses to complaints. Thirdly, dissatisfied customers are more likely to complain when the expected benefits of complaining are high and the expected costs of complaining are low. In contrast to the aforementioned, Kumar *et al.* (2003:670) propose that customers with a high relationship intention do not expect any reward for giving feedback to the organisation, even if it is negative feedback in the form of complaints. Lastly, Zikmund *et al.* (2003:97-98) state that the personal characteristics of customers (demographic and personality characteristics) also influence their likelihood to complain as highly educated customers, self-confident customers, aggressive customers and older women are more likely to complain. Huang and Chang (2008:1228) also found that customers who are competitive, aggressive, irritable, work- and achievement-orientated and worrying about deadlines, tend to engage in aggressive complaint behaviour. On the other hand, customers with an internal locus of control (in control of their destiny) believe that their complaints can improve the performance of the organisation. They are described as internally-orientated customers who voice their complaints in a relational manner. Kumar *et al.* (2003:670) regard customers' concerns and involvement with the organisation to be portrayed through their belief that they can, through their feedback in the form of complaining, be involved in bettering organisational performance. Customers portraying this behaviour indicate high relationship intention.

### **3.3.5 Fear of relationship loss**

Kumar *et al.* (2003:670) state that customers with an intention to build a relationship with an organisation fear losing their relationship with the organisation. Emotionally attached customers have a high involvement with the organisation and feel guilty when considering other options; they fear losing their emotional attachment to the organisation.

Lamb *et al.* (2008:12) maintain that a sense of well-being occurs when a customer establishes an ongoing relationship with an organisation such as a retailer, doctor, bank

teller, hairdresser, or accountant. The social bonding that takes place between the organisation and customers ensures the personalisation and customisation of the relationship. Organisations can enhance these bonds by, for instance, being reliable, addressing customers by name, and providing continuity of service through the same employee such as a personal banker. Steyn *et al.* (2008:140) further propound that because of the nature of services, the transactions between the organisation and the customer can be viewed as social encounters. For this reason, customers will experience switching barriers (also referred to as bonds), non-monetary costs and risks associated with ending the relationship with the organisation.

### **3.3.5.1 Bonds**

Stone *et al.* (2002:292, 300) assert that people will play a vital role in relationship marketing until computers can manage the process of talking and listening to customers. Liang and Wang (2006:123) describe the creation of bonds between the organisation and the customer through interaction and association. These bonds can be psychological, emotional, economic or physical. Egan (2004:147) and Evans *et al.* (2004:211) argue that switching barriers to the relationship, referred to as bonds, tie the customer to the organisation and thereby maintain the relationship. From the customer's perspective, switching barriers prevents customers from abandoning their relationship with the organisation. Bonds can include legal, economic, technological, geographical, time-related, knowledge, social, cultural, ideological and psychological bonds. Seiders *et al.* (2005:30) suggest that social and financial switching barriers are created through relational bonds, providing the organisation with a competitive advantage.

Egan (2004:70-71) continues that bonds can be created by the organisation, the customer or by the relationship between the organisation and the customer. Those bonds created by the relationship especially make customers with high relationship intention fear the loss of the relationship with the organisation (Kumar *et al.*, 2003:670). Bonds constitute actual psychological costs. The psychological bonds or switching barriers identified by Egan (2004:71-72) are briefly elaborated below.

- Search costs. The time and energy spent on searching for alternative organisations to purchase from are referred to as search costs;

- Learning costs. Learning costs entail the time and energy spent on learning how to make effective and efficient transactions with a new organisation;
- Emotional costs. The customers in an extended relationship with the organisation can develop emotional ties over time with the organisation or the personnel of the organisation;
- Inertial costs. The effort required to break the habitual behaviour of supporting the organisation is called inertial costs;
- Risk. The support of a new organisation will entail a certain degree of risk for the customer. Customers tend to remain with the organisation with which they have experience with a view to escape the risk of moving to another organisation;
- Social costs. If the organisation contributes to the social life of the customer, for example preview evenings where the customer can socialise with other customers, the customer will experience social costs if the decision to support a competitor arises;
- Financial costs. Any financial penalties, the loss of rewards or status gained through relationship longevity, are referred to as financial costs; and
- Legal barriers. Legal barriers are often found in the form of a contractual arrangement between the organisation and the customer, stipulating that the customer remains with the organisation for a period of time.

Lovelock and Wirtz (2007:373-376) agree that organisations can bond closely with customers - which will increase the loyalty customers have towards the organisation. Loyalty reward-based bonds and higher-level bonds such as social, customisation and structural bonds can be used to this end. When customers are concerned with the consequences of losing these bonds, they have a relationship intention towards the organisation (Kumar *et al.*, 2003:670). Each bond identified by Lovelock and Wirtz (2007:373-376) will briefly be discussed:

- Reward-based bonds, whether financial such as discounts, non-financial such as access to special services and giving priority to loyalty programme members for waitlists, or intangibles such as special recognition and extra attention to customers' needs, aim to make the organisation the preferred choice;
- Social bonds are based on personal relationships between the organisation and the customer. Social bonds can also reflect pride and satisfaction in being part of the organisation. Evans *et al.* (2004:217, 285) conclude that social bonds portray the

degree of mutual friendship and liking between the organisation and the customer; notions that emphasise the personal element in relationships between people. It is particularly the fear of losing social bonds which is characteristic of customers with high relationship intention (Kumar *et al.*, 2003:670);

- Customisation bonds entail that the organisation treats the loyal customer as an individual and service is tailored to the specific customer's preferences and needs. Once a customer has become used to such customisation it will be difficult for the customer to defect; and
- Structural bonds aim to stimulate loyalty through structural relationships such as joint investments in projects. Structural bonds link customers to the organisation. Evans *et al.* (2004:218, 285) concur that underpinning systems or structures can create situations where the organisation and the customer are bound together through structural bonds. For example, a loan will bound the customer to the specific organisation until the loan is paid back.

When relationship marketing is practised, Baran *et al.* (2008:108) maintain that the level of relationship marketing must match the strength of the bond between the organisation and customer. The strength of the bond depends on the position of the customer on the transactional/relational continuum (see section 2.3). For this reason, the following three levels of relationship marketing can be distinguished (Baran *et al.*, 2008:108; Berry, 2000:158-159):

- At *level one* relationship marketing, the organisation relies primarily on a pricing incentive. Level one relationship marketing is most appropriately aimed at customers toward the transactional end of the transactional/relational continuum;
- *Level two* relationship marketing relies primarily on social bonds involving personalisation and customisation aimed at customers towards the relationship end of the continuum; and
- *Level three* relationship marketing is also aimed at customers toward the relationship end of the transactional/relational continuum, but bonds are established by structural solutions (and not personalisation and customisation) which could include, for example, providing customers with computer terminals and software to track their orders.

Egan (2004:68) suggests that higher level relationships have explicit relational bonds with a psychological reward such as status potential. For this reason, customers targeted with level two and three relationship marketing strategies may fear losing the relationship with the organisation – a state of affairs indicative of the possibility that they have a relationship intention towards the organisation (Kumar *et al.*, 2003:670).

### **3.3.5.2 Non-monetary costs**

Lovelock and Wirtz (2007:134-136) define non-monetary costs as the time, effort and discomfort customers associate with the search, purchase and use of a service. Non-monetary costs are higher for more involved customers. Thus, non-monetary costs are higher for customers with relationship intention and such customers will fear losing the relationship with the organisation (Kumar *et al.*, 2003:670). The following non-monetary costs are associated with services (Lovelock and Wirtz, 2007:134-136):

- Time costs form part of service delivery. Time costs represent an opportunity cost as the time spent on one activity can also be spent on another activity which customers view as more important or profitable;
- Physical costs entail any physical discomfort or fatigue borne from obtaining a service such as queuing for a service;
- Psychological costs refer to the mental effort, perceived risk, cognitive dissonance, feelings of inadequacy or the fear attached to buying and using a service. Feelings of anxiety or fear that a customer experiences when visiting a new hairdresser or visiting a doctor for a potential surgical procedure are examples of psychological costs the customer attaches to making use of this particular service; and
- Sensory costs are the awareness - through any of the five senses - of something unpleasant such as noise, extreme heat or cold and bad tastes.

### **3.3.5.3 Risk**

Lovelock and Wirtz (2007:43) define perceived risk as the probability of a negative outcome as perceived by customers. Services which cannot be evaluated before purchase or consumption have a high perceived risk. For this reason, perceived risk results in fear of relationship loss. Lovelock and Wirtz (2007:44) refer to seven types of perceived risks:

- Functional risk relates to the possibility of unsatisfactory performance outcomes;
- Financial risk is viewed in terms of monetary loss or unexpected costs;
- Temporal risk refers to wasting time and the consequences of delays;
- Physical risk is the possibility of personal injury or damage to possessions;
- Psychological risk refers to one's personal fears and emotions;
- Social risk is explained in terms of how others will view the customer when making use of the service; and
- Sensory risk refers to unwanted effects on any of the five senses.

Egan (2004:98) describes a customer as vulnerable because the customer experiences risk in terms of the perceived loss from terminating the relationship with the organisation. Evans *et al.* (2004:251) argue that risk-sharing is the primary bonding tool in relationships. If customers fear losing the relationship with the organisation because of the risk shared with the organisation, customers reveal relationship intention (Kumar *et al.*, 2003:670).

Stone and Dickey (2002:480) contend that in the utility market such as telecommunications, customers' propensity to switch between organisations is reduced through satisfaction with the brand, satisfaction with customer service (every interaction with the organisation and its personnel) and satisfaction with the specific category of service. In other words, customers will fear losing their relationship with the personnel, brand and organisation (Kumar *et al.*, 2003:670). In summary, when taking into account the above discussion concerning fear of relationship loss, it can be concluded that when bonds are strong and non-monetary costs as well as risks are high, customers with a relationship intention will fear losing the relationship with the organisation.

### **3.4 CONCLUSION**

This chapter indicated that some customers have relationship intentions that are displayed through involvement, expectations, forgiveness, feedback and fear of relationship loss. Customers with relationship intention should be targeted in terms of relationship marketing, because these customers are profitable considering their lifetime-value. They will also tend to be dissatisfied if approached with a transactional strategy. For this reason, relationship intention can be used as a segmentation variable – a notion which will be expounded in chapter 4.



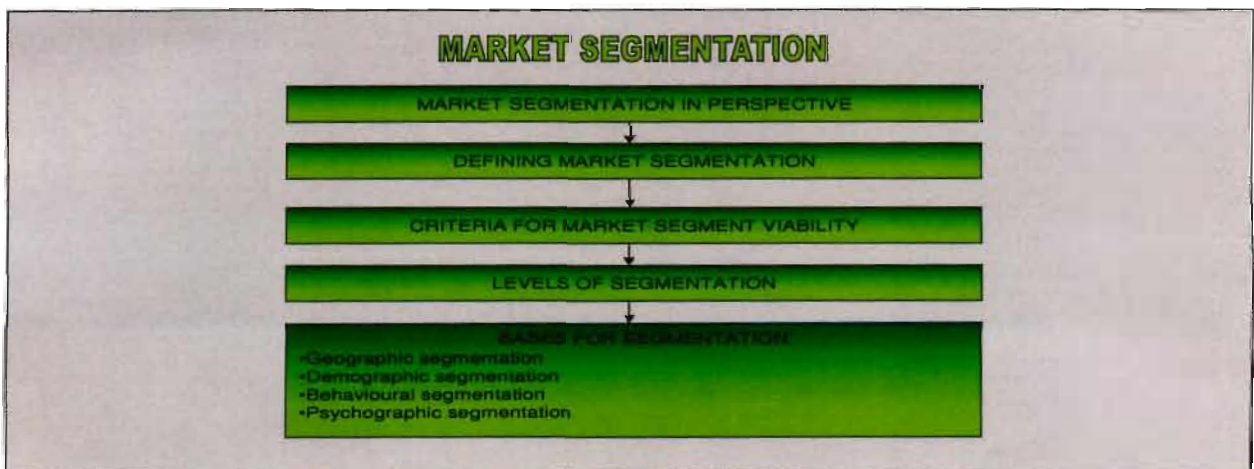
## CHAPTER 4

### MARKET SEGMENTATION

#### 4.1 INTRODUCTION

In chapters 2 and 3 it was emphasised that organisations cannot target every single customer but should rather determine which customers are most profitable to serve with a specific strategy. For this purpose market segmentation is used (Van der Walt, Strydom, Marx & Jooste, 1996:113-114). Stokes and Lomax (2008:179-181) maintain that market segmentation enables organisations to focus their marketing resources on those target segments that offer the greatest advantage in terms of profitability, market leadership and also in terms of matching what the organisation offers in terms of the needs of customers. Chapter 4 examines market segmentation as reflective of a customer-orientation, as suggested by McDonald and Dunbar (1995:11). This will be achieved by defining market segmentation, examining criteria for market segment viability, by identifying levels of segmentation and the bases or segmentation variables which can be used for the purposes of segmentation. The bases for segmentation are divided into geographic, demographic, behavioural and psychographic segmentation. Figure 4.1 provides the chapter outline.

**Figure 4.1: Chapter outline**



#### 4.2 MARKET SEGMENTATION IN PERSPECTIVE

Ruskin-Brown (2006:68-69) asserts that the traditional marketing mix in terms of the 4P's (product, price, place and promotion), does not cover the primary and most

important part of the marketing process, namely: which market and customers therein will the organisation serve in order to obtain income? Organisations should begin with segmentation, where the market is divided into fairly homogeneous groups referred to as segments. Storbacka (2000:574-575) argues that, in order to maintain and enhance customer relationships, two distinct segmentation needs arise. First, retrospective segmentation is a strategic tool for decisions regarding product and price (positioning and discrimination) by determining the degree of heterogeneity over a number of variables describing the documented patronage behaviour and the background data of the existing customer base. Retrospective segmentation is also used to evaluate possible risks and opportunities within the existing customer base. Second, prospective segmentation is done according to the organisation's ability to find ways to enhance existing customer relationships or a group of relationships. Prospective segmentation is useful when practical solutions as to how to approach, communicate with and influence customers' behaviour are sought.

Furthermore, Peter and Donnelly (2008:66) describe two detailed patterns of segmentation, namely a priori segmentation and post hoc segmentation. A priori segmentation entails choosing variables for segmentation before any market research is conducted. This type of segmentation can be used if previous research and knowledge of the market facilitate the identification of segmentation variables. On the other hand, post hoc segmentation is done after market research has proved certain variables to be practical for segmentation. Post hoc segmentation is also used to segment the market for new products. The similarity between the two patterns is that in each case, the variables for segmentation must receive attention.

Stone and Foss (2002:56) deliver yet another perspective on segmentation in terms of the hierarchy of segmentation. From the notion that success requires organisations to be capable of classifying customers into different groups and to manage these groups either tactically or strategically different, the idea of the hierarchy of segmentation was born. The hierarchy includes contact management, analytical segmentation, response segmentation, strategic segmentation and delivered loyalty segmentation. Each level in the hierarchy entails:

- Contact management, which exploits the ultimate use of segmentation (Stone & Foss, 2002:56), entails that the organisation uses data at the point of contact with the customer to enhance the relationship with the customer;
- Stone and Foss (2002:56) explain that analytical segmentation makes use of customer and market information in order to identify different groups of customers with different profiles. For this reason, the most important criterion for successful analytical segmentation results in overall effective strategies as customers' needs, in essence, are understood. For analytical segmentation, broad questions such as who the organisation's customers are, how customers behave and which products and services are successful, are used. The authors explain that analytical segmentation can be used as a foundation for response segmentation, strategic segmentation and delivered loyalty segmentation. Analytical segmentation may be used in the beginning of the relationship between the organisation and customer, but as the relationship grows, response segmentation (predictive scoring) can be used which is then supplemented by analytical segmentation to improve the understanding of customer wants and needs;
- Response segmentation takes analytical segmentation one step further by identifying different groups of customers with the goal of targeting each group with specific promotions (Stone & Foss, 2002:57);
- Stone and Foss (2002:57-58) further state that strategic segmentation is driven by the key performance indicators of the organisation. During strategic segmentation, the strategy is to allocate each potential and actual customer to one strategic category which dictates the marketing policy directed towards them. Two problems regarding segmentation are overlap and over-complexity. The problem of overlap - where a customer can be segmented into too many different categories - can be overcome by prioritising rules. Over-complexity, which occurs due to the number of segments which all deserve different marketing policies, should be avoided. When applying both strategic and loyalty segmentation, the importance of the movement of customers between categories arises. Storbacka (2000:575) propounds that since segmentation is static, the migration of customers in and out of segments must be followed over time in order for segmentation to remain applicable; and
- Delivered loyalty segmentation is a more specialised form of strategic segmentation as groups of potential and actual customers whose loyalty is critical (usually in terms of volume and profitability) to the organisation, are identified. Delivered loyalty segmentation aims to establish mutually beneficial relationships between the

organisation and its customers which define relationship marketing (Stone & Foss, 2002:60).

Segmentation is a prerequisite for relationship marketing. Lamb *et al.* (2008:152) advocate using the concept of market segmentation as it provides opportunities for building long-term relationships with customers by answering customers' needs more accurately. However, the question remains as to why markets should be segmented as there are other relationship marketing tactics and techniques. Doyle and Stern (2006:67-69) provide seven reasons why organisations should segment markets. Firstly, segmentation allows the organisation to match customer needs better. By segmenting customers according to their different needs, organisations can provide better solutions for each segment, which increases customer satisfaction (see section 2.7.5). Secondly, segmentation results in enhanced profits. The rationale is that market segmentation allows for price increases and profit margin enhancement as not all customers are equally price-sensitive. For this reason, identifying the segment which is not price-sensitive will facilitate price increases in this segment. The other side of the coin - those arguments regarding segmentation as unprofitable - entails that producing multiple marketing strategies through multiple product and service offerings results in additional costs, the possibility that the volume of one segment is smaller than the entire market, and the notion that the additional brand can possibly cannibalise profits from the current product and services. However, if applied correctly, the marginal revenue of market segmentation can outweigh these disadvantages. Thirdly, market segmentation provides opportunities for growth by shifting customers to higher-margin products. Fourthly, customers are retained as organisations are aware of customers' changing circumstances, and therefore changing purchasing patterns. In the fifth place, differentiated segments allow for targeted communications, positively affecting the effectiveness of communication and minimising wastage of communication sent to the wrong customers. In the sixth place, innovation is stimulated as segmentation provides a more profound understanding of diverse customer needs and economic value which, in turn, leads to fresh profit opportunities. Lastly, segmentation provides organisations with the ability of obtaining market share. To be profitable, organisations should be a leader in a market segment or distribution channel by having a large portion of the market share. The only feasible way for small organisations to obtain a reasonable market share and be the preferred choice (forcing the distribution channel to carry the products or services), is to apply segmentation.

Lamb *et al.* (2008:154) offer only three reasons why organisations should segment markets. Firstly, segmentation enables organisations to identify customers with similar needs, providing the opportunity of analysing segments' characteristics and buying behaviour. Secondly, specific marketing mixes can be developed for the identified segments to better meet customer expectations (see section 3.3.2). Lastly, organisations can apply the marketing concept as they simultaneously satisfy customer needs and meet organisational objectives. Blythe (2006:176) and Fill (2006:328) maintain that segmentation entails identifying groups of customers who are of greater value to the organisation than the rest of the market and focussing on meeting their needs. For this reason, segmentation influences the strategies an organisation uses. Baines *et al.* (2008:218) agree that market segmentation leverages the finite resources of organisations by focussing on specific segments' needs, resulting in effective and efficient marketing mixes. Segmentation is necessary because customer needs are unlimited and therefore one product will not meet the expectations of all the customers (Fill, 2006:329). Storbacka (2000:575) maintains that the distribution of profitability within the customer base reveals the need for segmentation. Customers differ regarding preferences, sales volume, transaction intensity and customer profitability.

Baker (2004:92, 97) argues that organisations need creativity and insight to segment markets according to the segments customers have already formed, each with their own set of requirements. Customers define value (see section 2.7.3), and for this reason, customers actually make the rules. As customers' perception of value changes over time, the organisation should regularly and frequently go through the process of market segmentation. By quickly adapting to changes in customer value (and thus segments' needs) organisations gain a competitive advantage. Therefore, segmentation is the means through which organisations can profitably offer greater value to customers which, in turn, results in a competitive advantage for the organisation.

It can be concluded that segmentation enables organisations to choose (a) target market/s which, in turn, is vitally important in order for organisations to develop successful marketing programmes (Peter & Donnelly, 2008:64).

### 4.3 DEFINING MARKET SEGMENTATION

Lamb *et al.* (2008:153) define a market as those customers with needs as well as the ability and willingness to buy products and services to satisfy these needs. Doyle and Stern (2006:64) further propound that a market consists of customers with similar needs; however, customers are not heterogeneous and differ in a number of ways. For example, customers differ with regards to the benefits sought, the amount able and willing to pay, exposure to media and quantities bought.

Baines *et al.* (2008:216), Stone and Desmond (2007:174), Blythe (2006:176), Doyle and Stern (2006:64) and Fill (2006:328) define market segmentation as identifying a group of customers within the market with specific characteristics, justifying a specific marketing strategy - as the customers within the segment have similar responses to marketing actions. Through market segmentation, organisations compile profiles of customers which are then used in order to formulate marketing strategies (Stone & Desmond, 2007:177). Bates, Botha, Botha, Goodman, Ladzani, De Vries, De Vries, November and Southey (2008:246) and Lamb *et al.* (2008:153) further describe market segmentation as the process of identifying a subsection of the entire market by dividing the market into groups of customers sharing similar needs. Pride and Ferrell (2010:161-162) conclude that market segmentation is the process of grouping customers with similar needs into segments with the idea that the organisation designs marketing mixes to meet the specific needs of segments.

Market segmentation entails dividing a heterogeneous market into homogenous subgroups (Zikmund *et al.*, 2003:18). In other words, it entails breaking down a broad non-specific market into a number of smaller groups based on shared characteristics of customers in those segments (Peck *et al.*, 1999:37). Baines *et al.* (2008:221) and Ruskin-Brown (2006:73) state that the aim of market segmentation is segment heterogeneity, but member homogeneity within each segment. Stokes and Lomax (2008:181) note that segmentation can only be used where markets are not entirely homogeneous or heterogeneous. Stone *et al.* (2002:85-86) conceptualise segmentation as assigning customers to a particular category based on one or more criteria. However, even though customers in each category are similar, there is still a high measure of variability within each group as customers are not the same.

From the above discussion it can be concluded that market segmentation entails the systematic categorisation of customers into subgroups referred to as segments. Customers are categorised on the basis of shared characteristics. Thus, within each segment, customers have one or more similar identifiable characteristics which differentiate this segment from other segments.

Ruskin-Brown (2006:71-72) emphasises that segmentation is the means through which organisations can overcome the dominance of market leaders by focussing on those segments that competitors have neglected. For this reason, Ruskin-Brown (2006:71-72) asserts that market segmentation entails firstly, grouping the market into homogeneous segments, and secondly, selecting the segments recognised by the following three criteria (highlighting the importance of segment viability):

- The segment highlights a gap in the market where customer needs are not accurately met. Thus, organisations understand the needs of customers to a greater extent;
- The segment gives the organisation a competitive advantage as the organisation can meet the needs of customers accurately. Organisations gain a clearer view of market opportunities and the marketing mix needed for each segment; and
- A market is present in the gap as the organisation is able to serve the segment profitably.

#### **4.4 CRITERIA FOR MARKET SEGMENT VIABILITY**

Pride and Ferrell (2010:164) state that the number and size of segment variables an organisation uses, are determined by the available resources and capabilities. An organisation cannot simply identify several segments but should rather aim to identify those segments that can profitably be served with a different marketing mix. This means that a segment should be viable. Baker (2004:95) proposes that the optimal number of segments is reached when the criteria for segment viability are present. According to Peter and Donnelly (2008:75), the criteria for segment viability can be summarised as the segment being measurable, meaningful and marketable. Payne (2006:65-66) and Baker (2004:95) elaborate on these criteria as follows:

- The segment is meaningful due to the capability of generating sufficient long-term profits which, in turn, justifies separate marketing attention. Lamb *et al.* (2008:154)



view the notion of developing and sustaining a separate marketing mix for the segment as substantiality. Cant, Strydom, Jooste and Du Plessis (2006:106) and Doyle and Stern (2006:73) agree that the motivation for segmentation is lodged in the possibility for the organisation to increase profitability by targeting the segment (which will exceed the costs of targeting the segment individually and adding value – this relates to the next criterion);

- The segment can be targeted within budget confines (referred to as a reachable market segment). Doyle and Stern (2006:73) describe this criterion as the segment being actionable because the organisation should be able to take advantage of the identified segment. Whelan and Davies (2006:400) agree that the ultimate potential of a segment is found in whether or not the organisation can take action and target segments differentially. Furthermore, organisations should have access to the customers in the segment, in other words, organisations should be able to reach customers in the segment (Lamb *et al.*, 2008:154; Doyle & Stern, 2006:73);
- The segment's size and characteristics can be measured. Lamb *et al.* (2008:154) and Doyle and Stern (2006:73) refer to identifiability and measurability as one criterion because both of these are related to the segment's size and characteristics; and
- The segment will remain viable with time. If, however, the distinction between segments is likely to diminish as the service matures, a segmented marketing approach is not suited. Lamb *et al.* (2008:154) and Doyle and Stern (2006:73) shed light on this criterion by explaining that customers **within** segments should be homogenous but there should be at least one difference **between** one segment and other segments.

Peter and Donnelly (2008:74-75) explain that once organisations have identified which segments are viable, the level of segmentation can be chosen and, finally, also the marketing mix for the chosen segments.

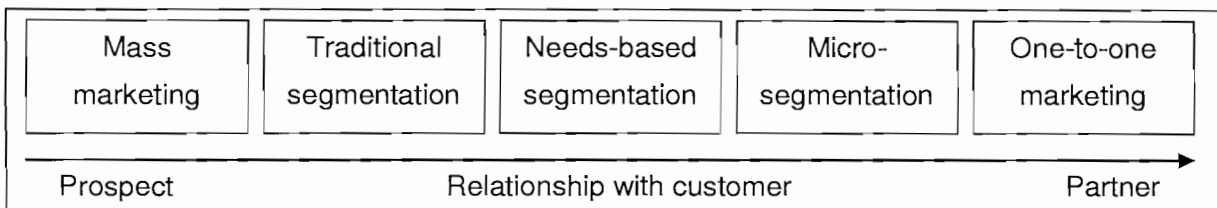
#### 4.5 LEVELS OF SEGMENTATION

Peck *et al.* (1999:38) emphasise that markets are segmented in order to examine the opportunities offered by the segments. This enables the organisation to identify the most attractive segments and to target only those segments with appropriate strategies for retaining customers. In addition to identifying the relevant segmentation bases (see section 4.6), the organisation must also consider the level of segmentation - which can



either be macro-segmentation, micro-segmentation or individualisation (which is also referred to as personalisation and one-to-one marketing) (Payne, 2006:69). Peck *et al.* (1999:38) explain that organisations using relationship marketing move towards more detailed segmentation by practising micro-segmentation. Pride and Ferrell (2010:170) and Blythe (2006:179) assert that micromarketing, the result of micro-segmentation, refers to organisations focussing on one small geographic area. Stone and Foss (2002:59) agree that a segment of one is the ultimate aspiration of organisations today. However, for larger organisations, the highest level of segmentation is mass customisation (see section 3.3.1.2). Perreault, Cannon and McCarthy (2008:69) conclude that the only way an organisation can choose the appropriate level of segmentation is to use profit as the balancing point. When the level of segmentation impedes profit, it is not feasible. The different levels of segmentation are explained via the level of relationship between the organisation and customer in figure 4.2 (see also section 2.6).

**Figure 4.2: Levels of segmentation**



Source: Adapted from Payne (2006:70,111-112), Egan (2004:130) and Peck *et al.* (1999:45).

Doyle and Stern (2006:74-75) explain that segmentation is used for choosing targeting strategies. In other words, segmentation operates at different levels. Targeting strategies include undifferentiated marketing, differentiated marketing and focused marketing. Undifferentiated marketing or mass marketing entails that the organisation targets the entire market with one offer or strategy (Pride & Ferrell, 2010:161; Blythe, 2006:179; Doyle & Stern, 2006:74). Differentiated marketing entails that the organisation uses different marketing strategies for each identified profitable segment (Pride & Ferrell, 2010:163; Doyle & Stern, 2006:75). This type of targeting requires organisations to weigh the additional costs of serving each segment against the increased revenue which can be gained from the differentiated marketing via segmentation. Fine-tuning of segmentation results in one-to-one marketing, where each customer is identified as a different segment (Doyle & Stern, 2006:75); the authors note

that even those organisations making use of one-to-one marketing, manage customers by grouping them via segments in order to remain efficient. Focused or concentrated marketing entails that the organisation becomes a niche competitor by specialising only in one segment or a number of small segments (Pride & Ferrell, 2010:163; Blythe, 2006:179; Doyle & Stern, 2006:75). The expertise of the organisation in one segment will allow it to gain a larger share of the market while simultaneously achieving both low costs and high prices (Doyle & Stern, 2006:75). Now that the importance of segmentation has been emphasised, Bates *et al.* (2008:245) assert that organisations can only determine what customers need through researching the market. Different types of data are needed for sufficient segmentation (Baker, 2004:94). Baines *et al.* (2008:219) agree that organisations designing their products and services around customer demand via market segmentation use market research. Payne (2006:69) propounds that segments can also be analytically derived through data mining to identify customers who are deal seekers, stockpilers, buy regularly priced products and services or pay a price premium. Peck *et al.* (1999:38) argue that the identification of market segments can only be performed after the relevant segmentation bases has been chosen. In the next section, the bases for segmentation will be discussed.

#### **4.6 BASES FOR SEGMENTATION**

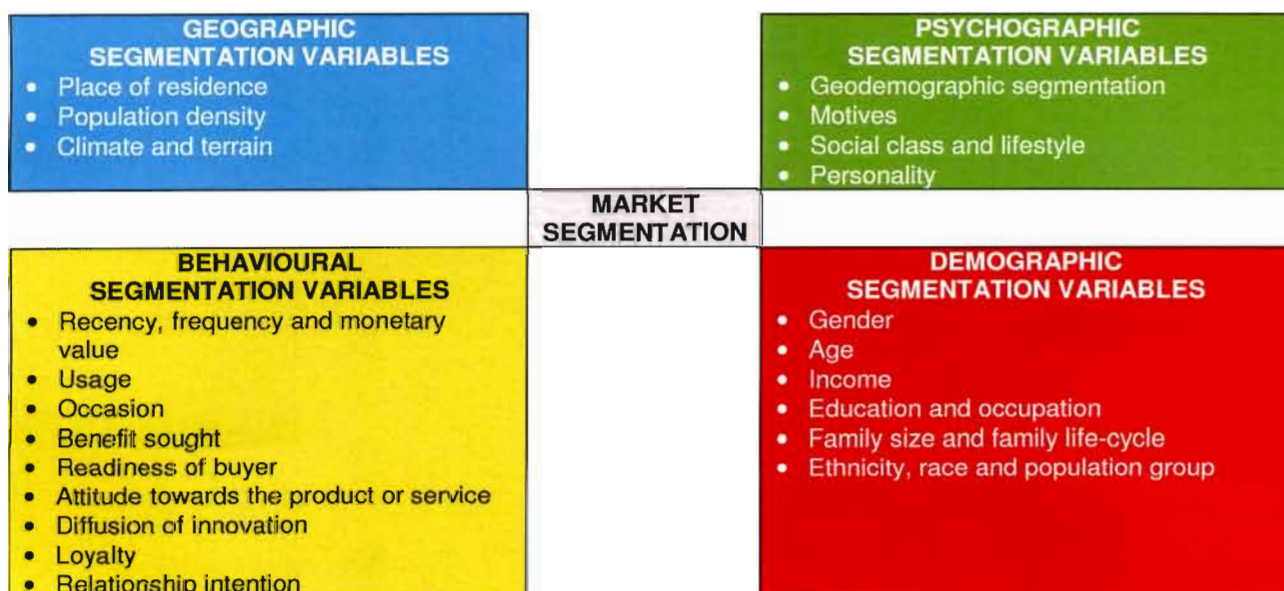
According to Storbacka (2000:575), there are four basic ways used to segment the organisation's customer base. Firstly, segmentation based on relationship revenue, secondly, segmentation based on combining relationship revenue and relationship cost, thirdly, segmentation based on customer profitability and lastly, segmentation based on combining relationship revenue and customer relationship profitability can be used. It is the fourth way to segment the market which will be explored further in this study.

Gordon (1998:4-5) argues that successful categorisation of customers by means of the bases for segmentation is becoming increasingly difficult. Most customers seem to act differently than their counterparts in the same segment. For this reason, relationship marketing emphasises the fact that although customers are categorised into segments, there is still a need to try to manage customers as individuals. However, the lifetime-value of the customer should be taken into account to determine which customers are profitable to serve with customisation as not all customers warrant such an approach.

Although geographic and demographic variables along with behavioural data have traditionally been used to segment markets, more attention is now paid to psychographics and a variety of usage information in order to segment and identify customers (Winer, 2007:97).

To segment a customer market, Pride and Ferrell (2010:165), Kotler and Keller (2009:253), Bates *et al.* (2008:246), Lamb *et al.* (2008:154), Stone and Desmond (2007:175), Cant *et al.* (2006:108) and Wilson and Gilligan (2005:328) state that segmentation can be done by using geographic, demographic, behavioural and psychographic variables. These four categories form the bases for segmentation. Each base encompasses several variables which can be used for market segmentation. Pride and Ferrell (2010:164) define segmentation variables as those characteristics of customers that organisations use in order to divide the total market into segments. The current study will examine segmentation according to the bases for segmentation and their variables, as summarised in figure 4.3 (compiled by the researcher of this study).

**Figure 4.3: The market as it can be segmented according to the bases for segmentation and the variables discussed in this study (outline for the rest of this chapter)**



Doyle and Stern (2006:69) propose that segmentation variables are either viewed in terms of the homogenous needs of customers or in terms of those descriptive, measurable characteristics of the customers referred to as profilers. Organisations need to know both the needs of their customers as well as who and where their customers

are, before profiling them. Demographic, behavioural and psychographic bases for segmentation are all used to construct a profile of customers. Baines *et al.* (2008:223-224) propound that even though demographics and geographic segmentation variables are easy to obtain, these two segmentation bases have low predictive value of future behaviour - whereas psychological and behavioural segmentation bases, although harder to obtain, have higher use for predicting customer behaviour. Ruskin-Brown (2006:78) mentions a very important aspect concerning segmentation, namely that variables used for segmentation can either be easily seen - referred to as observable characteristics - or can be non-observable characteristics, which are not easily seen.

Lamb *et al.* (2008:155) propound that organisations can use a single variable to segment the market or multiple-variable segmentation, where several variables are combined to form a segment. Ruskin-Brown (2006:79) notes that the stability of a market segment increases as more variables are used to define it. Each basis for segmentation will now be discussed by briefly examining the variables in each base.

#### **4.6.1 Geographic segmentation**

Baines *et al.* (2008:223), Stone and Desmond (2007:175) and Payne (2006:67, 69) regard geographic segmentation as differentiating customers on the basis of where they are located. Options for geographic segmentation include segmenting customers according to their location in domestic, foreign or global markets, regions, area codes, the climate where customers are located, population density and terrain. The geographic location of customers may also represent different groups in terms of wealth and socioeconomic factors. Kotler and Keller (2009:253) mention that the organisation can choose to operate in all the identified geographic segments by attending to local variations or only a few areas can be chosen.

Baines *et al.* (2008:227) and Winer (2007:90-91) explain the underlying rationale of geographic segmentation entails that customers' preferences, tastes and consumption vary by part of the world, part of a country as well as between cities and rural areas. These authors believe geographic variables for segmentation include region, city or metro size, density and climate. Fill (2006:329) acknowledges that customers' needs differ according to their geographic area. Place of residence, population density, as well as climate and terrain will briefly be discussed.

#### **4.6.1.1 Place of residence**

According to Bates *et al.* (2008:246) customers' place of residence can be used as a segmentation variable. Examples of variables relating to place of residence include:

- Region (Pride & Ferrell, 2010:165; Lamb *et al.*, 2008:156; Doyle & Stern, 2006:70). Moseki (2006:66) mention that one city in each of the nine provinces of South Africa could, for example, be used as geographic segmentation variable. Such a geographically defined region chosen as targeted segment is referred to as a trade area (Mullins, Walker, Boyd & Larréché, 2005:186);
- City or town (Baines *et al.*, 2008:227; Bates *et al.*, 2008:246). For example, Cape Town or Pretoria can be two geographic segments. Marx and Dekker (1986:104) further note that any city or town in the chosen region can be a segmentation variable;
- Suburb. Bates *et al.* (2008:246) state that a suburb can be a segmentation variable. For example, Athlone or Illovo can be two geographic segments. Cant *et al.* (2006:109) and Van der Walt *et al.* (1996:120) use Johannesburg as an example by identifying the different segments in terms of dividing Johannesburg into central, south, northern, western and eastern Johannesburg; and
- Size of geographic area. Pride and Ferrell (2010:165) mention that the size of the geographic location, the size of the city, town or suburb, can also be used for segmentation.

Martins (2007:168) asserts that especially in South Africa, using the nine provinces as segmentation variables is important as the population density and personal disposable income of customers in the provinces have inevitable consequences for marketing and distribution costs. This emphasises the interrelationship and importance of combining different segmentation variables for segmenting the market.

#### **4.6.1.2 Population density**

Pride and Ferrell (2010:170) argue that population density and market density are not similar - market density refers specifically to the number of customers in a specific geographical area and population density refers to the number of the entire population of a specific geographical area.

Pride and Ferrell (2010:165), Baines *et al.* (2008:227), Bates *et al.* (2008:246), Doyle and Stern (2006:70) and Van der Walt *et al.* (1996:118) agree that the three concepts used to describe population density for segmentation purposes are urban, suburban and rural.

#### **4.6.1.3 Climate and terrain**

Bates *et al.* (2008:246) explain that climate will influence the needs of customers and can therefore also be used as a segmentation variable. Pride and Ferrell (2010:165) and Blythe (2006:182) support climate segmentation, stating that customers in the northern hemisphere spend more than customers in warmer countries on warm clothing, home insulation and heating products. Lamb *et al.* (2008:156) cite the example of air conditioning and heating systems as products that will have different levels of appeal to customers in different climates due to different geographic locations. Van der Walt *et al.* (1996:118) mention rainfall, temperature and wind as climate segmentation variables in South Africa. For example, customers will need umbrellas in Cape Town during winter, but, in contrast, umbrellas will be needed during summer in Johannesburg.

Pride and Ferrell (2010:165) regard terrain as another possible segmentation variable. As example, customers living in a rugged terrain with no tar roads or often visiting other places will need 4x4 vehicles for getting from one place to another, where customers living in a city, will not.

#### **4.6.2 Demographic segmentation**

The demographic segmentation basis reveals information on who the customers in a market are (Baines *et al.*, 2008:223) and describes individual customers and households (Stone & Desmond, 2007:175). Payne (2006:67, 69) defines demographic segmentation as segmentation based on a wide range of factors used to construct customers' profiles. Fill (2006:329) advocates that demographic variables have an influence on the customer's ability to enter into an exchange relationship or transaction with the organisation.

Bates *et al.* (2008:247) and Blythe (2006:184) argue that demographics is the segmentation basis most commonly used as such data are easily obtained. Pride and Ferrell (2010:165) link demographic variables closely to customers' needs; therefore, buying behaviour is strongly influenced by demographic segmentation variables. Also, demographic variables can easily be measured. Kotler and Keller (2009:255), Kotabe and Helsen (2008:231) and Stokes and Lomax (2008:186) ascribe the reasons why organisations commonly use demographic variables for segmentation to the aforementioned: that demographic variables are well-defined and measurable. Stone and Desmond (2007:181) caution against oversimplification of demographic segmentation in the (wrongful) assumption that customers with the same demographic characteristic share the same needs.

Pride and Ferrell (2010:165), Baines *et al.* (2008:225), Bates *et al.* (2008:247) and Doyle and Stern (2006:70) view gender, age, income, education, occupation, family size, ethnicity, race, population group and religion as demographic segmentation variables. Baines *et al.* (2008:225) and Doyle and Stern (2006:70) add nationality as demographic segmentation variable.

Winer (2007:90-91) states that demographic segmentation is used because demographic variables such as age, family size, family life-cycle, gender, income, occupation, education, religion, race, generation and nationality have been found to influence customer behaviour. From the previous discussion the demographic segmentation variables identified, will briefly be discussed; these include gender, age (focussing on young adults), income, education and occupation, family size and the family life-cycle as well as the related terms ethnicity, race and population group.

#### **4.6.2.1 Gender**

Bates *et al.* (2008:249) suggest that organisations can segment customers according to their gender by focussing on males, females or both genders. Furthermore, Pride and Ferrell (2010:166), Baines *et al.* (2008:225) and Lamb *et al.* (2008:157) mention that gender is commonly used by organisations segmenting markets for clothing, toiletries, jewellery, footwear and magazines. This shows that although gender roles have shifted (Blythe, 2006:187), gender segmentation is still widely used. Blythe (2006:188) sheds



light on the new trend in segmentation focussing on sexual orientation as the gay market has enormous buying power which constitutes a lucrative segment.

#### **4.6.2.2 Age**

Bates *et al.* (2008:249) view any age group applicable to the organisation's products and services as a segmentation variable. Stone and Weston (2002:460) mention that conservatism tends to increase with age, resulting in older customers being harder to engage in a relationship with the organisation if they are already in a relationship with a competitor. Kotabe and Helsen (2008:231) assert that organisations commonly overlook the elderly as a segment, but the elderly can be a substantial segment. Stone and Desmond (2007:180) use different acronyms for the segment of older customers such as the 'Grey' market and acronyms like Woopie - Well Off Older Persons, Opals – Older People with Affluent Lifestyles and Jollies – Jet-Setting Oldies with Lots of Loot. The latter is also used by Drummond and Ensor (2005:92). Mullins *et al.* (2005:185) explicitly state that Nokia (during their cell phone penetration) focussed their attention on the 55-plus year old segments in both the United Kingdom and Europe as these segments have high disposable incomes and have time to devote to learning new habits. Other examples of focussing on the elderly through segmentation include old age homes, retirement villages, hearing aids (although not only suitable for the elderly) and walking sticks.

An example of age segmentation is Vitaforce, offering dietary supplements for different age groups including children, students and adults (Lamb *et al.*, 2008:157). For the purpose of this study one age group will receive specific attention, namely young adults (a group that includes students).

#### **a) Young adults**

Young adults are a highly technological segment of the population (Serantes, 2009:247) and the term refers to 18-34 year olds (Thompson & Thompson, 2009:1281, 1283). For this reason young adults includes adolescents (Lee, 2008:576-577), university students (Callen-Marchione & Ownbey, 2008:369; Rahman *et al.*, 2008:221; Rugimbana, 2007:11; Thakor *et al.*, 2008:141), professionals and people starting families (Fuhrman, 2006:65). From a marketing perspective, significant potential value resides within the



young adults segment (Ferguson & Hlavinka, 2008:117) as they represent future core customers of organisations (Ferguson & Hlavinka, 2008:116, 117, 126). Young adults, and specifically students, *live* with their cell phones (Andelman, 2007:48).

Both students' reliance on technology and the importance of communication to them is elucidated by Bates (2009:108) who states that Facebook was originally meant for students. However, because this study focuses on cell phones, and not the internet or social networking, Facebook will not be discussed in more detail.

Brink, Cant, Du Toit, Erdis, Gerber-Nel, Machado and Strydom (2005:50) give statistical information estimating the 'youth' market of South Africa to influence spending of between R6 to R7 billion a year with the youth market's pocket money amounting to R5 billion each year. Kotler and Keller (2009:259-260) describe the process of how students influence the product and service choices of their parents. This is because many Generation Y'ers still live with their parents from the Baby Boomer Generation. The effects become apparent in, for example, the cell phones of adults which no longer only hold a utilitarian purpose but should have all the latest gadgets. It is clear that students have a significant influence on the products and services that their families consume. According to Kotler and Keller (2009:259), students currently attending university are part of the Generation Y cohort. The generation cohorts can also be used as a segmentation variable. However, the focus of this study is on young adults (specifically students) and, for this reason, only Generation Y will be briefly discussed.

Moroz (2008:5, 26) propounds that for brands to appeal to Generation Y customers, the brands must be tailored to a specific customer with a clear image and personality, which will complement the customer's self-image (discussed as part of the self-concept theory in section 5.4.2). Organisations should elicit an emotion in customers in order to convey a specific image because Generation Y customers want an experience that will stimulate them. Another important characteristic of Generation Y customers is that technology use is very important to them. Generation Y customers rely on e-mails, the Internet, instant messages and cell phones to communicate. The cell phones of students are therefore a very important commodity of everyday life. For this reason, organisations should attempt to manage word-of-mouth communication, as Generation Y customers communicate frequently with each other. Also, Pride and Ferrell (2010:171) conclude that Generation Y customers prefer an urban style.

#### **4.6.2.3 Income**

Bates *et al.* (2008:249) identify lower income, middle income or higher income segmentation variables. Baines *et al.* (2008:225) and Lamb *et al.* (2008:158) add that income results in customers' purchasing power. For this reason, Pride and Ferrell (2010:167) propound that income affects the lifestyles of customers. Seiders *et al.* (2005:39) argue that organisations would benefit from a better understanding of moderating variables, such as involvement and household income, which can be used to segment customers into lower or higher purchasing groups based on their income. Blythe (2006:188-189) makes the point that income alone is barely a good segmentation method as income does not reveal anything more than purchasing power; income does not reveal customer tastes, interest or what is viewed as value for money. Income is, however, a good segmentation variable when used in combination with other variables such as psychographics. There is a functional relationship between income, education, occupation and social class and these variables can sometimes be grouped together. Education and occupation will now be discussed.

#### **4.6.2.4 Education and occupation**

Bates *et al.* (2008:249) contend that as long as the level of education is applicable to the organisation's products or services, any level of education can be used as a segmentation variable. Payne (2006:67, 69) categorises education in terms of primary school, high school, tertiary qualification or a postgraduate degree. In terms of this study, young adults such as university students are in the process of furthering their education with a tertiary qualification. Education determines the occupation pursued. Bates *et al.* (2008:249) mention professional, technical, manual labour, clerical, managerial, sales, student (discussed under section 4.6.2.2 a), farmers, housewives, the unemployed and retired persons as different variables used for segmentation concerning occupation.

#### **4.6.2.5 Family size and family life-cycle**

Peck *et al.* (1999:38) explain that the size and status of the family is a variable for segmentation. Family formation, birth rates and household sizes are declining and thus the family life-cycle is changing. The result of this is that younger customers postpone

moving into the next stage of the family life-cycle (Stone & Weston, 2002:460). Bates *et al.* (2008:249), Lamb *et al.* (2008:159) and Payne (2006:67, 69) argue that family size relates to whether customers are single, married or unmarried couples, and whether customers have or do not have children. Therefore, family size directly relates to the family life-cycle as the family life-cycle describes families in terms of persons being single, married, divorced or widowed; the presence or absence of dependent children is also taken into account. Stone and Desmond (2007:180) warn that organisations should also take homosexual relationships into consideration. Pride and Ferrell (2010:168) explain that all of the above influence customers' needs and behaviour. The family life-cycle can indicate which products and services are considered useful during the decision-making process. The behaviour of customers differs from stage to stage as the different stages of the family life-cycle result in customers experiencing different needs and wants. These different needs and wants are experienced due to varying incomes, resources and expenditures resulting from promotions and educational responsibilities increasing and decreasing when children become independent (Baines *et al.*, 2008:227; Lamb *et al.*, 2008:157; Schiffman & Kanuk, 2007:346; Fill, 2006:329; Parikh, 2006:224; Chen & Chang, 2005:527, 536; Redondo-Bellon, Roya-Vela & Aldas-Manzano, 2001:634). For this reason, the family life-cycle is a common basis for segmentation (Payne, 2006:67, 69).

Schiffman and Kanuk (2007:344), Stone and Desmond (2007:180) and Winer (2007:469) define the family life-cycle as the stages of life through which customers pass from birth to death. Schiffman and Kanuk (2007:344-346) and McGregor and Ellison (2003:396) distinguish five stages in the traditional family life-cycle. Stage one is defined as bachelorhood and encompasses young single adults living apart from and no longer dependent on their parents. Young married couples, defined as honeymooners, form the second stage. Parenthood, where the married couple has at least one child living at home, is the third stage. Stage four is post-parenthood where older married couples no longer have any children living in the house. Dissolution is the last stage with only one spouse surviving. According to Cornwell, Newton and Lawson (2006:543), shorter phases can be distinguished within the parenthood stage of the family life-cycle namely the preschool phase, the primary school phase, the teenager phase, and the university phase. The traditional family life-cycle considers the implications of the dependent child during the parenthood stage.

Stone and Foss (2002:59) argue that organisations have to segment customers according to both those customers who are already in the applicable life-stage and also customers who will move into the life-stage as well as considering when customers will migrate into this stage.

#### **4.6.2.6 Ethnicity, race and population group**

Lamb *et al.* (2008:158) regard the premise of ethnic segmentation to be lodged in the behaviour and consumption of ethnic groups. Pride and Ferrell (2010:167) assert that organisations use race and ethnicity to segment markets for music, cosmetics, clothing and food. Blythe (2006:189) regards ethnicity as a combination of culture and race. Organisations segment customers in terms of their national identity or sub-cultural identity through ethnicity (Payne, 2006:67, 69).

Blythe (2006:182) propounds that culture can be geographically linked. South Africa is a good example of this, as a large cluster of customers in the Eastern Cape, for example, speaks Xhosa while a significant portion of customers in KwaZulu-Natal speaks Zulu. Language is but one of the apparent cultural differences which can be linked to geographic location and also ethnicity, race and population group. Martins (2007:168-169) emphasises the importance of race as a segmentation variable in South Africa as the races differ concerning culture and home language which specifically have to be accounted for in all marketing activities.

#### **4.6.3 Behavioural segmentation**

Bates *et al.* (2008:248), Fill (2006:329) and Payne (2006:69) regard behavioural segmentation as the analysis and segmentation of markets by means of actual customer behaviour. According to Stone and Desmond (2007:183), behavioural segmentation clusters customers by examining the way in which they react to and interact with the organisation's product or service. Behavioural segmentation variables - encompassing transaction or purchase, consumption or usage, media usage and technology usage - are concerned with where, when and how customers behave (Baines *et al.*, 2008:223). Lamb *et al.* (2008:155) claim that behavioural segmentation uses customers' knowledge of, attitude towards, the use of or response to the organisation's product or service.

Behavioural segmentation as described by Pride and Ferrell (2010:165), Baines *et al.* (2008:223, 234, 237), Bates *et al.* (2008:248-249), Lamb *et al.* (2008:155-156), Winer (2007:96, 98-99), Blythe (2006:87,181-182, 432), Doyle and Stern (2006:70) and Payne (2006:67, 69) collectively includes the following variables which will be discussed in the study: usage, occasion, benefits sought, readiness of buyer, recency, frequency and monetary value of customers (RFM), attitude towards the product or service, diffusion of innovation and loyalty. Furthermore, relationship intention as a behavioural segmentation variable as proposed by Delport *et al.* (2009), concludes the discussion on behavioural segmentation.

#### **4.6.3.1 Usage segmentation**

Baines *et al.* (2008:234) found that product usage can be examined from three different perspectives. Firstly, the symbolic aspects and social meanings customers attach to usage is the social theory perspective (see section 5.4.2). The second perspective (experiential consumption) refers to customers' emotional and sensory experiences from using the product or service. Lastly, the functional utilisation perspective views product usage with regards to how often, when and in which contexts the product is used. This study refers to functional utilisation and supports the definition of Bates *et al.* (2008:248) who define usage rate as how regularly customers use a product or service. Pride and Ferrell (2010:165) and Lamb *et al.* (2008:155) view usage segmentation as the volume or amount of the product or service that customers consume.

Since usage segmentation measures how customers actually behave, Winer (2007:91, 92) propounds that it is an important segmentation variable. The categories used include light user, medium user and heavy user. Bates *et al.* (2008:249) and Doyle and Stern (2006:70) elaborate that light users occasionally use the products and service of the organisation, medium users often use the products and services of the organisation and heavy users very often use the products and services of the organisation. Pride and Ferrell (2010:171) and Payne (2006:67) agree with these categories but add non-users to the list. Lamb *et al.* (2008:155) add former users, potential users, first-time users and irregular users. Stokes and Lomax (2008:183) and Stone and Desmond (2007:186) refer to the Pareto's Principle when considering usage segmentation as organisations should focus on targeting the 20% of heavy user customers accounting for 80% of sales (also see section 2.5).

Usage segmentation variables are not only found in the mentioned categories of usage but also in the service required, for example telephone support, personalised attention or e-mail communication (Payne, 2006:69) and end-use of the product and service (Pride & Ferrell, 2010:165; Stokes & Lomax, 2008:186). Ruskin-Brown (2006:80-81) cites the example of cell phone usage to explain the different end uses customers might seek in terms of the different functions of cell phones which can either be used individually or in combination. The different uses of cell phones include receiving incoming calls, making outgoing calls, text messages, data transmission and e-mail - either without or linked to a computer, managing personal administration in terms of a diary, taking and sending photographs, using the Internet or using the cell phone for entertainment like music and videos.

Baines *et al.* (2008:237) assert that media usage is an important variable which can be used for segmentation as communication planning cannot be done before media usage of customers have been determined. The media vehicles that customers use and the frequency of using these vehicles (be it reading, listening or viewing) should be determined. Customers can then be segmented according to their media usage patterns.

#### **4.6.3.2 Occasion segmentation**

Bates *et al.* (2008:249) regard regular use, sporadic, special occasions or emergencies as variables for segmentation. According to this notion, those customers using the product or brand in different ways, depending on the situation or occasion, are identified (Bates *et al.*, 2008:248; Lamb *et al.*, 2008:156; Stone & Desmond, 2007:183; Blythe, 2006:181; Doyle & Stern, 2006:70; Payne, 2006:68). For example, fruit juice can be bought for breakfast, Easter eggs are only for sale during Easter and occasions such as Valentine's Day, Mother's Day and Father's Day all prompt massive spending for the occasion in the form of gift giving.

#### **4.6.3.3 Benefit segmentation**

Baines *et al.* (2008:234) refer to benefits sought as a psychological variable. On the other hand, Lamb *et al.* (2008:155) view benefits sought as a basis for segmentation on

its own. Blythe (2006:181) regards benefits sought as a behavioural variable, in accordance with the definition of benefit segmentation which follows.

Pride and Ferrell (2010:171) and Lamb *et al.* (2008:162) define benefit segmentation as segmentation in terms of the benefits customers expect from products and services. Where other segmentation variables used are based on the relationship between customers' needs and the segmentation variable, benefit segmentation is concerned only with the customers' needs *per se*. Winer (2007:91) propounds that benefit segmentation is practical as the reasons why customers buy products and services and the fact that customers buy products and services for different reasons, become apparent in this manner.

Bates *et al.* (2008:248) explain that benefit segmentation considers what customers view as important; for example, value for money or convenience. Payne (2006:67) adds lowest price, best technology and greatest value as benefits that customers may want. Pride and Ferrell (2010:165) mention that price-sensitivity will urge customer to seek the lowest price for products and services. Marx and Dekker (1986:104) identify economy - which is value for money - and prestige as benefits that customers may seek and which can be used as segmentation variable. Peck *et al.* (1999:238) consider the need for special features as a segmentation variable. Stokes and Lomax (2008:182) assert that it is a long-term process for organisations to establish being known for a specific benefit that customers seek.

Baines *et al.* (2008:234) offer an example of how benefits sought might differ from segment to segment. Blue-collar trade workers may want the benefits of convenience, accessibility, and handset durability concerning cell phone handsets. Students, on the other hand, desire innovation (the latest handsets) and novelty in terms of games and ring tones on their handsets. White-collar workers may prefer cell phone handsets to fulfil multiple functions as the handset should function as a mobile device, organiser and storage device.

According to Moseki (2006:74-75), a modern-day example of an opportunity presented by benefit segmentation in South Africa are microwave oven meals which are ideal for working couples who do not have enough time to prepare full meals.

#### **4.6.3.4 Readiness of buyer**

Bates *et al.* (2008:248) and Blythe (2006:182) use the customer's readiness as well as willingness to buy and use the product or service as a segmentation variable. For example, some customers may not be aware of the product or service or may not be interested in the product or service at all. Other customers may be aware and interested in the product or service, but the need for this has not yet arisen; others are aware and interested but do not have the purchasing power and, lastly, there are those customers who are ready to purchase the product or service. Marx and Dekker (1986:104) agree that customers can be aware, unaware, informed, interested or ready to purchase the products and services of the organisation. Stone and Weston (2002:461) indicate that customers in the state of approaching an organisation for a first time transaction are in a distinctive psychological state, enabling organisations to segment such customers as a group.

#### **4.6.3.5 Recency, frequency and monetary value of customers (RFM)**

RFM refers to recency, frequency and monetary value of customers (Payne, 2006:69). Baines *et al.* (2008:237) propound that transaction and purchase information helps the organisation to identify the high-value customers in terms of profitability. Pareto's Principle implies that only 20% of an organisation's customers deliver 80% of the profits (also see sections 4.6.3.1 and 2.5). For this purpose a RFM analysis is used. Only the most profitable customer should be identified through segmentation via RFM.

#### **4.6.3.6 Attitude towards the product or service**

Bates *et al.* (2008:248) mention that customers can have a positive attitude towards the organisation's products and services or a negative one. Those customers with a positive attitude can be segmented into a profitable segment. Bates *et al.* (2008:249) posit that customers can be negative, indifferent, positive or enthusiastic about the organisation's products and services. Blythe (2006:182) recommends that organisations should not target customers with a hostile attitude towards the organisation.



#### 4.6.3.7 Diffusion of innovation

Baines *et al.* (2008:223) and Winer (2007:98-99) argue that segmentation in technology markets can be done according to the assumption that some customers adopt an innovation easier and sooner than others. According to Ruskin-Brown (2006:85), the diffusion of innovation is a powerful segmentation variable in any technology-related industry. For this reason, diffusion of innovation is an applicable segmentation variable in the cell phone industry as some customers will adopt new technologies in the cell phone industry quicker than others. Five different segments based on the rate of diffusion can be identified, including (Winer, 2007:98-99; Blythe, 2006:432; Ruskin-Brown, 2006:80):

- Innovators are the first customers to adopt an innovation and are venturesome, eager to try new ideas to see how it works, want to own the latest innovation and are thus insensitive to price;
- Early adopters are customers not interested in the latest innovation *per se*, but rather in the value of the innovation in terms of how the product will enhance their lives. For this reason, the practical implication of the innovation is important to early adopters;
- The early majority are rational customers because they wait before the innovation is bought in order to determine whether the product is merely a trend or has actual value for them. The benefits of the innovation should be clearly identified before the early majority will buy it;
- The late majority are customers who only buy innovative products and services once the industry infrastructure has been built, standards have been established and the levels of product and service support are sufficient. For this reason, the late majority is described as conservative; and
- Laggards are the last customers to adopt new innovations because they are sceptics. Laggards loathe technological innovation.

#### 4.6.3.8 Loyalty segmentation

Lamb *et al.* (2008:156) and Winer (2007:96) mention loyalty segmentation as a behavioural variable. Bates *et al.* (2008:248) assert that loyalty segmentation considers whether customers support the organisation in a consistent way or not. Stokes and Lomax (2008:184) argue that some customers switch easily while others are loyal to a

specific organisation. Those customers loyal to a brand or product are identified for loyalty segmentation (Pride & Ferrell, 2010:165; Payne, 2006:67). According to Zikmund *et al.* (2003:79) these categories are no loyalty, inertia loyalty, latent loyalty and loyalty customers (elaborated in section 2.7.6). Another deliberation on the categories of loyalty is presented by Doyle and Stern (2006:70) as none, medium and high loyalty – a division that resembles the categories referred to by Marx and Dekker (1986:104) – that of no loyalty, average loyalty, strong loyalty or complete loyalty. Baines *et al.* (2008:236) state that, when using loyalty as segmenting variable, customers' loyalty to the service provider as well as the length of the relationship between the organisation and customer can be used. Aaker (2008:28) summarises loyalty segmentation as the rewarding of loyal customers by providing an ongoing mutually beneficial relationship, living up to their expectations and giving extras - all of which will result in surprise and delight.

Cant *et al.* (2006:122) assert that from a relationship marketing perspective, organisations should conduct market segmentation by means of loyalty as segmentation variable in order to identify specifically those customers who are propagators for the organisation in order to direct marketing strategies towards those high-value customers.

#### **4.6.3.9 Relationship intention**

Egan (2004:66) mentions that customers can be segmented according to their levels of relationship proneness based on the different priorities of communication between the organisation and the customer. Relationship-prone customers have a higher tendency to remain loyal to organisations and segmentation can therefore be done according to levels of customer relationship proneness (Odekerken-Schröder *et al.*, 2003:187).

Gordon (1998:40-42) identifies three changes which have taken place in the marketing environment - and conversely changing the traditional view of segmentation - which include more sophisticated and knowledgeable customers, continuing innovations in technology and the increase in competition. For this reason, customers' expectations are rising and organisations should determine which customers are profitable to serve - not only today, but also in the future. Customers can also grant permission for the organisation to send e-mails, mail or to contact the customers with further phone calls which can then be used to group the customers into segments (Payne, 2006:69). The

permission to remain in constant contact with the organisation will indicate that customers want to build a relationship with the organisation. For this reason, those customers with a relationship intention should be identified as a distinct market segment as future profitability is very important and these customers have an intention to build a long-term mutually beneficial relationship with the organisation (Kumar *et al.*, 2003:669). Gordon (1998:304-305) values the opportunity to segment customers based on their current and future value to the organisation in terms of their relationship with the organisation. For this reason, customers can be segmented by using relationship intention as having either a high or a low relationship intention and having no relationship intention (Delport *et al.*, 2009).

Baker *et al.* (2009:121) found that highly involved customers take customer contact employees' actions during the interaction as well as the organisation's customer-oriented efforts into account to evaluate service quality. As few organisations automatically have highly involved customers - or, more correctly from the relationship intention perspective, as only certain customers want to be involved with the organisation to enhance the relationship, there exists a need for organisations to identify those customers that are highly involved (segmentation) and thus have a relationship intention (Kumar *et al.* 2003:670).

#### **4.6.4 Psychographic segmentation**

Psychographic segmentation variables including lifestyle, personality, perceptions, attitudes and motives, determine why customers behave the way they do (Baines *et al.*, 2008:223). Lamb *et al.* (2008:159, 162) argue that demographics provide only a border for segmentation and psychographics is the filling for the border for effective segmentation. Psychographics offers more profound insight into customer behaviour than demographics. Baines *et al.* (2008:232), Peter and Donnelly (2008:67) and Fill (2006:329) suggest that customers' activities, interests and opinions, also referred to as AIO, should be analysed in order to identify lifestyles or patterns of behaviour. The combination of customers' motivations, personality and core values results in AIO of customers. Ruskin-Brown (2006:78) propounds that although such variables cannot easily be seen, they can be used for segmentation when applying the right skills.

Fill (2006:121) posits that psychographics is a popular segmentation technique developed through combining the qualitative approach of motivational researchers and the quantitative approach of trait theorists (see section 5.4.4). Tadajewski (2008:117) states that psychographic research uses precoded objective questionnaires which can be easily administered. Arvidsson (2008:334) suggests that psychographics can be surveyed and organisations can therefore use psychographics as productive resource for segmentation. Winer (2007:90) asserts that since people with the same demographic profile can have entirely different personalities and lifestyle interests, psychographics is appropriate as a segmentation variable. Stone and Weston (2002:460) propound that people's basic psychological make-up and preferences change more slowly than other characteristics, and for this reason it is a good variable to work on over the long-term like when segmentation is done. Winer (2007:94-95) explains that psychographics can provide valuable information (better information than demographic information alone) when combined with purchasing and media habits.

Peck *et al.* (1999:38) assert that the type of occupation and the type of residence (portraying a specific lifestyle and psychographics of customers) can also be used as a segmentation variable. Payne (2006:67, 69) mentions that by means of lifestyle (or psychographics), customers can be segmented according to activities undertaken such as golf, dancing or fishing, interests like shopping, opinions and values for instance religion and patriotism. Furthermore, psychographic segmentation involves analysing lifestyle characteristics, attitudes and personality.

This study will further discuss psychographics in terms of geodemographic segmentation, motives, social class, lifestyle and personality - all of which were collectively identified as psychographic segmentation variables by Pride and Ferrell (2010:165, 170-171), Baines *et al.* (2008:227), Bates *et al.* (2008:247-248), Lamb *et al.* (2008:159), Blythe (2006:189, 191), Doyle and Stern (2006:70) and Whelan and Davies (2006:393).

#### **4.6.4.1 Geodemographic segmentation**

Fill (2006:329) views geodemographic segmentation as a basis for segmentation all by itself. In contrast, Pride and Ferrell (2010:170) view geodemographic segmentation as a geographic segmentation variable. Geodemographic segmentation groups customers

according to postcodes of neighbourhoods to classify lifestyles, also referred to as neighbourhood lifestyles (Baines *et al.*, 2008:227; Peter & Donnelly, 2008:71; Lamb *et al.* 2008:159), and for this reason geodemographic segmentation will be classified as a psychographic variable for segmentation. This segmentation variable is based on the assumption that **where** customers live influence **how** they live. In other words, customers' type of housing is positively correlated with their lifestyles (Baines *et al.*, 2008:227; Lamb *et al.* 2008:159). Cant *et al.* (2006:117) use the saying 'birds of a feather flock together' to describe the underlying assumption of geodemographic segmentation.

#### **4.6.4.2 Motives**

Pride and Ferrell (2010:171) state that motives are the reasons for customers' behaviour, while Lamb *et al.* (2008:159) postulate that knowing the motives for customer behaviour enables organisations to use appeals to prompt customer behaviour (discussed in section 5.4.3). For this reason, motives can be used for segmentation.

#### **4.6.4.3 Social class and lifestyle**

Pride and Ferrell (2010:165) and Baines *et al.* (2008:225) view social class as a demographic variable. However, since social class reflects the lifestyle and personality of customers (Doyle & Stern, 2006:70), this study views social class as a psychographic variable for segmentation.

Bates *et al.* (2008:247-248) refer to social class as a segmentation variable because customers try to identify with certain social groups or income levels by adopting styles, behaviours and product and service preferences in the process of imitating others to identify with their group. Stone and Desmond (2007:181) mention that social class determines everything a customer does, such as what is eaten and when it is eaten. For this reason, Bates *et al.* (2008:247-248) conclude that snobbery, religious affiliation, solidarity and habits of customers in a specific social class can all influence a customer's behaviour, preferences and lifestyle.

Blythe (2006:189) asserts that lifestyle not only determines which products and services are bought, but that the kind of products and services bought also, in turn, influence the customer's lifestyle. The customer can only buy products and services with disposable income which suit their lifestyles. Pride and Ferrell (2010:165) and Doyle and Stern (2006:70) regard lifestyle as a psychographic variable. Bates *et al.* (2008:247) declare that customers often follow trends portrayed by organisations or the media as lifestyle. For this reason, organisations should always be aware of lifestyle trends as these can provide segmentation opportunities. Lamb *et al.* (2008:159) relate lifestyle segmentation to time spending, important things, beliefs and socio-economic characteristics of customers. An example is the cigarette company, Peter Stuyvesant, applying lifestyle segmentation to market their products. Kotabe and Helsen (2008:236) argue that lifestyle segmentation has successfully been used for branding in terms of positioning new or repositioning existing brands and developing brand personalities. Furthermore, through lifestyle segmentation new opportunities have been identified. Innovative market segmentation often results in marketing breakthroughs (Mullins *et al.*, 2005:189). Yuppies, the acronym for Young Upwardly Mobile Professionals, is probably the most widely used acronym identified and developed from lifestyle segmentation (Drummond & Ensor, 2005:92).

Peter and Donnelly (2008:69), Stone and Desmond (2007:181), Winer (2007:94-95) and Blythe (2006:190-191) refer to the VALS system describing psychographic segments in terms of values and lifestyles as the best known psychographic segmentation variable. Moseki (2006:72-73) also refer to the Sociomonitor Value Groups Survey, which is commonly used in South Africa as a comprehensive lifestyle and psychographic study of the population groups. The Sociomonitor Value Groups Survey assists organisations in terms of understanding customers' psychographics and their behaviour as well as learning how to appeal to and communicate with customers. Although literature covers the VALS system and the Sociomonitor Value Groups Survey, marketers in South Africa choose to use the Living Standard Measure, from here on referred to as LSM, to segment customers according to their household income, access to services as well as ownership of vehicles and major appliances - all reflecting customers' social class and lifestyle (Moseki, 2006:68). Cant *et al.* (2006:111) propound that, traditionally, market segmentation in South Africa was done by focussing on race but the LSM changed the landscape of segmentation in South Africa.

The South African Advertising Research Foundation (2009), from hereon referred to as SAARF, affirms that LSM is the most widely used marketing tool in Southern Africa. Haupt (2009) views the LSM groups as South Africa's first multivariate market segmentation index which moves away from only using demographics as segmentation variables. LSM is based on a set of marketing differentiators which groups customers according to their living standards, specifically possessions and where they live. LSM is a wealth measure, not an income measure. Furthermore, Haupt (2009) indicates the importance of not confusing LSM groups with income groups by using a student as example. A student might live in his parent's up-market home in Sandton (which puts the student in a LSM 10 home and differentiates the student from others living in a LSM 4 home), but in retrospect the student's only income is derived from a part-time job while finishing his studies, and therefore the disposable income of the student is, in fact, low.

According to SAARF (2009), the SAARF Universal LSM introduced in 2001 divides the population into 10 LSM groups where 10 is the equivalent of the highest living standards and 1 the lowest. LSM is based on universally applicable variables and cuts across race and other more old-fashioned techniques for segmentation. LSM can be used on adults from the age of sixteen and older. Of interest for this study, it should be noted that both the presence of a cell phone and Telkom telephone are present in LSM, again highlighting the importance of telecommunications in South Africa. Martins (2007:181) gives the share in total household cash expenditure in South Africa on communication and LSM group of 2005, summarised in table 4.1 below.

**Table 4.1: Cash expenditure in South Africa on communication and LSM group in 2005**

EXPENDITURE	LSM 1	LSM 2	LSM 3	LSM 4	LSM 5	LSM 6	LSM 7	LSM 8	LSM 9	LSM 10	TOTAL
COMMUNICATION	0.3%	1.3%	2.2%	4.5%	8.7%	13.0%	9.3%	10.4%	18.9%	31.4%	100%

Source: Martins (2007:181).

Martins (2007:168) regards segmentation by LSM group especially useful for more informed target marketing when media selection for promotion is considered. Mwanza (2009:51) provides proof of the use of LSM as segmentation tool in South Africa with the fact that Scooter's Pizza segments the market by means of the broader middle LSM groups.

Bates *et al.* (2008:247) identify many different lifestyles including:

- Flat-dwellers living in urban areas;
- Customers with gardens living in suburban areas;
- Customers with pets living in suburban areas;
- Health-conscious customers;
- Fashion-conscious customers in terms of having conservative or liberal tastes; and
- Customers interested in sporting activities.

Pride and Ferrell (2010:205) state that activities, interests and opinions reflect the lifestyle of customers. From the above it becomes clear that lifestyle includes how customers spend their time, the degree of interaction with others and their outlook on life. Personality and demographic factors influence customers' lifestyle. Lamb *et al.* (2008:84, 94) assert that lifestyle reveals personality. For this reason, the products and services customers use directly reflect their personality as products and services are used to fit the lifestyle of customers which, in turn, reflects customers' personality.

#### **4.6.4.4 Personality**

Bates *et al.* (2008:247) propound that impulsive purchasing, which is a function of a personality factor, renders the use of personality as a segmentation variable apparent. Personality is a good segmentation variable as it changes very slowly over the long-term (Blythe, 2006:191). Lamb *et al.* (2008:159) note that personality refers to a customer's traits. Stone and Desmond (2007:183) focus on the match between customers' personality and the brand personality organisations develop to appeal to a specific customer segment as seen in the marketing of products such as cigarettes, alcohol and cosmetics. Pride and Ferrell (2010:170) and Doyle and Stern (2006:70) advocate the use of personality for segmentation purposes, because marketing practitioners believe that there is a relationship between personality and customers' needs and behaviour. However, due to the fact that most personality tests have been developed for clinical use and not for market segmentation, the measurement of personality for market segmentation purposes is not yet refined - which can be the reason why certain previous research only indicated a weak relationship between personality and customers' needs and behaviour. Despite this, Whelan and Davies (2006:393) found that personality is a potential segmentation variable as there is a



strong relationship between personality traits and the purchase of own brands and national brands.

Bates *et al.* (2008:249) identify various segmentation variables regarded as personality traits which have been used for segmentation purposes including traits such as outgoing, vibrant, modes, authoritarian, extrovert, introvert, impulsive, cautious and ambitious. Ruskin-Brown (2006:80) concurs, and mentions that there are over 650 personality traits; personality segmentation can therefore be complicated. For this reason, organisations cluster traits together and give them labels to simplify the process. The Big Five personality domains (see section 5.5) are one such an example.

There are various personality traits which can be listed as segmentation variables (Ruskin-Brown, 2006:80) but this part of the chapter only examines the possibility of using personality as segmentation variable and will therefore not list all the different traits covered in the literature. Since this study examines the personality of young adults, the use of personality in the field of marketing is elaborated upon in chapter 5.

#### **4.7 CONCLUSION**

This chapter examined segmentation because it has been argued that organisations cannot serve each customer individually. Segmentation allows the organisation to identify profitable segments that can be targeted. The bases for segmentation and the variables of each base were the focus of the discussion in order to provide an overview of segmentation. In the light of this study, geographic segmentation highlights using the North-West University Potchefstroom Campus as a segment, demographic segmentation offers insight into using age to segment young adults, behavioural segmentation sheds light on using relationship intention for segmentation, and psychographic segmentation supports consumer personality as a segmentation variable. Chapter 5 will provide a more comprehensive discussion of consumer personality, as personality forms an integral part of this study.

## CHAPTER 5

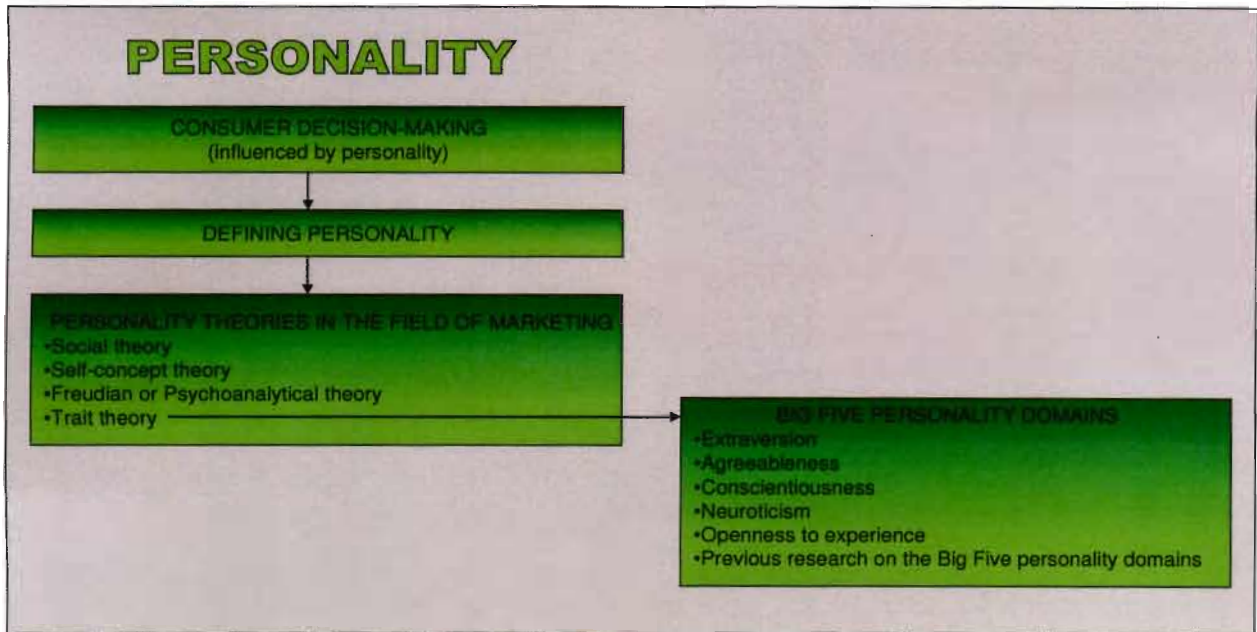
### PERSONALITY

#### 5.1 INTRODUCTION

Chapter 4 examined the concept of segmentation and concluded with a brief discussion of personality as a segmentation variable. Bareham (1995:146) asserts that the twentieth century has been marked with research aimed at identifying links between certain personality traits and consumer behaviour. This study aims to determine whether the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525) is valid and reliable to measure young adults' personality types in terms of the Big Five personality domains. With regard to the significance of personality in this study, it is necessary to understand the theoretical foundation of personality in order to establish the link between personality and consumer behaviour (Bareham, 1995:145).

The delineation of this chapter is based to two motivations. Firstly, purchasing and using products and services are the result of consumer decision-making (Blackwell, Miniard & Engel, 2006:67). From this notion it is evident that consumer decision-making is the basic framework of consumer behaviour (Rice, 1993:296). Therefore, this chapter will refer to the term consumer (and not customer as throughout the rest of this study). Secondly, Rousseau and Du Plessis (2007:215) are of the opinion that a consumer's personality is an important influencing variable in consumer decision-making. For these reasons, the current chapter sets off with a very brief discussion of consumer decision-making in order to indicate how personality fits into the framework of consumer behaviour by considering the five phases of consumer decision-making as well as the external or environmental influences and internal influences on consumer decision-making (including personality). The chapter then continues with personality as focus. Personality is defined and the four personality theories referred to in the field of marketing, namely the social theory, self-concept theory, Freudian or psychoanalytical theory and the trait theory are discussed. Special consideration is given to the Big Five personality domains because this construct will be used as a basis in the measurement of personality in this study. Figure 5.1 provides the chapter outline.

Figure 5.1: Chapter outline



## 5.2 CONSUMER DECISION-MAKING

Rousseau (2007:260) applies a rational perspective and therefore regards consumer decision-making as a problem-solving activity. According to Pride and Ferrell (2010:196-198) and Assael (2004:31) the consumer decision-making process has five distinguishable phases. These phases are:

1. Need recognition. Blackwell *et al.* (2006:71) describe need recognition as the phase when consumers realise that there is a difference between the actual and ideal state of affairs. Put more simply, Schiffman and Kanuk (2004:555) assert that when consumers realise that there is something they need or want, a 'problem' which must be solved arises - this is the need recognition of consumers. Assael (2004:31, 33) agrees that any discrepancy between consumers' current situations and a desired goal results in need recognition. It is common for advertising campaigns to attempt to create awareness to stimulate need recognition (Rice, 1993:297);
2. Information search. Blackwell *et al.* (2006:75), Assael (2004:39) and Schiffman and Kanuk (2004:556) mention that past experience, consumer memory and external sources in the form of marketing and other non-commercial sources such as family, friends and peers are used during the information search phase. External sources of information overlap with the external variables influencing consumer decision-making (discussed below). Blackwell *et al.* (2006:77-79) also state that this information must

- be processed through a process entailing exposure, attention, comprehension, acceptance and retention after which the information is stored in memory for use;
3. Evaluation of alternatives. Schiffman and Kanuk (2004:559) propound that consumers need two things in order to evaluate alternatives when making a decision. The first is the evoked set of all the options the consumer views as familiar, finds acceptable and remembers. The second are those criteria used to evaluate each option which are also determined by the consumer self. Rice (1993:302) asserts that the criteria that consumers use stem from their attitudes, beliefs and intentions. Blackwell *et al.* (2006:80) state that each consumer has standards and specifications used to compare products and services;
  4. Purchase behaviour. Assael (2004:44) links the consumer's intention to purchase to the actual purchase through behaviour. A consumer should have the intention to purchase before the actual purchase is made, and then the consumer should perform an action of actually purchasing. Blackwell *et al.* (2006:81) further elaborate that, again, the consumer is faced with two distinct processes: one being store selection and the other in-store choices (if it is a tangible product). All the factors pertaining to this phase are beyond the scope of this study; and
  5. Post-purchase evaluation. Blackwell *et al.* (2006:83) highlight the importance of post-purchase evaluation after consumption through consumers' sense of satisfaction or dissatisfaction. Schiffman and Kanuk (2004:570) agree that consumers evaluate their decisions by comparing the performance of the product or service to their expectations - which can lead to neutral feelings, satisfaction or dissatisfaction (see section 3.3.2).

Rousseau (2007:260) asserts that the outcome of consumer decision-making depends on various factors influencing the decision-making process. These factors can be divided into external or environmental influences and internal influences. Blythe (2008:185), Peter and Olson (2008:180) and Blackwell *et al.* (2006:74) describe external or environmental influences as the physical surroundings in which decision-making takes place and where information is collected from peers, family and the market-place. In contrast to external or environmental influences, Blackwell *et al.* (2006:74) regard internal influences as retrieving knowledge from memory or genetic tendencies. Both external or environmental influences and internal influences are briefly discussed.

Schiffman, Kanuk and Hansen (2008:75), Rousseau (2007:261-262) and Blackwell *et al.* (2006:71) identify six external or environmental influences namely:

- Cultural influences which are, in fact, culture itself, and include all the learned beliefs, norms, values and customs learned from society and underlying behaviour in society;
- Social influences are the result of face-to-face interaction with friends, neighbours, judgement of peers and the family. For this reason, social influences are also directly referred to as social class due to the fact that friends, neighbours, peers and family usually are within the same social class;
- Reference groups are considered as any group that the consumer allows to shape personal beliefs, attitudes and behaviour;
- Family influences are conveyed as household members' influence through assistance and the roles fulfilled. According to Verma and Kapoor (2003:7-9), family members can fulfil different roles in consumer decision-making. During need recognition, the family member who recognises the need fulfils the role of initiator. Influencers are family members with prominent roles during the phases of information search and evaluation of alternatives. Family members involved in purchase behaviour fulfil the roles of deciders and buyers. Lastly, family members involved in post-purchase evaluation fulfil the role of users. From the aforementioned, it is clear that a family member can fulfil multiple roles and be involved at different stages of consumer decision-making;
- Economic demand factors explain the purchasing power of the consumer in terms of available, lack of or constraint on consumer money; and
- Organisation and marketing activities encompass every contact the consumer has had with the organisation - be it in-store, through personal selling, sales promotion, advertising or past experience with the product, service or organisation.

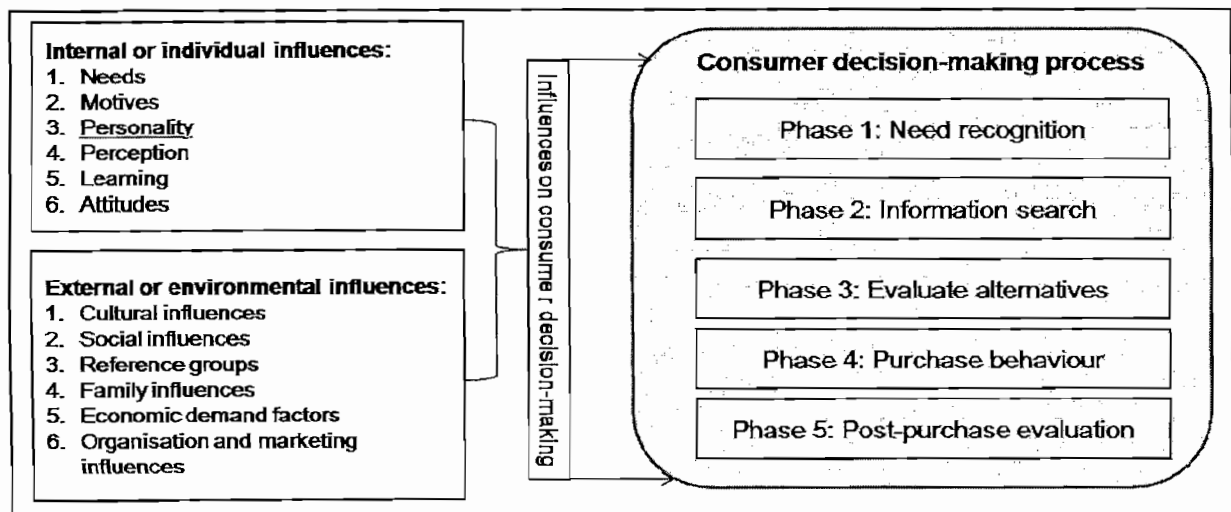
Schiffman *et al.* (2008:75), Rousseau (2007:261-262) and Blackwell *et al.* (2006:71) also identify six internal or individual influences which control the internal thought processes of the consumer namely:

- Needs. Needs with regard to any physical or emotional requirements create forces directing specific goals which can be satisfied through purchasing behaviour;

- **Motives.** Motives make consumers aware of their needs and through these inner states energising, activating, motivating and directing behaviour the consumer finds a reason to act on motives;
- **Personality.** Personality reflects consistent and enduring patterns of behaviour. The unique characteristics of a consumer prompt the consumer to act in a specific manner in given situations. It is no coincidence that personality is in the centre of the internal influences in figure 5.2 below as personality is an important influencing variable in consumer decision-making because of its influence on the consumer's reaction to all the other external and internal influences (Rousseau & Du Plessis, 2007:215);
- **Perception.** Perception is the result of the consumer process of organising and interpreting stimuli into a coherent picture;
- **Learning.** Learning combines past experience with future behaviour through using previous successful choices and unsuccessful choices to govern future behaviour in such a way that the outcome of the decision at hand will be favourable. Learning can result in habitual behaviour; and
- **Attitudes.** Attitudes refer to consumers' enduring, learned predispositions to respond through positive or negative evaluations, emotional feelings and action tendencies with regard to an object. Attitudes result in clear likes and dislikes.

It can be concluded that consumer decision-making is a detailed process, as portrayed in figure 5.2 below.

**Figure 5.2: The consumer decision-making process**



Source: Adapted from Peter and Donnelly (2008:47), Rousseau (2007:263), Assael (2004:31) and Schiffman and Kanuk (2004:554).

### 5.3 DEFINING PERSONALITY

Rousseau and Du Plessis (2007:215-216) explain that defining personality is difficult as some definitions aim to describe personality while others attempt to understand how personality develops. Lamb *et al.* (2008:83) and Coetzer (2007:38) mention that personality is a broad concept. Personality organises and integrates a person's cognitive, affective and somatic unwavering consistencies of reactions to situations. For this reason, personality is the combination of the person's psychological aspects, those aspects of the psyche that determine the unique relatively stable adjustment to the environment in the long run (Baines *et al.*, 2008:111; Lamb *et al.*, 2008:83; Coetzer, 2007:38). Blackwell *et al.* (2006:271) propound that personality in consumer behaviour studies is defined as the consumer's psychological make-up which, without fail, influences the consumer's response to stimuli. Personality implies a consistency or stability in consumer behaviour (Rice, 1993:52).

Pride and Ferrell (2010:204), Lamb *et al.* (2008:83, 97) and Van den Bos (2007:689) concur that personality results in underlying dispositions revealed through characteristics and behaviour. Personality includes traits, interests, drives, values, self-concept, abilities and emotional patterns.

Personality is shaped by hereditary and constitutional tendencies, physical maturation, early training, identification with significant individuals and groups, culturally conditioned values and roles and critical experiences and relationships all contributing to a complex, dynamic integration or the totality of individuals (Van den Bos, 2007:689). It is contended that the consumer's personality will be influenced by the relationship between the organisation and consumer and will also, in turn, influence the relationship between the organisation and consumer. According to Chen and Lee (2005:487) consumers' personalities influence both their purchasing intention and purchasing behaviour which, in turn, influences the relationship between the organisation and consumer. Odekerken-Schröder *et al.* (2003:177) further assert that the outcomes of the relationship between the organisation and consumer depend upon relationship marketing tactics in conjunction with consumer personality.

Mowen *et al.* (2007:590-592) found that the different levels of personality traits interact and ultimately the combination of traits influences the outcome of the interaction

between the organisation and consumer. The hierarchical approach helps to clarify the relationship among the personality traits (Mowen *et al.*, 2007:595). The four levels of personality traits, in ascending order, include:

- Elemental traits' antecedents are genetics and the learning history of the individual (Mowen *et al.*, 2007:591). The 40-item measuring instrument of the Big Five personality domains of Saucier developed in 1994 which was further refined to a ten-item instrument by Gosling *et al.* (2003:506), abbreviated as TIPI (ten-item personality inventory) - and used in this study (see section 6.4.2.3) - forms part of this first level of personality traits;
- Compound traits result from the effect of the elemental traits, culture and subculture. Compound traits include behavioural predispositions and are more predictive than elemental traits (Mowen *et al.*, 2007:591);
- Situational traits are enduring dispositions to behave within a general situational context (Mowen *et al.*, 2007:591). Ramanathan and Williams (2007:212) assert that consumers' choices are often repeated and consumers tend to make similar choices as previously if confronted with a similar situation. Orth (2005:116) found that neither individual differences in terms of personality nor situational factors alone result in differences in consumer behaviour. It is in fact the interaction between the consumer's personality and the situation which result in differences in consumer behaviour; and
- Surface traits result from the effect of the context specific environment, elemental, compound and situational traits (Mowen *et al.*, 2007:592).

Schiffman and Kanuk (2004:120-121) propound that personality has three qualities which enable organisations to use personality theories in marketing and determining consumer behaviour. Firstly, personality reflects individual differences as no two consumers are identical, but there are also some personality traits which consumers may share. This enables organisations to segment consumers and develop strategies aimed at particular segments. Secondly, personality is consistent and enduring, allowing organisations to explain and predict consumer behaviour which can then be used to appeal to the relevant traits inherent to the target market. Thirdly, personality can change (discussed in section 5.6).



## 5.4 PERSONALITY THEORIES IN THE FIELD OF MARKETING

Rousseau and Du Plessis (2007:215-216) view personality as a very interesting concept in the study of consumer behaviour as marketing concepts linked to personality are vast and include purchasing behaviour, product choice, social influence, opinion leadership, attitude change, risk-taking and media choice. In the field of marketing, personality characteristics are used for segmenting markets, to direct product positioning, establishing media guidelines, guiding copywriting of advertising and introducing new products (Rousseau & Du Plessis, 2007:219). For these reasons, organisations should investigate the behavioural differences among customers with different personality types (Barrena & Sánchez, 2009:153).

Rousseau and Du Plessis (2007:216-219) and Assael (2004:295) identify four personality theories which are used in marketing to establish why people buy and to predict consumer behaviour. The four personality theories are the social theory, the self-concept theory, the Freudian or psychoanalytical theory and the trait theory. Each of these theories will briefly be discussed. The main features of each theory is summarised in table 5.1.

**Table 5.1: Main features of the four personality theories referred to in the field of marketing**

Personality theory	Social theory	Self-concept theory	Freudian or psychoanalytical theory	Trait theory
<b>Behaviour determined by:</b>	Social needs determine behaviour	Actual self-image and ideal self-image determine behaviour	Biological, instinctual, unconscious needs or drives determine behaviour referred to as motivation research	Predispositional traits determine behaviour
<b>Applicable research method:</b>	Qualitative research methods	Somewhere between qualitative and quantitative research methods	Qualitative research methods	Quantitative research methods

Source: Adapted from Rousseau and Du Plessis (2007:216-218), Blackwell *et al.* (2006:271-273), Assael (2004:295-296, 199-301) and Schiffman and Kanuk (2004:121-126).

### 5.4.1 Social theory

Rousseau and Du Plessis (2007:218) refer to the social theory as a neo-Freudian theory because this theory seems to be the opposite of what Freud understood personality to be (see section 5.4.3). The social theory investigates the development of personality through social relationships. Blackwell *et al.* (2006:272) highlight the fact that the social theory entails focussing on the interdependence of the consumer and society. This interrelationship is found in the consumer's endeavour to meet society's needs and, in turn, society assists the consumer to attain personal goals.

Rousseau and Du Plessis (2007:218), Blackwell *et al.* (2006:272) and Assael (2004:299) view Horney's work of 1950, which presented personality as developing through the learned coping mechanisms for anxiety from the parent-child relationship, as the first research on social theory. There are three predominant interpersonal orientations, namely compliance (the strategy to move towards people as compliant consumers depend on others for love and affection), aggressiveness (the strategy to act against people as aggressive consumers are motivated by the need for power) and detachment (the strategy of moving away from people as detached consumers are self-sufficient and independent). Rousseau and Du Plessis (2007:218) and Assael (2004:300) refer to Cohen's use of these three coping mechanisms, abbreviated as CAD, to explain students' purchasing behaviour in 1967. According to Assael (2004:300), the results from Cohen's study revealed that compliant types used more mouthwash, toilet soaps and aspirin. For this reason, advertising of mouthwash and toilet soaps can be directed as means of social approval. Secondly, aggressive types used more cologne and after-shave, which led to the advertising of colognes and after-shaves as a social conquest. Lastly, detached types drank less beer and more tea, resulting in advertising portraying tea as means to enjoy life in a conventional way.

The application of the social theory in marketing with regard to consumer behaviour is apparent in all the contemporary advertisements taking advantage of the need for love, the striving for superiority and the escape from loneliness (Bareham, 1995:151).

### 5.4.2 Self-concept theory

Understanding consumers is not easy; consumers have a certain view of themselves, referred to as their self-concept, which influences the products and services bought. Bates *et al.* (2008:244) believe that if a product or service is inconsistent with the consumer's frame of reference or characteristics, the consumer will not buy the product or service.

Rousseau and Du Plessis (2007:218), Assael (2004:300) and Rice (1993:60-61) argue that the self-concept theory entails that the consumers' self-image or ideal self-image influences their behaviour. Consumers hold an opinion of themselves based on their actual self (the way they think they are) and their ideal self (the way they would like to be). It is important to note that even the actual self is prone to bias, as it is the way consumers think they are and which can be vastly different than the way others view them. This theory suggests that each product or service has a symbolic meaning which the consumers associate with themselves, would like to associate with themselves or do not want to associate with themselves. Lamb *et al.* (2008:83) elaborate on the self-concept and assert that it is the combination of how consumers would like to be, the ideal self-image, and how consumers perceive themselves, the real self-image. Self-concept is self-perception and consumers define their identities through their self-concept, and that identity results in consistent behaviour. Barrena and Sánchez (2009:153) found that consumers with the highest consumption levels display more of their own personality traits in the process of purchasing. For this reason, consumers' decisions are based on both product knowledge and the consumer's self-knowledge.

Baines *et al.* (2008:116) voice the perspective that consumers buy products and services because brand image resembles and is similar to the characteristics and the perception of the actual self or the ideal self, which emphasises the relationship between consumers' self-concept and brands. Arvidsson (2008:333) argue that researchers have realised that consumers use products and services in accordance with the social, symbolic and affective relations of their own identity. Whelan and Davies (2006:395) state that consumers purchase products and services that are complementary to their perceptions of themselves. Assael (2004:301) explains that the symbolic meaning of products and services similar to the actual self is desired for self-

consistency, whereas the symbolic meaning of products and services similar to the ideal self is desired with a view to increase self-esteem.

Organisations use the self-concept approach by focussing on the self-relevance of products and services to consumers through a brand image which motivates consumers to increase purchasing behaviour, because there is a relationship between the brand and the self-concept (Lamb *et al.*, 2008:83). Pride and Ferrell (2010:205) further elucidate that the products and services that consumers use reflect, enhance, develop and maintain their self-concept or view of their personality. Therefore, organisations apply the self-concept theory by promoting products and services to match either the consumer segment's image or to enhance the consumers' self-image to that of the ideal self (Bareham, 1995:151). Pride and Ferrell (2010:205) and Blythe (2006:192) mention that organisations using personality traits in marketing messages use a personality trait that consumers view favourably to model the product or service. This will prompt consumers with the trait and consumers aspiring towards the trait to buy the products and services of the organisation. Whelan and Davies (2006:400) concur and explain that organisations can target certain personality types through visual display. To target risk-takers, for example, mountaineers or skydivers can be associated with the manufacturer's brands. This increases the potential marketing options. It is suggested that individual differences, specifically personality, should be considered as a market segmentation variable besides such demographics as age, education and income (Chen & Lee, 2005:494). Furthermore, in order to enhance an organisation's strategic position in the marketplace, organisations must determine and understand consumers' reflection of key aspects of their personality in the products and services purchased (Barrena & Sánchez, 2009:144).

Solomon (2005:28) asserts that countless consumers, including younger consumers such as young adults, attach great value to brands as a basis for their identity as brands have almost entirely replaced social structures such as neighbourhood, tribe or religion. In accordance with the self-concept theory, consumers use product and service brands in order to surround themselves with the imagery and ideas they would like to constitute their personality; that is, consumers use product and service brands in order to surround themselves with the imagery and ideas they associate with their *ideal* self. Also, there is a link between self-giving as a reward to oneself, to be nice to oneself, to cheer oneself

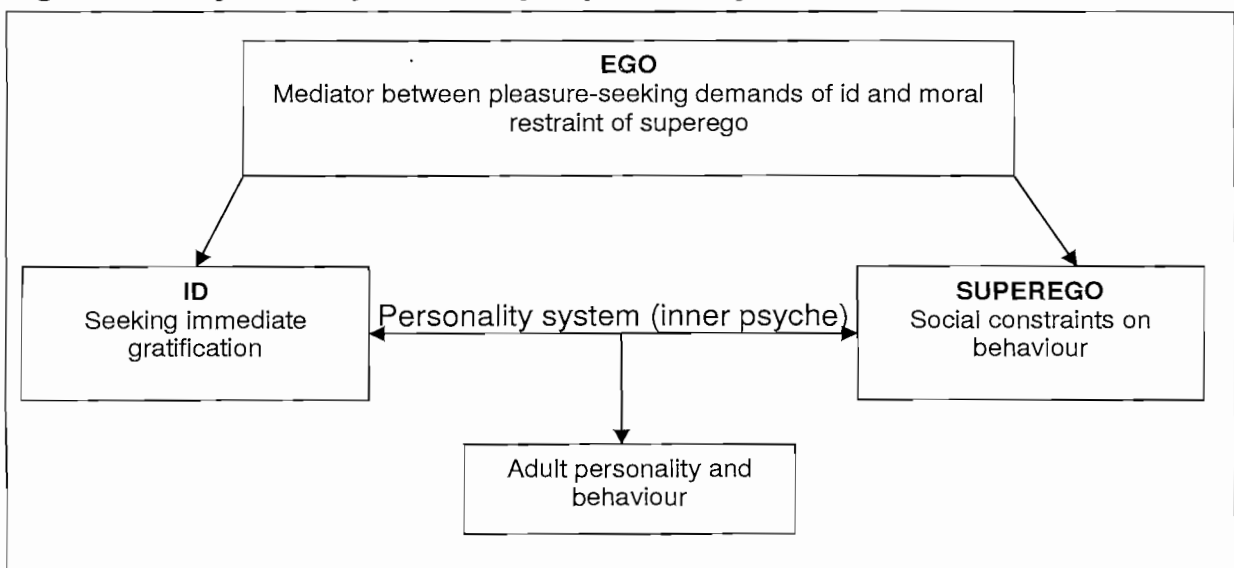
up, to fulfil a need, to celebrate, and the consumer's self-concept (Baines *et al.*, 2008:117-118).

Chaudhuri (2006:92, 96) proposes a completely different deliberation of the self-concept through the private self and the social self. The private self views a consumer's perceptions of his or her ability to control the environment. The social self is a consumer's perception of his/her desire for social interaction (extraversion and introversion are discussed under section 5.5.1). Organisations use this deliberation of the self-concept by deciding to focus marketing strategies in order to appeal to the private self or the social self.

### 5.4.3 Freudian or Psychoanalytical theory

Rousseau and Du Plessis (2007:217) assert that Freud stressed the importance of the unconscious nature of personality and motivation. Baines *et al.* (2008:111) state that Freud considered consumers as irrational, resulting in a theory of motivation. Fill (2006:120) explains that Freud believed in two primary motivators of human behaviour, the one being life and the other death. While life instincts for the most part focus on sexual drives, death instincts become apparent through self-destructive and/or aggressive behaviour. Figure 5.3 summarises the psychoanalytical theory.

**Figure 5.3: Psychoanalytical theory of personality**



Source: Adapted from Bareham (1995:146).

This perspective assumes that consumer personality develops to gratify the life and death drives through the id, superego and ego (Blackwell *et al.*, 2006:271; Fill, 2006:120; Desmond, 2003:249). The id only seeks fun and pleasure and to avoid pain as it harbours instinctive urges and requires immediate fulfilment. The superego acts as inhibitor and is also described as a social conscience because it controls the urges of the id through motivating consumers to act in a socially acceptable manner, avoiding feelings of guilt and shame. This leaves the ego to act as a go-between to find outlets for the urges of the id which becomes acceptable behaviour in terms of the superego. For this reason, the ego is described as a moderator, umpire or arbitrator between the demands of biology and society respectively presented by the id and the superego (Baines *et al.*, 2008:111-112, 835, 837, 847; Blackwell *et al.*, 2006:271; Fill, 2006:120; Assael, 2004:295-296; Desmond, 2003:250; Rice, 1993:53). According to O'Shaughnessy (2008:171), consumers make choices based on their strongest motive by weighing what they want to do against what they believe they should do. For this reason, consumer behaviour is merely the embodiment of the strongest motive. O'Shaughnessy (2008:171-172) further explains that if a consumer has a motive or desire to do something particular, as well as the ability and opportunity supported by the belief that doing this is logical, the consumer has the expectation to do it. The expectation of doing something results in an intention to do it, and ultimately, the consumer will act to do something specific.

De Bruin (2006:162, 165) examined the need to determine the motives and context of consumer behaviour as an integral part of personality. The motives of consumer behaviour are implicit and unconscious and provide part of the reason for a consumer's behaviour. De Bruin (2006:163-164) asserts that the standardised, most commonly used psychoanalytical measure for personality assessment, is the Thematic Apperception Test (TAT). Each respondent is asked to create stories for pictures which ultimately reflect the respondent's wishes, needs, conflicts and the quality of the respondent's environments. The TAT measures three of the most important motives for consumer behaviour. Firstly, the need for intimacy relates to the need to feel close to other people. Secondly, the need for achievement relates to the need to do better. Lastly, the need for power is portrayed in a need to make an impact on other people.

Organisations apply the psychoanalytical theory through what is known as motivational research (Rousseau & Du Plessis, 2007:217). From this theory, it is clear that

motivators of consumers' behaviour are deeply embedded in the subconscious of consumers and therefore, psychoanalytical theory requires a qualitative approach such as in-depth interviews, projective techniques, association tests and focus groups in order to determine the motivations for consumer behaviour (Baines *et al.*, 2008:112; Fill, 2006:120). Psychoanalytical theory can be criticised as being vague due to the projective assessment techniques used (De Bruin, 2006:163). Fill (2006:120) further notes that psychoanalytical theory is viewed to be unresponsive to the environment, dependent on the early development of consumers and difficult to verify and substantiate due to the qualitative nature of the theory. Although all the above criticisms can be used against psychoanalytical theory, this theory as motivation theory is necessary for psychographic segmentation (Fill, 2006:120). Blackwell *et al.* (2006:272) elucidate on the use of the psychoanalytical theory in advertising where there is a heavy emphasis on sexual and other subconscious biological instincts such as the survival instinct. Rousseau and Du Plessis (2007:218) conclude that the South African liquor industry used cartoons based on motives to illustrate drinking patterns of South Africans.

#### **5.4.4 Trait theory**

Rousseau and Du Plessis (2007:216) point out that the trait theory views personality as consisting of a set of traits which describes general response predispositions. Traits are measured by asking respondents whether they agree or disagree with a statement. This is the method employed in this study (see section 6.4.2.3).

Baines *et al.* (2008:112-113) describe the trait theory as categorising consumers into personality types according to specific traits. One of the important uses of personality traits is that organisations can conduct consumer research with a view to determine whether there are differences in behaviour between the personality types. Organisations use the trait theory to determine a relationship or dependency between certain traits and general consumer behaviour (Fill, 2006:121). Bareham (1995:149) propounds that research has indicated a difference in consumers' response to new product development attributed to personality. Great effort has been put into identifying specific traits with which consumer profiles for market segmentation can be developed (Fill, 2006:121).

Rousseau and Du Plessis (2007:216) propound that the trait theory is the most widely used personality theory in the field of consumer behaviour, because it is the most empirical theory of personality. Blackwell *et al.* (2006:272-273) agree that the trait theory is a quantitative approach to personality and that this theory is most useful in the field of marketing for developing a brand personality with which consumers identify.

According to Blackwell *et al.* (2006:272), three assumptions underlie the trait theory. Firstly, all consumers have traits which vary in absolute terms among individual consumers making the use of traits for segmentation possible. Secondly, traits can be used to predict a variety of consumer behaviours because traits are relatively stable and cause the same consumer behaviour regardless of the environmental situation. Thirdly, traits can be determined from behavioural measurements.

De Bruin (2006:155-156) suggests that the identification of traits provides an economical but also comprehensive description of personality as a dilemma because there are more than 650 identified traits. The answer to this problem may be found in the use of factor analysis. Over the years, trait psychologists have used factor analysis in order to identify those basic dimensions that underlie sets of related variables to reduce the variables to manageable groups statistically and identifying the basic dimensions which are needed to categorise the original variables (also see section 6.6.1.1). From this process, different standardised personality assessments concerning personality traits have been developed. In South Africa, the most commonly used personality traits assessments include:

- The 16 Personality Factor Questionnaire (16 PF). Bareham (1995:147) and Rice (1993:57) view Cattell, the developer of the 16 PF, as the most well-known supporter of the trait theory. The 16 PF measures the total personality of adults older than 18 years. The measure is used to describe the personalities of people and to predict behaviour by means of response patterns to 16 first-order factors and five second-order factors (De Bruin, 2006:156-159);
- The Occupational Personality Questionnaire (OPQ). The OPQ is used in the industry mainly for human resource purposes as 32 work-related personality characteristics are measured and the results are used for personnel selection, training and development, performance management, team-building, organisational development and counselling (De Bruin, 2006:159);



- The Myers Briggs Type Indicator (MBTI). The MBTI, based on Jung's theory of psychological types through traits, consists of four bipolar scales. The scales are Extraversion-Introversion (E-I), Thinking-Feeling (T-F), Sensing-Intuition (S-N) and Judgement-Perception (J-P) (Blythe, 2006:191; De Bruin, 2006:160). The MBTI assesses the consumers' unique abilities and strengths which can also be used for self-knowledge, motivation and identification of possible development areas (De Bruin, 2006:160);
- The Minnesota Multiphase Personality Inventory (MMPI). Originally, the MMPI was developed to differentiate psychiatric patients from "normal" people but it has been adapted to be used among so-called "normal" people, as well as for adults, adolescents and children from the age of three. The MMPI has been adapted and translated into Afrikaans and Xhosa for use in South Africa with a view to determine whether respondents are deliberately putting themselves in a favourable or negative light (De Bruin, 2006:161).
- The Big Five personality domains. After using multiple factor analyses, the conclusion was drawn that the domain of personality can be accurately described and summarised in terms of five broad traits referred to as the Big Five personality domains or Big Five model of personality (De Bruin, 2006:155-156). These traits are labelled Extraversion, Agreeableness, Conscientiousness, Neuroticism and Openness to experience. Research is currently underway to develop a measure of the Big Five personality domains for use in all the different cultures of South Africa (De Bruin, 2006:159). Goetzmann, Moser, Vetsch, Grieder, Klaghoffer, Naef, Russi, Boehler and Buddeberg (2007:399) conclude that the Big Five personality domains originated from a descriptive personality model as individuals' characteristics were clustered to form the five mentioned fundamental dimensions of personality. Ekehammar and Akrami (2007:900) conclude that the Big Five personality domains are core personality traits. This study examines the Big Five personality domains. Although Blanch and Aluja (2009:521) refer to the Zuckerman-Kuhlman Personality Questionnaire as the Big Five domains of personality with the dimensions of Impulsive Sensation Seeking, Neuroticism-Anxiety, Aggression-Hostility, Activity and Sociability, this study examines consumer behaviour and for this reason the Big Five personality domains commonly used in marketing, that of Extraversion, Agreeableness, Conscientiousness, Neuroticism and Openness to experience, will be used.

According to De Bruin (2006:155, 165), traits are basic tendencies, predispositions to behave in a particular manner, internal factors which influence the way in which consumers behave across a variety of situations and over time. For this reason, the trait theory can also give insight as to how consumers will behave in future and through the trait theory, consistencies in consumers' behaviour and stable differences between consumers can be described. Because this study aims to determine whether the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525) is a valid and reliable instrument to measure young adults' personality types in terms of the Big Five personality domains, a trait-orientated analysis will be used in terms of the Big Five personality domains.

## **5.5 BIG FIVE PERSONALITY DOMAINS**

Whelan and Davies (2006:395-396) assert that classifying personality traits were not possible a decade ago because there was no taxonomy for this purpose. Today, however, predictive research on consumer behaviour is possible as the Big Five personality domains constitute an accepted taxonomy of human personality. Blythe (2006:192) explains that personality traits can be linked to consumer behaviour but the problem organisations face is the large number of the personality traits. Weak relationships found in studies about the influence of personality on consumer behaviour can be attributed to unreliable, or the lack of, applicable measures (Pride & Ferrell, 2010:204). Vecchione and Caprara (2009:487) propound that the Big Five personality domains act as an all-inclusive framework to deal with the main individual differences in personality and Steinmayr and Spinath (2008:188) argue that the Big Five personality domains describe characteristics in a variety of situations.

Soto and John (2009a:84) and Soto and John (2009b:25) concur that the most important individual differences in personality characteristics are organised by means of the Big Five personality domains, and this constitutes one of the most significant advances in personality psychology. The Big Five personality domains encompass Extraversion, Agreeableness, Conscientiousness, Neuroticism or Emotional stability and Openness to experience. Bernard *et al.* (2005:42) and Donahue (1994:46) suggest that the traits contributing to the five broad domains share a semantic theme which was used to label the Big Five personality domains. DeYoung, Peterson and Higgins (2005:826) assert that the Big Five personality domains provide a common language for

researchers which direct inquiry and organises personality psychology. Wood, Joseph and Maltby (2009:444) view the Big Five personality domains to encompass the breadth of personality.

Furnham, Crump, Batey and Chamorro-Premuzic (2009:537, 539) propose categorising the Big Five personality domains into two factors referred to as *Stability* and *Plasticity*. Neuroticism, Agreeableness and Conscientiousness are grouped as *Stability* and Extraversion and Openness are grouped as *Plasticity*. *Stability* is used to obtain goals through stable physical and behavioural organisation, whereas *Plasticity* is needed to incorporate new and fresh information when the state of the individual changes because of development (internally) and the external environment. Extraversion and Openness are the two Big Five personality domains associated with divergent thinking and grouped as *Plasticity*. DeYoung *et al.* (2005:828) refer to these two Big Five personality domains as the meta-traits, overarching the personality of humans. Vecchione and Caprara (2009:491) explain *Plasticity* (Extraversion and Openness) as the degree of social and experiential engagement. To be engaged requires participation in life activities in an active and enthusiastic manner. Individuals who exhibit high levels of engagement are likely to demonstrate intense and vital involvement in activities.

Whelan and Davies (2006:395) see the opportunity to use the Big Five personality domains to determine whether consumers with the same personality types purchase different products and services than consumers with other personality types. Thus, there is a need to examine the influence of the Big Five personality domains on consumer behaviour. Each domain is briefly investigated, followed by an overview of previous research on the Big Five personality domains.

### **5.5.1 Extraversion**

Goetzmann *et al.* (2007:400) link characteristics such as being active, self-assured, talkative, full of life and optimistic to Extraversion. Tonetti, Fabbri and Natale (2009:186) agree that extraverts are active, assertive and self-confident. Komarraju, Karau and Schmeck (2009:49) add warm and sociable to the list. Pineles *et al.* (2009:48) summarise all of the above as sociable, fun-loving and affectionate. Haslam, Whelan and Bastian (2009:41) connect values to each of the Big Five personality domains. Extraversion is linked to hedonism, self-direction and stimulation. Desmond (2003:233)

concur that extraverted consumers need constant stimulation from the external environment.

Goetzmann *et al.* (2007:408) found that extraverts will draw attention to themselves through the use of sounds. Impulsivity is linked specifically to Extraversion (Ramanathan & Williams, 2007:213). Desmond (2003:233) describes introverts (the opposite of extraverts) as quiet, composed and unmoved with respect to events in the external environment. Vecchione and Caprara (2009:491) found that Extraversion and Openness to experience, that is *Plasticity*, make for capabilities such as persuading others and analysing, organising and integrating information.

Whelan and Davies (2006:396, 398) characterise extraverted consumers by their need for social affiliation with other similar consumers. For this reason, extraverted consumers are likely to purchase brands to enhance others' view of them and this results in purchase of high-quality brands.

### **5.5.2 Agreeableness**

Tonetti *et al.* (2009:186) view Agreeableness as a concern and sensitivity for others' needs. Pineles *et al.* (2009:48) and Goetzmann *et al.* (2007:400) identify Agreeableness through characteristics such as selflessness and being sympathetic, understanding, compassionate and accommodating. Whelan and Davies (2006:398) mention that Agreeableness reflects a trusting personality and Komarraju *et al.* (2009:49) add cooperative to the list. For this reason, Haslam *et al.* (2009:41) tie pro-social values like kindness, compassion and generosity to Agreeableness.

Ekehammar and Akrami (2007:918) found Agreeableness to be the opposite of antagonism. Agreeableness is characterised by tender-mindedness, altruism, non-hostility and empathy. For this reason, Agreeableness correlates negatively with prejudice. Slobodskaya (2007:918-919) found that disagreeableness can manifest as behavioural problems in children and adolescents.

Barrick and Mount (1991:4) state that Agreeable consumers are characterised by likeability, friendliness and social conformity. For this reason, highly agreeable consumers will be influenced by reference groups and opinions leaders. Orth

(2005:118) indicates two types of information which can influence consumer behaviour. The first type, informational influence, is the information that a group provides about a specific issue in question, while the second type, normative influence, acts as motivation to adhere to the group's standard and norms.

Whelan and Davies (2006:396) agree that consumers who are highly agreeable will purchase brands conforming to their perceptions of themselves (see section 5.4.2 on the self-concept theory).

### **5.5.3 Conscientiousness**

Ferguson (2004:294) propounds that Conscientiousness is one of the most well-studied domains of the Big Five personality domains. Tonetti *et al.* (2009:186) refer to the self-regulating quality of Conscientiousness in terms of both proactively and inhibitory exercising self-control. Pineles *et al.* (2009:48) state that Conscientiousness manifests in being careful, reliable and hardworking. Goetzmann *et al.* (2007:400) regard characteristics like persevering and being precise, dependable, determined and systematic as indicators of Conscientiousness. Komarraju *et al.* (2009:49) conclude that Conscientiousness is characterised by being disciplined and focussing on achievement. Therefore, it is understandable that Haslam *et al.* (2009:41) link Conscientiousness to conformity, tradition and security values.

From the above characteristics it is evident that conscientious consumers will purchase products and services they have always used and trusted.

Ferguson (2004:293, 309) examined the influence of the Big Five personality domains on behaviour and found that Conscientiousness and Emotional stability (the opposite of Neuroticism discussed in section 5.5.4) act as moderators between past and future behaviour while Extraversion is a direct indicator of past behaviour. Also, it was found that Conscientiousness for males and Emotional stability (the opposite of Neuroticism discussed next) for females help to sustain behaviour over time.

### 5.5.4 Neuroticism

Barrick and Mount (1991:4) state that Neuroticism is interpreted as Emotional stability or instability if the individual is neurotic. Pineles *et al.* (2009:48) and Barrick and Mount (1991:4) assert that consumers displaying high levels of Neuroticism are characterised as being anxious, depressed, angry, embarrassed, worried, self-conscious and insecure. Goetzmann *et al.* (2007:399-400) describe Neuroticism by means of characteristics such as being annoyed, having unrealistic ideas and giving in to the urges of the id (see section 5.4.3), resulting in needs hardly being managed as little control is exercised over the needs. For this reason, the description of Neuroticism by Komarraju *et al.* (2009:49) and Tonetti *et al.* (2009:186) as the inability to cope is justified. Neuroticism makes it hard to control impulses, irritation and anger which results in Emotional instability. Slobodskaya (2007:918-919) traced the origin of children and adolescents' emotional problems to high levels of Neuroticism and also found Neuroticism to be associated with peer problems. According to Ferguson (2004:296), Emotional stability (non-neurotic behaviour) is related to a reduction in the number of risk-taking behaviours.

Guido, Capestro and Peluso (2007:379) found that Neurotic consumers are hedonistic consumers who behave in accordance with the unconscious need of the id for fun and pleasure (see section 5.4.3). For this reason, marketing strategies focussed on the subconscious urges of the id will be successful when targeting Neurotic consumers.

### 5.5.5 Openness to experience

DeYoung *et al.* (2005:827-828) shed light on other concepts commonly used to describe the Openness to experience domain of personality. Intellect and Culture are interchangeably used when referring to the fifth domain of personality. This is because the fifth domain has both a motivational component (regarding interest in novelty and complexity) and a cognitive component (regarding the manner in which information is processed and organised). For this reason, the fifth domain of the Big Five personality domains can be labelled as Openness or Intellect or Culture. All three labels are descriptive of the traits in the domain. This study will, however, refer to Openness to experience. As this study uses a standardised measure for the Big Five personality

domains (see section 6.4.2.3), the debate concerning which label to use for the fifth domain will not be discussed further.

Tonetti *et al.* (2009:186) use the terms novelty, tolerance of different values and the interest towards different habits and lifestyles to describe Openness to experience. Goetzmann *et al.* (2007:400) regard consumers Open to experience as inquisitive and interested, valuing new experiences and possessing independent judgement. Furthermore, Pineles *et al.* (2009:48) and Barrick and Mount (1991:5) refer to consumers Open to experience as imaginative, curious and broadminded. For this reason, Ekehammar and Akrami (2007:918) propound that Openness to experience correlates negatively with conformity, conventionality and authoritarianism, but positively with liberal socio-political values. Goetzmann *et al.* (2007:409) assert that Openness to experience occasionally manifests through surrounding oneself with sounds, noise and music.

Whelan and Davies (2006:396, 399) regard consumers who are Open to experience as risk-takers, and such consumers are therefore most likely to purchase a new product or service - thus also being innovators or early adopters (see section 4.6.3.7).

#### **5.5.6 Previous research on the Big Five personality domains**

Hirschi (2008:716) regards personality as encompassing personality traits, vocational interests, work values and self-evaluations. Previous research on the Big Five personality domains was concerned with disparate fields and a few of these divergent fields include:

- Gender differences. Previous studies focussed mainly on the gender differences concerning the Big Five personality domains (Ferguson, 2004:297). Tonetti *et al.* (2009:187) found that females are more Conscientious than males. On the other hand, males are more Open to experience and less Neurotic than females. In contrast to the mentioned study with adults, Muris, Bos, Mayer, Verkade, Thewissen and Dell'Avvento (2009:526) found, in their study under primary school children, that boys were rated as more Neurotic than girls. Girls were, in accordance with the study under adults, more Conscientious;

- Fitness. Chen, Lee and Chang (2007:1323) found an association between personality traits and attending a fitness centre. Consumers will join a fitness centre if they have a low affinity for the occurrence of negative emotions - such as Neuroticism, and are likely to experience positive emotions, such as Extraversion, Agreeableness, Conscientiousness and Openness to experience;
- Anxiety. Muris *et al.* (2009:526) mention that high Neuroticism and low Extraversion types tend to experience more anxiety;
- Academic performance. Komarraju *et al.* (2009:49-50) conducted research on the academic motivation and achievement of undergraduate students. In summary, Conscientiousness is the main personality domain attributing to academic motivation and achievement. Openness to experience is related to intrinsic motivation and Extraversion to extrinsic motivation. Furthermore, intellectually curious students and students Open to experience will be intrinsically motivated and will find pleasure in learning. Steinmayr and Spinath (2008:185-186) state that girls perform better than boys in school and that individual differences such as personality predict school performance. The main reason for this phenomenon is because girls tend to be more Agreeable when going to school, which means that girls do not try to avoid work as much as boys do (Steinmayr & Spinath, 2008:202);
- Utilitarian and hedonic consumers. Guido *et al.* (2007:368) and Odekerken-Schröder *et al.* (2003:181) state that utilitarian consumers aim at accomplishing the consumption task by means of rational purchases, while hedonic consumers want to have fun and entertainment in shopping and ask for multi-sensory and emotional experiences. Guido *et al.* (2007:379) found that Agreeableness and Openness to experience are the two domains associated with hedonistic consumers, while Conscientiousness and Emotional stability were found to be predictive of utilitarian consumers;
- Well-being. Haslam *et al.* (2009:40) associate low Neuroticism and high Conscientiousness, Extraversion, Agreeableness and Openness to experience with consumers' subjective well-being;
- Music. Delsing, Ter Bogt, Engels and Meeus (2008:125-126) found that personality influences the music preferences of adolescents to such an extent that prediction of future music preferences can be made;
- Polychronicity. Conte and Gintoft (2005:427) found that the Big Five personality domains are not indicators of polychronicity (the ideal degree of being occupied in two or more tasks at the same time); and



- Human resources. DeGroot and Kluemper (2007:37) set forth the notion of personality assessment during the organisation's selection of employees. Conscientiousness and Agreeableness are viewed as positive personality characteristics which employees should possess in every job classification. The desirable level of Agreeableness does, however, differ from sales personnel to management as the tasks to perform clearly calls for different levels of Agreeableness.

Gountas and Gountas (2007:74) found that differences in personality orientations result in different responses to service provision. Different personality orientations influence general preferences and the hierarchy of service needs. Orth (2005:115) states that individual behaviour varies across situations. This means that the level of satisfaction evaluation and the intention to repurchase is influenced by the personality of the consumer as personality is an antecedent of the interactions between consumers and service providers (Gountas & Gountas, 2007:73).

Branje, Van Lieshout and Gerris (2007:46) and Schiffman and Kanuk (2004:121) state that although personality traits are viewed as stable biological dispositions, personality does change due to intrinsic development, life experiences and role changes of the consumer. Such changes, the timing of changes and the rate of changes are, however, unique to each consumer. Hirschi (2008:720) found that the three intellectual traits of Swiss students, namely Openness to experience, Agreeableness and Conscientiousness, become stronger in correlation to vocational variables as aging occurs, while Neuroticism and Extraversion remain indicative of personality disposition. It is evident that relatively stable personality traits can undergo minor changes. However, the purpose of this study is to examine whether the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525) is a valid and reliable instrument to measure young adults' personality types in terms of the Big Five personality domains. Therefore, the minor personality changes which might occur in the future of respondents, fall outside the scope of this study.

## **5.6 CONCLUSION**

This chapter examined the consumer decision-making process and specifically the influence of personality in the consumer decision-making process. Clearly consumers'

decision to remain with their cell phone network providers cannot be ascribed to random behaviour, but rather to an intricate decision-making process strongly influenced by personality. This chapter, furthermore, examined the Big Five personality domains as this study aims to determine whether the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525) is valid and reliable to measure young adults' personality types in terms of the Big Five personality domains. This standardised measure of the Big Five personality domains will be used to determine young adults' personality types. The methodology used during this study is discussed in the next chapter.

## CHAPTER 6

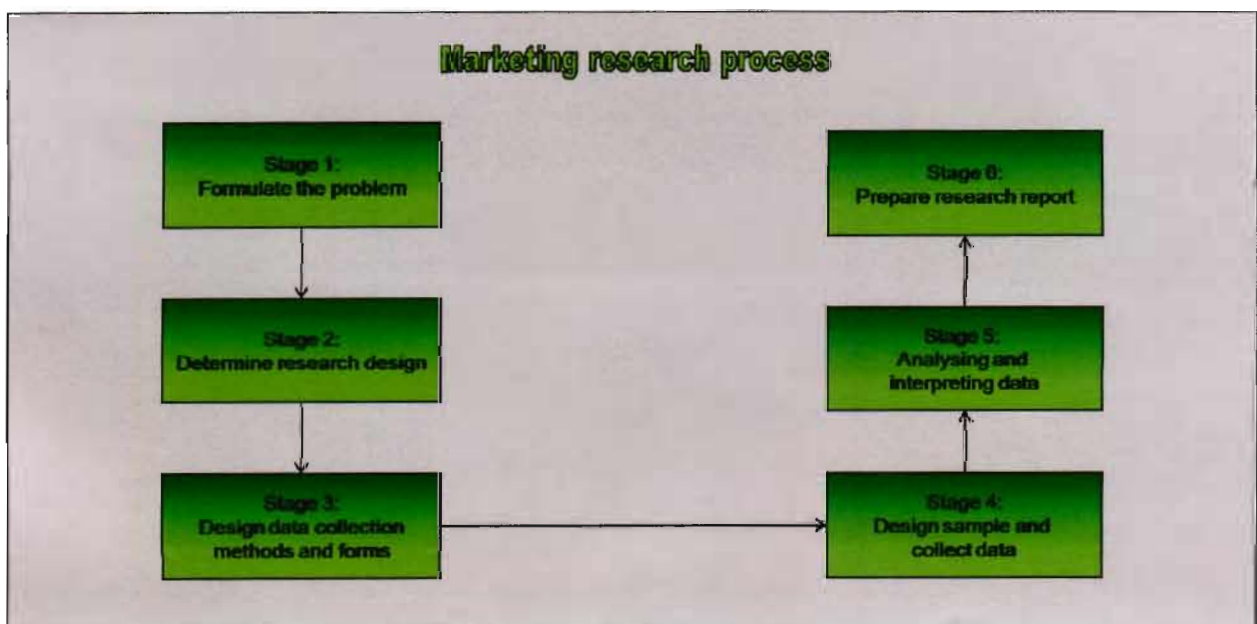
### RESEARCH METHODOLOGY

#### 6.1 INTRODUCTION

This chapter focuses on the marketing research process and the research methodology followed in this study. The structure of the chapter is guided by the stages of the marketing research process and therefore the marketing research process is briefly discussed as part of the introduction, because it explains the demarcation of this chapter and serves as chapter outline.

Churchill and Iacobucci (2005:40) describe the marketing research as including six stages, as illustrated in figure 6.1. The first stage entails formulating the problem into a research question. During the second stage the research design is determined. The design of the data collection method and format are considered as the third stage in the marketing research process. Stage four encompasses the sample design and collection of data. The data is analysed and interpreted during stage five of the marketing research process and this is followed by the last stage, namely preparing the research report. Chapter six discusses each of these stages and indicates how each stage has been applied in this study. Therefore, figure 6.1 also serves as the chapter outline.

**Figure 6.1: Chapter outline: The marketing research process**



Source: Adapted from Churchill and Iacobucci (2005:40).

## **6.2 STAGE 1: FORMULATE THE PROBLEM**

Welman *et al.* (2005:13) state that the research problem can only be defined by making the broader interest in a research topic more specific, which will then be small enough to investigate. This is done by considering literature and identifying gaps or original areas which can be investigated.

From the literature, gaps were identified and the research problem was discussed and identified in chapter 1. The aim of this study is to determine whether young adults have an intention to form long-term relationships with their cell phone network providers. From the research question the following objectives were developed.

### **6.2.1 Objectives of the study**

The following primary and secondary objectives have been set for this study:

#### **6.2.1.1 Primary objective**

The primary objective of this study is to determine young adults' relationship intentions towards their cell phone network providers.

#### **6.2.1.2 Secondary objectives**

The following secondary objectives are formulated to support the primary objective:

1. Determine whether the five relationship intention constructs proposed by Kumar *et al.* (2003:670) are valid to measure the relationship intentions of young adults.
2. Determine the influence of relationship length on young adults' relationship intentions towards their cell phone network providers.
3. Determine which features related to cell phone network providers young adults consider when selecting a cell phone network provider.
4. Determine whether there are differences between young adults of the different cell phone network providers with regards to their relationship intentions.

5. Determine whether differences exist between young adults with a high relationship intention and young adults with a low relationship intention with regard to the constructs used to measure relationship intention.
6. Determine whether the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525) is valid and reliable to measure young adults' personality types in terms of the Big Five personality domains.
7. Determine whether there are differences between young adults with regard to their demographic differences.

### **6.3 STAGE 2: DETERMINE THE RESEARCH DESIGN**

Zikmund and Babin (2010:50-53) and Aaker *et al.* (2007:79-81) identify three general approaches towards research, namely descriptive, causal and exploratory research. This study uses descriptive research. However, each of these approaches is briefly discussed.

#### **6.3.1 Descriptive research design**

Aaker *et al.* (2007:79-81) explain that descriptive research is conducted in order to provide an accurate report of some aspect of the market environment. Zikmund and Babin (2010:51) continue that descriptive research offers a representation of the characteristics of a specific situation - be it customers, objects, organisations or environments' characteristics. Descriptive research, usually in the form of surveys, uses diagnostic analysis through which the reasons and results of customers' feelings and beliefs regarding competing products are determined. This type of research may then also be used to describe market segments. Kent (1999:6) asserts that research aimed at determining market size and market structure is descriptive research.

**This study used descriptive research.** This approach was chosen because this study aims to determine whether young adults have an intention to form relationships with cell phone network providers.

### 6.3.2 Causal or experimental research design

Aaker *et al.* (2007:79-81) state that causal research demonstrates that one variable causes or determines the values of other variables. When conducting causal research, it is therefore necessary to have reasonable evidence that one variable preceded the other and that no intervening variables were responsible for the relationship of the variables. Zikmund and Babin (2010:53-54) concur but add that temporal sequence (the order in which one variable determines another), non-spurious association (the fact that no alternative variable/s could be responsible for the co-variation in the cause and effect variable) and concomitant variation (regarding the systematic variance in the cause and effect variable) should also be addressed in causal research.

Zikmund and Babin (2010:55) propound that experiments determine cause-and-effect relationships through controlled studies where the experimental variable is controlled by the researcher who manipulates the variable in order to observe the matching changes in the proposed effect. The observed changes can deliver three different causalities. Absolute causality entails that the cause is necessary and efficient to bring about the effect, conditional causality is present when the cause is necessary but not sufficient to bring about the effect, and contributory causality results when the cause is not necessary or sufficient to bring about an effect.

### 6.3.3 Exploratory research design

McQuarrie (2006:6) asserts that discovery is the purpose of exploratory research. Churchill and Iacobucci (2005:74) further elaborate that exploratory research is about the discovery of ideas and insights. Aaker *et al.* (2007:79-81) suggest that when the general nature of a problem, possible decision alternatives and relevant variables are considered, exploratory research is used. Exploratory research is highly flexible and unstructured, and research hypotheses are vague or do not exist at all. The idea presented by Zikmund and Babin (2010:50) of discovering new ideas as potential business opportunities as definition for exploratory research, further indicates that exploratory research is appropriate when examining new concepts in the field of marketing and may be used as a basis for future research.

## 6.4 STAGE 3: DESIGN THE DATA COLLECTION METHOD AND FORMS

According to Aaker *et al.* (2007:84), alternative methods of data collection can be used, namely secondary data collection and primary data collection. **In this study the literature review was conducted by means of secondary data collection, but primary data was needed to draw inferences to be of value as descriptive research.** For this reason, secondary data collection and primary data collection are briefly discussed.

Secondary data is available because the data was collected for use in another situation and not for the present study. Sources of secondary data include existing company information, syndicated data sources and databanks of other organisations, the government and trade organisations. Zikmund and Babin (2010:163) mention that the benefits of secondary data include availability and the fact that obtaining secondary data is faster and less expensive than is the case with primary data. The disadvantage of secondary data has to do with the reason why the data was collected. Secondary data was not designed for the researcher's specific use and can therefore be outdated, use different definitions or measurements and lack supportive information.

On the other hand, primary data is collected for the specific research at hand (Aaker *et al.*, 2007:84). For descriptive research, primary data can be collected through qualitative research (such as interviews and observations) and quantitative research by means of surveys (Aaker *et al.*, 2007:84). This study specifically used a survey in the form of a self-administered questionnaire (see section 6.4.2).

Since descriptive research will be used for this study, it is necessary to briefly consider qualitative and quantitative methods of research.

### 6.4.1 The research method

Research can be conducted by using qualitative methods or quantitative methods. Qualitative and quantitative methods are not conflicting methods of research (Bahl & Milne, 2006:217). Zikmund and Babin (2010:132) argue that both qualitative and quantitative research can be used for accomplishing objectives that the other method can not be used for. The advantages of combining the two types of research should be

noted. Qualitative methods have been used in support of quantitative methods (Zikmund & Babin, 2010:132; Bahl & Milne, 2006:217). **For this purpose, the current study followed a two-stage design by using qualitative and quantitative research.** The first stage was a qualitative study in the form of a focus group (see appendix A) and the second stage was a quantitative study in the form of questionnaires (see section 6.4.2), both of which was done via a convenience sample (see section 6.5.2.2 d). Therefore, qualitative research and quantitative research are briefly discussed.

#### **6.4.1.1 Qualitative research**

Zikmund and Babin (2010:131-132) view the use of qualitative research as gaining inner meanings and a novel understanding of market phenomena. Parasuraman *et al.* (2007:178) agree that qualitative research is used for gaining insight into a specific domain from a small group of individuals. According to Shank (2006:4), qualitative research is a form of systematic empirical enquiry into meaning. Burns and Bush (2006:202) further explain that qualitative research involves observing what people do and say. The aforementioned explanations illuminate the fact that qualitative research is dependent on the researcher as the researcher must construct meaning from the unstructured responses of the participants (Zikmund & Babin, 2010:131).

One form of qualitative research is a focus group. **A focus group is discussed as this qualitative research technique was used in this study.** Zikmund and Babin (2010:141-142) view a focus group as a common technique in qualitative research. A focus group is described as a free-flowing unstructured interview with a small group of usually between six to ten participants. However, Struwig and Stead (2004:99) assert that, even though a focus group is a free-flowing unstructured interview, it is a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment. Zikmund and Babin (2010:141-142) continue that the moderator encourages dialogue and uses a flexible format. In support of the phenomenological approach, moderators avoid direct questioning unless it becomes necessary. Langford and McDonagh (2003:2-3) propound that the moderator can explore the responses given to questions or comments and discover more about individual perceptions and views through this process. A focus group can therefore be used for collecting general background knowledge for new projects and to gather impressions and perceptions of existing or proposed products and services.



According to Zikmund and Babin (2010:142-143) the advantages of a focus group are found in the speed and ease with which it can be conducted, the opportunity for participants to generate thoughts from others' ideas (referred to as piggybacking), the possibility of multiple perspectives and flexibility which allows for more detailed descriptions, as well as the high degree of scrutiny. From these, it is clear that even though the findings from the focus group can never be generalised to the population, it can be concluded that the value of the focus group lies in its capacity to produce fresh perspectives, reveal a way of life and illuminate its nature (McQuarrie, 2006:88-89).

From the above, the use of qualitative research in the form of a focus group is justified. Furthermore, Zikmund and Babin (2007:130) assert that a focus group is also important as it can be used to develop valid items to measure in the questionnaire and to attain the exact description used in everyday life. **This study used qualitative research in the form of a focus group to collect background knowledge on the cell phone network providers' features which young adults view as important and why the current network provider is used.** The aim of the focus group was to identify and develop specific decision statements in order to understand the young adults' use of the cell phone network providers better. This was done with a view to determine the constructs and options to the questions in section A (see section 6.4.2.1) of the questionnaire (the quantitative research discussed in section 6.4.1.2) for this study. The focus group for this study is discussed in appendix A.

#### **6.4.1.2 Quantitative research**

Parasuraman *et al.* (2007:178-179) and Burns and Bush (2006:202) define quantitative research as the use of structured questions in which the response options have been predetermined and the primary data is collected from a large number of individuals. Quantitative research is used to test hypotheses or to prove what is expected about a specific domain and to investigate the natural order by looking at variables. Zikmund and Babin (2007:132) add that quantitative research focuses on using scales to assign numeric value either directly or indirectly to responses which can then be statistically computed. This was done in this study (see discussion on questionnaire in section 6.4.2). Quantitative research emphasises the relationship between variables, differences between individuals regarding specific variables and the causes of behaviour (Struwig & Stead, 2004:18) which is what this study aimed to do by

examining whether young adults have relationship intentions towards their cell phone network providers.

**This study used quantitative research through self-administered questionnaires (see section 6.4.2).** The questionnaire was designed after conclusions were made from the focus group. Non-probability sampling, in the form of convenience sampling (see section 6.5.2.2 d), was also used for the quantitative research. The research instrument combining the qualitative and quantitative research is discussed next.

### **6.4.2 Research instrument**

According to McDaniel and Gates (2005:318), a questionnaire should be viewed as the formal schedule used to obtain information from respondents with a view to achieve research objectives. A self-administered questionnaire was used. Zikmund and Babin (2010:223) mention that self-administered questionnaires are less expensive than interviews, but the most prominent obstacle in this regard is that respondents have the responsibility of reading and answering the questions, which means that the research relies heavily on the clarity of the written words. To ensure that respondents understood the words used in the self-administered questionnaire, a focus group (see appendix A) and pilot studies of the adapted relationship intention measure (see section 6.4.2.2 and appendix B) as well as the entire questionnaire (section 6.4.2.6) were undertaken with a view to construct and examine the clarity of the words used in the questionnaire. Besides the cost benefit of self-administered questionnaires, McQuarrie (2006:137) distinguishes the questionnaire from other research methods by pointing out that the questions and arrangement of the questions are fixed in advance along with the focus on the entire sample's response (instead of each individual respondent's response), because inferences must be made about the population.

Before the questionnaire will be discussed in greater detail it is necessary to briefly consider the most prominent measurement forms of response used in questionnaires (Churchill & Iacobucci, 2005:242, 247), namely:

- Open-ended questions are used when respondents use their own words to answer a question, whereas answers are limited to the choice of set alternatives in all other

- forms of response (Zikmund & Babin, 2010:370; Huizingh, 2007:25; Churchill & Iacobucci, 2005:242);
- Multiple choice questions or fixed-alternative questions solicit respondents to choose from fixed alternatives by choosing the alternative most closely correlated to respondents' position on a subject (Zikmund & Babin, 2010:370; Huizingh, 2007:27; Churchill & Iacobucci, 2005:243); and
  - Dichotomous questions are also fixed alternatives but respondents can only choose from two alternatives (Zikmund & Babin, 2010:372; Churchill & Iacobucci, 2005:246).

Measurement scales used in questionnaires include the following:

- A nominal scale is used purely for categorising objects by assigning a letter or number to each category. Nominal scale questions, therefore, simply identify the respondent but nothing is implied by the numbers other than to identify the respondent (Zikmund & Babin, 2010:326; Huizingh, 2007:15-16; Churchill & Iacobucci, 2005:267, 457);
- An ordinal scale is viewed as a higher level of measurement as numbers assigned reflect an order (Huizingh, 2007:16). Ordinal scale questions use numbers to order attributes measured. In marketing research respondents are frequently asked to rank choices (Zikmund & Babin, 2010:328; Churchill & Iacobucci, 2005:268, 457);
- Interval scale questions are used when the intervals between numbers are meaningful. In other words, the numbers inform the researcher about size differences between categories with respect to the object being measured (Zikmund & Babin, 2010:328; Huizingh, 2007:16; Churchill & Iacobucci, 2005:269, 457);
- Ratio scale questions differ from interval scale questions as there is a natural or absolute zero in the scale, which means that the ratio scale is undistorted under proportionate or scalar transformations (Huizingh, 2007:17; Churchill & Iacobucci, 2005:269, 458). Ratio scaling represents the highest form of measurement (Zikmund & Babin, 2010:329); and
- The Likert method of summated rating allows the respondent to express the intensity of feeling because Likert scale questions ask respondents to indicate the extent or degree to which they agree or disagree with clearly worded statements (Aaker *et al.*, 2007:297; Bradley, 2007:209; Churchill & Iacobucci, 2005:274; McDaniel & Gates, 2005:328). According to Tustin, Lightelm, Martins and Van Wyk (2005:408) Likert scaling represents a systematic and superior way to construct indices from

questionnaire data. The Likert scale is associated with a response format as used in survey questionnaires. Zikmund and Babin (2010:346) and Welman *et al.* (2005:156) conclude that the fact that Likert scaling is simple to compile renders it the most popular attitude scale.

The questionnaire was compiled from the literature review (see chapters 1, 2, 3, 4 and 5) and the focus group (see appendix A). The questionnaire comprised of four sections. Firstly, classification information concerning the cell phone network providers was gathered followed by means of the measurement of respondents' relationship intention. Thirdly, respondents' personalities were measured and lastly, demographic details of the respondents were collected.

As South Africa has three cell phone network providers and the questionnaire was simplified to accommodate the self-administered format, each questionnaire referred to a specific cell phone network provider throughout the questionnaire, i.e. respondents using Vodacom as cell phone network provider completed questions referring to Vodacom (see appendix C for the customised questionnaires for each of the cell phone network providers). To simplify the discussion on the measuring instrument, however, the name of the cell phone network provider will be replaced by cell phone network provider abbreviated as CNP.

#### **6.4.2.1 Section A: Classification information**

The purpose of section A of the questionnaire was to obtain classification information from young adults on their cell phone network providers. Answers to questions such as who the respondent's current cell phone network provider is; how long the respondent has made use of the specific network provider; whether other network providers have previously been used; and the aspects that respondents consider when selecting a cell phone network provider (derived from the focus group discussed in appendix A) were used to develop section A. Furthermore, questions in section A aimed to determine:

- The main reason why young adults use their selected cell phone network providers;
- The importance of cell phones to young adults;
- The reasons for choosing the cell phone network providers;
- Reasons for supporting the cell phone network providers;

- Whether young adults easily change from one cell phone network provider to another;
- Features that young adults regard as important when choosing a cell phone network provider;
- Whether young adults who pay cellular expenses themselves have a higher relationship intention; and
- Comparing young adults' view of the three cell phone network providers of South Africa.

Table 6.1 summarises the questions, response format and scales used in section A.

**Table 6.1: Measurement of classification information**

Questions	Response format	Scale
1) Do you have a contract with CNP?	Dichotomous	Nominal
2) For how long have you used CNP's service?	Multiple choice	Ordinal
3) Which of the following would best describe why you use CNP? (One answer only.)	Multiple choice and Open-ended option	Nominal
4) Why is your cell phone important to you? (You may choose more than one option.)	Multiple choice and Open-ended option	Nominal
5) Why did you initially choose CNP? (You may choose more than one option.)	Multiple choice	Nominal
6) Why do you stay with CNP? (You may choose more than one option.)	Multiple choice	Nominal
7) Do you think you will stay with CNP in the future?	Dichotomous	Nominal
8) Have you ever used other cell phone network providers in the past?	Dichotomous	Nominal
9) If you answered yes in question 8, how many times have you moved from one cell phone network provider to another?	Multiple choice	Ordinal
10) Which of the following aspects do you consider when you have to choose between Vodacom, MTN and Cell C? (You may choose more than one option.)	Multiple choice	Nominal
11) Please indicate for each of the statements listed below which cell phone network provider you most associate with the statement. (Please choose only one cell phone network provider per statement.)	Multiple choice	Nominal
12) Who pays your cellular expenses?	Dichotomous	Nominal

Although section B dealt with respondents' relationship intention, question A7 was included in section A as a measure in order to determine relationship intention before respondents were faced with section B, which was devoted to relationship intention. This was done because questions from this section could possibly influence respondents' indication of their relationship intention if this aspect was measured only after completing section B.

#### 6.4.2.2 Section B: Relationship intention

The purpose of section B of the questionnaire was to determine respondents' relationship intentions. The questionnaire which was used to measure relationship intention designed by Kumar *et al.* (2003:675-676) and adapted by De Jager (2006:166) and Delport (2009:91-101) was adapted for this study. Questions were changed with a view to improve the reliability and validity of the research as previous studies measuring relationship intention all suffered from low Cronbach alpha values (Delport, 2009:31; De Jager, 2006:18).

A pilot study was conducted using the revised questionnaire. The pilot study was conducted among 202 respondents from the target population (see section 6.5.1) and five factors relating to the five constructs of relationship intention (see section 3.3) were identified by means of an exploratory factor analysis. McDaniel and Gates (2005:536-539) regard the purpose of factor analysis as data simplification. This statistical technique reduces large groups of variables to a smaller, more manageable number of factors (De Bruin, 2006:155-156). Furthermore, the Cronbach alphas for the five relationship intention constructs as identified by the exploratory factor analysis proved to be highly correlated. The exploratory factor analysis of the pilot study of the revised relationship intention measure is presented in appendix B. The main finding from the exploratory factor analysis is presented below.

**Main finding PS1:** From the factor analysis it could be determined that five factors were identified to measure respondents' relationship intention, namely: Expectations, Forgiveness, Fear of relationship loss, Feedback and Involvement.

This improved measure of relationship intention was used in the final questionnaire used in this study. For this section a 5-point Likert-type scale, where 1 = no, definitely not, 2 = no, 3 = neutral, 4 = yes and 5 = yes, definitely was used. Two nominally scaled questions, questions A7 (Do you think you will stay with CNP in the future?) and B27 (Do you want to build a long-term relationship with CNP?) were used to identify respondents with a high relationship intention who would answer 'yes' to both question A7 and question B27. If respondents answered no to either question A7 or question B27, such respondents were considered to have a low relationship intention. Question A7 was specifically placed in section A to confirm that respondents have a high

relationship intention and as control measure by ensuring that respondents didn't automatically answer 'yes', as they were in the mindset of answering the statements on the Likert scale in section B (all relating to their relationship intention) which could influence their decision to answer that they want to build a long-term relationship with their cell phone network providers. Question B27 was asked after respondents had to reply to the statements measuring relationship intention. Table 6.2 summarises the questions for each of the five constructs of relationship intention and the scale used.

**Table 6.2: Measurement of relationship intention**

Statements for the five constructs and high relationship intention	Response format	Scale
<b>Involvement</b>		
1) Are you proud to be a customer of CNP?	Scaled	Likert
2) Are you proud when you see CNP's name or advertising materials?	Scaled	Likert
3) Did you experience a feeling of satisfaction when you joined CNP?	Scaled	Likert
4) Do you care about the image of CNP?	Scaled	Likert
5) Have you ever recommended CNP to your friends or family?	Scaled	Likert
<b>Fear of relationship loss</b>		
6) Are you afraid that you might lose special CNP privileges by switching to another CNP?	Scaled	Likert
7) Are you afraid to lose the services of CNP by switching to another CNP?	Scaled	Likert
8) Are you afraid to lose your identification with CNP's brand name by switching to another CNP?	Scaled	Likert
9) Are you afraid to lose your relationship with CNP by switching to another CNP?	Scaled	Likert
10) Would you experience emotional stress by switching to another CNP?	Scaled	Likert
<b>Forgiveness</b>		
11) Do you forgive CNP if the quality of their service is sometimes below the standard you expect from them?	Scaled	Likert
12) Will you forgive CNP if the quality of their services is below the standard of other CNPs?	Scaled	Likert
13) Will you forgive CNP if you experience bad service from them?	Scaled	Likert
14) Will you forgive CNP for bad service to the point that you keep on supporting them even if you have experienced bad service from them?	Scaled	Likert
15) Will you forgive CNP if they are more expensive than other CNPs?	Scaled	Likert
<b>Feedback</b>		
16) Will you tell CNP when their service is poor?	Scaled	Likert
17) Will you tell CNP if their service is better than you expect?	Scaled	Likert
18) Will you tell CNP if their service meets your expectations?	Scaled	Likert
19) Will you try to tell CNP about their service even though they restrict your attempt?	Scaled	Likert
20) Will you take time to tell CNP about their service so that their service will improve?	Scaled	Likert
<b>Expectations</b>		
21) Do you have high expectations of CNP's service?	Scaled	Likert
22) Do you expect CNP's service to be better than another CNP's service?	Scaled	Likert
23) Do you expect CNP to offer you value for your money?	Scaled	Likert
24) Do you expect CNP to offer you more value for your money than another CNP?	Scaled	Likert
25) Do you expect CNP to bring you the latest cellular technology?	Scaled	Likert
26) Do you expect CNP to offer you low prices?	Scaled	Likert
<b>High relationship intention</b>		
27) Do you want to build a long-term relationship with CNP?	Dichotomous	Nominal

### 6.4.2.3 Section C: Personality

The purpose of section C of the questionnaire was to determine respondents' personality types by using the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525). The ten-item measure of the Big Five personality domains is ideal for situations where very short measures are needed (Bernard *et al.*, 2005:54; Gosling *et al.*, 2003:504). Validity and reliability were also established regarding the instrument's ability (Bernard *et al.*, 2005:54; Gosling *et al.*, 2003:504). Rice (1993:59) asserts that the problem with personality measures is that there is a tendency to answer questions either as the respondent thinks a 'normal' person would, or as the respondents wish themselves to be. At an even deeper philosophical level, there is a problem of whether the way individuals see themselves is the same as others see them. However, Gosling *et al.* (2003:523) have proved adequate levels of self- and observer-ratings as well as convergent and discriminant validity and test-retest reliability. The TIPI, a shorter measuring instrument, is more economical and prevents fatigue, frustration and boredom arising from answering similar and repetitive questions (Bernard *et al.*, 2005:41) as it requires less than 10 minutes to complete.

For this section, the questionnaire used a 7-point Likert scale, where 1 = disagree strongly, 2 = disagree moderately, 3 = disagree a little, 4 = neither agree nor disagree, 5 = agree a little, 6 = agree moderately and 7 = agree strongly. Each domain of the Big Five personality domains has two variables measuring the domain of which reversed-scoring is used for one of the variables for each domain. Table 6.3 summarises the statements used in the questionnaire.

**Table 6.3: Measurement of personality**

	Statement	Response format	Scale
<b>Extraversion</b>	1) Extraverted, enthusiastic	Scaled	Likert
	6) Reserved, quiet	Scaled	Likert
<b>Agreeableness</b>	2) Critical, quarrelsome	Scaled	Likert
	7) Sympathetic, warm	Scaled	Likert
<b>Conscientiousness</b>	3) Dependable, self-disciplined	Scaled	Likert
	8) Disorganised, careless	Scaled	Likert
<b>Neuroticism</b>	4) Anxious, easily upset	Scaled	Likert
	9) Calm, emotionally stable	Scaled	Likert
<b>Openness to experience</b>	5) Open to new experiences, complex	Scaled	Likert
	10) Conventional, uncreative	Scaled	Likert



#### 6.4.2.4 Section D: Demographic details

The purpose of section D of the questionnaire was to obtain respondents' general demographic details namely age, home language, gender, population group, faculty where registered, approximate monthly cell phone expenses and year of study. The question pertaining to the faculty at which respondents are registered was used to make sure that all respondents were indeed enrolled students at the North-West University. Table 6.4 summarises the questions, response format and scales used in section D.

**Table 6.4: Measurement of demographic details**

Questions	Response format	Scale
1) What is your current age?	Multiple choice	Ordinal
2) What is your gender?	Dichotomous	Nominal
3) What is your population group?	Multiple choice	Nominal
4) What is your home language?	Multiple choice and Open-ended option	Nominal
5) At which faculty are you registered?	Multiple choice	Nominal
6) Approximate monthly cell phone expenses?	Multiple choice	Ordinal
7) Year of study?	Multiple choice	Ordinal

#### 6.4.2.5 Linking objectives with the questionnaire

Table 6.5 links the objectives and questions in the questionnaire of this study.

**Table 6.5: Relationship between objectives and questionnaire**

	Secondary objective	Questions
1	Determine if the five relationship intention constructs proposed by Kumar <i>et al.</i> (2003:670) are valid to measure the relationship intentions of young adults.	B21-B26
2	Determine the influence of relationship length on young adults' relationship intentions towards their cell phone network providers.	A2; B21-B26
3	Determine which features related to cell phone network providers young adults consider when selecting a cell phone network provider.	A1-A6 A8-A12
4	Determine whether there are differences between young adults of the different cell phone network providers with regard to their relationship intentions.	B21-B26
5	Determine if differences exist between young adults with a high relationship intention and young adults with a low relationship intention with regards to the constructs used to measure relationship intention.	A7; B21-B27
6	Determine whether the ten-item personality inventory (TIPI) as proposed by Gosling <i>et al.</i> (2003:525) is valid and reliable to measure young adults' personality types in terms of the Big Five personality domains.	C1-C10
7	Determine whether there are differences between young adults with regard to their demographic differences.	D1-D7

#### **6.4.2.6 Pilot study of the questionnaire used for this study**

McDaniel and Gates (2005:339) summarise the use of a pilot study as examining respondents' reaction to the questionnaire. Through this, insights with regards to any misinterpretations by respondents, poor skip pattern, lack of continuity as well as additional alternatives for pre-coded and closed-ended questions can be obtained. Zikmund and Babin (2010:61-62) assert that a pilot study tests the feasibility and understanding of the questionnaire and is used to refine measures by straightening out vital problems in the questionnaire design. A pilot study of the questionnaire for this study was conducted using 10 young adults from the study population. Respondents from the pilot study gave no indication of any ambiguity of words or the questions of the questionnaire; nor did they point out any difficulty in assessing their personality in section C of the questionnaire and, for this reason, no changes were made to the questionnaire. The researcher did notice that respondents did not give themselves a very high score in section C for characteristics generally viewed as negative characteristics such as anxiety. However, since respondents gave themselves a medium score for anxiety, and because this study aims to determine if the TIPI is a valid and reliable measure for students' personality, this did not seem problematic at the time of the pilot study.

### **6.5 STAGE 4: DESIGN THE SAMPLE AND COLLECT DATA**

This section of the chapter views the population of the study. Furthermore, two sampling methods can be used namely probability and non-probability sampling which are also briefly discussed after which sample size and data collection is described.

#### **6.5.1 Target population**

Welman *et al.* (2005:52) view the population as encompassing the total collection of all units of analysis (members or elements of the population) from which the researcher wishes to draw inferences. McQuarrie (2006:94) states that the results obtained from the sample are supposed to reflect a specific group of customers referred to as the population. McDaniel and Gates (2005:356-357) define sampling as the process of obtaining information from a subset of a larger group and a sample is therefore a subset of all the members of a population of interest.

The population of this study comprised young adults between the ages of 18 and 25 years old, studying at the Potchefstroom Campus of the North-West University in the North-West Province. The list of elements (sample) as Zikmund and Babin (2010:412) describe it, would be drawn from the target population.

### **6.5.2 Sampling methods**

McDaniel and Gates (2005:359) and Welman *et al.* (2005:57) propound that a sampling method is either described as probability sampling or non-probability sampling. Probability sampling and non-probability sampling are briefly discussed below.

#### **6.5.2.1 Probability sampling**

Probability sampling is a sampling technique where every element in the population has a known probability of being included in the sample (Zikmund & Babin, 2010:423; Parasuraman *et al.*, 2007:338; Welman *et al.*, 2005:56). McQuarrie (2006:97) and Struwing and Stead (2004:118) argue that probability sampling is the only sampling where the researcher can be confident that the results represent the population. This is due to the fact that probability sampling purges the bias that characterises non-probability sampling (Zikmund & Babin, 2010:423). Although probability sampling is not used in this study, the six probability sampling techniques are briefly discussed.

##### **a) Simple random sampling**

Zikmund and Babin (2010:426) and Welman *et al.* (2005:59) define simple random sampling as the sampling method which guarantees that each element in the population has one and the same chance of being incorporated into the sample.

##### **b) Systematic sampling**

Zikmund and Babin (2010:427) and Welman *et al.* (2005:64) explain that systematic sampling entails two distinct processes. Firstly, a random starting point is selected and secondly, every  $n$ th number on the list used to draw the sample is included in the sample.

**c) Stratified random sampling**

Stratified sampling refers to the process where the population is grouped into subgroups (called strata) based on shared characteristics just like quota sampling in section 6.5.2.2 b (Zikmund & Babin, 2010:427; Welman *et al.*, 2005:61). However, unlike quota sampling, the process does not end here. With stratified random sampling, a sample is drawn from each stratum or subgroup. For this reason, stratified sampling enables the researcher to obtain an even more efficient sample than is the case with simple random sampling.

**d) Proportional versus disproportional sampling**

Zikmund and Babin (2010:429) further elucidate that stratified sampling can be done by using either proportional or disproportional sampling. Proportional sampling is the process where a proportion of the population controls the number of sampling units chosen from each stratum or subgroup through stratified sampling. Disproportional sampling makes use of analytical considerations to determine the size of the sample chosen from each stratum or subgroup.

**e) Cluster sampling**

According to Zikmund and Babin (2010:430), cluster sampling does not consider individual elements in the population, but rather clusters of elements. The primary sampling unit thus comprises clusters which are selected randomly. This means that cluster sampling is the most economically efficient probability sampling method. The ideal cluster is just as heterogeneous as the population from which the cluster is chosen.

**f) Multistage area sampling**

Zikmund and Babin (2010:431) assert that when probability sampling methods are combined to draw a sample from the population, it is referred to as multistage area sampling.

### 6.5.2.2 Non-probability sampling

**For this study a non-probability sampling technique was used.** Unlike probability sampling, non-probability sampling entails that the probability of any particular member of the population being chosen, is unknown. A non-probability sampling technique is representative of the researcher's skill and judgement (Zikmund & Babin, 2010:423; Parasuraman *et al.*, 2007:339). Welman *et al.* (2005:67) further note that in some non-probability samples, certain elements have no chance of being included in the sample. A non-probability sample does not involve random selection and, for this reason, it is difficult to generalise research results to the wider population (Parasuraman *et al.*, 2007:339). Despite this fact, non-probability sampling is still a very reliable sampling technique (Churchill & Iacobucci, 2005:324). The benefits of using non-probability sampling methods include the elimination of the costs and time required to develop a sampling frame (Aaker *et al.*, 2007:393). For this reason, Welman *et al.* (2005:57) assert that non-probability sampling is used for reasons of convenience and economy. According to Aaker *et al.* (2007:393-395) non-probability sampling comprises judgemental sampling, quota sampling, snowball sampling and convenience sampling. These methods are briefly discussed below.

#### **a) Judgement sampling**

Aaker *et al.* (2007:393-395) regard judgement sampling as a sampling method where the expert judgement of the researcher is used to select a representative sample from the population. Welman *et al.* (2005:69) view this as the most important type of non-probability sampling because the researcher uses knowledge to select a representative sample from the population. Zikmund and Babin (2010:424) concur and add that the researcher uses an appropriate characteristic for the specific study's needs, on which the sampling decision is based. Interestingly, judgement sampling has regularly been used to forecast election results. The forecasting of the South African 2009 election results is an example of this.

#### **b) Quota sampling**

Aaker *et al.* (2007:393-395) explain that where certain criteria or characteristics are used to select a sample from the population, quota sampling is used. Zikmund and

Babin (2010:425) further note that quota sampling entails the use of important characteristics according to the needs of the researcher's objectives, found in a variety of subgroups of the population, resulting in a representation of the groups via the chosen sample. Welman *et al.* (2005:68) add that quota sampling can be viewed as segmentation (see chapter 4) due to the process used for quota sampling.

### **c) Snowball sampling**

Aaker *et al.* (2007:393-395) view snowball sampling as a combination of different sampling techniques as each respondent is asked to identify one or more others in the field of the research. Zikmund and Babin (2010:425) continue that the first respondents are chosen with probability sampling methods and from there the information provided by the respondents is used to identify other respondents.

### **d) Convenience sampling**

Aaker *et al.* (2007:393-395) define convenience sampling as a sampling method where a sample is chosen purely on the basis of availability. Hereby, sampling units which are convenient are contacted. Zikmund and Babin (2010:423-424) and Welman *et al.* (2005:69) assert that conveniently available and near units are used for the study. According to Welman *et al.* (2005:69), the sample selection process is merely continued until the required sample size is reached. Convenience sampling is most frequently used in circumstances where the researcher needs to get a large number of completed questionnaires quickly and economically, and also when other sampling methods are not practical. Aaker *et al.* (2007:395) support the aforementioned and conclude that the convenience sample is simple, quick and inexpensive. McDaniel and Gates (2005:373) briefly mention that convenience sampling is a good sampling technique if a grave need exists to obtain an inexpensive estimate of true value. **For these reasons, non-probability sampling in the form of convenience sampling was used in this study for both the focus group and the quantitative study.** The convenience sampling method was quick, inexpensive and continued until the planned number of respondents was attained.

### 6.5.3 Sample size

Crouch and Housden (2003:163-166) mention six factors influencing the sample size. Firstly, the variability in the population must be considered as the distribution of the characteristics of interest influence the sample size. Secondly, the required level of confidence influence sample size. Thirdly, the required limits of accuracy consider that larger samples will move closer to representing the population. Fourthly, allowance for non-response is important as not all respondents complete the questionnaire accurately. In the fifth place, all the aforementioned factors should be considered for each question on the questionnaire for subgroup analysis requirements. Lastly, practical factors such as cost, time and the availability of fieldworkers influence the size of the sample. Importantly, Welman *et al.* (2005:70) state that the larger the sample, the more accurate a generalisation of the results of the study can be. Taking all of the above into consideration (especially the time and cost restraints), the sample comprised of 315 respondents.

### 6.5.4 Collecting the data

Questionnaires were distributed from 29 May 2009 to 17 July 2009 by fourteen fieldworkers to young adults on the Potchefstroom Campus of the North-West University. Respondents were asked which cell phone network provider they used and then received a questionnaire to complete specifically referring to their cell phone network provider throughout the questionnaire. Ideally, the quantity of respondents of Vodacom, MTN and Cell C would be exactly the same, but due to the convenience sampling and errors on the completed questionnaires which led to some questionnaires being omitted, 115 Vodacom, 101 MTN and 99 Cell C respondents participated in this study.

## 6.6 STAGE 5: ANALYSING AND INTERPRETING THE DATA

Crouch and Housden (2003:223-225) explain that data analysis begins with data preparation. This entails editing in terms of checking that the questionnaires are completed correctly by checking for any errors or omissions. Editing was carried out manually for this study and questionnaires with omissions were not used. Next, coding was done with a view to ensure that data is represented in the form of numbers for

computer analysis. Pre-coding was used for the questionnaire as numbers have already been assigned to each question on the questionnaire, which simplified the coding process. The SPSS statistical program (SPSS, 2007) was used to capture the data and to create a data set. Before any analyses were conducted, the data set was checked for mistakes.

Statistical analyses in terms of reliability, validity and descriptive analysis were done by means of the SPSS statistical program (SPSS, 2007) and the SAS statistical program (SAS, 2007). In this study, the Statistical Consultation Services of the North-West University (Potchefstroom Campus) performed the data analyses (see appendix D). Although the details of analysing and interpreting the data are presented in chapter 7, each of these aspects is briefly discussed.

### **6.6.1 Reliability and validity**

Churchill and Iacobucci (2005:295, 679) define reliability as the similarity of results provided by independent but comparable measures of the same object, trait, or construct. For this reason, reliability reflects consistency (Zikmund & Babin, 2010:334; Sprinthal, 2003:477). Bradley (2007:64) asserts that reliability therefore means that if the study is repeated, the same results will be obtained. Reliability can be determined by examining three types of reliability, namely:

- Test-retest reliability entails that respondents take a test and, after a given amount of time has passed, respondents are given the same test again. The reliability is determined by correlating respondents' results from the first test with those from the second test. Criticism against this method of determining reliability relates to practice (from completing the same test again) and fatigue (Zikmund & Babin, 2010:334; Sprinthal, 2003:478).
- Parallel-form reliability entails that respondents complete a separate but equal test to the first original test. Results are again correlated to determine the reliability of the test. This method is also open to fatigue which can influence reliability (Sprinthal, 2003:480).
- Internal-consistency reliability assesses the reliability of the test based on the consistency which occurs within the test (Sprinthal, 2003:480); that is, the homogeneity of the test (Zikmund & Babin, 2010:334). One method to determine



internal consistency where items are not scored dichotomously is to use Cronbach's alpha coefficient. Cronbach's alpha assesses each item individually for variability, resulting in the fact that this method has the advantage of identifying which items are contributing to the overall reliability of the test and which items are not (Zikmund & Babin, 2010:334; Sprinthall, 2003:487). Zikmund and Babin (2010:334) explain that a Cronbach alpha value higher than 0.70 indicates good reliability and a Cronbach alpha below 0.60 indicates poor reliability. **Cronbach's alpha was used to determine the reliability of the data obtained in this study**, because Likert scaling was used (see section 6.4.2) and the convenience sampling method applied in this study did not allow for test-retest reliability or parallel-form reliability.

An important consideration is that reliability is necessary for validity. However, a measure is not necessarily valid if it is reliable, as reliability does not account for systematic error (Churchill & Iacobucci, 2005:295, 679).

Zikmund and Babin (2010:335) define validity as the extent to which a test truthfully represents a concept. Churchill and Iacobucci (2005:293, 681) define validity as the term applied to measuring instruments reflecting the extent to which differences in scores on the measurement reflect true differences among individuals, groups, or situations in the characteristic that it seeks to measure, or reflect true differences in the same individual, group, or situation from one occasion to another, rather than constant or random errors. Bradley (2007:64) simplifies validity by stating that if a study is valid, it measures what it is supposed to measure. The validity is determined by examining three types of validity, namely:

- Predictive validity or criterion-related validity assesses the usefulness of the measure to predict a characteristic of the respondent whereas concurrent validity assesses the present relationship between the measure and the criterion related variable that occurs at the same point in time (Zikmund & Babin, 2010:336; Churchill & Iacobucci, 2005:293);
- Content validity or face validity assesses the adequacy with which the domain of the characteristic is captured by the measure. The name for this type of validity is derived from the way in which content or face validity is determined because it is determined by looking at the measure to ascertain the domain being measured (Zikmund & Babin, 2010:336; Churchill & Iacobucci, 2005:293; Sprinthall, 2003:626); and

- Construct validity assesses whether the measure does in fact measure what it is supposed to measure (Zikmund & Babin, 2010:337; Churchill & Iacobucci, 2005:294). Construct validity is proven if evidence of convergent validity, where different methods measuring the same construct are highly correlated (Zikmund & Babin, 2010:337), and discriminant validity, where a measure does not correlate too highly with unrelated measures, are provided (Zikmund & Babin, 2010:337; Churchill & Iacobucci, 2005:295). Bagozzi (1994:342-344) asserts that confirmatory factor analysis can be used to determine construct validity.

**This study used factor analyses to determine the validity of the questionnaire, and the Cronbach alphas used to determine the reliability of the questionnaire were derived from the factor analyses.** A brief discussion of a factor analysis follows below.

#### **6.6.1.1 Factor analysis**

Churchill and Iacobucci (2005:568, 675) define factor analysis as the body of techniques concerned with the study of interrelationships among a set of variables, none of which are given the special status of a criterion variable. According to Hair, Bush and Ortinau (2006:591), the purpose of factor analysis is to simplify the data. Bradley (2007:336), McDaniel and Gates (2005:536) and Crouch and Housden (2003:238) describe the interdependence analysis of factor analysis when defining factor analysis as a technique aimed at reducing a large number of original variables - such as the statements used to measure relationship intention in this study - to a smaller number of factors. Each factor consists of a group of related statements that forms a broad dimension of attitude. A factor is the linear combination of variables (Churchill & Iacobucci, 2005:568, 675; McDaniel & Gates, 2005:538).

Churchill and Iacobucci (2005:568, 675) and McDaniel and Gates (2005:539) state that a factor score is calculated on each factor for each subject in the data set. The nature of the factors derived can be determined by examining the factor loadings. Factor loadings are the correlation between the newly developed factors and each of the original variables (Zikmund & Babin, 2010:626; Hair *et al.*, 2006:592). Bradley (2007:336) and Foster, Barkus and Yavorsky (2006:75) explain that a factor loading of  $>0.60$  is viewed as a very high factor loading, a factor loading of  $>0.30$  is considered as a high factor

loading and a factor loading of  $<0.30$  is considered as a low loading and should be ignored. Finally, the factors are rotated to arrange indicators so that each loads highly on just one factor. The Cronbach alphas (used to determine reliability) were obtained from the factor loadings. Correlation coefficients such as Cronbach's alpha coefficient can have a maximum value of +1 and a minimum value of -1. Correlation coefficients above +0.7 or below -0.7 are considered to indicate an increasing degree of association (Crouch & Housden, 2003:236). Foster *et al.* (2006:78) mention that factors can be rotated either using a varimax rotation or an oblique rotation. After identifying factors through factor analysis, the factors must be named. McDaniel and Gates (2005:539) view the naming of factors as subjective. This is due to the fact that naming factors derived from a factor analysis is done by combining intuition and knowledge of the variables with an inspection of the variables that have high loadings on each factor. The variables will be used to assist in labelling the factors. Hair *et al.* (2006:593) assert that the final aspect of factor analysis is to decide on the number of factors to retain. To this end, the percentage of variance in the original data explained by each factor is taken into account. Zikmund and Babin (2010:641) and Foster *et al.* (2006:76) further explain that eigenvalues influence the decision on the number of factors to retain as eigenvalues greater than 1 indicate that a factor should be retained.

Churchill and Iacobucci (2005:584) assert that factor analysis is commonly used in marketing to name the factors captured by the measures, and to refine questionnaires by isolating and then eliminating those items that do not seem to belong with the rest of the items. This is exactly what was done in this study. Exploratory factor analysis, used to identify the hypothetical factors in a set of data (Zikmund & Babin, 2010:625; Foster *et al.*, 2006:70), was done for the adapted relationship intention measure (see section 6.4.2.2 and appendix B) and confirmatory factor analyses, used to confirm the existence of the hypothetical factors in a fresh set of data (Zikmund & Babin, 2010:625; Foster *et al.*, 2006:70), were done for section B of the questionnaire (see section 7.5.1) to confirm the factors identified from the pilot study concerning young adults' relationship intention (see section 6.4.2.2) and for section C of the questionnaire (see section 7.6.1) to confirm the factors identified by Gosling *et al.* (2003:525) for TIPI (see section 6.4.2.3). The results obtained from the factor analyses are discussed in chapter 7.

### 6.6.2 Guidelines for the interpretation of statistics

A convenience sample was used in this study. For the purpose of this study, both statistical significance and practical significance are briefly discussed.

#### 6.6.2.1 Statistical significance

Bradley (2007:342) defines significance as that what is 'probably true'. According to Hair *et al.* (2006:519), statistical significance refers to those errors which can never be completely avoided when making inferences regarding a population. The level of significance is the amount of risk the researcher is willing to accept regarding the accuracy of the test. In marketing research, a level of significance can be 0.10, 0.05 or 0.01 (Zikmund & Babin, 2010:541-542; Hair *et al.*, 2006:519; McDaniel & Gates, 2005:456; Sprinthall, 2003:174). **This study used a 0.05 level of significance.**

Zikmund and Babin (2010:542) propound that p-values are compared to significance levels. McDaniel and Gates (2005:485) define p-value as the exact probability of getting a computed test statistic that is due to chance. Steyn, Smit, Du Toit and Strasheim (2003:420) stress that the degree of confidence with which the null hypothesis can be rejected or not is portrayed in the p-value. The p-value implies that the null hypothesis is rejected if the p-value is  $\leq \alpha$  and that the null hypothesis is not rejected if the p-value is  $> \alpha$ . From the aforementioned it is concluded that the statistical significance is determined from the p-value. The chi-square test is one common test for statistical significance (Zikmund & Babin, 2010:553) interpreted by means of the p-value.

#### 6.6.2.2 Practical significance

Considering practical significance and the methods and statistical techniques used in this study, it is necessary to look at the practical significance for associations as well as the practical significance for differences in means.

- **Practical significance for associations**

Welman *et al.* (2005:229) and Steyn (1999:8) note that the Phi-coefficient is used to determine effect sizes for a correlation coefficient between two nominal variables, with

the effect being either positive or negative and symbolised by  $w$ . The effect size of  $w$  is viewed as small at 0.1, medium at 0.3 and large at 0.5. The Phi-coefficient is used for 2 by 2 tables (Pallant, 2007:217).

Pallant (2007:217) and Kent (1999:164) propound that the Cramer's  $V$  test is used to determine the effect sizes for a correlation coefficient for tables larger than 2 by 2 symbolised as  $R \times C$ . To determine the effect size of Cramers'  $V$ , 1 must be subtracted from the number of categories in the row ( $R-1$ ) or from the number of categories in the column ( $C-1$ ), which ever is the smallest. The effect size of Cramers'  $V$  therefore entails firstly, for  $R-1$  or  $C-1$  equal to 1 the effect size is small at 0.01, medium at 0.3 and large at 0.5. Secondly, for  $R-1$  or  $C-1$  equal to 2 the effect size is small at 0.07, medium at 0.21 and large at 0.35. Lastly, for  $R-1$  or  $C-1$  equal to 3 the effect size is small at 0.06, medium at 0.17 and large at 0.29 (Pallant, 2007:217).

#### • Practical significance for difference in means

Sprinthall (2003:178) and Steyn (1999:3) explain that the practical significance of the difference between two means is determined by Cohen's effect size symbolised as  $d$ . Cohen's  $d$ -value was used throughout for the interpretation of the results of this study. The effect size reported as  $d$  is considered to be small at 0.20, medium at 0.50 and strong and practical significant at 0.80 or larger (Cohen, 1988:25-26). The formula for the effect size is (Steyn, 1999:12):

$$d = \frac{|\bar{x}_1 - \bar{x}_2|}{s_{\max}}$$

Where:

- $d$  = effect size;
- $\bar{x}_1 - \bar{x}_2$  is the difference between means of two compared groups; and
- $s_{\max}$  is the maximum standard deviation of the two compared groups.

### 6.6.3 Methods and statistical techniques

Crouch and Housden (2003:230) propose that analysing and interpreting data take place in three main ways, namely to describe data (via descriptive statistics), to measure significance, and to indicate relationships. The statistical and practical significance have already been discussed (see section 6.6.2) but a brief discussion of descriptive statistics as well as the methods and techniques used in this study follows below.

#### 6.6.3.1 Descriptive statistics

Sprinthall (2003:19) defines descriptive statistics as techniques used for describing data in abbreviated, symbolic form. Descriptive statistics entail:

- Univariate analysis, where one variable is analysed (Zikmund & Babin, 2010:538; Bradley, 2007:334-335; Welman *et al.*, 2005:231).
- Bivariate analysis, inspecting the pattern between two variables at a time (Zikmund & Babin, 2010:538; Bradley, 2007:334-335; Welman *et al.*, 2005:231). In this study, cross-tabulations and t-tests were done as bivariate analysis; and
- Multivariate analysis, where three or more variables are examined at a time to identify the pattern between them (Bradley, 2007:334-335; Welman *et al.*, 2005:231). Zikmund and Babin (2010:538) and McDaniel and Gates (2005:550) describe multivariate analysis as statistical procedures used to simultaneously analyse multiple measurements on each individual or object under study. In this study, analysis of variance (ANOVA) and factor analyses were done as multivariate analysis.

#### 6.6.3.2 Analyses done in this study

**a) The following descriptive statistic analyses (results are discussed in chapter 7) were done:**

- **Frequency distribution and percentage distribution**

Crouch and Housden (2003:230) view frequencies as the simplest form of statistical description because frequencies provide a count of the number of responses in each

category. Zikmund and Babin (2010:441) define frequency as organising the data set by summarising the number of times a particular value for a variable occurs. Percentages are used to further summarise the frequencies in terms of a percentage value associated with particular values of a variable. Crouch and Housden (2003:230) assert that percentages are useful for making comparisons as all data is presented in a standard form.

- **Cross-tabulations for obtaining frequencies for two variables**

Hair *et al.* (2006:494) view cross-tabulations as categorising the number of respondents who have answered two questions by examining the two variables simultaneously. Zikmund and Babin (2010:519) elaborate that cross-tabulations present relationships among multiple (non-interval) variables by displaying one variable in columns and another in rows. Frequencies and percentages are presented for the cross-tabulations. As discussed in section 6.6.2.2 the Phi-coefficient and Cramers' V were used to determine effect sizes for the correlation coefficient between two nominal variables in the cross-tabulation.

- **Standard deviations for individual items of the questionnaire**

Hair *et al.* (2006:515) and Welman *et al.* (2005:233) describe the standard deviation as the average distance of the distribution values from the mean. The mean is the measure of central tendency and for this reason there should be equal values above the mean and below the mean. This difference between the mean and the values above and below the mean are referred to as the standard deviation. Sprinthall (2003:162) abbreviates standard deviation as SD.

- **Means**

Hair *et al.* (2006:512) define the mean as the average of the sample. The mean is calculated as the sum of the values for all observations of a variable divided by the number of observations. Sprinthall (2003:31) provides the following formula for the mean:

$$M = \frac{\sum X}{N}$$

Where:

- M = mean
- X = raw score / the measure of the trait or concept in question
- $\sum$  = the addition of all measures of X
- N = number of respondents

**b) The following inferential statistic analyses (results are discussed in chapter 7) were done:**

- **T-tests**

T-tests were done in order to determine whether a statistically significant difference exists between the population means of two independent groups (Zikmund & Babin, 2010:565; Huizingh, 2007:268; Welman *et al.*, 2005:237). However, Cohen's d-values were used to determine the practical significance of the results.

- **Analysis of variance (ANOVA)**

Analyses of variance (ANOVA's) were done to determine whether a statistically significant difference exists between the population means of more than two independent groups (Zikmund & Babin, 2010:573; Huizingh, 2007:277; Welman *et al.*, 2005:237). However, Cohen's d-values were used to determine the practical significance of the results. Huizingh (2007:277) elaborates that analysis of variance (ANOVA) compares the means of interval or ratio variables. Here the assumption is that the cases in the groups belong to independent, random samples from normally distributed populations with equal variances in the groups. Tukey's comparison significant at the 0.05 level was used in this study as follow-up test to determine the means that are statistically different from each other (Hair *et al.*, 2006:527).

Welman *et al.* (2005:237) assert that descriptive research (which was used in this study) involves comparing the mean of one group with the mean of another; for this reason, t-



tests for two groups and analysis of variance (ANOVA) for more than two groups are appropriate statistical techniques to use.

## **6.7 STAGE 6: PREPARE THE RESEARCH REPORT AND FORMULATE CONCLUSIONS**

Chapter 7 will be used to report the findings from the study while chapter 8 will draw conclusions.

## **6.8 CONCLUSION**

This chapter described the methodology used in this study by discussing each part of the marketing research process. By referring to all the available alternatives as applicable at the different stages of the marketing research process, the choices and reasons for the methodology used in this study became clear. Chapter 7 will present the results obtained from this marketing research process.

## CHAPTER 7

### RESULTS

#### 7.1 INTRODUCTION

Chapter 7 presents the results obtained from the study after following the methodology as set out in chapter 6. Firstly, the sample profile is sketched by means of the demographic profiles of respondents. The remainder of the chapter proceeds in terms of the sequence of the questions as set in the questionnaire. The results obtained for each question in the questionnaire will be presented.

#### 7.2 DEMOGRAPHIC PROFILES OF RESPONDENTS

Respondents' demographic profiles can aid towards providing insight into, and facilitate comprehension of the results obtained from the questionnaire. The demographic profiles were determined in terms of age, gender, population group, home language, faculty registered at, approximate monthly cell phone expenses and year of study. In this chapter the symbol 'F' is the abbreviation for frequency and the symbol % will be used to refer to percentage. As was the case in chapter 6, cell phone network provider is abbreviated as CNP.

A total sample of 315 was realised and Table 7.1 provides a summary of the demographic information used to construct the sample profile.

**Table 7.1: Demographic profile of respondents**

Variables		F	%
Age	18 but younger than 19	30	9.5
	19 but younger than 20	64	20.3
	20 but younger than 21	63	20.0
	21 but younger than 22	68	21.6
	22 but younger than 23	55	17.5
	23 but younger than 24	25	7.9
	24 or older	10	3.2
Gender	Male	122	38.7
	Female	193	61.3
Population group	Asian/Indian	2	0.6
	Black	14	4.4
	Brown	13	4.1
	White	286	90.8

<b>Variables</b>		<b>F</b>	<b>%</b>
<b>Home language</b>	Afrikaans	281	89.2
	English	19	6.0
	Nguni (Zulu, Xhosa, Swati, Ndebele)	3	1.0
	Sotho (Sepedi, Sesotho, Tswana)	11	3.5
	Venda/Tsonga	0	0
	Other	1	0.3
<b>Faculty registered at</b>	Arts	19	6.0
	Natural Sciences	33	10.5
	Theology	3	1.0
	Education Management	42	13.3
	Economic and Management Sciences	103	32.7
	Engineering	40	12.7
	Law	26	8.3
<b>Approximate monthly cell phone expenses</b>	Health Sciences	49	15.6
	R0 to R60	23	7.3
	R61 to R100	37	11.7
	R101 to R150	73	23.2
	R151 to R250	89	28.3
	R251 to R351	52	16.5
<b>Year of study</b>	More than R351	41	13.0
	1 <sup>st</sup> year student	81	25.7
	2 <sup>nd</sup> year student	60	19.0
	3 <sup>rd</sup> year student	68	21.6
	4 <sup>th</sup> year student	67	21.3
	5 <sup>th</sup> year student or longer	39	12.4

Concerning demographic variables, the sample mainly consists of young adults between 18 and younger than 24 years old [96.8% (9.5% + 20.3% + 20.0% + 21.6% + 17.5% + 7.9)] with only 3.2% of respondents being 24 years and older. More females (61.3%) participated in this study than males (38.7%). Most respondents were white (90.8%) and Afrikaans-speaking (89.2%). As far as their areas of study are concerned, it was found that the majority of respondents were registered at the Faculties of Economic and Management Sciences (32.7%), Health Sciences (15.6%), Education Management (13.3%) and Engineering (12.7%). The majority of respondents' [51.5% (23.2% + 28.3%)] monthly cell phone expenses amounts to between R101 and R250. Concerning the year of study, 87.6% of respondents are busy with up to their 4<sup>th</sup> year of study and 12.4% of respondents are in their 5<sup>th</sup> year of study or have been studying for longer than five years.

### 7.3. RESPONDENTS' CELL PHONE NETWORK PROVIDERS

As discussed in chapter 6 (see section 6.4.2 and appendix C), each questionnaire referred to a specific cell phone network provider throughout the questionnaire, i.e.

respondents using Vodacom as cell phone network provider completed questionnaires referring to Vodacom, respondents using MTN as cell phone network provider completed questionnaires referring to MTN and respondents using Cell C as cell phone network provider completed questionnaires referring to Cell C. Table 7.2 presents the number of respondents using the different cell phone network providers.

**Table 7.2: Respondents from the different cell phone network providers**

Cell phone network provider	F	%
Vodacom	115	36.5
MTN	101	32.1
Cell C	99	31.4

From table 7.2 it can be seen that very similar percentages of respondents from each cell phone network provider, 36.5% Vodacom, 32.1% MTN and 31.3% Cell C participated in this study.

## 7.4 RESULTS OBTAINED FROM SECTION A OF THE QUESTIONNAIRE

As discussed in chapter 6 (see section 6.4.2.1) the purpose of section A of the questionnaire was to obtain classification information from young adults on their cell phone network providers. This section of the chapter examined the results obtained for section A of the questionnaire.

### 7.4.1 Results obtained for question 1 in section A

Question 1 of section A determined whether young adults have a contract with their cell phone network providers. Table 7.3 provides the frequencies regarding the results obtained and presents the results of the entire sample as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.3: Respondents' contracts with their cell phone network providers**

Have a contract with a CNP	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Yes	245	77.8	90	78.3	75	74.3	80	80.8
No	70	22.2	25	21.7	26	25.7	19	19.2
<b>Total</b>	315	100	115	100	101	100	99	100

The majority of all respondents (77.8%) have contracts with their cell phone network providers. Concerning the percentages of respondents using the different cell phone network providers, 78.3% of the respondents using Vodacom, 74.3% of the respondents using MTN and 80.8% of the respondents using Cell C have contracts with their cell phone network providers.

**Main finding A1:** The majority of respondents have contracts with their cell phone network providers.

#### 7.4.2 Results obtained for question 2 in section A

Question 2 of section A served to establish the length of relationship respondents have had with their respective cell phone network providers. Respondents could choose only one option. Table 7.4 provides the frequencies regarding the results obtained and presents the results of the entire sample as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.4: Length of relationship with cell phone network provider**

Length of relationship	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Less than one year	27	8.6	1	0.9	9	8.9	17	17.2
1 year to < 3 years	58	18.4	13	11.3	18	17.8	27	27.3
3 years to < 5 years	84	26.7	23	20.0	31	30.7	30	30.3
5 years to < 10 years	136	43.2	74	64.3	39	38.6	23	23.2
10 years and longer	10	3.2	4	3.5	4	4.0	2	2.0
<b>Total</b>	315	100	115	100	101	100	99	100

Slightly more than half of all the respondents (53.7%) have used their cell phone network providers for a period shorter than five years while 43.2% have used their cell phone network provider for five years but less than 10 years. Only 3.2% have used their cell phone network provider for 10 years and longer.

The length of relationship with the cell phone network provider of the majority of respondents using Vodacom (64.3%) and MTN (38.6%) is five years or longer, but less than 10 years, while the length of relationship of the majority respondents using Cell C as their cell phone network provider is three years or longer, but less than five (30.3%). Cell C only started operating in November 2001, long after Vodacom and MTN (Cell C, 2010) but this cannot be accepted as the reason why respondents' length of relationship

with Cell C is so significantly shorter than respondents' length of relationship with Vodacom and MTN - Cell C has been operating for longer than five years.

**Main finding A2:** The majority of respondents have a relationship length ranging between three and 10 years with their cell phone network providers.

### 7.4.3 Results obtained for question 3 in section A

Question 3 of section A established the main reason why respondents use their cell phone network providers. Respondents could choose only one answer. This question also had an open-ended option ("other") where respondents could provide an answer in their own words to the question as to why they chose their particular cell phone network providers. However, only 17 (0.5%) respondents chose this option and each gave their own unique reason why they used their current cell phone network providers but this is not notable. For this reason, the responses to the "other" option are not reported. Table 7.5 presents the frequencies of the answers respondents chose to the question prompting them to choose the best description for the reason why they use their current cell phone network providers. The results for the entire sample as well as responses obtained for respondents from the different cell phone network providers are presented.

**Table 7.5: Single most important reason why respondents use their current cell phone network provider**

Reason	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
It's cheap and affordable	81	25.7	20	17.4	14	13.9	47	47.5
The total package suits my needs	146	46.3	59	51.3	49	48.5	38	38.4
Easy billing	17	5.4	4	3.5	9	8.9	4	4.0
Handsets offered	12	3.8	1	0.9	7	6.9	4	4.0
CNP has coverage everywhere	42	13.3	23	20.0	16	15.8	3	3.0
Other reason	17	5.4	8	7.0	6	5.9	3	3.0
<b>Total</b>	315	100	115	100	101	100	99	100

From table 7.5 can be seen that the majority of respondents use their current cell phone network providers because the total package suits their needs (46.3%). A further 25.7% of respondents use their current cell phone network providers because it is regarded as cheap and affordable; 13.3% of the respondents chose the description that their cell phone network providers have coverage everywhere.

Table 7.5 further indicates that the majority of the respondents using Vodacom (51.3%) and MTN (48.5%) use their current cell phone network providers because the total package suits their needs. In contrast, the majority of the respondents using Cell C (47.5%) chose their cell phone network provider because it is cheap and affordable. A further 38.4% of the respondents using Cell C chose their cell phone network provider because the total package suits their needs.

**Main finding A3:** The majority of respondents use their current cell phone network providers because the total package suits their needs.

**Main finding A4:** The majority of respondents using Vodacom and MTN use their current cell phone network providers because the total package suits their needs, but the majority of respondents using Cell C use their current cell phone network provider because they find it cheap and affordable.

#### 7.4.4 Results obtained for question 4 in section A

Question 4 of section A asked respondents why cell phones are important to them. Respondents could choose more than one option. Respondents could also choose an open-ended option ("other") where they could provide an answer in their own words to this question. However, only five respondents chose the open-ended option. For this reason, the responses to the "other" option are not reported. Table 7.6 presents the frequencies of the answers that respondents chose to the question prompting respondents to choose the best descriptions for the reasons why their cell phones are important to them. The results for the entire sample as well as responses obtained for respondents from the different cell phone network providers are presented.

**Table 7.6: Why respondents' cell phones are important to them (multiple options)**

Reason	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Means of communication	282	89.5	109	94.8	90	89.1	83	83.8
Mxit	58	18.4	21	18.3	24	23.8	13	13.1
Internet	38	12.1	18	15.7	11	10.9	9	9.1
It's my lifeline	64	20.3	27	23.5	17	16.8	20	20.2
Other reason	5	1.6	2	1.8	2	2.0	1	1.0

From table 7.6 it can be observed that the majority of respondents indicated that their cell phones are important to them because it is a means of communication (89.5%). Respondents showed less interest in the other options to question A4 with fewer respondents indicating Mxit (18.4%), the Internet (12.1%) or that it could be considered their lifeline (20.3%) as the reason why their cell phone is important.

From table 7.6 it can be seen that the majority of the respondents using Vodacom (94.8%), MTN (89.1%) and Cell C (83.8%) regard their cell phone as important because it is their means of communication.

**Main finding A5:** Cell phones are important to the majority of respondents because it is their means of communication.

#### 7.4.5 Results obtained for question 5 in section A

Question 5 of section A asked respondents why they initially chose their cell phone network providers. Respondents could choose more than one option. Table 7.7 presents the frequencies of the answers respondents chose to the question prompting respondents to choose the best description for the reasons why they initially chose their respective cell phone network providers. The results for the entire sample as well as responses obtained for the different cell phone network providers are presented.

**Table 7.7: Why respondents initially chose their cell phone network provider**

Reason	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Low cost	80	25.4	21	18.3	13	12.9	46	46.5
Quality of connection	45	14.3	30	26.1	12	11.9	3	3.0
Best package	88	27.9	28	24.3	32	31.7	28	28.3
Good coverage	40	12.7	20	17.4	14	13.9	6	6.1
Cheapest contract	51	16.2	6	5.2	14	13.9	31	31.3
Reputation of good service	62	19.7	44	38.3	14	13.9	4	4.0
CNP had the handset I wanted	24	7.6	6	5.2	13	12.9	5	5.1
My parents chose CNP	113	35.9	43	37.4	48	47.5	22	22.2

From table 7.7 it is apparent that the majority of all respondents' parents chose their cell phone network providers (35.9%). Other reasons why respondents initially chose their cell phone network providers include, in descending order, that the cell phone network provider had the best package (27.9%) and the low cost (25.4%).



From table 7.7 it can further be seen that the majority of the respondents using Vodacom (38.3%) initially chose Vodacom because of the reputation of good service followed by their parents choosing this cell phone network provider (37.4%). The parents also chose the cell phone network provider of the majority of the respondents using MTN (47.5%). In contrast, the majority of the respondents using Cell C (46.5%) initially chose their cell phone network provider for the low cost.

**Main finding A6:** When initially selecting a cell phone network provider, most respondents' parents selected the cell phone network providers, followed by the reasons of best package and low cost.

**Main finding A7:** The majority of respondents using Vodacom initially chose Vodacom because of the reputation of good service followed by the parents choosing this network, the parents initially chose MTN for the majority of respondents using MTN and the majority of respondents using Cell C initially chose Cell C because of the low cost.

#### 7.4.6 Results obtained for question 6 in section A

Question 6 of section A determined why respondents remain with their current cell phone network providers. The options for this question were also derived from the focus group (see appendix A). Respondents could choose more than one option. Table 7.8 presents the frequencies of the answers respondents chose to the question. The results for the entire sample as well as responses obtained for respondents from the different cell phone network providers are presented.

**Table 7.8: Why respondents stay with their cell phone network provider**

Reason	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
It works for me	134	42.5	56	48.7	43	42.6	35	35.4
I experience no problems	78	24.8	33	27.8	21	20.8	24	24.2
CNP's coverage is the best	37	11.7	18	15.7	15	14.9	4	4.0
It's difficult to change to another CNP	33	10.5	10	8.7	10	9.9	13	13.1
It's inconvenient to change to another CNP	53	16.8	17	14.8	21	20.8	15	15.2
I can only change to another CNP when my contract expires	35	11.1	11	9.6	8	7.9	16	16.2
They have the latest handsets	20	6.3	10	8.7	7	6.9	3	3.0
I am satisfied with my CNP	135	42.9	57	49.6	41	40.6	37	37.4

Table 7.8 indicates that the majority of respondents remain with their current cell phone network providers because they are satisfied (42.9%) and because it works for them (42.5%). The smallest segment of respondents (6.3%) stays with their current cell phone network providers because the cell phone network provider has the latest handsets.

From table 7.8 it can also be observed that the majority of respondents using Vodacom and Cell C stay with these cell phone network providers because they are satisfied (49.6% and 37.4% respectively) and because it works for them (48.7% and 35.4% respectively). The majority of respondents using MTN stay with MTN because it works for them (42.6%), and because they are satisfied with MTN (40.6%).

**Main finding A8:** The majority of respondents stay with their current cell phone network providers because they are satisfied with their cell phone network providers and because they feel “it works for them”.

#### 7.4.7 Results obtained for question 7 in section A

As discussed in chapter 6 (see sections 6.4.2.1 and 6.4.2.2), question A7 was included in section A as a variable to determine relationship intention before respondents were faced with section B (devoted to relationship intention) as questions from this section could possibly influence respondents' indication of their relationship intention if it was measured only after completing section B. Table 7.9 provides the frequencies regarding the results obtained and presents the results of the entire sample as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.9: Respondents' intentions to stay with their cell phone network providers in the future**

Will stay with CNP in future	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Yes	247	78.4	112	97.4	74	73.3	61	61.6
No	68	21.6	3	2.6	27	26.7	38	38.4
<b>Total</b>	315	100	115	100	101	100	99	100

From table 7.9 it can be deduced that the majority of all respondents (78.4%) think that they will stay with their current cell phone network providers in the future. Concerning respondents using the different cell phone network providers, the highest percentage of

respondents using Cell C (38.4%) do not think that they will stay with Cell C in the future while only 2.6% of the respondents using Vodacom do not think that they will stay with Vodacom in the future.

**Main finding A9:** The majority of respondents think that they will stay with their current cell phone network providers in the future.

**Main finding A10:** As opposed to only 2.6% respondents using Vodacom, almost 27% respondents using MTN and 38.4% respondents using Cell C will not stay with their cell phone network providers in the future.

#### 7.4.8 Results obtained for questions 8 and 9 in section A

Question 8 in section A aimed to determine whether respondents have used other cell phone network providers in the past. Results in Table 7.10 show that the majority of respondents (61.9%) have used another cell phone network provider in the past. The majority of respondents using Cell C (81.8%) and MTN (65.3%) have used other cell phone network providers before. In contrast, fewer than half of the respondents using Vodacom (41.7%) have used other cell phone network providers before. If respondents have used other cell phone network providers in the past, question 9 in section A aimed to determine how many times they have switched from one cell phone network provider to another. Table 7.10 also provides the frequencies regarding the results obtained and presents the results of the entire sample as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.10: Use of other cell phone network providers (number of times switched)**

Times switched CNPs	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Once	142	45.1	39	33.9	45	44.6	58	58.6
Twice	40	12.7	7	6.1	15	14.9	18	18.2
Three times	8	2.5	2	1.7	3	3.0	3	3.0
Four times or more	5	1.6	0	0	3	3.0	2	2.0
<b>Total</b>	195	61.9	48	41.7	66	65.3	81	81.8

Table 7.10 shows that 45.1% of the respondents who used other cell phone network providers in the past switched cell phone network provider once, 12.7% switched twice, 2.5% switched three times and 1.6% switched four times or more.

**Main finding A11:** The majority of respondents have used other cell phone network providers in the past.

**Main finding A12:** The majority of respondents who have used other cell phone network providers in the past switched from one cell phone network provider to another only once.

**Main finding A13:** The majority of respondents using MTN and Cell C have used other cell phone network providers in the past, while fewer than half of the respondents using Vodacom have done so.

#### 7.4.9 Results obtained for question 10 in section A

Question 10 in section A was included to establish which aspects respondents consider when they have to choose between Vodacom, MTN and Cell C. Respondents could choose more than one option. Table 7.11 provides the frequencies regarding the results obtained and presents the results of the entire sample as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.11: Aspects considered when choosing between the three cell phone network providers**

Aspects to consider when choosing between CNPs	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Coverage	147	46.7	57	49.6	49	48.5	41	41.4
Benefits of the package	209	66.3	75	65.2	64	63.4	70	70.7
The handset	63	20.0	23	20.0	22	21.8	18	18.2
Tariffs/call charges	155	49.2	56	48.7	41	40.6	58	58.6
Extras with contract	45	14.3	20	17.4	14	13.9	11	11.1
Service providers	29	9.2	11	9.6	10	9.9	8	8.1
Image of CNP	46	14.6	25	21.7	14	13.9	7	7.1
Billing	74	23.5	27	23.5	24	23.8	23	23.3
Retailers	23	7.3	10	8.7	6	5.9	7	7.1

From table 7.11 it can be seen that the majority of all respondents, as well as the majority of respondents from each cell phone network provider, consider benefits of the package (66.3%) when choosing between Vodacom, MTN and Cell C; followed by tariffs/call charges (49.2%) and coverage (46.7%).

**Main finding A14:** Respondents mainly consider benefits of the package, tariffs/call charges and coverage when choosing between Vodacom, MTN and Cell C.

#### 7.4.10 Results obtained for question 11 in section A

Question 11 in section A determined which aspects respondents associate most with one of the three cell phone network providers. For each listed aspect, respondents could choose only one cell phone network provider with which they most associate the aspect. Therefore, respondents using a specific cell phone network provider could associate a particular aspect most with their own or any other cell phone network provider.

The question allows for the comparison of the three cell phone network providers based on aspects such as the latest technology, being the quickest, being the cheapest, the best coverage, the best handsets, being the most expensive, having the coolest image and providing the best service. Table 7.12 presents the frequencies regarding respondents' view of the three cell phone network providers based on these aspects for the entire sample as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.12: Aspects respondents most associate with Vodacom, MTN or Cell C**

Question 11		Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	Option	F	%	F	%	F	%	F	%
Latest technology	Cell C	29	9.2	3	2.6	5	5.0	21	21.2
	Vodacom	233	74	101	87.8	60	59.4	72	72.7
	MTN	53	16.8	11	9.6	36	35.6	6	6.1
	Total	315	100	115	100	101	100	99	100
Quickest	Cell C	41	13	8	7	5	5.0	28	28.3
	Vodacom	206	65.4	98	85.2	49	48.5	59	59.6
	MTN	68	21.6	9	7.8	47	46.5	12	12.1
	Total	315	100	115	100	101	100	99	100
Cheapest	Cell C	200	63.5	63	54.8	48	47.5	89	89.9
	Vodacom	75	23.8	46	40	24	23.8	5	5.1
	MTN	40	12.7	6	5.2	29	28.7	5	5.1
	Total	315	100	115	100	101	100	99	100
Best coverage	Cell C	28	8.9	3	2.6	2	2.0	23	23.2
	Vodacom	202	64.1	98	85.2	36	35.6	68	68.7
	MTN	85	27	14	12.2	63	62.4	8	8.1
	Total	315	100	115	100	101	100	99	100
Best handsets	Cell C	41	13	2	1.7	5	5.0	34	34.3
	Vodacom	190	60.3	93	80.9	45	44.6	52	52.5
	MTN	84	26.7	20	17.4	51	50.5	13	13.1
	Total	315	100	115	100	101	100	99	100

Question 11		Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	Option	F	%	F	%	F	%	F	%
<b>Most expensive</b>	<b>Cell C</b>	39	12.4	9	7.8	28	27.7	2	2.0
	<b>Vodacom</b>	97	30.8	29	25.2	39	38.6	29	29.3
	<b>MTN</b>	179	56.8	77	67.0	34	33.7	68	68.7
	<b>Total</b>	<b>315</b>	<b>100</b>	<b>115</b>	<b>100</b>	<b>101</b>	<b>100</b>	<b>99</b>	<b>100</b>
<b>Coolest image</b>	<b>Cell C</b>	64	20.3	15	13.0	14	13.9	35	35.4
	<b>Vodacom</b>	193	61.3	89	77.4	49	48.5	55	55.6
	<b>MTN</b>	58	18.4	11	9.6	38	37.6	9	9.1
	<b>Total</b>	<b>315</b>	<b>100</b>	<b>115</b>	<b>100</b>	<b>101</b>	<b>100</b>	<b>99</b>	<b>100</b>
<b>Best service</b>	<b>Cell C</b>	49	15.6	7	6.1	3	3.0	39	39.4
	<b>Vodacom</b>	201	63.8	101	87.8	43	42.6	57	57.6
	<b>MTN</b>	65	20.6	7	6.1	55	54.5	3	3.0
	<b>Total</b>	<b>315</b>	<b>100</b>	<b>115</b>	<b>100</b>	<b>101</b>	<b>100</b>	<b>99</b>	<b>100</b>

From table 7.12 it can be observed that the majority of respondents from all three cell phone network providers view Vodacom as having the latest technology (74%), as being the quickest (65.4%), having the best coverage (64.1%), the best handsets (60.3%), the coolest image (61.3%) and best service (63.8%). The majority of respondents view Cell C to be the cheapest (63.5%) while the majority of respondents view MTN as the most expensive cell phone network provider (56.8%).

The majority of respondents using Vodacom as cell phone network provider view their own cell phone network provider as the best among the three cell phone network providers on all the aspects, with the exception of "cheapest", where they viewed Cell C to be the cheapest (54.8%). These respondents also viewed MTN as the "most expensive" (67%).

The majority of respondents using MTN as cell phone network provider viewed Vodacom as having the latest technology (59.4%), the quickest (48.5%), the most expensive (38.6%) and having the coolest image (48.5%). Most respondents using MTN regard their own cell phone network provider as having the best coverage (62.4%), the best handsets (50.5%) and the best service (54.5%). Most respondents using MTN regard Cell C as the cheapest (47.5%).

The majority of respondents using Cell C as cell phone network provider view Vodacom as having the latest technology (72.7%), the quickest (59.6%), having the best coverage (68.7%), the best handsets (52.5%), the coolest image (55.6%) and best service (57.6%). Respondents using Cell C as network provider regard their own network provider as the cheapest (89.9%) and MTN as the most expensive (68.7%).

**Main finding A15:** The majority of all respondents regard Vodacom as the cell phone network provider with the latest technology, as being the quickest, having the best coverage, best handsets, coolest image and best service. The majority of respondents regard Cell C as being the cheapest and MTN as the most expensive.

**Main finding A16:** The majority of respondents using Vodacom regard their own cell phone network provider as having the latest technology, as being the quickest, to have the best coverage, best handsets, the coolest image and best service. Vodacom respondents associate all these aspects with Vodacom, except for the “cheapest” and “most expensive” dimensions.

**Main finding A17:** Respondents using MTN view Vodacom as better than their own cell phone network provider with regard to the latest technology, being the quickest and having the coolest image. The majority of respondents using MTN regard their own cell phone network provider as having the best coverage, best handsets and the best service, while Cell C is viewed as the cheapest.

**Main finding A18:** The majority of respondents using Cell C view Vodacom to be better than their own cell phone network provider with regard to the latest technology, being the quickest, having the best coverage, best handsets, coolest image and best service. Cell C respondents regard their own cell phone network provider as the cheapest cell phone network provider while MTN is viewed as the most expensive.

#### 7.4.11 Results obtained for question 12 in section A

Question 12 in section A aimed to determine who pays respondents' cellular expenses. Table 7.13 provides the frequencies regarding the results obtained and presents the results of the entire sample as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.13: Who pays cellular expenses**

Who pays cellular expenses	Total n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
My parents pay	226	71.7	82	71.3	73	72.3	71	71.7
I pay	89	28.3	33	28.7	28	27.7	28	28.3
<b>Total</b>	315	100	115	100	101	100	99	100

Nearly three quarters of all respondents indicated that their parents pay their cell phone expenses (71.7%) while the remaining 28.3% of all respondents pay their cellular expenses themselves. Similar findings of the individual network providers (Vodacom = 71.3%, MTN = 72.3% and Cell C = 71.7%) were found.

**Main finding A19:** More than two thirds of respondents' parents pay their cellular expenses.

## **7.5 RESULTS OBTAINED FROM SECTION B OF THE QUESTIONNAIRE**

As discussed in chapter 6 (see section 6.4.2.2) the purpose of section B of the questionnaire was to determine respondents' relationship intentions. The following section specifically examines the results obtained for section B of the questionnaire.

### **7.5.1 Validity of section B: Factor analysis of section B**

The validity of section B of the questionnaire measuring relationship intention was determined through a confirmatory factor analysis as discussed in chapter 6 (see section 6.6.1). A confirmatory factor analysis was conducted with a view to determine whether the interval scale items in section B of the research instrument measuring relationship intention can be grouped according to the factors identified in the pilot study of the relationship intention measure (see appendix B). To form a holistic view of the results of section B, the main finding of the pilot study of the relationship intention measure is restated.

**Main finding PS1:** From the factor analysis it could be determined that five factors were identified in order to measure respondents' relationship intention, namely: Expectations, Forgiveness, Fear of relationship loss, Feedback and Involvement.

According to the pilot study (see appendix B) factor 1 (Expectations) consists of items B21-B26. When a confirmatory factor analysis was done using these items, it was reconfirmed that these items form one factor which explained 57.43% of the variance in these items. The measure of sampling adequacy (from hereon referred to as MSA) was 0.81. The communalities varied between from 0.68 to 0.47. The construct validity of this factor was thus confirmed.



According to the pilot study (see appendix B), factor 4 (Feedback) consists of items B16 to B20. When a confirmatory factor analysis was done using these items, it was confirmed that these items form one factor which explained 61.64% of the variance in these items. The MSA was 0.87. The communalities varied between 0.79 and 0.41. This factor became factor 2 (Feedback) in the confirmatory factor analysis. The construct validity of this factor was thus confirmed.

According to the pilot study (see appendix B), factor 5 (Involvement) consists of items B1 to B5. When a confirmatory factor analysis was done using these items, it was confirmed that these items form one factor which explained 63.72% of the variance in these items. The MSA was 0.83. The communalities varied between 0.72 and 0.51. This factor became factor 3 (Involvement) in the confirmatory factor analysis. The construct validity of this factor was thus confirmed.

According to the pilot study (see appendix B), factor 2 (Forgiveness) consists of items B11 to B15. When a confirmatory factor analysis was done using these items, it was confirmed that these items form one factor which explained 59.42% of the variance in these items. The MSA was 0.79. The communalities varied between 0.78 and 0.32. This factor became factor 4 (Forgiveness) in the confirmatory factor analysis. The construct validity of this factor was thus confirmed.

According to the pilot study (see appendix B), factor 3 (Fear of relationship loss) consists of items B6 to B8. When a confirmatory factor analysis was done using these items, it was confirmed that these items form one factor which explained 72.53% of the variance in these items. The MSA was 0.75. The communalities varied between 0.78 and 0.66. This factor became factor 5 (Fear of relationship loss) in the confirmatory factor analysis. The construct validity of this factor was thus confirmed.

The factors obtained from the confirmatory factor analysis were, therefore, the same as those factors obtained from the exploratory factor analysis in the pilot study (see appendix B). Table 7.14 presents the items and abbreviated statements grouped according to the five factors identified through the pilot study as obtained from the confirmatory factor analysis of this study which will be used throughout the rest of this chapter.

**Table 7.14: Five factors obtained from the confirmatory factor analysis**

Item	Abbreviated statements	Factors
B21	High expectations	<b>Factor 1: Expectations</b>
B22	Expect service to be better than other CNPs' service	
B23	Expect to offer value for money	
B24	Expect to offer better value for money than other CNPs	
B25	Expect latest cellular technology	
B26	Expect low prices	
B16	Feedback on bad service	<b>Factor 2: Feedback</b>
B17	Feedback on better than expected service	
B18	Feedback when service meets expectations	
B19	Provide feedback when restricted	
B20	Provide feedback to improve service	
B1	Proud customer	<b>Factor 3: Involvement</b>
B2	Proud of name or advertising	
B3	Feeling of satisfaction	
B4	Care about image	
B5	Recommended CNP	
B11	Forgive if quality of service below standard	<b>Factor 4: Forgiveness</b>
B12	Forgive if quality of service below standard of other CNPs	
B13	Forgive bad service	
B14	Still support even if experienced bad service	
B15	Forgive if more expensive	
B6	Afraid to lose privileges	<b>Factor 5: Fear of relationship loss</b>
B7	Afraid to lose services	
B8	Afraid to lose identification	
B9	Afraid to lose relationship	

One item, B10, did not load onto any factor and for this reason item 10 was not retained. As this item referred to experiencing emotional stress when switching between cell phone network providers, respondents most likely did not want to admit to this negative connection (due to society's negative perception of experiencing emotional stress) as this does not relate to their ideal selves (see section 5.4.2).

**Main finding B1:** The confirmatory factor analysis clearly showed that the five factors identified through the exploratory factor analysis in the pilot study of the relationship intention measure, namely Expectations, Feedback, Involvement, Forgiveness and Fear of relationship loss, are valid to measure respondents' relationship intention.

### 7.5.2 Reliability of section B: Cronbach alpha values for section B

As discussed in chapter 6 (see section 6.6.1) the reliability of the questionnaire is derived from Cronbach alpha values which determined the correlation between items in a scale which, in turn, is used to establish the internal reliability of the data. Table 7.15 indicates the Cronbach alpha values for the factors obtained during the confirmatory factor analysis of the interval scale items in section B of the questionnaire.

**Table 7.15: Cronbach alpha values associated with the factor analysis of relationship intention**

Factor	Factor label	Cronbach alpha
1	Expectations	0.85
2	Feedback	0.84
3	Involvement	0.85
4	Forgiveness	0.82
5	Fear of relationship loss	0.87

As can be seen in table 7.15 the Cronbach alpha value of each factor is  $> 0.7$  indicating a high level of reliability between items in the measuring instrument for relationship intention.

**Main finding B2:** The five factors to measure relationship intention identified through the confirmatory factor analysis are reliable to measure the relationship intentions of respondents in this study (young adults) towards their cell phone network providers.

### 7.5.3 Results obtained for question 27 in section B

Question 27 in section B determined whether respondents had a high or low relationship intention. As discussed in chapter 6 (see section 6.4.2.2) two nominal scaled questions, question 7 in section A (Do you think you will stay with CNP in the future?) and question 27 in section B (Do you want to build a long-term relationship with CNP?) were used to identify respondents with a high relationship intention who would answer 'yes' to both question 7 in section A and question 27 in section B. Table 7.16 shows the results obtained and presents the results of the entire sample, as well as responses obtained for respondents from the different cell phone network providers.

**Table 7.16: Respondents' consideration of a long-term relationship with their cell phone network provider**

Long-term relationship	Sample n=315		Vodacom n=115		MTN n=101		Cell C n=99	
	F	%	F	%	F	%	F	%
Yes	245	77.8	108	93.9	77	76.2	60	60.6
No	70	22.2	7	6.1	24	23.8	39	39.4
<b>Total</b>	315	100	115	100	101	100	99	100

From table 7.16 it can be derived that the majority of all respondents (77.8%) want to build a long-term relationship with their cell phone network providers. Concerning the different cell phone network providers, the highest percentage of respondents who do

not want to build a long-term relationship with their cell phone network providers uses Cell C (39.4%) and MTN (23.8%). On the other hand, 93.9% of respondents using Vodacom want to build a long-term relationship with their cell phone network provider. It concurs with the finding that Vodacom is viewed in a positive light by all participants (see main finding A15).

**Main finding B3:** The majority of respondents want to build a long-term relationship with their cell phone network providers.

**Main finding B4:** Vodacom has the largest percentage of respondents who want to build a long-term relationship with their cell phone network provider followed by MTN and Cell C.

#### **7.5.4 Respondents' relationship intentions**

Relationship intention will now be analysed with regard to the other questions in the questionnaire.

##### **7.5.4.1 Differences between respondents with a high relationship intention and respondents with a low relationship intention**

In order to determine the statistically significant differences between respondents with a high relationship intention and those respondents with a low relationship intention in terms of the relationship intention factors (see section 7.5.1), independent t-tests were performed. For this study, question A7 measuring respondents' intention to maintain their relationship with their cell phone network providers and question B27 measuring respondents' intention to build a long-term relationship with their cell phone network providers were used to identify the two groups with a high and a low relationship intention. Respondents answering in the affirmative to both question A7 and question B27 were, therefore, considered to have a high relationship intention. Respondents who answered 'no' to any of the two questions were, on the other hand, considered as having a low relationship intention. By means of a cross-tabulation it was found that 231 respondents (73.3%) have a high relationship intention and 84 respondents (26.7%) have a low relationship intention. Furthermore, the highest percentage of respondents

using Vodacom as cell phone network provider (93.04%) have high relationship intentions followed by respondents using MTN (68.32%) and lastly, Cell C (55.56%).

**Main finding B5:** Almost all respondents using Vodacom as their cell phone network provider have high relationship intentions, more than two thirds of respondents using MTN have high relationship intentions but only about half of the respondents using Cell C have high relationship intentions.

Table 7.17 shows the results from t-tests to determine the difference between the means for respondents with a high relationship intention and low relationship intention. Table 7.17 lists the mean, standard deviation (SD), p-value and d-value (effect size discussed in section 6.6.2.2) when comparing respondents with a high relationship intention to those with a low relationship intention for the five factors used to measure relationship intention.

**Table 7.17: Relationship intention scored for high and low relationship intention respondents**

Factors	Group	n	Mean	SD	p-value*	d-value
<b>Factor 1: Expectations</b>	High	231	4.27	0.64	0.0009	0.41
	Low	84	3.93	0.82		
<b>Factor 2: Feedback</b>	High	231	3.49	0.84	0.0120	0.31
	Low	84	3.17	1.02		
<b>Factor 3: Involvement</b>	High	231	3.80	0.71	<0.0001	1.24
	Low	84	2.76	0.83		
<b>Factor 4: Forgiveness</b>	High	231	2.76	0.83	<0.0001	0.58
	Low	84	2.27	0.85		
<b>Factor 5: Fear of relationship loss</b>	High	231	2.90	1.00	<0.0001	0.89
	Low	84	2.01	0.98		

\*If a random sample was used

From table 7.17 it can be seen that a large effect size ( $d=1.24$ ) which is practically significant was found between respondents with a high relationship intention and those with a low relationship intention for factor 3 (Involvement). Furthermore, the mean scores show that respondents with a high relationship intention (mean=3.80) agreed more pertinently with the items concerning Involvement than respondents with a low relationship intention (mean=2.76). It can therefore be deduced that respondents with high relationship intentions are more *Involved with their cell phone network provider* than respondents with low relationship intentions.

A large effect size ( $d=0.89$ ) which is practically significant was also found for factor 5 (Fear of relationship loss) when comparing these two groups. By considering the mean scores, it can be derived that respondents with a high relationship intention (mean=2.90) agreed more with those items comprising factor 5 than respondents with a low relationship intention (mean=2.01). For this reason, respondents with high relationship intentions *Fear losing their relationship* with their cell phone network provider more than respondents with low relationship intentions.

Furthermore, table 7.17 indicates that there is a medium effect size ( $d=0.58$ ) between respondents with a high relationship intention and respondents with a low relationship intention for factor 4 (Forgiveness). The mean scores point out that respondents with a high relationship intention (mean=2.76) agreed more with items comprising factor 4 than respondents with a low relationship intention (mean=2.27).

The other two factors, factor 1 (Expectations) and factor 2 (Feedback) had small effect sizes, indicating that no practically significant differences exist between the relationship intention of respondents with a high relationship intention and respondents with a low relationship intention with regard to factor 1 (Expectations) and factor 2 (Feedback).

**Main finding B6:** Respondents with a high relationship intention differ practically significantly from those with a low relationship intention with regard to factor 3 (Involvement). Respondents with a high relationship intention are more Involved with their cell phone network providers than respondents with a low relationship intention.

**Main finding B7:** Respondents with a high relationship intention differ practically significantly from those with a low relationship intention with regard to factor 5 (Fear of relationship loss). Respondents with a high relationship intention Fear losing their relationship with their cell phone network providers more than those respondents with a low relationship intention.

#### **7.5.4.2 Differences between respondents using Vodacom, MTN and Cell C**

In order to determine if statistically significant differences exist between respondents from the different cell phone network providers (Vodacom, MTN and Cell C) and their relationship intentions towards their cell phone network providers, one-way ANOVAs

were performed. Initial analyses found statistical significant differences for three of the relationship intention factors, namely factor 1 (Expectations), factor 3 (Involvement) and factor 5 (Fear of relationship loss) when comparing the relationship intention of respondents using the three cell phone network providers. Table 7.18 exhibits the mean, standard deviation (SD) and d-value (effect size) when comparing the relationship intentions of respondents using Vodacom, MTN and Cell C by examining the three factors for which statistical significance was found.

**Table 7.18: Effect sizes of relationship intention towards the three cell phone network providers of South Africa (three independent groups)**

Factors	Mean	SD	n	Comparisons significant at the 0.05 level*	Group	d-value		
						Vodacom (1)	MTN (2)	Cell C (3)
Factor 1: Expectations	4.30	0.69	115	1-3 2-3	Vodacom (1)		0.11	0.42
	4.23	0.63	101		MTN (2)	0.11		0.32
	3.98	0.77	99		Cell C (3)	0.42	0.32	
Factor 3: Involvement	3.79	0.76	115	1-3 1-2	Vodacom (1)		0.48	0.45
	3.36	0.90	101		MTN (2)	0.48		0.03
	3.39	0.90	99		Cell C (3)	0.45	0.03	
Factor 5: Fear of relationship loss	2.86	0.96	115	1-3	Vodacom (1)		0.21	0.34
	2.63	1.08	101		MTN (2)	0.21		0.14
	2.48	1.13	99		Cell C (3)	0.34	0.14	

\*Tukey's comparison significant at the 0.05 level

From table 7.18 it is clear that medium and small effect sizes were obtained between the three cell phone network providers for the three relationship intention factors showing statistical significance. For this reason, respondents do not differ in their views of the three relationship intention factors (Expectations, Involvement and Fear of relationship loss).

**Main finding B8:** Respondents for the three cell phone network providers do not view the five factors comprising relationship intention differently.

#### 7.5.4.3 Further analyses on respondents' relationship intentions

In order to identify any further differences between respondents' relationship intention towards their cell phone network providers, more t-tests and one-way ANOVAs were performed. However, initial analyses showed no statistically significant differences - or

in the case of statistically significant differences, no practically significant differences. The results of the t-tests and one-way ANOVAs include:

- In order to determine if statistically significant differences exist between respondents with *different lengths of relationships* with their cell phone network providers in terms of the relationship intention factors, one-way ANOVAs were performed. No statistically significant differences were found for any of the five factors in terms of respondents' relationship lengths;
- In order to determine if statistically significant differences exist between respondents *with and without a contract* with their cell phone network provider in terms of the relationship intention factors, independent t-tests were performed between question 1 in section A and the relationship intention factors. No statistically significant differences were found for any of the five factors in terms of whether respondents had a contract or not;
- In order to determine if statistically significant differences exist between respondents whose *parents pay their cellular expenses* and respondents who pay their cellular expenses themselves in terms of the relationship intention factors independent t-tests were performed between question 12 in section A and the relationship intention factors. No statistically significant differences were found between the variables;
- In order to determine if statistically significant differences exist between *male and female* respondents in terms of the relationship intention factors, independent t-tests were performed between question 2 in section D and the relationship intention factors. Initial analysis found statistically significant differences for factor 3 (Involvement) and factor 5 (Fear of relationship loss). However, the effect sizes were small and therefore not of practical significance;
- In order to determine if statistically significant differences exist between respondents from different *age groups* with regard to their relationship intention towards their cell phone network providers, one-way ANOVAs were performed for question 1 in section D with regard to the relationship intention factors. No statistically significant differences were found for any of the five factors in terms of respondents' age;
- In order to determine if statistically significant differences exist between respondents' *monthly cell phone expenses* with regard to their cell phone network providers in terms of their relationship intention, one-way ANOVAs were performed for question 6 in section D with regard to the relationship intention factors. No statistically significant



differences were found for any of the five factors in terms of respondents' monthly cell phone expenses;

- In order to determine if statistically significant differences exist between respondents' *year of study* with regard to their cell phone network providers in terms of their relationship intention, one-way ANOVAs were performed for question 7 in section D with regard to the relationship intention factors. Initial analysis found statistically significant differences for factor 2 (Feedback), factor 3 (Involvement) and factor 5 (Fear of relationship loss). However, effect sizes were medium and small and therefore not of practical significance; and
- In order to determine if statistically significant differences exist between respondents enrolled at *different faculties* in terms of their relationship intention, one-way ANOVAs were performed for question 5 in section D with regard to the relationship intention factors. No statistically significant differences were found for any of the five factors in terms of respondents' faculties where registered.

Taking the above results into consideration, the following main findings can be observed:

- **Main finding B9:** Respondents, irrespective of the length of their relationship with their respective cell phone network providers, do not differ in their views of the relationship intention factors.
- **Main finding B10:** Respondents with and those without a contract with their cell phone network providers do not view the five factors comprising relationship intention differently.
- **Main finding B11:** Respondents whose parents pay their cellular expenses and respondents who pay their own cellular expenses do not view the five factors comprising relationship intention differently.
- **Main finding B12:** Male and female respondents do not view the five factors comprising relationship intention differently.
- **Main finding B13:** Respondents' ages do not influence their view of the five factors comprising relationship intention as respondents' with different ages do not view the five factors comprising relationship intention differently.
- **Main finding B14:** Respondents with different monthly cell phone expenses do not differ in their views of the relationship intention factors.

- **Main finding B15:** Respondents in different years of study do not differ in their views of the relationship intention factors.
- **Main finding B16:** Respondents enrolled at different faculties do not view the five factors comprising relationship intention differently.

## 7.6 RESULTS OBTAINED FROM SECTION C OF THE QUESTIONNAIRE

As discussed in chapter 6 (see section 6.4.2.3) the purpose of section C of the questionnaire was to determine whether the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525) is valid and reliable to measure respondents' personality types in terms of the Big Five personality domains and also to determine respondents' personality types.

### 7.6.1 Reliability of section C: Cronbach alpha values for section C

A confirmatory factor analysis was conducted in order to determine whether the interval scale items in section C of the questionnaire measuring personality can be grouped according to the Big Five personality domains as proposed by Gosling *et al.* (2003:516). The factor analysis revealed that no correlations were found between the two items used to measure each specific personality domain of the Big Five personality domains. The Cronbach alpha values were calculated to determine the reliability of the data. Table 7.19 shows the Cronbach alpha values for the interval scale items in section C of the questionnaire. Items which are used to measure the same personality construct were correlated with each other to determine the reliability of the data.

**Table 7.19: Cronbach alpha values associated with the correlation between personality items**

Correlation	Personality construct	Cronbach alpha
C1 with C6	Extraversion	0.62
C2 with C7	Agreeableness	0.12
C3 with C8	Conscientiousness	0.48
C4 with C9	Emotional stability	0.36
C5 with C10	Openness to experience	0.38

As indicated in table 7.19, the Cronbach alpha values of all the constructs are  $< 0.7$  indicating that the data cannot be considered as reliable. This might indicate that respondents were not completely honest when completing section C of the

questionnaire. As the reliability of section B is very high, the low reliability of section C points towards the TIPI not being reliable to measure the personality of respondents in the study. It is, however, believed that respondents did not intentionally try to corrupt the study by answering questions in a deceitful manner, but rather that these respondents are more prone to answer questions related to their personality in accordance with their ideal self-image in the socially acceptable manner than their actual self-image (Rousseau & Du Plessis, 2007:218), specifically with regard to Agreeableness and Emotional stability. Young adults want to be seen as Agreeable and Emotionally stable and are therefore susceptible of providing data in the way that they would like to be seen (see section 5.4.2). **Since results pertaining to respondents' personality are not reliable, no further analysis of respondents' personality will be done for this study.**

**Main finding C1:** The TIPI is not a reliable measure to measure the personality of respondents at the North-West University.

## **7.7 RESULTS OBTAINED FROM SECTION D OF THE QUESTIONNAIRE**

The information obtained through section D of the questionnaire was used to construct the profile of respondents. Further analyses of section D by means of cross-tabulations with section A were done. Only the statistically significant results are briefly discussed.

### **7.7.1 Associations between section D and section A**

To determine if any associations exist between the results obtained through section D (demographic information) and data obtained through section A (classification information) of the questionnaire cross-tabulations were performed. The results include:

- *Respondents with and without a contract and respondents' monthly cell phone expenses:* It was observed that the majority of respondents who have a contract with their cell phone network providers spend between R251 to more than R351 (36.3%) and a further 30.2% of respondents who have a contract spend between R151 to R250 on their monthly cell phone expenses. In contrast, the majority of respondents who do not have a contract with their cell phone network providers (72.9%) spend less than R151 on monthly cell phone expenses; a further 21.4% of respondents

spend between R151 to R250 and only 5.8% without a contract spend R251 or more. A Chi-square statistic realised an exceedence probability of  $p < 0.5$ , indicating a statistically significant association between whether or not respondents have a contract with their cell phone network providers and their monthly cell phone expenses. The effect size (Cramer's  $V = 0.43$ ) observed indicates that a medium association exists between whether or not respondents have a contract with their cell phone network provider and respondents' monthly cell phone expenses;

- *Who pays respondents' cellular expenses and respondents' monthly cell phone expenses:* It was observed that the cellular expenses of the majority of respondents who spend between R151 and more than R351 are paid by respondents' parents ( $27.9\% + 18.1\% + 14.2\% = 60.2\%$ ). A further 24.8% of respondents whose parents pay their cellular expenses spend between R101 to R150 on their monthly cell phone expenses. On the other hand, the majority of respondents who pay their cellular expenses themselves spend less than R250 on their monthly cell phone expenses ( $13.5\% + 15.7\% + 19.1\% + 29.2\% = 77.5\%$ ). A Chi-square statistic realised an exceedence probability of  $p < 0.5$ , indicating a statistically significant association between who pays respondents' cellular expenses and respondents' monthly cell phone expenses. The effect size (Cramer's  $V = 0.19$ ) observed indicates that a small association exists between who pays respondents' cellular expenses and respondents' monthly cell phone expenses; and
- *Respondents' gender and faculty at which respondents are registered:* It was observed that a large percentage of male and female respondents are registered at the faculty of Economic and Management Sciences (respectively 32.8% and 32.6%). Despite this similarity, the majority of male respondents are registered at the faculties of Engineering and Law ( $28.7\% + 13.9\% = 42.6\%$ ) while the majority of female respondents are registered at the faculties of Health Sciences and Education Management ( $21.8\% + 19.7\% = 41.5\%$ ). A Chi-square statistic realised an exceedence probability of  $p < 0.5$ , indicating a statistically significant association between respondents' gender and faculty at which respondents are registered. The effect size (Cramer's  $V = 0.48$ ) observed indicates that a medium association exists between respondents' gender and faculty at which respondents are registered.

**Main finding D1:** Statistically significant associations were only found between respondents with and without a contract and respondents' monthly cell phone expenses, who pays respondents' cellular expenses and respondents' monthly cell

phone expenses and respondents' gender and faculty at which respondents are registered. Despite the statistically significant associations of the mentioned cross-tabulations, no practically significant associations were found between respondents' demographic information and the classification information.

## 7.8 SUMMARY OF MAIN FINDINGS

This section provides a summary of all the main findings throughout this chapter as stated for each section of the questionnaire to bring together all the results from this study.

Main findings observed for section A:

- **Main finding A1:** The majority of respondents have a contract with their cell phone network providers.
- **Main finding A2:** The majority of respondents have a relationship length ranging between three and 10 years with their cell phone network providers.
- **Main finding A3:** The majority of respondents use their current cell phone network providers because the total package suits their needs.
- **Main finding A4:** The majority of respondents using Vodacom and MTN use their current cell phone network providers because the total package suits their needs, but the majority of respondents using Cell C use their current cell phone network provider because they find it cheap and affordable.
- **Main finding A5:** Cell phones are important to the majority of respondents because it is their means of communication.
- **Main finding A6:** When initially selecting a cell phone network provider, most respondents' parents selected the cell phone network providers, followed by the reasons of best package and low cost.
- **Main finding A7:** The majority of respondents using Vodacom initially chose Vodacom because of the reputation of good service followed by the parents choosing this network, the parents initially chose MTN for the majority of respondents using MTN and the majority of respondents using Cell C initially chose Cell C because of the low cost.

- **Main finding A8:** The majority of respondents stay with their current cell phone network providers because they are satisfied with their cell phone network providers and because “it works for them”.
- **Main finding A9:** The majority of respondents think that they will stay with their current cell phone network providers in the future.
- **Main finding A10:** As opposed to only 2.6% respondents using Vodacom, almost 27% respondents using MTN and 38.4% respondents using Cell C will not stay with their cell phone network providers in the future.
- **Main finding A11:** The majority of respondents have used other cell phone network providers in the past.
- **Main finding A12:** The majority of respondents who have used other cell phone network providers in the past, switched from one cell phone network provider to another only once.
- **Main finding A13:** The majority of respondents using MTN and Cell C have used other cell phone network providers in the past, while fewer than half of the respondents using Vodacom have done so.
- **Main finding A14:** Respondents mainly consider benefits of the package, tariffs/call charges and coverage when choosing between Vodacom, MTN and Cell C.
- **Main finding A15:** The majority of all respondents regard Vodacom as the cell phone network provider with the latest technology, as being the quickest, having the best coverage, best handsets, coolest image and best service. The majority of respondents regard Cell C as being the cheapest and MTN as being the most expensive.
- **Main finding A16:** The majority of respondents using Vodacom regard their own cell phone network provider as having the latest technology, as being the quickest, to have the best coverage, best handsets, the coolest image and best service. Vodacom respondents associate all the aspects with Vodacom except for the “cheapest” and “most expensive” dimensions.
- **Main finding A17:** Respondents using MTN view Vodacom to be better than their own cell phone network provider with regard to the latest technology, being the quickest and having the coolest image. The majority of respondents using MTN regard their own cell phone network provider as having the best coverage, best handsets and the best service, while Cell C is viewed as the cheapest.
- **Main finding A18:** The majority of respondents using Cell C view Vodacom to be better than their own cell phone network provider with regard to the latest

technology, being the quickest, having the best coverage, best handsets, coolest image and best service. Cell C respondents regard their own cell phone network provider as the cheapest while MTN is viewed as the most expensive.

- **Main finding A19:** More than two thirds of respondents' parents pay their cellular expenses.

Main findings observed for section B and the pilot study of the relationship intention measure:

- **Main finding PS1:** From the factor analysis it could be determined that five factors were identified in order to measure respondents' relationship intention, namely: Expectations, Forgiveness, Fear of relationship loss, Feedback and Involvement.
- **Main finding B1:** The confirmatory factor analysis clearly showed that the five factors identified through the exploratory factor analysis in the pilot study of the relationship intention measure, namely Expectations, Feedback, Involvement, Forgiveness and Fear of relationship loss, are valid to measure respondents' relationship intention.
- **Main finding B2:** The five factors used to measure relationship intention identified through the confirmatory factor analysis are reliable to measure the relationship intentions of respondents in this study (young adults) towards their cell phone network providers.
- **Main finding B3:** The majority of respondents want to build a long-term relationship with their cell phone network providers.
- **Main finding B4:** Vodacom has the largest percentage of respondents who want to build a long-term relationship with their cell phone network provider followed by MTN and Cell C.
- **Main finding B5:** Almost all respondents using Vodacom as cell phone network provider have high relationship intentions, more than two thirds of respondents using MTN have high relationship intentions but only about half of the respondents using Cell C have high relationship intentions.
- **Main finding B6:** Respondents with a high relationship intention differ practically significantly from those with a low relationship intention with regard to factor 3 (Involvement). Respondents with a high relationship intention are more Involved with their cell phone network providers than respondents with a low relationship intention.

- **Main finding B7:** Respondents with a high relationship intention differ practically significantly from those with a low relationship intention with regard to factor 5 (Fear of relationship loss). Respondents with a high relationship intention Fear losing their relationship with their cell phone network providers more than respondents with a low relationship intention.
- **Main finding B8:** Respondents for the three cell phone network providers do not view the five factors comprising relationship intention differently.
- **Main finding B9:** Respondents, irrespective of the length of their relationship with their respective cell phone network providers, do not differ in their views of the relationship intention factors.
- **Main finding B10:** Respondents with and those without a contract with their cell phone network providers do not view the five factors comprising relationship intention differently.
- **Main finding B11:** Respondents whose parents pay their cellular expenses and respondents who pay their own cellular expenses do not view the five factors comprising relationship intention differently.
- **Main finding B12:** Male and female respondents do not view the five factors comprising relationship intention differently.
- **Main finding B13:** Respondents' ages do not influence their view of the five factors comprising relationship intention as respondents' with different ages do not view the five factors comprising relationship intention differently.
- **Main finding B14:** Respondents with different monthly cell phone expenses do not differ in their views of the relationship intention factors.
- **Main finding B15:** Respondents in different years of study do not differ in their views of the relationship intention factors.
- **Main finding B16:** Respondents enrolled at different faculties do not view the five factors comprising relationship intention differently.

Main findings observed for section C:

- **Main finding C1:** The TIPI is not a reliable measure to measure the personality of respondents at the North-West University.



Main findings observed for section D:

- **Main finding D1:** Statistically significant associations were only found between respondents with and without a contract and respondents' monthly cell phone expenses, who pays respondents' cellular expenses and respondents' monthly cell phone expenses and respondents' gender and faculty at which respondents are registered. Despite the statistically significant associations of the mentioned cross-tabulations, no practically significant associations were found between respondents' demographic information and the classification information.

## 7.9 CONCLUSION

This chapter presented the results of this study regarding young adults' relationship intentions towards their cell phone network providers. The main findings obtained from each section of the questionnaire were presented. The results were discussed in the same order the questions appeared in each section of the questionnaire used in this study. The results were obtained through frequency analyses, cross-tabulations, t-tests, ANOVAs, effect sizes and factor analyses. The next chapter will provide a discussion of the results presented in this chapter.

## CHAPTER 8

### OVERVIEW, CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

#### 8.1 INTRODUCTION

The research study is summarised in this chapter and conclusions pertaining to the relationship intention of young adults with regard to their cell phone network providers are presented. These conclusions were derived from the findings of the empirical study (set out in this chapter according to the secondary objectives of this study). Recommendations for cell phone network providers concerning young adults as a market segment are also presented, followed by limitations of the study and possible directions for future research.

#### 8.2 OVERVIEW

The research question that guided this study was whether young adults have intentions of forming long-term relationships with South African cell phone network providers. In order to address the research question, the literature review included relationship marketing, relationship intention, segmentation and personality.

Relationship marketing (discussed in chapter 2) refers to long-term, mutually beneficial relationships between the organisation and stakeholders (Pride & Ferrell, 2010:14; Baran *et al.*, 2008:48, 83, 98-99, 111), and with regard to this study, these refer specifically to long-term, mutually beneficial relationships between cell phone network providers and young adults. Pride and Ferrell (2010:14) assert that successful marketers use relationship marketing with a view to increase the value for customers over time. In order to remain competitive, cell phone network providers can make use of relationship marketing. It was argued that relationship marketing concepts can provide a framework for investigating young adults' relationship intentions. For this reason, relationship marketing was examined in terms of the development of relationship marketing, transactional versus relationship marketing, benefits and costs of relationship marketing to both the organisation and customers, initial relationship marketing framework, levels of relationship marketing and drivers of relationship marketing (trust, commitment, value creation, service quality, satisfaction and loyalty). From this discussion, it became clear that not all customers want to build long-term

relationships with the organisation they dealt with. Relationship marketing does not imply that organisations should try to establish mutually beneficial relationships with all its customers, but that those customers who are profitable to serve should be identified for relationship marketing (Steyn *et al.*, 2008:139, 146; Egan, 2004:107; Peck *et al.*, 1999:410).

It is profitable to focus marketing efforts on those customers with relationship intentions, because relationship intention (discussed in chapter 3) entails that customers want to build, maintain and enhance their relationships with the organisation when buying a product or making use of a service provided by the organisation (Kumar *et al.*, 2003:669). Kumar *et al.* (2003:669) argue that customers with a relationship intention should be identified for relationship marketing to increase the organisation's profitability. Relationship intention was addressed according to the five constructs proposed by Kumar *et al.* (2003:669) for measuring relationship intention, namely Involvement, Expectations, Forgiveness, Feedback and Fear of relationship loss.

In order to identify a group of customers sharing a characteristic differentiating them from other customers and justifying a specific marketing strategy such as identifying young adults with relationship intentions, market segmentation (discussed in chapter 4) is typically used (Van der Walt *et al.*, 1996:113-114). Lamb *et al.* (2008:152) and Peter and Donnelly (2008:64) explain that segmentation provides an organisation with opportunities to build long-term relationships with customers by answering customer needs more accurately. This is because segmentation enables organisations to choose a target market/s which, in turn, is a vitally important exercise for organisations in order to develop successful marketing programmes. Identifying customers with a high relationship intention and targeting them for relationship marketing purposes constitutes a form of segmentation. In this study, segmentation was explored by viewing segmentation in perspective, defining segmentation, presenting criteria for market segment viability, discussing levels of segmentation and explaining the bases for segmentation. Each base for segmentation, such as geographic segmentation, demographic segmentation, behavioural segmentation and psychographic segmentation, encompasses numerous variables. One of the variables of psychographic segmentation further explored in this study was personality.

Personality (discussed in chapter 5) underlies the behaviour and intentions of customers and also influences their decision-making (Barrena & Sánchez, 2009:145, 153; Wong & Hsu, 2008:78; Gountas & Gountas, 2007:73; Rousseau & Du Plessis, 2007:215; Orth, 2005:116). This study scrutinised the notion of personality by commencing with a brief overview of the consumer's decision-making process to see how personality as an individual influence affects decision-making. This was followed by a definition of personality and personality theories in the field of marketing, with special emphasis on the Big Five personality domains (because a personality measure of the Big Five personality domains was used in this study). From the discussion on the Big Five personality domains (see section 5.5) it was clear that reasons why customers engage in relationship marketing can relate to their personality which, in turn, will influence their relationship intentions.

The aim of this study was to examine young adults' relationship intentions towards their cell phone network providers by means of descriptive research. The population of this study comprised young adults studying at the Potchefstroom Campus of the North-West University in the North-West Province, and 315 respondents participated in this study. The study followed a two-stage design by firstly, using qualitative research in the form of a focus group (see sections 6.4.1.1, 6.4.2.1 and appendix A) and secondly, using quantitative research in the form of self-administered questionnaires (see section 6.4.2 and appendix C), both of which were conducted by means of convenience sampling, a non-probability sampling technique (see section 6.5.2.2 d). The data obtained from the questionnaires was analysed using the SAS and SPSS statistical programmes and the results obtained in this study were presented in chapter 7.

### **8.3 CONCLUSIONS AND RECOMMENDATIONS**

The primary objective of this study was to determine young adults' intentions to form long-term relationships with their cell phone network providers. The conclusions derived from the literature review and results obtained for this study in relation to the secondary objectives set for this study (see section 1.3) are discussed in this section together with recommendations to the cell phone network providers following from the conclusions.

### 8.3.1 Conclusion from objective 1

The **first objective** of this study was to determine whether the five relationship intention constructs proposed by Kumar *et al.* (2003:670) are valid to measure the relationship intentions of young adults towards their cell phone network providers. The five constructs proposed by Kumar *et al.* (2003:670) are Involvement, Expectations, Forgiveness, Feedback and Fear of relationship loss. A pilot study was used to test an adapted questionnaire to measure relationship intention. In order to determine if the five constructs are valid to measure young adults' relationship intention towards their cell phone network providers, an exploratory factor analysis was performed in the pilot study (see appendix B). It was observed through **main finding PS1 (p. 182)** that five factors could be identified to measure respondents' relationship intention, namely Expectations, Feedback, Involvement, Forgiveness and Fear of relationship loss, thereby confirming the five constructs proposed by Kumar *et al.* (2003:670). This improved measure of relationship intention was therefore applied in the questionnaire used in this study. A confirmatory factor analysis was performed to determine whether the five factors identified during the pilot study were valid to measure young adults' relationship intentions towards their cell phone network providers during the main study. **Main finding B1 (p. 184)** indicated that the confirmatory factor analysis supported the five factors identified through the exploratory factor analysis in the pilot study of the relationship intention measure, namely Expectations, Feedback, Involvement, Forgiveness and Fear of relationship loss, implying that the measure was valid since it was also reliable (**main finding B2 p. 185**) to measure respondents' relationship intentions.

It can therefore be **concluded** that the five relationship intention constructs proposed by Kumar *et al.* (2003:670) are valid and reliable to measure the relationship intentions of young South African adults towards their cell phone network providers. It is **recommended** that cell phone network providers use the five factors proposed by Kumar *et al.* (2003:670) to determine young adults' relationship intentions. By doing so, cell phone network providers could possibly identify those young adults with a high relationship intention and focus their relationship marketing efforts on this group in an effort to build long-term relationships with them, thereby retaining this group of young adults. Cell phone network providers can also identify those young adults with low

relationship intentions to establish where and how they can improve their service to retain this group of young adults.

### 8.3.2 Conclusion from objective 2

The **second objective** of this study was to determine the influence of relationship length on young adults' relationship intentions towards cell phone network providers. The benefits of relationship marketing relate to the long-term relationship between the organisation and its customers, resulting in both parties gaining from the relationship over a period of time (see sections 2.4.1 and 2.4.3) – a notion that emphasises the length of the relationship. It was found that the majority of young adults have a relationship length with their cell phone network providers ranging between three and ten years (**main finding A2 p. 172**). In a study of short-term insurance clients (De Jager, 2006:134-135) it was found that relationship length influences relationship intention. However, other studies (Delpont, 2009:83; Kumar, 2003:670) found that relationship intention does not necessarily depend on the length of relationship. For instance, young adults might remain with their current cell phone network providers because they can only move to another cell phone network provider when their contract expires, as the majority of respondents have contracts with their cell phone network providers (**main finding A1 p. 171**), or because its inconvenient to move from one cell phone network provider to another and not because they actually have relationship intentions towards their cell phone network providers. This study found that young adults, irrespective of the length of their relationship with their cell phone network providers, do not differ in terms of their views of the relationship intention factors (**main finding B9 p. 191**).

For this reason, it is **concluded** that the length of relationship does not influence the relationship intentions of young adults towards their cell phone network providers. It is **recommended** that cell phone network providers should not assume that young adults with a contract want to and will continue their relationship with the particular cell phone network provider. Neither a contract nor the length of relationship of young adults is a guarantee that young adults have relationship intentions towards their cell phone network providers. Cell phone network providers should therefore rather consider young adults' relationship intentions than their relationship length when trying to identify customers with whom to establish long-term relationships.

### 8.3.3 Conclusion from objective 3

The **third objective** of this study was to determine which features related to cell phone network providers young adults consider when selecting a cell phone network provider. To gain a holistic view of young adults' views of cell phone network providers, a number of aspects were included in the questionnaire. Results from this will now be discussed.

In concurrence with previous research (Moroz, 2008:5, 26) this study found that cell phones are important to respondents because it is their means of communication (**main finding A5 p. 174**) and more than two thirds of respondents' parents pay their cellular expenses (**main finding A19 p. 182**). It was furthermore determined that the initial reasons for selecting the respective current cell phone network providers are that most respondents' parents selected the cell phone network providers, followed by the reasons of best package and low cost (**main finding A6 p. 175**). Concerning the individual cell phone network providers, it was found that respondents using Vodacom initially chose Vodacom because of the reputation of good service followed by the parents choosing this network, the parents initially chose MTN for respondents using MTN and respondents using Cell C initially chose Cell C because of the low cost (**main finding A7 p. 175**). Supporting the initial reasons for choosing the respective cell phone network providers, it was found that respondents mainly consider benefits of the package, tariffs/call charges and coverage when choosing between Vodacom, MTN and Cell C (**main finding A14 p. 179**). Furthermore, respondents use their current cell phone network providers because the total package suits their needs (**main finding A3 p. 173**). Concerning each cell phone network provider, respondents using Vodacom and MTN use their cell phone network providers because the total package suits their needs but respondents using Cell C use this cell phone network provider because it is regarded as cheap and affordable (**main finding A4 p. 173**).

With regard to why and whether young adults will stay with their cell phone network providers, it was determined that respondents remain with their cell phone network providers because they are satisfied with the cell phone network providers and because it works for them (**main finding A8 p. 176**). The majority of respondents think that they will stay with their current cell phone network providers in the future (**main finding A9 p. 177**). As opposed to only 2.6% respondents using Vodacom, almost 27% respondents using MTN and 38.4% respondents using Cell C will, however, not stay

with their cell phone network providers in the future (**main finding A10 p. 177**). Although it was found that the majority of respondents want to build a long-term relationship with their cell phone network providers (**main finding B3 p. 186**), Vodacom has the largest percentage of respondents who want to build a long-term relationship, followed by MTN and lastly, Cell C (**main finding B4 p. 186**).

Taking the above into consideration, it can be **concluded** that young adults regard their cell phones as a very important commodity of everyday life. Young adults' parents still have an influence on their product or service usage as the parents initially chose their cell phone network providers and pay their cellular expenses. These young adults do, however, consider the benefits of the package, tariffs/call charges and coverage when choosing between Vodacom, MTN and Cell C. Also, this group uses Vodacom and MTN because the total packages suit their needs, but they use Cell C because it is regarded as cheap and affordable. Most young adults would probably stay with their current cell phone network providers in the future, but the largest percentage is most likely to continue to support Vodacom.

It is **recommended** that, since the majority of respondents' parents initially chose their cell phone network providers and more than two thirds of respondents' parents pay their cellular expenses, cell phone network providers should target parents with a view to gain entry into the young adult market. Cell phone network providers can identify those young adults with high relationship intentions (those young adults who are more involved with and fear losing their relationship with the cell phone network provider more) to retain them by trying to build long-term relationships with these young adults. Furthermore, cell phone network providers should determine why their network was selected and why customers stay with them, in order to better position and communicate with young adults - an approach that will improve their strategy to reach young adults. Also, cost may not be that important probably as most parents pay respondents' cellular expenses. Therefore, cell phone network providers should focus their marketing strategies on parents to show value for money to get them to choose the cell phone network provider. Those respondents who pay their cellular expenses themselves and who do not have a contract with their cell phone network providers, and therefore regard cost as the most important aspect relating to cell phone network providers, should be targeted with a different marketing strategy than the rest of the young adults.



### 8.3.4 Conclusion from objective 4

The **fourth objective** was to determine whether there are differences between the young adult groups of the different cell phone network providers with regard to their relationship intentions. As not all respondents considered their own cell phone network providers to be the best concerning specific aspects (discussed below), it could be expected that young adult groups of the different cell phone network providers would also differ with regard to their relationship intentions.

Respondents did not consistently view their own cell phone network providers to be the best on all aspects measured in the questionnaire (as determined from the focus group, see appendix A), as the majority of all respondents regard Vodacom as the cell phone network provider with the latest technology, as being the quickest, having the best coverage, best handsets, coolest image and best service. The majority of respondents regard Cell C as being the cheapest and MTN as being the most expensive (**main finding A15 p. 181**). Respondents using Vodacom regard their own cell phone network provider as having the latest technology, as being the quickest, having the best coverage, best handsets, the coolest image and best service. Vodacom respondents associate all these aspects with Vodacom except the “cheapest” and “most expensive” (**main finding A16 p. 181**). Respondents using MTN view Vodacom as better than their own cell phone network provider with regard to the latest technology, being the quickest and having the coolest image. The majority of respondents using MTN regard their own cell phone network provider to have the best coverage, best handsets and the best service while Cell C is viewed as the cheapest (**main finding A17 p. 181**). Respondents using Cell C view Vodacom as better than their own cell phone network provider with regard to the latest technology, being the quickest, having the best coverage, best handsets, coolest image and best service. Cell C respondents regard their own cell phone network provider as the cheapest while MTN is viewed as the most expensive (**main finding A18 p. 181**).

Despite the fact that the young adult groups do not consider their own cell phone network provider to be the best with regard to all the above aspects, respondents from the three cell phone network providers do not view the five factors comprising relationship intention differently (**main finding B8 p. 189**). However, the percentage of respondents with high relationship intentions does differ for each cell phone network

provider. Almost all respondents using Vodacom have high relationship intentions, more than two thirds of respondents using MTN have high relationship intentions but only about half of the respondents using Cell C have high relationship intentions (**main finding B5 p. 187**). It can therefore be **concluded** that despite young adults having different views of their own (and other) cell phone network providers, and despite the fact that the groups differ in their relationship intentions towards Vodacom, MTN and Cell C, they do not differ in their views of the relationship intention constructs.

It is **recommended** that cell phone network providers should determine how their customers perceive them compared to competitors in order to better position themselves and to improve communication with young adults. Furthermore, Cell C's competitive advantage in the young adult segment is that young adults view this organisation as the cheap and affordable cell phone network provider. This can, however, become problematic as young adults will gain more disposable income as they undergo career advancements – a notion that might lead to these young adults to switch to Vodacom or MTN when they can afford to do so. Cell C should also target young adults with a marketing strategy that emphasises the other qualities or competitive advantages differentiating them from the other cell phone network providers, in order to retain the young adults when they gain more disposable income.

### 8.3.5 Conclusion from objective 5

The **fifth objective** of this study was to determine if differences exist between young adults with a high relationship intention and those with a low relationship intention with regards to the constructs used to measure relationship intention.

It was found, in accordance with the study of Delport (2009:84) that respondents with high relationship intentions differ from respondents with low relationship intentions in terms of the constructs used to measure relationship intention. Respondents with high relationship intentions are more *Involved* with (**main finding B6 p. 188**) and *Fear losing their relationship* (**main finding B7 p. 188**) with their cell phone network provider more than respondents with low relationship intentions.

From this study, it can be **concluded** that young adults with high relationship intentions are more *Involved with* and *Fear losing their relationship* with their cell phone network

providers more than young adults with low relationship intentions. Since differences were identified, it is **recommended** that cell phone network providers should determine their young adult customers' relationship intentions and focus on those with high relationship intentions. Cell phone network providers should therefore focus on those customers with higher Involvement and greater Fear of relationship loss to differentiate between and therefore identify customers with a high relationship intention. This will help cell phone network providers to segment young adults and to focus their relationship marketing efforts on those with high relationship intentions.

### 8.3.6 Conclusion from objective 6

The **sixth objective** of this study was to determine whether the ten-item personality inventory (TIPI) as proposed by Gosling *et al.* (2003:525) is valid and reliable to measure young adults' personality types in terms of the Big Five personality domains. Pride and Ferrell (2010:204) assert that weak relationships found in studies about the influence of personality on consumer behaviour can be attributed to unreliable, or the lack of, applicable measures. For their reason, the reliability and validity of the TIPI were determined before any analysis on respondents' personality types and the influence of personality on relationship intention was done. Unfortunately, it was determined that the TIPI is not a reliable measure to measure the personality of respondents at the North-West University (**main finding C1 p. 193**) and no further analysis on personality was performed.

From this study, it can be **concluded** that the TIPI is not valid and reliable to measure the personality of young adults. It is **recommended** that cell phone network providers develop an appropriate measure for young adults' personalities if they should want to examine the influence of customers' personalities on their cell phone network provider choices, preferences and relationship intentions.

### 8.3.7 Conclusion from objective 7

The **seventh objective** of this study was to determine whether there are differences between young adults with regard to their demographic differences. This section examined the associations between demographic variables and classification information as well as the differences between young adults' relationship intentions (in

terms of the five factors comprising relationship intention) with regards to the demographic variables. The following variables were examined:

- Gender: The study of De Jager (2006:135) found a difference between male and female respondents concerning one of the constructs of relationship intention, namely Expectations, in the short-term insurance industry. The current study does not support the findings of previous research as it was found that male and female respondents do not view the five factors comprising relationship intention differently (**main finding B12 p. 191**);
- Faculty registered at: It was determined that respondents enrolled at different faculties do not view the five factors comprising relationship intention differently (**main finding B16 p. 192**);
- Year of study: It was determined that respondents in different years of study do not differ in their views of the relationship intention factors (**main finding B15 p. 192**);
- Age: Previous research by De Jager (2006:136) on age differences found differences between customers from the short-term insurance industry with regard to all five the constructs used to measure relationship intention. However, this study did not find any differences between respondents with different ages with regards to the five factors comprising relationship intention (**main finding B13 p. 191**);
- Cell phone expenses: It was determined that respondents with different monthly cellular expenses do not differ in terms of their views of the relationship intention factors (**main finding B14 p. 191**). Also, respondents whose parents pay their cellular expenses and respondents who pay their own cellular expenses do not view the five factors comprising relationship intention differently (**main finding B11 p. 191**); and
- Contract: Concerning respondents with and without a contract with their cell phone network providers, no differences were found with regards to their relationship intentions (**main finding B10 p. 191**). Also, because the majority of respondents' parents chose their cell phone network provider (**main finding A6 p. 175**) and more than two thirds of respondents' parents pay their cellular expenses (**main finding A19 p. 182**), whether or not young adults have a contract with their cell phone network provider is not an indication of relationship intention.

This study found no differences relating to young adults' demographic information with regards to the five factors comprising relationship intention and classification

information. Because young adults have the same needs and drives (and because the choice of cell phone network provider is of great importance to them), young adults can be viewed as one target market with regards to cell phone network providers. From these main findings, it can be **concluded** that when examining the demographic details of young adults, they can be considered to form one homogeneous market when they are targeted by cell phone network providers.

It is **recommended** that cell phone network providers should view young adults as a distinct target market different than any other market served because cell phones are very important to young adults. Cell phone network providers can consider young adults as one homogeneous market with regards to their demographic details.

#### 8.4 LINKING OBJECTIVES TO MAIN FINDINGS

The link between the secondary objectives for this study, the questions in the questionnaire and the main findings from chapter 7 are presented in table 8.1 below which builds on table 6.6 (discussed in chapter 6).

**Table 8.1: Linking objectives, questionnaire and main findings**

Secondary objectives	Questions	Main findings
1) Determine if the five relationship intention constructs proposed by Kumar <i>et al.</i> (2003:670) are valid to measure the relationship intentions of young adults.	B21-B26	PS, B1 & B2
2) Determine the influence of relationship length on young adults' relationship intentions towards their cell phone network providers.	A2, B21-B26	A1, A2 & B9
3) Determine which features related to cell phone network providers young adults consider when selecting a cell phone network provider.	A1-A6, A8-A12	A3-A10, A14, B3 & B4
4) Determine whether there are differences between young adults of the different cell phone network providers with regards to their relationship intentions.	B21-B26	A15-A18, B5 & B8
5) Determine if differences exist between young adults with a high relationship intention and young adults with a low relationship intention with regards to the constructs used to measure relationship intention.	A7, B21-B27	B6 & B7
6) Determine whether the ten-item personality inventory (TIPI) as proposed by Gosling <i>et al.</i> (2003:525) is valid and reliable to measure young adults' personality types in terms of the Big Five personality domains.	C1-C10	C1
7) Determine whether there are differences between young adults with regards to their demographic differences.	D1-D7	A6, A19, B10-B16 & D1-D3

From table 8.1 it is evident that the secondary objectives set for the study have been met. **The primary objective, namely to determine young adults' relationship**

**intentions towards their cell phone network providers, has therefore been achieved through the realised secondary objectives.**

## **8.5 LIMITATIONS OF THE STUDY**

The following limitations were identified for this study:

- The results of this study are limited to the service setting of cell phone network providers and results can not be generalised to all service settings;
- This study had a relative small sample due to time and cost restraints;
- Non-probability sampling in the form of convenience sampling was used as sampling method and consequently results are not representative of the entire population. Furthermore, the results of this study are limited to the Potchefstroom Campus of the North-West University and it can, for this reason, not be generalised to other geographical regions; and
- The personality measure selected for this study was invalid and unreliable and therefore no further analysis on the influence of personality on relationship intention could be done.

## **8.6 DIRECTIONS FOR FUTURE RESEARCH**

The following recommendations can be made for future research:

- As more than two thirds of respondents in this study's parents pay their cellular expenses and young adults are known to greatly influence the product and service choices of their parents (Kotler & Keller, 2009:259-260), future research can examine the influence that young adults exert on decisions concerning cell phone network providers. This can probably be done by examining the family decision roles;
- Since young adults' parents do still influence their product and service consumption (with regards to initially choosing their cell phone network provider and paying cellular expenses), future research can explore the influence of parents on young adults' product and service choices;
- Because personality is an antecedent of the interactions between customers and service providers and does influence satisfaction evaluation and intention to

repurchase (Gountas & Gountas, 2007:73, 75), future research can examine the influence of personality on the relationship intentions of young adults. Cell phone network providers can use knowledge of the influence of personality on relationship intention to develop appropriate marketing strategies to suit different personality types;

- Furthermore, the development of a reliable and valid measure of young adults' personality types should be addressed. Since most personality tests were developed for clinical use (Pride & Ferrell, 2010:204), a personality test for segmentation purposes can be developed by means of future research;
- Future research can examine relationship intention with regards to other age groups (such as scholars and adults), other service industries and other geographical areas;
- The antecedents of relationship intention as proposed by Kumar *et al.* (2003:670), namely perceived organisation equity, perceived brand equity and perceived channel equity could be examined in future research; and
- The ethics of identifying young adults with a relationship intention towards their cell phone network providers and engaging them in the relationship through relationship marketing can be regarded as an area for future research.

## **8.7 CONCLUSION**

This chapter provided an overview of the study and the conclusions of this study on young adults' relationship intentions towards their cell phone network providers. The main findings and recommendations for cell phone network providers concerning young adults were discussed according to the secondary objectives of the study. The link between the secondary objectives of this study, the questions in the questionnaire and the main findings were presented. Limitations of the study and recommendations for future research concluded this chapter.

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APPENDIX A:  
FOCUS GROUP

## **FOCUS GROUP RESULTS**

A focus group study was conducted in order to determine which features of South African cell phone network providers young adults consider as important when selecting and deciding to stay with a cell phone network provider. The focus group session was held on Friday, 15 May 2009, at 10:00 in a class room in the Economic and Management Sciences building of the Potchefstroom Campus of the North-West University. A non-probability sample in terms of a convenience sample (see section 6.5.2.2 d) was used to select the participants for the focus group. The marketing and entrepreneurship honours group was used as participants in the focus group. The honours group consisted of young adults enrolled at the North-West University and these young adults fall within the target population (see section 6.5.1) of this study. This was done as Zikmund and Babin (2007:143) regard the use of homogeneous participants to simplify the focus groups as the researcher can concentrate on participants' similarities and the background of participants (such as being enrolled for the same post graduate study) give them a shared commonality. There were 24 participants in the focus group. Zikmund and Babin (2007:143) warn that a focus group which is too large does not permit all participants to participate adequately or, on the other hand, the researcher might omit certain valuable information. For this reason, the discussion was recorded with a view to enable the researcher to listen to all the participants' input after the session was over in order not to miss any input due to the number of participants.

As already stated, the main objective of the focus group was to determine which features of South African cell phone network providers young adults consider as important when selecting and deciding to stay with a cell phone network provider. From this main objective the following secondary objectives were set for the focus group:

1. Determine why young adults view their cell phone as important;
2. Gather general background information on young adults' cell phone network providers which might have a connection to young adults' relationship intention;
3. Determine how the cell phone network provider was initially chosen;
4. Determine why young adults stay with their cell phone network provider;
5. Establish the main reason why young adults use their current cell phone network provider;

6. Determine which features young adults consider when choosing between Vodacom, MTN and Cell C;
7. Determine which cell phone network provider characteristics young adults associate with Vodacom, MTN and Cell C respectively; and
8. Determine the influence of others on young adults' view of their cell phone network provider.

The following procedure was used for the focus group session:

- The focus group session was commenced by welcoming all the participants;
- It was explained that the focus group is for a master's student's research project and that the discussion will be informal;
- It was explained that a focus group is a carefully planned discussion session designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment through which the interviewer can explore the responses given to questions or comments and discover more about individual perceptions and views through this process;
- It was explained that a focus group can be used for collecting general background knowledge for new projects and to gather impressions and perceptions of existing or proposed services and products, and that a focus group is the source for developing more detailed research. This was indeed the aim with this method, as constructs to measure in Section A of the questionnaire had to be determined from the focus group;
- It was clearly explained that the purpose of the focus group was to determine which aspects young adults consider when choosing a cell phone network provider;
- It was also explained that constructs developed from the focus group session would be included in the questionnaire for the research project;
- Next, the guidelines for the session were fully communicated, namely that there are no incorrect answers and that all the participants' opinions and feelings with regard to the topic are appreciated and important. Furthermore, it was explained that opinions may differ and that everyone should be given the opportunity to speak (and participants were asked to refrain from side discussions). Lastly, it was explained that notes and a recording will be made during the focus group to document the details of the discussion; and



- Participants were asked if they had any questions. At this stage there were none and the discussion began.

The discussion was initiated with questions (some were answered directly from the discussion and were not asked by the facilitator) which are directly linked to the objectives of the focus group. The questions, the answers from the discussion and the objectives (abbreviated as Obj.) achieved through the questions are summarised in table A1.

**Table A1: Questions asked and answers obtained from the focus group**

Questions	Answers/discussion	Obj.
1) Why is your cell phone important to you?	<ul style="list-style-type: none"> <li>• To communicate</li> <li>• Use for conference calls and Mxit</li> <li>• Its my lifeline</li> <li>• To gain access to the internet</li> </ul>	1
2) Which cell phone network provider do you use?	<ul style="list-style-type: none"> <li>• Vodacom: 14 participants</li> <li>• MTN: 6 participants</li> <li>• Cell C: 4 participants</li> </ul>	2
3) Why did you choose this cell phone network provider when you first chose one?	<ul style="list-style-type: none"> <li>• Cell C had the cheapest contract</li> <li>• Vodacom was known for their service</li> <li>• My cell phone network provider had coverage everywhere</li> </ul>	3
4) Why do you stay with your cell phone network provider?	<ul style="list-style-type: none"> <li>• Its difficult to move</li> <li>• It takes effort; its just more comfortable to stay with my current cell phone network provider</li> <li>• I'm satisfied</li> <li>• I experience no problems</li> <li>• I have no complaints</li> <li>• Vodacom offers the latest handsets</li> <li>• I have a contract and can only change to a different cell phone network provider when it expires</li> </ul>	4
5) What is the main reason why you use the specific cell phone network provider?	<ul style="list-style-type: none"> <li>• The package of total characteristics of the cell phone network provider</li> <li>• Its cheap and affordable</li> <li>• Billing</li> <li>• Vodacom is available everywhere</li> </ul>	5
6) Have you ever moved from one cell phone network provider to another? Why? How many times?	<ul style="list-style-type: none"> <li>• 8 participants moved from Cell C to Vodacom</li> <li>• These participants only moved this one time</li> <li>• The reason given was that the service providers of the network providers influence the perception of the network provider</li> </ul>	2
7) Which aspects do you consider when you choose between Vodacom, MTN and Cell C?	<ul style="list-style-type: none"> <li>• Coverage</li> <li>• Benefits (for example free minutes, sms bundles, discounts)</li> <li>• Package</li> <li>• Cost</li> <li>• Extra's (for example a free hi-fi)</li> </ul>	6
8) Which aspects do you associate with Vodacom?	<ul style="list-style-type: none"> <li>• Blue Bulls and Loftus</li> <li>• Meerkat</li> </ul>	7

Questions	Answers/discussion	Obj.
9) Which aspects do you associate with MTN?	<ul style="list-style-type: none"> <li>• Soccer</li> <li>• Cricket</li> <li>• Yellow summer</li> </ul>	7
10) Which aspects do you associate with Cell C?	<ul style="list-style-type: none"> <li>• The voice</li> </ul>	7
11) Compare Vodacom, MTN and Cell C with each other.	<ul style="list-style-type: none"> <li>• Vodacom: flexible, better service, best coverage (it is noted, however, that the handset influences the reception), phone has a 2-year warranty, quicker</li> <li>• MTN: more expensive</li> <li>• Cell C: cheaper contracts but the call rates are higher, targeted towards black people</li> </ul>	7
12) How do you pay your cell phone expenses?	<ul style="list-style-type: none"> <li>• 22 participants have a contract and only 2 participants use the pay-as-you-go method</li> </ul>	2
13) Who pays your cell phone expenses?	<ul style="list-style-type: none"> <li>• 16 of the participants' parents pay their cell phone expenses</li> </ul>	2
14) What is the role of the handset in your decision regarding your cell phone network provider?	<ul style="list-style-type: none"> <li>• In the beginning the handset plays a major role but with age the participants realised that the handset will eventually break and at this stage the handset does not play a major role in the decision</li> </ul>	2
15) After the discussion today what would you say are the top 5 aspects you consider when choosing a cell phone network provider?	<ul style="list-style-type: none"> <li>• 1 Cost</li> <li>• 2 Service</li> <li>• 3 Coverage</li> </ul> (only three aspects mentioned)	4 & 5
16) What role do your parents play with regards to your cell phone network provider?	<ul style="list-style-type: none"> <li>• 16 participants' parents pay their cell phone expenses</li> </ul>	8
17) What role do your friends play with regards to your decision concerning your cell phone network provider?	<ul style="list-style-type: none"> <li>• None</li> </ul>	8

These results were used to construct section A of the questionnaire for this study (see section 6.4.2.1).

**APPENDIX B:**  
**EXPLORATORY FACTOR ANALYSIS OF THE ADAPTED**  
**RELATIONSHIP INTENTION MEASURE**

An exploratory factor analysis was done for the pilot study of the revised relationship intention measure. Table B1 presents the items and abbreviated statements used in the adapted questionnaire for the pilot study. The factors are abbreviated by “F” followed by the factor’s number. The rotated factor pattern is followed by a brief discussion of each factor.

**Table B1: Rotated factor pattern for relationship intention during pilot study**

Item	Abbreviated statements	Factor loadings				
		F1	F2	F3	F4	F5
B21	High expectations	.51				
B22	Expect service to be better than other CNPs’ service	.74				
B23	Expect to offer value for money	.87				
B24	Expect to offer better value for money than other CNPs	.85				
B25	Expect latest cellular technology	.67				
B26	Expect low prices	.78				
B11	Forgive if quality of service below standard		.69			
B12	Forgive if quality of service below standard of other CNPs		.80			
B13	Forgive bad service		.88			
B14	Still support even if experienced bad service		.75			
B15	Forgive if more expensive		.56			
B6	Afraid to lose privileges			.85		
B7	Afraid to lose services			.85		
B8	Afraid to lose identification			.79		
B9	Afraid to lose relationship			.76		
B10	Emotional stress when switching from CNP			.56		
B16	Feedback on bad service				.85	
B17	Feedback on better than expected service				.84	
B18	Feedback when service meets expectations				.82	
B19	Provide feedback when restricted				.61	
B20	Provide feedback to improve service				.59	
B1	Proud customer					.87
B2	Proud of name or advertising					.80
B3	Feeling of satisfaction					.72
B4	Care about image					.59
B5	Recommended CNP					.48
<b>Cronbach alpha values</b>		.82	.86	.81	.83	.87

The discussion of each factor is set out below.

### Factor 1

The Cronbach alpha value for factor 1 is 0.82 and items 21, 22, 23, 24, 25 and 26 are retained. Factor 1 concerns the expectations respondents have of their cell phone network providers through the items loading on factor 1 determining if customers have high expectations of, and expect their cell phone network providers to provide better service than the other cell phone network providers, to offer value for money and more

value for money than other cell phone network providers along with the latest cellular technology and low prices. After considering the construct proposed by Kumar *et al.* (2003:670), and the labels used for factors identified in subsequent studies on relationship intention by Delport (2009:33-35) and De Jager (2006:73), factor 1 is labelled as **Expectations**.

## **Factor 2**

The Cronbach alpha value for factor 2 is 0.86 and items 11, 12, 13, 14 and 15 are retained. Factor 2 concerns the forgiveness respondents feel towards their cell phone network providers through measuring their forgiveness for low quality (be it below the cell phone network provider's own standards or in comparison to other cell phone network providers), bad service and being more expensive with the items loading on factor 2. After considering the construct proposed by Kumar *et al.* (2003:670) and the labels used for factors identified in subsequent studies on relationship intention by Delport (2009:33-35) and De Jager (2006:73), factor 2 is labelled as **Forgiveness**.

## **Factor 3**

The Cronbach alpha value for factor 3 is 0.81 and items 6, 7, 8, 9 and 10 are retained. Factor 3 concerns the fear respondents have of losing their relationship by the items loading on factor 3 measuring their fear of losing special privileges and services as well as identification and relationship with their cell phone network provider. After considering the construct proposed by Kumar *et al.* (2003:670) and the labels used for factors identified in subsequent studies on relationship intention by Delport (2009:33-35) and De Jager (2006:73), factor 3 is labelled as **Fear of relationship loss**.

## **Factor 4**

The Cronbach alpha value for factor 4 is 0.83 and items 16, 17, 18, 19 and 20 are retained. Factor 4 concerns the feedback respondents give to their cell phone network providers as items loading on factor 4 measures whether respondents will provide feedback on poor service, when service exceeds or meets expectations, when feedback is restricted and to improve the service of the cell phone network provider. After considering the construct proposed by Kumar *et al.* (2003:670) and the labels used for

factors identified in subsequent studies on relationship intention by Delport (2009:33-35) and De Jager (2006:73), factor 4 is labelled as **Feedback**.

### **Factor 5**

The Cronbach alpha value for factor 5 is 0.87 and items 1, 2, 3, 4 and 5 are retained. Factor 5 concerns the involvement of respondents with their cell phone network providers as pride in being a customer as well as the name and advertising of the cell phone network provider, respondents' feeling of satisfaction, concern about the image of the cell phone network provider and whether the respondents have recommended their cell phone network provider to others, are all measured with the items loading on factor 5. After considering the construct proposed by Kumar *et al.* (2003:670) and the labels used for factors identified in subsequent studies on relationship intention by Delport (2009:33-35) and De Jager (2006:73), factor 5 is labelled as **Involvement**.

**Main finding PS1:** From the factor analysis it could be determined that five factors were identified to measure respondents' relationship intention, namely: Expectations, Forgiveness, Fear of relationship loss, Feedback and Involvement.

This improved measure of relationship intention was used in section B on the questionnaire used for this study (see section 6.4.2.2).

APPENDIX C:  
CUSTOMISED QUESTIONNAIRES

# Vodacom



The purpose of this questionnaire is to determine your relationship with Vodacom. Completing the questionnaire will take no more than 15 minutes of your time. Taking part in this survey is completely anonymous. Please choose the option applicable by making an X on the appropriate number after each question.

### SECTION A:

1) Do you have a contract with Vodacom?

Yes	1
No	2

2) For how long have you used Vodacom's service?

Less than one year	1
1 year to less than 3 years	2
3 years to less than 5 years	3
5 years to less than 10 years	4
10 years and longer	5

3) Which of the following would best describe why you use Vodacom. (One answer only.)

It's cheap and affordable	1
The total package suits my needs	2
Easy billing	3
Handsets offered	4
Vodacom has coverage everywhere	5

Other: Please specify:

4) Why is your cell phone important to you? (You may choose more than one option.)

4.1	Means of communication	
4.2	Mxit	
4.3	Internet	
4.4	It's my lifeline	

Other: Please specify:

5) Why did you initially choose Vodacom? (You may choose more than one option.)

5.1	Low cost		5.5	Cheapest contract	
5.2	Quality of connection		5.6	Reputation of good service	
5.3	Best package		5.7	Vodacom had the handset I wanted	
5.4	Good coverage		5.8	My parents chose Vodacom	

6) Why do you stay with Vodacom? (You may choose more than one option.)

6.1	It works for me	
6.2	I experience no problems with Vodacom	
6.3	Vodacom's network's coverage is the best	
6.4	It's difficult to change to another cell phone network provider	
6.5	It's inconvenient to change to another cell phone network provider	
6.6	I can only change to another cell phone network provider when my contract expires	
6.7	They have the latest handsets	
6.8	I am satisfied with Vodacom	

7) Do you think you will stay with Vodacom in the future?

Yes No

8) Have you ever used other cell phone network providers in the past?

Yes	1
No	2

9) If you answered yes in question 8, how many times have you moved from one cell phone network provider to another?

Once	1
Twice	2
Three times	3
Four times or more	4

10) Which of the following aspects do you consider when you have to choose between Vodacom, MTN and Cell C? (You may choose more than one option.)

10.1	Coverage	
10.2	Benefits of the package (e.g. free minutes and free text messages)	
10.3	The handset	
10.4	Tariffs/call charges	
10.5	Extras coming with the contract (e.g. a free hi-fi or DVD player)	
10.6	Cell phone network service providers (e.g. Nashua Mobile and Altech Cellular)	
10.7	Image of the cell phone network provider	
10.8	Billing by the cell phone network provider	
10.9	Retailers selling cell phones or airtime (e.g. Game, Woolworths).	

11) Please indicate for each of the statements listed below which cell phone network provider you most associate with the statement. **(Please choose only one cell phone network provider per statement)**

	Cell C	Vodacom	MTN
11.1. Latest technology	1	2	3
11.2. Quickest	1	2	3
11.3. Cheapest	1	2	3
11.4. Best coverage	1	2	3
11.5. Best handsets	1	2	3
11.6. Most expensive	1	2	3
11.7. Coolest image	1	2	3
11.8. Best service	1	2	3

12) Who pays your cellular expenses?

My parents pay the expenses	1
I pay the expenses	2

## SECTION B:

Indicate to which degree you agree or disagree with each of the following statements (where 1 = no, definitely not; 2 = no; 3 = neutral; 4 = yes; and 5 = yes, definitely). (Only one answer per statement).

		No, definitely not			Yes, definitely	
		1	2	3	4	5
1	Are you proud to be a customer of Vodacom?	1	2	3	4	5
2	Are you proud when you see Vodacom's name or advertising materials?	1	2	3	4	5
3	Did you experience a feeling of satisfaction when you joined Vodacom?	1	2	3	4	5
4	Do you care about the image of Vodacom?	1	2	3	4	5
5	Have you ever recommended Vodacom to your friends or family?	1	2	3	4	5
6	Are you afraid that you might lose special Vodacom privileges by switching to MTN or Cell C?	1	2	3	4	5
7	Are you afraid to lose the services of Vodacom by switching to MTN or Cell C?	1	2	3	4	5
8	Are you afraid to lose your identification with Vodacom's brand name by switching to MTN or Cell C?	1	2	3	4	5
9	Are you afraid to lose your relationship with Vodacom by switching to MTN or Cell C?	1	2	3	4	5

# Appendix C: Customised Questionnaires

10	Would you experience emotional stress by switching to MTN or Cell C?	1	2	3	4	5
11	Do you forgive Vodacom if the quality of their service is sometimes below the standard you expect from them?	1	2	3	4	5
		No, definitely not			Yes, definitely	
12	Will you forgive Vodacom if the quality of their services is below the standard of MTN or Cell C?	1	2	3	4	5
13	Will you forgive Vodacom if you experience bad service from them?	1	2	3	4	5
14	Will you forgive Vodacom for bad service to the point that you keep on supporting them even if you have experienced bad service from them?	1	2	3	4	5
15	Will you forgive Vodacom if they are more expensive than MTN or Cell C?	1	2	3	4	5
16	Will you tell Vodacom when their service is poor?	1	2	3	4	5
17	Will you tell Vodacom if their service is better than you expect?	1	2	3	4	5
18	Will you tell Vodacom if their service meets your expectations?	1	2	3	4	5
19	Will you try to tell Vodacom about their service even though they restrict your attempt?	1	2	3	4	5
20	Will you take time to tell Vodacom about their service so that their service will improve?	1	2	3	4	5
21	Do you have high expectations of Vodacom's service?	1	2	3	4	5
22	Do you expect Vodacom's service to be better than MTN or Cell C's service?	1	2	3	4	5
23	Do you expect Vodacom to offer you value for your money?	1	2	3	4	5
24	Do you expect Vodacom to offer you more value for your money than MTN and Cell C?	1	2	3	4	5
25	Do you expect Vodacom to bring you the latest cellular technology?	1	2	3	4	5
26	Do you expect Vodacom to offer you low prices?	1	2	3	4	5

27) Do you want to build a long-term relationship with Vodacom?

Yes No

## SECTION C:

Here are a number of personality traits that may or may not apply to you. There are 10 statements. Please make an X on the number next to each statement to indicate the extent to which you *agree or disagree with that statement*. You should rate the extent to which the pair of traits applies to you, even if one characteristic applies more strongly than the other.

Statement: I see myself as	Disagree strongly 1	Disagree mode- rately 2	Disagree a little 3	Neither agree nor disagree 4	Agree a little 5	Agree mode- rately 6	Agree strongly 7
Extraverted, Enthusiastic	1	2	3	4	5	6	7
Critical, Quarrelsome	1	2	3	4	5	6	7
Dependable, Self- disciplined	1	2	3	4	5	6	7
Anxious, Easily upset	1	2	3	4	5	6	7
Open to new experiences, Complex	1	2	3	4	5	6	7
Reserved, Quiet	1	2	3	4	5	6	7
Sympathetic, Warm	1	2	3	4	5	6	7
Disorganised, Careless	1	2	3	4	5	6	7
Calm, Emotionally stable	1	2	3	4	5	6	7
Conventional, Uncreative	1	2	3	4	5	6	7

**SECTION D:**

Please choose the option applicable by making an X on the appropriate number after each question. (In this section the number has no significance and is only used to categorise the information.)

1) What is your current age?

I am 18 years old but younger than 19	1
I am 19 years old but younger than 20	2
I am 20 years old but younger than 21	3
I am 21 years old but younger than 22	4
I am 22 years old but younger than 23	5
I am 23 years old but younger than 24	6
I am 24 years old or older	7

2) What is your gender?

Male	1
Female	2

3) What is your population group?

Asian/Indian	1
Black	2
Brown	3
White	4

4) What is your home language?

Afrikaans	1
English	2
Nguni (Zulu, Xhosa, Swati, Ndebele)	3
Sotho (Sepedi, Sesotho, Tswana)	4
Venda/Tsonga	5
Other	6

8) Of which hostel are you a member?

Dinki	1
Bellatrix	2
La Varia	3
Eikenhof	4
Klawerhof	5
Oosterhof	6
Huis Republiek	7
Minjonet	8
Vergeet-My-Nie	9
Wag-'n-Bietjie	10
Wanda	11
Kasteel	12
Heide	13
Karlien	14
Weskampus	15

5) At which faculty are you registered?

Faculty of Arts	1
Faculty of Natural Sciences	2
Faculty of Theology	3
Faculty of Education Management	4
Faculty of Economic and Management Sciences	5
Faculty of Engineering	6
Faculty of Law	7
Faculty of Health Sciences	8

6) Approximate monthly cell phone expenses?

R10 to R60	1
R61 to R100	2
R101 to R150	3
R151 to R250	4
R251 to R350	5
More than R351	6

7) Year of study?

1 <sup>st</sup> year student	1
2 <sup>nd</sup> year student	2
3 <sup>rd</sup> year student	3
4 <sup>th</sup> year student	4
5 <sup>th</sup> year student or longer	5

Villagers	16
Heimat	17
Thaba-Jäh	18
Caput	19
Hombré	20
Ratau Leboné	21
Laureus	22
Over de Voor	23
Excelsior	24
Patria	25
Veritas	26
De Wilgers	27
Soetdorings	28
Puk Dorp	29
I don't stay in a hostel	30

# MTN

The purpose of this questionnaire is to determine your relationship with MTN. Completing the questionnaire will take no more than 15 minutes of your time. Taking part in this survey is completely anonymous. Please choose the option applicable by making an X on the appropriate number after each question.

## SECTION A:

1) Do you have a contract with MTN?

Yes	1
No	2

2) For how long have you used MTN's service?

Less than one year	1
1 year to less than 3 years	2
3 years to less than 5 years	3
5 years to less than 10 years	4
10 years and longer	5

3) Which of the following would best describe why you use MTN. (One answer only.)

It's cheap and affordable	1
The total package suits my needs	2
Easy billing	3
Handsets offered	4
MTN has coverage everywhere	5

Other: Please specify:

4) Why is your cell phone important to you? (You may choose more than one option.)

4.1	Means of communication	
4.2	Mxit	
4.3	Internet	
4.4	It's my lifeline	

Other: Please specify:

5) Why did you initially choose MTN? (You may choose more than one option.)

5.1	Low cost		5.5	Cheapest contract	
5.2	Quality of connection		5.6	Reputation of good service	
5.3	Best package		5.7	MTN had the handset I wanted	
5.4	Good coverage		5.8	My parents chose MTN	

6) Why do you stay with MTN? (You may choose more than one option.)

6.1	It works for me	
6.2	I experience no problems with MTN	
6.3	MTN's network's coverage is the best	
6.4	It's difficult to change to another cell phone network provider	
6.5	It's inconvenient to change to another cell phone network provider	
6.6	I can only change to another cell phone network provider when my contract expires	
6.7	They have the latest handsets	
6.8	I am satisfied with MTN	

7) Do you think you will stay with MTN in the future? ☐ Yes ☐ No

8) Have you ever used other cell phone network providers in the past?

Yes	1
No	2

9) If you answered yes in question 8, how many times have you moved from one cell phone network provider to another?

Once	1
Twice	2
Three times	3
Four times or more	4

10) Which of the following aspects do you consider when you have to choose between Vodacom, MTN and Cell C? (You may choose more than one option.)

10.1	Coverage	
10.2	Benefits of the package (e.g. free minutes and free text messages)	
10.3	The handset	
10.4	Tariffs/call charges	
10.5	Extras coming with the contract (e.g. a free hi-fi or DVD player)	
10.6	Cell phone network service providers (e.g. Nashua Mobile and Altech Cellular)	
10.7	Image of the cell phone network provider	
10.8	Billing by the cell phone network provider	
10.9	Retailers selling cell phones or airtime (e.g. Game, Woolworths).	

11) Please indicate for each of the statements listed below which cell phone network provider you most associate with the statement. **(Please choose only one cell phone network provider per statement)**

	Cell C	Vodacom	MTN
11.1. Latest technology	1	2	3
11.2. Quickest	1	2	3
11.3. Cheapest	1	2	3
11.4. Best coverage	1	2	3
11.5. Best handsets	1	2	3
11.6. Most expensive	1	2	3
11.7. Coolest image	1	2	3
11.8. Best service	1	2	3

12) Who pays your cellular expenses?

My parents pay the expenses	1
I pay the expenses	2

## SECTION B:

Indicate to which degree you agree or disagree with each of the following statements (where 1 = no, definitely not; 2 = no; 3 = neutral; 4 = yes; and 5 = yes, definitely). (Only one answer per statement).

		No, definitely not			Yes, definitely	
		1	2	3	4	5
1	Are you proud to be a customer of MTN?	1	2	3	4	5
2	Are you proud when you see MTN's name or advertising materials?	1	2	3	4	5
3	Did you experience a feeling of satisfaction when you joined MTN?	1	2	3	4	5
4	Do you care about the image of MTN?	1	2	3	4	5
5	Have you ever recommended MTN to your friends or family?	1	2	3	4	5
6	Are you afraid that you might lose special MTN privileges by switching to Vodacom or Cell C?	1	2	3	4	5
7	Are you afraid to lose the services of MTN by switching to Vodacom or Cell C?	1	2	3	4	5
8	Are you afraid to lose your identification with MTN's brand name by switching to Vodacom or Cell C?	1	2	3	4	5
9	Are you afraid to lose your relationship with MTN by switching to	1	2	3	4	5

Vodacom or Cell C?						
10	Would you experience emotional stress by switching to Vodacom or Cell C?	1	2	3	4	5
		No, definitely not			Yes, definitely	
11	Do you forgive MTN if the quality of their service is sometimes below the standard you expect from them?	1	2	3	4	5
12	Will you forgive MTN if the quality of their services is below the standard of Vodacom or Cell C?	1	2	3	4	5
13	Will you forgive MTN if you experience bad service from them?	1	2	3	4	5
14	Will you forgive MTN for bad service to the point that you keep on supporting them even if you have experienced bad service from them?	1	2	3	4	5
15	Will you forgive MTN if they are more expensive than Vodacom or Cell C?	1	2	3	4	5
16	Will you tell MTN when their service is poor?	1	2	3	4	5
17	Will you tell MTN if their service is better than you expect?	1	2	3	4	5
18	Will you tell MTN if their service meets your expectations?	1	2	3	4	5
19	Will you try to tell MTN about their service even though they restrict your attempt?	1	2	3	4	5
20	Will you take time to tell MTN about their service so that their service will improve?	1	2	3	4	5
21	Do you have high expectations of MTN's service?	1	2	3	4	5
22	Do you expect MTN's service to be better than Vodacom or Cell C's service?	1	2	3	4	5
23	Do you expect MTN to offer you value for your money?	1	2	3	4	5
24	Do you expect MTN to offer you more value for your money than Vodacom and Cell C?	1	2	3	4	5
25	Do you expect MTN to bring you the latest cellular technology?	1	2	3	4	5
26	Do you expect MTN to offer you low prices?	1	2	3	4	5

27) Do you want to build a long-term relationship with MTN?

☐ Yes
☐ No
**SECTION C:**

Here are a number of personality traits that may or may not apply to you. There are 10 statements. Please make an X on the number next to each statement to indicate the extent to which you *agree or disagree with that statement*. You should rate the extent to which the pair of traits applies to you, even if one characteristic applies more strongly than the other.

Statement: I see myself as	Disagree strongly 1	Disagree mode- rately 2	Disagree a little 3	Neither agree nor disagree 4	Agree a little 5	Agree mode- rately 6	Agree strongly 7
Extraverted, Enthusiastic	1	2	3	4	5	6	7
Critical, Quarrelsome	1	2	3	4	5	6	7
Dependable, Self- disciplined	1	2	3	4	5	6	7
Anxious, Easily upset	1	2	3	4	5	6	7
Open to new experiences, Complex	1	2	3	4	5	6	7
Reserved, Quiet	1	2	3	4	5	6	7
Sympathetic, Warm	1	2	3	4	5	6	7
Disorganised, Careless	1	2	3	4	5	6	7
Calm, Emotionally stable	1	2	3	4	5	6	7
Conventional, Uncreative	1	2	3	4	5	6	7



**SECTION D:**

Please choose the option applicable by making an X on the appropriate number after each question. (In this section the number has no significance and is only used to categorise the information.)

1) What is your current age?

I am 18 years old but younger than 19	1
I am 19 years old but younger than 20	2
I am 20 years old but younger than 21	3
I am 21 years old but younger than 22	4
I am 22 years old but younger than 23	5
I am 23 years old but younger than 24	6
I am 24 years old or older	7

2) What is your gender?

Male	1
Female	2

3) What is your population group?

Asian/Indian	1
Black	2
Brown	3
White	4

4) What is your home language?

Afrikaans	1
English	2
Nguni (Zulu, Xhosa, Swati, Ndebele)	3
Sotho (Sepedi, Sesotho, Tswana)	4
Venda/Tsonga	5
Other	6

8) Of which hostel are you a member?

Dinki	1
Bellatrix	2
La Varia	3
Eikenhof	4
Klawerhof	5
Oosterhof	6
Huis Republiek	7
Minjonet	8
Vergeet-My-Nie	9
Wag-'n-Bietjie	10
Wanda	11
Kasteel	12
Heide	13
Karliën	14
Weskampus	15

5) At which faculty are you registered?

Faculty of Arts	1
Faculty of Natural Sciences	2
Faculty of Theology	3
Faculty of Education Management	4
Faculty of Economic and Management Sciences	5
Faculty of Engineering	6
Faculty of Law	7
Faculty of Health Sciences	8

6) Approximate monthly cell phone expenses?

R10 to R60	1
R61 to R100	2
R101 to R150	3
R151 to R250	4
R251 to R350	5
More than R351	6

7) Year of study?

1 <sup>st</sup> year student	1
2 <sup>nd</sup> year student	2
3 <sup>rd</sup> year student	3
4 <sup>th</sup> year student	4
5 <sup>th</sup> year student or longer	5

Villagers	16
Heimat	17
Thaba-Jäh	18
Caput	19
Hombré	20
Ratau Leboné	21
Laureus	22
Over de Voor	23
Excelsior	24
Patria	25
Veritas	26
De Wilgers	27
Soetdorings	28
Puk Dorp	29
I don't stay in a hostel	30

# Cell C

The purpose of this questionnaire is to determine your relationship with Cell C. Completing the questionnaire will take no more than 15 minutes of your time. Taking part in this survey is completely anonymous. Please choose the option applicable by making an X on the appropriate number after each question.

### SECTION A:

1) Do you have a contract with Cell C?

Yes	1
No	2

2) For how long have you used Cell C's service?

Less than one year	1
1 year to less than 3 years	2
3 years to less than 5 years	3
5 years to less than 10 years	4
10 years and longer	5

3) Which of the following would best describe why you use Cell C. (One answer only.)

It's cheap and affordable	1
The total package suits my needs	2
Easy billing	3
Handsets offered	4
Cell C has coverage everywhere	5

Other: Please specify:

4) Why is your cell phone important to you? (You may choose more than one option.)

4.1	Means of communication	
4.2	Mxit	
4.3	Internet	
4.4	It's my lifeline	

Other: Please specify:

5) Why did you initially choose Cell C? (You may choose more than one option.)

5.1	Low cost		5.5	Cheapest contract	
5.2	Quality of connection		5.6	Reputation of good service	
5.3	Best package		5.7	Cell C had the handset I wanted	
5.4	Good coverage		5.8	My parents chose Cell C	

6) Why do you stay with Cell C? (You may choose more than one option.)

6.1	It works for me	
6.2	I experience no problems with Cell C	
6.3	Cell C's network's coverage is the best	
6.4	It's difficult to change to another cell phone network provider	
6.5	It's inconvenient to change to another cell phone network provider	
6.6	I can only change to another cell phone network provider when my contract expires	
6.7	They have the latest handsets	
6.8	I am satisfied with Cell C	

7) Do you think you will stay with Cell C in the future?

Yes	No
-----	----

8) Have you ever used other cell phone network providers in the past?

Yes	1
No	2

9) If you answered yes in question 8, how many times have you moved from one cell phone network provider to another?

Once	1
Twice	2
Three times	3
Four times or more	4

10) Which of the following aspects do you consider when you have to choose between Vodacom, MTN and Cell C? (You may choose more than one option.)

10.1	Coverage	
10.2	Benefits of the package (e.g. free minutes and free text messages)	
10.3	The handset	
10.4	Tariffs/call charges	
10.5	Extras coming with the contract (e.g. a free hi-fi or DVD player)	
10.6	Cell phone network service providers (e.g. Nashua Mobile and Altech Cellular)	
10.7	Image of the cell phone network provider	
10.8	Billing by the cell phone network provider	
10.9	Retailers selling cell phones or airtime (e.g. Game, Woolworths).	

11) Please indicate for each of the statements listed below which cell phone network provider you most associate with the statement. **(Please choose only one cell phone network provider per statement)**

	Cell C	Vodacom	MTN
11.1. Latest technology	1	2	3
11.2. Quickest	1	2	3
11.3. Cheapest	1	2	3
11.4. Best coverage	1	2	3
11.5. Best handsets	1	2	3
11.6. Most expensive	1	2	3
11.7. Coolest image	1	2	3
11.8. Best service	1	2	3

12) Who pays your cellular expenses?

My parents pay the expenses	1
I pay the expenses	2

## SECTION B:

Indicate to which degree you agree or disagree with each of the following statements (where 1 = no, definitely not; 2 = no; 3 = neutral; 4 = yes; and 5 = yes, definitely). (Only one answer per statement).

		No, definitely not			Yes, definitely	
		1	2	3	4	5
1	Are you proud to be a customer of Cell C?	1	2	3	4	5
2	Are you proud when you see Cell C's name or advertising materials?	1	2	3	4	5
3	Did you experience a feeling of satisfaction when you joined Cell C?	1	2	3	4	5
4	Do you care about the image of Cell C?	1	2	3	4	5
5	Have you ever recommended Cell C to your friends or family?	1	2	3	4	5
6	Are you afraid that you might lose special Cell C privileges by switching to Vodacom or MTN?	1	2	3	4	5
7	Are you afraid to lose the services of Cell C by switching to Vodacom or MTN?	1	2	3	4	5
8	Are you afraid to lose your identification with Cell C's brand name by switching to Vodacom or MTN?	1	2	3	4	5
9	Are you afraid to lose your relationship with Cell C by switching to	1	2	3	4	5

	Vodacom or MTN?					
10	Would you experience emotional stress by switching to Vodacom or MTN?	1	2	3	4	5
		No, definitely not			Yes, definitely	
11	Do you forgive Cell C if the quality of their service is sometimes below the standard you expect from them?	1	2	3	4	5
12	Will you forgive Cell C if the quality of their services is below the standard of Vodacom or MTN?	1	2	3	4	5
13	Will you forgive Cell C if you experience bad service from them?	1	2	3	4	5
14	Will you forgive Cell C for bad service to the point that you keep on supporting them even if you have experienced bad service from them?	1	2	3	4	5
15	Will you forgive Cell C if they are more expensive than Vodacom or MTN?	1	2	3	4	5
16	Will you tell Cell C when their service is poor?	1	2	3	4	5
17	Will you tell Cell C if their service is better than you expect?	1	2	3	4	5
18	Will you tell Cell C if their service meets your expectations?	1	2	3	4	5
19	Will you try to tell Cell C about their service even though they restrict your attempt?	1	2	3	4	5
20	Will you take time to tell Cell C about their service so that their service will improve?	1	2	3	4	5
21	Do you have high expectations of Cell C's service?	1	2	3	4	5
22	Do you expect Cell C's service to be better than Vodacom or MTN's service?	1	2	3	4	5
23	Do you expect Cell C to offer you value for your money?	1	2	3	4	5
24	Do you expect Cell C to offer you more value for your money than Vodacom and MTN?	1	2	3	4	5
25	Do you expect Cell C to bring you the latest cellular technology?	1	2	3	4	5
26	Do you expect Cell C to offer you low prices?	1	2	3	4	5

27) Do you want to build a long-term relationship with Cell C?

Yes	No
-----	----

**SECTION C:**

Here are a number of personality traits that may or may not apply to you. There are 10 statements. Please make an X on the number next to each statement to indicate the extent to which you *agree or disagree with that statement*. You should rate the extent to which the pair of traits applies to you, even if one characteristic applies more strongly than the other.

Statement: I see myself as	Disagree strongly 1	Disagree mode- rately 2	Disagree a little 3	Neither agree nor disagree 4	Agree a little 5	Agree mode- rately 6	Agree strongly 7
Extraverted, Enthusiastic	1	2	3	4	5	6	7
Critical, Quarrelsome	1	2	3	4	5	6	7
Dependable, Self- disciplined	1	2	3	4	5	6	7
Anxious, Easily upset	1	2	3	4	5	6	7
Open to new experiences, Complex	1	2	3	4	5	6	7
Reserved, Quiet	1	2	3	4	5	6	7
Sympathetic, Warm	1	2	3	4	5	6	7
Disorganised, Careless	1	2	3	4	5	6	7
Calm, Emotionally stable	1	2	3	4	5	6	7
Conventional, Uncreative	1	2	3	4	5	6	7

**SECTION D:**

Please choose the option applicable by making an X on the appropriate number after each question. (In this section the number has no significance and is only used to categorise the information.)

1) What is your current age?

I am 18 years old but younger than 19	1
I am 19 years old but younger than 20	2
I am 20 years old but younger than 21	3
I am 21 years old but younger than 22	4
I am 22 years old but younger than 23	5
I am 23 years old but younger than 24	6
I am 24 years old or older	7

2) What is your gender?

Male	1
Female	2

3) What is your population group?

Asian/Indian	1
Black	2
Brown	3
White	4

4) What is your home language?

Afrikaans	1
English	2
Nguni (Zulu, Xhosa, Swati, Ndebele)	3
Sotho (Sepedi, Sesotho, Tswana)	4
Venda/Tsonga	5
Other	6

8) Of which hostel are you a member?

Dinki	1
Bellatrix	2
La Varia	3
Eikenhof	4
Klawerhof	5
Oosterhof	6
Huis Republiek	7
Minjonet	8
Vergeet-My-Nie	9
Wag-'n-Bietjie	10
Wanda	11
Kasteel	12
Heide	13
Karliën	14
Weskampus	15

5) At which faculty are you registered?

Faculty of Arts	1
Faculty of Natural Sciences	2
Faculty of Theology	3
Faculty of Education Management	4
Faculty of Economic and Management Sciences	5
Faculty of Engineering	6
Faculty of Law	7
Faculty of Health Sciences	8

6) Approximate monthly cell phone expenses?

R10 to R60	1
R61 to R100	2
R101 to R150	3
R151 to R250	4
R251 to R350	5
More than R351	6

7) Year of study?

1 <sup>st</sup> year student	1
2 <sup>nd</sup> year student	2
3 <sup>rd</sup> year student	3
4 <sup>th</sup> year student	4
5 <sup>th</sup> year student or longer	5

Villagers	16
Heimat	17
Thaba-Jäh	18
Caput	19
Hombré	20
Ratau Leboné	21
Laureus	22
Over de Voor	23
Excelsior	24
Patria	25
Veritas	26
De Wilgers	27
Soetdorings	28
Puk Dorp	29
I don't stay in a hostel	30

APPENDIX D:  
ASSISTANCE IN  
STATISTICAL ANALYSIS



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14 April 2010

To whom it may concern

Re: Dissertation L M Kruger, student number: 20062931

We hereby confirm that the Statistical Consultation Service of the North-West University has analysed the data and assisted with the interpretation of the results.

Kind regards

Mrs J W Breytenbach (MSc)