THE ROLE OF CULTURAL DIVERSITY IN BRAND MANAGEMENT SUCCESS IN THE

SOUTH AFRICAN CELLULAR INDUSTRY

BY

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DECLARATION

I declare that *The Role of Cultural Diversity in Brand Management Success in the South African Cellular Industry* is my own work and that all sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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N.M. Rammile   Date

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Abstract

The focus of this study was on cultural diversity and its possible impact on brand management in the cellular industry. The study showed that cultural diversity, as one of the important aspects in the consumer's environment, is important to consider when carrying out brand management and branding activities. Doing so will play a role in influencing consumers to make favourable purchasing decisions.

Data were collected from Free State Province individuals (510). Cross-tabulations, factor analysis and cluster analysis were carried out on the database. The study resulted in the identification of four clusters. The cultural diversity components used to identify these clusters were: age, gender, race, social class and lifestyle. These clusters had different characteristics from one another. In each cluster there was a difference in lifestyle characteristics and perception of brand equity. There was also a difference in the reasons why a cellular phone is used.

The results about the clusters show that no single approach can be used to target them. There has to be different approaches of which each can also be an opportunity for marketing managers to differentiate their branding activities. The manner in which clusters were identified is complex and yet gives insightful information which will help marketing managers make better decisions. In other words simple segment approaches should be avoided. Also, the clusters are not constant; they evolve over time. It is therefore suggested that such an activity should be reviewed more often.

The main contribution of this study is that cultural diversity is an integral part of brand management from the perspective of the consumer. Furthermore, consumers can no longer just be defined by cultural diversity components in isolation, i.e. age, gender, race, social class and lifestyle. Their definition will vary depending on the industry in concern. In other words, the consumers will need to be defined by the unique clusters they belong to and these clusters will be different depending on the industry concerned.

Opsomming

Die fokus van hierdie studie was op kulturele diversiteit en die moontlike impak daarvan op handelsnaambestuur in die selfoonbedryf Die studie het aangetoon dat kulturele diversiteit, as een van die belangrikste aspekte in die verbruikersomgewing, 'n belangrike oorweging is wanneer handelsnaambestuur en aktiwiteite rondom die handelsnaam plaasvind. Dit sal 'n rol speel by die beïnvloeding van verbruikers om gunstige aankoopbesluite te maak.

Data van Vrystaatse individue (510) is versamel. Kruistabellering, faktoranalise en bondelanalise is op die databasis toegepas. Die studie het die identifikasie van vier bondels opgelewer. Die kulturele diversiteitskomponente wat gebruik is om hierdie bondels te identifiseer is: ouderdom, geslag, ras, sosiale stand en leefstyl. Die eienskappe van hierdie klusters verskil van mekaar. In elke kluster was daar 'n verskil in leefstyleienskappe en die persepsie dat handelsname gelyk teenoor mekaar staan. Daar was ook verskillende redes waarom 'n selfoon gebruik word.

Die resultate rakende die klusters toon dat geen enkele benadering gebruik kan word om hulle te teiken nie. Daar moet verskillende benaderings wees waarvan elkeen ook 'n geleentheid vir bemarkingsbestuurders kan wees om hulle onderskeie handelsname te differensieer. Die wyse waarop klusters geïdentifiseer is, is kompleks, dog dit verskaf insiggewende inligting wat bemarkingsbestuurders sal help om beter besluite te neem. Eenvoudige segmentbenaderings behoort met ander woorde vermy te word. Verder is die klusters nie konstant nie; hulle ontwikkel met verloop van tyd. Daarom word voorgestel dat sodanige aktiwiteite meer dikwels hersien behoort te word.

Die vernaamste bydrae van hierdie studie is dat kulturele diversiteit 'n integrale deel van handelsnaambestuur vanuit die perspektief van die verbruiker uitmaak. Verder kan verbruikers nie langer bloot gedefinieer word deur kulturele diversiteitskomponente in isolasie, met ander woorde, ouderdom, geslag, ras, sosiale stand en leefstyl nie. Hulle definisie sal wissel afhangende van die betrokke industrie. Verbruikers sal met ander

woorde deur die unieke klusters waartoe hulle behoort, gedefinieer moet word en hierdie bondels sal, afhangende van die betrokke industrie, van mekaar verskil.

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CHAPTER 1

INTRODUCTION

1.1   INTRODUCTION

In all companies branding plays a major role that enables each company to distinguish itself from competitors. Due to the impact of increasing global competition, it is imperative for companies to rise to the challenge of remaining competitive in order to succeed. The high level of competition means that the role of branding has extended not just to identifying products by their names, but branding also gives products a profound meaning. Brands do this by creating an awareness, prominence and reputation for a company. Their symbolic meaning enables them to form a bond with the consumer (Sung & Tinkham, 2005: 336). The question to be answered is how important is taking cognisance of cultural diversity when branding (in general, but also the cellular industry in particular) is done in a diverse cultural environment and how to do branding in a diverse cultural environment. This represents a major challenge when positioning brands since research findings indicate that consumers remember seven brands in their mind (Darling, 2001: 210).

One of the functions of branding is to connect the company with its target market. It makes sense then, to say that an understanding of the target market will inform how branding should be carried out. One of the main components that explain how the market is composed in terms of how it behaves is cultural diversity. Cultural diversity is made up of age, gender, race, social class and lifestyle (Hoyer & Macinnis, 2010). Consequently, cultural diversity gives more clarity about the target market, which then informs managers/marketing managers to carry out the branding activity in a relevant manner. The sections which follow give more detail about the background of the study and the problem statement.

1.2   BACKGROUND

In South Africa there are four cellular operators, Vodacom, MTN, Cell C and Virgin Mobile, which all have experienced phenomenal growth as far as the penetration of

the market is concerned. The growth has increased from 49% in 2005 to 70.9% of the population in 2006. This growth was driven by a 53.3% increase in prepaid customers and a 26.3% increase in contract customers (Kwinika, 2006). The cellular operators broke the 100% penetration barrier in 2008 (Cellular-news.com, 2009). South Africa had more than 25 million cellular phones in use, and every month there was an additional 1 million people who joined in (Cellular–news.com, 2005). Currently there are 44.51 million cellular phone users (Cellular-news.com, 2009). One of the major reasons for this growth is due to the fact that cellular operators have reached the previously disadvantaged groups, which had no access to telecommunications, thereby improving their quality of life (Markinor/Sunday Times Top Brands Business-to-Consumer Survey, 2005: 107).

The concern for the cellular service providers is that the South African market has reached saturation. In South Africa more than 90% of cellular customers do not have a contract, which means that they can move between networks based on the paramount deal on offer, as indicated in the prevalent churn of approximately 30% in the prepaid market. That means 30% of all prepaid customers choose to either change their network or no longer have a cellular phone every year (Cellular-news.com, 2005). Owing to the high levels of competition and saturation, the prices in this industry keep on coming down. As penetration has reached 101.8% (Cellular-news.com, 2009) prices will keep decreasing as competition increases. Consequently, price cannot remain the key strategy to survive the competition in the cellular industry. Other means need to be utilised, of which branding is one of the most important ones.

All cellular networks have to strongly consolidate the position of their brands in the market place and this position can be supported when offerings are differentiated in ways that consumers find meaningful and appropriate. For example, the research findings done by Markinor South Africa (2009) showed that Vodacom and MTN were in the top ten companies that did the most for community upliftment. These findings further indicated that when it came to South Africa's favourite advertisements, Vodacom was first, MTN was third (Coca-Cola was second) and Cell C was fifth (KFC was fourth). Finally, when it came to the coolest brands, Vodacom was fifth, MTN

was ninth and Cell C was 23rd in the top 50. Virgin Mobile did not feature in these rankings.

Like many other countries, South Africa has a unique culture. The challenge is to create cultural relevance in the market (which also continues to change), while at the same time ensuring that the brand remains consistent and acceptable across different cultures. To be able to do so, the cellular industry in South Africa needs to recognise that consideration of cultural diversity could be instrumental in creating cultural relevance. Cultural diversity means that groups of people differ from one another in terms of value systems, which is the result of shared life experiences and circumstances (Solomon, 2007: 449–476 & 543; Kotler & Armstrong, 2008: 131–133).

Such consideration can serve to assist the designing of marketing programmes that are tailored to the specific needs of customers. Consequently, the nature of branding in the cellular industry will continue to change dramatically over the next few years, due to emerging new trends like environmental changes brought about by technology. It is therefore necessary for brands in the cellular industry to listen to what their customers want and understand their needs, as the market will become more discerning in the coming years (Mkhasibe, 2005: 28). O'Donnell (2005) further states that there is a reality of cultural diversity that must be recognised.

1.3 PROBLEM STATEMENT

South Africa as an emerging market is experiencing changes, which means new consumption patterns are being established. While change means that consumers are changing, certain aspects of consumers are not changing, at least not radically. One of these aspects is their culture, which is the foundation of their respective identities. Culture, as one of a few social aspects of decision-making, plays a more dominant role in shaping consumption patterns (Salmi & Sharafutdinova, 2008: 384). The extent to which the services provided to the consumers will be absorbed will be determined by the extent to which the offer fits within their different cultures. According to Salmi and Sharafutdinova (2008: 384), the culture of a nation plays a role in how technological services are received by consumers, particularly in the

cellular market. Bouwman *et al.* (2008: 90) further state that there are vast differences in the cellular market and the varying segments which exist as a result, need to be analysed clearly. These would be based on aspects such as age, gender, race, social class and lifestyle.

According to Kim *et al.* (2002: 484), consumers are constantly on the lookout for brands that carry cultural benefits. Luna and Gupta (2001: 45) support this view by saying that consumers who are individualist or collectivist will use brands for self-expressive purposes, either to differentiate themselves from referent others or to reassert their similarity with members of their reference groups. It is therefore critical to know the composition of the market as this will be indicative of the benefits sought by culturally different customers from the same brand. Differentiation of brand positioning can consequently be achieved in consumers' minds by embarking on brand personality attributes, which enable the consumer to be self-expressive in a way that is unique and meaningful in their cultural make-up (Sung & Tinkham, 2005: 337).

Success will not result in doing what worked in the past, because as the market changes, the business approach must also adjust accordingly. It is also not always possible to predict what changes will occur in consumers and what values they will embrace. That means the consumer's behaviour is not just shaped by one specific culture, but by other cultures as well. There is a need for cultural influence to be evaluated, as it varies depending on the product concerned (Zhang & Neelankavil, 1997: 147).

Marketers must have some knowledge regarding the extent to which local culture plays a role in order to be effective in managing the brands. Craig and Douglas (2006: 322) find that culture is becoming more and more deterritorialised and is penetrated by elements from other cultures. The challenge, when managing brands, lies in finding the cultural differences to focus on (Lamb *et al.*, 2005: 210). Focusing closely on significant cultural differences of consumers as far as their needs and self-views are concerned can assist in predicting how brands will be perceived. As a result, successful branding can be achieved (Sung & Tinkham, 2005: 337). Brands

can thus be used as a competitive advantage.

What also contribute to the success of brands when managed from the perspective of cultural diversity are the similarities that exist between the two. These similarities are mentioned by Simeon (2006: 465) as being that both culture and brands:

- are promoted and distributed symbols/activities that exert influence and add value once they are consumed and diffused;
- have emotional and utilitarian dimensions;
- are influenced by both the consumers and producers;
- assist consumers to better understand, categorise and interpret information; and
- can energise each other.

The findings of Simeon (2006: 463) prove that positive views of culture are transferred to brands associated with it. Branding can then be successful in linking cultural values to consumer goods. The aim would be to influence the behaviour of consumers towards purchasing a product or service. This can be achieved, seeing that cultural diversity is a national structure that influences an individual's behaviour (Garolera, 2001: 493).

The consumer market where the cellular industry in South Africa operates is undergoing major changes as far as its composition is concerned. The rate of change between the various target markets is not the same. The driving force behind their brands is to ensure consistency and competitive advantage. This can be achieved if the changing influences in the environment are detected and proper adjustments are then made.

It is apparent that the cellular telecommunications industry in South Africa needs to brand itself effectively in a market that is constantly changing in order to gain a competitive advantage. The branding strategies need to be customer-centric, since success will be determined by whether the needs in the respective target markets are met. In order to be customer-centric, knowledge about cultural diversity, which is one of the influencing factors on the behaviour of consumers, needs to be

considered. It is thus important to determine if and how cultural diversity impacts on branding in the South African environment and specifically in the cellular telecommunications industry. Hence it is appropriate that the branding activities regarding success in this industry should be empirically investigated. To date, a study of this nature has not yet been undertaken in the South African market.

1.4 PURPOSE AND OBJECTIVES

1.4.1 Purpose of the study

This study aims to investigate and analyse cultural diversity and its impact on branding from a consumer's perspective, with the aim to explain its relevance in brand strategies and the management thereof.

1.4.2 Objectives of the study

The achievement of the objectives of the study will lead to the attainment of the overall objective. The following are the objectives that will be pursued in the study:

- To gain more detail on the South African cellular industry;
- To analyse cultural diversity in South Africa;
- To observe the brand management process in a service business;
- To investigate the characteristics of South African cellular phone users;
- To examine the importance of cultural diversity as a determinant of brand success;
- To identify user segments or target markets and the characteristics of cellular phone users in South Africa; and
- To provide recommendations around branding strategies for management in the cellular telecommunications industry.

1.5 RESEARCH METHODOLOGY

The objective of the study will be achieved in two phases, namely a literature study and empirical research.

1.5.1 Literature Study

The literature study is undertaken to analyse and investigate branding and its characteristics from the perspective of consumers within a cultural context. The literature that covers branding in general, as well as positioning and strategic positioning, is also included. The cellular telecommunications industry in South Africa is observed as part of the literature. This provides a thorough description of the industry in terms of function and operation. The overall aim of the literature study is to establish, assemble and integrate theoretical material pertaining to the strategic approach when positioning the brands. Textbooks, journal articles and websites are utilised to achieve this purpose.

1.5.2 Empirical Study

The empirical research will be based on the outcomes of the literature study. The implication is that the concepts and principles identified in theory will be tested in the empirical research. Once this is achieved, recommendations will be provided and conclusions will be drawn at the end. The empirical research will be conducted through various stages. These stages are research design, research measurement, sampling, and field work and data analysis.

1.5.3 The Study Area and Target Population

The clarification of the research problem and sampling methodology comprise the research design. The target population of this study comprised cellular phone users from the four municipalities in the Free State. The fifth municipality, Xhariep, is the smallest and due to financial constrains it was left out. Leaving it out would not impact on the results negatively since it was the smallest. To select the participants in the study, simple random sampling was utilised. In simple random sampling each member of the population has an equal chance of being selected and this is achieved through the utilisation of tables of random numbers (Zikmund, 2003: 301).

Considering that the cellular telecommunications industry in South Africa does not hold a database for non-contract clients, the non-probability sampling instead of the probability sampling will be utilised. It is only now that RICA is in the process of

creating a database in South Africa, which will only be finalised during mid-2010. This is why the respondents were selected on the basis of personal discretion and convenience (Crouch & Housden, 2003: 151; Zikmund, 2003: 297). The non-probability sampling method utilised was the quota sampling. The advantage of quota sampling is that it ensures that various subgroups in a population are represented in relevant sample characteristics to the required extent (Crouch & Housden, 2003: 158; Zikmund, 2003: 300). It was possible to ensure that known characteristics of the population are represented in the correct proportions; hence all other data collected are represented in the correct proportions.

1.5.4 Data Collection

A structured questionnaire was used. This is considered appropriate for the study as it consists of a series of questions designed to elicit appropriate responses regarding cultural diversity and branding. These questionnaires were distributed at shopping malls and shopping complexes.

1.5.5 Data Analysis

To analyse the data frequency, analysis was used to explain the make-up of the study population. A factor analysis and a cluster analysis were used to identify the market segments that exist in the cellular industry. Cross-tabulations were used to identify the significant relationship between the clusters that emerged and aspects of cultural diversity. The decision-tree analysis was finally used for recommendation purposes when it came to predicting which consumers would belong to the different market segments.

1.6 SUMMARY

To become a global player in business, the South African cellular industry must remain competitive in its branding strategy amongst other things. It is therefore vital to verify the relevance of their branding activities in the market. The focus of this study is specifically on examining the relationship that exists between culture and branding and to ascertain if there is an impact when branding activity is carried out. The literature analysis of branding and culture marks the beginning of the study.

From the basis of the literature, the empirical research design will be conducted. The contextual nature of the cellular industry in South Africa, the cultural diversity components influencing the behaviour of consumers, and brand management will be analysed. The merging of literature and empirical research results will lead to the recommendations for the cellular industry when dealing with brand management.

The study is outlined as follows:

- Chapter 1 introduces the study through the formulation of the issue being addressed, a description of the problem, and the objectives of the study and research methodology.

- Chapter 2 deals with the South African cellular telecommunications industry. The function and operation of the industry will be dealt with. This chapter also deals with the regulation of the industry and the challenges it faces.

- Chapter 3 addresses cultural diversity from the perspective of consumer behaviour. Different components of cultural diversity are observed.

- Chapter 4 addresses brand management within a marketing perspective. Here the process of brand management is also observed.

- Chapter 5 explains the research methodology and data analysis utilised in the study.

- Chapter 6 provides an analysis of the results of the empirical investigation.

- Chapter 7 summarises the entire study with conclusions and recommendations for the South African cellular industry.

CHAPTER TWO

THE SOUTH AFRICAN TELECOMMUNICATIONS INDUSTRY

2.1 INTRODUCTION

The telecommunications industry in South Africa faces the challenges of a developing economy. The industry has more potential to contribute to the growth and the development of the economy, despite the developments realised so far. For more growth and development to continue, the policy and regulatory strategies need to be reviewed (Esselaar *et al.*, 2006: 1). Improvement in the telecommunications services access and price reductions will lead to more participation of the poor in the economy and a 6% growth in the economy (Genesis Analytics, 2005: 1). The proper administration of the policy and regulatory strategies will create an environment in the market conducive to an increase in competition. Competition in the telecommunications industry is critical as it brings various advantages for growth in this sector. These advantages include price reductions, technological developments and a high quality of standards of telecommunication services (NetTel @ Africa, 2008).

As a developing economy, access to telecommunications resources in South Africa is a critical challenge. This digital divide in the country is part of the main focus of regulation while engaging in the effort to liberalise the telecommunications industry (White, 2008: 3). Next to the challenge of digital divide there is the monopoly in the telecommunications environment in South Africa. This means that South African consumers are charged excessive prices while they get a compromised quality of service due to technological developments being limited (NetTel @ Africa, 2008). Due to such challenges, the *Telecommunications Act* (Sections 1 and 4[1] of the ICASA Act) aims to:

- Promote universal service;
- Transfer ownership to people from previously disadvantaged groups; and
- Ensure fair competition.

The challenges in the telecommunications industry need to be appropriately and effectively dealt with since this industry is the driving force behind globalisation and it also influences how a country can be effective in the global economy (Love, 2005: 3). It is in view of the challenges and the state of affairs in the telecommunications industry in South Africa that this chapter develops focus. The focus will be on the regulation in the telecommunications industry, competition in the telecommunications industry, market trends in the telecommunications industry and the role of the telecommunications industry in economic development.

2.2 MARKET STRUCTURE

In the telecommunications industry, the market structure is organised around the traditional vertically-integrated PSTN (public switched telecommunications network) operators, which is a duopoly with the new entrant offering limited services. There are three mobile operators of which two are dominant incumbents. Then there is Sentech, which is a multimedia network with international gateway and is a carrier of carriers licence. There are also seven licensed under-serviced area licensees (USALS). There are also over 344 value-added network service (VANS) licensees (Esselaar *et al.*, 2006: 26). This structure is further clarified in table 3.1.

Table 2.1: Licensees in South Africa

Operator	
PSTN	Telkom, Neotel
Mobile Communication Network operators	Vodacom, MTN, Cell C and Virgin Mobile
Multimedia and international carrier-of-carriers operator	Sentech
USAL	Ilizwe Telecommunications Amatole Telecommunications Services Bokone Telecoms Kingdom Communications Thinta Thinta Telecoms

	Karabo Telecoms
	Bokamoso Consortium
VANS	344 operational

Source: Adopted from the *Telecommunications Amendment Act of 2001* (Esselaar *et al.*, 2006: 26)

The Minster of Telecommunications is responsible for the Department of Communications, which oversees the overall telecommunications industry. Together with ICASA (Independent Communications Authority of South Africa), the Minister regulates the telecommunications industry. There are three categories in the structure. The first category is composed of fixed wire (one operator: Telkom), cellular (four operators: MTN, Vodacom, Cell C and Virgin Mobile), switched mobile data (Wireless Business Solutions), radio trunking (three operators: Q-trunk, Fleetcall, One-to-One) and paging (23 operators: Autopage and Radiospoor are dominant). The second category is composed of VANS (Telkom, Debis, IBM Omnilink, FirstNet, and EDS Africa). The last category is composed of public broadcasting (SABC TV 1, 2 and 3 and SABC Radio with 18 stations), private broadcasting (e-TV, M Net, 18 radio stations and 100 community radio stations), signal distribution (Sentech and Orbicom are dominant operators) and public enterprise (two operators: Transtel and Eskom). This is further clarified in figure 3.1. It is important to note at this juncture that even though the structure of the entire telecommunications industry is displayed, much focus will be on the cellular aspect of the structure, because this study is specifically on the cellular telecommunications providers, which are MTN, Vodacom and Cell C. Virgin Mobile was not included in the observation because of the poor response from its clients.

Figure 2.1: The South African Telecommunications Structure

South Africa's Telecommunications Structure

Minister of Telecommunications

Minister of Public Enterprises

Parliamentary Portfolio Committee on Telecommunications

Department of Communications

Independent Communications Authority of South Africa (**ICASA**)

Fixed Wire
1 Operator: Telkom
Technology: range of technologies

Cellular
2 Operators: MTN,Vodacom
Technology: GSM

Switched Mobile Data
Wireless Business Solutions

Radio Trunking
3 Operators
Dominant Operators: Q-Trunk, Fleetcall, One to One
Technology: MPT132

Paging
23 Operators
Dominant Operators: Autopage, Radiospoor
Technology: GOLAY, POCSA

VANS
Dominant Operators:
Telkom, Debis, IBM Omnilink, FirstNet, EDS Africa
Technology: Range of technologies and communication protocols

Public Broadcasting
SABC TV 1,2,3
SABC Radio 18 stations

Private Broadcasting
-E-TV
-M Net
18 Radio stations
approx. 100 Community Radio stations

Signal Distribution
Dominant Operators:
SENTECH, Orbicom

Public Enterprise
2 Operators
Transtel, Eskom
Technology: Range of technologies

Source: International Telecommunications Union (2002: 7)

2.3 REGULATION IN THE TELECOMMUNICATIONS INDUSTRY

The process of transforming the telecommunications market from a monopolistic one to one that is liberal requires regulatory intervention. Since there is a transition in the South African market as far as this matter is concerned, the regulatory body is most engaged (Intven & Tetrault, 2000: 1). The challenges are more pressing in South Africa due to the limitations placed on the regulating body (ICASA: the Independent Communications Authority of South Africa) by the Ministry of Communications. This is as a result of the government not trusting the regulator's independence. The government therefore aims to control ICASA's efforts that lead to conflict of interest, controversial incidents, abrupt reversals of strategy and the delay of competitive entry (Horwitz, 2007: 4–5). Clearly, the monopolistic intervention leads to the standard of policy development being lowered in South Africa.

The challenges occurring in the telecommunications industry are part of the transition process. Regulation serves to reduce market abuse and to balance competition in the market, among other reasons. Regulations in the telecommunications industry do not entirely rule out the role of government. As a matter of fact, the government plays a critical role in responding to market failures, limiting abuse of market power, preserving and stimulating competition and limiting foreign participation in order to cultivate local development (NetTel @ Africa, 2008).

Regulation focuses on various issues ranging from consumer disputes, universal access and price setting to competition. The whole aim is to reform the market in order to meet the needs of a society that is going through a transition (Esselaar *et al.*, 2006:6). Through policy the government can intervene behaviourally or structurally in order to deal with imperfect competition. Behavioural intervention occurs when the government challenges companies through regulating their activities like interconnection deals, price regulation or collusive practices prohibition by utilising its public authority. Focusing on the market structure to prevent a merger of two major telecommunications companies or requiring a network to separate its operations into different corporate entities represents structural intervention (NetTel @ Africa, 2008).

For intervention to take place successfully, South Africa has a telecommunications regulator and a competition commission. Amongst other functions, regulators authorise licences to new operators, remove barriers to market entry by new operators and oversee the interconnection of new entrants with incumbent operators (Intven & Tetrault, 2000: 1; Tutorial Letter, 2008: 30 & 67). The competition authority uses competition law to regulate various sectors and one sector in an economy is regulated by a sector-specific regulator (NetTel @ Africa, 2008). Effective regulation is indeed a challenging task that takes time. However, it must be fulfilled in order to effectively transform the market, not only for the benefit of the local consumers, but also to position the country better in order to compete effectively in the global market.

As a developing economy, Cogburn and Adaya (2002: 11) mention five factors that impact on how regulation is conducted in the telecommunications industry. Firstly, South Africa has placed a high priority on universal access goals to overcome the digital gap it continues to experience. Secondly, the market and policy activity of e-commerce has increased in South Africa. Thirdly, South Africa invests heavily in information and communications technologies. Fourthly, South Africa continues to engage in liberalisation activities in the telecommunications industry; it promotes the development and use of information infrastructure. It is also part of the World Trade Organisation (WTO) in the Agreement on Basic Telecommunications. Finally, the legacy of the past turned the country into two economies; one with the attributes of the developed world and one with the attributes of the developing world. The aim in this regard is to bridge the gap between the two economies. These factors impact on regulation that aims to make South Africa part of the information age through the development of infrastructure and strategic applications of increasing privatisation which will lead to liberalisation.

As already mentioned, regulation aims to control the monopolistic behaviour so as to ensure that a competitive market emerges. Evidently all this is done in public interest. Thornton (2006: 19) mentions that the telecommunications industry is regulated mainly to:

- Manage the radio frequency spectrum, which is a national resource;

- Effectively deal with anti-competitive behaviour by incumbent companies in the market; and

- Ensure participation of all South Africans, particularly those previously excluded from participating in the economy.

The regulation therefore derives its objectives as a result of the above-mentioned reasons. The following are the regulatory objectives as stated by Intven and Tetrault (2000: 2). Firstly, the objective is to promote universal access to basic telecommunications services. This is particularly relevant in South Africa, since the majority of South Africans do not have access due to poverty implications. Secondly, the regulation aims to promote competition. When competition improves, enhanced information technology imported will improve telecommunications services without incurring costs such as those of research. Service quality will improve, services will be advanced and prices will be reduced. Thirdly, the regulation needs to avert market power abuse and anti-competitive behaviour by incumbent companies in instances where competition lacks. South Africa in particular has this particular challenge. Telkom is still a monopoly and it is a major provider of telecommunications services in South Africa. Although the company is being taken through a process of privatisation, there is still not sufficient competition in the country; hence the heavy involvement of the regulator. Thirdly, the regulation needs to ensure that the environment is suitable enough to be able to attract investment and for telecommunications networks to expand. Fourthly, transparency in the licensing process needs to be ensured so as to assure the public of the integrity of the industry. Fifthly, the rights of consumers need to be protected, for instance, by charging fair prices. Sixthly, the interconnection arrangements and connectivity need to be promoted and increased. Finally, the regulation needs to see to it that there is proper utilisation of radio spectrum and other scarce resources.

Specifically in South Africa, the *Competition Act of 1998* (NetTel @ Africa, 2008) encourages competition in order to have improved development in the economy. This also includes the adaptability and efficiency thereof. The *Competition Act* also ensures that consumers are given more choices at adequate prices and that

ownership is spread across the population, particularly among the historically disadvantaged persons. Finally, the aim is to empower South Africa to better perform in foreign competition including the small and medium-sized enterprises. Fundamentally, the *Competition Act* strives to increase economic efficiency, socio-economic equity and development.

It is not only important to mention the objectives of the regulation, but what is perhaps more significant is also to address progress as far as these objectives are concerned. In the process of achieving the regulatory objectives, the telecommunications industry in South Africa has particular challenges. The monopolistic behaviour in the market of this industry poses a challenge. Horwitz and Currie (2007: 5) categorise the challenges of this market into three categories. These are: privatisation, government distrust of the regulating body and the economic and the political transition that the country is undergoing.

The need to develop conditions that foster competition will increase entry and this involves selling the state infrastructure to private individuals. This is a process that is particularly slow, due to the fact that the government protects the incumbent network from competition, even though it engages in privatising it. The government neither allows more independence to the regulating body nor provides it with adequate resources. The Ministry of Communication does not allow the regulating body to exercise its full authority or its capacities. There is also a lack of transparency in decision-making and public criticism is also limited (Horwitz & Currie, 2007: 6).

The environment in which the telecommunications industry in South Africa operates is not only affected by the economic conditions, but also by the political conditions. To better clarify the uniqueness of this environment it should then be mentioned that the current economic conditions in South Africa are a result of the political situation of the past (Horwitz & Currie 2007: 6). This means that privatisation in South Africa takes place within a political environment. The government thus embarks on programmes such as Black Economic Empowerment (BEE) in order to spread economic opportunity to the previously disadvantaged Black South Africans.

However, BEE empowers few individuals and the masses are still not benefiting. Consequently, the economic challenge remains. Both the economic and the political conditions play a role in slowing down the process of liberalisation in South Africa. The fact that South Africa is a developing country adds on to the weight of challenges.

To add to the challenges, the perception of stakeholders in the telecommunications industry environment is not promising either. Perception is particularly relevant to consider, because it is assumed that it affects the operator's confidence and the level of investment in the sector and its development more than the actual legal and institutional arrangements in place (Esselaar *et al.*, 2006: 18). When the Telecommunications Regulatory Environment (TRE) survey was conducted based on a five-point Lickert Scale, there were no median response rating the regulator as effective or highly effective. The results of the TRE survey are shown in table 3.2.

Table 2.2: Results of the TRE Survey

	Vans sector	Mobile sector	Fixed-line sector
Market Entry	Ineffective	Effective	Ineffective
Access to Scarce Resources	Ineffective	Neither effective nor ineffective	Ineffective
Interconnection and Facilities	Neither Effective nor Ineffective	ineffective	Ineffective
Regulation of anti-competitive practices	Neither Effective nor Ineffective	Highly ineffective	Ineffective
Universal Service Obligation	Neither Effective nor Ineffective	Ineffective	Ineffective

Source: Esselaar *et al.* (2006: 19–20)

The survey indicates that the regulator is mostly ineffective. The regulation of anti-competitive strategies in the mobile sector was rated highly ineffective.

How the telecommunications industry is regulated will evolve as the market in which it operates changes. To avoid damage to the telecommunications infrastructure and services by the regulator, the need to regulate must firstly be demonstrated and efficient measures must then be selected to meet regulatory objectives (Intven &

Tetrault, 2000: 2). As the market becomes more competitive, the need to regulate and how regulation takes place will be minimised. This is because competitive markets meet the demands of consumers better than government-controlled ones. Regulation engages heavily in the early stages of liberalisation to ensure that effective competition emerges. (Intven & Tetrault, 2000: 21). Esselaar *et al*. (2006: 57) support this view by mentioning that in developing countries, such as South Africa, the regulating body should work towards increasing competition and hence reduces the need for regulatory intervention. This kind of achievement will ensure that consumers are better served and hence the growth of the market.

2.3.1 The Regulating Body (ICASA: Independent Communications Authority of South Africa)

ICASA mainly regulates the telecommunications industry in the public interest. It also ensures that there is a wide variety of services, stimulates economic growth, encourages investment and ensures that competitive entry is created while protecting the interests of consumers. ICASA addresses the operational level functions, which is where the policy is implemented. ICASA also assists in the issuing of licences and assists the Minister in developing the criteria to be used (Mokgosi, 2006: 110–111). The challenge is that ICASA has not efficiently achieved its objectives, particularly one of ensuring that competitive entry is assured. This view is supported by Esselaar *et al*. (2006: 20) who mention that South Africa's liberalisation programme only allows a limited number of entrants into the telecommunications industry. Also, ICASA has not been rated as being effective when it comes to effectively regulating anti-competitive practices.

The key components of the regulatory environment as mentioned by Esselaar *et al*. (2006: 19–20) are market entry, scarce resources, interconnection and facilities, tariff regulation, regulation of anti-competitive practices and universal service obligation. Around these components decisions, orders, rules, notices, policies and resolutions have to be made. What is of greater concern is the implementation of the above-mentioned.

Market entry has to do with the conditions, exclusivity issues and licensing transparency. ICASA must ensure that the terms, conditions, criteria and length of time needed to reach a decision on application are known to the applicants. Spectrum allocation, as far as access and rights of way are concerned, must be non-discriminatory and transparent, especially since this is a scarce resource (Mokgosi, 2006: 112). More thoroughness needs to be exercised in this instance since the suppliers have already voiced that compared to the rest of Africa, the waiting times for spectrum allocation is the longest in South Africa (Esselaar *et al.*, 2006: 20). The same applies for frequency allocation, telephone number allocation and site rights. The tariffs charged to consumers need to be regulated and universal service needs to be administrated in a competitively neutral manner.

At any technical point in the network, interconnection with major operators should be ensured. Furthermore, the quality, charges for interconnection rates, timely provision of facilities by service providers and provision of facilities at the same cost to subsidiaries must be ensured. Anti-competitive behaviour also needs to be regulated, which means that anti-competitive cross-subsidisation, not availing technical information about critical facilities and commercially relevant information must be captured and dealt with. Refusal by the parent company and subsidiary businesses in various segments of the market to deal and to share towers and facilities must also be addressed (Esselaar *et al.*, 2006: 19).

At all costs, regulation must be transparent, objective, professional, efficient and independent. The implication is that decision-making processes must engage all parties interested, and bias or even the perception thereof should be avoided. Decisions where personal interest is involved should also be avoided. For decision making to be appropriate, certain principles need to be adhered to. This means that the decisions need to be taken within the borders of legal authority of the regulator. Relevant matters need to be separated from ones which are not and it must be ensured that decisions are made for proper purposes. Decisions must also be reasonable, based on appropriate evidence, and government policy must also be properly applied. All the interested parties must be treated fairly, meaning that even if they disagree they still need to be taken into account (Intven & Tetrault, 2000:

19).

Various approaches are available to ensure that the regulators engage in proper decision-making. The public needs to be invited to comment on rules of regulation and major decisions whenever possible. The media can be used to communicate such events (Intven & Tetrault, 2000: 19). It is important that such a platform be created, as the involvement of the public will ensure the smooth implementation of the regulation decision. In a case of exclusion of the public, the public will clearly resist implementation as it was not part of the process.

For the input of the public to be clearly heard and considered, there must be a proper public process to ensure the quality thereof. Consultation documents help in this regard as they ensure that industry comments are focused and provide a useful input on the decisions to be made by the regulator (Intven & Tetrault, 2000: 19). This process ensures that the public is assisted in being constructively involved and that all the input is appropriately considered and implemented, where necessary.

In the process of making decisions, progress on regulatory developments needs to be constantly communicated and an invitation to both the industry and the public must also be employed on an ongoing basis. Critical public information such as rates, service options and complaint procedures must be provided by major operators. In cases where matters are complex, written information must be provided to the major operators, who in turn will provide the regulator with the financial, technical and economic information required to make informed decisions. There must also be evidence on the actions the regulator intends to take, together with detailed arguments (Intven & Tetrault, 2000: 20–21).

In the decision-making process, information that is sensitive can be protected, otherwise accessible filings that are transparent to the industry and the public are encouraged. As differences are unavoidable in matters of this nature, resolution techniques for complex issues such as mediation and arbitration need to be in place. This can advise the regulator in making final decisions. As far as appropriateness and relevance of information to be decided on is concerned, public record should be used as the determining factor. Whenever possible, decision making needs to be

streamlined (Intven & Tetrault, 2000: 21).

ICASA also needs to make decisions around sensitive matters such as the settlement of disputes. Disputes can exist between service providers or between service providers and consumers and ICASA is responsible for the settlement thereof. ICASA must therefore be independent from the government and industry participants. Fundamentally, ICASA protects consumers in terms of their right to quality service, safety and unfair business practices. ICASA has the responsibility to provide recommendations to the Minister, who in turn has the power to accept or reject the recommendation (Mokgosi, 2006: 112–113).

This poses a particular challenge to ICASA's independence, because it gives more control to the government; hence its ability to effectively implement what it deems necessary in the interest of all parties concerned. This is validated by the fact that the Minister has both financial and ownership interests in Telkom. The Minister will therefore not accept the recommendations that negatively affect such interests (Mokgosi, 2006: 112–113). It is a challenge such as this one, among others, which make the regulatory environment in South Africa a challenge, which is not the case in most of the African countries. Even though the South African regulator is the most sophisticated in Africa, it struggles in its execution thereof (Esselaar *et al.*, 2006: 20).

2.3.2 Price Regulation

As the telecommunications industry converts from a monopolistic market to a liberated one, the approach to price regulation also changes. Price regulation is conducted in such a way that it takes advantage of the benefits of competition.

In South Africa the cellular telecommunications industry is an oligopoly and pricing must therefore be regulated due to lack of competition. In the process of developing competition in this industry, it is critical that the regulation be in line with the developments and conditions of the industry (Thorton & Hodge, 2006: 201). Price regulation also serves the purpose of ensuring that new entrants are able to compete with the incumbent and success in this task will encourage investment.

Financing, efficiency and equity are the objectives of regulation that assist the success of this approach (Intven & Tetrault, 2000: 1).

Firstly, the financing objective has to do with ensuring that operators earn sufficient revenue for future investment and ongoing operations. The second objective is about ensuring that the supply of telecommunications services is sufficient. Sufficiency has three elements. The allocative efficiency element ensures that prices reflect their relative scarcity. The productive efficiency element requires that the production of services and inputs be kept efficient. The dynamic efficiency element ensures that resources are used to their highest value and this also means utilising resources for different kinds of use. This would be uses such as investment, productivity, research and development and technology. The third objective of regulation relates to the distribution of social benefits among members of society, which comprises two aspects. The first aspect is operator-consumer equity, which states that earnings from improved technological innovations should be shared between operators and consumers. The second aspect is consumer-consumer, which requires benefits to be shared among different classes of telecommunications consumers. In other words, consumers from lower socio-economic brackets are allowed to pay less for the same service that consumers from higher brackets pay (Intven & Tetrault, 2000: 1–2).

Designing and implementing an effective regulatory approach to ensure the achievement of the objectives discussed above remains a challenge. For the operators, regulation is unpleasant in the sense that it compels compliance and enforcement and for the consumer it means the loss of choice of operators and services (Intven & Tetrault, 2000: 3).

2.3.2.1 Mobile Cellular Telecommunications Services (MCTS) Price Regulation

The manner for determining fees and charges for MCTS is prescribed by ICASA, particularly in instances where there is insufficient competition. This is done in consideration of universal service and access obligations (Thorton & Hedge, 2006: 204). This means that regulation should not be carried out in a manner that marginalises access to the poor, which is a critical issue in South Africa.

In South Africa the cellular providers are allowed to increase tariff rates by the percentage year-on-year increase in the consumer price index. Other increases have to be approved by the Minister. The MCTS licensee does not provide a basket of tariff plans, which means that regulation is different from the regulation of commercial rates. The regulations for the MCTS are not circulated, due to the fact that competition exists to a certain extent and ICASA has resource constrains (Thorton & Hedge, 2006: 210).

Due to the challenges which exist in the MCTS, the future situation is not predicted to be one of increased competition, but rather collusion. The situation is partly aggravated by the fact that entry barriers are still high, which hinders competition. This, in turn, is caused by ineffective regulation. High rates in the MCTS market could be indicative of a possible collusion already taking place (Thorton & Hedge, 2006: 210). To better manage the emergent situation, it becomes critical for regulation to focus on rate rebalancing.

Rate rebalancing ensures that prices for services are in line with the costs of providing a service. If this is achieved, it means that loss will be guarded against, while at the same time it ensures that consumers are not exploited. Setting prices below costs results in higher-than-cost long distance and international calling prices. When price structures are not balanced, competition suffers and this lack of balance is further enhanced by technological developments, which lower the costs. Rate rebalancing encourages social welfare by moving prices closer to costs.

Two types of pricing approaches are common in regulating the telecommunications industry, namely the traditional discretionary price setting and rate of return regulation. Firstly, the traditional discretionary price setting focuses on social and economic objectives. Prices are set to promote consumer-to-consumer equity objectives. This approach follows a below-cost pricing for subscription, local calls and connection. In this instance, a shortfall is caused by higher-than-cost international call prices. This approach promotes the affordability of basic telephone services. Higher rates for international services are charged, since these are utilised in business and this is done so based on the assumption that business utilises such a

service moiré and it can afford it. The disadvantage is that the Minister can increase prices to make up for government budget deficits without considering how this would impact on the economic and social wellbeing of the country (Intven & Tetrault, 2000: 5).

On the other hand, rate of return regulation is rules based. In this instance, operators' individual service prices are adjusted in such a way that service revenues cover revenue requirements. This means that the operating costs and financing costs are considered when prices and rates are set. Rate of return regulation also allows the operator to gain a fair return on its rate base. In cases where the operator gains more income than is allowed by the rate of return, the regulator will require that prices be reduced. The disadvantage of this approach is that operators do not have a strong incentive to operate efficiently. Not all costs can be recovered through rate increases and they cannot retain additional profits earned through own cost reduction (Intven & Tetrault, 2000: 6).

The rules-based price regulation is more preferable, since it is economically sustainable. In South Africa the preferred rules-based price regulation is price capping. Price-cap regulation is preferred due to the following advantages (Intven & Tetrault, 2000: 10):

- Incentives for greater efficiency are provided;
- The regulatory process is streamlined;
- Greater pricing flexibility is provided;
- The possibility of regulatory intervention and micro-management is reduced;
- Consumers and operators are allowed to share in productivity gains;
- Price increases are limited; hence protecting consumers and competitors; and
- Opportunities for cross-subsidisation are limited.

To maximise these advantages, implementation processes must be consistent and effective.

ICASA's price cap mechanism has a productivity factor of 1.5% for each basket and service within the basket. The following are the functional baskets in South Africa

(Adapted from Thorton & Hedge, 2006: 210):

- Basic basket
- Local calls
- National calls
- Mobile to mobile calls
- Calls to 0800 numbers
- Calls to 089 numbers
- Calls to 086 numbers
- Directory calls
- Call forwarding: local calls and national calls
- Voice mail
- Monthly subscription (which includes free minutes, where applicable)
- International voice basket
- Data and fax basket
- Fax mail basket

The regulation allows the operators to eliminate services from the basket from time to time. Operators are also allowed by the price-cap regulation to recover cost increases (e.g. inflation or tax increases) through price increases. This is achieved through a formula which determines maximum price increases. The same formula does not allow operators to increase rates in order to recover costs and it requires operators to lower prices to reflect productivity increases (Intven & Tetrault, 2000: 10).

Price-cap regulation aims for incentives similar to competitive market forces. This means that operators should constantly improve productivity and pass some of their gains to consumers in the form of lower prices. It is important that the initial level of prices be consistent with operators' revenue requirements. This will determine the future financial performance of the operator. The benefits of price cap regulation will be greater when prices are balanced, which is the case in competitive markets. (Intven & Tetrault, 2000: 10).

The regulatory accounts provide detailed information on cost prices and this leads to

effective price regulation (Thorton & Hedge, 2006: 211). This is achieved through the *Chart of Accounts and Cost Allocation Manual* (COA/CAM), which comprises three sets of volumes. The first volume outlines principles on regulatory accounting, the second one sets out requirements for MCTS licensees and the last one sets out requirements for public switched telecommunications services (PSTS) (Thorton & Hedge, 2006: 212 & 214). Price regulation in South Africa requires cooperation from regulated entities and those regulating must be well skilled. More resources need to be provided to ICASA.

2.3.3 Licensing

In South Africa licensing conditions are influenced by the conditions found in the industry. Conditions include the liberalisation process to open the telecommunications market to competition. Other conditions include the structure of telecommunications markets, the number and types of operators, the degree of competition, government revenues and telecommunications supply to public (Intven & Tetrault, 2001: 2-2). It is hoped that the liberalisation of the industry will lead to accelerated universal service, which in turn will enhance social and economic development in previously disadvantaged communities (Yacoob & Pillay, 2006: 133).

A licence gives authority to operate telecommunications services, provides terms and conditions, and explains the rights and obligations of the operators (Intven & Tetrault, 2000: 2-1). A licence also specifies scope of authority and authorises the provider to utilise telecommunications facilities (Yacoob & Pillay, 2006: 134). It influences how telecommunications services are utilised. Provision of licences is a competitive process and succeeding in doing so is a challenge, since licensing is a recent development in South Africa, which has a transitional economy. Overall, a licence clarifies what is to be expected from the operator and the operator is allowed to do (Intven & Tetrault, 2000: 1-1).

Licensing guarantees regulatory certainty by ensuring that the rights and obligations of the provider and the regulator are clearly defined. It must also be noted that an efficient licensing process will attract new providers and investment, particularly in a transitional economy. In South Africa, like any other country, licensing ensures that

regulation is properly facilitated in the public interest.

Two types of licences are offered in South Africa. The first is the competitive licence, which is smaller (like a value-added network service – VANS) and the second type is private telecommunications network (PTN) licences granted by ICASA. PTN licences are offered through an invitation of application. The Minister works together with ICASA to develop the criteria used in evaluating applications, although the Minister has more powers to intervene in the process (Yacoob & Pillay, 2006: 111–112).

Yacoob and Pillay (2006: 154) mention that in South Africa, part of the criteria used for cellular operators, as mentioned by the regulation, is evaluated on the basis of the quality of the business plan and investment strategy; an empowerment strategy; the impact of the proposal on the telecommunications industry and consumer; technical planning; and universal service potential. The public must be assured that the criteria used in choosing a bidder is not at all linked to corruption. Recommendations must be published so as to ensure that the process is fair and unbiased.

The above-mentioned criteria are not formulated in isolation. When deciding on criteria and regulation, South Africa takes into consideration rules outlined by the General Agreement on Trade in Services (GATS) and the Agreement on Basic Telecommunications (ABT) of the World Trade Organisation (WTO). Regulatory and licensing practices must comply with WTO rules. Intven and Tetrault (2000: 2–5) and (Yacoob & Pillay, 2006: 136) mention these rules as being that:

- a licensing regime must grant market access to operators from a WTO member country on terms no less favourable than the terms applicable to operators from any other country; and

- all laws and rules affecting trade in services must be published. All notification, registration and licensing requirements and any other form of recognition and approval must be published. This must be settled before foreign service suppliers lawfully do business with the country of concern.

Yacoob and Pillay (2006: 135) mention that the international obligations of GATS

help South Africa to benchmark its licensing processes as determined by ICASA and the Minister. As required by GATS, South Africa submitted its schedule of commitments regarding telecommunications dealing with value-added services and regulation principles and market access to basic telecommunication. According to GATS, South Africa must comply with the principles of Most Favoured Nation Treatment (MFN), transparency and barriers to trade. According to GATS, information on the following matters should be readily available (Yacoob & Pillay, 2006: 135):

- tariffs and other terms and conditions of service;
- specifications of technical interfaces with networks and services;
- information on bodies responsible for the preparation and adoption of standards affect access and use;
- conditions applying to attachment of terminal or other equipment; and
- notifications, registration or licensing requirements.

This kind of information ensures that licensing is not carried out in a way that hinders trade. Such information must also be available to the public. Specifically, the licences of MCTS authorise the licensee to construct, maintain and use a Public Land Mobile Network (PLMN) to provide a Global System for Mobile communications (GSM) national mobile radio telephony service operating in the 890 MHz to 960 MHz frequency band; connect fixed and mobile terminal equipment using GSM cellular radio telephone technology for the provision of service and community service telephones and interconnect with Telkom network and with the PLMN of a similarly licensed person.

2.3.4 Interconnection

Interconnection enables telecommunication access to the networks of other service providers. In turn, this enables consumers' access to the other communication services and to communicate with other consumers from other networks (Lawrence, 2006: 173; Genesis Analytics, 2005: 17). For the consumer, interconnection also means accessing various services at ease and convenience. Poor interconnection would then result in delays, inconvenience, additional costs and technical problems

on operators (Intven & Tetrault, 2000: 3-1).

Interconnection also works through facilities leasing, which represents a relationship between network service providers and other service providers through which services are provided to end-users. Facilities to be accessed include wire, antenna, towers, underground ducting, cables, buildings, or fixed links, utilising facilities of incumbent help to reduce duplication of resources and start up costs for new competitors. Since South Africa is in a liberalisation process, it is preferable that new service providers gain access to incumbents' facilities. When facilities leasing is delayed, network rollout and service quality are negatively affected (Lawrence, 2006: 173–175).

As far as the industry is concerned, interconnection increases viability of competition. The challenge, however, is the unwillingness of incumbent operators to participate, because for them interconnection represents low incentive and creating easy access for new competitors. This is indeed a challenge, because in negotiations the incumbent operator has more bargaining power (Intven & Tetrault, 2000: 3–1). This ultimately disadvantages the consumers since they are the ones who end up paying higher prices, even though the choice of services and providers is limited.

In South Africa, the incumbent provider, Telkom, has enjoyed a monopoly and has a tendency to engage in anti-competitive behaviour and this deed retards competition. The incumbent does this through charging excessive rates for interconnection, refusing to avail adequate capacity and refusing to unbundle the necessary services for interconnection (Intven & Tetrault, 2000: 3–1). Unbundling of services does not only impact on competition. Unbundling reduces economic barriers to entry; as new entrants participate, innovation is increased.

Unbundling avoids the unnecessary duplication of components and facilitates access to rights of way. It should also be kept in mind that, conversely, unbundling reduces the incentive for the construction of competitive network facilities, gives new entrants an advantage over the incumbent and poses a burden of regulatory intervention, coupled with technical co-ordination (Intven & Tetrault, 2000: 3–41). Telkom, for example, has often been found refusing to commit to lease bundled

services with transparency concerning the charge structures, with the aim of overcharging such services. It does this, knowing very well that unbundling assists new competitors to purchase specific interconnection functions, especially when these competitors want to provide enhanced services to increase their competitiveness (Lawrence, 2006: 174–175).

Furthermore, the incumbent can refuse to interconnect based on technical grounds, delaying negotiations, increasing costs for new entrants, demanding high prices for terminating new competitors' traffic onto its networks, or providing inferior technical solutions; hence lowering the quality of service rendered to subscribers of new competitors (Lawrence 2006: 175). Telkom would have a tendency to engage in this behaviour, because it competes with new entrants that are dependent on its facilities. Cell C, MTN and Vodacom operators get their fixed links mostly from Telkom and in some instances from other public switched telecommunications service (PSTS) licensees.

Interconnection and its cost are critical problems when aiming to develop competition in the market. Regulation in this instance needs to provide guidelines to prevent anti-competitive behaviour and dispute resolution mechanisms concerning how incumbents set prices. There are three types of interconnection charges that need to be closely regulated. The once-off charges cover physical interconnection, rental charges for the use of facilities and variable charges for telecommunications and supplementary services. Mobile number portability needs to be regulated as well, since it enhances competition. The cost thereof includes once-off costs of building number portability capability into the infrastructure, customer transfer costs and call by call costs (Lawrence, 2006: 179).

According to Intven and Tetrault (2000: 3-33), cellular operators obtain interconnection from incumbent operators to ensure that services are viable and this task is made to be more complex, since changes in the cellular market lead to a change in regulation. These changes include rate decreases due to consumers moving towards flexible mobile services and improved technology and hence more attention is devoted to growing mobile services, since mobile infrastructure can be

implemented quickly and revenue is higher when auctioning mobile wireless spectrum.

To facilitate the regulation process, ICSA must then establish guidelines before interconnection negotiations. It must also set default interconnection arrangements in advance of negotiations (to prevent delays and disputes), establish deadlines for various stages of negotiations, establish industry technical committees, avail incentives to complete interconnection arrangements and appoint mediators (Intven & Tetrault, 2000: 3-1). Lawrence (2006: 180) mentions that Telkom must interconnect its telecommunication system to another provider's telecommunication system that needs it.

A new competitor would incur start-up costs. Since Telkom functions on a monopoly basis, transition to a competitive market requires modifying the incumbent's switching and transmission facilities and related software so that multiple operators can interconnect. That means enabling switches to recognise telephone numbers on the network of interconnection operators. A new competitor needs to pay for this. There are also interconnection links costs. These are costs of physical links between interconnecting operators, such as transmission lines carrying interconnecting circuits. Here the new operator can be required to pay the entire cost of the transmission links, since modifications are made to the advantage of the new operator. Alternatively, the new operator can be asked to install the links itself, including work on the premises of the incumbent. In setting a price structure for such costs, the aim is always to level for all operators and increase interconnection efficiency fixed costs are charged for providing network access line and variable costs are charged where costs of network components are traffic sensitive. Effectively facilitating these costs results in the efficient use of components (Intven & Tetrault, 2000: 27–30).

In South Africa the elevated interconnection fees allow one network to increase off-network calls costs, resulting in increased eventual prices. In the end, the subscribers are the ones who suffer, as well as those networks with small market shares such as Cell C. Since Cell C only owns 10% of the market share, it means

that 90% of the calls made by Cell C subscribers are to MTN and Vodacom subscribers and they are made at higher off-network rates. On average, it therefore means that the price of a call for Cell C subscribers is higher than that of Vodacom and MTN subscribers. Vodacom, which owns 55% of the market share, influences prices for Cell C, seeing that interconnection fees are imposed on a greater amount of Cell C's calls. Realising the reality of the situation, most of the subscribers opt for the larger network and this is why Cell C is unable to attract even 15% of the new subscribers (Love, 2005: 19).

In order to try to counteract the impact, Cell C would need to reduce its margins and this would still not be enough to overcome the disadvantage. This approach would lower the profitability of Cell C. By reducing rates for off-network calls, subscribers would make such calls, thus raising Cell C's interconnection payments. Cell C is a far less effective competitor and this means that MTN and Vodacom determine its call rates. Cell C would be in a better position if interconnection rates were priced at cost. Cell C even requested ICASA to declare MTN and Vodacom as major operators so that interconnection rates would be set at cost. This request has still not been granted (Love, 2005: 19).

From the proceeding discussion, it is clear that interconnection enhances service when infrastructure and networks are shared. This enhances productivity and the costs of setting up a new infrastructure. Since monopolies do not need to interconnect because of their market dominance, improving service and the allocation of resources are a challenge; hence the need for regulation. Regulation intervenes with the aim of promoting socio-economic outcomes. This needs to be achieved without interfering with the commercial relationship between competing industry players, since such a relationship has benefits for the consumer. Regulatory mechanisms need to be adhered to, to ensure that access to telecommunications achieves economic and social goals and affordable communications by increasing competition. As more changes continue to take place, interconnection rates will reduce with increasing competition. However, regulation will continue to gain from the gains of operators in instances where termination rates are above cost.

2.3.5 Universal Access

Universal access ensures that every person has reasonable access to telecommunications facilities in a manner that is affordable (Intven & Tetrault 2000: 6-1). According to Cogburn and Adeya (2002:29) and Bogetic and Fedderke (2006: 1), universal access addresses the problem of digital divide, which is a major policy objective of the government. In South Africa the challenge of poor access is handled by the Universal Service and Access Agency of South Africa (USAASA) (Tutorial Letter 101, 2008: 36). This agency aims to improve public awareness of telecommunications development and promotes access to telecommunications. For this agency to succeed in achieving its objectives, Intven and Tetrault (2000: 6-9) states that the policies of South Africa as a developing and transitional economy should focus on expanding new access services instead of supporting the assisting ones, establishing services for low-income earners, particularly those in rural areas and ensuring that public access services are well established.

Universal access needs to be improved as it is part of the key drivers to economic development; hence reforming this industry will assist to alleviate poverty not only in terms of income, but also in terms alleviating "unfreedom" in the society. Universal service embraces a concept which comprises nationwide availability of telecommunications service, which is achieved through a process (Tutorial Letter 101, 2008: 36). Poor focus on universal access will lead to poor development and slowed down growth. Furthermore, universal access needs to be pursued as it assists in (Intven & Tetrault, 2000: 6-6; Msimang, 2006: 17):

- enabling all consumers full participation in the 21st century society, since access is viewed as a basic right for all citizens;
- promoting oneness in the economy, politics and culture;
- encouraging balanced distribution of the population through creating development outside over populated metropolitan areas; and
- eliminating marginalisation between rural and urban areas (with a particular emphasis on racial groups in South Africa).

In South Africa there are universal obligations on those who are granted licences

(Cogburn & Adeya, 2002: 26). Part of the strategy is to avail telephone centres to the marginalised rural and even some of the urban areas (Tutorial Letter 101, 2008: 36). The MCTS operators avail funds for such activities in the form of profit reinvestment, telecommunications-sector taxation, licence fees, interconnection fees and obligatory contributions (Cogburn & Adeya, 2002: 36). Mobile cellular has proven to boost access, especially where fixed-line networks have not. However, the service is still expensive for the majority of South Africans.

According to Msimang (2006: 236), part of the reasons why MCTS operators are obligated to participate in universal access is due to the fact that the technology has the ability to cover the country comprehensively at a lower cost and prepaid services are attractive to low-income users. Prepaid technology is preferred by the majority of South Africans, because it allows consumers to control their spending, enables consumers to receive calls without additional costs, does not require a bank account and it has no binding agreements. MCTS operators also have the advantage of wireless technology while at the same time they play a role in economic development by creating jobs, boosting foreign investment, forging international linkages and developing local value-added technology.

In conclusion, it is clear that telecommunications services need to be availed in the interest of economic growth and development in response to the needs of consumers and local communities. It is also clear that universal access aims to create affordability while allowing the operators to expand and upgrade their network. In other words, telephone services will be kept affordable to all consumers, especially those in areas where, without the subsidy, telephone service would be higher than the national average. Success in this endeavour will assure social access to information and communication. This constitutes the condition of citizenship and hence transition to democracy.

2.4 COMPETITION IN THE TELECOMMUNICATIONS INDUSTRY

According to White (2008: 8), services which experience free competition can be provided without a licence, although some might need to be licensed, depending on the circumstances. When such a circumstance prevails in the market, competition

has the advantage of lower prices, greater choice of services and better quality for the consumers. For the consumer it means that there will not be long waiting periods as there was for fixed-line connections, resulting in no tolerance for poor service of fixed lines (Gebread, 2002: 4). This can succeed, since no single company dictates market terms. Conversely, when competition is not balanced, resources are inefficiently allocated and the result is market failure and loss of value. Hodge (2008: 5) mentions that opening a competitive market for cellular network provision has been the most critical change introduced in the South African communications industry. The creation of such an environment assures accelerated growth.

As already mentioned, the South African market is concentrated around the market power of the incumbent and this poses a challenge for competition and the consumer. Gebread (2002: 10) argues that market size would not be a problem if balanced competition exists. This can be catered for by the fact that digital technologies allow for more consumers to be served with the same amount of spectrum. The growth of the cellular telecommunications industry is driven by entry of competition, technology and regulation (Gebread, 2002: 13). Furthermore, much effort needs to be vested in the creation of competition, due to the fact that mobile growth in a competitive market is 194% higher than a monopolistic market (Gebread, 2002: 19; Love, 2005: 11). The mobile market in particular mostly competes on the bases of brand and not enough on pricing (Esselaar *et al.*, 2006: 23). One of the reasons why competing on the bases of price is difficult, is because cellular products utilise expensive technologies and this places a limitation on price-based competition (Hodge, 2005: 5).

The above-mentioned challenge of not being able to compete on the basis of price has lead to the South African consumer being availed about 108 different packages (contract and prepaid). The pricing thereof is arranged in such a way that an ordinary consumer will not be able to determine the most cost-efficient offer. Consumers are therefore not able to make rational decisions about which operator to choose. This then enables operators to constrain consumers in long-term contracts which limit effectiveness of mobile number portability. It has also been found that irrational decisions caused by complex, non-linear tariffs and "decision noise" cause

consumers to choose packages that lead to financial losses rather than gains (Esselaar *et al.*, 2006: 23–24).

The above-mentioned argument is supported by Love (2005: 83–88), who states that the telecommunications industry environment is failing to protect consumer interests, prices are unaffordable for the majority of the population and competition is still not fair for all competitors. This is partly because the telecommunications industry is experiencing a quiet crisis which few know of. The rest of South Africa just continues to suffer high charges, inflation, unemployment and the cost of doing business in South Africa as a result.

2.4.1 Regulation of Competition

In particular, regulation of competition deals with market failure, market power abuses and it improves economic vibrancy. Regulation also cultivates the domestic industry by embracing policies which limit participation of foreign companies. Conversely, this approach hinders competition, leading to public interests being compromised. Regulation can modify the behaviour of companies by way of price regulation, for example. Secondly, regulation can be structural by modifying the structure of the industry by preventing a merger of major telecommunications operator. Regulation also needs to be kept flexible to accommodate different circumstances (Intven & Tetrault, 2000: 5-2). Clearly, competition policy prevents an incumbent from forcing competition out of the market.

As competition increases, the presence of regulation is a hindrance. This implies that regulation needs to be phased out as competition increases (Gebread, 2002: 20). Nevertheless, until competition is self-sustaining, regulation is needed to address critical issues during a transition from monopoly to competition, create a environment conducive to competition to emerge and ongoing supervision on issues such as interconnection, service quality and implementation of licence conditions (Intven & Tetrault, 2002: 5-4–5-5). Since market characteristics give direction to regulation, a market going through a transition needs to be protected since it will usually experience a challenge of the incumbent continuing to dominate the market even after the introduction of competition. Incumbents are able to engage in this

behaviour because of the advantages they have. Four of them will be discussed below according to Intven and Tetrault (2000: 5-9).

Firstly, incumbents control essential facilities that were built under a regime of government ownership. New competitors need access to these facilities to compete effectively. Secondly, incumbents also have economies of established national networks. This means that an incumbent can set lower prices when competing, implying that a new competitor would have to cover a higher long-run total service incremental cost, since this must be recovered from a smaller customer base. Thirdly, incumbents have vertical economies, implying that they may operate local access networks, national long-distance networks and international networks. Fourthly, incumbents suffer from customer inertia, denoting that customers do not easily switch from an incumbent that has served them for many years.

2.4.2 Monopoly

In a monopoly, a single supplier supplies the entire market (NetTel @ Africa, 2008: 1), prices are much higher and consumer welfare is much lower (Intven & Tetrault, 2000: 5-2). One company delivers all the output and makes price decisions, while abusing the market by charging excessive prices and compromising service quality (NetTel @ Africa, 2008: 1). The telecommunications environment in South Africa has often been found to be monopolistic and regulators and competition authorities have been established to address this challenge (Intven & Tetrault, 2005: 5-2).

In South Africa, Telkom owns 50% of Vodacom and this presents a particular problem. Research findings of Gebread (2002: 27) support this view in revealing that Vodacom is hindered in its operations by the involvement of incumbent fixed-line obligations. This dual focus slows down the growth in the cellular telecommunications industry. One of the challenges in a monopolistic environment is that prices are kept high and this greatly disadvantages the consumer. For example, the cellular telecommunications industry has experienced phenomenal growth, but high prices constrain the use (Horwitz & Currie, 2007: 4).

2.4.3 Privatisation and Liberalisation

Privatisation and liberalisation improve infrastructure and they are the two reforms which must be in place to promote competition. These can be achieved through public stock floatation or private sales to strategic investors. Doing so will not only strengthen telecommunications infrastructure; it will also contribute critically to the foundation of economic growth (NetTel @ Africa, 2008: 1). In doing so, there is a threat to the poor, in that they can be excluded from telecommunications infrastructure. However, this threat can be prevented from manifesting through certain measures which can be taken to ensure that liberalisation actually leads to better access. Private operators, far more than the government, are able to achieve universal access (Love, 2005: 83).

Low teledensity challenges can be addressed through privatisation and liberalisation, which the government alone cannot do, since it is responsible for other social development projects. This approach will also help the industry to take advantage of modern technology through foreign investment (NetTel @ Africa, 2008: 1). As much as privatisation and liberalisation are advantageous approaches, in a developing country like South Africa, the implementation of these without regulation will not yield the advantages associated with them (Horwitz & Currie, 2007: 35).

Privatisation occurs when a portion of the government ownership of a corporation is sold and transferred to private owners. In other words, the government hands over the management of services to private interest (NetTel @ Africa, 2008: 1). According to Love (2005: 4), privatisation occurs when full ownership of the providers and infrastructure is taken from the government, although the government may still retain some of the ownership. Liberalisation, on the other hand, is a process which results in the expansion of trade relations and the promotion of competition through transforming a monopolistic environment to one that is free. It lowers barriers to entry, thus making the market more open (NetTel @ Africa, 2008: 1). Love (2005: 5) mentions that liberalisation occurs when the sector is opened to competition. Through liberalisation, market forces shape the structure of the sector.

Privatisation generates financial benefits for the government. In 2001 the South

African government earned R18 billion from the privatisation of its Telkom assets. Private operators bring new skills and technological innovations that challenge other companies. More consumers will be attracted as quality improves and more small businesses are developed. The benefit of competition enhances efficiency and the capacity of the private sector to adapt as circumstances change (NetTel @ Africa, 2008: 1). In liberalisation, the independent regulator needs to be enabled to requisite authority to make decisions which will be adhered to, while at the same time the regulator must be credible with the industry and consumers and be accountable to stakeholders (Love, 2005: 5–6).

Depending on how developed a country is, the benefits of liberalisation and privatisation will vary from country to country. In a developed country advantages are enhanced with lower costs, while advantages are less and cost higher in developing countries. Thus liberalisation is tailored in such a way that it prevents massive exclusion of the poor in a developing country (Love, 2005: 12). Horwitz and Currie (2007: 4) criticise the South African government for not trusting democratic structures outside its immediate control. The Ministry of Communications delayed the entry of a third mobile operator, which negatively affected liberalisation.

The public does not always welcome privatisation, as it leads to a loss of jobs. However, those employed in privatised companies are remunerated well and quality service is assured for the consumer. Some benefits of privatisation include raising cash to lower the national debt, raising the domestic currency to expand services and the control of public policy objectives through regulation (NetTel @ Africa, 2008: 1). The benefits of liberalisation are mentioned by Love (2005:7–8) as:

- Increased efficiency: efficiency becomes more critical to companies if they want to survive, as the government will not be in the picture to bail them out.
- Cheaper services: companies also compete on the basis of prices to be able to attract more consumers.
- More pricing options: prices can be tailored to more specific consumer segments, meaning that consumers will be able to choose the prices for themselves.

- More services: more innovative services are availed to attract more consumers.

- More reliable technology: allowing more foreign firms to participate, opens doors for new technologies without incurring the burden of research and development costs.

- Improved customer service: service is better; any company not complying risks losing its consumers to its competitors

- Economies of scale: the company's worldwide operations help carry the costs of developing new technology and carrying and terminating calls internationally.

South Africa can only enjoy these benefits if regulation is enabled to be more effective in its mandate. However, the benefits of liberalisation and privatisation will not be achieved easily, as the South African government has engaged in efforts to privatise its incumbent network, but has also protected it from competition through contract and policy. Unfortunately, in South Africa, privatisation leads to a private monopoly from a state monopoly (Horwitz & Currie, 2007: 20).

According to NetTel @ Africa (2008: 4), there are four models of privatisation and these will be briefly discussed in this section. The first model focuses on bringing full competition at the same time when privatisation is implemented. The second model has to do with introducing liberalisation without privatisation. This model takes full advantage of foreign investment, technology and management expertise without the interruption of political disadvantages. The third model does not introduce competition or privatisation, but the focus is rather on attracting private investment and expertise. The operator and the investor then enter into a contract that improves infrastructure and profitability. Here the investors make arrangements to invest capital for project development and systems operations for a while. Eventually the ownership right still belongs to the government company. The fourth model is one that South Africa has adopted. In this instance, privatisation is introduced with phased-on competition. Here, privatisation starts with limited competition in basic telephone services. Privatisation is thus gradually introduced and measured accordingly.

Privatisation is not without its criticisms. According to NetTel @ Africa (2008: 3), in privatisation, companies put more emphasis on the profit motive, which hinders universal service. This implies that only the rich will afford such services. Privatisation also limits local participation, because foreign investors have a tendency of bringing their own foreign skilled labour force. This does not help the country's poverty situation and it decreases employment opportunities in the form of retrenchment. Private companies need a skilled labour force that excels in service delivery. This is especially critical if a company wants to create a competitive advantage. Such companies also set prices that are too high for the domestic consumers (Love, 2005: 8–9).

2.4.4 Anti-competitive Behaviour

As already stated, where competition thrives, no one company has any power over the market. Consumers get the advantage of better packages and quality of use. Also, for companies to survive, they need to react to each other's competitive strategies. However, there are challenges to competition in the telecommunications industry referred to as anti-competitive behaviour. These will be discussed below.

2.4.4.1 Market Power and Dominance Abuse

Market power occurs when one company is able to raise prices above market levels and still remain profitable, as it normally owns between 35% and 50% of the market. In this particular instance, the other companies in the same market are not able to raise prices in the same manner. If they do, many of their clients will be lost (NetTel @ Africa, 2008: 1). An incumbent can abuse its dominance by delaying access to facilities for new entrants, availing facilities at excessive prices, engaging in predatory pricing/cross-subsidisation of competitive services and bundling services to its advantage that new entrants do not need (Intven & Tetrault, 2000: 5-16).

A company is said to have market power if its excessive profitability results from insufficient price competition and when such a company sets a price, the rest of the competitors follow. If a company is able to extend its market vertically, i.e. providing local access, long-distance and international services, it is said to have market power

(NetTel @ Africa, 2008: 1). Such a company is able to subsidise international service and long distance calls with local access. From this observation, it is clear that regulation must be given more authority to deal with abuse of dominance by the incumbents.

Regulation must be able to enforce orders against the dominant entity, revoke its licence, fine it, order compensation for the affected competitors and facilitate settlements in cases where dominance has been abused (Intven & Tetrault, 2000: 5-16). Predatory pricing, in particular, is one practice that directly disadvantages the consumer (NetTel @ Africa, 2008: 2). It occurs when an incumbent lowers its prices to drive competition out of the market, only to raise them even higher than before once competition is driven out to make up for the loss during the reduction.

Price discrimination occurs when an incumbent increases the service prices for new entrants who have no choice but to utilise the incumbent services. Funds from this kind of abuse can be used to subsidise predatory pricing strategies. In South Africa, Telkom has often been found to increase local calls to subsidise international calls (NetTel @ Africa, 2008: 2). It is thus the responsibility of regulation to ensure that prices are kept reasonable when competition is introduced.

While regulation can punish this behaviour, it is even better if regulation can anticipate such behaviour and deter it before it manifests. Furthermore, consumers can be abused by being "locked in". Here an incumbent obligates consumers through agreements which make it extremely difficult to switch providers. Long term contracts, exclusive discounts from dealing and exclusive arrangements are few examples. Incumbents can cause consumers to sign exclusive contracts just before competition is introduced (Intven & Tetrault, 2000: 5-27–5-28).

2.4.4.2 Barrier to Entry

Here, a new entrant's entry to the market is made difficult. Even if a new entrant does enter the market, it competes with difficulty. What contribute to this situation are prices that are set too high for the new entrant. A new entrant enters the market by providing a substitute product and if it succeeds in doing so, the

incumbent will refuse to keep increasing the prices, as this will encourage market entry (NetTel @ Africa, 2008: 1).

2.4.4.3 Bundling

Bundling occurs when services are fused and provided as a package. Here services are not sold individually, meaning that consumers are forced to buy services they do not need. Bundling can also occur when one company refuses to sell its products to consumers, unless consumers buy products of the other company as well. The cellular industry in South Africa, for example, ties its services with a cellular phone through a retail shop and such a phone cannot be used with a competitor's service (NetTel @ Africa, 2008: 1).

In bundling one company can deny the other its services and facilities. Where companies operate at the same level, like Vodacom and MTN, a horizontal agreement can be reached. It could be through price fixing, whereby consumers are denied choice on the basis of price, because companies have agreed to avail products and services at a particular price. Merging can also occur if it is not monitored. It occurs when one company buys its competitor. Exclusive provision is also another form of agreement. It is when two competing companies agree to deal with another competitor to push it out of the market. The last type of horizontal agreement is market sharing. This is when two competitors agree to serve different markets, which leads to high prices for the consumer (NetTel @ Africa, 2008: 1).

2.5 THE ROLE OF THE TELECOMMUNICATIONS INDUSTRY IN ECONOMIC DEVELOPMENT

Regardless of the challenges which still occur in the telecommunications industry, cellular operators assist in expanding the market for communication services instead of displacing fixed lines as might have been thought. The telecommunications industry in South Africa contributes toward 6% of the GDP (Love, 2005: 3). Product development by cellular companies justifies premium for service and this creates competition. Furthermore, competition in the cellular industry is also based on coverage and value-added service. As a result, improved investment and

employment have resulted (Hodge, 2008: 5). Realising that telecommunications growth positively impacts on economic development, there is therefore a need for investment in the infrastructure (Gebread, 2002: 5).

The role that the telecommunications industry plays in the economic development is a critical one and it will be discussed below (NetTel@Africa, 2008: 1–3; Wohlbruck, 2001; Richardson).

- The telecommunications industry provides an input to the economic production process. In other words, it reduces the cost of handling information. It also increases the productivity of traditional inputs such as capital, production, labour and materials, making the production process more efficient. Together with information technology, this industry is able to transport and avail information between distant locations efficiently.

- The telecommunications industry assists the diffusion of new ideas and knowledge, which positively impacts on the growth rate. This is in particular reference to individual enterprises, the industrial sector and the national economy.

- The development gap and regional infrastructure can be reduced. This means that in rural areas the productivity levels can be increased, as through telecommunications the limitations brought by geographical divide will be eliminated. When this is achieved, economic development can be achieved.

- Information can move rapidly globally and hence influence the global economy positively through telecommunications. The maximum utilisation of products and services can also be achieved, depending on the absorption capacity of a country.

- Rural suppliers can be more informed about the demand and prices in different markets in the economy earlier through free a flow of information between rural and urban areas.

- Enhanced communication brought about by telecommunications enables buyers and sellers to increase market operations efficiency. The capital costs of production can also be lowered, because of increasing arbitrage opportunities in financial markets.

- The availability of the telecommunications infrastructure to all sectors in a country leads to substantial externalities, generated on supply and demand. This increases innovation. Information acquisition costs are also reduced, while growth of economic factors is achieved.

- The ease of transferring information in the economy makes the coordination of economic activity more efficient and effective. Managers are more capacitated to communicate with one another other and hence make better plans and decisions. The physical constraints are removed in the economy and organisational communications.

Realising the input of telecommunications industry in the economy, it thus makes sense to recommend that the government must do everything in its power to ensure that this industry is strengthened at all levels. Doing so will ensure better economic development, social development and hence a better life for all. This means the society will be inclusive and South Africa as a country will be empowered to be a more competent global player.

2.6 CONCLUSION

From the above discussion it is clear that there are challenges in the South African cellular industry. The policy and regulation strategies in place are in the process of trying to improve competition so that the environment is more conducive . The other aim is to reduce prices, improve quality, and provide better customer service and technological developments for the benefit of the consumer. Competition will only be balanced once the environment has moved away from being a monopoly to being liberated and this will stop the abuse of consumers who are currently paying high prices.

South Africa is still in a monopolistic situation, which means that prices are high and

the quality a consumer receives is still poor. The regulating body, ICASA, still has limitations of government intervention in the form of interruptions, which delay competition. The main challenge in South Africa is to remove all the entry barriers. This will solve the problem of a lack of competition. Competition in the market has various advantages such as enhanced information technology imported, which will result in reduced research costs and an increase in service quality, while consumers have the advantage of lower prices.

There are still challenges regarding interconnection arrangements and connectivity. This is part of what hampers competition. One of the challenges to privatisation is that the government distrusts the regulating body and that the country is still undergoing an economic and political transition. The regulatory body is denied its independence and hence it is not provided with adequate resources. The Ministry of Communication lacks transparency in decision making and discourages public criticism. To add to the challenges, the stakeholders perceive the regulation of anti-competitive practices in the mobile sector as highly ineffective.

It is important that the regulating body be given the freedom to carry out its mandate. Its mandate ensures that there is economic growth, investment, competitive entry and protects the interests of consumers. The regulating body struggles particularly with anti-competitive behaviour and the creation of market entry. The waiting times for spectrum allocation is the longest in South Africa compared to the rest of Africa, simply because the parent company refuses to share towers and facilities.

Pricing needs to be regulated due to an oligopoly situation in South Africa. Such regulation will enable new entrants to compete successfully with the incumbent. The reason why entry barriers are high is due to ineffective regulation. Effective price regulation will ensure that a loss will not be experienced, while consumers are protected against exploitation.

The incumbent still refuses to cooperate in interconnection as this creates easy access to competition. The incumbent further charges excessive rates for interconnection and delays negotiations so that costs for new entrants are increased.

It also provides inferior technical solutions; hence it lowers the quality of services to subscribers of competitors. Interconnection costs are high and one network is able to raise off-network costs, resulting in consumers paying higher than expected costs. This is why Cell C owns only 10% of the market and cannot grow further. Its clients pay more than Vodacom's clients (who own 55% of the market). Consumers thus opt for the bigger network, because it is cheaper.

The other challenge is that there are too many packages availed to consumers and they are not educated to choose cost-efficient offers. Consumers find it difficult to choose an operator and they choose packages that lead to financial losses. Consumer interests are therefore not protected, prices are not affordable and competition is not fair.

Liberalisation will improve the infrastructure and this can be achieved through public stock floatation/private sales to strategic investors. However, when this is done, there must be a guard against excluding the poor from the telecommunications infrastructure. Liberalisation should be regulated so that its advantages can be maximised. It will bring new skills and technological innovations. Quality will improve and small businesses will be strengthened. The challenge in this regard is that the South African government does not trust democratic structures outside its control.

There has, however, been success in the area of universal access, because the majority of South Africans have access to telecommunications services via the use of a cellular phone. The political situation in the country is also contributing to the delay of the process. While competition is still lacking, heavy intervention of the regulation is still needed with the aim of phasing itself out by creating a competition in the market. The South African cellular industry still has a long way to go as there are challenges of anti-competitive behaviour such as market power abuse, barriers to entry and bundling. These challenges need to be addressed, because part of the economic development of the country heavily depends on this industry.

The telecommunications industry is discussed so as to give some background about how the industry operates. It is important to know that, as much as the focus of this study is on consumers, so some of the problems in the industry have an impact on

the behaviour of the consumers. The next chapter focuses on the cultural diversity of consumers.

CHAPTER THREE

CULTURAL DIVERSITY IN SOUTH AFRICA

3.1   INTRODUCTION

Companies exist to meet the needs of their customers. For this reason, companies must be customer-centric, meaning that it is crucial to focus their efforts on satisfying their consumers' needs and doing so better than their competitors. To succeed in doing so, amongst other things, knowledge about the composition of the consumer market will assist companies in being responsive to the consumers in terms of how they interact with the marketing system. This knowledge can then be used to design the marketing offer that will satisfy and meet the needs of the consumers. One of the ways that can be utilised to gain information about consumers is cultural diversity. Cultural diversity aims to explain how various consumer groups interact, respond and behave within their environment, how these groups are similar within themselves and how they differ from one another. The various cultural diversity components focused on in this study include age, gender, race, social class and lifestyle. Cant *et al*. (2006: 56) authenticate this outlook in stating that the behaviour of consumers in a particular society is in part directed by the culture they belong to or embrace.

South Africa has a diverse culture, meaning that it is composed of various cultural groupings, referred to as subcultures. A subculture is identified based on demographic characteristics, and depending on the marketing purpose (Peter & Olson, 2005: 321). Marketers therefore need to invest resources to identify subcultures so that they are able to understand cultural diversity. Doing so will assist in providing the necessary data when developing marketing strategies (Peter and Olson, 2005: 231). Due to the diverse nature of the South African culture, this chapter observes cultural diversity as being made up of race, age, gender, and social-class groupings. These components will be observed individually as they are among the prominent clusters which make the South African culturally diverse. Each cluster has members who share common cultural meanings, whilst still being part of the larger society and are thus influenced by the overall culture (Peter & Olson,

2005: 321).

An observation of mindsets and trends from the context of culture will then follow and this section will explain how consumers vary from one another. Mindsets and trends will be observed, because different subcultures differ in their experiences and situations and hence embrace values different from one another (Kotler & Armstrong, 2008: 131). In other words, mindsets and trends set members of a subculture apart from other members of the same society (Du Plessis & Rosseau, 2003: 402). Finally, there will be a discussion on the implication of cultural diversity on marketing.

3.2   THE MODEL OF CONSUMER BEHAVIOUR

Consumer behaviour has four basic components (Hoyer & Macinnis, 2010). The first component is the internal source of information, which is called the psychological core. The second component is the external source of information, which is referred to as cultural diversity. The third component is the decision-making process, which consumers engage in before acting out on their decisions. The final component is the consumer behaviour outcomes. The consumer behaviour outcomes do not occur in isolation, especially if such outcomes are beneficial to a business. Figure 3.1 shows the various components of consumer behaviour as described by the model of consumer behaviour.

When the consumer receives information about a particular brand, such information will be scanned by the internal processes referred to as the psychological core. The psychological core is the internal source on which the consumer relies when making decisions. According to Hoyer and Macinnis (2010: 11), the psychological core is composed of the following:

- Motivation, ability and opportunity;
- Exposure, attention and perception;
- Categorising and comprehending information;
- Forming and changing attitudes; and
- Forming and retrieving memories.

Figure 3.1: Model of Consumer Behaviour
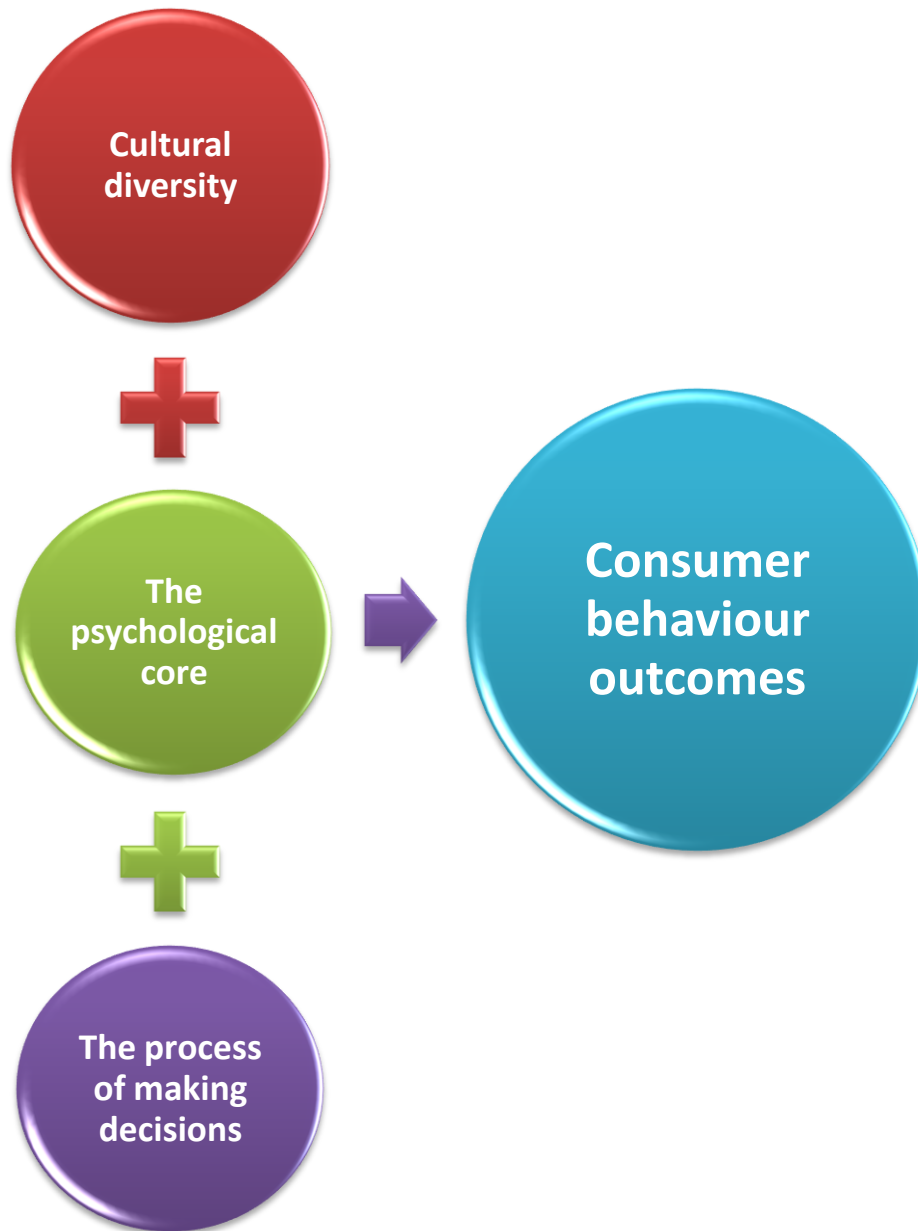
Source: Adapted from Hoyer and MacInnis (2010)

How information is processed in the psychological core, is closely related to the decision-making process. These stages are identified by Hawkins *et al.* (2007) as:

- Problem recognition;
- Information search;
- Alternative evaluation and selection;
- Outlet selection and purchase; and

- Post-purchase behaviour.

How consumers process the information in their psychological core and how they engage in the decision-making process is impacted by the external source of information referred to as cultural diversity in this study. A consumer's culture impacts on a consumer's attitude, perception and feelings in a given situation. It also impacts on how consumers respond to each stage in the decision-making process. The components of cultural diversity focused on in this study are race, age, gender, social class and lifestyle.

If the branding of effort has been carried out successfully across the three components discussed, it will lead to preferred consumer behaviour outcomes. These would include the symbolic use of products, the diffusion of ideas and services through a market (Hoyer & Macinnis, 2010). Consumers use certain services to express their identity and they can send out positive or negative word of mouth messages about their own experiences.

From the model of consumer behaviour it is clear that cultural diversity is critical, as it exerts an influence on consumers when thinking about services offered and how they choose these services. For marketing managers such information is vital, because brands need to be well positioned in the market to be able to generate profits for the business. Positioning can only be successful if the market is well understood and one of the ways of understanding the market is through cultural diversity. The rest of this chapter focuses on cultural diversity as one of the components. However, this does not mean that cultural diversity exists in isolation, as the other components are also important.

3.3 SUBCULTURES

Subculture is defined as a group of people who share common affective and cognitive responses (emotional reactions, beliefs, values and goals), behaviours (customs, rituals and behavioural norms) and environmental factors (living conditions, important objects) to derive cultural meanings within a society (Peter & Olson, 2005: 321). A subculture is thus a segment which can be identified within a

larger, more complex society (Du Plessis & Rousseau, 2003: 404; Schiffman & Kanuk, 2004: 440) and analysed at different levels. As a result, the focus of this section will be on analysing the dominant subcultures that exist in South Africa. This proposition will aid in classifying how subcultures are heterogeneous in terms of their responses and behaviours to stimuli. It is important for companies to have some knowledge regarding their customers, because a marketing offer often needs to be tailored to the needs within a subculture, which makes them important market segments (Kotler & Armstrong, 2008: 131; Cant *et al.*, 2006: 59).

The diversity of the South African culture can be viewed from various observations, as consumers belong to more than one subculture (Solomon, 2007: 484). South Africa is often referred to as the rainbow nation, emphasising the intense diversity of its culture (Cant *et al.*, 2006: 59). As much as South Africa consists of a common cultural society, the sub-cultural meanings are unique. According to Peter and Olson (2005: 321), the changes which are occurring as far as the demographic composure is concerned make the analysis of subcultures very important. These can be categorised into nationality, religion, geographic region, race, age, gender, occupation and social class (Schiffman & Kanuk, 2004: 441).

For the purpose of this study, the focus will be on racial, age, gender, social class and lifestyle groups (see figure 3.2). It must, however, be noted that these are not permanent defining features of the South African subcultures. On account of the transformation process that the country is undergoing and the upward mobility of the population, sub-cultural profiles must be updated on a regular basis (Du Plessis & Rousseau, 2003: 404). Sub-cultural composure changes as the society's needs change within a dynamic environment (Berndt *et al.*, 2006: 107).

Figure 3.2: Cultural Diversity Components in South Africa (Subcultures)
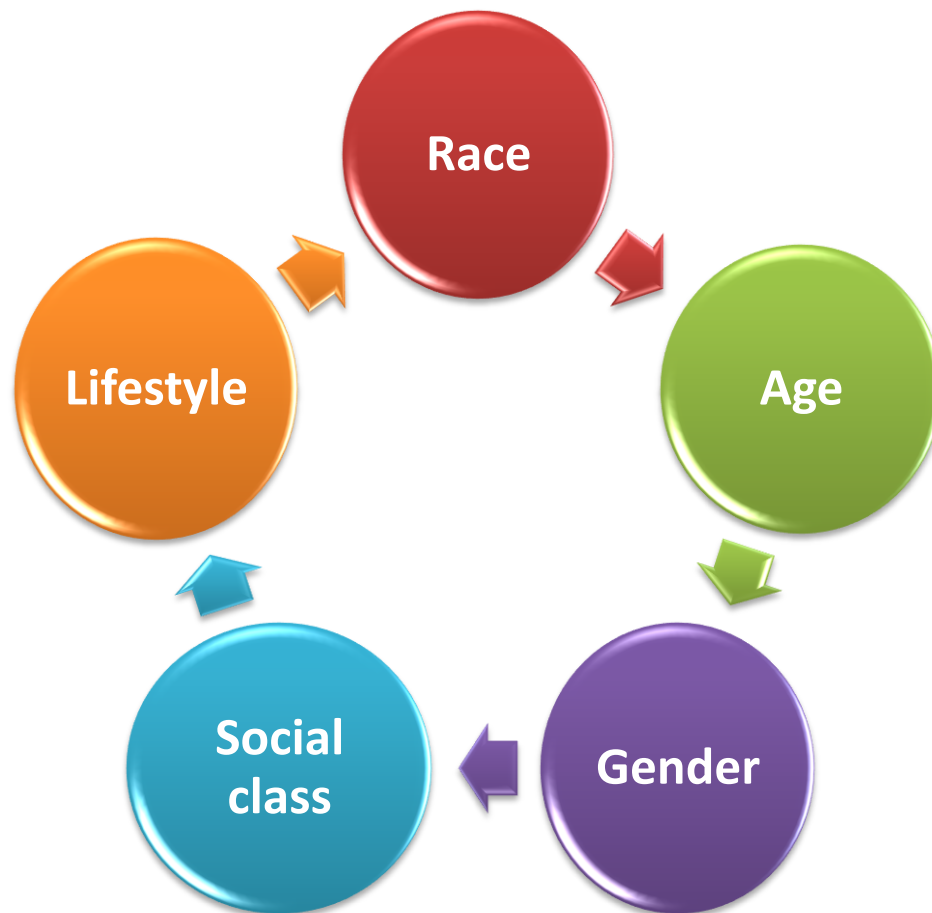
Race and gender are chosen, because these have historically created apprehension within South Africa (Pillay *et al.*, 2006: 54) and this resulted in both of these subcultures being exposed to different experiences and environments. Race and gender are thus significantly different from one another in the context of South Africa.

Age is also taken into consideration, because the younger generation in South Africa (Generation Y) is more exposed to the post-'94 era, while the older generation has been exposed to both pre-'94 and post-'94 eras. Du Plessis and Rousseau (2003: 404) support this view in affirming that due to the transformation process that has occurred in South Africa, age defines an important subculture. The significant difference between these groups is also caused by their exposure to different governmental systems (Cant & Machado, 2005: 48).

The focus will also be on social class groups, because in South Africa there are

considerable differences between various social classes. These differences are firstly due to the legacy of the past and secondly due to the efforts of the government of empowering the previously marginalised groupings. The government aims to bridge the gap between the two economies in South Africa. This will be considered as it influences the financial means and the buying power of the South African consumers.

3.3.1 Race Subculture

Race as a subculture observes consumers as being held together by common genetic ties and these consumers try to keep their sub-cultural identification from being submerged into the mainstream of the dominant society (Solomon, 2007: 486). Solomon (2007: 486) further mentions that consumers from a race subculture get much of their product information from specialised ethnic media. For example, according to the Taylor Nelson Sofres Research Surveys (2007), 53% of Black middle and upper class South Africans listen to Radio Metro, which is a radio station dominated by local content and which has a strong cultural identity for this group of people.

Racial subcultures play an important role in the type of media exposure, apparel preferences and political behaviour (Solomon, 2007: 487). For marketing purposes, messages should be structured with the consideration of sub-cultural differences on how people communicate (Solomon, 2007: 487). Understanding ethnic preferences and basing marketing activities on them can lead to success (Simpson & Dore, 2002: 185–195).

The view of understanding racial or ethnic preferences is supported by Burton (2002: 442), who states that consideration of race, when it comes to perception of advertising, brand loyalty and consumption patterns could be significant. On the contrary, there is also a concern of whether racial segmentation is worth the investment of company resources (Cui & Choudhury, 2002: 54). For example, the Black middle and upper class South Africans are an emerging minority group, in terms of income. Whether this group will respond more positively to products appealing to their ethnicity or not is a question which remains to be answered. The

findings of Burton (2002: 449) show that an understanding of the influence of communication on consumption is still deprived. Clarity in this matter will explain if it makes business sense to target racial groups in a homogenous way or not.

Cui and Choudhury (2002: 55) indicate that the differences that occur among various racial groups are not immense when it comes to advertising tailored offerings for racial groups. Kwok and Uncles (2005: 170) support this view by stating that, regardless of the racial differences, the impact on responses to sales promotions is not influenced by racial differences. However, the findings of Cui and Choudhury (2002: 55) show that race has a considerable impact on consumption patterns and media usage. Based on these two contrasting views, it becomes apparent that the impact of race in marketing activities will vary depending on the specific activity concerned. This project aims to determine whether race has an impact on marketing activities in the cellular telecommunications industry. Kwok and Uncles (2005: 170) note that a clear understanding of racial differences will determine whether or not to pursue a standardised marketing approach.

In analysing the impact of race as a subculture, the underlying psychographic motives of consumers such as their values will help to increase the accuracy of the findings. This is so because, even though consumers do not have unique needs, they are said to be more responsive to messages emphasising their cultures and values (Cui & Choudhury, 2002: 56). Cui and Choudhury (2002: 56) further mention that there is increased effectiveness in generating differential response from racially different consumers if a culture- and value-based approach are utilised in communication. The study of Cui and Choudhury was done in the United States of America, whereas Kwok and Uncles in 2002 focused on Australia. Cui and Choudhury (2002: 181) found that, contrary to the United States, in Australia the differences in cultural values among racial groups do not necessarily impact on consumer responses to sales promotions. Hence in Australia a standardised approach in sales promotion can be utilised. What Cui and Choudhury point out, regardless of their findings, is that it should not be assumed that lack of consideration of differences in cultural values of racial groups will be successful in all aspects of marketing. The next section focuses on the South African racial composition (see figure 3.3).

Figure 3.3: The South African Racial Composition
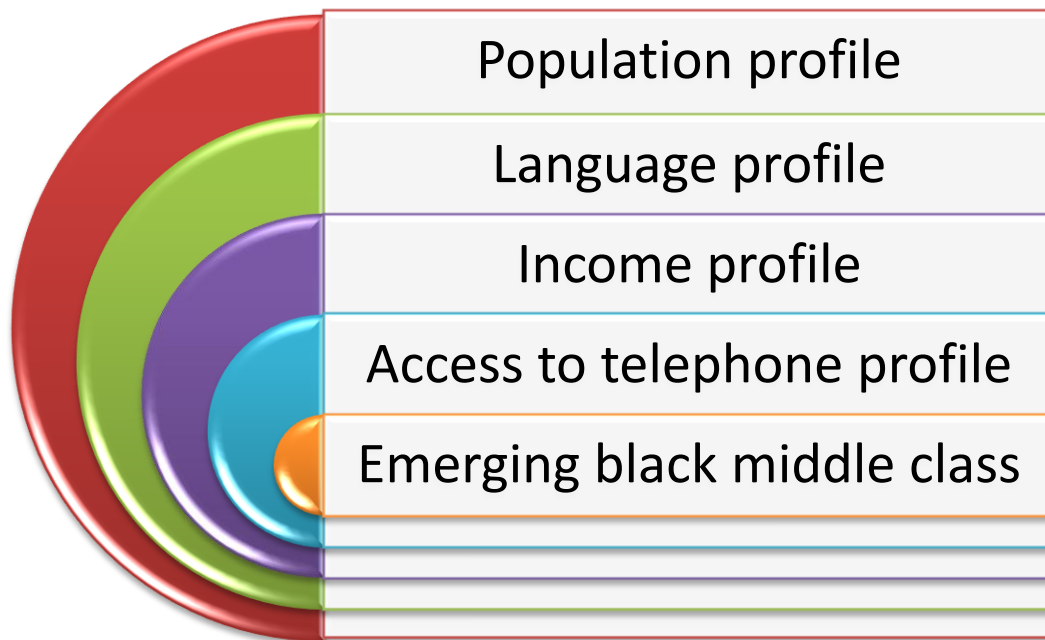
3.3.1.1 Population Profile

According to Berndt *et al.* (2006: 43), there are approximately 44 million people in South Africa. The total South African population is divided into four racial groups, namely Black, White, Indian and Coloured. Of these, the Blacks are the largest, while at the same time they represent the minority when it comes to economic means. Such awareness is important to note because, for example, survey findings indicate that members of minority groups find an advertising spokesperson from their own group more trustworthy, resulting in enhanced credibility translated into more positive brand attitudes (Solomon, 2007: 487). In South Africa this was also seen in a case where one cellular phone company, Cell C, utilised the celebrity endorsement of Zola (Black local musician) and the results were an increased response towards Cell C from the Black segment (Camerer, 2007). Table 3.1 illustrates the percentages for population groups.

Table 3.1: Population Profile for South Africa

Race	Percentage (%)
Black	35 416 166 (77.8%)
Coloured	3 994 505 (8.9%)
Indian or Asian	1 115467 (2.6%)
White	4 293 640 (10.5%)

Source: Adapted from Statistics South Africa, 2004.

Table 3.2 indicates that most Black and Indian South Africans are found in the province of KwaZulu-Natal. White South Africans are mostly found in the Gauteng Province, whereas Coloured South Africans predominantly reside in the Western Cape Province. Black South Africans are the majority in all the provinces except in the Western Cape and the Northern Cape. Indian South Africans are the least in all the provinces except in KwaZulu-Natal.

Table 3.2: Population Group Numbers by Province

Province	Population group				
	Indian (millions)	White (millions)	African (millions)	Coloured (millions)	Total (millions)
KwaZulu-Natal	0.843	0.537	7.494	0.123	8.997
Gauteng	0.173	1.762	5.545	0.291	7.771
Eastern Cape	0.020	0.340	5.890	0.493	6.743
Limpopo	0.006	0.122	5.175	0.008	5.311
Western Cape	0.042	0.872	0.910	2.328	4.152
North-West	0.011	0.231	3.229	0.050	3.521
Mpumalanga	0.014	0.262	2.701	0.020	2.997
Free State	0.003	0.326	2.398	0.080	2.807
Northern Cape	0.002	0.116	0.303	0.468	0.889
TOTAL					43.188

Source: Du Plessis and Rousseau (2005: 51)

3.3.1.2 Language Profile

South Africa has eleven official languages, as indicated in table 3.3. Language is also an important racial issue as it is a way people communicate with and understand

each other. This was seen, for example, when Y-fm (a local radio station targeting the Black youth market) in South Africa saw the success of increased listenership and started to play kwaito music, which is South African music played in African languages (Simpson & Dore, 2004: 291–293). Out of eleven languages, some are more understood than others, as is illustrated in table 2.4. It means that different South Africans are more fluent in some languages than they are in others.

Table 3.3: Various Languages Utilised by South Africans

Language	Percentage (%)
Zulu	22.4%
Xhosa	17.5%
Venda	1.7%
Tswana	7.2%
Tsonga	4.2%
Swati	2.6%
Sotho	6.9%
Pedi	9.8%
Ndebele	1.5%
English	9.1%
Afrikaans	15.1%
Other	2%

Source: Du Plessis and Rousseau (2005: 51)

Table 3.4 indicates that English is spoken the most by South African populations (76%), followed by Zulu (49%), Afrikaans (44%) and Xhosa (35%). According to Du Plessis and Rousseau (2005: 97), the home language in South Africa that is spoken the most is Zulu (23.5%), followed by Xhosa (17.6%) and Afrikaans (13.7%).

Table 3.4: Understanding of Languages

Language	(a) I under-stand it well (%)	(b) I under-stand it fairly well (%)	(a)+(b) Total of under-stand it well/ under-stand it fairly well (%)	(c) I under-stand a bit of the language (%)	(d) I do not under-stand it at all (%)	(c)+(d) Total of under-stand a bit and do not under-stand it at all
Afrikaans	24.9	19.1	44.0	19.8	36.2	56.0
English	42.7	33.2	75.9	15.0	9.1	24.1
Sepedi	13.7	11.0	24.7	11.0	64.3	75.3
Sesotho	14.6	14.6	29.2	11.6	59.2	70.8
Setswana	13.9	12.1	26.0	10.0	64.0	74.0
IsiNdebele	4.6	5.2	9.8	10.6	79.7	90.3
SiSwati	6.6	6.9	13.5	11.8	74.7	88.2
Xhosa	19.9	14.6	34.5	18.0	47.5	65.5
Zulu	31.8	17.3	49.1	15.8	35.1	50.9
Tsonga	5.0	3.3	8.3	7.1	84.7	91.8
Tshivenda	2.9	2.6	5.5	5.1	89.4	94.5

Source: Du Plessis and Rousseau (2005: 96)

The least spoken languages are Tshivenda (2.8%), Siswati (2.5%) and IsiNdebele (1.5%) (Du Plessis & Rousseau, 2005: 97). Research findings by Du Plessis and Rousseau (2005: 97) indicate a decrease in the South African population's use of English and Afrikaans and an increase in the South African population's use of indigenous African languages as the home language.

3.3.1.3 Income Profile

Table 3.5: Income Profile of the South African population by Ethnic Group as Percentage of Monthly Income Level

Income group by level of monthly income	Ethnic group as percentage of income group				
	Black	**Coloured**	**Indian/ Asian**	**White**	**Total**
No income	67.38	10.57	3.21	18.83	100%
R1 – R400	88.74	8.67	0.60	1.99	100%
R401 – R800	81.62	14.59	1.25	2.54	100%
R801 – R1 600	75.84	14.52	3.49	6.14	100%
R1 601 – R3 200	61.03	15.21	6.04	17.73	100%
R 3 201– R6 400	40.36	12.72	7.44	39.48	100%
R6 401 – R12 800	22.92	8.59	7.44	61.05	100%
R12 801 – R25 600	12.99	4.41	6.21	76.39	100%
R25 601 – R51 200	13.35	3.47	4.87	78.30	100%
R51 201 – R102 400	13.75	4.43	5.06	76.76	100%
R102 401 – R204 800	14.95	4.25	5.25	75.54	100%
R 204 801 or more	19.48	3.34	4.20	72.97	100%

Source: Statistics South Africa (2004).

Table 3.5 indicates that most of the Black and Coloured people have a low income while most White people have a high income. Black people at middle-income level (R3 201–R6 400) form 40.36% of the group, while White people comprise 39.48%. The monthly income of the Indian/Asian population shows the variations in comparison to other population groups. The majority of the Indian/Asian population (7.44%) lie within the middle income (R3 201–R6 400 and R6 401–R12 800). Such information is useful in the sense that when presenting a marketing offer, companies will know which segment to target with which product and at what cost. In the cellular market the high income groups own more advanced handsets than low-income groups (Bouwman *et al.*, 2008: 77).

3.3.1.4 Access to Telephones Profile

Access to telephones is considered as one of the indicators of social class in South Africa (Berndt *et al.*, 2006: 46). Table 3.6 demonstrates access to telephones for the South African population.

Table 3.6: Access to Telephones for the South African Population by Percentage of Ethnic Group

	Black (%)	Coloured (%)	Indian/ Asian (%)	White (%)
Telephone in dwelling and cellular phone	5.45	19.82	46.54	58.00
Telephone in dwelling only	6.51	23.42	28.24	20.58
Cellular phone only	19.15	11.21	12.33	16.62
At a neighbour nearby	7.19	10.53	3.38	0.90
At a public telephone nearby	46.21	28.66	8.67	3.26
At another location nearby	3.82	2.58	0.28	0.22
At another location, not nearby	4.22	1.42	0.15	0.14
No access to a telephone	7.46	2.36	0.42	0.29
Total	100%	100%	100%	100%

Source: Adapted from Statistics South Africa (2004).

Table 3.6 indicates that the Black population possesses the most cellular phones only (24.6%) whereas the White population represents the majority when it comes to access to both telephone in dwelling and cellular phone as the only mode of telecommunicating. When it comes to no access to a telephone, the Black population is in the majority (7.46%). In general, the majority of South African Blacks have access to phones (see table 3.6).

3.3.1.5 Emerging Black Middle Class

Table 3.1 (page 59) demonstrates that the Black market is the largest (77.8%). However, when it comes to economic affordability, they represent the minority, whereas the White market represents the majority (illustrated in table 3.5, page 62). There have also been significant changes as far as the composition of the Black

market is concerned. The Black market is not as homogeneous as might have been thought of by marketers (Du Plessis & Rousseau, 2005: 404). There is an attractive section emerging in the Black market. This market is referred to as the Black Diamonds, which are essentially the emerging and emerged black middle and upper class of South Africa (Taylor Nelson Sofres Research Surveys, 2007).

The Black Diamonds (see figure 3.4) market within the Black market is worthy of observation since they represent 12% of the Black population and comprise 54% of Black consumer spending and 28% of total South African spending (Taylor Nelson Sofres Research Surveys, 2007). This market has grown in numbers (from 2 million in 2005 to 2.6 million in 2007) and in value (R130 billion in 2005 to R180 billion in 2007) (TNS Research Surveys, 2007). Even though their economic value changes, the Black Diamonds are not changing as far as their cultural and traditional beliefs are concerned (Berndt *et al.*, 2006: 107; Taylor Nelson Sofres Research Surveys, 2007). Cant *et al.* (2006: 77) mention that there are distinctive changes in consumption patterns between the Black Diamonds and the ordinary Black working class.

Figure 3.4: Black Diamonds in South Africa
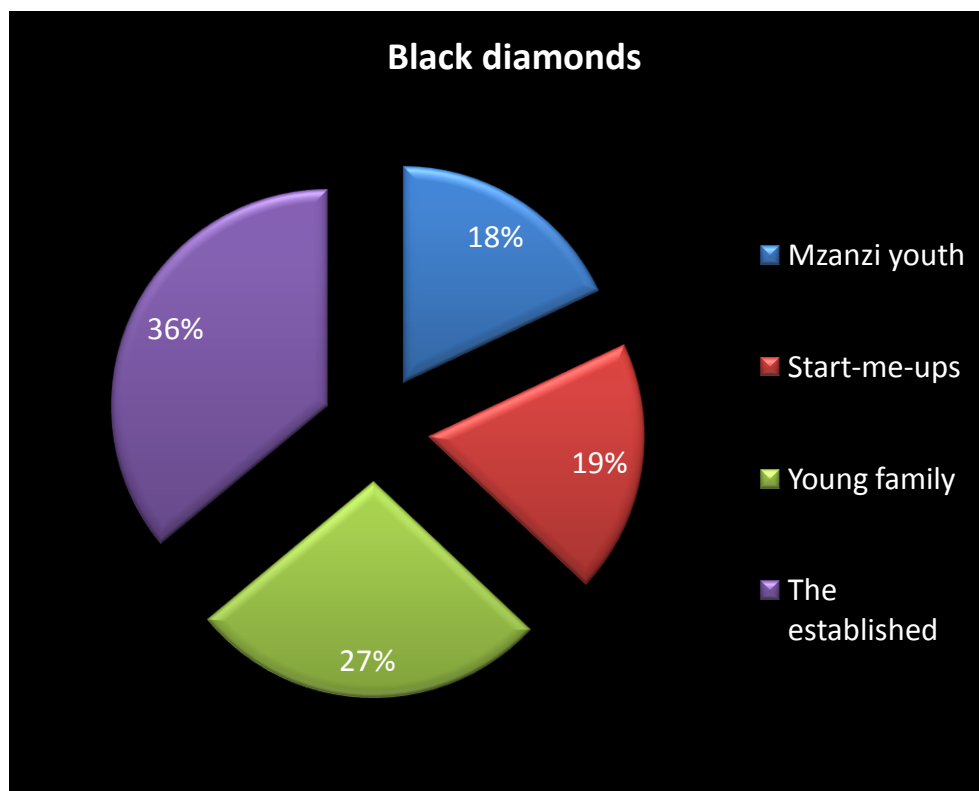
As mentioned earlier, this segment is not homogenous and one marketing offer will not cater for the entire market. Factors such as cultural identity issues, where individuals are in their life cycle, political sensitivities, interests and lifestyle choices play a critical role when communicating with this segment. This market is experiencing a transition when defining their context and marketing activities must keep track with such changes. Research by Taylor Nelson Sofres Research Surveys reveals that the Black Diamonds market can be divided into four sub-segments, namely the Mzanzi youth, Start-me-ups, Young family and the Established. These segments are discussed based on the data from the Taylor Nelson Sofres Research Surveys and the UCT Unilever Institute of Strategic Marketing (2007) in the sections which follow.

a. Mzanzi Youth (Black Diamonds Profile)

The Mzansi youth comprises 18% of the Black Diamonds market. They are mainly students living at home and are between 18–24 years old. Their financial value is estimated at R7 billion. Their psychographical profile revealed that they are not limited in their thinking. They are young and they feel that everything is possible. As individuals they are not patient and there are no excuses for not doing what they feel should be done at their own time. When marketing to this group it would be important to:

- Assure them that it is possible to have their desires met;
- Understand the challenges of their life cycle;
- Communicate brands in a way that assures them that their expectations will be met;
- Understand their jargon (language that makes sense to them) and what success represents for them; and
- Provide access to luxury in affordable means.

The key insight into this segment is that it has great expectations from brands, even though the majority of them are still unemployed. They want to communicate the desired status through brands.

b. Start-me-ups (Black Diamonds Profile)

Start-me-ups comprise 19% of the Black Diamonds market and have been defined as being young, ambitious and single professionals. They are between 25–29 years and their financial value is estimated at R37 billion. Their psychographical profile revealed that they are individuals who are achievement orientated, meaning that they want to project their success and achievement through their possessions. Much focus is on building careers and entrepreneurial endeavours. Spending is thus higher in this segment. Brands in this segment must be inspirational.

c. Young family (Black Diamonds Profile)

The financial value of the young family is estimated at R49 billion and they are mostly parents of young children. They are between 25–34 years of age and comprise 27% of the Black Diamonds market. What is important to individuals in this segment is providing for their family members (children and extended family members), succeeding in their careers and fulfilling their personal desires of self-actualisation. For this segment brands must:

- Assure these consumers that if their children are well taken care of, they are successful;
- Enable consumers to save time as there are too many demands on their lives;
- Understand pressure to maintain balance consumers' lives as most of them are working parents;
- View income from the perspective of the extended family situation; and
- Understand the importance of family.

In this segment consumers mostly focus on providing for their families, even though their financial means are limited. A sense of belonging in their cultural background in a modernised world is important to them. Their elders have more say in their cultural set-up and showing respect for them is also important. Most of them work for the government and corporate sectors.

d. The Established (Black Diamonds Profile)

The Established segment has been identified as the wealthiest sub-segment and the largest (36%) of the Black Diamonds market. They range between 35–44 years of age, are stable family men and women and their financial value is estimated at R87 billion. They are more appreciative of life, invest more and their wealth is accelerating. They are also sensitive about an extended family. When marketing to this group, it is important to note that:

- Communication and advertising must be sensitive to their background;
- Family and community are of key importance;
- Strong links to culture are evident in their choice of media; and
- They are more confident about where they are and where they are headed.

The Established segment leads a comfortable life style, meaning that they can afford more luxurious products and services. They have investments and in their culture they give direction to other members and have authority (more say). They want brands and products which make their lives more comfortable. Most of them work as corporates and some as entrepreneurs.

3.2.2 Social Class Subculture

Social class indicates that individuals and groups within a society are judged on the basis of the status they occupy in a nation's hierarchy (Peter & Olson, 2005: 338–339). Cant *et al.* (2006: 76) define social class as "a group of people in a country who are considered equal in status or community esteem, who socialise together on a regular basis formally and informally and who share behaviour patterns". Knowing the social structure of a nation and identifying the levels consumers occupy in it is useful in not only clarifying how much money is spent, but also how that money is spent (Solomon, 2007: 456).

The social structure in every country is different (Solomon, 2007: 459; Peter & Olson, 2005: 339). In South Africa there is a huge gap in income earnings between the richest and the poorest people in the country. The social engineering policies of the pre-1994 government resulted in this circumstance (Cant *et al.*, 2006: 77). South

Africa has very few people in the upper class, more in the middle class and the majority of the population in the lower class (Cant *et al.*, 2006: 77)

Social class consideration is important, because consumers mostly want to buy brands which communicate their status in the society (Cant *et al.*, 2006: 78). Consumers with the same social status tend to behave in a similar manner (Solomon, 2007: 456). In the past (pre-'94), marketers in South Africa mostly used income and race as a way of segmenting the market (Berndt *et al.*, 2006: 130). Race and income proved to be limited in segmenting the market and a more accurate instrument has since been developed, which is discussed below.

3.2.2.1 Living Standards Measure

The Living Standards Measure (LSM) is used to describe the South African social classes (Du Plessis & Rousseau, 2005: 87). This method is most applicable specifically to the South African consumer market. The LSM is divided into 10 levels whereby LSM 1 is the lowest and LSM 10 is the highest. The LSM uses wealth, access to information technology and geography as main indicators to segment the South African market (Du Plessis & Rousseau, 2005: 87). LSM measures social class regardless of race and demographic differences; it rather relies on degree of urbanisation and ownership of assets and major appliances (Cant *et al.,* 2006: 91).

Table 3.7: LSM According to Ethnicity and Average Income Per Household Per Month

LSM	Population	Average Level of education	Ethnicity Black (B) White (W) Coloured (C) Asian (A)	Average income Per household per month	Average number of people per household
1 (10,5%)	5 021 000	Grade 5	B: 100%	R 770.0	5.4
2 (14%)	6 776 000	Grade 6	B: 98%	R879.00	5.2
3 (14,3%)	6 004 000	Grade 7	B: 96%	R1 104.00	4.6
4 (13.8%)	6 202 000	Grade 8	B: 94%	R1 534.00	4.7

5 (12.5%)	5 905 000	Grade 9	B: 87% C: 10%	R2 195.00	4.9
6 (12.6%)	5 642 000	Grade 10	B: 69% C: 16% W: 11%	R3 575.00	4.6
7 (6.05%)	2 589 000	Grade 11	B: 42% C: 18% W: 33% A: 7%	R5 504.00	4.0
8 (5.8%)	2 254 000	Matriculation	B: 22% C: 15% W: 55% A: 8%	R7 427.00	3.7
9 (5.4%)	2 215 000	Matriculation plus other	B: 9% C: 10% W: 74% A: 7%	R10 561	3.6
10 (5.1%)	2 073 000	Post matriculation	B: 4% C: 4% W: 88% A: 4%	R21 591	3.6

Source: Adapted from Consumerscope (2003) and Cant *et al.* (2006: 91–94)

Table 3.7 indicates that the more affluent people are found at the higher levels of the LSM and LSM 1 comprises only Black people, whereas 88% if LSM 10 is composed of White people. The South African government is trying through employment equity, affirmative action and Broad-Based Black Economic Empowerment (BBBEE) to reduce the differences between the racial groups in order to narrow the gaps (Berndt *et al.*, 2006:131).

3.2.2.2 Social Class Structural Changes in South Africa, post-'94

Van Aardt (2005) discusses the BMR (Bureau of Market Research) segmentation matrix, which explains the changes occurring in the social environment of South Africa. The matrix uses living standard and level of education as variables. Table 3.8 shows the changes that occurred between 1998 and 2003.

Table 3.8: The BMR Segmentation Matrix using 1998 and 2003 Data

	1998	2003	1998	2003	1998	2003
High living standard	164 154	174 310	3 369 102	4 205 433	1 535 257	1 652 429
Middle living standard	3 559 469	3 637 253	7 697 213	11 427 498	752 075	795 080
Low living standard	5 525 141	4 243 055	3 016 234	3 462 224	102 974	75 845
	Low education		Middle education		High education	

Source: Adapted from Cant *et al.* (2006: 79)

The BMR segmentation matrix uses the former LSM categories 1 to 8 and groups them into three categories which are high living standard (LSM 7 and 8), middle living standard (LSM 4–6) and low living standard (LSM 1–3). This is then combined with the education variable and result in three levels which are, low education (no education to Grade 7), middle education (Grade 8 to Grade 12) and high education (post-matric). Between 1998 and 2003, according to the matrix, the changes which occurred were:

- Large numbers of consumers entered the middle living standard-middle education grouping (7.6 million to 11.4 million);
- More consumers moved into the high living standard-middle education grouping; and
- Consumers in the low living standard-low education grouping decreased.

There have also been structural changes in South Africa as far race is concerned. According to Cant *et al*. (2006:80), there has been a 107% increase in the number of Africans moving into the high level education and high living standard. An increase of 55% of Black people obtained matric and earn a medium living standard. A decline has also been observed among Black people with low education and low living standard. These changes can be attested to more schools being built and more opportunities presented to access tertiary education, resulting in better employment

opportunities (Cant *et al*., 2006: 79). Programmes and policies of employment equity and Black Economic Empowerment (BEE) legislation contributed towards this.

3.2.2.3 Structural Changes in the South African Provinces

a. Eastern Cape

There has been a 5% decrease of consumers in low living standards and an increase of those in high living standards between 1998 and 2003 (Cant *et al.,* 2006: 81). The growth in the level of education and living standard in this province still needs to improve. This kind of an improvement could result in more consumers gaining access to cellular usage and other resources which improve lifestyle.

b. Free State

The consumers with a low level of education decreased by 22%, those with a medium level of education increased by 31% and those experiencing a high living standard increased by 30% (Cant *et al.,* 2006: 81).

c. Gauteng

An increase of 23% of consumers has a middle education; 20% more experience medium living standards and medium education and there has been a 21% increase of consumers experiencing a high standard of living (Cant *et al.,* 2006: 81). The challenges in this province lie in its skilled labour. Highly skilled people emigrate and low-skilled people do not benefit directly from economic growth (Cant *et al.,* 2006: 81). This means people with limited skills are not getting jobs, nor are they able to start small businesses that can contribute to the economic wellbeing of the country.

d. KwaZulu-Natal

In this province, an increase of 43% of consumers has a medium level of education and experience a medium living standard (Cant *et al.,* 2006: 82). Growth in high education and a high standard of living is yet to be observed. This knowledge is particularly relevant when designing and implementing marketing programmes. People's level of education influences their level of understanding the marketing

offer presented to them. That means marketing messages still need to be kept simplistic instead of complex. Cant *et al.* (2006: 82) mention that, despite the improvements observed in KwaZulu-Natal, there are the challenges of the high HIV-prevalence rate, high unemployment, migration of highly skilled people to Gauteng and the Western Cape and an uneven distribution of income.

e. Limpopo

The living standard in Limpopo and level of education has improved. High unemployment rates, low entrepreneurship and the high impact of HIV/Aids are some of the challenges faced in Limpopo. In this province there are also skilled consumers, but the problem is that these skills are not needed in the job market; hence their skills cannot be utilised (Cant *et al.*, 2006: 2).

f. Mpumalanga

Mpumalanga has experienced an increase in higher education and higher living standards. Consumers with medium education increased by 40%, those with high education increased by 11%, while those with a high living standard increased by 37% (Cant *et al.*, 2006: 81).

g. Northern Cape

In the Northern Cape the medium level of education increased by 43% and a hindrance to higher education could be attributed to the fact that there are not enough residential tertiary education institutions in this area (Cant *et al.,* 2006: 82). A progress in high living standard has also been observed. There is also a challenge of highly skilled consumers moving to Gauteng and the Western Cape (Cant *et al.*, 2006: 82).

h. North West

The presence of higher education institutions in this province contributes towards an increase in higher education that is recorded and this is said to have a direct impact on improvements in living standards. The improvement of education and living standard is estimated at 113% (Cant *et al.,* 2006: 83). The consumers in the low

living standard and low education groups decreased by 47%, whereas those in the medium living and medium education groups increased by 92% (Cant *et al.*, 2006: 83).

i. Western Cape

In the Western Cape, high living standard has improved as well as higher educational qualifications (Cant *et al.*, 2006: 83). These improvements can be attributed to the fact that there are institutions of higher learning like the University of Cape Town as well as due to the migration of skilled consumers.

The structural changes in the South African provinces indicate that there is a general improvement in the areas of education and standard of living. Whereas there are improvements, challenges also exist. These include economic growth that does not yield job creation resulting in unemployment, HIV/Aids, skills emigrating from South Africa, the labour market relevance of the South African higher learning institutions and poor service delivery due to urban metropolitan areas being unable to cope with the increasingly urbanising population.

3.3.3 Age-based subculture

The age-based subculture can be used to identify generational differences between market segments in South Africa. Age-based subculture groups are consumers who have experienced similar political, historical, economic and social environments together (Cant & Machado, 2005: 48). Grouping consumers in this manner is referred to as the cohort analysis (Cant *et al.*, 2006: 100). This way of grouping consumers is due to the fact that events which occur at a particular life stage of individuals have a bearing on their behaviour.

The cohort system also identifies each age group as having similar attitudes, behaviours and values (Cant *et al.,* 2006: 100). Age has a critical impact on marketing, because the consumers' needs and wants change as their age changes. The lifetime value of a consumer, in terms of goods purchased over lifetime, can be calculated based on their age and as consumers change in age, their values and

demands also change (Cant *et al.*, 2006: 101). The four age segments will be observed under this section (see figure 3.5).

Figure 3.5: Age-Based Subcultures
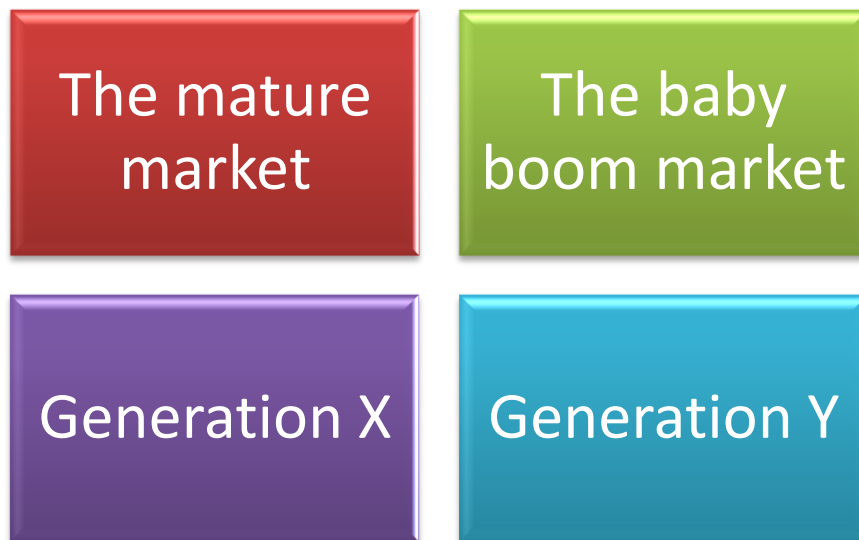
Table 3.9 displays the various age groups in South Africa. It is clear that the majority of South Africans are young consumers aged between zero and 14 years of age. That means the youth market in South Africa is a major segment. This has a bearing on marketing and it is important to note that even though the financial power lies with older consumers, young consumers have an influence on how the financial resources are spent.

Cant *et al.* (2006: 98) support this view in mentioning that the age subculture helps marketers make accurate predictions in terms of attributes affecting particular age groups. This, for example, can be seen in families where the older consumer is a working parent of school-going teenage children. Even though the teenage children might not be employed, they can influence their parents when choosing brands to purchase. The parent who wants his/her children to be content will succumb to the influence of the children. That means marketing effort in this particular case will need to focus on both the adult and the young consumers.

Table 3.9: Age Profile of the South African Population

Age	Black South Africans	White South Africans	Indian South Africans	Coloured South Africans	Total
	Population Group				**Total**
0 – 4 years	83.3%	5.6%	1.9%	9.2%	100%
5 – 14 years	82.4%	7.0%	2.1%	8.5%	100%
15 – 64 years	76.0%	11.8%	2.9%	9.2%	100%
65 +years	68.7%	23.1%	1.9%	6.3%	100%

Source: Adapted from Du Plessis and Rousseau (2005: 54)

3.2.3.1 The mature market

The mature market represents consumers born between 1930 and 1945 (Cant & Machado, 2005: 48–49). They are defined as consumers over the age of 55. These are consumers who are retired or at the last stage of their career. Some of these consumers are in old-age homes and have unique needs such as health, economic resources and medical access. This generation is said to be growing as a result of improved medical diagnoses and treatment, healthier lifestyles and the increase of the ageing baby boom generation (discussed in 1.2.3.3). The consumers in this age group are not all poor and stagnant in terms of leading active lifestyles. Some of the values they embrace which impact on marketing are (Cant *et al.*, 2006: 101; Solomon, 2007: 528):

- Autonomy: leading active lives and being self-sufficient;
- Connectedness: bonding with family and friends;
- Altruism: giving back and helping others and the world around them; and
- Personal growth: trying new activities, experiences and exploring their potential.

This generation views themselves as being younger than their actual age, meaning that the perceived age (the age the consumer feels) is quite different from the actual age (number of years a person has lived) (Cant *et al.*, 2006: 101; Solomon, 2007: 528). This view suggests that age has to do with one's state of mind, rather than the body when viewing this generation. Solomon (2007: 529) mentions that the

older the consumers get, the younger they feel relative to their actual age. In marketing the consideration would be to use younger individuals when advertising and to focus on product benefits instead of age appropriateness (Cant *et al.*, 2006: 101). This is also due to the fact that consumers do not respond to products targeted at their actual or chronological age (Solomon, 2007: 529).

When segmenting in these age groups marketers need to consider that these consumers have some difference which influence behaviour and hence marketing. These among others are marital status, health, outlook on life and how a person deals with being old (Solomon, 2007: 530). Solomon (2007: 529) continues to mention that when these consumers retire, they may either become depressed, withdrawn and apathetic as they age or they can accept the new challenges and opportunities this period of life brings to them. Based on this assumption, there are two mindsets found in this segment. Cant *et al.* (2006: 102) mention these as the new age elderly and traditional elderly. Table 3.10 shows a comparison between the two mindsets found in this age group.

Table 3.10: A Comparison of the New Age and Traditional Elderly Categories

New age elderly	**Traditional elderly**
Perceive themselves in outlook from other people their age	Perceive other people their age to have the same outlook
See age as a state of mind	See age as a physical state
See themselves as younger than their chronological age	See themselves as near their chronological age
Feel younger, think younger and "do" younger	Tend to feel, think and do things that they feel match their chronological age
Have greater self-confidence when it comes to making consumer decisions	Have the normal range of self-confidence when it comes to making consumer decisions
Are especially knowledgeable and alert consumers	Have low-to-average consumer capabilities
Are selectively innovative	Are not innovative
Seek new experiences and personal challenges	Seek stability and a secure routine

| Feel financially secure | Are somewhat concerned about financial security |

Source: Adapted from Cant *et al.* (2006: 102)

It is clear from table 3.10 that this age group is quite diverse in its interests, actions and attitudes. In this age group the financial obligations such as home loans and childrearing costs are met and they spend their money on themselves instead of children and grandchildren (Solomon, 2007: 531; Peter & Olson, 2005: 330). Also important to this age group are products such as planned vacation travel, restaurants, recreational vehicles and hotels (Peter & Olson, 2005: 330). When selling to this age group, marketers need to be considerate on packaging particularly providing sizes geared to smaller families, widows and those living alone (Cant *et al.*, 2006: 102). Packaging needs to have reading that is made easier, lighter and smaller, not forgetting that contrasting colours can also be awkward as consumers age (Solomon, 2007: 532).

3.2.3.2 The Baby Boom Generation

This generation was born after the Second World War. Most of them were born between 1946 and 1964 (Solomon, 2007: 525). Some 50% of professional and managerial employees are from this generation and more than half of them have higher institution qualifications (Cant *et al.,* 2006: 102). This generation is characterised by family and home orientations and as teenagers they experienced a revolution in politics, fashion and consumer attitudes (Solomon, 2007: 525). This generation continues to influence popular culture in significant ways (Solomon, 2007: 525). Though this generation has high income levels they have a challenge of dual-career households (Cant *et al.,* 2006: 104; Sheth & Mittal, 2004: 54; Peter & Olson, 2005: 326–327). They struggle to find a balance between their careers and families and for marketing it means introducing more products and services that facilitate ease and convenience.

The Baby Boom generation is at the peak when it comes to their careers, but they have children who still need education, some are getting married and they are concerned about retirement. An increase in membership of health clubs, vitamin and

health supplement sales (Cant *et al.,* 2006: 104) indicate that this generation wants to be healthier and stay young. In South Africa they are the generation that experienced the Apartheid years, racial discrimination, recreational drugs and the effect of divorce leading to single-parent households (Cant & Machado, 2005: 45). This generation has a major economic impact and will continue to do so in the next 40 years (Peter & Olson, 2005: 327).

According to Cant *et al.* (2006: 104) and Peter and Olson (2005: 328), for marketing purposes this generation of consumers is attractive because:

- It is the largest distinctive age category among the rest;
- The most important consumer purchase decisions are made by this group; and
- Baby boomers influence consumer tastes and set trends in the other generations.

The impact of Baby Boomers is the strongest on markets for housing, cars, food, clothing, cosmetics and financial services (Peter & Olson, 2005: 327). They have large incomes and small families and as a result spending per child is the largest in history (Peter & Olson, 2005: 327). The implication is that the market for children's products has expanded accordingly.

3.2.3.3 Generation X

This generation was born between the mid-sixties and mid-seventies (1965–1976). They grew up during difficult economic times and their challenge lies in finding meaningful careers. They are unable to embrace their older co-workers who neglect their families in order to secure higher salaries and career advancement (Cant *et al.*, 2006: 104–105). This is due to the fact that many of the Generation X consumers observed their parents being retrenched after many years of loyalty to an employer (Cant *et al.*, 2006: 104–105). They were brought up in single-parent households, they have emotional scars and are also affected by the Aids pandemic (Cant & Machado, 2005:49; Hawkins *et al.*, 2007: 129). This causes them to be disenchanted and less materialistic than baby boomers. Due to the economic hardships they

experienced many of them turn out to be entrepreneurs (Hawkins *et al.*, 2007: 130). Realising the lack of opportunity for economic empowerment, this generation creates its own opportunities through entrepreneurship. In 1994 when South Africa got its democracy, Generation X consumers were young adults.

Generation X uses technology heavily, particularly the internet services. Generation X consumers are highly educated, with more university graduates than previous generations and have more women more highly educated than men (Hawkins *et al.,* 2007:130). Baby Boomers live to work whereas Generation X works to live (Cant *et al.*, 2006: 104–105). As much as they work to live, job satisfaction is important to them (Solomon, 2007: 524) and this can be achieved when they are given options and flexibility without close supervision in the workplace (Cant & Machado, 2005: 49). They want freedom to work in their own time and they want a work environment that will allow them to give output. They also want the freedom to work when and how they please (Cant & Machado, 2005: 49). They are not rushing to get married, start families and work long hours to earn a salary.

This generation is attractive to marketers since they are beginning to afford high-priced products like cars and houses. They purchase good quality brands, they want to be viewed as having their own right and they oppose insincerity (Cant *et al.*, 2006: 105). Compared to previous generations, they tend to leave home later in order to save money and have a substantial income. Generation X was the first generation to be exposed to malls from an early age and hence they spend more time in malls than anywhere else (Hawkins *et al.*, 2007: 130). Heavy exposure to television makes them highly customer-oriented when it comes to shopping and they respond positively towards marketing efforts that are in line with their values and attitudes (Cant *et al.*, 2006: 106). These attributes of Generation X make it clear that as much as they might consume similar products and services compared to other generations, the approach or strategy utilised to reach them will differ.

3.2.3.4 Generation Y

Generation Y is composed of consumers born between 1977 and 1994 (Solomon, 2007: 514). Consumers in this generation have needs of experimentation, belonging,

independence, responsibility and approval from others (Solomon, 2007: 515). These consumers are in a transition from childhood to adulthood and hence fundamental development issues are important. This generation is not just classified as one group, but there are three subsections which include: adults from 19 to 24, teens from 13 to 18 and children from 8 to 12 (Cant *et al.*, 2006: 106; Hawkins *et al.*, 2007: 132). There is clearly a notable difference in terms of the events and developments in each one of the groups mentioned. These consumers tend to save more; they are aware of the environment and social issues; they view the internet more than they view television; and they do not trust the stores their parents shop at (Cant *et al.*, 2006: 107).

Generation Y has its own discretionary purchasing power and they have a major influence on household purchases (Peter & Olson, 2005: 326). Most of these consumers draw up the shopping list, choose some of the brands for their households and do most of the grocery shopping for their families (Peter & Olson, 2005: 326). Although these consumers are not generating any substantial income, if at all, it is critical to target them, since brand loyalty begins to develop at this age. Peter and Olson (2005: 326) and Solomon (2007: 523) mention that brand loyalty that may last a lifetime has the potential to develop among these consumers due to the developmental events of the life stage they find themselves in. Personal style and brand preference is established at this age for this generation (Simpson & Dore, 2004: 21). To be able to connect to these consumers, marketers need to see to it that their messages include symbols, issues, language and images which are relevant (Cant *et al.*, 2006: 107).

Generation Y is the first generation to grow up with employment opportunities for women, with dual-income households, with more families being normal and with respect for ethnic and cultural diversity in society (Hawkins *et al.*, 2007: 130). On the contrary, divorce, drug abuse, homelessness, gang violence and economic uncertainty are also the norm (Hawkins *et al.,* 2007: 132)

Music and fashion are key touch points (Hawkins *et al.*, 2007: 132) and they are more street-smart and technology-minded than the previous generations (Cant &

Machado, 2005: 50). To be more appealing, advertisements need to be humorous or ironic, unique, informative and have an element of truth in them (Hawkins *et al.*, 2007: 132). In so doing products will appeal to their unique needs. Brand names are important to them. Their needs, attitudes, perceptions and lifestyles match those of the global village (Cant & Machado, 2005: 50).

What makes Generation Y attractive to marketers is their basic desire for anything new and fresh combined with the fact that they have an influence on household spending even though they are not generating the income (Cant & Machado, 2005: 50). Consumers in Generation Y are more independent, autonomous, assertive, self-reliant, emotionally and intellectually expressive, innovative and curious (Hawkins *et al.*, 2007: 132; Simpson & Dore, 2004: 21). This generation is not easily convinced by advertising as they perceive that advertising aims to sell and might not always be genuine (Cant *et al.*, 2006: 107).

In South Africa the consumers under the age of 24 make up more than half of the population and spend between R6 and R7 billion with their pocket money, amounting to R5 billion per annum (Cant & Machado, 2005: 51). The 18 to 24-year-olds lead all the other age groups in every cellular phone data service, including text messaging to Web browsing (Hawkins *et al.*, 2007: 132). Clearly, cellular phones are an important communication tool to these consumers. The South African Generation Y spends their pocket money on the following products: airtime for cellular phones (R80 per month), movies (R50 for females and R40 for males per month), magazines (R30 for females and R55 for males per month) and savings (R65 for females and R110 for males per month) (Cant & Machado, 2005: 51).

The important sources of information for this generation are friends, magazines, internet, television and radio (Cant & Machado, 2005: 51). Cellular-phone text messaging is becoming one of the most powerful ways that this generation uses to communicate (Simpson & Dore, 2004: 31). When marketing to this generation, the language of cellular phones is therefore critical. To be even more relevant, Cell C, for example, utilises Generation Y consumers in their advertising as leading ordinary South African lifestyles (Cant & Machado, 2005: 51). These consumers are different

in terms of home language, race, religious background and spending capacity and they share similarities in their style of dress, style of music, their attitude towards life, their way of speaking and their use of cellular phones (Cant & Machado, 2005: 51).

According to Simpson (2007: 515), this generation experiences four basic types of conflict, mentioned as:

- Autonomy versus belonging: this generation has the need to break away from their families and try to fit in other support structures like their peers instead of being alone. On the one hand they want to be independent and on the other hand they want to fit in.

- Rebellion versus conformity: Generation Y needs to be accepted by others while at the same time they do not want to confirm to the social standards on how to dress and behave. They therefore tend to opt for products that portray a rebellious look.

- Idealism versus pragmatism: it is important to Generation Y to perceive themselves as being more sincere than their parents who are viewed as being hypocrites. They constantly struggle to make sense of their own views of how the world should be and how the reality is in the world.

- Narcissism versus intimacy: appearance and own needs are central to this generation's attention while at the same time they want to relate meaningfully with others.

When engaging in marketing to this generation it becomes critical to understand the constant conflict they experience. Brand should, for example, be provocative in nature to appeal to this market. When communicating with this generation an understanding of what is important to them, as well as the approach used to communicate is thus critical. Marketers should also be aware that this generation is less loyal to brands than any other generation (Solomon, 2007: 518). It is thus even more critical to communicate to Generation Y in a language that is relevant to them. Solomon (2007: 520) mentions some of the rules to be kept in mind when

communicating to this generation, namely:

- Don't talk down: Generation Y wants to have a final say in the products they are utilising. They want brands which make them feel that they are in charge.

- Don't try to be what you are not. Stay true to your brand image: this generation wants honesty and they want brands which remain true to what they stand for.

- Entertain them. Make it interactive and keep the sale short: advertising must be catching, appealing and be found in unexpected places.

- Show that you know what they are going through, but keep it light: brands which will succeed are those which have common trends that the youth go through at this stage in their lives attached to them.

What makes this generation even more different is the fact that they are changing faster than any other generation. Marketers need to keep track of these changes, which include shifting attitudes and behaviour (Simpson & Dore, 2004: 21). The South African Generation Y is also characterised by the fact that they are less sensitive to race and their lack of participation in politics and the government, which is contrary to the youth of the old South Africa (Simpson & Dore, 2004: 22). To be able to be relevant to this generation, marketers need to review segmentation so as not to put them in irrelevant categories. Brands targeted at this age group need to contribute to image and must allow these consumers to co-create meaning (Simpson & Dore, 2004: 29)

3.2.4 Gender-Based Subculture

The gender-based subculture divides the population into two groups, namely are male and female. Gender influences consumer values and preferences (Sheth & Mittal, 2004: 50). Women differ from men in terms of food, clothing, beverage and functional features when purchasing a home. While this may be true to a certain extent, the traditional gender roles are also changing (Sheth & Mittal, 2004: 50; Hawkins *et al.*, 2007: 100). More women are buying cars, while men are buying

groceries (Hawkins *et al.*, 2007: 100; Sheth & Mittal, 2004:50). The implication is that the preferences of both male and female consumers are also changing and this has a direct impact on shopping behaviour. Cant e*t al.* (2006: 94) support this view when mentioning that men are more loyal to local retailers than women, who are more responsive to global retailers.

Research also indicates that a change in gender roles resulted in a distinction between two gender orientations (Hawkins *et al.*, 2007: 101). Firstly, the traditional gender orientation represents a marriage where the wife is responsible for running the household chores and the husband is responsible for the financial provision. Secondly, the modern gender orientation represents a marriage where both husband and wife share the responsibilities of household and provision. The society is becoming more inclined to the modern gender orientation, especially with the younger generations. It is, however, important to note that the reason for the modern gender approach is not necessarily out of choice, but rather due to economic reasons. Hawkins *et al.* (2007: 101) mention that more women would rather stay at home and raise their children, if they had a choice. When households are well off in income (better occupations and education) differences in gender are reduced. The opposite is also true (Sheth & Mittal, 2004: 50).

Women are becoming more and more oriented towards self-realisation, self-expression and personal fulfilment (Hawkins *et al.*, 2007: 102). In South Africa it has been found that in Black families, women play a more prominent role in purchasing decisions, particularly regarding food, clothing, footwear and medical products (Cant *et al.*, 2006: 97). Economically, women are emerging as an increasing force. According to Cant *et al.* (2006: 97), in South Africa:

- Women made up 34% of employees in 1990, 40% in 1999 and 50% in 2001.
- 39% of graduates were women and in 2002 there were 100 000 more women students than men.
- Women made up 19% of management in 1990 and 28% in 1999.

As society continues to change, the segment of women continues to evolve. That means women cannot just be viewed as individuals who are the same, but some

differences do exist among them. The differences which exist among women can be divided into four categories. These are identified by Cant *et al.* (2007: 102) as:

- Traditional housewife: this category represents wives who are married, stay at home and are fulfilled. They derive their fulfilment from household chores, pleasing their husbands and taking care of their children. They are aware of missed opportunities to make money, but they would rather do volunteer work.

- Trapped housewife: in this category, most of the women are married, not by choice, but due to lack of opportunities, children and pressure from family. Their sense of achievement is outside the home and they do not enjoy household chores. They are concerned about lost opportunities and have mixed feelings about their current status.

- Trapped working woman: the economic and social pressures cause these women to work although they would rather stay at home. As a result they do not find fulfilment at work. They enjoy household chores and often feel guilty due to a lack of time to do so. The missed opportunities for family time, volunteering and social activities make them unhappy individuals.

- Career working woman: personal fulfilment for these women comes from their careers rather than their homes and they prefer to be working. They are either married or single. They have a challenge of finding a balance between career and family, especially if they have small children.

It is important to note that these definitions of women are not necessarily stagnant. Women often find themselves moving from one category to the other (Cant *et al.*, 2006: 98). For example, a woman who has been a housewife for the sake of her children might find herself going back to work once her children leave home. That means that throughout their lives women will continue to move across different categories, depending on the various events in their lives. Not only are women's roles changing, but men's roles are also changing. Unlike in the past where a man's role was to be less involved in the family life, men are now becoming more involved

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in the family. As result they are become more caring and sharing (Cant *et al.,* 2006: 98). These changes need to be reflected more in advertisements, for example, as a way of keeping track with these changes as they occur. Men know more about household goods today than in the past and some activities are still closely related to masculine bias such as watching sport (Cant *et al.,* 2006: 98). This means that the stereotypical approach in marketing campaigns must be avoided.

When purchasing, men tend to purchase products which enable them to dominate and exert power over others, give them status over others and they tend to support self-help projects more than women (Peter & Olson, 2005: 335). Women, on the other hand, tend to purchase products which enable them to enhance personal and social relationships and more than men women support cause-related projects (Peter & Olson, 2005: 335). Men and women respond differently to communications aspects such as sexual appeal, music and verbal style (Hawkins *et al.,* 2007: 105). Other differences occur in response to service. For example, in cases of service failure problem resolution is more important, whereas in the case of women the process taken to resolve the problem is more important (Hawkins *et al.,* 2007: 106). Most purchasing is influenced by women (Hawkins *et al.,* 2007: 102) and this aspect as well, as many others discussed in this section indicates that segmentation on the basis of gender can assist marketers to provide products that are more tailored to specific needs of consumers.

3.3 SOUTH AFRICAN MINDSETS AND TRENDSCAPES

The South African society is highly fragmented, heterogeneous and continues to undergo social, technological and political changes (Simpson & Dore, 2004: 3–4). While these changes are ongoing, South Africans struggle to make adjustments (Simpson & Dore, 2004: 4). In the midst of this diversity, marketers need to have an approach that will enable them to defragment these differences by creating separate clusters through segmentation. This will enable them to understand the South African market better. Once this can be achieved, relevant marketing activities can then be embarked on. One way of doing this is through understanding mindsets and trends which are associated with South Africans. Mindsets will be observed (see

figure 3.6) in the section, because mindsets reveal what is important to consumers.

3.3.1 Mindsets in South Africa

With the changing social structure in South Africa, also came the changes in the mindsets of South Africans. It is important to also observe the way of thinking of consumers. This makes sense, because all the changes that have occurred and continue to occur in South Africa have a bearing on consumers as individuals. The mindsets discussed below reveal the attitudes, values, perceptions and responses to change held by the South African population in general. The research carried out by the Unilever Institute of Strategic Marketing at the University of Cape Town (Simpson & Dore, 2004: 4) reveals that there are basically four mindsets in South Africa, which are discussed below (also see figure 3.6).

The mindsets which exist in South Africa, as mentioned by Simpson and Dore (2004: 4–6) and Du Plessis and Rousseau (2005: 97–99) are:

- Old South Africa (18%): these are South Africans who resist changes in the areas of redistribution, transformation, affirmative action, and crime, coupled with corruption, is their biggest concern. This group has no intentions of emigrating. Most of these individuals live in Gauteng and the Western Cape and have the majority of the economic means in South Africa.

Figure 3.6: Mindsets in South Africa
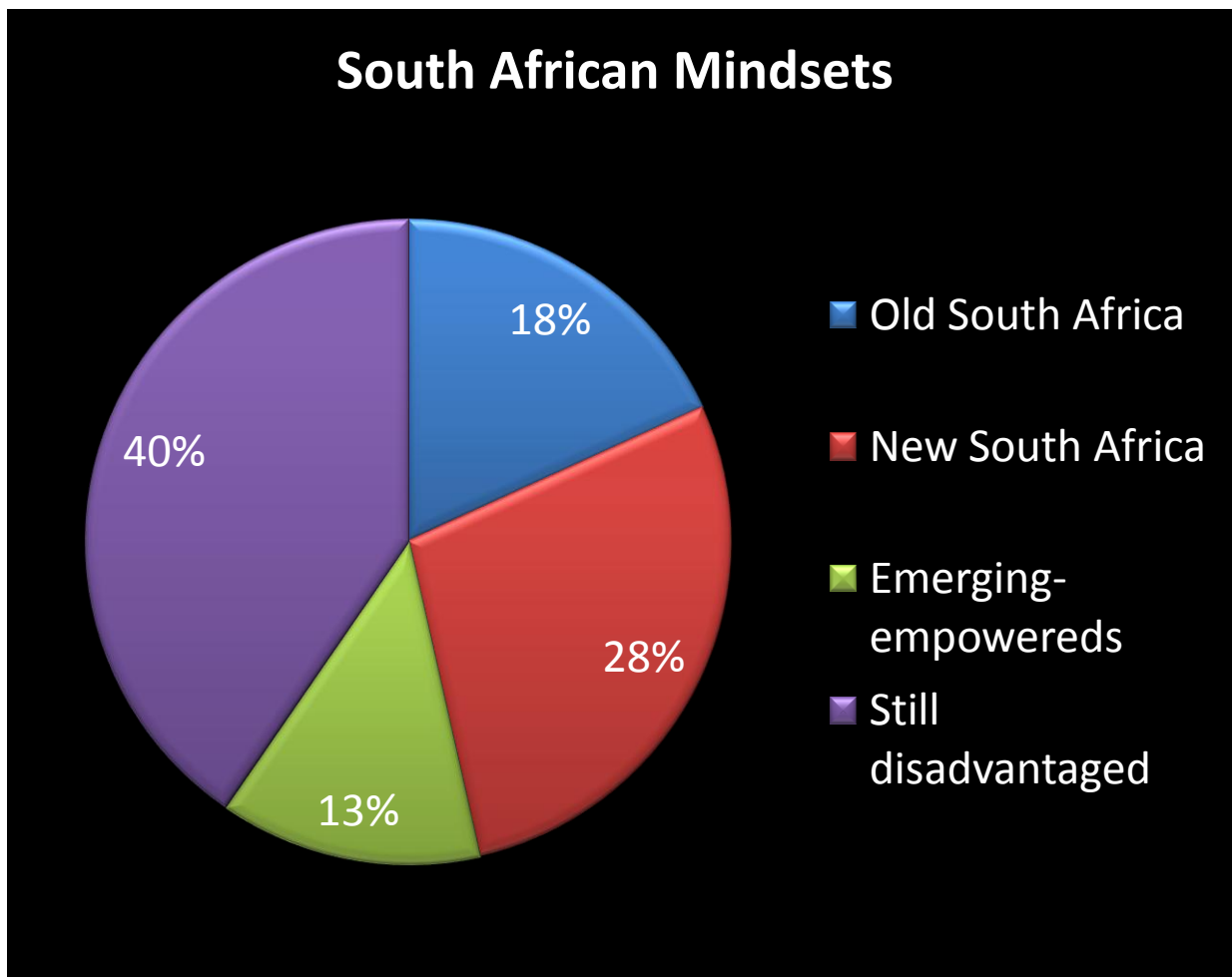
- New South Africa (28%): these consumers believe that everybody has equal rights and that the disadvantaged should be empowered without compromising standards. They are well educated and do well financially. They are aware and positive about the transitions occurring in the country at the moment and they want more access to wealth and power.

- Emerging-empowered (13%): here consumers want people from previously disadvantaged communities to be empowered through employment and skills development. Even though these consumers have a high school education many of them are still unemployed. They are positive about the future and believe that South Africa has hope for the rest of Africa. Most of the consumers are young and Black, in low to middle-income households and are mostly in Gauteng and the Eastern Cape.

- Still disadvantaged (40%): These are the majority of the South African consumers. Most of them are still economically disadvantaged and they are not content by the lack of material progress since 1994. They want to see more Black people employed and accessing more wealth and resources. They want better education and comfortable lives and not having these make them feel exploited. They identify themselves on the basis of a particular language group they belong to. They are mostly Black, with limited education, are highly unemployed and reside in informal settlement components.

What these mindsets reveal about South Africans is that even though South Africa is declared a democratic country, the majority of the consumers are still in a transition process. That means South Africans still need to be settled in the changes that have occurred and many of them, particularly in the lower LSM, still wait to be impacted by the political changes, which aim to create a better life for all. Marketers need to be aware of these realities as it will influence many decisions made. To interact effectively with consumers, one of the aims has to be to understand them better. One of the ways is to understand how they think.

3.3.2   Macro-trends in South Africa

Understanding societal trends enables marketers to strategise for the future (Simpson & Dore, 2004: 6). These trends are indicative of consumer needs that assist decisions such as positioning and communication of products and services. These trends are also useful to marketers when it comes to segmenting the market for consumer products and services. The trends which will be discussed below are the ones which have been identified by the Unilever Institute of Strategic Marketing at the University of Cape Town (2004) (see figure 3.7). These trends reflect the South African marketplace, which is diverse and continues to diversify while at the same time reflecting the influence of overseas-based trends reflected by the media.

Figure 3.7: Macro-Trends in South Africa

Getting the look

Make it mine and save me time

Keeping in

It's my right

Fortressing

Surviving the rat race
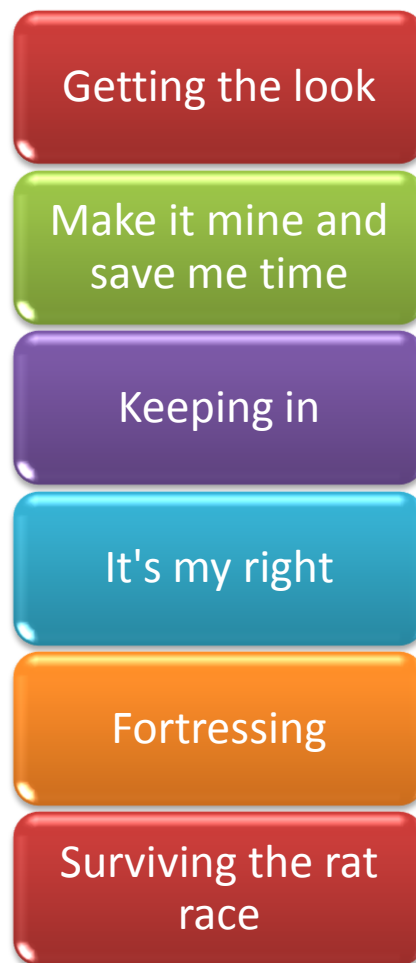
3.3.2.1 Getting the Look

Consumers in this trend are between LSM 6 and 7 and they seek brands with traits such as wealth, beauty, independence, groom, high status, quality designer labels and confidence. This trend is also mostly identified as being highly westernised due to the American influence and consumers always want means which will enable them to make quick transitions for obtaining the image. In marketing, celebrity endorsers can be utilised as role models for the image consumers are looking for and want to identify with. Here consumers want instant access to Americanised products; hence, availing credit to these consumers enhances such access. Even though the consumers here want an upper class lifestyle and image, they are often not able to afford this want. They want products which also offer vouchers, prizes, promotions and other marketing related activities that encourage loyalty (University of Cape Town, Unilever Institute of Strategic Marketing, 2004, as cited by Simpson &

Dore, 2004: 3–4).

3.3.2.2 Make It Mine and Save Me Time

These consumers are between LSM 7 and 10 and they have an international view. They are often under pressure of limited time and therefore want to avoid stress and complexities that come as a result. They rely on technology to simplify their lifestyles and and those of their families. They are therefore familiar with many technologically related products such as digital cameras, cellular phones and the internet (University of Cape Town, Unilever Institute of Strategic Marketing, 2004, as cited by Simpson & Dore, 2004: 3–4).

3.3.2.3 Keeping In

The consumers in this trend lie between LSM 3 and 4 and their greatest need, amongst others, is one of belonging. It is important for them to belong to groups such as churches, women's groups or sports clubs. An approach that works best in this trend, amongst others, is direct marketing and endorsements by local celebrities. Community involvement and cause related marketing on the side of the company emulate positive response from these consumers (University of Cape Town, Unilever Institute of Strategic Marketing, 2004, as cited by Simpson & Dore, 2004: 3–4).

3.3.2.4 It is My Right

In this trend, consumers are mainly between LSM 3 and 6 and they want to gain out of their loyalty. Deals, specials and better prices are preferred especially when products and services are in highly competitive fields. This includes products of low involvement such as deodorants, shampoos, toothpastes or cereals. Consumers here are sensitive about pricing and want to be given the opportunity to negotiate whenever possible. Assurance is of critical importance and this can be provided through guarantees to avoid post-cognitive dissonance (University of Cape Town, Unilever Institute of Strategic Marketing, 2004 as cited by Simpson & Dore, 2004:3–4).

3.3.2.5 Fortressing

In this trend, all consumers at all levels of LSM are concerned and are affected by crime. However, not all consumers can afford to secure themselves as they would like to. It is specifically the LSM 7 to 10 consumers who have resources to protect themselves. They prefer traditional values when it comes to assuring safety. They prefer to invest more in technological sophistication and cost with increased socio-economic status. A sense of control over immediate surroundings is critical. Brands in this category must be trusted and be protective to be able to succeed. Since their concern is for the environment and resources which are misused, environmentally friendly products are important (University of Cape Town, Unilever Institute of Strategic Marketing, 2004, as cited by Simpson & Dore, 2004: 3–4).

3.3.2.6 Surviving the Rat Race

Economic and financial pressure, concerns about safety and security all cause South Africans to lead stressful lives. This trend explains why consumers are interested in products which ease stress and tension that result. Products such as chocolates, body care products, holidays, cellular phones and other forms of leisure time can be positioned in such a way that they are associated with a sense of relief. Consumers throughout the LSM in this trend look for such products and it is important that such products are cost-effective and they also help consumers communicate their status and portray the right image (University of Cape Town, Unilever Institute of Strategic Marketing, 2004, as cited by Simpson and Dore, 2004: 3–4).

3.4 PSYCHOGRAPHICS AND LIFESTYLE

Lifestyle plays an important role in cultural diversity, because it gives more insight about the consumer. While the other attributes discussed thus far explain "who" the consumers are, lifestyle explains "why" the consumers do what they do. While values and personality reflect the internal state of the consumer, lifestyle is how the internal state of the consumer is expressed or manifested (Hoyer & Macinnis, 2010: 378). This is seen in the form of behaviours they engage in. Lifestyle explains how and why the consumers spend their money and time (Cant *et al.,* 2006: 165).

Lifestyle reveals consumer attitudes, which also give more insight into how consumers feel about services and the manner in which they consume them (Schiffman & Kanuk, 2004: 60–61). Furthermore, lifestyle gives clarity to the kind of activities consumers engage in, what their interests are and what opinions they hold strongly (Hoyer & Macinnis, 2010: 378; Schiffman & Kanuk, 2004: 60–61). Since consumers vary in these aspects, it means that their lifestyles will also be different. These differences can then be used to identify different segments. The information about these segments can then be used to identify the manner in which branding activities need to be carried out. Such branding activities will vary across segments, because the segments themselves differ from one another.

Lifestyle further explains the psychological dimensions and motivations of consumers and it reveals the values which they embrace. An insight into consumers' values can also help marketers know which service features to focus on and which media strategies can be put in place in order to be effective in the market (Cant *et al.*, 2006: 140).

There are different types of values. Terminal values represent the desired end state of the consumer, while the instrumental values are those values which the consumer needs to achieve the desired end state. Knowing the consumer values helps explain how the behaviour of consumers is guided (Hoyer & Macinnis, 2010: 358). In South Africa, ten value groups were identified (see figure 3.8).

Figure 3.8: The South African Value Groups

The South African value groups are explained by Cant *et al.* (2006: 140) as follows:

- The innovatives are individualistic, open to change and they express their status by what they own. They compose 24% of the urban White population.

- The responsibles embrace the traditional and collective values. They do not accept change easily. They recognise authority and their identity is based on their families and nationality. They make up 25% of the urban White population.

- Brandeds like to show off their material possessions, because they are status-conscious and materialistic. They make up 25% of the urban White population.

- The self-motivateds, who are 26% of the urban White population, are more interested in emancipation and racial harmony and they experience the blurring of gender roles.

- The conservatives are represented by 36% of the urban Black population. They are religious, focused on family orientation and they have a strong sense of national identity. They are concerned for the community and they are more collective (Cant *et al.*, 2006: 140).

- The progressive value group makes up 31% of the urban Black population. These individuals are individualistic and self-centred; they focus on their health and self-improvement. They seek sensation and novelty.

- The laggers are focused on the present, are extroverts and are outer-directed. They are aggressive and they comprise 33% of the urban Black population.

- Self-gratifiers, who comprise 33% of the Black population, live for the moment and engage in conspicuous consumption.

- The traditionals conform to norms and morals, are religious and engage in home activities. They make up 32% of the urban population.

- Emancipateds are loyal to their family and country and they have a high degree of self-interest. They work on having a good image in terms of appearance. Their sexual roles are blurring and they want harmony between races.

It is thus important to design services which are in line with consumers' values. Doing so will ensure that the services are also in line with or improve the lifestyles of consumers. This is what they are looking for and such services must therefore fit into their behaviour patterns. As the environment around consumers change, their

lifestyle changes and these changes can be business opportunities for marketers.

From the concept of lifestyle, it is clear that consumers do not just consume services, but they also attach special meaning to such services. The concept of "self" explains how such meaning is established. In other words, consumers lead a lifestyle that enables them to express their self-concept. Self-concept also clarifies why and how services become part of who consumers are.

When consumers have an independent self-concept it means that they are more concerned about their personal goals, personal identity, own success and desires. They tend to be individualistic, self-contained and self-reliant. Their identity is based on their achievements and what they have. On the other hand, the consumers who have an interdependent self-concept are more concerned about their families, culture and social relationships. Being obedient and relational is important to them. Their identity is based on the connectedness to their groups. Overall consumers will consume services which enable them to reach their ideal-self.

Having discussed the concept of lifestyle, it is appropriate to say that marketers need information on the kind of attitudes consumers have towards cellular phone usage, what motivates them to use a cellular phone, what they are looking for from a cellular service provider and how often they use their cellular phones. This information, combined with information from the other components of cultural diversity, can result in the formation of market segments. This is what this study aims to achieve.

3.5   CONCLUSION

Consumers who are similar in terms of race, social class, age and gender tend to behave similarly and have common needs. When observing race it was clear that the greatest difference among the racial groups was income and language. The Black population is the poorest while the White population is the wealthiest. It was also apparent when observing the age subculture in South Africa that the greatest difference between the older and the younger generation is due to a vast change that occurred in the environment due to the political transformation caused by the

government.

Consumers who have a higher social standing in the society also have different needs compared to those who do not. Although in South Africa the majority of those who have a lower social standing are Black people (according to the LSM), there is also an emerging Black middle-class segment. This segment has more purchasing power, but is still attached to their African traditions to a certain extent. For marketing it means that companies should be aware that the emerging Black middle class is accessing purchasing power quicker than they are being modernised in their taste. It must first be determined to what extent they prefer the luxuries of the modern world and to what extent they prefer to still identify with their cultural identities.

As society changes, the roles that men and women play also change. Men are no longer the only ones who are working, but women are also pursuing careers. There is an emerging challenge of working parents. These changes imply that marketing offerings need to take into consideration the lifestyles that men and women lead. The mindsets and macro-trends also emphasise how consumers differ in terms of their preferences. The macro-trends showed that at different social status consumers tend to embrace different behaviours and thought patterns. This plays a role when communicating to these markets.

Understanding lifestyle helps to predict the behaviour of consumers. It is important to know who the consumers are but to gain more insight into the market it is important to know why they behave the way they do. The *why*-aspect is explained by lifestyle. Consumers have different values, attitudes, motives, interests, opinions and personalities. All these are revealed through lifestyle. The self-concept a consumer holds of himself or herself is also expressed through lifestyle. The observation of lifestyle is thus critical in revealing the internal status of the consumer.

Taking these facts into consideration, consumers can therefore be segmented according to the homogeneity of their needs, depending on the subculture they belong to. Marketing strategies can therefore be tailored to specific needs. This

chapter also indicated that the South African market in terms of race, social class, age, gender, and lifestyle subcultures is quite unique. Since consumers can be members of various subcultures marketers need to carefully select the relevant subcultures, depending on the product or service marketed.

Now that cultural diversity has been clarified, the next chapter focuses on brand management. Brand management will be discussed against the background of consumer behaviour, because the ultimate aim of this study is to observe how cultural diversity impacts on brand management.

CHAPTER FOUR

STRATEGIC BRAND MANAGEMENT

4.1   INTRODUCTION

A brand can be defined as a name, term, sign, symbol, design or a combination of these attributes, which are all used to identify and differentiate services (Keller, 2008: 2). This very nature of brands enables managers to present a unique selling proposition; hence creating a competitive advantage for the cellular service provider (Cheverton, 2002: 4). More than just a name, a symbol or a logo, brands create awareness, reputation and prominence in such a way that a consumer is able to make sense of and relate to what is being offered (Keller 2008: 2).

Brands are also used to assist and affirm the consumers' choice by making them feel good about a choice made. Furthermore, Keller (2008: 3, 5) mentions that brands have components which strengthen their identity. This further assists its differentiation ability from the rest of other services meeting the same need. The implication is that, through brands, a cellular service provider can create a competitive advantage through differentiation.

Differentiation can be brought about by brands through performance and what a brand represents symbolically and emotionally (Keller, 2008: 5). The latter relates more to the consumers' perceptions. Elliot and Percy (2007: 4) support this view by mentioning that brand management is the management of perception, since perception has been observed as playing a more critical role than reality. This observation is based on the fact that brands exist in the minds of consumers. Brands are therefore able to create perceptions coupled with feelings concerning performance and what the brand stands for (Atilgan *et al.*, 2005: 237; Kim *et al.*, 2003: 235).

In the cellular service industry, brands serve a critical purpose of distinguishing services from one another, meaning that they build a particular identity for a service (Keller, 2008: 2). In the cellular industry in particular, the key differentiating factor

among the providers is their brands. Branding a company can increase loyalty, particularly in commodity markets where there is a lack of perceived differentiation and decisions are made on the basis of price (De Chernatony & McDonald, 2003: 12).

Figure 4.1: The Four Steps of Brand Management

Step one: identifying and establishing brand positioning and values

Step two: planning and implementing brand marketing programmes

Step three: measuring brand performance

Step four: growing and sustaining brand equity

According to Keller (2008), brand management has four steps, as demonstrated in figure 4.1. The first step is identifying and establishing brand positioning and values. This step clarifies what the brand stands for and how to do so better than competition in the minds of the consumers. Here favourable brand associations are built. Step two is about planning and implementing brand marketing programmes. This step focuses on appropriate brand elements and how these should be chosen. This step also outlines marketing activities which strengthen brand equity. Step three focuses on measuring brand performance. This step outlines various sources

of measurement used to assess how well a brand is doing and to find out how a brand can improve. The fourth step is about growing and sustaining brand equity. This step clarifies brand strategy and how brand equity can be managed over time, considering the changes in the environment.

4.2 STEP ONE: IDENTIFYING AND ESTABLISHING BRAND POSITIONING AND VALUES

4.2.1 Customer-Based Brand Equity

Marketing views brand equity as consumer-based brand equity (Pappu *et al.*, 2005: 144), namely from the perspective of the consumer. In other words, the focus is on how marketing activities add value as perceived by consumers. Since this is a marketing-related study, the focus will therefore be on brand equity from the perspective of the consumer. Brand equity describes how a brand name adds value to a service. This value derives its worth from the perceptions of consumers which, if positive, result in higher profits (Del Rio *et al.*, 2001: 452; Felwick, 2002: 38–39). As valuable as brand equity is, it must be noted that it takes time to be developed and it cannot easily be transferred to other companies. Furthermore, its value is reflected in superior financial performance (Delgado-Ballester & Munueara-Aleman 2005: 188).

One of the most important reasons why brand equity should be a critical focus area for cellular service providers is because brand equity accounts for 70% of the total value of intangible assets, compared to a 10% value contributed by net tangible assets (Keller, 2008: 9). Brand equity is used to express the value of a brand in financial terms, consumers' loyalty to a brand and the perceptions of a brand which relate more to band image (Del Rio *et al.*, 2001: 252). Furthermore, Felwick (2002: 57) mentions that healthy brand equity helps a company to generate loyal consumers, set the right prices, develop a long-term profit stream and deliver the promise and positions itself.

Ideally, brand equity starts with consumer perceptions, because this is how the consumer responds to the added value which leads to financial performance (Elliot &

Percy, 2007: 82). Felwick (2002: 38–39) explains that brand equity can be viewed in terms of consumer perceptions and financial considerations. According to Kim *et al.* (2003: 336), financial considerations focus on discounted future cash flows resulting from the company's brand revenue, which would not result if the company was not branded. Research has also found a positive correlation between brand equity and future profits for branded products. However, such demonstration is limited in service brands.

Atilgan *et al.* (2005:237) mention that brand equity also plays a role in assisting marketers to measure the long-term impact of marketing decisions. When brand equity is positive among consumers, a cellular service provider will experience lower costs, leading to higher profits being incurred. This means that consumers will be more willing to pay higher prices. It is thus apparent that if a brand has no meaning to the consumers, it will be ignored by the consumers.

The worth of brand equity is further based on its ability to meet the needs and wants of consumers. Atilgan *et al.* (2005: 238) state that the strength of brand equity depends on what the consumer knows, sees and hears about the brand. Through brand equity, consumers have the benefit of being able to make a better decision, which is essential before a purchase is made. Because of this ability, it can therefore be assumed that brand equity influences the manner in which the marketing mix is presented to consumers. To a large degree, the extent of succeeding in this endeavour determines the extent of loyalty from consumers (Kim *et al.*, 2003: 336). While brand equity connects the service to the consumer, it is also in turn shaped by various elements of the marketing mix subject to the interpretation of the consumer. The marketing mix must therefore support the brand message.

As already mentioned, the added value of brands is achieved through associating or attaching social meaning to them. This view is supported by Elliot and Percy (2007: 4), who mention that brands are an important aspect of how cultural and social identities are communicated. The section which follows will focus on the value which brands add to a service. For cellular service providers to prosper and continue

growing, it is essential to build and sustain positive brand equity. The value placed in the name of a cellular service provider and the perception thereof is what determines the extent of success.

4.2.2   Components of Brand Equity

Since favourable brands lead to competitive advantage, instruments used to measure brand equity must be valid and reliable (Pappu *et al.*, 2005:143; Buil *et al.*, 2008: 385). This effort will enhance brand management efforts, which in turn will cause brands to be well established and hence spare the company the costs of advertising as well as prevent high failure rates of new products. Brand equity can help in measuring the perceptions of consumers and their behaviour (Kim & Kim, 2005: 338).

As already indicated, the measurement of brand equity will be from the perspective of consumers, since it is only when a consumer experiences value that the company will experience value in the form of return on its investment. Fundamentally, consumer perspective is also a marketing perspective (Pappu *et al.*, 2005: 144). Strong brand equity provides the consistency needed to survive in the market environment which is constantly changing. Brand equity in a service company should furthermore be measured in such a way that the outcomes empower management to improve quality, service execution delivery and establish a symbolic image.

According to Keller (2008: 59–60), strong brands are built in four stages based on his model (see figure 4.2).

Fig. 4.2 Customer-Based Brand Equity Pyramid

Stage 4: brand loyalty (resonance/ relationships)

Stage 3: perceived quality

Stage 2: brand image (performance and imagery)

Stage 1: brand identity (salience)
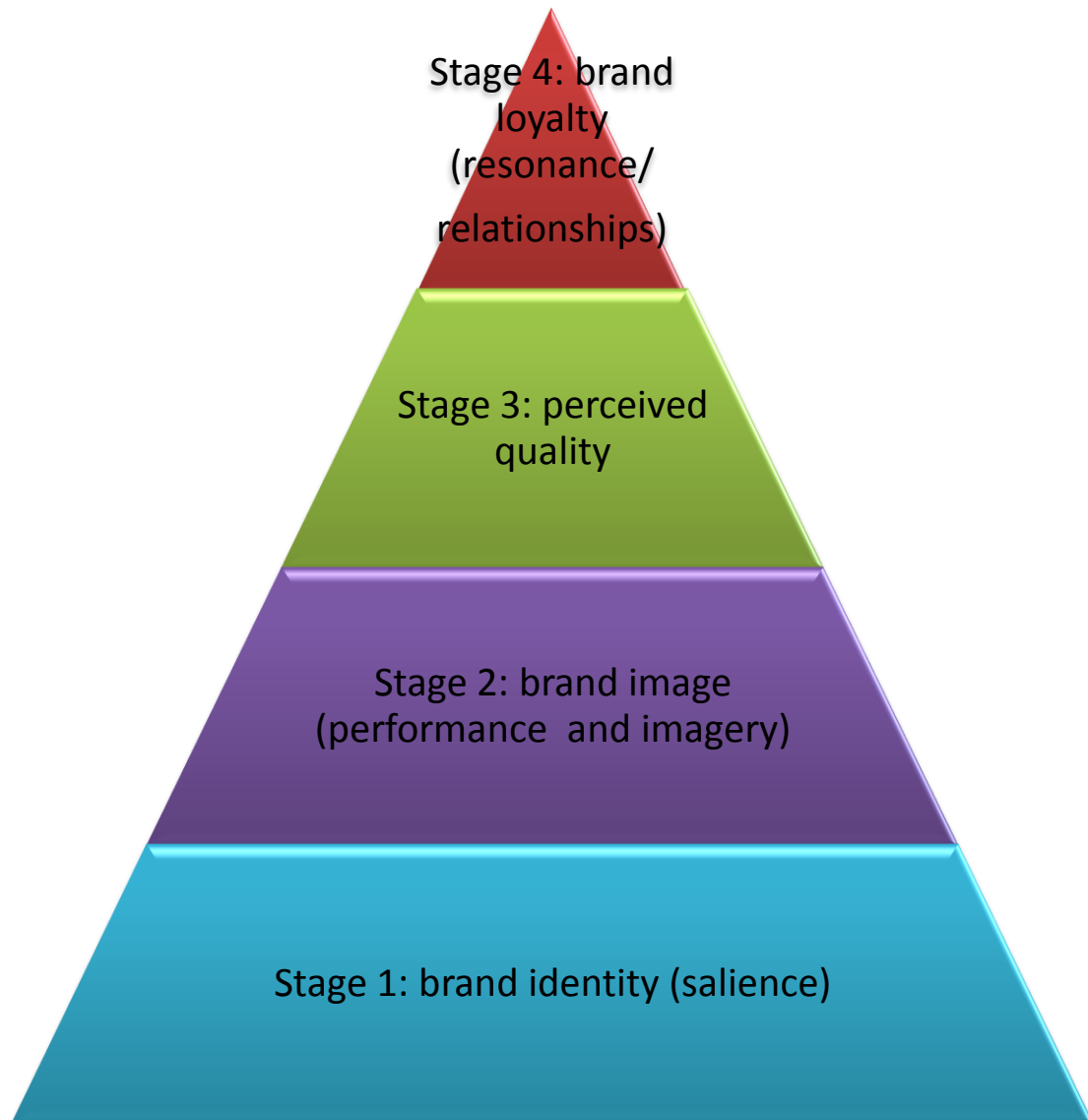
Source: Keller (2008: 60)

The first stage is about brand identity (salience), meaning that a brand must have a clear identity in the minds of the consumers concerning the service. That means that MTN, Vodacom, Cell C and Virgin mobile must not send double messages, but rather clear and consistent messages. The second stage focuses on brand image (performance and brand imagery), which is about the meaning of the brand that is achieved through brand associations. These must be well established in the mind of the consumer. The cellular service providers, for example, have mostly associated lifestyle attributes with their brands. The aim is to convince the consumer that their

service fits well into their lifestyle and that it brings more convenience to life.

The third stage looks at perceived quality, meaning that a brand must be able to produce beneficial responses towards the meaning and identification of the brand from the consumer. The fourth stage covers brand loyalty (resonance/relationships) which is about how these beneficial responses can be converted into loyalty through branding. These stages answer the following questions: Who are you (brand identity)?; What are you (brand image)?; What about you (perceived quality)?; What about you and me (brand loyalty)? The four stages of customer-based brand equity observed in this study have been empirically tested (Netemeyer *et al.,* 2004: 209– 224; Myers 2003: 39–51). These stages are discussed in detail below.

4.2.2.1   Stage 1: Brand Identity (Salience)

Consumers utilise various services from their cellular service providers, depending on what they need at that point in their lives. Considering that there is competition and a great variety of services provided to the consumers, confusion can result in terms of what each cellular service provider stands for. To avoid the confusion which could result, brand identity needs to be created. Subhash (2008: 52) states that there are two kinds of services available to the consumer, namely basic services and advanced services. The basic services include making calls and sending short message signals. Advanced services include sending pictures, getting news updates, playing games, watching movies, or organising. Some consumers do their banking and travel arrangements through their cellular phones. Others use it as a diary, or to download software. All this is an indication that consumers utilise different services for different purposes in their lives. These differences can be due to demographics and behavioural variables (Subhash, 2008: 52).

These differences in usage of services indicate that cellular phone service providers will mean different things to different consumers. For example, Shim *et al*. (2006: 155–171) prove that young people utilise more advanced services, compared to older people. The challenge in branding for such diverse companies is to have an encompassing identity which accommodates all its clients.

The cellular service providers have a challenge of communicating complex and intangible messages. According to Taylor *et al.* (2004: 217), the cellular service providers need to explain how brand equity relates to customer loyalty. In other words, how do the services availed to consumers impact on satisfaction, value and trust and how can brand identity be used to ensure that consumers have a common understanding of what each cellular service provider stands for, even though consumers utilise varying numbers of their services.

Brand identity focuses on how well-positioned a brand is in a consumer's mind (Buil *et al.*, 2008: 385) and it also explains how able a consumer is to recognise and identify the brand (Pappu *et al.*, 2005: 145). The value and power of a brand in the market place are observed through the brand identity dimension (Atilgan *et al.*, 2005: 241). Brand identity is composed of brand recall and familiarity (Buil *et al.*, 2008:385; Pappu *et al.*, 2005: 145). The implication is that, if consumers use a particular brand more often, they will be more aware of and familiar with it as compared to the brands that they do not use.

Buil *et al.* (2008: 385) state that brand identity is the best brand measure of brand equity for services companies. This view is, however, contrasted by the findings of Kim and Kim (2005: 557), who found that brand identity is not high on brand equity, even though it has a positive relationship with a company's performance. Kayman and Arasli (2007: 104) also found that brand identity is not significant in brand equity. They also mention that although brand identity is critical for consumers' consideration set, brand identity is not key in a services company. A brand name alone is not a guarantee for success. The findings by Kim *et al.* (2003: 345) also reveal that brand identity did not rank as high as the other three components. However, this is not an indication that it should be ignored as findings indicated a significant relationship with financial performance.

Brand identity can also be the result of investing in communication and promotional tactics (Kim *et al.*, 2003: 345). Increasing brand identity through promotion can increase sales (Kim & Kim, 2004: 557). Besides mass media, there are other creative approaches that can be utilised to reach consumers and create awareness. These

include charity involvement in social, cultural, sports and other public events (Atilgan *et al.*, 2005: 345). Since there are various approaches which can be used to establish the identity of the brand or provide information about the brand, it would make business sense to evaluate the importance of each (Kim *et al.*, 2003: 345).XX

Atilgan *et al.* (2005: 241) further mention that brand identity explains that brands can either be not known by most users or they can have a high degree of awareness. Brand identity thus explains the degree to which a consumer is able to recognise and remember a brand. Through brand identity, a company is able to explain if a brand is just the recognition of dominance whereby a brand is merely recalled (Pappu *et al.*, 2005: 145). The findings by Kim *et al.* (2003: 345) reveal that marketing mix with a strong sense of brand identity will be transferred to consumers' awareness sets. As consumers get more information about a particular brand, competing brands may end up being eliminated from consideration. Failing to get into consumer sets may lead to loss of sales.

Brand identity measures how easy it is for consumers to remember the brand and this is called brand depth. Secondly, brand identity measures the timing of the recall. In other words, it is not enough to know if consumers can recall a particular brand; they must also be able to do so at the right time (Keller, 2008: 61, 63). Cellular service providers need to ensure that during usage situations their brands are recalled, because this combination (namely remembering and doing so at the right time) can result in consumers purchasing more often than they would if they just remembered the brand.

From the above discussion it is clear that brand identity is the foundation of brand equity and that alone it is not sufficient. Consumers will need more information about the brand before reaching a final decision. In the decision-making process, brand awareness has three advantages (Atilgan *et al.,* 2005: 241). These advantages relate to learning, consideration and choice. When a consumer is highly aware of, familiar with and holds strong and favourable brand associations in memory, then customer-based brand equity is said to be high. The assumption is that brand identity has a positive impact on brand equity. The next stage in building

strong brand equity would be brand image, which explains how brand performance and brand imagery impact on consumers' experience.

4.2.2.2 Stage 2: Brand Image (Performance and Imagery)

In a developing country like South Africa, the usage of cellular phones is directly related to the transformation of the economy. This is through the ability of cellular phones to mediate free communication. This ability also assures democracy and economic development (Salmi & Sharafutdinova, 2008: 384). This kind of a background means that how an image of a brand is built in South Africa will vary from how it is built in a developed country. It is important that the associations attached to the brand image are consistent with and relevant to the consumers. In other words, a well-built brand image is one that is based on knowledge of consumers' profiles.

If cellular services are provided in relation to the desires of the consumers, when they are needed, such services will be more successful in the marketplace (Salmi & Sharafutdinove, 2008: 385). Therefore, a brand image also needs to be linked to consumers' desires. Furthermore, in the cellular industry consumers utilise the services for self-expression, displaying their personality and deriving pleasure (Seva & Helander, 2009: 342). This ability of the services should not be the main focus, since the services of cellular service providers are perceived by consumers primarily as a means of communication (O'Doherty *et al.*, 2007: 257; Turner *et al.*, 2008: 202). Consumers communicate to enhance their interaction in their professional lives and to strengthen and maintain their personal relationships like keeping in contact with friends. This shows that associations which are used to build the image of the brand must enable consumers to communicate while expressing themselves with the purpose of enabling them to function professionally and maintain personal relationships.

According to Keller (2008: 65), brand image explains how a brand attempts to meet psychological and social needs of consumers. Brand image impacts on consumers' experiences and what they hear about the brand from others and the organisation. Here the intangible aspects of a brand are considered, instead of what a brand really

does. This view is supported by Atilgan *et al.* (2005:241) who state that these aspects are independent of the service itself and they create a differential advantage. Brand image also relates to the other aspects which are linked to a brand in a consumer's mind. These depend on favourability, strength and uniqueness. Brand image further carries the meaning of the brand to the consumer (Pappu *et al.*, 2005: 145). Its critical features are service, personality and organisation (Buil *et al.*, 2008: 385). Brand image can be viewed as brand personality or organisational associations (Pappu *et al.*, 2005: 145). An enhanced brand image is built by tangibility, reliability and empathy (Kayman & Arasli, 2007: 104). Brand image reflects the strength of a brand relative to competition and positiveness of the brand in terms of functionality and prestige (Kim *et al.*, 2003: 340).

The image is built around the beliefs which a consumer holds about a brand and these play a more determinant role as to whether the financial performance of a service business will be high or low (Kim *et al.*, 2003: 342, 346). In this instance the basis for purchase decisions regarding brand loyalty and value for the company and consumer are represented (Atilgan *et al.*, 2005: 241). As a personality of the brand, the brand image has characteristics which find meaning on the interpretation of the consumer and these characteristics are normally human characteristics linked to the brand (Pappu *et al.*, 2005: 145). Brand associations help in the process of retrieving information, giving a reason to buy, differentiation, creating positive attitudes or feelings and enabling the brand to be extended (Atilgan *et al.*, 2005: 241).

To strengthen or enhance brand preference, the following strategies, as identified by Albert *et al.* (2008: 1062–1075) can be utilised:

- Need association: presenting a brand and a need at the same time consistently. Exposing consumers consistently to this association will cause them to associate the need with the brand. This approach is limited in a sense that it does not clarify how the needs will be met.

- Mood association: instilling the brand with a positive aura or pleasant states, which could be companionship, relaxation, or leisure. In this case, consistency

plays a critical role. It means that every time consumers are exposed to the brand, they will experience positive feelings.

- Subconscious motivation: the message is formulated in such a way that it excites the hidden drives and desires that the consumer is not even aware of. The brand is used to allow consumers to express actions inhibited by their super ego. They are able to do so when they purchase the brand. In advertising, this is used to excite the subconscious motives of the consumers.

- Behaviour modification: brands are used as social and psychological rewards. The brands must, however, have a high degree of quality and quality assurance.

- Cognitive processing: positive attitudes towards the brand are built as they apply to the conscious choices where the consumer is highly involved in the purchase decision process.

- Model emulation: various characters like celebrities are associated with the brand and are then used to model behaviour for consumers. Consumers prefer this approach because of its simplicity and ease with which a choice can be made. Models have to be tailored constantly to suit various social roles.

It must be kept in mind that, even though these strategies can be implemented, their effectiveness will largely be determined by other factors such as service and price. In other words, the extent to which a brand image is positive in the mind of a consumer depends mostly on its performance. It means, for example, that performance will be high if consumers are satisfied with the service in terms of responsiveness and attitude of the employees.

The challenge with brand image is that it takes a long time to build and it requires detailed research information based on the nature of the brand and competitive positioning (Kim *et al.*, 2003: 346). Over time the image of the brand can be strengthened through positive communication experiences which give consumers a good reason to purchase (Pappu *et al.,* 2005: 145). This can be achieved when

positive feelings are created among consumers. The creation of strong positive associations result in high brand equity implying that brand image positively impacts on brand equity (Atilgan *et al.*, 2005: 239).

4.2.2.3 Stage 3: Perceived Quality

Perceived quality is not necessarily the actual quality of a service, but subjective evaluation depending on consumer perceptions (Buil *et al.*, 2008: 385; Atilgan *et al.*, 2005: 340). Pappu *et al.* (2005: 145) also mention that perceived quality refers to a consumer's opinionated evaluation of the service and not the actual quality. Perceived quality measures perception and not necessarily customer expectation (Kim *et al.*, 2003: 340). Some components of perceived quality have a significant impact on brand loyalty while others have an indirect impact on brand image (Kayman & Arasli, 2007: 104). These perceptions that consumers hold about perceived quality need to be positive for effective brand management.

The kind of service consumers receive has an impact on their level of loyalty to a business (Kuo *et al.*, 2009: 887). The services provided by the cellular service providers that impact on quality can be classified into the following categories: information, communication, transaction and entertainment. These services motivate consumers to engage positively in post-purchase intention. This results in increased revenue leading to sustainable development. Enhanced service quality can result in competitive advantage and corporate success. The need for perceived quality is emphasised by the fact that the technological standards and regulations in the mobile telecommunications industry make the services homogeneous in nature (Lim *et al.*, 2006: 209, as also discussed in chapter 2). This stresses that the cellular service providers need to ensure that the kind of services they provide are innovative and superior compared to other offerings.

Service quality can either be technical, meaning that consumers get the service as they interact with the cellular service provider, or it can be functional, and this aspect explains how the service is delivered (Lim *et al.*, 2006: 209). This shows that consumers are not just interested in the service, but what is important to them is how the service is delivered. The latter is more critical. This is because all cellular

service providers provide the core service, but they differ in how the service is delivered. Some of the attributes which impact on how the service is delivered include perceptions about customer care, personnel conduct, or speed of problem resolution. Technical attributes would include a consumer's perceptions of pricing plans, or network quality.

Service quality does not only impact on competitive advantage; it also serves as a critical indicator of a company's performance, overall impression of the company and its services. The extent to which consumers recognise the differences between the cellular service providers will determine the extent of their willingness to switch providers (Shin & Kim, 2008: 856). Since service quality is a critical strength for cellular service providers, it is important to outline the factors which impact on perceived service quality in this business (see figure 4.3). These factors are mentioned by Lim *et al.*, 2006: 210) as:

- Pricing plans: offering the best plan that meets a consumer's need, ease of changing service plans, superiority of overall pricing options and delivery of information about products and services.

- Network quality: frequency of dropped calls, voice quality and coverage.

- Messaging services: sending/receiving SMS (short message service), sending/receiving MMS (multimedia message service) and receiving calendar/reminder services).

- Entertainment services: receiving sports information, listening to music from the internet and playing online games.

- Locator services: providing location/map/directions services, receiving weather reports, receiving traffic information, receiving news, reporting emergencies based on location and transmitting emergencies information (for example, roadside assistance).

- Billing system: provision of accurate billing, ease of understanding and resolving billing issues and resolving billing issues quickly.

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- Customer service: ability in fixing a problem, courtesy of customer service representative, provision of consistent advice instructions from a call centre and accurate representation of service terms

The performance level of each of the above-mentioned factors may vary from one another, but it is important that the overall performance of all the factors be high and consistent so that the overall view of the consumers may be positive.

This point is confirmed by Lim *et al*. (2006: 210) who mention that when perceived service quality performance is high, perceived value will also be high. Furthermore, the research findings by Lim *et al.* (2006: 215) show that cellular service providers need to emphasise certain service factors in their promotions strategically, depending on which needs of the consumer are targeted. These needs could relate to economic value, emotional value or service satisfaction. Also, improved data services (messaging services, entertainment services, locator services, billing system and customer service) which are of high quality can be a powerful marketing tool.

Figure 4.3: Factors which Impact on Perceived Service Quality in the Cellular Industry
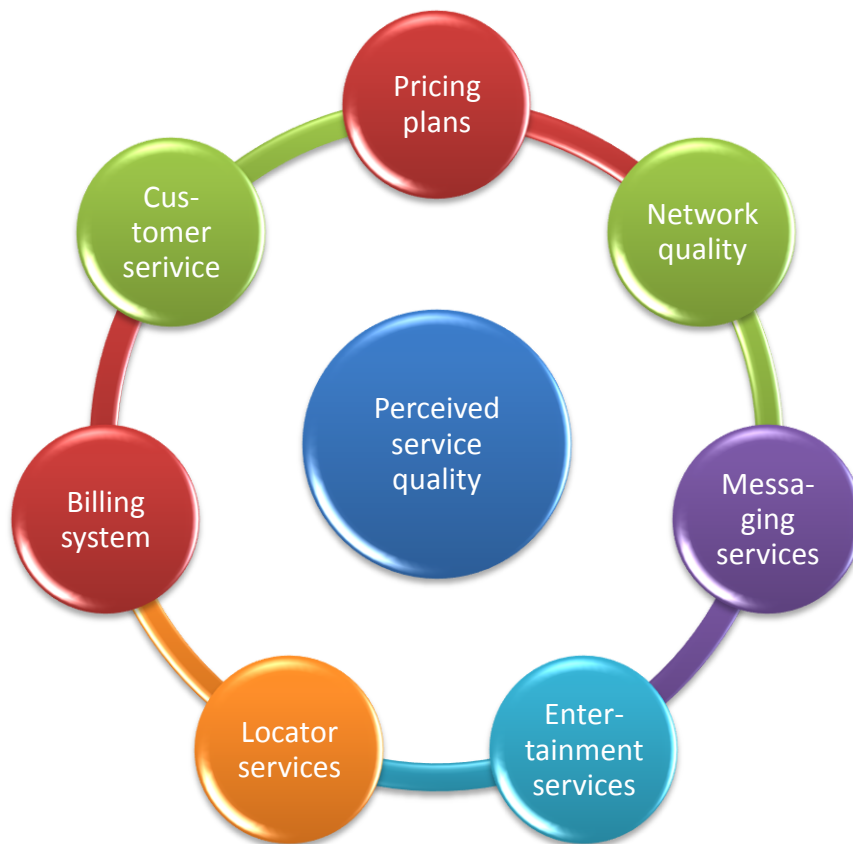
What impacts on perceived service quality, is not just monetary costs, but also non-monetary costs. These would include: transaction costs, search cost, negotiation cost and time cost during the purchase. Although these costs are not the focus of measurement in this study, it must be kept in mind that they impact on the consumer when deciding on and when utilising the various services. The reason for mentioning this point is because the satisfaction rate of the consumer is influenced by the consumer's total response to all the purchase experiences in a cellular service environment (Kuo *et al.*, 2009: 888).

Even though not factual, perceived quality provides value for the consumer and this is critical in the creation of differentiation and giving the consumer a good reason to purchase the brand (Pappu *et al.*, 2005: 145; Atilgan *et al.,* 2005: 340). Research by Kim *et al.* (2003: 346) indicate that perceived quality appears to be the most prominent of brand equity components, but evidence indicated that it is not strongly

significant in its impact on financial performance. This is not consistent with what Kim and Kim (2005: 557) say when they mention that perceived quality improves the financial performance of a company. However, Kim *et al.* (2003: 346) do acknowledge that some of the components of perceived quality do influence the financial performance of a company.

Service companies are also able to increase customer satisfaction and profitability through quality, because quality enables them to meet the needs of consumers (Atilgan *et al.*, 2005: 340). Some critical attributes of perceived quality contribute to this. These attributes are very essential in a service company since here the main challenge is to render the intangible service more tangible (Kayman & Arasli, 2007: 104). These include responsiveness and physical characteristics. Responsiveness includes staff politeness, up-to-date equipment, punctuality, staff friendliness, staff behaviour and attitudes (Kim *et al.*, 2003: 346). These create satisfaction, which in turn influences loyalty (Atilgan *et al.*, 2005: 340). Perceived quality is necessary, but not sufficient by itself to create brand loyalty (Kayman & Arasli, 2007: 104).

As observed, perceived service quality views consumers' opinion about the brand which to a large extent is shaped by the performance of the brand. Keller (2008: 68) mentions that the opinions about brand performance are influenced by the following:

- Brand quality: consumers' attitudes which are shaped by familiarity, quality, purchase intent, brand expectations and distinctiveness.

- Brand credibility: consumers' perceptions of credibility depending on perceived expertise, trustworthiness and likability. Brand credibility will increase as the brand is more competent, innovative, dependable, fun and worth the money spent on it. All this, put together, means that consumers need a brand that knows what it is doing and that is concerned about its consumers.

- Brand consideration: the extent to which a brand is personally relevant to the consumer. In other words, consumers will not hold positive opinions about a

brand, simply because it is credible and they highly regard it.

- Brand superiority: the extent to which consumers view the brand as unique as and better than competitors. The brand needs to be superior to be able to generate loyalty.

Much of consumers' perceptions are based on their emotions. That means that consumers' emotional responses impact on how perceived quality is viewed. It is thus critical to identify which feelings a brand evokes in consumers and how a brand makes consumers to feel about themselves. There are six kinds of brand-building feelings (Keller, 2008: 69–70). Firstly, there is warmth. This is when a brand creates soothing feelings which make consumers to be at peace. Secondly, fun is an emotion which can be amusing, joyous and cheerful. The third emotion is excitement. Through this emotion the brand is able to make consumers feel cool, sexy and alive. Fourthly, security brings a sense of assurance and comfort. Security helps consumers to worry less and experience reduced anxiety. Fifthly, there is social approval which is about making the consumer feel more acceptable by others. Here the brand is positioned in such a way that the consumer will gain more acceptance from others if he/she utilises the brand. Lastly, there is the emotion of self-respect. In this instance the brand uses this emotion to affirm a consumer's sense of fulfilment, pride and accomplishment. Security, social approval and self-respect are more private and enduring. On the other hand, warmth, fun and excitement are more immediate and experiential. The cellular service providers tend to use the latter, instead of the former. Whether consumers rely on their thoughts or feelings when responding to the brands, it is important that they are positive regardless of what they rely on.

4.2.2.4   Stage 4: Brand Loyalty (Resonance/Relationships)

From the previous discussion, it is clear that when consumers perceive that service quality is high, their brand loyalty will be positively affected. Hence building loyalty is about winning consumers and keeping them. This is critical for survival as it leads to repeat business, higher market share, profit, referrals and competitive advantage (Kayman & Arasli, 2007: 104; Kim *et al.*, 2003: 345). As consumers experience

satisfaction with the brand, loyalty results (Delgado-Ballester & Munueara-Aleman, 2005: 188). This also means that consumers who do not experience satisfaction are lost. Brand loyalty has a positive impact on the financial performance of a company (Kim & Kim, 2005: 557), meaning that service delivery for cellular service providers becomes critical, seeing that their core business is service. Kayman and Arasli (2007: 104) mention that brand loyalty can also be achieved when a positive brand image is sustained.

According to Buil *et al.* (2008: 385) and Pappu *et al.* (2005: 145), brand loyalty reflects how committed consumers are to a brand and this has some benefits. When this commitment is high, the overall performance of a company is also high. The other advantage of having loyal consumers, amongst others, is that loyal consumers do not need promotion stimulus; on the contrary, they may actually recommend the business to others based on their previous experience (Kim *et al.*, 2003: 345). This is not to say that promotion does not play a role. Promotion can actually reinforce a particular behaviour, but loyalty comes as a result of long-term views and attitudes based on satisfaction.

As Delgado-Ballester and Munueara-Aleman (2005: 188) state, prior interaction and experience with the brand determine the level of loyalty in consumers. Experience, in turn, is built from evaluation, which can be direct contact (for example, usage) or indirect contact (for example, advertising). However, consumption experience carries more weight, because it generates associations and thoughts which are more self-reliant and certain. A good experience can be built through satisfaction programmes, complaint handling and communication that inform consumers about the attitudes and behaviours of brands.

A high brand loyalty indicates that consumers are willing to give such a brand a second chance when things go wrong, because such a brand has a good reputation. This is also mentioned by Kim *et al.* (2003: 345) who indicate that when consumers are loyal they are less likely to switch to competition on the basis of price. Such consumers engage more on repeat purchases compared to non-loyal consumers. Atilgan *et al.* (2005: 240) agree with this view by mentioning that if there are

changes in price and service features, brand loyalty is instrumental in reflecting the likelihood of consumers switching to other brands. When consumers feel that they are connected with the brand, then the degree of loyalty is higher and such consumers are willing to seek to interact with the brand and share their experiences with others.

Brand loyalty is based on two perspectives (Buil *et al.*, 2008:385). The first one is the behavioural perspective, which explains how often behaviour is repeated and the second one is the attitudinal perspective, which explains commitment which comes as a result of values attached to the brand. Pappu *et al.* (2005: 145) explain that the implication is that consumers are brand loyal when they have favourable attitudes towards a brand, meaning that there is a degree of commitment regarding the value associated with the brand. Atilgan *et al.* (2005: 239) also argue that brand loyalty can be viewed as the expression of behaviour, attitude and choice. Behaviour is detected in the number of purchases of a brand. Attitude considers dispositions and preferences of consumers towards brands. Lastly, the reason for purchase and factors influencing choices are defined by the choice perspective of brand loyalty.

One factor which contributes positively towards loyalty to the brand is satisfaction (Lim *et al.*, 2006: 11; Gerpott *et al.*, 2006: 257–258). Seo and Badad (2007) mention that in the cellular service industry, the satisfaction of consumers is impacted by network quality (connectivity and clarity of calls), price, customer support, value-added services and convenience procedures. Amongst all these, the most critical one was found to be call quality, because without it, the service itself cannot be sold. Once consumers are provided correctly with these, they will be satisfied with the brand, meaning that they are more likely to engage in a long-term relationship with the company concerned and, more than that, they will also be encouraged to motivate others to be loyal to the brand. Seo and Babad (2007: 182) identify factors which impact on brand loyalty in the cellular service industry as being length of association, service plan complexity, switching costs and quality of connectivity. Cellular service providers need to strengthen these factors since retaining consumers is most critical, because the market is now highly saturated. Finding new consumers is more difficult and costly.

Martensen (2007: 109) observes that consumers are highly aware of the brands when it comes to cellular service providers. What seems to vary among consumers, though, is their attitudinal loyalty to the brand. Her observation shows differences between younger and older consumers in this regard. Younger consumers are said to be 40% less loyal to their cellular service providers. There are various reasons why consumers vary in their level of loyalty towards the brands. These reasons are mentioned by Seo and Badad (2007: 184).

The first reason is switching costs. There are three types of costs, namely transaction, learning and contractual costs. Transactional costs are financial costs on the consumer who may wish to switch providers. Learning costs represent a consumers' efforts towards becoming acquainted with the new cellular service provider. The emergency number or the way of accessing messages might be different. Contractual costs are penalties charged for ending the contract before time. When all or either one of these costs is high, the consumer will be motivated to stay loyal to his/her current cellular phone service provider.

For example, Eshghi *et al.* (2007: 101) observe that cellular service providers tend to "lock" consumers in a relationship by using restrictive contracts. This is achieved through relentless campaigns of drawing consumers through incentives like free cellular phones or free air time. The aim here is to draw more consumers instead of working on increasing the satisfaction of the current consumers. In such instances, the consumers are loyal, not because they are happy with the service provided, but because they want to avoid various costs. This shows that in this particular industry consumers might be dissatisfied and still remain loyal.

The second reason, which is also mentioned by Lim *et al.* (2006: 2115), is perceived emotional value. Perceived emotional value will be high if there are precise billing systems and speedy solutions of problems. To the cellular service providers it means that consumers need to be provided with value-added services for their loyalty to increase. This also highlights the fact that cellular phone service providers must know exactly what satisfies their consumers in terms of the emotional value. The third reason that affects why consumers vary in their loyalty towards the brands is

the length of experience with the brand, as mentioned by Martensen (2007: 110). When consumers have limited experience with the brand they are less loyal to it. It is critical to note that a brand which will be ultimately successful is one that meets consumer expectations.

Brand management needs to achieve four critical goals so that it becomes successful and continues to grow (Keller, 2008: 72–74). Firstly, the brand must impact on the behaviour of consumers in such a way that repeat purchases are generated. In other words, consumers must be willing to buy more and more often. Next to behaviour, the brand needs to be personally attached to the consumers. It means that, once the consumers are comfortable and positive about the brand, they must also "love" the brand. In other words, they need to see the brand as an important part of their lives, one without which life will be incomplete.

The brand also needs to enable consumers to feel that they are part of a community. This means that through a brand a consumer can have a sense of affiliation with other people. Finally, the brand must enable consumers to engage. This occurs when consumers invest money, time and energy into the brand, which is all beyond just consuming the brand. Examples include joining clubs centred on the brand or participating in chat rooms. Brand loyalty is said to be intense when it has strong attitudinal attachment and sense of community. On the other hand, brand loyalty is said to be active when consumers buy and use it frequently and when they engage in other activities not related to consumption and purchase.

Delgado-Ballester and Munueara-Aleman (2005: 188) both agree that brand loyalty is a key characteristic of a successful long-term relationship. In a relationship there is trust which has a positive effect on brand loyalty which in turn leads to economic advantages. To increase brand loyalty, the brand needs to be positioned as a promise and as a set of expectations consistently. However, a company should be careful not to promise everything to every consumer, as this may result in unmet expectations.

In conclusion, it is clear that brand identity, brand image, perceived quality and brand loyalty strengthen brand equity from the perspective of the consumer and are

instrumental in demonstrating the difference between financially high performing and financially low performing companies. According to Kim *et al.* (2003: 346), brand equity constructs are often overlooked since they are so obvious. Furthermore, service companies tend to pursue more the aspect of quality management to improve financial performance. Pappu *et al.* (2005: 145) add by stating that consumers will be loyal to the brand if they perceive that the quality of a brand is superior. However, the brand (not just the quality thereof) is the core strategy and through the brand a company can generate high financial performance.

4.2.3 Positioning of Brands

Brand positioning is about enabling the brand to occupy a distinct place in the minds of consumers. Positioning guides managers in finding appropriate marketing strategies, it gives consumers a reason to purchase the brand and helps the brand to be differentiated. Positioning starts with identifying target market(s). Target markets are identified through conducting market segmentation. Various segmentation bases are behavioural, demographic, psychographic and geographic. To guide segmentation the market should be identifiable (easy to identify), sizeable (sales potential), accessible (ability to reach the market) and responsive (will the market respond to the marketing programme?). The nature of competition needs to be known as this will also impact on positioning. Competitive analysis will need to be conducted as it will reveal competitor resources, capabilities and intentions (Perrault & McCarthy, 2005).

According to Keller (2008), once the target market and nature of competition are identified, the basis of positioning can be identified. These bases are points of difference and points of parity association. Points of difference are those positive associations which serve to differentiate the brand in the mind of the consumer. They are achieved through unique selling proposition and sustainable competitive advantage. Points of parity associations can either be category or competitive based. These reveal the conditions for brand choice. These are not how unique a brand is, but the focus is on the basics of a service. For an example, for cellular service providers the basics of the service would be network availability or customer service,

to name but a few.

Successful positioning is achieved through defining and communicating the competitive frame of reference. Consumers here are informed about a brand's category membership. In other words, they need to know what the service is about and how it functions relevant to competition. Secondly, a decision has to be made on choosing points of difference so as to make the service desirable (that is, relevant, distinctive and believable) and deliverable (feasible, communicable and sustainable). Thirdly, points of parity and points of difference need to be established. This can be achieved by separating attributes. A marketing campaign can be used here to clarify what each attribute stands for. Points of parity and difference can also be established through leverage equity of another brand. This is when one of the brands takes the equity of another. Finally, points of parity and difference can be achieved through redefining a relationship between attributes and benefits in the minds of consumers. Consumers need to perceive that the relationship is positive (Pride & Ferrel, 2010; West *et al.*, 2006).

A mental map is used to give details about responses of the target market in relation to brand associations. These brand associations range from 5–10 important dimensions of the brand. These associations are the basis of positioning as they represent points of parity and points of difference. Brand mantra, on the other hand, is used to ensure that internally, employees and other external stakeholders understand what the brand stands for so as to represent it well to the consumers (Cravens *et al.*, 2000).

4.3 STEP TWO: PLANNING AND IMPLEMENTING BRAND MARKETING PROGRAMMES

4.3.1 Brand-building Elements

Part of what contributes to the success of a brand is its name. To be able to successfully name a service, its nature in terms of benefits, target market and marketing programs must be considered (Kotler & Armstrong, 2008: 232). There are six brand building elements (Grewal & Levy, 2008: 275). The brand name is one

element of the brand. The name describes the service and its characteristics through the use of words. The second brand-building element is URLs (uniform resource locators), which serve to locate pages on the internet for the firm. Thirdly, logos and symbols are visual elements standing for corporate names or trademarks. Logos and symbols do not use words. The fourth element is characters. Characters are those elements which are either animals or human, and which can be animated or not. Next to characters are slogans. Slogans describe the brand with the aim of perusing consumers regarding some of its associations. Slogans are in the form of short phrases. Finally, there are jingles that are used to communicate brand messages by audio means. Messages can take the format of words or music.

When choosing which brand elements to embark on, certain conditions apply. These conditions are discussed in the next two sections below.

4.3.1.1 Conditions for Choosing a Brand Name

According to Kotler and Armstrong (2008: 232) and Pride and Ferrell (2010: 334), a brand name must have certain qualities to make it favourable. A brand name must be easy to pronounce, spell and recognise. Different consumers (age, nationalities) must be able to identify with the brand. Clearly then, it is important that consumers are able to remember and say the brand name. Furthermore, the name must also communicate to the consumers what qualities a brand holds and what benefits they can expect from the brand. This kind of communication should be done in a positive manner. If the message is negative, consumers will find it difficult to recall names and they will not evaluate such a brand favourably. The name must enable the brand to be differentiated. This is particularly indispensable in the cellular service industry since the offer from all the providers is the same.

A brand name should also be extendable instead of being restricted to one category. Cell C and Virgin Mobile names are more restricted to cellular services whereas the Vodacom name can be extended to other categories of communication if needs be. All types of media should be able to recognise a brand name so as to be able to create consistency at all communication touch points. When going global, a brand name needs to be easy to translate without the brand losing its meaning. Finally, the

brand name must be easy to protect legally and to register.

Since cellular service providers are in a service business, there are extra dimensions, because the service and the company are inseparable. These companies can use their names to improve their image. Consumers see cellular service providers as having one brand name, although multiple services are provided (as already discussed). Names for these companies must be flexible to accommodate such a variety of services as well as innovative ones in the future.

The following procedure when deciding on a name can be followed (see figure 4.4) (Keller, 2008: 153–154):

- Defining objectives: there must be clarity in terms of what the brand is aiming to achieve, what its role is in marketing and how it relates to other brands.

- Generating names: since finding a particular name is a challenge, it makes sense to consider a variety of other sources for more possible names before the final selection is made. Sources include consumers, employees, advertising agencies or company management.

Figure 4.4: The Procedure for Choosing a Name
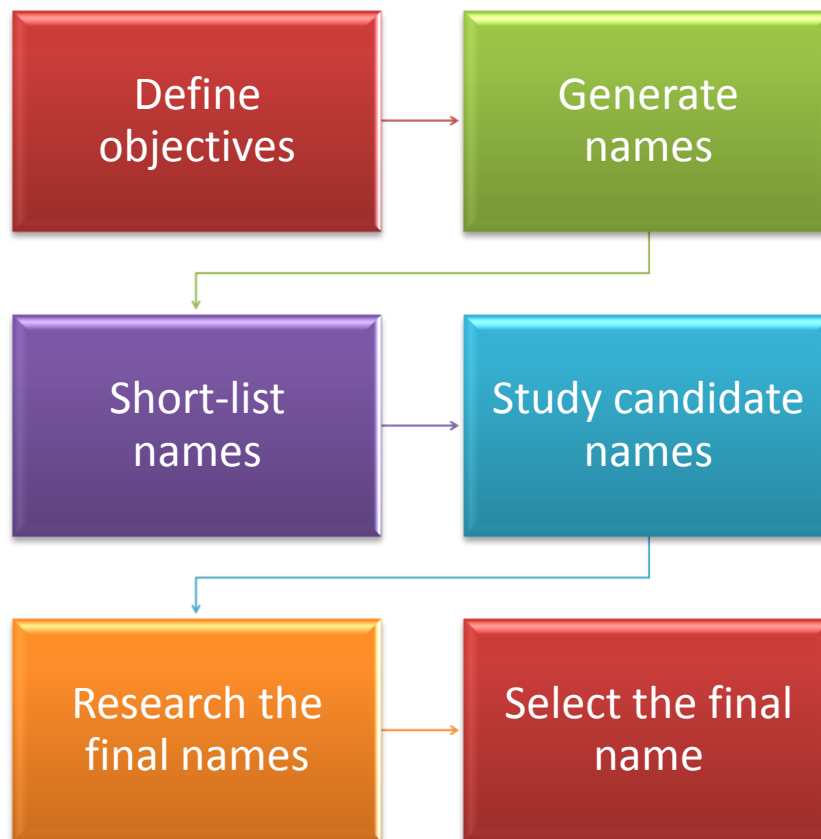
- Short-listing names: each name should be compared to the objectives of the brand and its extent of enabling the brand to achieve its objectives must be measured.

- Studying candidate names: more information must be obtained regarding the short listed names. This information also includes legal information and not just marketing-related information. This is of the utmost importance before any financial investment in a name is made.

- Researching the final names: research is needed to test each name in terms of memorability and meaningfulness. Research will also help to indicate if such names meet the expectations of management.

- Selecting the final name: based on the research outcomes, a name which enables the company to reach its objectives the most must be chosen and registered.

There is not a single brand name which is perfect. Marketing effort can help eliminate some negative associations around the name. If the name is new, it may take some time before consumers are more comfortable with it.

4.3.1.2 Conditions for Choosing Brand Elements

The chosen brand elements should enable the brand to facilitate purchasing, establishing loyalty, differentiate itself, reduce marketing costs and increase market value (Grewal & Levy, 2008: 275). Brand elements which enable a brand to achieve these attributes will also ensure that consumers experience value. When consumers experience value, the company will also experience value.

According to Keller (2008: 140–144), the brand elements must be memorable, meaningful, likeable, transferable, adaptable and protectable. The first three conditions represent an offensive strategy and help build brand equity. The last three conditions are defensive strategies for maintaining brand equity. These conditions are now discussed as follows:

- Memorability: the brand elements chosen must lead to a high level of brand awareness. Such elements are easily recalled and easily get attention in a purchase situation. For example, each of the cellular service providers has distinct colours, which make them memorable. For example, Vodacom is blue, MTN is yellow, and Cell C and Virgin Mobile are red.

- Meaningfulness: brand elements must create a particular meaning to the consumers. These elements must enable a consumer to identify the service and must be persuasive concerning the benefits it offers.

- Likeability: regardless of the meaning, the brand must be appealing visually, verbally and otherwise. When meaningfulness and likeability are in place, there will not be a strong need to communicate awareness and this will save marketing costs.

- Transferability: brand elements must enable the brand equity of the new service to the brand to increase. Less specific brand names are easy to

transfer. If a brand name does not have a specific meaning, it can be easily transferred into other cultures without being translated.

- Adaptability: as consumers change in their culture and behaviour, brand elements need to enable the brand to adapt over time. Adjusting brand elements accordingly will enable the brand to do so.

- Protectability: brand elements need to create protection for the brand legally and in terms of competition. The brand's uniqueness must not be easy to copy; otherwise such a brand will lose its competitive edge.

For the brand elements to continue being able to meet the above-mentioned conditions, they must evolve with time so that the brand continues to be relevant.

4.3.2 Marketing Programmes for Brands

Marketing programmes need to be aligned in such a way that they strengthen brand equity. The marketing programmes will be able to strengthen brand equity as they familiarise the brand to the consumers. Furthermore, the marketing programmes, through a process, are able to achieve insistence (which will be discussed later in this section). Familiarity has five levels and effective marketing programmes will enable the brand to reach the highest level. According to these levels, when a brand is first introduced to the market it will not be readily accepted; however, over a process of time and through the effective use of marketing programmes, it will end up being demanded by consumers. These levels are discussed below according to Perrault and McCarthy (2005: 256–257).

The first level is brand rejection, which happens when consumers do not respond positively towards the brand, because adjustments need to be made to the image of the brand. Such changes can be brought about through marketing programmes. This is not easy, though, especially with service brands. The second level of brand familiarity is brand non-recognition. This occurs when consumers do not recognise the brand. At the third level the brand starts to experience brand recognition. This is when consumers remember the brand and they recognise it among others. The fourth level is brand preference. Here consumers intentionally choose the brand over

others. This could be due to positive experiences from the past. Finally, the highest level of brand familiarity is brand insistence, which occurs when a consumer demands the brand. There are various marketing programmes that enable the brand to function effectively at these levels and these are now discussed below (see figure 4.5). Since the cellular service providers are in a service business, these programmes will be discussed from the perspective of a service business.

4.3.2.1 Product (Service) for Service Brands

Unlike a physical product, a consumer has to engage in variety of processes to consume the service. In a service business, the core service represents what the brand stands for. If the strategy focuses on the core of the service, the decisions are made on how the service can best be delivered so that consumers are satisfied (Keller, 2008: 194). It means that the expectations must be met or exceeded. The focus in a service business is also on the supplementary service which is related to the core service. Supplementary services serve the purpose of differentiating the service from its rivals (Pride & Ferrel, 2010: 362). Supplementary services include problem solving, advice and information, and billing statements (McDaniel *et al*., 2008: 339). In the cellular services, the core service has become a commodity due to competition. Supplementary services are thus critical in creating a competitive advantage.

Figure 4.5: Marketing Programmes for Brands
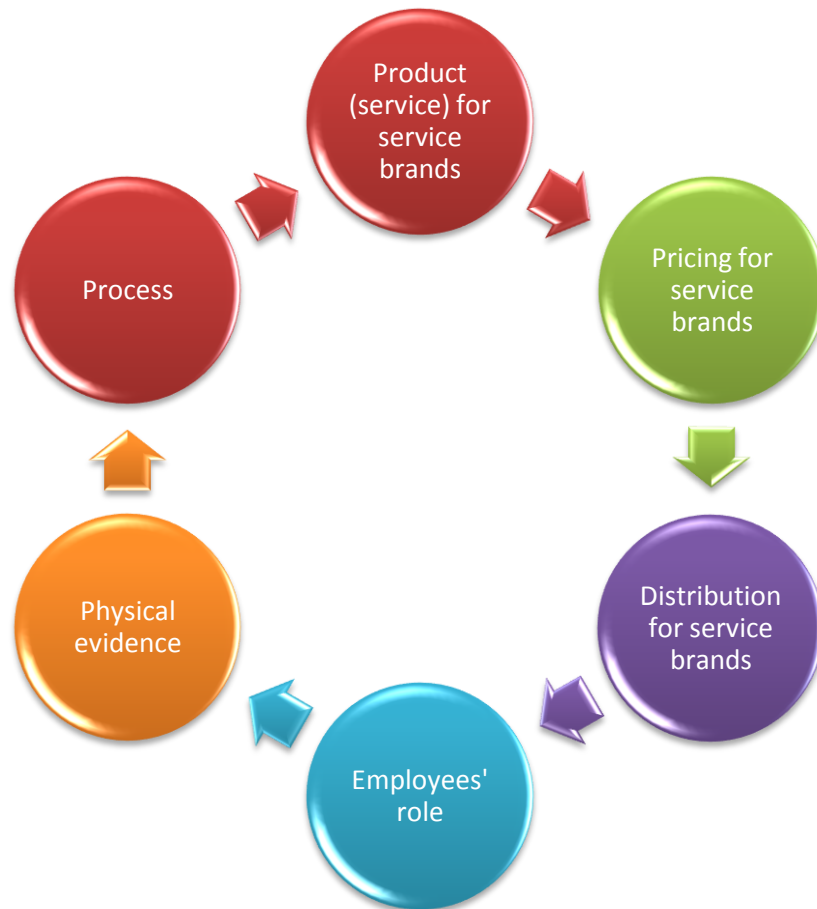
While the heterogeneous nature of service brands makes it difficult to offer services in a consistent manner, heterogeneity can be an advantage. Such nature can allow service brands to be tailored depending on what the consumer needs are. Tailoring brands also means that the brand accommodates not only the needs, but the desires of the consumer (Pride & Ferrel, 2010: 362–363). To further strengthen competitive advantage, service brands need the following service benefit dimensions (Keller 2008: 195): functional benefits (service performance, value and quality), Process benefits (accessing service information with ease, assisted decision making and convenient transactions) and relationship benefits. Since there is increased competition, marketers need to engage more in experiential marketing instead of just communicating functional benefits (Keller, 2008: 195).

The above-mentioned benefits can be provided, whether the service is tailored or standardised. Tailored services are more flexible and respond to individuals' needs.

As a result, they are more expensive. On the contrary, the standardised services cost less while they are also efficient (McDaniel *et al.*, 2008: 340). Each approach has its own advantages and it will not always be possible for cellular service providers to decide on just one. The better option would be to utilise both. McDaniel *et al.* (2008: 340) call this approach mass customisation. This occurs when consumers gain the benefit of customised services on a mass basis due to the use of technology. Because services are intangible, it is more difficult for consumers to evaluate them. There are various options available to make the service more tangible. These include professional and well-mannered personnel and appealing physical facilities (Pride & Ferrel, 2010: 364).

According to Hoffman and Bateson (2006: 235,136), the service can be made more tangible through four stages. The first stage is the availability of service. In this stage, the company has a mission of avoiding mistakes. The second stage is journeyman, which usually occurs as a result of new competition. At this stage the company does not just ensure that there are no mistakes, but it takes proactive action to get feedback from consumers. It is not sufficient that employees do what they should be doing, but management also ensures that the processes enable them to carry out their tasks by managing these processes.

The third stage is about achieving distinctive competence. During this stage, employees select the procedures they prefer. The goal is to listen to consumers while mentoring employees. This serves the purpose of ensuring that employees are empowered to meet the needs of the consumers. The fourth stage is world-class service delivery. At this stage, competitive advantage is no longer just about excelling, but it is about ensuring that the company is innovate and does so before its competition. Technology is key in achieving this goal. Employees are no longer just mentored, but are empowered with the necessary skills, so that they are also innovative. These stages show that the views of the consumers are critical and if taken into consideration, they can result in opportunities.

The marketing strategies will vary depending on the consumer's level of involvement and experience. Some services are directed at the consumer (people processing)

where the consumer has to be physically present. Other services are conducted on the consumer's physical possession (possession processing). For example, a service may be rendered on the consumer's cellular phone. A service can also be directed to a consumer's mind (mental stimulus processing). Some services are directed to the consumer's assets (information processing) like banking and insurance. Depending on how the consumer experiences the service, the marketing strategy will also differ.

4.3.2.2 Pricing for Service Brands

Pricing a service brand is largely dependent on a consumer's perception of value, given the price charged for the service (Boshoff & Du Plessis, 2009: 143). Inappropriate pricing can harm the image of a company and can cause consumers to switch their cellular service provider. What consumers want is to be charged a low price for a service with high value. The challenge is for the cellular service providers to meet this expectation without experiencing a loss.

The decision has to be made on whether to price the service upon completion or whether to price the service on the basis of the length of time it took to complete the service. Length of time is applicable to cellular service providers as they charge calls based on how long the call was. Calls are charged per minute or per second. Secondly, a decision has to be made on whether to price services individually or to bundle the service and then charge one price (McDaniel *et al.,* 2008: 342). Bundling services are a preferable option if consumers are not willing to pay extra amounts for separate services. However, particularly in the cellular services, it is not preferable where consumers pay for services that they do not use. There is a strong tendency among cellular service providers to offer bundled services. Thirdly, the decision has to be made on how to price services during the fluctuation of demand. When the demand is high the prices will also be high (Pride & Ferrel, 2010: 366).

Cellular services are also demand sensitive. The peak demand is during the week. As a result, prices are lower over weekends. This scenario is thus used to increase demand during this period; that is, lowering the prices over the weekend to encourage consumers to make more calls. Charging higher prices during peak demand and lower prices during off-peak demand also serves the purpose of

balancing demand and supply. Consumers often view price as an indicator of value. Before cellular service providers decide on which pricing strategy to implement, there must be a clear understanding on how consumers perceive value and how they relate with the company.

a. Price Strategy for Service Companies

The most appropriate pricing strategies will be those ones which are aligned with the consumers' perception of value. Such pricing strategies take into consideration the quality of a service and its costs in a manner which ensures that the needs of a consumer are met, while enabling the company to meet its profit targets (Keller, 2008: 202). This manner of pricing is made popular by the increasing competition and demand from consumers. Consumers will not be willing to purchase a service if they perceive that the price charged is higher than their perceived value.

The approach of value-based pricing is the focus of this section, because the cellular service providers in South Africa use this approach. This approach looks at what consumers are willing to pay for the value they believe they will be getting (Boshoff & Du Plessis, 2009: 155). Even though challenging, this approach is most effective, because consumers are always willing to spend if they perceive that they are getting value. Value has different meanings amongst consumers. However, there are four ways in which perceptions of value can be grouped (Zeithalm *et al.,* 2009: 524–528) and these are mentioned below.

Value can firstly be seen as a low price. In this instance consumers will perceive that they get value when prices are at their lowest. For example, with cellular service providers, value is created for consumers by charging them less when they talk longer on their cellular phones over the weekend. Secondly, some consumers perceive that they get value when they get benefits they are looking for in a service. These consumers are less price-conscious and more conscious of the features. In the cellular services, the quality of the network can be more important to the consumers. In other words, being able to communicate clearly is more important than the cost of the service. Thirdly, value can be the quality consumers receive for money spent. For consumers in cellular services, value can be enriched relationships

received for the time and cost of making the call. Finally, some consumers will perceive that they are getting value when a service provides them with what they want.

Pricing strategies can therefore be grouped into these four categories of perceived value (see figure 4.6). Basing prices on perceived value offer the highest profit potential compared to other pricing approaches (Boshoff & Du Plessis, 2009: 156). The various strategies are discussed below.

Figure 4.6: Categories of Price Strategy for Service Companies

i.   Strategies when Low Price is a Meaning of Value

Just because consumers are looking for a lower price, does not mean that important attributes such as quality are not important to consumers. The following strategies can be used when low price is the most important attribute to the consumer (Zeithalm *et al.*, 2009: 529–532).

- Discounting: this strategy represents the occasional lowering of prices to the consumers. This positive and sudden reduction of prices may also catch the

consumers' attention. Cellular service providers give consumers selected discounts upon signing a two-year contract. Since discounts are temporary, this strategy may attract consumers who will only purchase while there's a discount. Engaging too often in this strategy can result in a loss for the cellular service providers.

- Synchro-pricing: this strategy balances demand and supply by bringing synchrony. Prices charged can be higher, depending on differentials such as place, quantity, incentive and time. With cellular service providers, a quantity differential is used. For example, when consumers talk longer on their cellular phones, they are charged less. Time differential is also used to demand when customers talk over the weekend.

- Penetration pricing: when a new service is introduced, this strategy is used. This is when prices are lowered to create awareness and to allow consumers to try out the services at a lower price.

ii. *Strategies when Receiving is a Meaning of Value*

In this category, consumers view benefits as the meaning of value. Two strategies are available to avail this kind of value (Boshoff & Du Plessis, 2009: 159–160):

- Price bundling: bundling occurs when services are put together in a package. This strategy ensures that revenue is created for all services and the consumer makes a once-off payment. In pure bundling, consumers are not able to purchase services separately. Mixed bundling is when consumers are able to purchase services which are bundled separately. This method is flexible and enables consumers to meet their individual needs.

- Complementary pricing: this strategy occurs when services are highly complementary. There are two approaches towards this strategy. Loss-leader pricing serves to attract consumers to a service that they know at a lower price, with the aim of influencing them to purchase other services. The two-part pricing is when the price of one service is lowered to attract consumers while they pay the full amount for the next service.

iii. Price Strategies when Wants are a Meaning of Value

When a service has desirable intrinsic attributes it is highly valued and consumers will be more concerned about what they will get out of it. The financial cost is less of a concern. According to Zeithalm *et al.* (2009: 532–533), there are two strategies to provide this value, namely:

- Prestige pricing: this is when a service carries status. A high price represents prestige and luxury.

- Skimming pricing: this strategy is used when introducing new services which are better than the previous ones. Consumers concerned, will be willing to pay higher prices for such services.

iv. Strategies when Quality is a Meaning of Value

In this instance, consumers are primarily concerned with quality. Boshoff and Du Plessis (2009: 161) identify two strategies in this regard. They are:

- Market segmentation pricing: consumers in this instance are divided into segments and each segment has a unique price depending on how each perceives quality.

- Value pricing: this is when services are availed at lower prices. This is achieved when a consumer pays less for more services. Here a bundle of services offered may exclude other services to cut on the cost while the consumer pays less.

In conclusion, the cellular service providers must ensure that they choose the most appropriate pricing strategies. Hoffman and Bateson (2006: 189) mention that the price should be easy to understand, represent value for the consumer, generate loyalty from consumers and build trust through reducing uncertainty. However, all these will not be easily attained, because consumers' perceptions are subject to change. Therefore constant adjustments in selected strategies will ensure that cellular service providers remain relevant to their consumers.

4.3.2.3 Distribution for Service Brands

Cellular service providers distribute services differently to consumers as compared to distributers of physical goods. In some instances consumers go to the facility of the provider; some services are delivered at the consumer's home; and other services are delivered to the consumer without contact with the provider (Pride & Ferrel, 2010: 364). For cellular services, consumers get the service by either visiting the facility of the cellular service provider or they can get the service without making contact. They can get the services online or they can make a call. Because of the nature of the services, marketing channels tend to be shorter and more direct. It is possible for the producer to deliver the service to the end user (Pride & Ferrel, 2010: 364).

Key in the distribution of service brands is to create convenience, have more outlets, decide on direct or indirect distribution, have a suitable location and improve scheduling (McDaniel *et al.*, 2008: 340–341). Due to the increasing life demands of consumers and time scarcity, convenience is becoming more and more of a necessity than luxury to consumers. Cellular service providers need to ensure that consumers are able to access their services at their convenience, with special regard to time and ease. Cellular service providers also need to ensure that there are a sufficient number of outlets available to the consumers. Doing so contributes to ease of access to the needed services. There has to be a balance between having too few outlets (resulting in inconvenience for the consumer) and too many outlets (resulting in a loss for cellular phone service providers).

Cellular service providers are able to deliver their services through intermediaries and this makes them accessible to the consumers. For example, retail stores are used to distribute airtime and starter packs to the consumers. The three types of intermediaries are now discussed below.

a. Franchising

Franchising occurs when an intermediary uses the brand of the cellular service provider, together with its business processes, to offer a service to the consumer. A

franchisee is then charged a specific fee (Boshoff & Du Plessis, 2009: 181). There must be consistency in the delivery process, service policies, warranties, promotion and branding (Zeithalm, 2009: 422). However, it is not always possible to be consistent. To help with this challenge, it is important that the communication lines between the franchiser and franchisee are always open. Any form of inconsistency can cause harm to the brand.

b. Agents and Brokers

As noted by Zeithalm *et al.* (2009: 424), agents represent the providers or consumers and they are allowed by law to negotiate agreements between the two parties. Some agents sell the provider's produce in instances where the provider is not able to do so. Brokers serve the purpose of bringing the provider and the consumer together and assist with negotiations. Payment to the brokers is made by whoever hires them. While agents engage in long-term relationships, brokers do not. The cellular service providers hardly make use of these intermediaries.

c. Electronic Channels

Electronic channels impact on the manner in which a service is delivered. The various types of these channels available include mobile channels, telephones, or the internet. These channels serve as supporting services, additional services or as primary service delivery (Boshoff & Du Plessis, 2008: 185). Cellular service providers use electronic channels as supporting services. Electronic channels lack human interaction, because there is no face-to-face interaction; hence the inseparability aspect of the service is reduced. This also helps to make the service consistent (Zeithalm, 2009: 428–429). The problem could arise where some consumers might feel that such an approach is too impersonal. Some consumers who are not literate might find such an approach too complicated.

Each of the above discussed intermediaries has advantages and disadvantages. These can be seen in table 4.1.

Table 4.1: Advantages and Disadvantages of Intermediaries

Advantages	Disadvantages
Franchising	
Franchisor	
- Leveraged business format for greater expansion and revenue - Consistency in outlets - Knowledge of local markets - Shared financial risk and more working capital	- Difficulty in maintaining and motivating franchisees - Highly publicised disputes and conflicts - Inconsistent quality - Control of customer relationship by intermediary
Franchisee	
- An established business format - National or regional brand marketing - Minimised risk of starting a business	- Encroachment of other outlets into franchisee territory - Disappointing profits and revenues - Lack of perceived control over operations - High fees
Agents and brokers	
- Reduced selling and distribution costs - Intermediary's possession of special skills and knowledge - Wide representation - Knowledge of local markets - Customer choice	- Loss of control over pricing - Representation of multiple service principals
Electronic channels	
- Consistent delivery for standardised services - Low cost - Customer convenience - Wide distribution - Customer choice and ability to customise - Quick customer feedback	- Price competition - Inability to customise - Lack of consistency due to customer involvement - Changes in consumer behaviour - Security concerns - Competition from widening geographies

Source: Adapted from Zeithalm *et al.* (2009: 423, 425, 429).

In choosing an intermediary to rely on, cellular phone service providers must consider the advantages and disadvantages of each. A clear understanding of the

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nature of a service can also help in this regard.

4.3.2.4 Employees' Role

Employees who are in contact with consumers in particular, need to deliver the service in such a way that consumers will experience satisfaction and be retained. Employees can also be used by a company to strategically deliver quality service. This can be achieved through hiring the right people, developing them by means of training and empowerment (management and knowledge support). The company's role is to ensure that its culture enables employees to effectively and appropriately fulfil roles so that they are satisfied. When employees are satisfied, they will serve consumers in such a way that they are satisfied (Boshoff & Du Plessis, 2009: 219). This section on employees is kept brief, because it is not the main focus of the study. However, it is important to note that there are more managerial and strategic implications from the employees' side which contribute to the success of the brand.

4.3.2.5 Physical Evidence

How physical evidence is managed is important to the cellular service providers, since they are in a service business. Consumers often rely on physical surroundings when evaluating a service. The exterior design like parking, the building and interior design like foyer areas and equipment used to conduct business can be used to create a competitive advantage. Physical evidence can be used as a source to package the service, facilitate the flow of the service delivery process, socialise with consumers and employees and to differentiate a company. Physical evidence should be designed in such a way that it enhances the fulfilment of employees and consumers (Hoffman & Bateson, 2006: 248). This section on physical evidence is also kept brief since it is not the main focus of the study. However, physical evidence has more aspects, which are critical in a service business.

4.3.2.6 Process

The behaviour of consumers has an impact on the "process" aspect of the service brand. This is because in a service business, a consumer is an active participant as the service is being delivered (Hoffman *et al.*, 2009:166). Some changes in the

environment impact on the process of delivering a service to the consumer. This means that the consumers must make certain adjustments in their behaviour. Marketing managers must therefore ensure that as these changes occur, consumers are assisted accordingly. This kind of assistance must also ensure convenience as this is one of the important attributes which serve to differentiate a company. Failure to do this may mean that consumers could be lost to competition.

It is not only important to deliver a service that is efficient and convenient for the consumer, but the same service must also be operationally efficient. A service blueprint ensures that all important aspects which ensure effective service delivery are in place and well managed. These would include the key activities in delivering a service that which take place "backstage". The blueprint also clarifies what happens "front-stage" in terms of what consumers experience (Lovelock & Wirtz, 2007:233). An effective blueprint will not only clarify these aspects, but also how they interact. The success of the cellular phone service providers will be determined by the extent to which their blueprints enable all the organizational divisions to work in harmony in pursuit of the organizational objectives.

4.3.3 Integrated Marketing Communication for Service Brands

Revealing the performance of a service or displaying it in an advertisement can be a challenging task. What is key in the communication of service brands is to make the service more tangible by focusing on tangible cues. Advertisements may include pictures of the company's physical facilities, personnel, the logo, or even creating a link with the consumer's lifestyle. Such advertisements must use simple language so that consumers clearly understand what the service offer is (Pride & Ferrel, 2010: 365).

Attaching personal information to a service brand can reassure consumers; thus reduce perceived risk, for example, by using an individual in an advertisement that specialises in knowledge regarding the service being communicated. To improve communication, cellular service providers can follow up the consumers to evaluate their experience (McDaniel *et al.*, 2008: 342). This kind of feedback can also help cellular service providers to know where they can improve their service offer.

As mentioned by Hoffman and Bateson (2006: 211, 213), the communication of a service brand must not promise what it cannot deliver. If a cellular service provider promises what it cannot deliver, it risks creating negative perceptions about its value to the consumers, which negatively impacts on the image of the company. As a result it will be more difficult and costly to get back such consumers. It will also be costly to restore the image of the brand. Employees will also be negatively affected as they might find themselves in confrontational positions. Communication must reassure consumers that they will get a service which is reliable, responsive, assuring, empathising and one with expected quality. The focus should be more on the dimensions that are important to consumers. There are various options available for communication, which will be discussed below.

4.3.3.1 Marketing Communications Options

There are various options available for marketing communication. This section will focus on some of the options, namely advertising, promotion, public relations and publicity, and personal selling (see figure 4.7).

a. Advertising

Advertising occurs when information about the service is promoted in a non-personal form by means of payment by the sponsor. It is quite challenging to carry out advertising, because it is a complex activity. Defining its strategic roles is not always clear and its effect on consumers can be complicated. It is thus difficult to define how the management of advertising can be carried out (Keller, 2008: 235). Advertising serves to attract attention, to inform, to persuade and to remind. Advertising also enables the company to control what, to whom and when the message is communicated about its brands. The main short-fall is its inability to get feedback from the consumers (Boshoff & Du Plessis, 2009: 274). For managers the challenge is to choose the right media to carry their advertising (Perrault & McCarthy, 2005: 382).

Figure 4.7: Marketing Communication Options
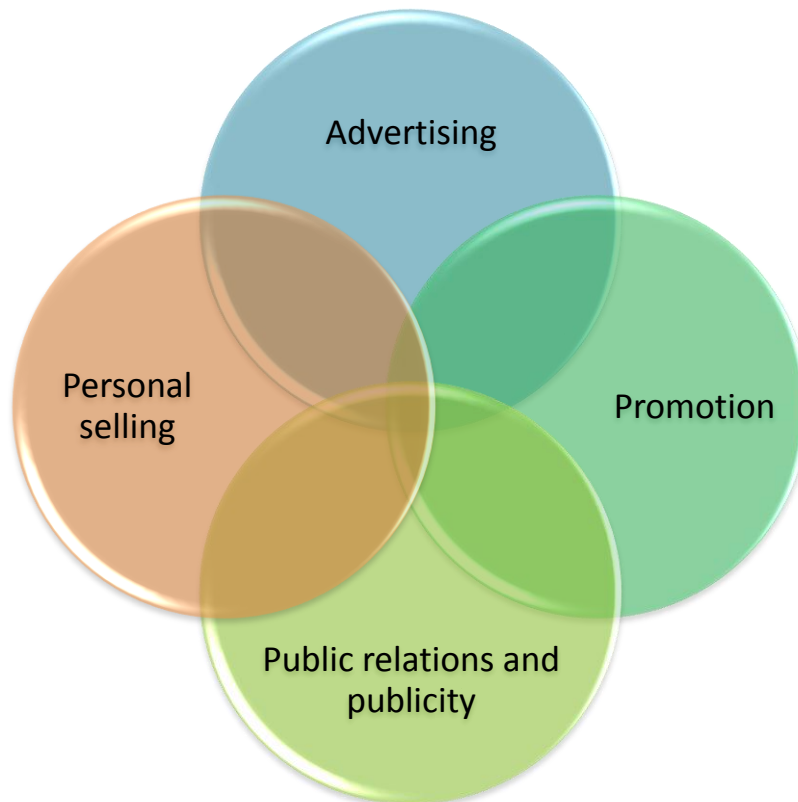
Lamb *et al.* (2008: 299–300) identify that there are different types of advertising. Institutional advertising occurs when cellular service providers promote themselves as companies. The aim is to strengthen the company's identity by maintaining positive attitudes about the brand. Service advertising is when the benefits of a service are promoted. This can either be through pioneering, or competitive or comparative advertising. It depends on where the service is in its life cycle. Pioneering advertising stimulates demand. Cellular service providers do not engage in this advertising, since the demand is high and the market is highly saturated. Comparative advertising occurs when a cellular service provider compares itself to another. When mobile number portability was introduced in South Africa, cellular service providers engaged in comparative advertising. Finally, competitive advertising occurs when a service is experiencing growth. This type of advertising does not aim to increase demand, but tries to influence consumers to demand a specific brand. Cellular service providers in South Africa rely on this type of advertising.

Different types of media are available for advertising. These are observed in table 4.2. This table also observes advantages and disadvantages of each.

Table 4.2: Advantages and Disadvantages of Different Types of Media

Medium	Advantages	Disadvantages
Television	• Has wide reach • Incorporates sound and video	• Has high cost • Has cluttered airways • Has more potential spill-over
Radio	• Is relatively inexpensive • Can be selectively targeted • Has wide reach	• No video (limits presentation) • Consumers give less focused attention than T.V • Exposure periods are short
Magazines	• Is very targeted • Subscribers pass along to others	• Is relatively inflexible • Has long lead times
Newspapers	• Is flexible • Is timely • Can localise	• Can be expensive in some markets • Involves potential loss of control over placement • Advertisements have short life span
Internet	• Can be linked to detailed content • Is highly flexible and interactive • Allows for specific targeting	• Costs not easily comparable to other media • Is becoming cluttered • Blocking software prohibits delivery
Outdoors	• Is relatively inexpensive • Offers opportunities for repeat exposure • Is flexible	• Is not easily targeted • Has placement problems in some markets • Exposure time is very short
Direct mail	• Is highly targeted • Is flexible • Allows for personalisation	• Is relatively expensive • Is a cluttered environment • Is often considered "junk mail"

Source: Grewal and Levy (2008: 499)

b. Promotion

A promotion is a temporary reduction in prices in order to catch the consumer's attention to encourage the consumer to purchase such a service. Promotions can also be used to strengthen the consumer's relation with the cellular service providers (Grewal & Levy, 2008: 503). Cellular service providers use promotions to lower prices for handsets and services to encourage consumers to continue their contracts. Promotions have the advantage of removing attention from the competitors and it

encourages consumers to recommend the service to others.

For a promotion effort to be effective, it must be easy to understand, legal, immediate, or offer reward for delay, be appropriate in terms of complexity, and it must be non-embarrassing (Blythe, 2008: 594). There are different types of sales promotions and these are listed in table 4.3. Advantages and disadvantages are also mentioned.

Table 4.3: Advantages and Disadvantages of Different Kinds of Promotion

Promotion	Advantages	Disadvantages
Coupons	• Stimulates demand • Allows for direct tracing of sales	• Has low redemption rates • Has high costs
Deals	• Encourages trial • Reduces consumer risk	• May reduce perception of value
Premiums	• Builds goodwill • Increases perception of value	• Consumers buy for premium, not service • Has to be carefully managed
Contests	• Increases consumer involvement • Generates excitement	• Requires creativity • Must be monitored
Sweepstakes	• Encourages present consumers to consume more	• Sales often decline afterwards
Samples	• Encourages trial • Offers direct involvement	• Has high cost to the firm
Loyalty programmes	• Creates loyalty • Encourages repurchase	• Has high cost to the firm
Pop displays	• Provides high visibility • Encourages brand trial	• Is difficult to get a good location in the tore • Can be costly to the firm
Rebates	• Stimulates demand • Increases value perception	• Is easily copied by competitors • May just advance future sales
Product placement	• Displays services non-traditionally • Demonstrates service uses	• Firm often has little control over display • Service can be overshadowed

Source: Grewal and Levy (2008: 505)

Cellular service providers can also promote their brands through event marketing and sponsorship. This occurs when cellular service providers sponsor events such as entertainment, sports, or social causes. Cellular service providers embark on sponsoring sports due to the resulting exposure gained (Hoffman *et al.*, 2005: 432). The reason why they are successful in this endeavour is because sports have special

meaning to consumers and when cellular service providers link their brands to sports, the special meaning is also attached to the brand. As a result, cellular service providers are able to strengthen their relationships with consumers. This approach is able to create experiences for the consumer, which evokes pleasant feelings like excitement. Through event sponsorships cellular service providers are able to communicate that their brands are committed to the community (Keller, 2008: 259–262).

c. Public Relations and Publicity

Public relations are about communicating with the various stakeholders. It provides cellular service providers with the opportunity of ensuring that the stakeholders have a common understanding and that they have the relevant information (Boshoff & Du Plessis, 2009: 275). Publicity is non-personal and can take the form of news items. Here the cellular service providers do not incur costs, even though they still gain exposure. This represents an opportunity to generate positive publicity and to overcome the negative publicity that which may exist (Hoffman *et al.*, 2005: 432).

The tools which are used to generate publicity include speeches, special events (news conferences, grand openings), written materials (brochures and company newsletters), audiovisual materials (DVDs, online videos) and public-service activities (Kotler & Armstrong, 2008: 442, 432).

d. Personal Selling

Personal selling occurs when there is face-to-face contact between the provider and the consumer. The provider educates the consumer about the service with the intention of influencing the consumer's decision to purchase the service. Personal selling can also be achieved through phone calls, e-mail and other electronic communication tools (Hoffman *et al.,* 2005: 431). Personal selling has advantages for both the provider and the consumer. A mutual relationship is created. It does not create pressure for sales generation, but it aims to build loyalty. The consumer will be more comfortable when purchasing, because there is trust. The provider will have the opportunity of retaining such a consumer (Lamb *et al.,* 2008: 302).

4.4 STEP THREE: MEASURING BRAND PERFORMANCE

4.4.1 Brand Equity Measurement and Management

Brand audits and brand tracking studies measure sources of brand equity and also their performance in the market. They clarify how brand equity elements add value to the brand. Brand audits measure the marketing activity of the company. Brand audits firstly reveal how clear, relevant, distinctive and consistent a brand is in the minds of the consumer. This is achieved through a programme quality multiplier. Secondly, brand audits observe customer mindset. Here the focus is on brand awareness (how well can consumers recall the brand), brand assessment (favourability and uniqueness), brand attributes (overall evaluation), brand attachment (level of consumer loyalty), and brand activity (the extent to which consumers engage with the brand).

Thirdly, a market-place conditions multiplier observes market performance. In other words, how competitive is the brand? How is the selling effort? How many consumers are attracted to the brand? Finally, an investor sentiment multiplier, which is critical for investment decisions, is used. Here market dynamics, growth potential, risk profile and brand contributions are observed (Keller, 2008; Elliot & Percy, 2007).

Brands are also measured through tracking studies such as product-brand tracking, corporate/family brand tracking and global tracking. This study is not focused on tracking studies. As a result, this approach will not be further detailed. This study is more focused on measuring the mindset of the consumer and how this measurement was undertaken is discussed in chapter 5.

The information gathered either from brand audits or brand tracking studies needs well-established internal structures and procedures through which information can be filtered or actually assists in implementing what the findings suggest. In other words, a company needs to have a brand equity management system. It is a combination of processes that increase brand understanding and how brand equity can be utilised in a company.

A brand equity management system is established in three steps. Firstly, a brand equity charter (document of guidelines to managers and stakeholders) needs to be established. Secondly, a brand equity report (compilation of results from tracking studies and audits in the form of report for managers) must be availed. Thirdly, brand equity responsibilities (clearly defined organisational responsibilities and processes such as overseeing and management of structures) need to be clarified (De Chernatony & McDonald, 2003; Keller, 2008). As indicated, chapter 5 explains how the measurement of the consumer mindset in the cellular industry was undertaken.

4.5. STEP FOUR: GROWING AND SUSTAINING BRAND EQUITY

4.5.1 Brand Strategy

A brand is not stagnant; it grows and experiences changes. It is these changes and growth which must be managed in order for the brand to continue to be relevant to its market. There are various strategies available to companies when it comes to branding. The nature of the industry where a company functions, determines which strategies a company can opt for and implement. According to Lamb *et al*. (2008: 217), companies can choose the approach of an individual brand (where each product has its own brand) or one where the corporate is the brand. These strategies will be discussed in detail below. It is important to note that the chosen strategies will be successful if consumers are able to understand what the brand stands for and if they are able to differentiate among brands. The strategies will also be successful if they motivate consumers to engage in repeat purchases (Keller, 2008: 233).

To define and clarify the brand strategy, the product mix firstly needs to be outlined. This would be all the services a company avails to its consumer (Grewal & Levy, 2008: 271). Product mix has width and depth, which must also be clarified. The width of product mix considers how many product lines a company offers, whilst depth considers products offered in each product line. If products function similarly, are offered to the same consumer group, and are marketed similarly, they are termed as a product line (Hoffman *et al*., 2008: 270). A brand line therefore consists

of products sold under a particular brand. This definition of brand line, considering also the definition of product mix, therefore means that a brand mix is all the brand lines a company avails to its consumers.

The strategy of a company must therefore consider the breadth and the depth of its brand. The number of brands and product categories are therefore critical role players in the conceptualisation and implementation of strategy. The strategic approach towards brands is thus two-fold. Firstly, the breadth of a branding strategy considers the number of various services associated with the brands sold by a company. Secondly, the depth of a branding strategy considers brands in the same product class (Keller, 2008: 434–435, 439).

The brand-product matrix is the tool used to characterise the branding strategy of a company. It captures the brand extension strategy (number of products under different brands) and brand portfolio strategy – all brands of a company (number of brands in each category). The brand-product matrix, on the other hand, highlights the products and brands of a company. Brand hierarchy reveals the branding strategy by focusing on brand elements. A brand hierarchy has three levels of which each represents a strategy option (Elliot & Percy, 2007: 180). These levels are single brands, group brands and company brands.

A single brand is when products in a company have individual brand names (Grewal & Levy, 2008: 285). A family or group brand occurs when various products use the same brand name (Lamb *et al.*, 2008: 219). A company brand, on the other hand, occurs when the parent company identifies itself as the brand. Based on the three levels of brand hierarchy, there are three possible brand types around which strategies can be formulated (Keller, 2008: 463). These are the corporate dominant type (corporate name used), mixed brands (two or more names with equal prominence), and the brand-dominant type (single brand name used).

Because cellular service providers utilise corporate branding strategies, a corporate branding strategy will be observed. Another reason is that cellular service providers are in a service business. This strategy is more effective because of the nature of the business.

4.5.1.1 Corporate Branding Strategy

In the cellular industry, where the mother company plays a prominent role in the branding strategy, the corporate image should be developed on an ongoing basis and it should be the main focus. Corporate image is composed of the various attributes that consumers hold of the company providing the service (Keller, 2008: 449). Ensuring that a company has a positive corporate image will positively influence consumers' perceptions about how a company relates to its various stakeholders. The one advantage about this strategy is that it goes beyond just selling the brand to the consumer. It clarifies the standing of the company as a whole. This can be seen when the various determinants of corporate image are considered (these will be discussed further in this section).

What is unique about the corporate branding strategy is its focus on the internal factors of the company, with much focus on how employees impact on the corporate image (Harris & De Chernatony, 2001: 441). This strategy varies from line branding in the sense that line branding does focus on the internal factors of the brand. De Chernatony and Segal-Horn (2003: 1095) state that when company values are shared by everyone internally, there will be more commitment and more internal loyalty. This will result in positive and consistent brand delivery to all stakeholders. According to Anisimova (2007: 395), corporate branding strategy enables a company to gain competitive advantage by associating its corporate characteristics with the service it offers, resulting in unique synergies being developed. Corporate branding strategy thus involves a companywide perspective.

This strategy also brings down the cost of advertising and promotion. This is because there are no individual budgets for various product lines. Only the corporate image is communicated. Confusion can be avoided, since there are no multiple sources of information about various brands. Here, information stems from one source, namely corporate image. This reduction of confusion would mean that consumers prefer the corporate brand strategy. Corporate brand strategy also assures consumers that the company will deliver on their expectation. On the management side, this strategy helps the company to reach its objectives (Argenti &

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Drucken-Miller, 2004: 368, 374).

For a corporate branding strategy to be effective in a service business in particular, four criteria must be met, namely focused position, consistency, values and systems (De Chernatony & Segal-Horn, 2003). Focused positioning serves to associate specific attributes of the brand to assist consumers in the choice processes. It makes the brand to be clearer. Positioning in corporate branding strategy is not only in advertising, but in all touch points of a company, particularly with the employees. Employees must also understand what the brand stands for so that they can support it. The second aspect is consistency, which is a challenge because of the variable nature of the service. It means that the behaviour of staff needs to be consistent and supporting systems can help in this regard.

Thirdly, the values of a company need to put emphasis on treating the consumer well. Values influence employee behaviour and they motivate employees. Commitment to values which encourage good treatment of consumers must thus be encouraged throughout the company. Finally, systems need to be in place as they assist in establishing consistency. However, systems will only increase efficiency as long as they are relevant and as long as employees can work with them. When this criterion is met, it contributes towards creating a positive corporate image.

For this strategy to work, the gap between corporate brand image and its reputation must be narrowed (Harris & De Chernatony, 2001: 442). It means that what a company does must be similar to what it stands for. It also means that the stakeholders of a company and their needs must be known and be attended to. There are various components of corporate brand image which help to clarify stakeholders' needs and their aspirational self-images. Once a company attends well to each of these components, a favourable brand reputation will result. These components are discussed below.

4.5.1.2 Corporate Brand Image Components

This section discusses the corporate brand image components which are: Brand vision and culture and stakeholder groups.

a. Brand Vision and Culture

Brand vision and culture form the foundation of corporate branding (Elliot & Percy, 2007: 209) and they explain why a company exists (that is, its purpose) as well as the principles which guide it. These need to be communicated internally to the employees and it must be explained to them what their roles are in ensuring that the company fulfils its purpose (Harris & De Chernatony, 2006: 443; Daffey & Abratt, 2002: 88). Succeeding in such communication will ensure that employees engage in favourable behaviour. Corporate culture needs to be in line with brand values. Failure to do so can cause distorted perceptions from various stakeholders, resulting in the image of the company being damaged.

b. Stakeholder Groups

Different stakeholders will have different perceptions about the company. There are customer groups, functional groups (employees, service providers or suppliers), normative groups (government, regulatory agencies, trade associations) and the diffuse groups (media, community members) (Elliot & Percy, 2007: 211). These groups have different expectations from the company. For example, employees expect the company to take care of them and contribute to personal development. Consumers want their needs met, while community members want a positive contribution to society as a whole, whereas investors want reliability.

4.5.1.3 Corporate Brand Strategy Development

Corporate brand strategy can either be functional or symbolic. A functional strategy is when associations of a brand are linked to factors such as customer orientation, innovativeness and trustworthiness. Symbolic strategy is when emotional connections to the brand are built through the use of stories, sponsorships and symbols. (Elliot & Percy, 2007: 212–216). Cellular service providers use the latter strategy. This section will not be further detailed as this study does not have a strong focus on strategy development.

4.5.2 Brand Management over Time

The ongoing environmental changes imply that the management of brands also changes over time. These changes could be from competitors, government, economy or consumers. There are various strategies available to strengthen the brand during such a time of change. These strategies enable the brands to be reinforced, revitalised or adjusted.

A brand is reinforced when information which strengthens brand equity over time is provided. This information creates more brand awareness and strengthens brand image. Brand reinforcement is achieved through maintaining brand consistency, protecting sources of brand equity and fine-tuning the supporting marketing programme. Innovation and relevance keep the brand alive over time (Keller, 2008: 547–558; Souiden *et al.*, 2006)

If a brand loses its sources of equity and market leadership it needs to be revitalised. In other words, brand meaning would need to be reinforced and repositioned. Marketers would need to redefine the depth and breadth of brand awareness and strengthen favourability, uniqueness of sources of brand equity and define how consumers relate to the brand. Strategies which can be used to revitalise the brand include expanding brand awareness (increased usage of the brand), improving brand image (put more emphasis on positive associations and do away with negative ones) and entering new markets (Keller, 2008: 558–570).

In technologically intensive markets brands go through a transition quite often and it means that brands need adjustments. Here migration strategies help brands to adjust appropriately. Such strategies help consumers know how to switch among brands within the portfolio as their needs change. These strategies also facilitate brand migration. Adjustments to the brand can be achieved through acquiring new consumers by means of multiple marketing communication programmes, brand extensions, sub-brands and establishing new distribution outlets. Some changes in the environment are too extensive and brands are not able to cope; therefore no further adjustments can be made. In such cases brands would need to be retired (Keller, 2008: 572–578).

4.6 THE IMPACT OF CULTURAL DIVERSITY ON BRAND MANAGEMENT

This section explains how cultural diversity impacts on brand management. Figure 4.8 shows that the cellular industry would like to have consumer behaviour outcomes that are beneficial in terms of profit. However, this outcome does not just happen. The cellular industry will only be able to do so if it engages in brand management activities that are tailored around cultural diversity. This will play a role as one of the dimensions, which will cause the preferable consumer behaviour outputs. This will be achieved by observing how cultural diversity impacts on each of the four stages of brand management discussed in this chapter. Doing so will help give more detail about what should be done in each step and the more detailed the information is, the better for marketing managers. This will increase the accuracy of their predictions when making critical decisions.

4.6.1 The Impact of Cultural Diversity on Step One: Identifying and Establishing Brand Positioning and Values

In chapter 3 it was mentioned that cultural diversity represents the external environment, which is an external source of information. This source of information affects the psychological core of the consumer, which is where purchase decisions are made. The brand activities that the cellular service providers carry out must therefore be aligned with the consumers' culture so that the behaviour of the consumer (which is the outcome) is in favour of their business/products/services.

Figure 4.8: Framework for Brand Management in the Cellular Industry from the Perspective of the Consumer
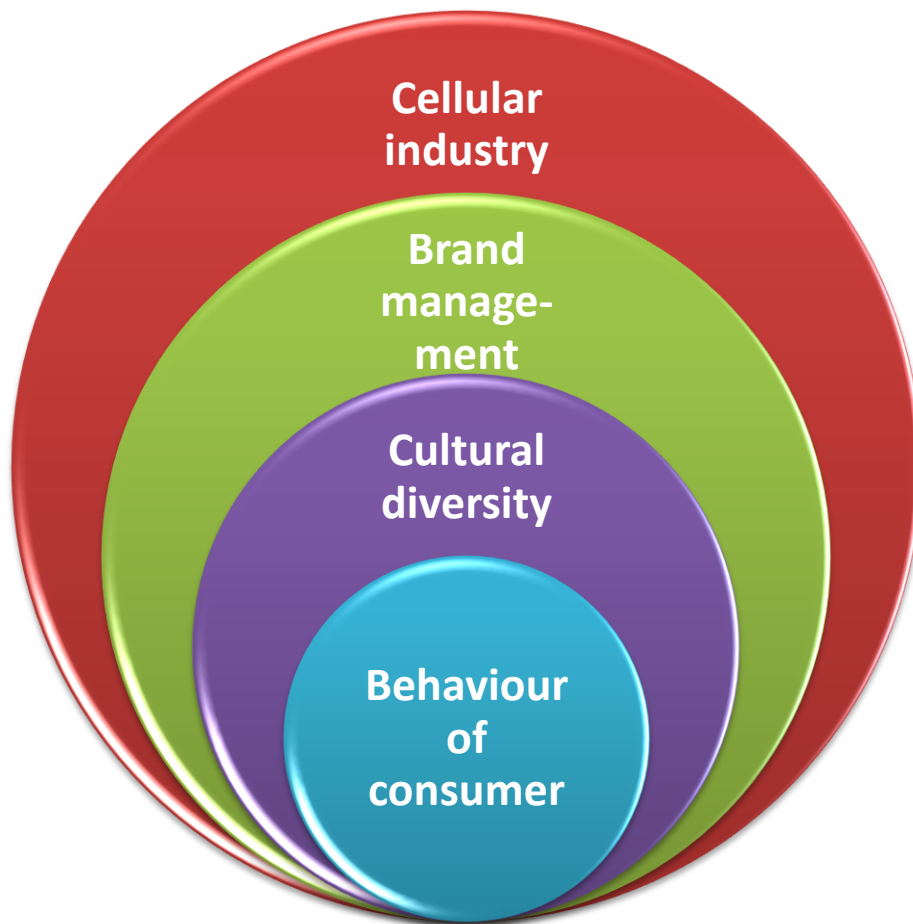
Aligning brand management with cultural diversity will enable cellular service managers to add more value to their services. Doing so will generate more clients who are loyal and this will lead to increased profit in the long run. Through brand equity a company is able to help consumers meet their needs. Consumer needs may be the same, but how they meet these needs differs and this is defined by wants. For the cellular service provider it means that all consumers may need to communicate, but how they would like to communicate differs. Some consumers may want to send an e-mail; some may want to make a call; whereas some may want to send an SMS.

How the wants are shaped is determined by cultural diversity. For example, a female teenager may want to send an SMS, because it costs less. On the other hand, a working male may want to call his mother's doctor to get a face-to-face reassurance

that his mother is doing well. In both these cases the cultures of the consumers concerned are different. They differ in their gender, age, social class and lifestyle. These differences have an impact on how they want to meet their common need, which in this instance is communication.

Brand identity exists in the minds of the consumers and because part of consumers' identity is rooted in cultural diversity, there must be a link between brand identity and cultural diversity. It means that the messages sent out about brand identity must be aligned within cultural diversity. When the cellular service providers structure their messages within the construct of cultural diversity, such brands will be easily recognised and identified by consumers. Brand identity also needs to be linked to the usage situation and the right timing for more recall to occur. The usage situation and timing of consumers vary from culture to culture.

Brand image is about the meaning of the brand and this meaning must also be connected to cultural diversity. The brand associations that are used to explain the image of the brand must also be consistent with cultural diversity. The image of the brand needs to allow the consumers to express themselves, their personalities and experience pleasure. Such a brand will be more successful. Consumers are more likely to accept brand images that are consistent with their culture.

The kind of perception consumers hold about the quality offered is to a large extent determined by the manner in which such quality is meaningful to cultural diversity. If perceived quality is consistent with cultural diversity, consumers will be more loyal. Perceived quality will be high if the service from the cellular service providers is rendered in a culturally meaningful manner. That means that customer care and personnel conduct must be culture sensitive; that is, cellular service providers must identify which factors in their offering are more important to culturally diverse consumers. These would include things like the pricing plans, network quality, messaging services, entertainment services, locator services, the billing system and customer service.

When quality is offered in a manner that suits culturally diverse consumers, such consumers will be loyal to their cellular service providers. Brands that are out of

touch with consumers' culture stand to lose those consumers. When brand image is also consistent with consumers' culture, such consumers will also be loyal to the business. Such consumers will also develop positive attitudes towards the brand. Consumers might be highly aware of a particular brand, but may not necessarily be loyal to it. The link to cultural diversity can help in resolving such a challenge.

Since cultural diversity influences the psychological core where positioning occurs, the positioning of brands will also need to be from the perspective of cultural diversity. Doing so will give consumers good reason to purchase when communication takes place. Cultural diversity in this instance can also be used as a point of differentiation from competitors. This has been put into practice in Cell C advertisements, for example. These advertisements depict Black teenagers in the township speaking the township jargon. This approach accommodates these consumers by being relevant to their way of communicating.

4.6.2 The Impact of Cultural Diversity on Step Two: Planning and Implementing Brand Marketing Programmes

The brand elements which build the brand will also need to be linked to cultural diversity so that consumers are more comfortable with such a brand. A brand name which has a cultural fit can have an improved image. Cultural diversity also informs cellular service providers about how brand names can be memorable, meaningful, likeable, transferable, adaptable and protectable to consumers. When this is achieved, the consumers will be more at ease with the brand. The marketing programmes also need to be strongly rooted in cultural diversity for them to be executed successfully.

When it comes to pricing, cellular service providers need to keep in mind that consumers perceive value differently. Since consumers are culturally diverse, it means that some consumers will perceive value as a low price. For some it will be what they receive that is perceived as valuable; for some value for will be when their wants are met; and yet for others, the quality they get will be the meaning of value. Sensitivity in the area of pricing is therefore very important.

It is even more critical to focus on cultural diversity when it comes to marketing communication. It means that even though the cellular service providers might want to communicate with various target audiences, they must first of all find out which media is relevant for each segment. For example, the more educated people might prefer to receive their communication via the internet, whereas the less educated people might prefer the radio. The message in both instances might be the same, but it is carried out through different channels.

The same applies to promotion. For some cultures coupons might be preferable to loyalty programmes. The public relations department must also tailor its message depending on who the audience is. Finally, the sales people engaged in personal selling need to ensure that they understand the culture of their clients if they want favourable responses.

4.6.3 The Impact of Cultural Diversity on Step Three: Measuring Brand Performance

In this step the emphasis would be to also ensure that in measuring brand performance cultural diversity are not left out. This is particularly practical if brands are measured from the perspective of the consumer. The measurement must also focus on finding out if the cultural fit exists between the brand and the consumer. This cultural fit has an impact on the performance of the brand. Chapter 6 of this study focuses strongly on this aspect.

4.6.4 The Impact of Cultural Diversity on Step Four: Growing and Sustaining Brand Equity

Cultural diversity is not constant. It evolves over time and as this happens brands will also need to adjust accordingly so that they remain relevant. This is particularly relevant in South Africa, because South Africa is a developing country and it is currently experiencing economic transition. There are various strategies which will enable the cellular service providers to do so. The corporate image, which is the main focus in a service business, must also take cultural diversity into account. The employees also need to be educated about cultural diversity, especially since they

are the face of the company. The vision of a company must strongly uphold the principle of cultural diversity. This will help the company to remain relevant.

Figure 4.9 shows that cultural diversity does not exist in isolation, especially when it comes to impacting on the behaviour of consumers. Part of the limitations of this study is that there was not much focus on the psychological core and the decision-making process, which are also dimensions that have an impact on the behaviour of the consumer. To the cellular service providers it means that cultural diversity is not the only thing to focus on when branding. Brand management activities must also focus on the psychological core and the decision-making process so that consumers are persuaded to engage in suitable behaviours which lead to profit generation.

Figure 4.9: Framework for the Relationship between Brand Management and Consumer Behaviour

4.7 CONCLUSION

The discussion in this chapter proves that the four steps of brand management are instrumental in ensuring that the function of brand management is carried out efficiently and effectively. Step one clarifies that brand equity helps to establish a

brand in the market. That means that a brand must have a clear identity which consumers must be able to identify with. The image of the brand must also be meaningful. The image is the personality of the brand and it is built from specific associations. These associations help the brand to connect better with the market. It is noted in this study that such associations must be strongly linked to cultural diversity, because consumers relate easily with brands if they are connected to them culturally.

The perceived quality, which is not the actual quality, is also important. This has an impact on a consumer's level of loyalty to the brand. Cellular service providers need to identify which services have an impact on quality and how these should be offered. Being able to do so will influence consumers to engage positively in post-purchase intention, which impacts on loyalty positively. Brand loyalty plays a role of cutting down on costs. When consumers are loyal, they spread a positive word of mouth and there is no need to advertise to such consumers, because they have happy experiences with the company. Behavioural loyalty explains how often consumers repeat certain behaviours and attitudinal loyalty explains commitment, which comes as a result of certain values which are attached to the brand. When consumers are positive about the brand, they will be committed and they will engage in positive behaviours. What makes consumers to be positive about the brand is satisfaction, which is when expectations are met.

To position brands, the cellular service providers will need to implement appropriate marketing strategies. Positioning helps to differentiate a brand from its competitors. The position of a brand must therefore be communicated clearly to the target market. In other words, the consumers must know and understand what a brand stands for and this can be achieved through positioning.

In step two the planning and implementation of brand marketing programmes become critical. Firstly, the elements which are used to build a brand must meet certain conditions. These would include memorability, meaningfulness, likeability, transferability, adaptability and protectability. The various marketing programmes need to be aligned closely to a consumer's culture so that they are effective. That

means the service needs to be tailored to suit different wants of consumers. The right pricing strategy must be selected, the distribution must be appropriate, employees need to be appropriately educated and the physical evidence must be appealing to the target audience. When it comes to integrated marketing communication, various options are available. These are advertising, promotions, public relations and publicity, and personal selling. These must also be carried out in a culturally relevant manner.

In step three, all the efforts put into brand management need to be measured. This can be done through brand audits and brand-tracking studies. In this function it is important that a company has a brand equity charter, a brand equity report and clearly defined brand equity responsibilities.

Step four emphasises that brands need to be grown and sustained over time. Various strategies are available in this endeavour. However, since the focus of this study is on the cellular industry, much focus was dedicated to corporate branding strategy, which is the more relevant strategy when it comes to this business. A positive corporate image influences the consumers positively. Part of the reason why this strategy is successful is because it includes everything a company stands for and not just the selling proposition. This strategy must be in line with the corporate vision and culture of the company. This strategy must also be appealing to the various stakeholder groups.

Over time, as the environment changes, the brands must also change so that they remain relevant. This change can be brought about by various strategies. These would include strategies for reinforcement, innovation and relevance, revitalisation, migration and retirement.

In all four the steps of brand management cultural diversity has a significant role to play, especially in the first two. It is clear that the cellular service providers want to be profitable and this can only be achieved if consumers engage in behaviours which are preferable. To establish such behaviours the cellular service provider will need to engage in brand management activities, which encompass cultural diversity. This is because cultural diversity is one of the important domains which impact on

behaviour. However, for the study of consumer behaviour, it is important to note that brand management activities also need to focus on the psychological core of the consumer and the decision-making process, because they are the other domains which impact on consumer behaviour.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

This chapter will clarify how the research methodology was conducted. Four stages were engaged in and these will be discussed individually. These are research design, research measurement, sampling, fieldwork, data capturing and data analysis.

5.2 RESEARCH DESIGN

This study used the survey research. This method enabled the researcher to communicate with a representative sample of individuals. The information was obtained from consumers who utilise cellular phones. Given the size of the sample, it made sense to use the survey research method. The advantage of this method is that it is quick and it provides sufficient means of assessing information about the population. A self-administered questionnaire was used.

Personal interviews were used in conjunction with the questionnaires, because these questionnaires were administered at malls and shopping complexes. The specific method of personal interview used was the mall intercept. Upon handing out the questionnaires to be completed by the respondents, fieldworkers explained and clarified some aspects of the questionnaire to ensure that the respondents understood what was expected from them. However, as the questionnaire was self-administered, it meant that the respondents did not need to communicate much with the fieldworkers.

5.3 RESEARCH MEASUREMENT

The questionnaire measured the demographics of gender, age, race, level of education, employment, income, the area where they stay, which cellular service provider they used and whether they were on prepaid or contract. To measure the consumer attitudes, the respondents were asked to indicate their various responses on lifestyle aspects, cellular phone usage, reasons for using a cellular phone,

influence on decision making, kind of decision, frequency of use of cellular phone features and brand equity (brand loyalty, perceived quality, brand image and brand awareness).

The attitudes were based on the respondents' feelings and emotions towards the objects concerned. These were obtained by means of attitude rating scales. The category scale was used where alternatives were given to indicate positions on a continuum. These were: *never, rarely, sometimes, often* and *very often*. The Likert scale used measures how strongly respondents agree or disagree with the given statements. These statements were expressions of attitudes towards the objects ranging from positive to negative. They were: s*trongly disagree, disagree, uncertain, agree* and *strongly agree*. They were also asked to rank some of the objects according to importance, like *very important*, *fairly important*, *neutral*, *not so important* and *not at all important*.

5.3.1 Questionnaire Design

To design the questionnaire, the following guidelines/steps were undertaken (Widd & Diggines, 2009: 172–181): specifying the information needed; determining the type of questionnaire and method of administration; determining the content of individual questions; deciding on the question format and form of response; deciding on the phrasing of the individual questions; deciding on the sequencing of questions, deciding on the physical characteristics and layout of the questionnaire; re-examining steps 1 to 7 and revising if necessary; and pre-testing the questionnaire and making changes where necessary (See figure 5.1). The steps for the questionnaire design are discussed individually below:

- Step 1: the specific information needed was clarified. It means that the questions were designed based on what the objectives of the study were. The questionnaire was adapted from the work of Turner *et al.* (2008: 207), Subhash (2008: 55), Netemeyer *et al.* (2003), Buil *et al.* (2008: 387), Atilgan *et al.* (2005: 243), Taylor *et al.* (2004: 225–226), Delgado-Ballester and Munuera-Aleman (2005: 191), and Kayman and Arasli (2007: 100).

- Step 2: the type of questionnaire and administration were decided upon. The questionnaire was a self-administered, structured questionnaire and a cover letter was included. These questionnaires were administered at the mall.

- Step 3: the content of the questions was determined. Throughout the questionnaire, closed-ended questions were used, meaning that the respondents were given a limited response. There were also simple-dichotomy questions where respondents were given two choices and a determinant-choice question where there was a fixed-alternative question with one possible response. Some questions were frequency-determined. All the questions were designed in such a way that they would avoid complexity, leading, ambiguity, assumption and burdensomeness. The questionnaire was lengthy (12 pages) so that it could provide sufficient information. It was also designed in such a way that the respondents would be able to answer the questions and willingly do so. The cover letter assured them of the confidentiality of the research, which contributed to the willingness to participate. External factors such as timing were considered. Fieldworkers made it clear to the respondents that the questionnaire was lengthy so that only those who had the time to do so would respond.

- Step 4: the question format and form of response. The questions in the questionnaire were structured to require a structured response. The advantage is that these questions are easy to apply; they are economical and less time-consuming. The disadvantage is that respondents are not able to give other opinions, because response is limited. To overcome this challenge, many questions were provided to allow respondents to express their views.

- Step 5: the phrasing of the questions. The questions were phrased in such a way that they were not two-fold, ambiguous, leading and they were kept simple.

Figure 5.1: Questionnaire Design Steps
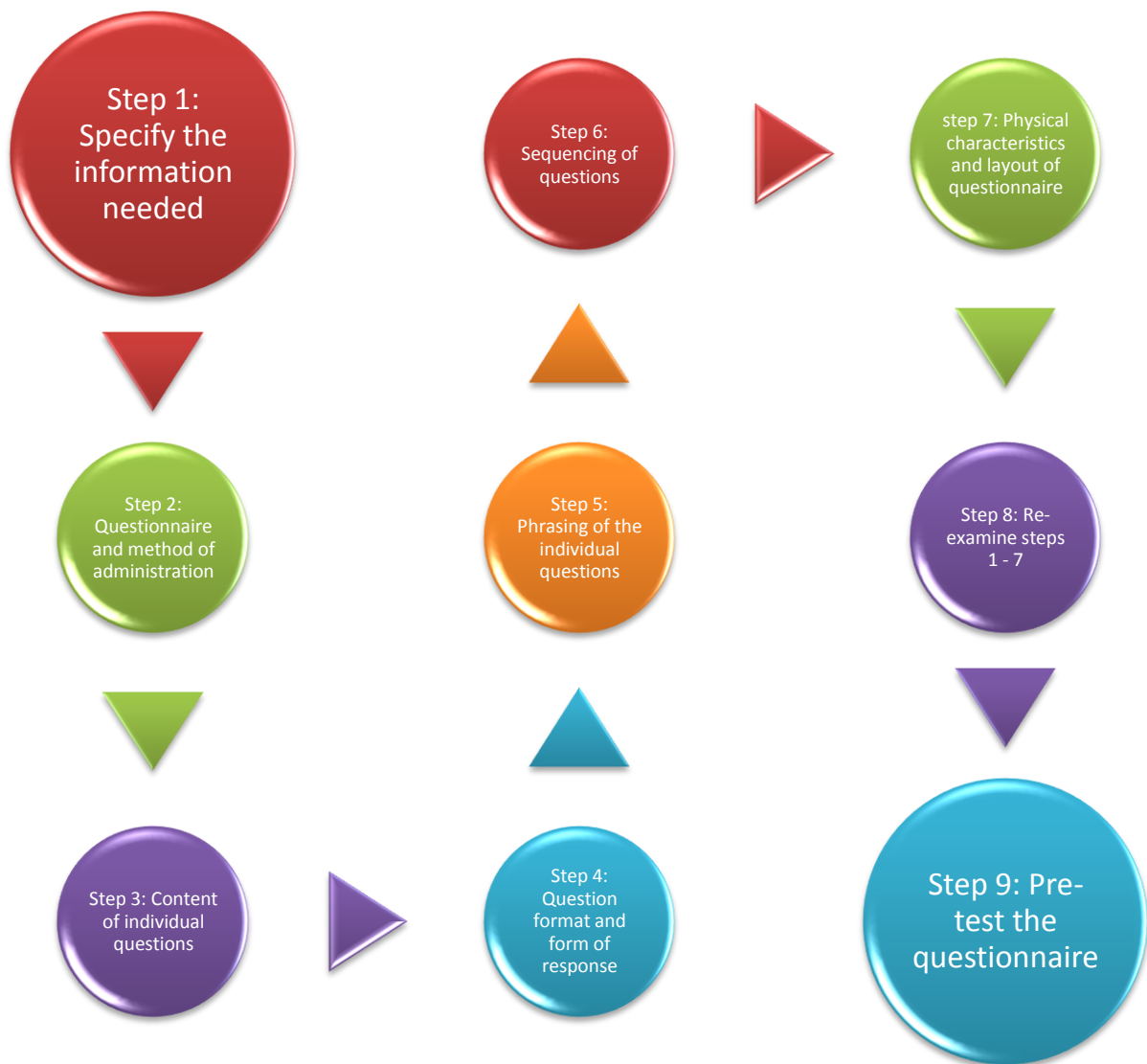
- Step 6: the question sequence: here it was made sure that the sensitive questions came in last. The funnel technique was used. It means that the general questions were asked first to avoid biased responses.
- Step 7: Physical characteristics and layout of the questionnaire. There were a realistic number of questions with good spacing between the questions. To assist the response, the questionnaire was divided into sections. Since the respondents were requested to rank their responses, these were all put in

tables to avoid struggle and confusion. The questionnaire was turned into a booklet so that the respondents could respond quicker and conveniently. Questions were clearly numbered and were in bold to further assist with clarity. At the end the respondents were thanked.

- Step 8: Re-examine steps 1–7. The above-mentioned steps were observed over and over again until the questionnaire was satisfactory.

- Step 9: Pre-testing the questionnaire. The purpose of pre-testing the questionnaire was to ensure that it is the appropriate length to identify problems, make sure that the instructions are clear and that the flow of questions was natural. Pre-testing was done with other academics who are also research professionals. Furthermore, the questionnaire was pre-tested with a potential group of 20 respondents to see how clear the questions were. After pre-testing, the necessary adjustments to the questionnaire were made. However, these questionnaires were not used as part of the actual questionnaires used for the analysis of results. This was done because there were slight changes to the questionnaire after pre-testing it.

After the research measurement was decided upon, the next step was research sampling, which is discussed next.

5.4 RESEARCH SAMPLE

Because of the vast number of cellular phone users in South Africa, a representative sample was drawn. Five steps were followed in the sampling process (see figure 5.2). This process is also discussed below (Cant *et al.*, 2003: 125–137).

- Step 1: Define target population. The target population is made up of the collection of elements from which information will be gathered. The target population for this study was all cellular phone users in the Free State Province.

- Step 2: Determine the sample frame. The sample frame represents the elements of the target population. The sample frame was the cellular phone users in the four municipalities of the Free State Province. The fifth

municipality (Xhariep), which is the smallest municipality, could not be included due to financial constrains.

Figure 5.2: Sample Process

Source: Cant *et al*. (2003: 125)

- Step 3: The sampling technique used was non-probability sampling. One of the most important reasons why non-probability sampling was used is because there are no lists of cellular phone users, particularly the prepaid market. The *Regulation of Interception of Communications and Provision of Communication-Related Information Act* (RICA) is in the process of creating such a database, which will only be finalised by mid-2010. It means that when this study was carried out there was no database. It means that sample elements were selected on personal judgements or convenience. The probability of each element in the population being chosen was unknown. Firstly, quota sampling was used, because it helped to divide the sample into quotas. Each quota had characteristics of interest. These characteristics were age, gender and race. These are critical as they are the components of cultural diversity. After quota sampling, convenience sampling was used. This method helps in obtaining elements which are most conveniently available. It is economical since there was not a high budget allocated to the researcher (personal research studies are costly). This method is also used when there are a large number of questionnaires to be completed like in this case. Judgement sampling was used to select elements based on personal judgement about some appropriate characteristics of the sample members.

Field workers were asked to ensure that race, age, gender and cellular service provider were all reflected. This would help with accuracy.

- Step 4: sample size. To determine the sample size, the 95% confidence level was used with 3% points of error allowed. Table 5.1 was used to determine the sample size. The total population in the four towns in each municipality is 791 980 (Sasolburg: 110 767, Bloemfontein: 391 077, Bethlehem: 103 608 and Welkom: 186 528). The sample size would need to be 544 according to table 5.1, 600 questionnaires were sent out and 560 were returned with 510 being usable. After zero scores were removed, 456 questionnaires were used.

- Step 5: Execute the sampling process. Finally, the process was carried out at malls and shopping complexes.

Table 5.1: Table for Determining Sample size when the Characteristic of Interest is a Proportion

Reliability				
Size of population	+- 1%	+- 2%	+- 3%	+- 5%
1000	More than 50% of the population	More than 50% of the population	353	235
2000	More than 50% of the population	760	428	266
3000	More than 50% of the population	890	461	278
4000	More than 50% of the population	938	479	284
5000	More than 50% of the population	984	491	289
10 000	3 288	1 091	516	297
20 000	3 935	1 154	530	302
50 000	4 461	1 195	538	304
100 000	4 669	1 210	541	305

500 000 and more	4 850	1 222	544	306

Source: Zikmund (2003: 340)

5.5 FIELDWORK

To gather the data, the fieldworkers were identified during their business management lecture. They were final year BCom students. They were then asked to attend a session where they would be trained for the task. They were selected because they were more mature students. During the training they were taught how to administer the questionnaire and how to approach the respondents. Fieldwork was carried out in five steps (Cant *et al.,* 2003: 137–140), which are discussed below (See figure 5.3).

- Step 1: selecting fieldworkers. Final-year BCom students were used. Expectations were clarified to them. It was also made clear that they needed to be outgoing, be able to communicate effectively and that they are honest and have integrity. To ensure the honesty aspect, they were sent out in groups so as to work together so they could not cheat. The researcher responsible ensured constant communication by calling different groups of students during the time when they were carrying out their duties.
- Step 2: training. The fieldworkers were trained so that they would be able to collect the correct data. They were also prepared to handle objection and refusal. Part of the training also included explaining of the questions and the ability to convince the participants. The fieldworkers were also asked to complete the questionnaire to ensure that they clearly understood the instructions and questions. This served to empower them to better assist the respondents.

Figure 5.3: Fieldwork Process
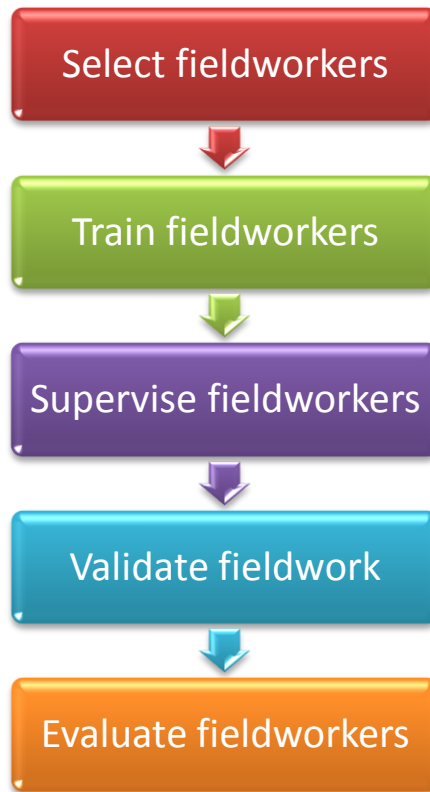
Source: Cant *et al*. (2003: 125)

- Step 3: supervising the fieldworkers. This was done to ensure that the fieldworkers were doing what they were supposed to do in terms of selecting respondents. They worked from Monday to Saturday. On each day they handed out the questionnaires during three time intervals, namely 09:00–11:00, 12:00–14:00 and 15:00–17:00 (see figure 5.4). This was to ensure that different kinds of respondents would be represented. The researcher constantly communicated with the fieldworkers while they were carrying out the work.
- Step 4: validate fieldwork. Here a fixed daily routine based on a fieldwork programme ensured that the correct procedure was carried out (as can be seen in step 3 above). Whenever the fieldworkers experienced challenges, they called the supervisor (researcher) for direction.
- Step 5: evaluating fieldworkers. During this step the fieldworkers delivered the questionnaires to the researcher. Each questionnaire was viewed for

completeness and the response rate was also checked. The response rate was satisfactory, because out of the 600 questionnaires, 510 were usable. After zero scores were removed, 456 questionnaires were used.

- This is because the fieldworkers made sure to give the questionnaires to those respondents who would be able to complete it.

Figure 5.4: Time Schedule Fieldworkers Used when Collecting the Data

Monday		
09:00 - 11:00	12:00 - 14:00	15:00 - 17:00

Tuesday		
09:00 - 11:00	12:00 - 14:00	15:00 - 17:00

Wednesday		
09:00 - 11:00	12:00 - 14:00	15:00 - 17:00

Thursday		
09:00 - 11:00	12:00 - 14:00	15:00 - 17:00

Friday		
09:00 - 11:00	12:00 - 14:00	15:00 - 17:00

Saturday		
09:00 - 11:00	12:00 - 14:00	15:00 - 17:00
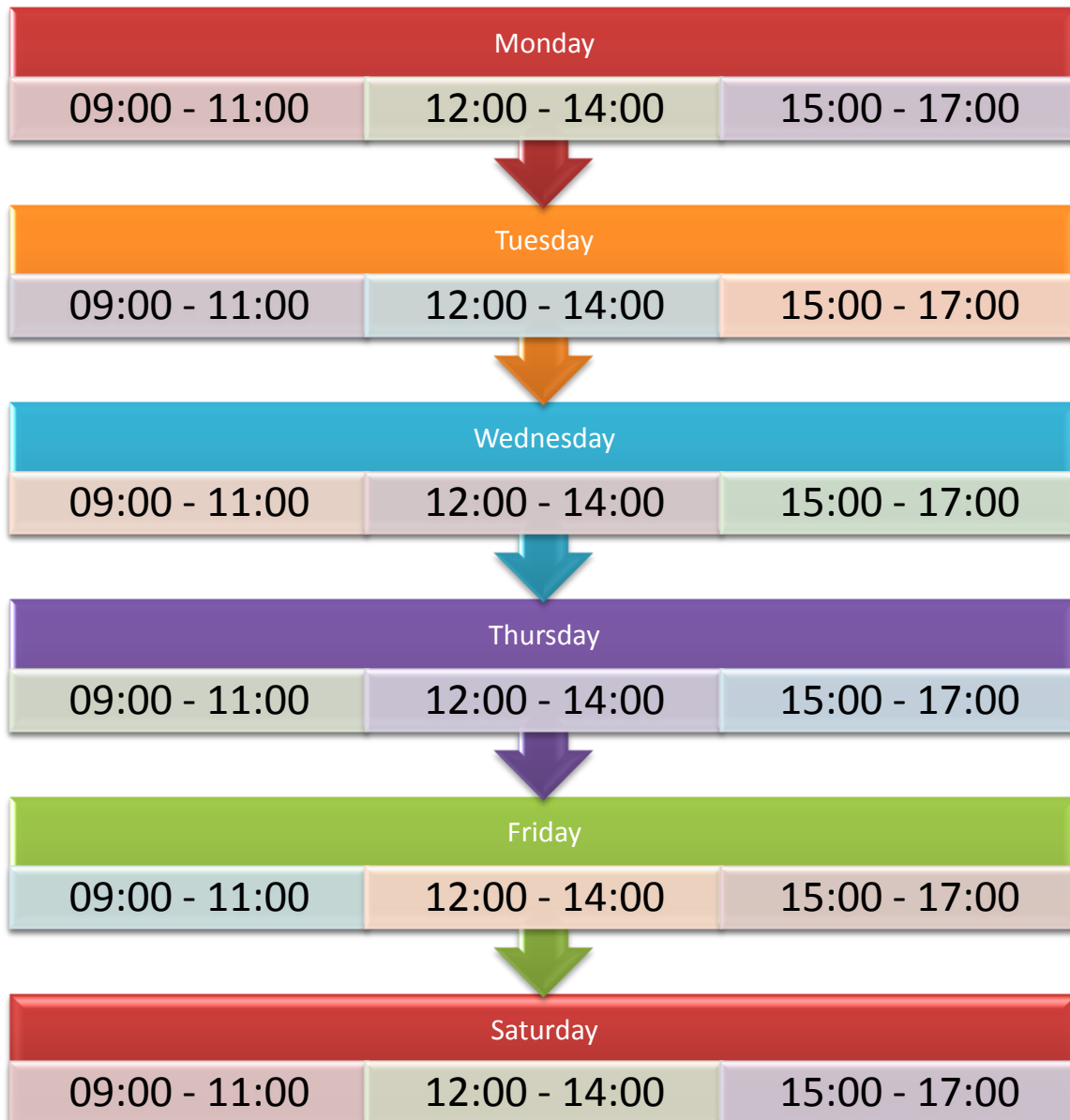
5.6 Data Analysis

5.6.1 Data Preparation

Two observations were removed because of invalid values (observations left: 510). A preliminary factor and cluster analysis were performed and the results indicated that it was necessary to deflate the observations. Deflation eliminates observation bias and enables the grouping of observations according to their response pattern instead of response magnitude.

Each observation was deflated according to each variable set by subtracting the variable set average from the variables in the variable set and then dividing by the variable set standard deviation. For example,

$$DV(i)_{B1} = (V(i)_{B1} - \overline{X}_{B1})/S_{B1}$$

Where $DV(i)_{B1}$ is the deflated value for question i in variable set $B1$, $V(i)_{B1}$ is the original value for question i in variable set $B1$, $\overline{X}_{B1}$ is the average of all the questions in variable set $B1$ and S_{B1} is the standard deviation of all the questions in variable set $B1$. These values were calculated separately for each observation.

Observations with the same response for all questions in a variable set resulted in missing values because of a zero standard deviation. To keep these observations for analysis the resulting deflated value for each variable was replaced with zero. Subsequent analysis was performed with these "zero scores" included and removed.

Deflation according to section $B1$, resulted in 0 observations with "zero scores".
Deflation according to section $B2$, resulted in 1 observations with "zero scores".
Deflation according to section $B3$, resulted in 18 observation with "zero scores".
Deflation according to section $B4$, resulted in 31 observation with "zero scores".
Deflation according to section $B5$, resulted in 6 observation with "zero scores".
Deflation according to section $B6$, resulted in 16 observation with "zero scores".
Deflation according to section C, resulted in 26 observation with "zero scores".

5.6.2 Frequency Analysis

A frequency analysis was carried out to provide detail about the demographic information of the respondents. In other words, it clarified how many respondents were from each of the cultural diversity components identified for this study.

5.6.3 Factor Analysis

A factor analysis was used, because it describes the original data by using a simplified structure. It does this by extracting factors from the data which are highly correlated with some of the variables and less correlated with the other variables. This new data structure (the extracted factors) is easy to manage and simplifies the interpretation of subsequent analyses. A factor analysis was chosen, because it explains correlation among variables especially lifestyle statements which measure the psychographic profiles of consumers. Each variable was expressed as a linear combination of factors concerned.

A factor analysis was performed on each of the questionnaire sections separately. The principal component method was used to estimate the factors and where possible a VARIMAX rotation was applied on the factors to simplify interpretation. VARIMAX simplifies the columns of the factor matrix while maximising the sum of variances of required loadings of the factor matrix. The loading close to +1 or -1 indicate a positive or negative association between the variable and the factor and those close to 0 indicate poor association. VARIMAX also clarifies how factors are separated from one another (Johnson & Wichern 2002: 504; Hair *et al.*, 1998: 103).

The number of factors to retain was determined using an iterative process. The first solution was determined according to the "minimum eigenvalue = 1 criteria" (also known as "latent root criterion"; latent roots greater than 1 are considered significant) and from there the number of factors were reduced while using the percentage of total variance explained as a guide until a knowledgeable solution was obtained. After an acceptable solution was found the factors were interpreted and factor scores were calculated for use in subsequent cluster analysis (Hair *et al.,* 1998: 103).

Two different final factor analysis solutions (concerning number of factors for each section) were obtained; both solutions were kept for comparison purposes after applying cluster analysis. The factor analyses was done for the sample with the "zero scores" (as explained in section 5.6.1 above) and without. From the results it was decided that the sample without "zero scores" provided the clearest results.

5.6.4 Cluster Analysis

Cluster analysis was used to classify observations according to factor scores into homogeneous groups/clusters. Internal clusters have similarities and in-between clusters have differences. In marketing, cluster analysis is used to segment the market and to understand consumer behaviour. In this case consumers were put in clusters based on their lifestyle patterns (section B of the questionnaire) and how they perceive brand equity (section C of the questionnaire).

To measure similarity, the Euclidean distance (the square root of the sum of the squared differences in values for each variable) was used. It means similarity was measured on the basis of the distance between pairs of observations. The smaller the distance between the observations, the more similar they were.

Cluster analysis was applied to all the factors of all the sections combined to provide a solution that incorporates both brand management success and lifestyle.

Cluster analysis was applied in two stages. In the first stage the factor scores were clustered using Ward's hierarchical clustering method. This was used to get an idea of the number of clusters to retain and to provide initial seed values to a non-hierarchical clustering procedure. After the number of clusters was selected, the mean values of the factor scores in each cluster were used as initial seeds to a non-hierarchical k-means clustering procedure (Johnson & Wichern, 2002: 690, 694; Hair *et al.*, 1998: 496).

The reason why a non-hierarchical clustering procedure was used in conjunction with a hierarchical procedure was to enable leverage from the benefits of both techniques and to "sidestep" some of the disadvantages. Hierarchical procedures do not make provision for reallocating an observation and non-hierarchical procedures

are very dependent on the choice of initial seeds (Johnson & Wichern, 2002: 693; Hair *et al.*, 1998: 498).

To initially determine the number of clusters the R^2, CCC (Cubic Clustering Criterion) and the pseudo t^2 statistic (PST2) were considered. The possible number of clusters varied between 11 and 4. Clusters were then calculated for various numbers of clusters and the most knowledgeable solution was selected. This process was done for the sample with "zero scores" (as explained in section 5.6.1 above) and without. The results obtained for the sample without "zero scores" were chosen, because of clearer interpretation.

5.6.5 Cross-Tabulation

Cross-tabulations were used to describe the relationship between two variables. This was achieved by merging the frequency distribution of two variables into one table. The relationship between the variables is said to be strong if such a relationship is statistically significant. The statistical significance was measured by the chi-square statistic. It determines whether any association exists between the variables. The chi-square statistic used tests the null hypothesis of the row and column variables being independent. If the respective p-value is smaller than 0.05 (significance level), the null hypothesis is rejected and the conclusion can be made that there is a significant relationship between the row and column variables (Malhotra, 2006: 468–470).

5.6.6 Decision Tree

Decision tree analysis used the cultural diversity components to predict into which clusters consumers would most likely belong to. This analysis combines all the cultural diversity components instead of observing them individually.

5.7 CONCLUSION

The correct procedures were followed in carrying out this project. The best procedures were chosen considering the nature of the industry and its market. Given the large number of respondents the survey research was appropriate. The research

measurement made it easy to understand the attitudes of consumers, because the questionnaire was designed in such a manner so that it was clear and understandable to the consumer. The steps followed ensured that the sample was the right size and representative. Fieldwork was also carried out in a manner that brought in the correct data. Finally, the methods chosen for analysis ensured that the objectives of the project were answered.

CHAPTER 6

DATA ANALYSIS

6.1 INTRODUCTION

This chapter will explain how the data were analysed and which methods were used to describe the data. The first analysis is frequency analysis, followed by a factor analysis, which extracted factors based on the correlation between the variables. The third analysis is cluster analysis, which was used to identify the market segments. Fourthly, cross-tabulations were used to determine the significance of each cultural diversity aspect. Finally, the decision tree was used to strengthen recommendations to the industry.

6.2 FREQUENCY ANALYSIS

This section outlines the actual numbers of respondents based on their cultural diversity components. The total of respondents was 510, but the actual number of responses that was used was 456. The value of 456 was obtained when the zero scores were removed. The zero scores were obtained after deflating and standardising the observations (as explained in section 5.6.1.) This was done so that the respondents who just rated the questionnaire with the same value were excluded. For example, if they just rated only "4" or only "2" they were excluded, because this indicated that they did not think thoroughly when they gave their responses. Including them would not give a true reflection of the results. Removing the zero scores made the results clearer and more accurate.

Figure 6.1 shows that there was only a difference of 4 between the male and female respondents. There was therefore an even representation of gender in this study.

Figure 6.1: Frequency Analysis for Gender, 2009

Gender

226 (49.6%)

230 (50.4%)

☑ Male
☑ Female
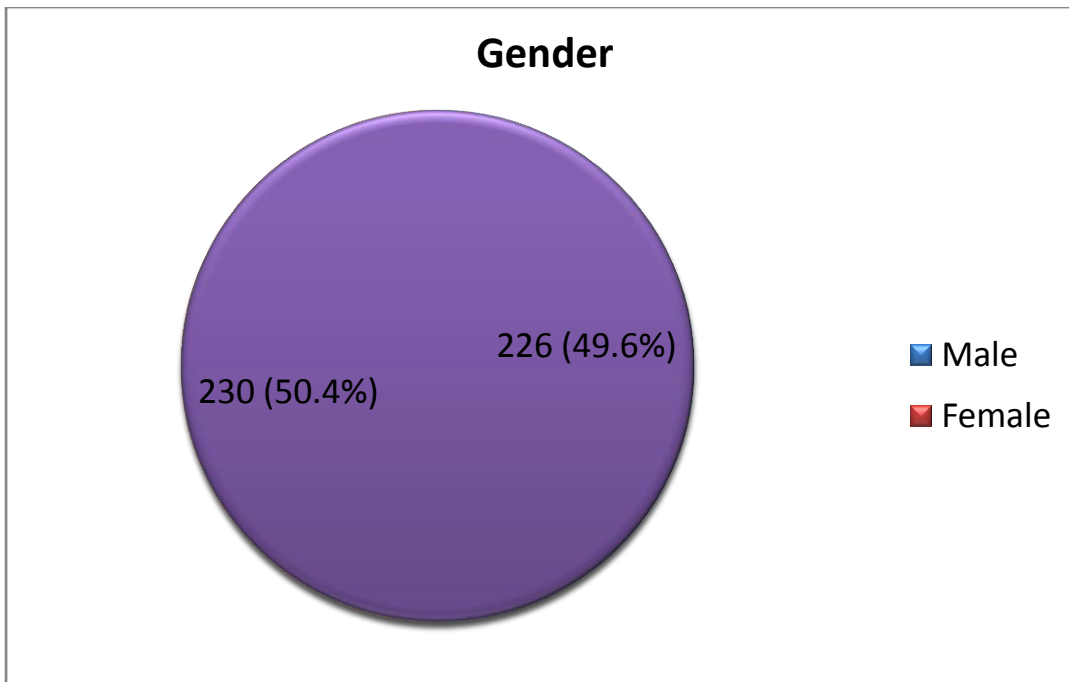
The second component that was covered in this study was age. The representation can be seen in figure 6.2. The majority of the respondents were those aged between 20–29 years (56.6%). They were followed by the older people who were over the age of 40 (13.4%).

Figure 6.2: Frequency Analysis for Age, 2009

Age

46 (10%)

61 (13.4%)

46 (10.1%)

45 (9.9%)

124 (27.2%)

134 (29.4%)

☑ 15 - 19
☑ 20 - 24
☑ 25 - 29
☑ 30 - 34
☑ 35 - 39
☑ 40+
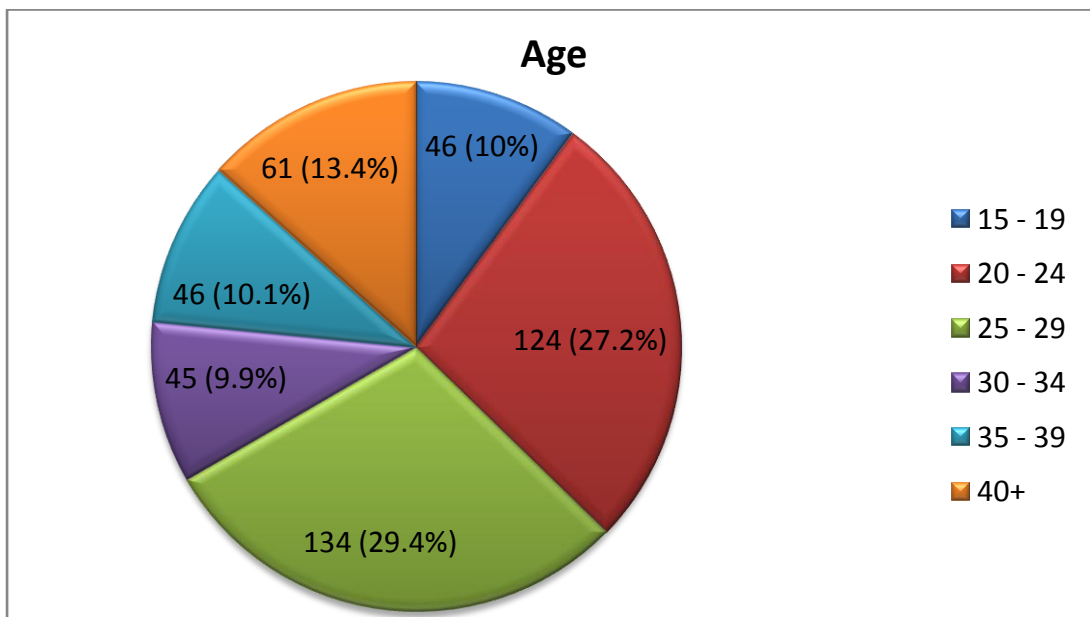
There was an even split within the thirties and the smallest group of respondents were the teenagers.

Age was then followed by race and its representation can be seen in figure 6.3. The majority of respondents were Black people (56.1%) followed by Whites (20.8%), Coloureds (16%) and other (7%). This is a good representation of the South African race profile.

Figure 6.3: Frequency Analysis for Race, 2009
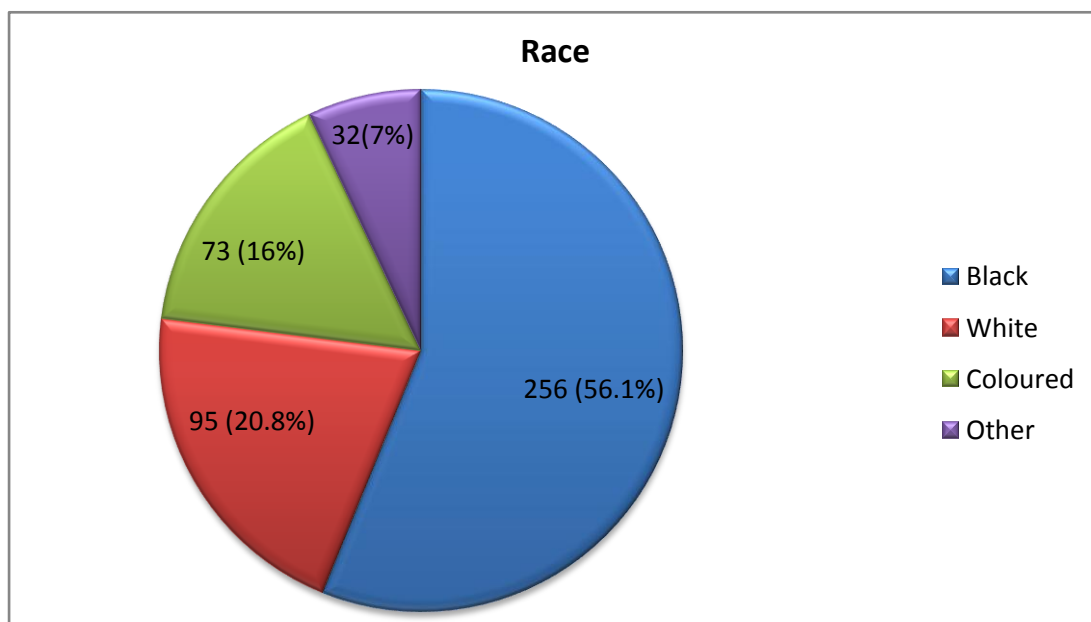
The level of education was also observed as it is an important aspect in understanding the consumers' social class. It is depicted in figure 6.4. Most respondents had matric (47.4%), followed by those with a technikon or college diploma (20.6%). The reason why so many are in matric is most probably due to the fact that most of the respondents are in their twenties, meaning that most of them are students at institutions of higher learning. The other reason is that the literacy levels in South Africa are still low. The postgraduates were the least respondents (6.4%).

Figure 6.4: Frequency Analysis for Education, 2009

Education

- Below matric: 52 (11.4%)
- Matric: 216 (47.4%)
- Technikon / college diploma: 94 (20.6%)
- University degree: 65 (14.3%)
- Postgraduate: 29 (6.4%)
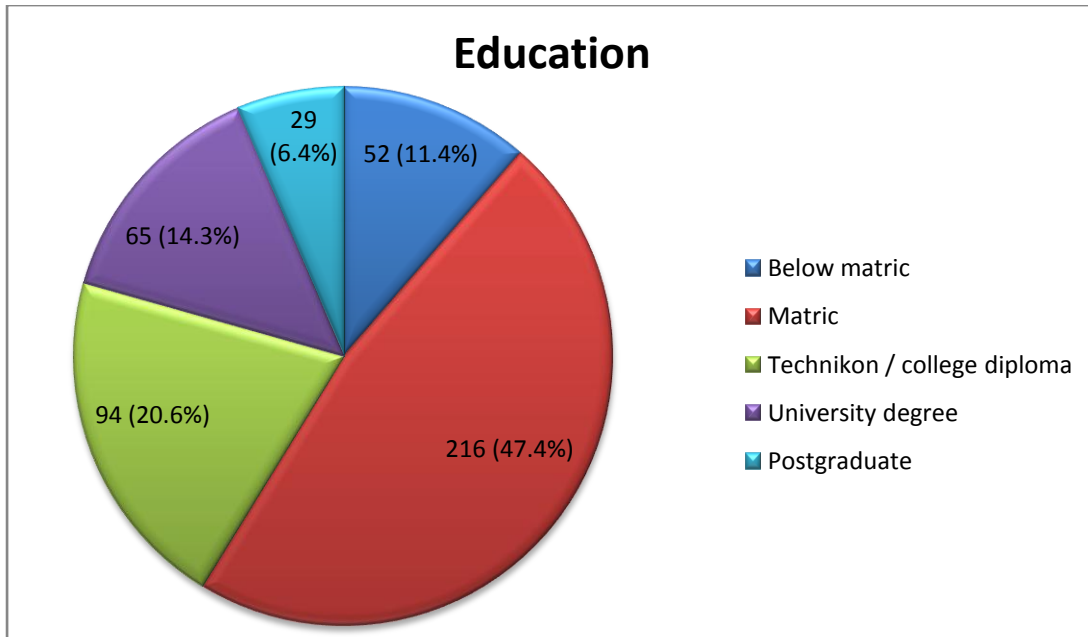
The area where the consumers reside was also taken into consideration. Figure 6.5 shows this demonstration. Most of the respondents were from Bloemfontein (34.9%), because it has the highest population of the participating district municipalities. The least respondents were from Sasolburg (8.3%). Welkom (29.6%) and Bethlehem (27.2%) were almost even.

Figure 6.5: Frequency Analysis for Area, 2009

Area

- Bloemfontein: 159 (34.9%%)
- Welkom: 135 (29.6%)
- Sasolburg: 38 (8.3%)
- Bethlehem: 124 (27.2%)
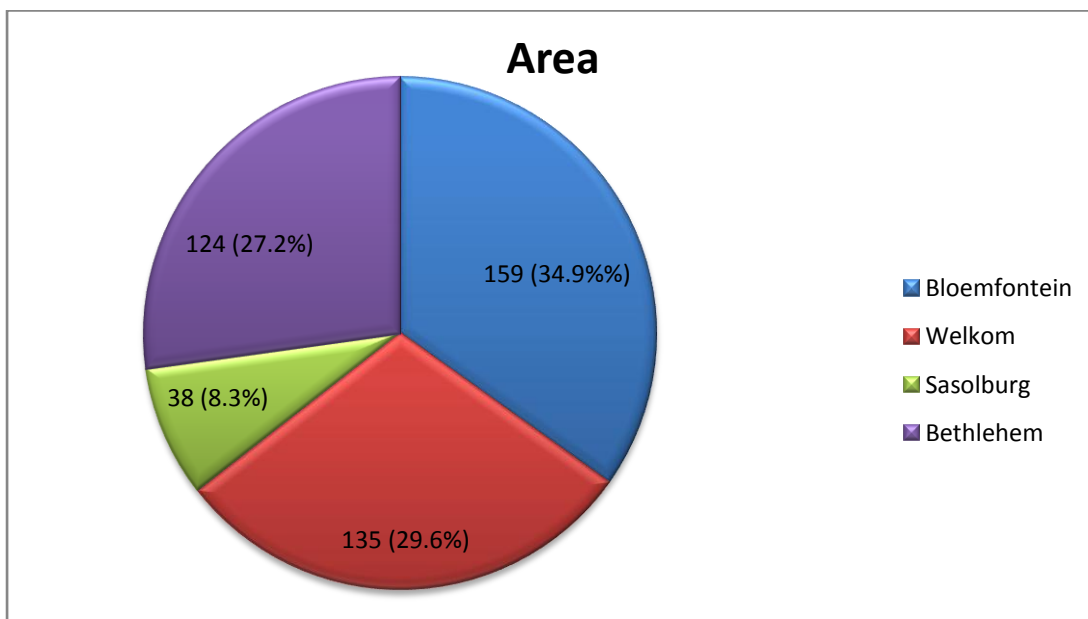
When it comes to the cellular service providers, most respondents were with Vodacom (49.6%), followed by MTN (34.9%) and thirdly, Cell C (14.5%). Virgin mobile was taken out as the respondents were too few to be considered and they would not have a noteworthy impact on the results. This is demonstrated in figure 6.6.

Figure 6.6: Frequency Analysis for Cellular Service Providers, 2009
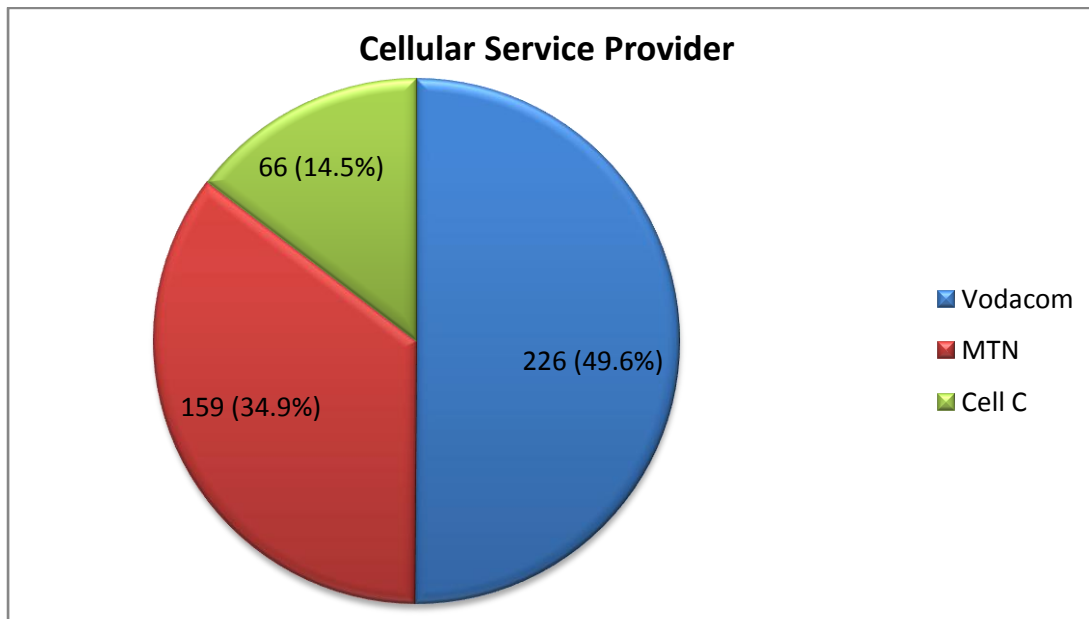
Figure 6.7: Frequency Analysis for Income, 2009
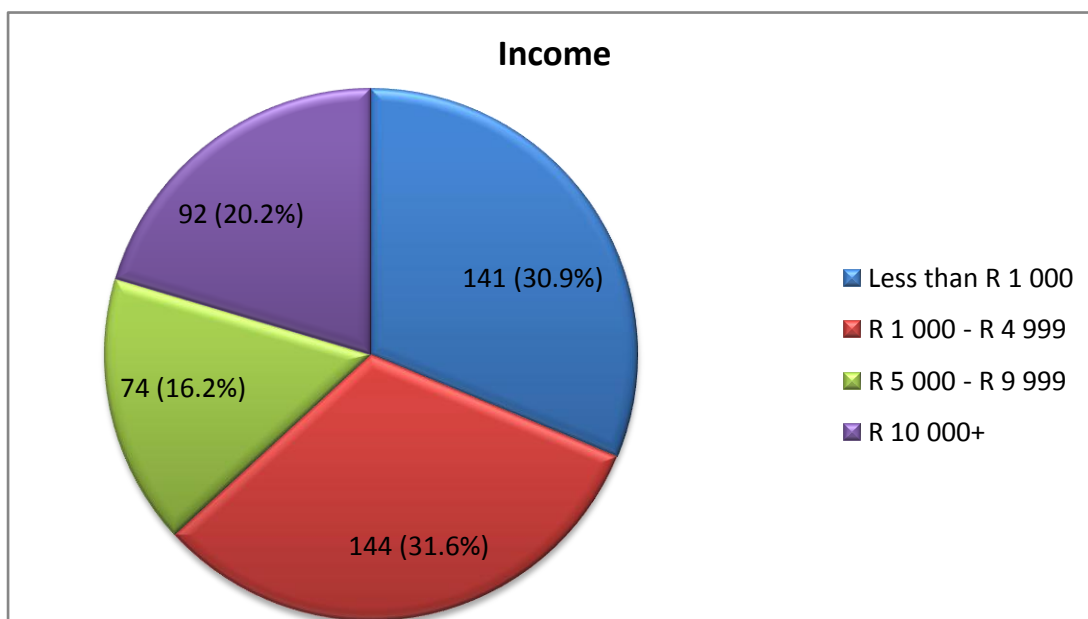
Income was considered as it also reflects the social class and buying patterns of

consumers. This observation is covered in figure 6.7. The majority of the respondents (62.5%) earn less than R5 000. This is because most of the respondents are still young and are just entering the job market.

Figure 6.8: Frequency Analysis for Employment, 2009

Employment

101 (23.5%)
329 (76.5%)

Yes
No
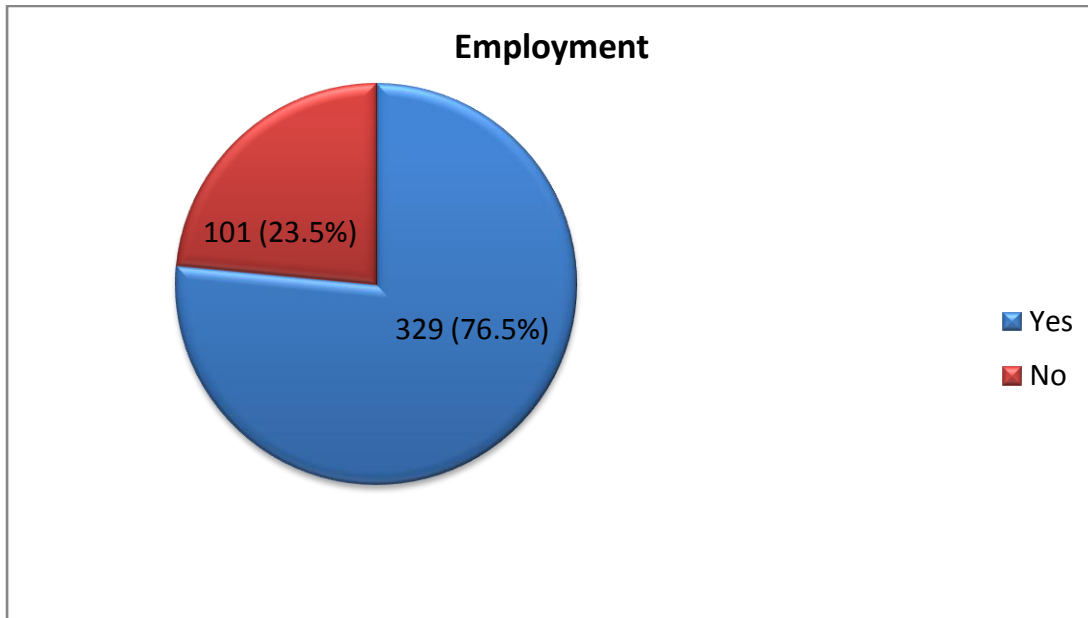
Figure 6.9: Frequency Analysis for Prepaid and Contract, 2009

Pre-paid/Contract

101 (23.5%)
329 (76.5%)
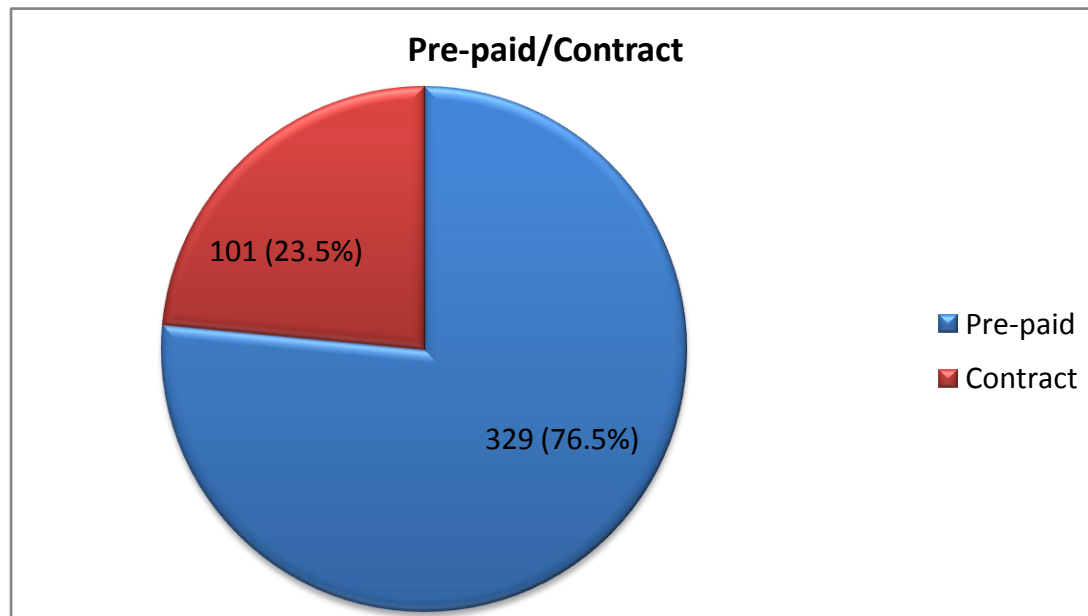
Pre-paid
Contract

The majority of respondents were employed (76.5%), as is shown in figure 6.8.

Finally, the respondents were asked to indicate whether they were on prepaid or

contract. The majority of them were on prepaid (76.5%) as can be seen in figure 6.9.

6.3 ANALYSIS BASED ON A FACTOR ANALYSIS

This section clarifies how factors were extracted to explain the data in a simpler form. Section B and C in the questionnaire had various questions. Each question had various options which the respondents had to rate. A factor analysis was thus conducted on each group of questions so that it would be easy to interpret the data. The details follow below.

6.3.1 Section B1: Lifestyle Aspects

Section B1 in the questionnaire had 23 lifestyle statements and respondents were asked to rank them from 1 to 5 where 1 was *strongly disagree* and 5 was *strongly agree*. The response of the consumers to these lifestyle statements gave an indication about the kind of lifestyles consumers lead. Knowing lifestyle is helpful in predicting future behaviour. This information also provides clarity into how consumers would prefer to meet their needs. The factor analysis which was conducted resulted in four factors, as can be seen in table 6.1 below.

Table 6.1: Factor Analysis for Section B1 in the Questionnaire, 2009

Rotated Factor Pattern					
Number	Factor1	Factor2	Factor3	Factor4	
nb1_7	0.58628	-0.09709	-0.00844	-0.06502	1.7 I will think things over before I buy a product
nb1_5	0.55101	0.06958	-0.08723	0.06657	1.5 I will consider product value when I buy it
nb1_8	0.54679	-0.06345	-0.06081	0.03258	1.8 I am economical in my spending
nb1_20	-0.36998	-0.29662	-0.23595	-0.24838	1.20 I like to watch movies more than TV
nb1_21	-0.48293	-0.19282	0.15953	0.21371	1.21 I usually achieve my goals

nb1_15	-0.48842	0.15109	0.18764	0.05864	1.15 My work-emotion will not affect my family
nb1_10	-0.01186	0.65494	-0.25462	-0.16803	1.10 I do not like to take risks
nb1_9	-0.03455	0.58885	0.01155	0.28778	1.9 I like a routine life
nb1_11	0.00965	0.57827	0.01162	0.00402	1.11 I live a conventional life
nb1_6	0.1704	-0.38156	-0.25732	0.14256	1.6 I usually buy well-known brands
nb1_19	-0.42887	-0.43646	-0.26205	0.06441	1.19 I like to buy something that can express my status
nb1_2	0.45877	-0.47097	0.21869	-0.22404	1.2 I often seek to develop and explore in my life
nb1_13	-0.2272	0.09013	0.62073	-0.09052	1.13 I usually accept authority
nb1_12	0.01185	0.35961	0.55412	-0.1698	1.12 I respect authority
nb1_17	-0.26516	-0.08342	0.42682	-0.22055	1.17 I often care about others
nb1_3	0.27122	-0.15593	0.40321	0.16894	1.3 I am concerned about national events
nb1_1	0.34299	-0.1759	0.37673	-0.097	1.1 I am enthusiastic about seeking growth
nb1_18	0.11988	0.04032	-0.59983	-0.09063	1.18 I am influenced by TV
nb1_4	0.06455	-0.10219	-0.06201	0.51986	1.4 I spend a constant amount of money every month
nb1_14	-0.08676	0.09414	-0.09311	0.49053	1.14 I feel secure because of my current economic situation
nb1_22	-0.17078	-0.15598	-0.13346	0.46465	1.22 I am fulfilled

					economically
nb1_16	0.12624	-0.16255	-0.10978	-0.2935	1.16 I have a lot of friends
nb1_23	-0.13985	-0.03962	-0.05916	-0.67492	1.23 I am emotional

The results on lifestyle show positive correlation towards factor 1 on these variables:

- "I will think things over before I buy a product" (**0.58628**);
- "I will consider product value when I buy it" (**0.55101**);
- "I am economical in my spending" (**0.54679**);
- "I often seek to develop and explore in my life" (**0.45877**); and
- "I am enthusiastic about seeking growth" (**0.34299**).

A negative correlation towards factor 1 on lifestyle was on the following variables:

- "I like to watch movies more than TV (**-0.36998**)";
- "I usually achieve my goals" (**-0.48293**);
- "My work-emotion will not affect my family" (**-0.48842**); and
- "I like to buy something that can express my status" (**-0.42887**).

As this factor increases, the positive scores would indicate a lifestyle of seeking to grow and develop. When it comes to purchasing, lifestyle is concerned about the value of a product and being economical instead of buying the product to express status as indicated by the negative scores. As this factor decreases, the negative scores mean that lifestyle reflects that work emotion does not affect family and goals are usually met, for the purchasing focus would be more on using products to express status without considering product value. Spending would be uneconomical. Factor 1 is therefore termed "Independents". This term will be used for further analysis in this study.

Factor 2 on lifestyle was positively correlated with:

- "I do not like to take risks" (**0.65494**);
- "I like a routine life" (**0.58885**);
- "I live a conventional life (**0.57827**)"; and
- "I respect authority" (**0.35961**).

Factor 2 was also negatively correlated with:

- "I usually buy well-known brands" (**-0.38156**);
- "I like to buy something that can express my status" (**-0.43646**); and
- "I often seek to develop and explore in my life" (**-0.47097**).

An increase in factor 2 shows that the positively correlated scores indicate a lifestyle of not taking risks, with routine and having respect for authority. The negatively correlated scores would indicate that well-known brands are not usually bought and products are not bought to express status. A decrease in factor 2 would mean that well-known brands are bought and that products are bought to express status. There would be a tendency to take risks, dislike of routine life and lack of respect for authority. As a result of such responses factor 2 was termed "Reserveds". This term will be used for further analysis in the study.

For factor 3 on lifestyle, the variables were positively correlated with the following factors:

- "I usually accept authority" (**0.62073**);
- "I respect authority" (**0.55412**);
- "I often care about others" (**0.42682**);
- "I am concerned about national events" (**0.40321**); and
- "I am enthusiastic about seeking growth" (**0.37673**).

The variable of "I am influenced by television" (**-0.59983**) had a negative correlation.

If factor 3 were to increase, this would show that the positively correlated scores mean that the variables indicate a lifestyle where authority is usually accepted and respected. The lifestyle would also show that there is care about others, concern about national events and enthusiasm about growth. On the other hand, the negatively correlated scores would mean that television has no influence. The decrease in factor 3 would mean that lifestyle reflects poor acceptance of and respect for authority. There would be a lack of concern about national events and a lack of enthusiasm about seeking growth. Television would have an influence. In other words, where the factor increases, the variables would show a consciousness

about being real and being well connected with their community. In the case of an increase in the factor, television would have an influence. Factor 3 is therefore named "Good citizens". This term will be used for further analysis in the study.

For factor 4 on lifestyle the variables of:
- "I spend a constant amount of money every month" (**0.51986**);
- "I feel secure because of my current economic situation" (**0.49053**); and
- "I am fulfilled economically" (**0.46465**) had a positive correlation indicating that financial well-being of the respondents is a priority.

The variables of "I have a lot of friends" (**-0.2935**) and "I am emotional" (**-0.67492**) had a negative correlation.

An increase in factor 4 means that positively correlated variables indicate that a constant amount of money is spent monthly, secure economic situation and fulfilment economically. The negatively correlated variables would indicate a lack of friends and a state of being unemotional. However, if this factor decreases, then the negatively correlated variables would indicate that there are many of friends and there is a state of being emotional. On the contrary, it would mean that the amount of money spent every month is not constant; there is insecurity because of the current economic situation and a lack of fulfilment economically. Factor 4 was therefore termed "economic independence". This term will be used for further analysis in the study.

The theory is proven correct in that lifestyle observation gives more insight into the various responses of a consumer. The variables show that there are different feelings, motivations and engagement in different activities. It is important to note here that these lifestyle aspects are not permanent, but are subject to change. One of the reasons why there would be a change is because consumers' other cultural diversity components will change. For example, as age changes, lifestyle will be impacted and as the financial situation changes, lifestyle will also be affected.

6.3.2 Section B2: Feeling About Cellular phone Usage

Section B2 in the questionnaire had 11 statements of feelings about making use of a

cellular phone. An important aspect of the psychographics is to know the kinds of feelings consumers have towards a product. In this case, knowing and understanding consumers' feelings regarding their cellular phone usage revealed how they prefer to use their cellular phones. Respondents were asked to rank them from 1 to 5 where 1 was *strongly disagree* and 5 was *strongly agree*. A factor analysis that was conducted resulted in 2 factors, as can be seen in table 6.2 below.

Table 6.2: Factor Analysis for Section B2 in the Questionnaire, 2009

Rotated Factor Pattern			
Number	Factor1	Factor2	
nb2_2	0.79934	-0.0802	2.2 I often feel I have to hurry when using a cellular phone in front of others
nb2_3	0.53051	-0.33315	2.3 I do not like the feeling of being watched when I use a cellular phone in front of others
nb2_1	0.51041	-0.13515	2.1 I usually try and find somewhere private to talk if I receive a call when other people are around
nb2_11	-0.46266	-0.32001	2.11 I rarely consider setting my cellular phone to silent or vibrate just because I am with others
nb2_4	-0.58075	0.12121	2.4 It does not bother me that people might hear my conversation when I use a cellular phone in public
nb2_7	0.04395	0.72919	2.7 I like the way cellular phones make people constantly available to others
nb2_8	-0.39827	0.51058	2.8 I would always answer my cellular phone in public, if I hear it ring
nb2_6	-0.38065	0.43787	2.6 I always take my cellular phone with me wherever I go
nb2_10	-0.08326	0.3461	2.10 I think it is wrong that some

			places should be cellular phone free zones
nb2_9	0.20224	-0.34953	2.9 I sometimes feel vulnerable when using a cellular phone in public
nb2_5	0.01485	-0.70023	2.5 I sometimes find it rude if someone I know answers their cellular phone when I am with them

In factor 1 for cellular phone usage, the variables had a positive correlation towards:

- "I often feel I have to hurry when using a cellular phone in front of others" (**0.79934**);
- "I do not like the feeling of being watched when I use a cellular phone in front of others" (**0.53051**); and
- "I usually try and find somewhere private to talk if I receive a call when other people are around" (**0.51041**).

There was a negative correlation towards:

- "I rarely consider setting my cellular phone to silent or vibrate just because I am with others" (**-0.46266**); and
- "It does not bother me that people might hear my conversation when I use a cellular phone in public" (**-0.58075**)

In a case where factor 1 is high, the positively correlated variables would mean that the responses showed reservation when it comes to utilising cellular phones. There would be a preference towards the private usage of a cellular phone, especially since the variable score was positively correlated with the fact that when using a cellular phone in front of others, one would feel hurried and therefore this variable scored the highest. The cellular phone would be turned to silent when with others and conversation on a cellular phone would be kept private. Where Factor 1 decreases, conversations on a cellular phone would easily take place in public and the cellular phone would not be put on silent. There would be no sense of being hurried when using a cellular phone in front of others and there would be no effort to find a

private place when receiving a call when other people are around. For brand management, it would mean that the specific reasons for using a cellular phone would have to be identified so that the branding activities can embrace such reasons. This factor was termed "Reserved". This term will be used for further analysis in the study.

Factor 2 for cellular phone usage had a positive correlation with:
- "I like the way cellular phones make people constantly available to others" (**0.72919**);
- "I would always answer my cellular phone in public if I hear it ring" (**0.51058**);
- "I always take my cellular phone with me wherever I go" (**0.43787**); and
- "I think it is wrong that some places should be cellular phone-free zones" (**0.3461**).

The two variables which had a negative correlation were:
- "I sometimes feel vulnerable when using a cellular phone in public" (**-0.34953**); and
- "I sometimes find it rude if someone I know answers their cellular phone, when I am with them" (**-0.70023**).

In this instance an increase in the factor would show that the positively correlated variables show flexibility instead of an uptight feeling when using a cellular phone. As a result this factor was termed "Flexible users". A decrease in this factor would show inflexibility and feeling uptight when using a cellular phone. This term will be used for further analysis in the study.

Section B2 of the questionnaire shows further that even the attitude towards using a cellular phone varies amongst consumers. These differences reveal that, even though consumers might have a communication need, they will differ in how they utilise the same means of communication. These differences also show that unique branding activities have to be employed to effectively reach out to all the consumers.

6.3.3 Section B3: Important Reasons for Using a Cellular phone

Section B3 in the questionnaire had 11 statements, which required respondents to determine the extent of the importance of the various reasons for using a cellular phone. Knowing these reasons reveals the motives and further explains why consumers use cellular phones. This information is critical, especially when communication messages are formulated. A ranking of 1 indicated that the reason was not at all important and 5 indicated that the reason was very important. A factor analysis that was conducted resulted in 2 factors, as can be seen in table 6.3 below.

Table 6.3 Factor Analysis for Section B3 in the Questionnaire, 2009

Rotated Factor Pattern			
Number	Factor 1	Factor 2	
nb3_2	0.61859	-0.35054	3.2 It allows me to communicate with my friends
nb3_3	0.60144	0.00126	3.3 I use it to send SMS/MMS
nb3_5	0.45444	0.35425	3.5 I like to be trendy
nb3_9	-0.47463	-0.13023	3.9 I find the additional functions useful (calendar, calculator, alarm)
nb3_11	-0.66172	0.07253	3.11 I use it as a palmtop (agenda, data management)
nb3_4	0.02616	0.75541	3.4 I use it to entertain myself (music, games, photos, Internet)
nb3_10	-0.17352	0.42063	3.10 I can use it as a photo camera
nb3_6	-0.01341	0.13715	3.6 It makes me feel part of a group
nb3_7	-0.33532	-0.49679	3.7 It is necessary for my work
nb3_8	-0.13285	-0.52462	3.8 It makes me feel safe
nb3_1	0.48872	-0.55036	3.1 It allows me to communicate with my family

Factor 1 for the important reasons for using a cellular phone was positively correlated with:

"It allows me to communicate with my friends" (**0.61859**);

- "I use it to send SMS / MMS" (**0.60144**); and

- "I like to be trendy" (**0.45444**).

There was a negative correlation with:
- "I find the additional functions useful (calendar, calculator, alarm)" (**-0.47463**); and
- "I use it as a palmtop (agenda, data management)" (**-0.66172**).

An increase in factor 1 would mean that the basic usage of a cellular phone is more for relationships and there is a lack of interest in the more advanced uses of a cellular phone. The responses further show that a cellular phone is an indication of trendiness. A decrease in the factor would mean that the additional functions are found useful, as would be indicated by the negatively correlated variables. It would also mean that the relational reasons such as communicating and being trendy would not be important. This factor was termed "Relational". This term will be used for further analysis in the study.

Factor 2 for the important reasons for using a cellular phone had a positive correlation with:
- "I use it to entertain myself (music, games, photos, Internet)" (**0.75541**);
- "I can use it as a photo camera" (**0.42063**); and
- "It makes me feel part of a group" (**0.13715**).

A negative correlation was with:
- "It is necessary for my work" (**-0.49679**);
- "It makes me feel safe" (**-0.52462**); and
- "It allows me to communicate with my family" (**-0.55036**).

An increase in this factor would mean that the variables indicate an interest in using a cellular phone more for functional purposes rather than relational purposes and other activities like work. To a large extent entertainment is very important and this is followed by the use of the camera. They also use it to feel part of the group, but this is to a lesser extent, as the rating shows. If this factor were to decrease, the relational purpose would be more important than the functional purpose. This factor was therefore termed "Functional". This term will be used for further analysis in the

study.

The results for section B3 in the questionnaire also prove that when it comes to reasons why consumers use cellular phones, there are also differences. These differences present marketing opportunities, since marketing managers can present different offers, depending on consumers' important reasons for using a cellular phone.

6.3.4 Section B4: Influence in Making a Decision

Section B4 in the questionnaire had 9 sources of influence and respondents were asked to rank them from 1 to 5 where 1 was *never* and 5 was *very often*. Branding needs to be aligned around the key influencers to consumers, because it represents its source of information. Their responses showed which sources of influence were strong and which ones were weak. A factor analysis that was conducted resulted in 1 factor, as can be seen in table 6.4 below.

Table 6.4: Factor Analysis for Section B4 in the Questionnaire, 2009

Factor Pattern		
Number	**Factor1**	
nb4_7	0.55122	4.7 Sales promotion
nb4_4	0.46141	4.4 Advertising
nb4_9	0.42838	4.9 Personal experience
nb4_5	0.42573	4.5 Sales personnel
nb4_8	0.37281	4.8 Physical surroundings in a retail store
nb4_6	0.1347	4.6 Website
nb4_3	-0.6413	4.3 Acquaintances
nb4_1	-0.71417	4.1 Family
nb4_2	-0.84514	4.2 Friends

Factor 1, for influence in making a decision, had a positive correlation with:
- "Sales promotion" (**0.55122**);
- "Advertising" (**0.46141**);
- "Personal experience" (**0.42838**);

- "Sales personnel" (**0.42573**); and
- "Physical surroundings in a retail store" (**0.37281**).

Factor 1 further had a negative correlation with:
- "Acquaintances" (**-0.6413**);
- "Family" (**-0.71417**); and
- "Friends" (**-0.84514**).

An increase in factor 1 was termed "Promotion and experience". The positively correlated scores indicate that the variables would mean that company effort has an influence on the part of communication. According to the negatively correlated variables, personal relationships would not have an influence when decisions are being made. If this would be the case, then it would be interesting to note, because some responses (in a case where a factor would increase) indicated that the reason for using a cellular phone is to communicate with friends (see section 6.2.3) and yet when choosing a service there would be no consideration of relationships. The website is not even making an impact. These results would mean that when it comes to being influenced in decision making, marketing communication would be the key influence. As important as consumer relationships are, they would not play a role in this particular instance. The source of information would be marketing related and not personal. However, a decrease in this factor would mean that relationships are key influencing decisions and that promotional activity is not.

6.3.5 Section B5: Kind of Decision

Section B5 in the questionnaire had 12 statements where respondents indicated the kind of decision they make when choosing a cellular phone service provider. This information is important, because it reveals how the respondents perceive the cellular service providers. When the cellular service providers know how the consumers perceive them, they can improve the way they present themselves to the consumers. They were asked to rank the responses from 1 to 5 where 1 was *strongly disagree* and 5 was *strongly agree*. A factor analysis that was conducted resulted in 3 factors, as can be seen in table 6.5 below.

Table 6.5: Factor Analysis for Section B5 in the Questionnaire, 2009

Rotated Factor Pattern				
Number	**Factor 1**	**Factor2**	**Factor3**	
nb5_7	0.6692	-0.22973	-0.0533	5.7 The most advertised cellular phone service provider is usually very good
nb5_6	0.64471	-0.16823	0.0398	5.6 Nice retail stores (physical surroundings) of cellular phone service provider offer me the best services
nb5_8	0.52494	-0.09633	0.02211	5.8 I prefer buying from the best selling cellular phone service provider
nb5_2	-0.5624	-0.42137	-0.4174	5.2 I do not give much thought or care when choosing a cellular phone service provider
nb5_3	-0.5797	-0.23266	0.28895	5.3 A cellular phone service provider does not have to be perfect to satisfy me
nb5_11	0.00166	0.74151	0.0008	5.11 I would rather wait for others to try a new cellular phone service provider than try it myself
nb5_10	-0.1202	0.51423	-0.45	5.10 I am very cautious in trying new cellular phone service providers
nb5_12	-0.2636	0.42434	-0.4034	5.12 Investigating new cellular phone service providers is generally a waste of time
nb5_9	0.21186	-0.38118	-0.1089	5.9 When I see a new cellular phone service provider, I often try it to see what it is like
nb5_5	0.01358	-0.44969	-0.0682	5.5 A cellular phone service provider whose offers are expensive is my choice
nb5_4	-0.1078	0.01726	0.63721	5.4 A cellular phone service provider which is well-known is best for me
nb5_1	-0.0345	0.13257	0.55754	5.1 I make a special effort to choose a cellular phone service provider who offers the best quality

The variables which were positively correlated to factor 1 for "Kind of decision" were:

- "The most advertised cellular phone service provider is usually very good"

(**0.6692**);

- "Nice retail stores (physical surroundings) of cellular phone service provider offer me the best services" (**0.64471**); and

- "I prefer buying from the best selling cellular phone service provider" (**0.52494**).

A negative correlation was with:

- "I don't give much thought or care when choosing a cellular phone service provider" (**-0.5624**); and

- "A cellular phone service provider doesn't have to be perfect to satisfy me" (**-0.5797**).

Where factor 1 would be increasing, the positively correlated variables would show that the decision made here are more brand conscious. Much thought would not be given before a decision is made and there would not be a high expectation from the cellular phone service provider. Where the factor would be decreasing, much thought would be given before deciding and the cellular phone service provider would need to offer better quality. This factor was termed "Brand-conscious decision". This term will be used for further analysis in the study.

With Factor 2 for kind of decision, the significant responses in terms of correlation were:

- "I would rather wait for others to try a new cellular phone service provider than try it myself" (**0.74151**);

- "I am very cautious in trying new cellular phone service providers" (**0.51423**); and

- "Investigating new cellular phone service providers is generally a waste of time" (**0.42434**).

This factor was negatively correlated with the following variables:

- "When I see a new cellular phone service provider, I often try it to see what it is like" (**-0.38118**);

- "A cellular phone service provider whose offers are expensive is my choice" (**-0.44969**); and

- "I don't give much thought or care when choosing a cellular phone service provider" (**-0.42137**).

If factor 2 were to increase, it would mean that the positively correlated variables show that the decision would be made after waiting for others to try out services instead of investigating the cellular service providers directly. Furthermore, when making a choice the focus would not be on the provider, but it would be made after observing the experience of others. This would prove reliable as it would help in predicting what the experiences would be like at a minimal risk. If this factor were to decrease, then it would mean that a decision would be made by trying out products and thoroughly considering what the cellular phone service provider offers instead of relying on how expensive the offer is. A decision would not be made by relying on the experiences of others, but rather after investigating the cellular service provider. This factor was termed "Cautious decision". This term will be used for further analysis in the study.

With Factor 3 there was a negative correlation with:
- "I don't give much thought or care when choosing a cellular phone service provider" (**-0.4174**);
- "I am very cautious in trying new cellular phone service providers" (**-0.45**); and
- "Investigating new cellular phone service providers is generally a waste of time" (**-0.4034**).

There was a positive correlation with:
- "A cellular phone service provider which is well-known is best for me" (**0.63721**); and
- "I make special effort to choose a cellular phone service provider who offers the best quality" (**0.55754**).

An increase in this factor would mean that the decisions would be based on an interest in well-known providers and those who offer the best quality. In this instance, choosing a well-known provider is not for status purposes, but here the assumption would be that if a provider is well-known, it must be because of quality.

There would be an effort in observing the providers directly. A decrease in the factor would mean that the decisions are not based on how well-known the cellular phone service provider is nor on the effort invested in ensuring that such a provider offers good quality. There would just be no consideration of the cellular service provider. As a result, this factor was then termed "Quality decision". This term will be used for further analysis in the study. These results further show that consumers make different kinds of decisions. This makes sense and should be expected, because consumers differ in many aspects which relate to their lifestyle when making decisions.

6.3.6 Section B6: Frequency of Cellular phone Features Usage

Section B6 in the questionnaire had 17 functions of a cellular phone listed. The respondents were asked to indicate how often they used the functions. Knowing how often the functions are used helps the cellular service providers know which services to embark more on and which ones are more profitable. This was done from 1 to 5 where 1 was *never* and 5 *more than once in a day*. A factor analysis which was conducted resulted in 6 factors, as can be seen in table 6.6 below.

Table 6.6: Factor Analysis for Section B6 in the Questionnaire, 2009

Number	Factor1	Factor 2	Factor 3	Factor 4	Factor5	Factor6	
nb6_9	0.76483	-0.0264	-0.0489	0.18959	0.0239	-0.05232	6.9 Photography
nb6_10	0.76155	-0.134	0.1317	-0.1826	-0.0989	-0.0118	6.10 Data/pictures transferring
nb6_15	-0.19366	0.718	-0.19	-0.0379	-0.0969	0.05358	6.15 Sending and receiving e-mail
nb6_14	0.32863	0.4606	-0.3454	-0.0297	-0.1474	-0.08958	6.14 Using the internet
nb6_5	0.00158	-0.587	-0.2756	0.0656	-0.34	-0.01972	6.5 Playing games
nb6_12	-0.03132	-0.029	0.7902	-0.0045	0.04	0.05377	6.12 Doing calculations
nb6_13	-0.13096	0.4055	0.4631	0.0063	-0.2809	0.42636	6.13 Organising your schedule
nb6_17	-0.15489	0.1374	-0.5862	-0.0496	-0.2011	0.29759	6.17 Using mobile search features

nb6_6	0.06313	-0.246	-0.2426	0.6619	-0.2591	0.03095	6.6 Listening to music
nb6_8	-0.12694	0.0227	0.0354	0.5575	0.1385	-0.11545	6.8 Recording video clips
nb6_1 6	-0.04325	0.3641	-0.0393	-0.5017	-0.2112	-0.10262	6.16 Navigating (mobile maps for driving directions)
nb6_4	-0.15822	-0.286	-0.2723	-0.5852	0.2209	0.01293	6.4 Updating sports/news
nb6_1	-0.15327	-0.096	0.1563	-0.0723	0.7589	-0.04991	6.1 Local calling
nb6_7	-0.34033	-0.307	0.1431	-0.3410	-0.4955	-0.05966	6.7 Watching movies
nb6_1 1	-0.05128	-0.061	0.0674	0.03208	0.2944	0.78354	6.11 Storing important data
nb6_2	-0.39194	-0.137	0.1446	0.20967	0.3627	-0.48525	6.2 Sending messages
nb6_3	0.02672	-0.003	0.0618	0.02094	0.1264	-0.58417	6.3 Sending pictures

For Factor 1 in frequency of cellular phone features usage, "Photography" (**0.76483**) and "Data/pictures transferring" (**0.76155**) were positively correlated and this factor was termed "Camera usage". This term will be used for further analysis in the study.

For Factor 2 in frequency of cellular phone features usage, "Sending and receiving email" (**0.718**) and "Using the internet" (**0.4606**) were positively correlated, while "Playing games" (**-0.587**) was negatively correlated. Factor 2 was therefore termed "Internet usage". This term will be used for further analysis in the study.

Factor 3 in frequency of cellular phone features usage had a positive correlation with "Doing calculation" (**0.7902**) and "Organising your schedule" (**0.4631**) and negative correlation with "Using mobile search features" (**-0.5862**). Factor 3 was termed "Assistance". This term will be used for further analysis in the study.

For Factor 4 in frequency of cellular phone features usage, "Listening to music" (**0.6619**) and "Recording video clips" (**0.5575**) were positively correlated whereas "Navigating (mobile maps for driving directions)" (**-0.5017**) and "Updating sports/news" (**-0.5852**) were negatively correlated. This factor was termed "Entertainment". This term will be used for further analysis in the study.

With factor 5 in frequency of cellular phone features usage, "Local calling" (**0.7589**) was positively correlated and "Watching movies" (**-0.4955**) was negatively correlated. This factor was termed "Basic calling". This term will be used for further analysis in the study.

Finally, for factor 6 in frequency of cellular phone features usage, "Storing important data" (**0.78354**) had a positive correlation, while "Sending messages" (**-0.48525**) and "Sending pictures" (**-0.58417**) were negatively correlated. This factor was called "Data storage". This term will be used for further analysis in the study.

These results show that the consumers are very diverse in the features they use. Again, for branding activities, it shows that when strategies are formulated, the focus should be on various attributes.

6.3.7 Section C1: Brand Loyalty

Section C1 of the questionnaire had 9 statements, which were related to brand loyalty and respondents were asked to rank them from 1 to 5 where 1 was *strongly disagree* and 5 was *strongly agree*. This information reveals consumers' level of commitment to their cellular service providers. The more committed a consumer is, the more such a consumer is profitable to the cellular service provider. A factor analysis which was conducted resulted in two factors, as can be seen in table 6.7 below.

Table 6.7: Factor Analysis for Section C1 in the Questionnaire, 2009

Rotated Factor Pattern			
Number	Factor1	Factor2	
nc1_2	0.86581	0.0689	1.2 I would recommend this brand to others
nc1_1	0.81393	0.1599	1.1 I am satisfied with my chosen brand
nc1_3	0.47727	0.0648	1.3 I will not switch this brand for another one
nc1_4	0.34687	-0.232	1.4 Only under extreme circumstances would I consider purchasing a brand different from the one I am using now
nc1_6	0.24643	0.7751	1.6 I trust this brand
nc1_7	0.03957	0.7559	1.7 This brand is dependable

nc1_5	0.47785	0.564	1.5 This brand offers me good deals
nc1_8	0.04535	0.5152	1.8 I have a good experience with this brand
nc1_9	-0.20048	0.3867	1.9 I would be willing to pay a higher price for this brand compared to what competing brands charge

For factor 1, on brand loyalty, these attributes were all positively correlated to:

- "I would recommend this brand to others" (**0.86581**);
- "I am satisfied with my chosen brand" (**0.81393**);
- "I will not switch this brand for another one" (**0.47727**);
- "Only under extreme circumstances would I consider purchasing a brand different from the one I am using now" (**0.34687**); and
- "This brand offers me good deals" (**0.47785**).

Recommending the brand to others was rated the highest, followed by satisfaction. This shows that when consumers experience high levels of satisfaction with the brand, they will recommend it to others. If Factor 1 were to decrease, it would mean that no recommendations would be made, because satisfaction levels would be very low. Factor 1 was termed "Brand loyal". This term will be used for further analysis in this study.

Factor 2, on brand loyalty, had a positive correlation with:

- "I trust this brand" (**0.7751**);
- "This brand is dependable" (**0.7559**);
- "This brand offers me good deals" (**0.564**);
- "I have a good experience with this brand" (**0.5152**); and
- "I would be willing to pay a higher price for this brand compared to what competing brands charge" (**0.3867**).

The willingness to pay a higher price scored the least while trust in the brand scored the highest. The correlation scores show that there is contentedness with the deals offered and there are good experiences. If Factor 2 were to decrease, there would not be willingness to pay high prices, trust would be low and there would be unhappiness. This factor was termed "Brand trust". This term will be used for further

analysis in this study.

6.3.8 Section C2: Perceived Quality

Section C2 in the questionnaire had 17 statements related to perceived quality and respondents were asked to rank them from 1 to 5 where 1 was *strongly disagree* and 5 was *strongly agree*. In this section consumers reflected their views in terms of what they thought and felt about the service rendered. Knowledge of this will reveal whether or not such consumers will be loyal to the brand. Consumers who are loyal to the brand are loyal, because they are happy with the quality they are getting. They will only be happy if such quality meets their expectations. A factor analysis which was conducted resulted in 5 factors as can be seen in table 6.8 below.

Table 6.8: Factor Analysis for Section C2 in the Questionnaire, 2009

Rotated Factor Pattern						
Number	Factor1	Factor2	Factor3	Factor4	Factor5	
nc2_7	0.8007	0.10848	0.05954	-0.01634	0.10739	2.7 The personnel behaviour instils confidence in me
nc2_6	0.79699	0.23224	0.05199	-0.09715	0.04312	2.6 The personnel attends to my complaints
nc2_8	0.77262	0.03178	0.15329	-0.12535	-0.08854	2.8 The personnel treats me as a special and valued client
nc2_5	0.67044	0.20381	-0.18376	0.07323	0.16204	2.5 The personnel is always willing to help
nc2_10	0.18582	0.78669	-0.03731	0.05087	-0.06665	2.10 The personnel has knowledge to answer my queries
nc2_12	0.09979	0.77988	0.12806	-0.14175	0.16435	2.12 The personnel understands specific needs of clients
nc2_11	0.21773	0.76941	0.15983	0.03443	-0.14251	2.11 The personnel has the clients' best interests at heart
nc2_16	0.1319	-0.0358	0.69909	-0.02581	-0.10388	2.16 The brand is concerned about continuously improving performance quality
nc2_15	-0.06135	0.008	0.69646	0.1337	-0.03806	2.15 The brand is of high quality

nc2_14	-0.03805	0.35187	0.61445	-0.13921	0.3126	2.14 The brand guarantees satisfaction
nc2_13	0.09253	0.38546	0.52494	-0.15861	0.06987	2.13 The brand meets my expectations
nc2_2	-0.25883	-0.0327	-0.14595	0.65404	0.15291	2.2 The brand is visually appealing
nc2_17	0.03913	-0.1994	0.18692	0.65393	-0.19812	2.17 The physical facilities are visually appealing to me
nc2_9	0.15358	0.13958	0.04098	0.63468	-0.07352	2.9 The personnel is neat and appropriately dressed
nc2_1	-0.35032	-0.0864	-0.20472	0.58039	0.174	2.1 This brand has a modern look
nc2_3	-0.03369	-0.0176	0.03284	0.08957	0.82141	2.3 The brand delivers its promise on time
nc2_4	0.20594	-0.0116	-0.02836	-0.09931	0.75623	2.4 The brand performs the service the first time

Factor 1 correlated positively with:

- "The personnel behaviour instils confidence in me" (**0.8007**);
- "The personnel attends to my complain" (**0.79699**);
- "The personnel treats me as a special and valued client" (**0.77262**); and
- "The personnel is always willing to help" (**0.67044**).

The variable scores in this factor show that the response of personnel is satisfactory. In an instance where this factor would decrease, the response of personnel would not be satisfactory. This factor was termed "Prompt personnel". This term will be used for further analysis in this study.

Factor 2 showed a positive correlation with:

- "The personnel has knowledge to answer my queries" (**0.78669**);
- "The personnel understands specific needs of clients" (**0.77988**); and
- "The personnel has the clients' best interests at heart" (**0.76941**).

The positive correlation of these variables shows that the personnel is quite knowledgeable. In a case where this factor would decrease, it would mean that the personnel is not competent. This factor was termed "Competent personnel". This

term will be used for further analysis in this study.

For Factor 3, "The brand is concerned about continuously improving performance quality" (**0.69909**), "The brand is of high quality" (**0.69646**), "The brand guarantees satisfaction" (**0.61445**) and "The brand meets my expectations" (**0.52494**) were also all positively correlated. These responses were more focused on perceptions of the quality offered. If this factor were to decrease, it would mean that the service would be perceived as being poor. This factor was termed "Quality brand". This term will be used for further analysis in this study.

Factor 4 had a positive correlation with:

- "The brand is visually appealing" (**0.65404**);
- "The physical facilities are visually appealing to me" (**0.65393**);
- "The personnel is neat and appropriately dressed" (**0.63468**); and
- "This brand has a modern look" (**0.58039**).

Here the correlations showed that the brand is appealing. If the factor were to decrease, the brand would not be appealing. This factor was therefore termed "Appealing brand". This term will be used for further analysis in this study.

For Factor 5 "The brand delivers its promise on time" (**0.82141**) and "The brand performs the service right the first time" (**0.75623**) had a positive correlation and the factor was termed "Reliable brand". The brand would not be viewed as being reliable if this factor were to decrease. This term will be used for further analysis in this study.

Factors 1, 2 and 5 had the highest scores. This shows that the behaviour of personnel and reliability of the brand play an important role in influencing the perceptions of the consumers when it comes to quality offered by the brand.

6.3.9 Section C3: Brand Image

Section C3 in the questionnaire had 10 statements which were related to the image of the brand and respondents were asked to rank them from 1 to 5 where 1 was *strongly disagree* and 5 was *strongly agree*. These responses revealed the

consumers' views about the personality of the brand. These views also serve to reveal how the consumers related to the associations of the brand's personality. A factor analysis which was conducted resulted in 2 factors as can be seen in table 6.9 below.

Table 6.9: Factor Analysis for Section C3 in the Questionnaire, 2009

Rotated Factor Pattern			
Number	**Factor1**	**Factor2**	
nc3_3	0.72911	0.16808	3.3 The brand makes me feel good about myself
nc3_4	0.61469	0.39553	3.4 The brand is in line with my lifestyle
nc3_9	0.53771	-0.0112	3.9 The brand is socially responsible
nc3_10	0.53277	-0.3599	3.10 The brand is fashionable
nc3_2	0.43161	0.07625	3.2 The brand has a differentiated image from other brands/it is different from other brands
nc3_1	0.37479	0.26655	3.1 The brand reflects high status/the brand has a social status symbol
nc3_8	0.29082	-0.2588	3.8 The service of this brand is expensive
nc3_6	0.0887	0.75588	3.6 I would consider this brand as a brand leader
nc3_7	-0.0016	0.60637	3.7 The brand is worth the cost
nc3_5	0.17351	0.51126	3.5 The brand really cares about its clients

Factor 1 correlated positively with:

- "The brand makes me feel good about myself" (**0.72911**);
- "The brand is in line with my lifestyle" (**0.61469**);
- "The brand is socially responsible" (**0.53771**);
- "The brand is fashionable" (**0.53277**);
- "The brand has a differentiated image from other brands/it is different from other brands" (**0.43161**);
- "The brand reflects high status/the brand has a social status symbol" (**0.37479**); and
- "The service of this brand is expensive" (**0.29082**).

One aspect that came out in this factor is the ability of the brand to make consumers feel good about them. The brand also needs to be fashionable, different and socially responsible to have a good image. The least-rated factor was the one on the cost of the brand. Even though this is the case it would seem that when consumers perceive that the brand is expensive, they tend to have a positive perception about the image of such a brand and how this links to the image they have of themselves. This factor shows that the brand is used to make consumers feel that they have a particular status in their lives. A decrease in this factor would mean that the brand is not appealing to the above-mentioned variables. This factor was termed "Status brand". This term will be used for further analysis in this study.

Factor 2 correlated positively with:
- "I would consider this brand as a brand leader" (**0.75588**);
- "The brand is worth the cost" (**0.60637**); and
- "The brand really cares about its clients" (**0.51126**).

Here the increase in this factor would show that the brand is viewed as a leader and this explains why it is considered as being worth the cost. What also makes the brand worth the cost is the fact that it cares about its clients. The brand is seen as the one setting the tone in the market and one of the critical aspects in the market is caring about the clients. A decrease in this factor would mean that the brand is not viewed as being the leader, it is not worth the cost and it does not care about its clients. This factor was termed "Pioneer brand". This term will be used for further analysis in this study.

6.3.10 Section C4: Brand Awareness

Section C4 in the questionnaire had 5 statements related to brand awareness and respondents were asked to rank them from 1 to 5 where 1 was *strongly disagree* and 5 was *strongly agree*. This section focused on how well-positioned a brand is in the minds of the consumers. Each cellular service provider aims to be better positioned compared to competition. A factor analysis that was conducted resulted in 1 factor as can be seen in table 6.10 below.

Table 6.10: Factor Analysis for Section C4 in the Questionnaire, 2009

Factor Pattern		
Number	**Factor1**	
nc4_3	0.77303	4.3 Some characteristics of this brand come to mind quickly
nc4_4	0.7551	4.4 I know what this brand looks like
nc4_2	0.72223	4.2 I can recognise this brand among competing brands
nc4_5	0.71976	4.5 When I think of a cellular phone, this brand comes to mind
nc4_1	0.09186	4.1 I am very familiar with this brand

There was a positive correlation with:

- "Some characteristics of this brand come to mind quickly" (**0.77303**);
- "I know what this brand looks like" (**0.7551**);
- "I can recognise this brand among competing brands" (**0.72223**); and
- "When I think of a cellular phone, this brand comes to mind" (**0.71976**) for factor 1.

All these high scores show that the respondents are highly aware of the brand and as a result this factor was termed "High awareness". This term will be used for further analysis in this study. If this factor were to decrease it would mean that awareness is low.

6.4 ANALYSIS BASED ON CLUSTER ANALYSIS

This section explains how the clusters were identified using the factors identified from the factor analysis. These clusters have unique characteristics. Each cluster has more similarities within and more differences between one another. These clusters serve the purpose of giving information that is clearer about the consumers. They are based on consumer lifestyle and brand equity. In business they are referred to as market segments. Table 6.11 shows that 4 clusters were identified.

Table 6.11: Cluster Analysis for Section B and C in the Questionnaire, 2009

Section in Question naire	Cluster 1 (Cauti-ous)	Cluster 2 (Inde-pendents)	Cluster 3(Lac-kers)	Cluster 4 (Well-offs)	Factor name	Section number on questionnaire
B1_factor1	-0.2616	0.5297	-0.1439	-0.2667	**F1** = Independent	**B1:** Lifestyle aspects
B1_factor2	0.6812	0.1810	-0.0034	-0.8020	**F2** = Reserved	
B1_factor3	0.4166	-0.2000	-0.0835	0.0646	**F3** = Good citizens	
B1_factor4	-0.0648	-0.0974	-0.4092	0.3843	**F4** = Economic independence	
B2_factor1	0.6343	-0.0947	0.0677	-0.4287	**F1** = Reserved users	**B2:** Feeling about cellular phone usage
B2_factor2	-0.5655	0.4108	-0.0536	0.0714	**F2** = Flexible users	
B3_factor1	0.1019	0.4102	-0.0198	-0.3555	**F1** = Relational	**B3:** Important reasons for using a cellular phone
B3_factor2	-0.6664	0.0612	0.2445	0.1714	**F2** = Functional	
B4_factor1	-0.4178	-0.0021	0.1760	0.0860	**F1** = Promotion- and experience-driven	**B4:** Influence in making a decision
B5_factor1	-0.9699	0.0314	0.0702	0.4157	**F1** = Brand-conscious decision	**B5:** Kind of decision
B5_factor2	0.4213	0.3805	-0.1838	-0.3883	**F2** = Cautious decision	
B5_factor3	-0.1751	-0.0688	-0.0160	0.2305	**F3** = Quality decision	
B6_factor1	-0.5898	-0.0145	0.2629	0.1677	**F1** = Camera usage	**B6:** Frequency of cellular phone features usage
B6_factor2	-0.0953	0.2490	-0.6406	0.5007	**F2** = Internet usage	
B6_factor3	0.4485	-0.0390	0.2326	-0.5049	**F3** = Assistance	
B6_factor4	0.0046	0.1482	0.1061	-0.2572	**F4** = Entertainment	

B6_factor5	0.4073	0.1923	-0.1567	-0.4249	**F5** = Basic calling	
B6_factor6	-0.1230	-0.4132	-0.2280	0.6717	**F6** = Data storage	
C1_factor1	0.5584	-0.0648	0.1883	-0.5611	**F1** = Brand-loyal	**C1:** Brand loyalty
C1_factor2	-0.1051	0.0004	0.1053	-0.1283	**F2** = Brand trust	
C2_factor1	0.3894	0.1228	-0.8440	0.5439	**F1** = Prompt personnel cares	**C2:** Perceived quality
C2_factor2	0.3478	0.3031	-0.2626	-0.1297	**F2** = Competent personnel	
C2_factor3	0.4366	0.3441	-0.1401	-0.4783	**F3** = Quality brand	
C2_factor4	-0.6592	0.5689	-0.0226	-0.1669	**F4** = Appealing brand	
C2_factor5	-0.1049	0.6648	-0.7113	-0.0024	**F5** = Reliable brand	
C3_factor1	-0.7593	-0.4691	0.3269	0.6508	**F1** = Status brand	**C3:** Brand image
C3_factor2	-0.3937	-0.3727	0.5827	0.0707	**F2** = Pioneer brand	
C4_factor1	0.1141	-0.7937	0.6934	0.1241	**F1** = Awareness	**C4:** Brand awareness

6.4.1 Cluster 1 (Cautious ones)

As far as cluster 1 is concerned, the respondents had lifestyle aspects which revealed that they are more reserved (**0.6812**) and that they are good citizens (**0.4166**). They are careful and they relate well with others. When it comes to cellular phone usage, they are more reserved (**0.6343**) and definitely not flexible (**-0.5655**). It means that they do not prefer a public usage of cellular phone. The fact that they are more reserved when it comes to using their cellular phones could be part of the reason why they had a negative mean factor score towards the "Functional" factor (**-0.6664**). The functional aspects of a cellular phone are the least important reasons for using their cellular phone. It means that they use their cellular phones to relate with others. The score on the "Relational" factor was low (**0.1019**). Even though the score is positive, it was not significant. This shows that

the respondents in this cluster would have a tendency of using a cellular phone for relational purposes. This explains that these individuals do not have extremely important reasons for using a cellular phone. It could also be because they have other means of contacting important individuals in their lives other than a cellular phone.

When it comes to making a decision there was a negative mean factor score (**-0.4178**). This again shows that these individuals are not interested in marketing activities when making decisions. This could also be because there are only three options available when it comes to cellular service providers and perhaps the most convenient one is chosen. Instead, personal relationships are key in influencing their decisions of a cellular service provider. However, when they do make a decision they tend to be cautious (**0.4213**). It means they would wait for others to try out the brand and based on what others are saying, they would decide. It further confirms that they are not interested in marketing activities, especially since their score for "Brand-conscious decision" (**-0.9699**) had a negative correlation towards this cluster. The cellular phone features they are interested in are "Assistance" (**0.448**) and "Basic calling" (**0.4073**). They are not interested in the "Camera" (**-0.5898**). This is not surprising, since they have indicated that they are not interested in the functional features of a cellular phone.

When it comes to brand equity, they are loyal to their brand (**0.5584**). When it comes to the perception of quality, they are happy with the personnel and the quality they receive, but they do not find the brand appealing (**-0.6592**). Since they are not brand conscious, it is not surprising that they do not find the brand a "Pioneer brand" (**-0.3937**), nor do they think that it has a "Differentiated status" (**-.7593**).

6.4.2 Cluster 2 (Independents)

The respondents in cluster 2 are "Independent" (**0.5297**). This, however, does not relate to finances, but more towards their thinking, especially when it comes to making decisions. They are "Flexible users" (**0.4108**) of a cellular phone. In other words, they are not uptight; they feel more relaxed when using their cellular phones

in different environments. The reason they use their cellular phones is for "Relational" purposes (**0.4102**). They want to relate better with others, while they would use a cellular phone that makes them feel trendy. Promotion efforts did not come out strongly in influencing them towards making a decision (**-0.0021**). Again, one of the reasons could be lack of options since there are only 3 main cellular service providers in South Africa.

The type of decision they engage in is "Cautious decision" (**0.3805**). The cellular phone feature they are most interested in is "Internet usage" (**0.2490**) and the least-used one is "Data storage" (**-0.4132**). Their mean factor scores on brand loyalty were not significant. It means that it was not clear whether they are loyal to their brand or not. In this instance the cellular service providers would need to engage in more activities, which would enhance loyalty in this cluster. When it comes to quality, the scores were significant, with the lowest one being that the personnel is competent (**0.3031**). When it comes to the image of the brand, it was the opposite. They do not feel that the brand has a differentiated status (**-0.4691**), nor do they feel that it is a pioneer brand (**-0.3727**). "Awareness" was also low (**-0.7937**). This low rating is not because the respondents do not know much about the brand; it could be that they are thinking less about the brand.

6.4.3 Cluster 3 (Lackers)

The lackers had a negative correlation towards "Economic independence" (**-0.4092**). It means that they are lacking financially and that they are not happy with their financial standing. They are unemotional and they lack friends. There were no significant scores about how they feel about the usage of a cellular phone. The mean factor scores were "Reserved user" (**0.0677**) and "Flexible user" (**-0.0536**). However, a positive score shows that there is a tendency towards "Reserved user" and compared to a negative score of the "Flexible user". It would show that the consumers in this cluster do not prefer a public usage of a cellular phone. They tend to use the cellular phone for "Functional" purposes (**0.245**). Doing so makes them feel like they belong. "Promotion effort" was not significant, again because of a lack of options to choose from.

When it came to the kind of decision made, there were not significant scores. They scored negatively on cautious decision (**-0.1838**) (they prefer to try out services themselves instead of relying on the experiences of others) and internet usage (**-0.0160**), while they scored positively on brand-conscious decisions (**0.0702**). These respondents would tend to be more brand conscious than not. The cellular phone feature they use the most is the camera (**0.2629**).

It was not significant whether they are loyal or they trust the brand. With the quality they get, they are not happy at all. The scores had a negative mean factor score for "Prompt personnel" (**-0.8440**), "Competent personnel" (**-0.2626**) and "Reliable brand" (**-0.7113**). This shows that they are not happy with the personnel. However, they feel that the brand has a differentiated status (**0.3269**) and that the brand is a pioneer (**0.5827**). They are also highly aware of the brand (**0.6934**).

6.4.4 Cluster 4 (Well-Offs)

In this cluster it was clear that the respondents have "Economic independence" (**0.3843**). When it comes to how they feel about the usage of a cellular phone, they do not feel reserved (**-0.4287**), which means they do not mind using their cellular phones in public. This is not to say they are flexible, though, because they scored (**0.0714**). The mean negative score of (**-0.3883**) meant that they would like to try out services themselves before making decisions, instead of relying on the decisions of others.

They would have a tendency towards being flexible, but that is not to say they are. They do not use the cellular phone for relational purposes (**-0.3555**) and they would tend to use for functional purposes (**0.1714**). Promotional activities are not important. They make brand-conscious decisions (**0.4157**). The features they use in a cellular phone are the internet (**0.5007**) and data storage (**0.6717**). They are not loyal to their brand (**-0.5611**). In other words, they would not recommend the brand to others, because they are less satisfied. They feel that the personnel is prompt (**0.5439**), but they are not happy with the quality of the brand (**-0.4783**). They feel that the brand has a differentiated status (**0.6508**).

Across these four clusters it is clear that consumers' lifestyles differ and this has an impact on the reasons they have for cellular phone usage, how they make decisions and which features of a cellular phone they are interested in. The fact that some factors did not come out significantly in terms of their scores, indicate to marketers that they should not focus their communication effort on it. For example, when communicating with cluster 3 (lackers), they should not focus on giving these consumers reasons to use a cellular phone. In cluster 4 (well-offs) they should also not focus on giving reasons to these consumers for using a cellular phone, because they do not use their cellular phones for relational purposes and it was not significant whether they used it for functional purposes or not.

In all the clusters it was also clear that the promotion effort was not significant. This does not mean that it is not playing the role of ensuring that the consumers are aware. A lot of promotion is done by all the cellular service providers and the main reason why it would not be significant could be because of a lack of competition. There are only 3 (lackers) cellular service providers.

The challenge lies with cluster 3 (lackers), where the kind of decision made was not significant. Marketing effort needs to focus on the functional aspects of a cellular phone at a lower price since they are not well off financially with a greater emphasis on the camera. More work needs to be done in cluster 2 (independents) and 3 (lackers) as far as brand loyalty is concerned. With cluster 1 (cautious ones) and 2 (independents) brand image needs to be improved. With cluster 3 (lackers) and 4 (well-offs) the perceived quality needs to be improved. Awareness was only high in cluster 3 (lackers) and the lowest in cluster 2 (independents). The other two clusters are not significant. Consumers are aware of the various brands, but the question is whether they find such awareness helpful and informative.

6.5 ANALYSIS BASED ON CROSS-TABULATIONS

The cross-tabulations used here observe the significant relationships between the four clusters as compared to each cultural diversity component individually. This approach is helpful in describing the clusters.

6.5.1 Gender by Cluster

This section focuses on the cross-tabulations of how gender was distributed within and across clusters.

Table 6.12: Gender by Column Percentages, 2009

Gender	CLUSTER				
	1 (Cautious ones)	2 (Indepen-dents)	3 (Lac-kers)	4 (Well-offs)	Average
1. Male	39.56%	43.65%	46.03%	68.14%	**49.35%**
2. Female	60.44%	56.35%	53.97%	31.86%	**50.66%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.13: Gender by Row Percentages, 2009

Gender	CLUSTER				
	1 (Cautious ones)	2 (Indepen-dents)	3 (Lac-kers)	4 (Well-offs)	Total
1. Male	15.93%	24.34%	25.66%	34.07%	**100.00%**
2. Female	23.91%	30.87%	29.57%	15.65%	**100.00%**
Average	**19.92%**	**27.61%**	**27.62%**	**24.86%**	

Table 6.14: Gender Significance, 2009

Statistic	DF	Value	P-value
Chi-Square	3	21.6351	<.0001

The P-value of <.0001 indicates that there is significance when it comes to the gender attribute (table 6.14). There were more females in each cluster except in cluster 4 (well-offs). This is indicated in table 6.12. In cluster 1 (cautious ones) the females were significantly higher (60.44%) compared to the males (39.56%). In cluster 4 (well-offs), males were significantly higher (68.14%) compared to the females (31.86%). In cluster 2 (independents) and 3 (lackers), the gender was almost evenly distributed although there were more females in each. Table 6.13 shows that across the clusters there were more males in cluster 4 (34.07%) followed by cluster 3 (25.66%). More females were in cluster 2 (independents) (30.87%) followed by Cluster 3 with 29.57%. For marketing the implication is that for cluster 2 (independents) marketing efforts (like communication) can be more directed to the

females and for cluster 4 (well-offs) more to the males, whereas with cluster 3 (lackers) the focus could be on both males and females.

The theory indicated that there are indeed differences in gender. These results show that when lifestyle and brand equity are combined, some clusters are gender sensitive (cluster 2 [(independents]) and cluster 4 [(well-offs]). The branding activity towards the females would mean that females need to be convinced that the brand image is differentiated. The brand image must appeal to the psychological social needs of the females. It would be critical to do so knowing that these females are relational, cautious in making decisions and independent in their thinking. This is consistent with theory that shows that females are becoming more independent, especially in South Africa. For the males in cluster 4 (well-offs), who are outgoing and not relational, the branding activity would need to increase quality as they are not so impressed with it compared to the other brand-equity elements. Their loyalty is also low compared to the other brand-equity elements. A cluster like cluster 3 (lackers) would not be gender sensitive. The branding effort would need to target both males and females who are not happy with the perceived quality compared to the other brand equity elements.

6.5.2 Age by Cluster

This section focuses on the cross-tabulations of how age was distributed within and across clusters.

Table 6.15: Age by Column Percentages, 2009

Age	CLUSTER				
	1 (Cautious ones)	2 (Independents)	3 (Lackers)	4 (Well-offs)	Average
1. 15–19	1.10%	3.97%	21.43%	11.50%	**9.50%**
2. 20–24	18.68%	34.13%	30.95%	22.12%	**26.47%**
3. 25–29	28.57%	23.02%	19.05%	48.67%	**29.82%**
4. 30–34	10.99%	11.90%	7.94%	8.85%	**9.92%**
5. 35–39	25.27%	9.52%	5.56%	3.54%	**10.97%**
6. 40+	15.38%	17.46%	15.08%	5.31%	**13.31%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.16: Age by Row Percentages, 2009

Age	CLUSTER				
	1 (Cautious ones)	2 (Indepen-dents)	3 (Lac-kers)	4 (Well-offs)	Total
1. 15–19	2.17%	10.87%	58.70%	28.26%	**100.00%**
2. 20–24	13.71%	34.68%	31.45%	20.16%	**100.00%**
3. 25–29	19.40%	21.64%	17.91%	41.04%	**100.00%**
4. 30–34	22.22%	33.33%	22.22%	22.22%	**100.00%**
5. 35–39	50.00%	26.09%	15.22%	8.70%	**100.00%**
6. 40+	22.95%	36.07%	31.15%	9.84%	**100.00%**
Average	**21.74%**	**27.11%**	**29.44%**	**27.7%**	

Table 6.17: Age Significance

Statistic	DF	Value	P-value
Chi-Square	15	92.3475	<.0001

In table 6.17 the P-value is <.0001, indicating that age is significant. In cluster 1 (cautious ones) most respondents were between the age of 25 and 29, in cluster 2 (independents) and 3 (lackers) they were between 20 and 24 and in cluster 4 (well-offs) they were between 25–29 (table 6.15). Across the clusters table 6.16 will be observed. The age of 15 -19 (58.70%) was in cluster 3 (lackers) and in cluster 4 (well-offs) it was (28.26%). This shows that when marketers need to communicate with teenagers they would need to focus mostly on cluster 3 (lackers).

The following results are discussed according to table 6.16: The age 20–24 was the highest in cluster 2 (independents) (34.68%), followed by cluster 3 (lackers) with (31.45%). The age of 25–29 was the highest in cluster 4 (well-offs) (41.04%). The age of 30–34 was the highest in cluster 2 (independents) (33.33%) and was evenly distributed across all the clusters (22.22%). Finally, the age of 40+ was the highest in cluster 2 (independents) (36.07%) and it was followed by cluster 3 (lackers) (31.15%). Most of the age groups identified with cluster 2 (independents) by scoring the highest or the second highest in it except for the teenage market. When it comes to age, marketers should focus on cluster 2 for all the ages and then on cluster 3 for the teenagers.

The results based on age show some attributes not consistent with theory. In theory

there are differences between generations. However, these results show some differences within Generation Y (this generation is divided into three groups, p. 85) and some overlap with Generation X. According to theory, consumers are grouped into various generations based on their experiences of certain events which took place at various life stages. These findings show that marketing managers should not just rely on this information as consumers from the same generation can lead different lifestyles. The teenagers who are from Generation Y love the camera aspect of a cellular phone and they use it for functional purposes. For them the quality needs to be improved. This would help to build loyalty amongst them, which did not come out clearly in their cluster. There was a difference between 20 to 24-year-olds (cluster 2 [independents]) and 25 to 29-year-olds (cluster 4 [well-offs]). These consumers are from the same generation and yet their lifestyle and perception of brand equity differs. In the early twenties consumers are not so happy with the image compared to other brand equity elements and their loyalty is not clear. In the late twenties they are not happy with quality.

For brand image to improve it must be linked to consumers' desires and these desires must be identified. There must also be appropriate associations linked to the personality of the brand. It is also important to build quality as this will generate loyal consumers. Cellular service providers must review how they deliver their service to this age group (late twenties). Achieving this will also help the brand to be differentiated.

6.5.3 Race by Cluster

This section focuses on the cross-tabulations of how race was distributed within and across clusters.

Table 6.18: Race by Column Percentages, 2009

Race	CLUSTER				
	1 (Cautious ones)	2 (Independents)	3 (Lackers)	4 (Well-offs)	Average
1. Black	59.34%	46.03%	57.14%	63.72%	**56.56%**
2. White	18.68%	23.02%	26.19%	14.16%	**20.51%**
3. Coloured	16.48%	20.63%	14.29%	12.39%	**15.95%**

4. Other	5.49%	10.32%	2.38%	9.73%	**6.98%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.19: Race by Row Percentages, 2009

	CLUSTER				
Race	**1 (Cautious ones)**	**2 (Indepen-dents)**	**3 (Lac-kers)**	**4 (Well-offs)**	**Total**
1. Black	21.09%	22.66%	28.13%	28.13%	**100.00%**
2. White	17.89%	30.53%	34.74%	16.84%	**100.00%**
3. Coloured	20.55%	35.62%	24.66%	19.18%	**100.00%**
4. Other	15.63%	40.63%	9.38%	34.38%	**100.00%**
Average	**18.79%**	**32.36%**	**24.23%**	**24.63%**	

Table 6.20: Race Significance, 2009

Statistic	DF	Value	P-value
Chi-Square	9	18.4397	0.0304

With the P-value of 0.0304 (table 6.20), it is clear that race is significant. According to table 6.18, most respondents were Black, followed by Whites, Coloureds and other races. This was the case in each cluster. In table 6.19 it is clear that the Black respondents were the highest in cluster 3 (lackers) and 4 (well-offs) (28.13% for each). White respondents were the highest in cluster 3 (lackers) (34.74%) and in cluster 2 (independents) (30.53%). Coloureds were the highest in cluster 2 (independents) (35.62%) and cluster 3 (lackers) (24.66%). The other races were the highest in cluster 2 (independents) (40.63%) and cluster 4 (well-offs) (34.38%). According to these responses, cluster 2 (independents) and 3 (lackers) had the most responses. Marketers need to direct more effort towards these 2 clusters.

When dealing with cluster 3 (lackers), the marketer would need to target both the Black and the White consumers. This cluster is not sensitive to the racial differences. In cluster 3 (lackers), both the Black and the White consumers are reserved in how they use their cellular phones and they mostly use it for functional purposes. They use the camera feature a lot. They are happy with the image, but not with the quality. For cluster 2 (independents), the focus would be on Coloureds and Whites. These consumers are independent in their thinking and they are relational. They are

cautious when making decisions and they are flexible with their cellular phone usage. Their loyalty to their brand did not come out strongly, although they are happy with the quality; however, not so with brand image, in the sense that they feel that it is not differentiated.

6.5.4 Education by Cluster

This section focuses on the cross-tabulations of how education was distributed within and across clusters.

Table 6.21: Education by Column Percentages, 2009

Education	CLUSTER				
	1 (Cautious ones)	2 (Indepen-dents)	3 (Lac-kers)	4 (Well-offs)	Average
1. Below matric/Grade 12	1.10%	7.14%	15.08%	20.35%	**10.91%**
2. Matric/Grade 12	58.24%	34.92%	64.29%	33.63%	**47.77%**
3. College/Technikon diploma	21.98%	26.19%	11.90%	23.01%	**20.77%**
4. Technikon/University degree	15.38%	20.63%	6.35%	15.04%	**14.35%**
5. Post-graduate	3.30%	11.11%	2.38%	7.96%	**6.18%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.22: Education by Row Percentages, 2009

Education	CLUSTER				
	1 (Cautious ones)	2 (Indepen-dents)	3 (Lac-kers)	4 (Well-offs)	Total
1. Below matric/Grade 12	1.92%	17.31%	36.54%	44.23%	**100.00%**
2. Matric / Grade 12	24.54%	20.37%	37.50%	17.59%	**100.00%**
3. College/Technikon diploma	21.28%	35.11%	15.96%	27.66%	**100.00%**
4. Technikon/University degree	21.54%	40.00%	12.31%	26.15%	**100.00%**
5. Post-graduate	10.34%	48.28%	10.34%	31.03%	**100.00%**
Average	**15.92%**	**32.21%**	**22.53%**	**29.33%**	

Table 6.23: Education Significance, 2009

Statistic	DF	Value	P-value
Chi-Square	12	64.0165	<.0001

The P-value of <.0001 (table 6.23) indicated that the level of education of the respondents was quite significant. Table 6.21 shows that the respondents with matric were the highest in each cluster. According to table 6.22, the respondents below matric were in cluster 4 (well-offs) (44.23%) and in cluster 3 (lackers) (36.54%). The matriculants were mostly in cluster 3 (lackers) (37.50%) and in cluster 1 (cautious ones) (24.54%). Those with a college/technikon diploma were in cluster 2 (independents) (35.11%) and cluster 4 (well-offs) (27.66%). The ones with a degree were in cluster 2 (independents) (40%) and in cluster 4 (well-offs) (26.15%). Finally, the postgraduates were in cluster 2 (48.28%) and in cluster 4 31.03%). Clusters 2 (independents) and 4 (well-offs) had the most respondents when looking at the variable of education.

Respondents below matric were in cluster 4 (well-offs). Matriculants were in cluster 3 (lackers). The ones with higher education were in cluster 2 (independents). These results show that the level of education has an impact on consumers' lifestyle and perception of brand equity. The reason why the respondents in matric would be well-offs is most probably because they are still school going and hence dependent on their parents for most of their expenses. The matriculants who are lackers are mostly students. Most of them have to live on a budget which is limited. They are now concerned with other expenses like food, accommodation, or textbooks. The consumers with higher education tend to be more independent. Most of them are working and have more knowledge and are hence freer. It is critical that the marketing managers understand the conditions of these consumers to be able present an attractive offer for each.

In terms of brand equity, cluster 4, the well-offs, are not happy with the quality that they get, but they feel that the brand image is quite differentiated. How service is delivered needs to be reviewed. This would include customer care, personnel conduct and speed of problem resolution. Consumers here need consistency with

pricing plans, network quality, or billing system. Cluster 3 (lackers) would need the same, but cost will be the issue. It is important for marketers to take note here that even though the needs might the same, how they are met is different, because their financial means differ. The difference between these groups is that with the first one it is clear that they do not consider themselves to be loyal, whereas with the second group it is not clear. For cluster 2 (independents) perceived quality is high, but like cluster 4 (well-offs) their loyalty is not clear. For them brand image would need to be improved.

6.5.5 Area by Cluster

This section focuses on the cross-tabulations of how area was distributed within and across clusters.

Table 6.24: Area by Column Percentages

| Area | CLUSTER | | | | |
	1 (Cautious ones)	2 (Independents)	3 (Lackers)	4 (Well-offs)	Average
1. Bloemfontein	32.97%	23.02%	39.68%	44.25%	**34.98%**
2. Welkom	23.08%	27.78%	36.51%	29.20%	**29.14%**
3. Sasolburg	16.48%	4.76%	4.76%	9.73%	**8.93%**
4. Bethlehem	27.47%	44.44%	19.05%	16.81%	**26.94%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.25: Area by Row Percentages, 2009

| Area | CLUSTER | | | | |
	1 (Cautious ones)	2 (Independents)	3 (Lackers)	4 (Well-offs)	Total
1. Bloemfontein	18.87%	18.24%	31.45%	31.45%	**100.00%**
2. Welkom	15.56%	25.93%	34.07%	24.44%	**100.00%**
3. Sasolburg	39.47%	15.79%	15.79%	28.95%	**100.00%**
4. Bethlehem	20.16%	45.16%	19.35%	15.32%	**100.00%**
Average	**23.52%**	**26.28%**	**25.17%**	**25.04%**	

Table 6.26: Area Significance, 2009

Statistic	DF	Value	P-value
Chi-Square	9	45.0656	<.0001

The P-value of <.0001 (table 6.26) shows that area is significant. Table 6.24 shows that in each cluster the respondents were mostly from Bloemfontein except cluster 2 (independents), which had Welkom as the highest. Across the clusters (table 6.25) Bloemfontein was the highest in cluster 3 (lackers) (31.45%) and cluster 4 (well-offs) (31.45%). Welkom was the highest in cluster 3 (lackers) (34.07%) and cluster 2 (independents) (25.93%). Bethlehem was the highest in cluster 2 (independents) (45.16%) and cluster 1 (cautious ones) (20.16%).

With "area" the clusters which came out strongly were cluster 3 (lackers) and cluster 4 (well-offs). These differences show that geographical areas need to be taken into consideration. Whether the cellular service providers would be able to reach out to these towns specifically is not known, but the critical point is that geographically consumers display differences. For both clusters the perceived quality needs to be improved and the brand image is considered differentiated.

6.5.6 Service Provider by Cluster

This section focuses on the cross-tabulations of how "service provider" was distributed within and across clusters.

Table 6.27: Service Provider by Column Percentages, 2009

Service Provider	CLUSTER				
	1 (Cautious ones)	2 (Independents)	3 (Lackers)	4 (Well-offs)	Average
1. Vodacom	41.76%	57.14%	46.83%	50.44%	**49.04%**
2. MTN	28.57%	29.37%	46.83%	32.74%	**34.38%**
3. Cell C	29.67%	13.49%	6.35%	12.39%	**14.48%**
4. Virgin Mobile	0.00%	0.00%	0.00%	4.42%	**1.11%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.28: Service Provider by Row Percentages, 2009

Service Provider	CLUSTER				
	1 (Cautious ones)	2 (Independents)	3 (Lackers)	4 (Well-offs)	Total
1. Vodacom	16.81%	31.86%	26.11%	25.22%	**100.00%**
2. MTN	16.35%	23.27%	37.11%	23.27%	**100.00%**

3. Cell C	40.91%	25.76%	12.12%	21.21%	**100.00%**
4. Virgin Mobile	0.00%	0.00%	0.00%	0.00%	**100.00%**
Average	**24.69%**	**27.63%**	**26.96%**	**23.33%**	

Table 6.29: Service Provider Significance

Statistic	DF	Value	P-value
Chi-Square	9	46.0952	<.0001

"Service provider" was significant as it had a P-value of <.0001 (table 6.29). Table 6.27 shows that most respondents in each cluster were from Vodacom, whereas in cluster 3 (lackers) both MTN and Vodacom had 46.83% respectively. Table 6.28 reveals that across the clusters Vodacom was the highest in cluster 2 (independents) (31.86%), followed by cluster 3 (lackers) (26.11%). MTN was the highest in cluster 3 (37.11%) and in clusters 2 and 4 (23.27%), respectively). Finally, Cell C was the highest in cluster 1 (cautious ones) (40.91%) and in cluster 2 (independents) (25.76%).

Vodacom is the strongest in cluster 2 (independents). These are consumers who are independent in their thinking and they are flexible with their cellular phone usage. They are relational and cautious in their decisions. They access the internet a lot. Their sense of loyalty, compared to other elements of brand equity, did not come out strongly. Their perceived quality is high and the brand image did not come across as differentiated. Brand awareness did not come out strongly, implying that they do not think a lot about this brand. The brand image needs to be strengthened and so does loyalty. Vodacom needs to link its image more with the desires of its consumers and their psychological and social needs.

MTN came out strongly in cluster 3 (lackers). Consumers here are not doing well financially, they use the camera a lot and they use their cellular phone for functional purposes. For them brand image came out strongly compared to the other brand-equity elements. What needs to be strengthened is perceived quality. MTN will also need to focus on its consumers' feelings as these have a bearing on perceptions about service quality. The billing systems, entertainment services and pricing plans need to be consistent. Such services affect the overall performance of the brand.

Cell C was strong in cluster 1. These consumers are reserved and they are not interested in marketing activities. They mostly use their cellular phones for basic calling and assistance. They are not interested in camera usage. They are loyal to the brand, although they do not find it appealing. Compared to other brand equity elements, the brand image needs to be improved. The image also needs to somehow reflect their character for them to be able to identify with it.

6.5.7 Income by Cluster

This section focuses on the cross-tabulations of how income was distributed within and across clusters.

Table 6.30: Income by Column Percentages, 2009

	CLUSTER				
Income	**1 (Cautious ones)**	**2 (Indepen-dents)**	**3 (Lac-kers)**	**4 (Well-offs)**	**Average**
1. Less than R1 000	19.78%	21.31%	44.00%	37.17%	**30.57%**
2. R1 000–R4 999	35.16%	23.77%	36.00%	33.63%	**32.14%**
3. R5 000–R9 999	29.67%	13.93%	11.20%	14.16%	**17.24%**
4. R10 000 +	15.38%	40.98%	8.80%	15.04%	**20.05%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.31: Income by Row Percentages

	CLUSTER				
Income	**1 (Cautious ones)**	**2 (Indepen-dents)**	**3 (Lac-kers)**	**4 (Well-offs)**	**Total**
1. Less than R1 000	12.77%	18.44%	39.01%	29.79%	**100.00%**
2. R1 000–R4 999	22.22%	20.14%	31.25%	26.39%	**100.00%**
3. R5 000–R9 999	36.49%	22.97%	18.92%	21.62%	**100.00%**
4. R10 000 +	15.22%	54.35%	11.96%	18.48%	**100.00%**
Average	**21.68%**	**28.98%**	**25.29%**	**24.07%**	

Table 6.32: Income Significance

Statistic	DF	Value	P-value
Chi-Square	9	67.962	<.0001

The P-value of <.0001 indicates that income is significant (table 6.32). According to

table 6.30, those who earn less than R1 000 were the highest in cluster 3 (lackers) and 4 (well-offs). Those with R1 000–R4 999 were in cluster 1 (cautious ones) and those with an income of more than R10 000 were in cluster 2 (independents). Table 6.31 shows the distribution of income levels across the clusters. Those with an income of less than R1 000 were in cluster 3 (lackers) (39.01%) and cluster 4 (well-offs) (29.79%). Those with an income of R1 000–R4 999 were also in cluster 3 (lackers) (31.25%) and cluster 4 (well-offs) (26.39%). Those with an income of R5 000–R9 999 were in cluster 1 (cautious ones) (36.49%) and cluster 2 (independents) (22.97%). The ones with an income of R10 000 and more were in cluster 2 (independents) (54.35%) and cluster 4 (well-offs) (18.48%). It is clear that the lower-income earners were in clusters 3 and 4 while higher-income earners were in clusters 1 (cautious ones) and 2 (independents).

Low income earners are in cluster 3 (lackers). The consumers with an income of between R5 000–R9 999 are in cluster 1 (cautious ones). The ones with R10 000 and more are in cluster 2 (independents). These results show that the affordability of consumers has an impact on their lifestyle and perception of brand equity. For cluster 3 (lackers), the quality needs to be improved at an affordable cost, because these consumers have a low income. With cluster 1 (cautious ones) the image must be improved for middle income earners. For high-income earners in cluster 2 (independents), the image needs to be improved to suit their status.

6.5.8 Employment by Cluster

This section focuses on the cross-tabulations of how employment was distributed within and across clusters.

Table 6.33: Employment by Column Percentages

	CLUSTER				
Employment	1 (Cautious ones)	2 (Indepen-dents)	3 (Lac-kers)	4 (Well-offs)	Average
1. Yes	93.90%	78.05%	61.48%	78.64%	**78.01%**
2. No	6.10%	21.95%	38.52%	21.36%	**21.98%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	

Table 6.34: Employment by Row Percentages

Employment	CLUSTER				Total
	1 (Cautious ones)	**2 (Indepen-dents)**	**3 (Lac-kers)**	**4 (Well-offs)**	
1. Yes	23.40%	29.18%	22.80%	24.62%	**100.00%**
2. No	4.95%	26.73%	46.53%	21.78%	**100.00%**
Average	**14.18%**	**27.96%**	**34.67%**	**23.20%**	

Table 6.35: Employment Significance

Statistic	DF	Value	P-value
Chi-Square	3	29.5695	<.0001

According to table 6.33, most respondents were employment. Table 6.34 clarifies that employment was the highest in cluster 2 (29.18%) and cluster 4 (24.63%) and unemployment was the highest in cluster 3 (46.53%). The majority of respondents are employed, but to know specifically how to cater for them, income category gives more clear answers. Most respondents may be employed, but there are vast differences in their income and hence branding will be more successful if it focuses on income levels.

6.6 ANALYSIS BASED ON DECISION TREE

The stopping criterion used was at 23 observations, which represent 5% of the sample. It was critical to have this criterion, otherwise the decision-tree model would continue to split into more and more folds (referred to as leaves) and it would be extremely difficult to make generalisations. The decision-tree model was used to determine which cultural components can be used to predict into which cluster an individual would fall. Unlike the cross-tabulations which observed the cultural diversity components individually, in this instance all the components are observed at once.

A decision tree is a predictive model. The root node is the starting point where the reading is made. In figure 6.10, this would be table 6.36. The splits in figure 6.10 would be tables 6.40, 6.39, 6.38, 6.46, 6.45, 6.42 and 6.51. A decision tree also has terminal nodes called leaves, which explain the predicted characteristics of the

consumer. These would be tables 6.37, 6.41, 6.48, 6.47, 6.44, 6.43, 6.54, 6.53, 6.52, 6.50, 6.49, 6.56 and 6.55.

Before the clusters are explained in terms of their cultural diversity components, the tables as demonstrated in figure 6.10 are listed below.

Table 6.36: Cluster Node

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	20	91
2 (Independents)	27.6	126
3 (Lackers)	27.6	126
4 (Well-offs)	24.8	113
Total	100	456

Figure 6.10: Decision-Tree Structure for the Clusters and the Cultural Diversity Components
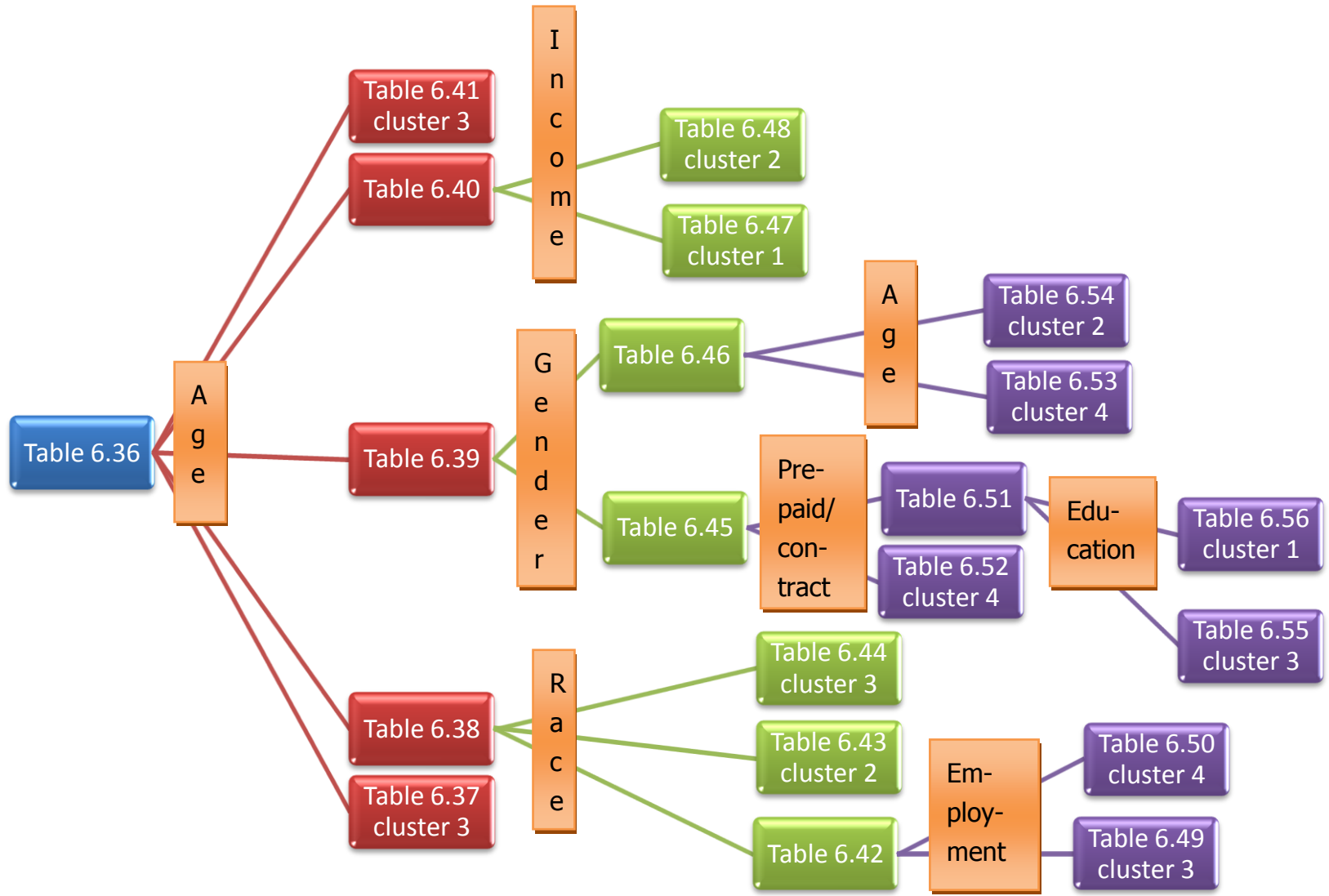
Table 6.37: Node 1: Age (15–19)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	2.2	1
2 (Independents)	10.9	5
3 (Lackers)	58.7	27
4 (Well-offs)	28.3	13
Total	10.1	46

Table 6.38: Node 2: Age (20–24)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	13.7	17
2 (Independents)	34.7	43
3 (Lackers)	31.5	39
4 (Well-offs)	20.2	25
Total	27.2	124

Table 6.39: Node 3: Age (25–29 and 30–34)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	20.1	36
2 (Independents)	24.6	44
3 (Lackers)	19	34
4 (Well-offs)	36.3	65
Total	39.3	179

Table 6.40: Node 4: Age (35–39 and 40–44)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	42.1	32
2 (Independents)	34.2	26
3 (Lackers)	15.8	12
4 (Well-offs)	7.9	6
Total	16.7	76

Table 6.41: Node 5: Age (45–49 and 50+)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	16.1	5
2 (Independents)	25.8	8
3 (Lackers)	45.2	14
4 (Well-offs)	12.9	4
Total	6.8	31

Table 6.42: Node 6: Race (Black)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	10.8	7
2 (Independents)	24.6	16
3 (Lackers)	36.9	24
4 (Well-offs)	27.7	18
Total	14.3	65

Table 6.43: Node 7: Race (Coloured)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	9.7	3
2 (Independents)	67.7	21
3 (Lackers)	0	0
4 (Well-offs)	22.6	7
Total	6.8	31

Table 6.44: Node 8: Race (White and Other)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	25	7
2 (Independants)	21.4	6
3 (Lackers)	53.6	15
4 (Well-offs)	0	0
Total	6.1	28

Table 6.45: Node 9: Gender (Female)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	27.8	25
2 (Independents)	23.3	21
3 (Lackers)	30	27
4 (Well-offs)	18.9	17
Total	19.7	90

Table 6.46: Node 10: Gender (Male)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	12.4	11
2 (Independents)	25.8	23
3 (Lackers)	7.9	7
4 (Well-offs)	53.9	48
Total	19.5	89

Table 6.47: Node 11: Income (R1 000–R4 999)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	51.6	16
2 (Independents)	3.2	1
3 (Lackers)	38.7	12
4 (Well-offs)	6.5	2
Total	6.8	31

Table 6.48: Node 12: Income (R5 000–R9 999 and R10 000 and above)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	35.6	16
2 (Independents)	55.6	25
3 (Lackers)	0	0
4 (Well-offs)	8.9	4
Total	9.9	45

Table 6.49: Node 13: Employment (Unemployed)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	3.3	1
2 (Independents)	13.3	4
3 (Lackers)	66.7	20
4 (Well-offs)	16.7	5
Total	6.6	30

Table 6.50: Node 14: Employment (Employed)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	17.1	6
2 (Independents)	34.3	12
3 (Lackers)	11.4	4
4 (Well-offs)	37.1	13
Total	7.7	35

Table 6.51: Node 15: Prepaid

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	39.7	25
2 (Independents)	27	17
3 (Lackers)	28.6	18
4 (Well-offs)	4.8	3
Total	13.8	63

Table 6.52: Node 16: Contract

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	0	0
2 (Independents)	14.8	4
3 (Lackers)	33.3	9
4 (Well-offs)	51.9	14
Total	5.9	27

Table 6.53: Node 17: Age (25–29)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	10.9	7
2 (Independents)	17.2	11
3 (Lackers)	3.1	2
4 (Well-offs)	68.8	44
Total	14	64

Table 6.54: Node 18: Age (30–34)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	16	4
2 (Independents)	48	12
3 (Lackers)	20	5
4 (Well-offs)	16	4
Total	5.5	25

Table 6.55: Node 19: Education Level (Matric)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	34.2	13
2 (Independents)	15.8	6
3 (Lackers)	47.4	18
4 (Well-offs)	2.6	1
Total	8.3	38

Table 6.56: Node 20: Education Level (Post-Matric Qualifications)

CLUSTER	PERCENT (%)	FREQUENCY (n)
1 (Cautious ones)	48	12
2 (Independents)	44	11
3 (Lackers)	0	0
4 (Well-offs)	8	2
Total	5.5	25

The decision-tree analysis conducted provides information needed when predicting into which cluster a consumer is most likely to fall. In other words, it advises which cultural diversity components they have to focus on. With the decision tree all cultural diversity components are dependent on one another. That means they are not considered individually like the cross-tabulations, but all of them are considered at once and then a prediction is made. This approach gives more detail about all the cultural diversity components of an individual consumer.

Cluster 1 (cautious ones) represents 20% of the respondents (see figure 6.11). With cluster one the results showed that there are two options available for predicting a cluster 1 (cautious) consumer. In the first option, it is consumers who are in their mid-thirties to mid-forties (see table 6.40) with an income range of R1 000–R4 999 (see table 6.47). The second option would be the consumers who are in their late twenties and early thirties (see table 6.39), who are females (table 6.45) on prepaid, (table 6.51) and with a post-matric qualification (table 6.56).

Cluster 1 (cautious ones) shows that the lifestyle and perception of brand can cause consumers with different demographics to fall into one group. This shows that consumers cannot be put together only because they are the same age. The same age group might need to be broken down further. According to the tree analysis, in the cellular industry, the consumers with the attributes demonstrated in figure 6.11 would be grouped into the same cluster. These consumers do not have critical reasons for using a cellular phone. This explains why they are not flexible in using it. They are reserved and they are good citizens (factor 3 on page 198).

Marketing activities are not important to them when making decisions. They prefer to be more cautious about their decisions. To them a cellular phone is used for basic calling and assistance like using it as an organiser. They are not interested in the camera aspect. Of all the brand equity elements, the image was found not to be differentiated or appealing. They are loyal to their brand, though.

Lifestyle revealed their attitude as being reserved and their reserved feelings cause them not to be so impressed with branding activities. The young females on prepaid with a matric qualification means that this group will have unique preferences. To

them self-realisation is important. Clearly then the branding activities to this group need to be gender sensitive. The middle-income earners in this group are more mature consumers, as can be seen in figure 6.11. The branding activities will need to be relevant for middle-income earners with a touch of maturity. This would be ideal, since they are mostly only interested in basic calling and their income levels enable them to do just that.

Figure 6.11: Cluster 1 According to Decision Tree

Cluster 1: Cautious ones (20%)

Age: 35 - 44
Income: R1 000 - R4 999

Age: 25 - 34
Gender: female prepaid
Education: post matric
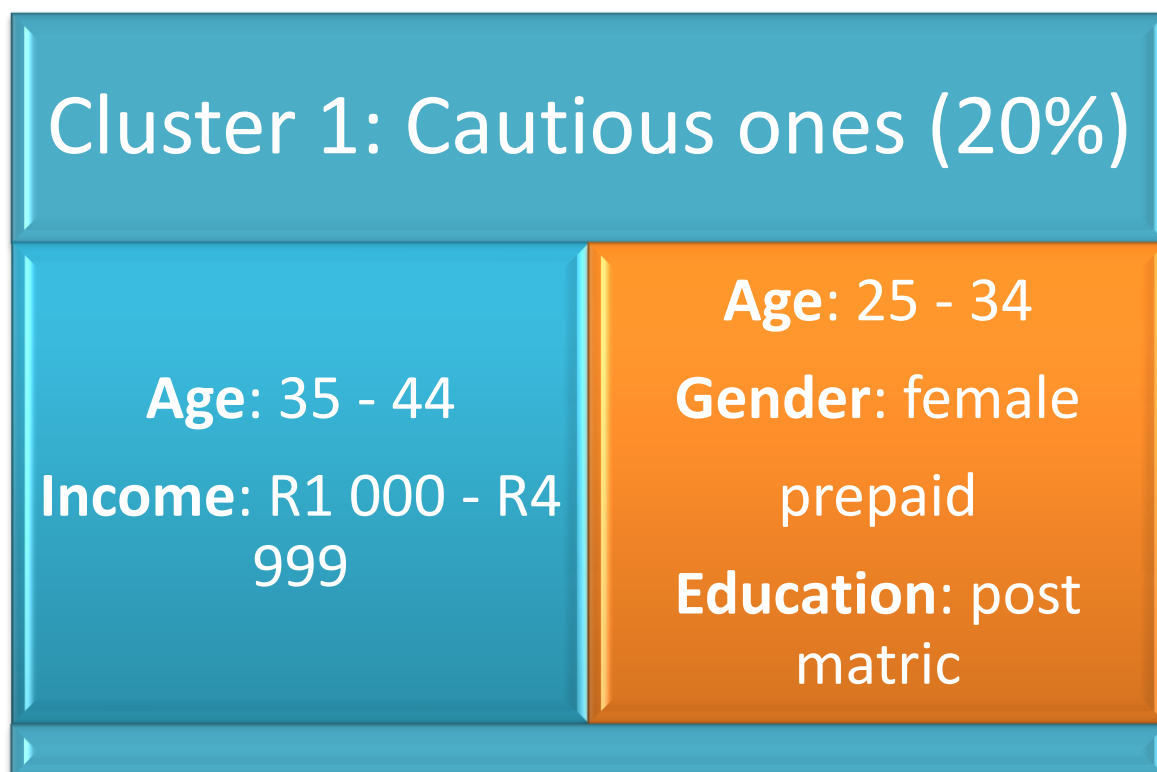
Cluster 2 (independents) had three options of prediction (see figure 6.12). In the first option, the focus would need to be on consumers who are in their late thirties and early forties (see table 6.39) and with an income range of R5 000 and above (see table 6.48). The second option would be to focus on the young people in their early twenties (see table 6.38) who are Coloured (see table 6.43). The third option would be to focus on the consumers in their mid-thirties (see table 6.39) who are male (see table 6.46). Cluster 2 makes up 27.6% of the respondents.

Cluster 2 (independents) once more brings consumers of different age groups

together. In these ages there are elements of income, gender and race. Branding activities would need to be sensitive to these attributes. These are relational consumers who are cautious in making decisions. They use their cellular phones to access the internet. Their loyalty needs to be enhanced. The quality they get is good, although they would like the brand to be more differentiated. According to literature, consumers would like to purchase services and products to communicate their status. This is contradicted by the findings of cluster 2 (independents), because these consumers make cautious decisions instead of brand-related decisions. They are flexible with their cellular phone usage, meaning that they do not mind using it in different environments.

Figure 6.12: Cluster 2 According to Decision Tree
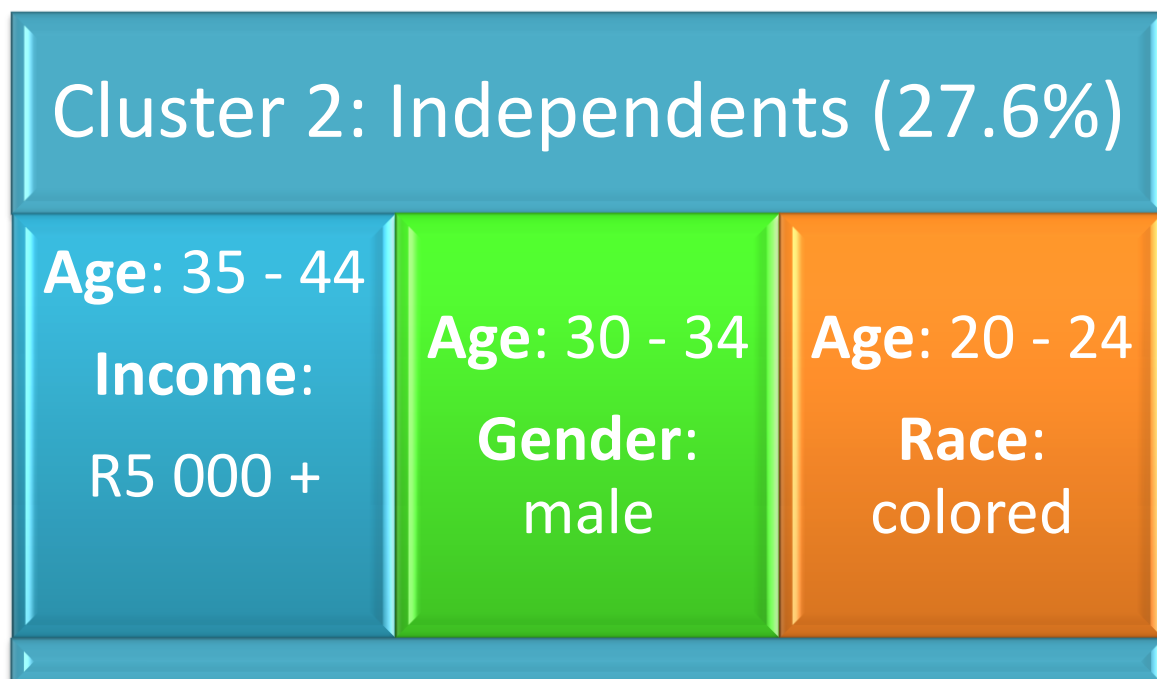
Cluster 3 (lackers), which makes up 27.6% of the respondents, had five possibilities for prediction. The first option is consumers who are in their mid-forties and older (see table 6.41) and the second option is teenagers (see table 6.37). The third option would be young people in their early twenties (see table 6.38), who are Black (see table 6.42) and are unemployed (see table 6.49). The fourth option is young people in their early twenties (see table 6.38) who are White and from other races

(see table 6.44). Finally, the consumers in their mid-twenties and mid-thirties (see table 6.40) are female (see table 6.45), on prepaid (see table 6.51) and have a matric qualification (see table 6.55).

Cluster 3 (lackers) proved to be the most complex and yet unique cluster. All the teenagers and older consumers (those above the age of 45) were in this cluster. This is a great contradiction to theory. The teenagers are generations apart from the older consumers, meaning that their characteristics would be expected to be very different. However, their lifestyle and perceptions of brand equity are similar. Race and gender, as well as education would need to be considered (although to a lesser extent). These individuals are not happy with their financial standing. They prefer functional purposes and the camera. Their loyalty is not clear and to them the brand image is differentiated. The quality they get needs to be improved.

Figure 6.13: Cluster 3 According to Decision Tree

Finally, cluster 4 (well-offs), which comprises 24.8% of the respondents, had two options for prediction (see figure 6.14). It had consumers in their early twenties (see table 6.38), who are Black (see table 6.42) and are employed (see table 6.50). The other option was those consumers in their late twenties and early thirties (see table 6.39), who are female (see table 6.45) and are on contract (see table 6.52).

Figure 6.14: Cluster 4 According to Decision Tree
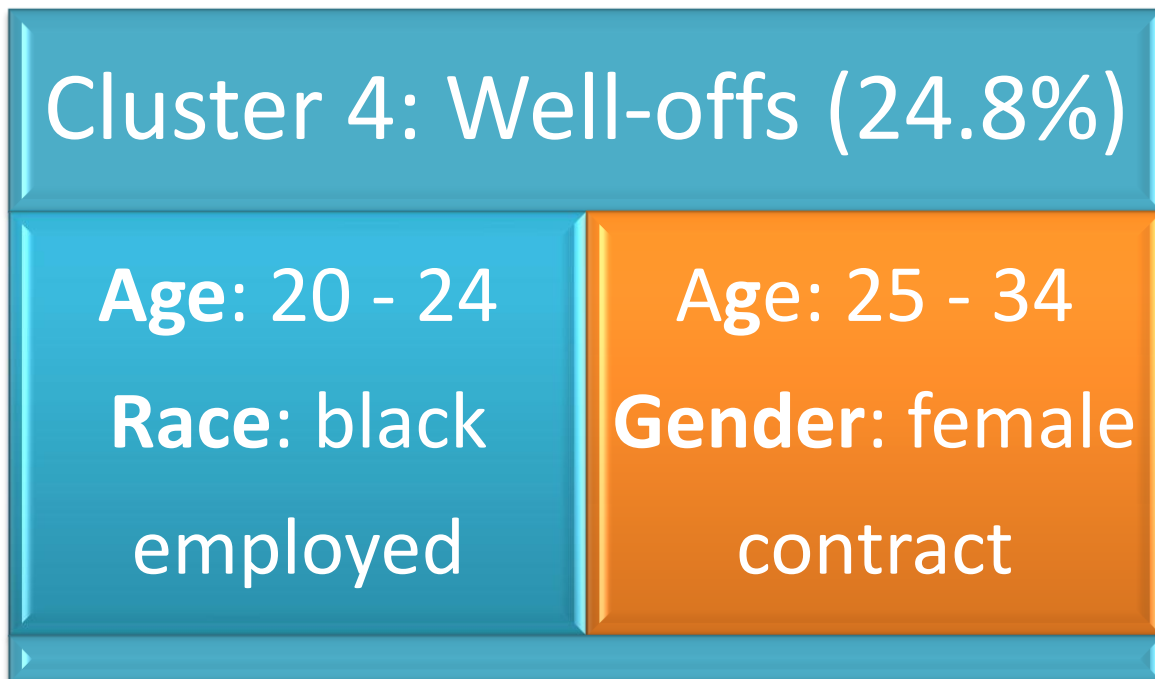
Cluster 4 (well-offs) has fairly young consumers. These range from consumers starting out on their careers to those who have been in their careers for some time. For the younger group race is critical, whereas for the older group gender is more important. The branding activities to these consumers would need to be vibrant because of youthfulness while appealing to Blacks and females. This approach would tend to be effective since these consumers are outgoing and are brand conscious. They are less relational and they use the internet more often. They are not loyal and the quality they get would need to be improved. They feel that their brand has a differentiated status.

The results of the decision tree show that consumers can no longer just be viewed on the basis of cultural diversity components reflecting demographics. The lifestyle component further breaks down the consumers into different groups, even though they might have the same demographics. For example, each cluster prediction includes a different segment of consumers in their late twenties and early thirties. It means that, even though their age may be similar, their lifestyle is different and as a result their perception of the brand is also different. Those in their early twenties were found across clusters 2 (independents), 3 (lackers) and 4 (well-offs). The

teenagers and the older consumers (45+) were the only age groups found in one cluster, namely cluster 3 (lackers).

Females are predicted as being in cluster 1 (cautious ones), 3 (lackers) and 4 (well-offs). Those in their late thirties and early forties were in clusters 1 (cautious ones) and 2 (independents). Race came in strongly with young people in their early twenties. The Coloureds in this age group were in cluster 2 (independents), whereas Blacks were in cluster 3 (lackers) and 4 (well-offs) and Whites were in cluster 3 (lackers). Cluster 3 (lackers) shows that consumers can be of the same age, but belong to different racial groups and still be in the same cluster (Black and White consumers in their early twenties). On the other hand, consumers can have the same age and race and still belong to different clusters (Black consumers in their early twenties). These results prove that people with different demographics can belong to the same cluster.

In these findings the cultural diversity components which came out strongly were age, gender and race. These findings show that in the cellular service industry much focus should be on age, gender (particularly females) and race when all cultural diversity components are put together.

6.7 CONCLUSION

The above results, from cross-tabulations, show that within clusters most respondents had the following cultural diversity components:

- Gender: female

- Age: 20s

- Race: Black

- Education: matric area: Bloemfontein

- Cellular service provider: Vodacom

- Iincome: (less than R1 000 to R 5000)

- Prepaid and contract are not significant and as a result they will not be discussed further.

Cross-tabulations observed the cultural diversity components individually across the clusters and in doing so it was identified in which cluster each section of cultural diversity comes over strongly. With the decision-tree analysis, all cultural diversity components were observed together across the clusters and information here was used to predict in which clusters different kinds of consumers would be found.

With cross-tabulations across the clusters the results were quite different. Cluster 1 (Cautious ones) had the following attributes which came out strongly: matric qualification (education), Sasolburg (area), R5 000–R9 999 (income) and Cell C (cellular service provider). It means that if education at the level of matric, area of Sasolburg and income of R5 000–R9 999 are considered individually, they would come out the strongest in cluster 1. However, when all the cultural diversity components are brought together by a decision-tree model, the age of 35–44 with an income of R1 000–R4 999 would be critical, as well as the ages of 25–34, who are female on prepaid and with matric would be the focus. These consumers are cautious in how they relate to others; they prefer to use their cellular phones privately and they would tend to use it for relational purposes. They make cautious decisions and they use their cellular phones for basic calling and assistance (organising and calculating). Although they are loyal to the brand, they are not happy with the image. They are also happy with the quality of the brand. There was no significance when it came to awareness.

Cluster 2 (independents) had the following attributes which came out strongly:

- Gender: female
- Age: all ages except for teenagers
- Race: Whites and Coloureds
- Education: beyond matric.
- Area: Bethlehem
- Cellular service provider: Vodacom and Cell C.

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- Income: R10 000.

- Some are unemployed

If cultural diversity components are considered individually, the above-mentioned components would be high in cluster 2.

The decision tree shows that there are possibly three groups of consumers who could possibly belong to this cluster. The first group are the Coloureds in their early twenties. The second group are consumers who are between 35 and 44 years of age, with an income of R5 000–R10 000. The last group would be between 25 and 34 years of age, who are male, particularly from 30–34 years. These respondents are independent in their thinking when it comes to making decisions and they are flexible with their usage of a cellular phone. They do not mind using it in public. They use their cellular phones for relational purposes and they mostly access the internet with it. They tend to make cautious decisions when buying. They are happy with the quality of the brand, but not with its image. Their awareness was also low.

The cross-tabulations for Cluster 3 (lackers) show the following attributes when cultural diversity components are considered individually:

- Gender: males and females
- Race: Black
- Age: teenagers
- Education: matric qualification
- Area: Bloemfontein and Welkom
- Cellular service provider: MTN
- Income: R1 000 to R4 999
- Most are unemployed

The decision tree made a prediction of five possible groups of consumers who could belong to this cluster. The groups are as follows:

- 45 years and older;
- Teenagers;
- 20 to 24-year-olds who are Black and unemployed;

- 20 to 24-year-olds who are White and other; and
- 25 to 34-year-olds who are females on prepaid and have matric qualification.

These respondents are not doing well financially and they tend to be reserved with their cellular phone usage. They use their cellular phones for functional purposes and this helps them to feel part of the group. They tend to make brand-conscious decisions (although this did not come out strongly) and they mostly use the camera function. They are not happy with the image, but not with the quality they are receiving. They are also highly aware of the brand.

Cluster 4 (well-offs) reflected the following attributes when cultural diversity components are considered individually:

- Race: Black

- Gender: males

- Education: beyond matric

- Area: Bloemfontein and Welkom

- Cellular service provider: MTN and Vodacom

- Income: R1 000–R4 999

- Most of them are employed.

Two possible groups of consumers could be found in this cluster according to the decision-tree model. The first group are the consumers aged 20–24, who are Black and employed. The last group is aged 25–34 and they are females who are on contract. These respondents have economic independence and they tend to be flexible when it comes to using their cellular phones. They make brand-conscious decisions and they use their cellular phones for functional purposes. They use their cellular phones to access the internet and for data storage. They are not loyal to their brand. They are not happy with the quality of the brand, but they are happy with its image. Awareness did not come out significantly.

Both the information from the cross-tabulations and the decision tree is important. The cross-tabulations show the relationship which each cultural diversity component has with each cluster. The relationship with all the cultural diversity components and clusters was significant except with contract and prepaid. The decision tree, on the other hand, shows which demographics to focus on when trying to identify which consumers are most likely to be in each of the four clusters.

CHAPTER 7

CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

This study observed cultural diversity and its possible impact on branding activities and brand management in the cellular industry. Penetration of the market by cellular service providers has reached its maximum capacity and this means that competition is severe between the providers. Since cellular services are a commodity, branding helps to differentiate the offer from that of competitors.

Cultural diversity exists within the environment and the environment is the external source of information that impacts on the psychological core of the consumer where purchase decisions are made. It came out clearly that brand management activities must be aligned within cultural diversity components so that consumers can make favourable purchasing decisions concerning the offer from the cellular service providers.

The study also showed that lifestyle impacts on the perceptions of consumers regarding brand equity. Four clusters were identified and this gave more information about the consumers, compared to how the information would look if the focus were only on demographic information. These clusters are the actual market segments for the cellular service providers. The key components to focus on when the cultural diversity components are combined are age, gender and race. When cultural diversity components were observed individually with the clusters, there was a significant relationship.

7.2 CONCLUSION

The preliminary study of literature concerning the telecommunications industry revealed how this industry is run and what the challenges are. The literature on the cultural diversity of South Africans provided more insight into the characteristics of consumers. It revealed who the consumers were and what attributes influenced them to behave the way they did. The literature on brand management revealed the

process of how brands were managed and how cultural diversity could be part of this process. The methodology chapter revealed how the empirical research was carried out and finally, the results and their analysis were conducted. A brief outline of the study is as follows:

7.2.1 Conclusion on the Cellular Telecommunications Industry

Chapter two focused on the telecommunications industry in South Africa. Here it was revealed that the challenges that this industry is facing are those of a developing country. There is still a need for regulatory activity so that competition is balanced so that consumers receive good quality service and are protected from the abuse of high prices. Regulation will help move the industry from a monopoly mode to one of liberation. The external environmental forces which impact on this industry are the political, economic and social forces.

The regulating body ICASA still experiences limitations from the government, which have an impact on delayed competition. The anti-competitive behaviour by the incumbent still has to be addressed. Doing so will help strengthen competition. Anti-competitive behaviour is experienced, particularly in interconnection arrangements and connectivity. The government still has a tendency to refuse incumbent networks to competitors. The incumbent charges excessive rates for interconnection.

Interconnection costs are particularly high in South Africa and off-network costs are high. This forces consumers to choose the larger network, not because they prefer it in particular, but because they want to save costs. This is the reason why Cell C is struggling to increase its market share. The competition is unfair.

Another kind of anti-competitive behaviour that must be guarded against is market power and dominance abuse, which occurs when one company increases its prices above market levels and still remains profitable. Competing companies cannot do the same, because if they do they will lose their clients. The bigger company can delay access to facilities for new entrants, avail facilities at high prices, engage in predatory pricing or bundle services that new entrants do not need.

Consumers are also being abused by the cellular service providers. This has been the

case where consumers are offered too many packages without being properly informed about what they offer or what they are all about. As a result they end up confused and make wrong choices, which lead to financial losses, while the cellular service providers make high profits because of this confusion. Consumers are further denied their right of choice by being locked into contracts that are lengthy and are normally strengthened just before competition is introduced. Services are also bundled so that consumers end up paying for services they do not use.

One of the most important reasons why ICASA needs to be granted its independence is because its interests are in the public interest. These include economic growth, investment, competitive entry and the protection of consumers.

7.2.2 Conclusion on Cultural Diversity in South Africa

Chapter three revealed that consumers display similarities in terms of race, social class, age and gender. However, the results revealed that, even though these similarities might exist, at a deeper level consumers in the same cultural diversity component differ. The main difference between the racial groups is income. White South Africans generate more income compared to Black South Africans. The Black race itself has a divide based on income. There is an emerging Black middle class referred to as Black Diamonds. The emergence of Black Diamonds shows that there is a structural change, especially when it comes to social class. As Black people move onto higher levels in the LSM, the challenge is to identify to what extent they prefer modern luxuries and to what extent they still want to hold on to their ethnic identity.

There are also differences between older and younger consumers. This study revealed that the young people themselves also differ, which was not necessarily the case with older consumers. Gender roles are also changing due to some environmental changes. More women are working and more men are helping out at home. Consumers have different mindsets and due to these differences, their preferences also differ.

Consumers' lifestyle came out as one component which is useful in predicting

behaviour. The other components reveal who the consumers are, but lifestyle reveals why consumers do what they do. It makes sense then to say that the other components should be the starting point when segmenting the markets, but to further subdivide the markets, lifestyle would need to be considered. Lifestyle reveals the internal status of the consumer and the other attributes reveal the outer characteristics of the consumers. All these are important when deciding which consumers to target.

7.2.3 Conclusion on Strategic Brand Management

Chapter four showed that the steps of the brand management process are effective and efficient when it comes to the success of the brands. It was also observed that cultural diversity has an impact on each step. Step one is about identifying and establishing brand positioning and values. Here a brand is positioned so that it is differentiated. Brand equity is used to establish the brand in the market. It is ensured that consumers can identify with the brand identity, the brand image is built with meaningful associations, the perceived quality is high as it impacts on loyalty, and through brand loyalty profitable relationships are built with the consumers.

Step two took a look at planning and implementing brand marketing programmes. Here brand-building elements are selected and proper criteria must be followed when doing so. The marketing mix must be tailored to suit the cultural diversity. The same goes for integrated marketing communication. It means that communication needs to take place in a culturally meaningful way.

Step three was about measuring the performance of the brands. The performance needs to be monitored constantly so that the necessary adjustments are made to keep the brand successful. Finally, step four looked at growing and sustaining brand equity. The key strategy to focus on in the cellular industry is corporate strategy, because it is the most effective for a service business. Over time different actions need to be taken to develop and sustain the brands. These include reinforcement, innovation and relevance, revitalisation, migration, and retirement.

7.2.4 Conclusion on Research Methodology

Chapter five showed the details of the research methodology. Survey research was used and the questionnaire utilised the measurement. The research sample was cellular phone users in the Free State Province. The data analysis methods used revealed how the market segments in the cellular industry are structured.

The questionnaire used was structured and was distributed in malls and shopping centres by the fieldworkers. The questionnaire measured each consumer's lifestyle, cellular phone usage and the perception of brand equity. The rating scales revealed their attitude, emotions and feelings towards objects in concern.

A representative sample was drawn based on the confidence level table. The fieldworkers were final-year BCom students who underwent adequate training. To analyse the results, various methods were used. Firstly, the frequency analysis was used to give clarity about the demographic information about the consumers. A factor analysis was used to summarise the data by explaining the correlation between different variables. Cluster analysis was used to group the factors into clusters. This helped to segment the market into segments and to better understand the behaviour of consumers. The behaviour was explained in terms of lifestyle and perception of brand equity. Cross-tabulation was used to explain the significance of the relationship between the clusters and individual cultural diversity components. Finally, the decision tree analysis was used to explain to predict the characteristics of consumers who were most likely to belong to each cluster. This was done by considering all the cultural diversity components at once, instead of individually like cross-tabulations.

7.2.5 Conclusion on Data Analysis

Chapter 6 indicated the results and analysis. It came out clearly that consumers in the cellular industry are diverse and that cultural diversity does have a role to play. Four clusters were identified with different cultural diversity aspects and perception of brand equity.

The consumers in cluster 1 (cautious ones) tend to be cautious about how they

relate with others. They are also cautious when making decisions. They prefer to use their cellular phones for relational purposes and they want to use it privately. Most of the time they use their cellular phones for basic calls only. When it comes to brand equity, they are loyal to their brands and they are happy with the quality they are getting. However, they are not happy with the image and their sense of awareness of the brand did not come out so strongly.

In cluster 2 (independents), the consumers tend to be independent in their decision making and they are flexible users of a cellular phone. They use their cellular phones mostly to access the internet and for relational purposes. They are flexible with the usage of their cellular phones and they do not mind using it in public. With regard to brand equity, they are happy with the quality of the brand. They were unhappy with the image and awareness. Brand loyalty did not come out significantly.

Consumers in cluster 3 (lackers) are those who struggle financially and they are reserved about their cellular phone usage. The camera is their favourite function on a cellular phone and they are brand conscious. They are not happy with the quality they are getting, but they are with the image. Their brand awareness is also high. Loyalty did not come out significantly.

The last segment, cluster 4 (well-offs), is composed of consumers who are economically independent and are brand conscious. They are flexible with their cellular phones. Most of the time they access the internet with their cellular phones and they store their data on it. They are not loyal to their brands and they are not happy with the quality they are getting, although they are happy with the image. Brand awareness did not come out significantly.

7.2.5.1 The Relationship between Clusters and Individual Cultural Diversity Components

Cluster 1 (cautious ones) did not come out so strongly when it came to individual cultural diversity components. It does not mean that this cluster is not culturally diverse, but it means that compared to other segments, it did not rate high, which means that in this segment the cultural diversity components are almost equal in

their importance. It only came high with the attribute of matric, an income range of R5 000–R9 999, in comparison to other segments.

Cluster 2 (independents) came out strongly with females and consumers of all ages except for teenagers. The race was White with some Coloureds and education was beyond matric. The income was R10 000 and above and very few were unemployed. This segment was high in these attributes in comparison to other segments.

With cluster 3 (lackers), both males and females came out strongly. The Black race and teenagers were also high. The income was R1 000–R4 999. Unemployment also came out strongly.

Cluster 4 (well-offs) comprised the Black race and education beyond matric. Employment was high and the income ranged from R1 000–R9 999.

7.2.5.2 The Impact of Combined Cultural Diversity Components on the Clusters in the South African Cellular Industry

When the cultural diversity components are observed together, these would be the groups of consumers found in each segment:

- In segment one the first group would be those aged 35–44 with an income of R1000–R4 999. The second group would be female consumers between 25 and 34 with a matric qualification.

- In segment two there are three groups. The first group comprised Coloured consumers in their early twenties. The second group would be consumers between 35–44 years of age with an income range of R5 000–R10 000. The last group would be the 30 to 34-year-old males.

- Segment three had the most groups. The first group would be teenagers and the second would be consumers aged 45 and older. The third group would be Blacks in their early twenties and the fourth group Whites in their early twenties. The last group would be females aged 25 to 34 years, on prepaid and with an education beyond matric.

- The fourth segment had a possibility of two groups; firstly, 20 to 24-year-old Blacks who are employed. The second group would be 25 to 34-year-old females on contract. These clusters are demonstrated in figure 7.1.

Figure 7.1: Clusters Identified in the Cellular Industry according to Cultural Diversity Dimensions Combined
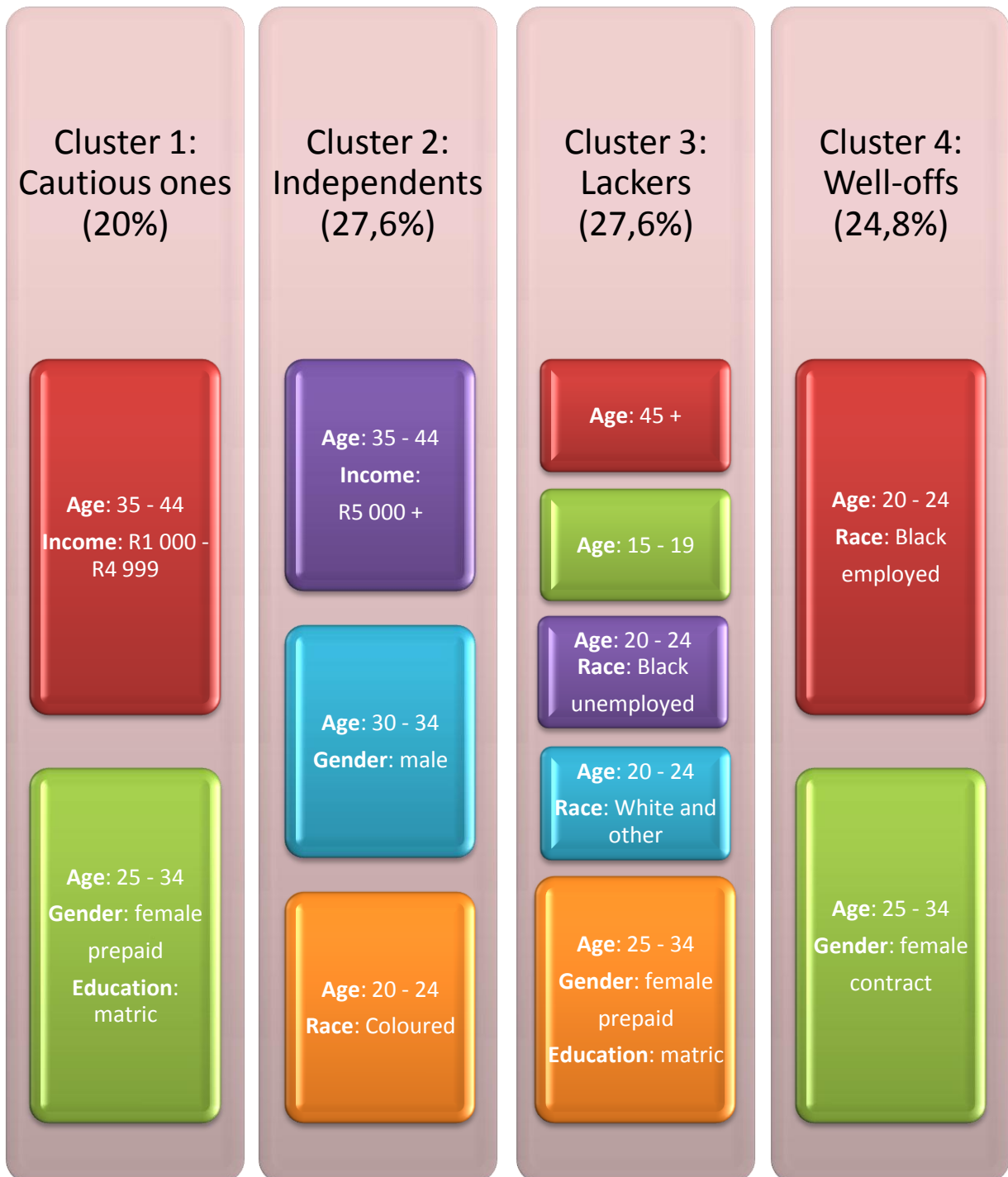
7.3 RECOMMENDATIONS

The following recommendations are in relation to how brand management should be applied to the clusters. The summary of clusters according to cultural diversity components (individually and combined) and their characteristics can be seen in figure 7.2. This study has undertaken an in-depth analysis of consumers and information gathered can be useful to cellular service providers. This information clarifies what consumers want and this can help marketing managers to make decisions on branding and positioning strategies.

The manner in which the clusters were identified used multi-dimensional segmentation to provide more detail about the characteristics of the consumers. Each cluster has unique characteristics in terms of lifestyle and perception of brand equity. The main finding about these clusters is that each of them can be targeted in a manner that is differentiated. It is recommended that cellular service providers should not only rely on simple segmentation approaches with limited attributes, because they are less useful and less informative. The multi-dimensional approach is complex and more challenging to carry out, but it is very insightful and can help marketing managers make better decisions and to identify opportunities in the market.

These clusters need to be considered, not only because they reveal the current state of consumers, but because they also reveal the potential of how the markets can be strengthened. However, it is important to note that these clusters are not permanent, but they will evolve over time as the environment changes. It is therefore recommended that this task of multi-dimensional segmentation be carried out often so that as changes occur, they can be detected.

Figure 7.2 Clusters according to Cultural Diversity Components (Individually and Combined) and their Characteristics

Cluster 1: Cautiouses

Cross-tabs:
Matric qualification, R5 000-R9 999, Cell C

Decision tree:
35-44 years, R1 000-R4 999.
25-34 years females

Characteristics:
Cautious in relationships and decisions. Private use of cellphone and used for basic calling. Loyal to the brand and happy with quality. Not happy with image and had an insignificant awareness of the brand.

Cluster 2: Independents

Cross-tabs:
Females ,all ages, whites, coloureds, higher education, R10 000+, Cell C, Vodacom, few unemployed

Decision tree:
coloureds, 20 - 24 years.
35-44 year-olds, R5 000 - R10 000.
30-34 year males

Characteristics:
Independent decisios, use cellphone for relational purpose and access internet. Happy with quality, not loyal, unhappy with image and awareness not siginificant.

Cluster 3: Lackers

Cross-tabs:
Male, female, black, teens, MTN, R1 000 - R4 999 unemployed

Decision tree:
Teenagers.
45+ years
20-24 yrs black and white.
25-34 yrs females, pre-paid, educated

Characteristics:
Low finances, re-served use of cellphone used for functional purposes. High use of camera and make brand-conscious decision. Happy with image but not quality. High brand awareness.

Cluster 4: Well-Offs

Cross-tabs:
Black, educa-ted, males, MTN and Vodacom, R1 000-R4999, employed

Decision tree:
20-24 yrs employed blacks.
25-34 yrs females on contract

Characteristics:
Economic indepen-dence, flexible use of cellphone, makes brand-conscious decisions. Functional use of cellphone and access the internet. Not loyal and unhappy with quality. Happy with image and insignificant awareness.

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7.4.1 Success in Cluster 1 (Cautious ones)

The consumers in cluster 1 (cautious ones) are highly loyal and this makes sense, because they are also happy with the quality they are getting from their brand. It is recommended that marketers work on improving their perception of brand image, because they are not happy with it. Because these consumers are cautious individuals, it means some associations with the personality of the brand should reflect this. Brand awareness did not come forward so significantly. Again, because of the consumers' cautiousness attribute, marketers would need to provide these individuals with more realistic information. They did not come out as being brand conscious, so perhaps they needed to be given more actual information. For example, quality is an actual attribute and that is why they are happy with it. The other reason why these consumers are not happy with the image could be because the image is mostly associated with youths in their teens and early twenties. Perhaps the image should also reflect the more mature age and focus on relationships. They should also be offered basic services, because they use their cellular phones mainly for making calls.

Brand image and brand awareness need to be improved in a manner that is relevant to the lifestyle characteristics of these consumers. These consumers are quite simple and reserved and this is how they desire to relate with people. Since the brand is the human personality of a service, it means that this is also how they would want to relate with their brands. Linking the brand to the desires of the consumers is what strengthens it. The associations of the brand that would be relevant to these consumers would include mood association. Here the brand will be used to instil the positive states with a particular emphasis on companionship, since these consumers are relational. Being consistent in this approach will create positive feelings amongst the consumers.

According to cross-tabulations, most of these consumers are from Cell C. To strengthen brand awareness, this company will need to engage more in creative approaches of promotion such as charity involvement in social, cultural, sports and other public events. This would be relevant, since these consumers are good

citizens.

7.4.2 Success in Cluster 2 (Independents)

In this cluster consumers are happy with brand quality. This is mostly because they can afford it; their income range is R5 000–R9 999. They are not happy with the image. This could be because the image does not reflect the independence, which is an important characteristic they display. The advertisements are mostly focused on youth who are in groups. These individuals need to see their independence although they are also relational. Most of them are aged 30 and above. It means that perhaps the image must have a more mature attribute. Awareness is low, which does not mean that they do not know about the brands, but it is an indication that they do not think a lot about these brands. However, they are served well.

For this cluster there must be improvements in brand image, brand awareness and brand loyalty. These consumers are flexible with their use of a cellular phone, meaning that they use it in different environments. They mostly access the internet. The brand messages communicated to these consumers need to be consistent. The brand must also satisfy the consumers consistently as this will ultimately impact on loyalty. The brand awareness must serve the purpose beyond just being recognised to one where awareness eliminates the competing brands in the minds of the consumers. It must also be easy for consumers to recognise these brands. The image must reflect the independent attribute of these consumers as this is their important psychological need. To strengthen the image, the brand must have associations that identify with their sense of independence. Behaviour modification can be used, because it will be effective in using brands as social and psychological rewards. The high degree of quality will have to be maintained to be effective.

7.4.3 Success in Cluster 3 (Lackers)

Cluster 3 (lackers) mostly include young people and females (25–34 years) who are not well off financially. These young peoples' lack of finance could be due to their lack of employment or poor payment and regarding the females it could be because of too many financial commitments. The main feature of their cellular phone that

they are interested in is the camera. That means the quality of the camera would need to keep on improving, because they love it. These individuals are happy with the brand image and this is due to the fact that they are brand conscious. Their brand consciousness could also be the reason why they are highly aware of the brand. However, they are unhappy with the quality they are getting. The reason could be because they cannot afford much, they are being neglected, or they are not taken seriously. It is recommended that the marketers should offer better quality to these individuals. The poor quality they are getting explains why the loyalty attribute did not come up strongly.

Cluster 3 (lackers) faces the challenge of being relevant to different generations. Their sense of loyalty is not significant and they are not happy with quality. Because these are various generations, the strategies used must reflect all of them. They prefer the functional use of the cellular phone, particularly the camera. How the service is rendered to them needs to be improved. Since they are brand conscious, yet struggling financially, it is quite challenging to serve them. Their perception of quality will improve as pricing plans, customer service and billing systems are realigned to suit them. Their financial situation could have an impact on the inferior service they get. The cellular service providers must also see to it that they are also well taken care of, regardless of their financial situation.

7.4.4 Success in Cluster 4 (Well-Offs)

In Cluster 4 (well-offs), the consumers are economically independent and brand conscious, which explains why they are happy with the image of the brand. They are between 20 to 34 years of age. The 20 to 24-year-olds are Black and employed and the 25 to 34-year-olds are females who are on contract. They are not happy with the quality they are getting; hence they are not loyal to the brand. It is recommended that marketers work on brand loyalty and brand quality in this segment. These must be done in a manner that is suitable to young people in their twenties and early thirties.

Loyalty is impacted by quality. It means that if quality is strengthened, loyalty will improve in the long run. Quality will also be high if consumers are satisfied. These

consumers will be satisfied if the network quality is high, prices are fair, there is customer support and value-added services and there are convenience procedures. Consumers must also perceive that they are getting emotional value for their loyalty to improve.

Overall, these four clusters reveal that the market in the cellular industry is becoming more and more diverse. It means that consumer needs are becoming more and more unique and marketing offers must therefore be more tailored to accommodate these needs better. It also means that there have to be a variety of messages. Cellular service providers can no longer have few messages. There have to be more messages which are different to suit various kinds of consumers. This study proves that branding activities will be more successful if the attribute of cultural diversity is taken into consideration.

Given the stage where South African brands are at the present moment, the branding strategies implemented would have to be to reinforce and revitalise the brands. Reinforcing the brand means that information must be provided that strengthens brand equity over time. This will create more awareness and strengthen the image. Here innovation, while being relevant, is important. Secondly, revitalising the brand means that repositioning will play a critical role. Here the usage of a brand would need to be strengthened. There must also be an emphasis on positive associations. Since the South African market is saturated, it would also be a good time to enter new markets.

Aligning brand management with cultural diversity will increase the value of a service, meaning that more clients will be loyal and ultimately profits will increase in the long run. How communication needs are met is determined by cultural diversity. Brand identity needs to be linked to a consumer's culture. Tying identity with the construct of cultural diversity will facilitate recognition of the brand. Cultural diversity must also be linked to the brand image through the choice of associations. The brand image must allow the consumers to express themselves, their personalities and experience pleasure.

Figure 7.3: Recommendations for Each Cluster

Cluster 1: Cautious ones
- Improve the perceptions of brand image and awareness
- Provide realistic and actual information
- Offer basic services
- Reflect maturity in the brand
- Use mood associations relating to relationships

Cluster 2: Independents
- Reflect independence
- Reflect maturity
- Communicate consistent messages
- Use brand awareness to eliminate competition
- Maintain present high quality

Cluster 3: Lackers
- Improve quality offered while keeping it affordable
- Improve brand loyalty
- Be relevant to varying age groups

Cluster 4: Well-offs
- Improve quality offered in a manner suitable for young consumers who are financially well-off
- improve brand loyalty

7.5 LIMITATIONS OF THE STUDY

Due to financial restrictions, this study was only carried out in the Free State Province and not the other provinces. For future purposes, other provinces in South Africa will need to be included. The overall differences in the provinces as far as the clusters are concerned will more or less be the same, although the percentages in the clusters may vary. This study only focused on one domain, cultural diversity, which impacts on consumer behaviour. The other two critical domains, the psychological core and the decision-making process, were not the focus. However, these two domains also have an impact on brand management. Future studies should focus on these domains so that marketers can know what their role is and how they impact on brand management.

Getting cooperation from the respondents was a challenge. RICA is only now in the process of creating a database. This study was carried out without a database and this presented a challenge in identifying a sample.

7.6 FINAL REMARKS

The purpose and the objectives of the study were achieved (see 1.3.1 and 1.3.2)

These objectives were:

- To gain more detail on the South African cellular industry – This was achieved in chapter 2.
- To analyse cultural diversity in South Africa – This was achieved in chapters 3 and chapter 6.
- To observe the brand management process in a service business – This was achieved in chapter 4.
- To investigate the characteristics of South African cellular phone users – This was achieved in chapters 6 and 7.
- To examine the importance of cultural diversity as a determinant of brand success – This was achieved in chapters 6 and 7.
- To identify user segments or target markets and the characteristics of cellular phone users in South Africa – This was achieved in chapters 4, 6 and 7.

- To provide recommendations around branding strategies for management in the cellular phone industry – This was achieved in chapter 7.

ANNEXURE A

Dear Respondent

This questionnaire is for research purposes concerning the cellular service providers (MTN, Vodacom, Cell C and Virgin Mobile), which is also part of the research project I have undertaken for the completion of my studies. This research project also aims to provide information to the cellular service providers concerning your needs as a customer and how best your communication needs can be met. There are no right or wrong answers; only your honest response is required, which is very critical. Your name is not required, only general information; the information you provide will not in any way be used against you and will be kept confidential.

Kind regards

Nthabeleng Rammile   Johan van Zyl
(Student)   (Supervisor)

………………………………….   …………………………………………..

Geagte Respondent

Hierdie vraelys is vir navorsingsdoeleindes en gaan oor die selfoondiensverskaffers (MTN, Vodacom, Cell C and Virgin Mobile), wat ook deel van die navorsingsprojek vorm wat ek onderneem om my studies te voltooi. Die navorsingsprojek poog verder om aan die selfoondiensverskaffers inligting te voorsien oor u behoeftes as kliënt en oor hoe aan u kommunikasiebehoeftes voldoen kan word. Daar is nie regte of verkeerde antwoorde nie. Slegs u eerlike terugvoer word verlang, wat baie belangrik is. U naam word nie vereis nie; slegs algemene inligting. Die inligting wat u verskaf, sal op geen wyse teen u gebruik word nie en dit sal vertroulik hanteer word.

Vriendelike groete

Nthabeleng Rammile   *Johan van Zyl*
(Student)   *(Studieleier)*

………………………………….   …………………………………………….

<u>Section A</u>
<u>*Afdeling A*</u>

Indicate your response with a cross (X) next to the appropriate answer
Dui u antwoorde aan met 'n kruisie (X) teenoor die toepaslike antwoord

1. What is your gender?
   Wat is u geslag?

1. Male *Manlik*	1
2. Female *Vroulik*	2

2. What is your age group?
   Wat is u ouderdomsgroep?

1. 15 – 19	1
2. 20 – 24	2
3. 25 – 29	3
4. 30 – 34	4
5. 35 – 39	5
6. 40 – 44	6
7. 45 – 49	7
8. 50 and older *50 en ouer*	8

3. What is your race?
   Tot watter ras behoort u?

1. Black *Swart*	1
2. White *Wit*	2
3. Coloured *Gekleurd*	3
4. Indian *Indiër*	4
5. Other *Ander*	5

4. What is your level of education?
Wat is u opleidingsvlak?

1. Below matric/Grade 12 Laer as matriek/Graad 12	1
2. Matric/Grade 12 Matriek/Graad 12	2
3. College diploma Kollegediploma	3
4. Technikon diploma Tegnikondiploma	4
5. Technikon degree Tegnikon-graad	5
6. University degree Universiteitsgraad	6
7. Postgraduate Nagraads	7

5. Are you employed?
Beklee u 'n betrekking?

1. Yes Ja	1
2. No Nee	2

6. What is your income range per month?
Binne watter maandelikse inkomstegroep val u?

1. Less than R1 000 Minder as R 1 000	1
2. R1 000 – R4 999	2
3. R5 000 – R9 999	3
4. R10 000 – R14 999	4
5. R15 000 – R19 999	5
6. R20 000 and above R20 000 en hoër	6

7. Where do you stay?
Waar is u woonagtig?

1. Bloemfontein	1
2. Welkom	2
3. Sasolburg	3
4. Bethlehem	4
5. Trompsburg	5

8. Which cellular phone service provider do you use?
   Van watter selfoondiensverskaffer maak u gebruik?

1. Vodacom	1
2. MTN	2
3. Cell C	3
4. Virgin Mobile	4

9. Are you on prepaid or contract?
   Is u op "vooraf-betaal" of 'n kontrak?

1. Prepaid *Voorafbetaal*	1
2. Contract *Kontrak*	2

Section B
Afdeling B

Indicate your response with a cross (X) next to the appropriate answer
Dui u antwoorde aan met 'n kruisie (X) teenoor die toepaslike antwoord

1.   To what extent do you agree with the following statements?
In watter mate stem u met die volgende stellings saam?

1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, and 5 = strongly agree
1 = verskil heeltemal, 2 = verskil, 3 = onseker, 4 = stem saam, en 5 stem heeltemal saam.

1. I am enthusiastic about seeking growth _Ek is entoesiasties daaroor om groei na te streef_	1	2	3	4	5
2. I often seek to develop and explore in my life _In my lewe poog ek dikwels te ontwikkel en te ondersoek_	1	2	3	4	5
3. I am concerned about national events _Ek stel in nasionale gebeure belang_	1	2	3	4	5
4. I spend a constant amount of money every month _Ek bestee elke maand 'n konstante bedrag geld_	1	2	3	4	5
5. I will consider product value when I buy it _Ek sal produkwaarde oorweeg wanneer ek dit koop_	1	2	3	4	5
6. I usually buy well-known brands _Ek koop gewoonlik bekende handelsname_	1	2	3	4	5
7. I will think things over before I buy a product _Ek sal sake oordink voor ek 'n produk koop_	1	2	3	4	5
8. I am economical in my spending _Ek is ekonomies met my uitgawes_	1	2	3	4	5
9. I like a routine life _Ek hou van 'n geroetineerde lewe_	1	2	3	4	5
10. I do not like to take risks _Ek hou nie daarvan om risiko's te neem nie_	1	2	3	4	5
11. I live a conventional life _Ek lei 'n konvensionele lewe_	1	2	3	4	5
12. I respect authority _Ek respekteer gesag_	1	2	3	4	5
13. I usually accept authority _Ek aanvaar gewoonlik gesag_	1	2	3	4	5
14. I feel secure because of my current economic situation _Ek voel veilig as gevolg van my huidige ekonomiese situasie_	1	2	3	4	5
15. My work emotion will not affect my family _My werksemosie sal nie my gesin affekteer nie_	1	2	3	4	5
16. I have a lot of friends _Ek het baie vriende_	1	2	3	4	5

17. I often care about others *Ek gee dikwels om vir ander mense*	1	2	3	4	5
18. I am influenced by TV *Ek word deur TV beïnvloed*	1	2	3	4	5
19. I like to buy something that can express my status *Ek hou daarvan om iets te koop wat my status kan toon*	1	2	3	4	5
20. I like to watch movies more than TV *Ek hou meer daarvan om flieks as TV te kyk*	1	2	3	4	5
21. I usually achieve my goals *Ek bereik gewoonlik my doelwitte*	1	2	3	4	5
22. I am fulfilled economically *Ek is ekonomies vervuld*	1	2	3	4	5
23. I am emotional *Ek is emosioneel*	1	2	3	4	5

2. To what extent do you agree with the following statements?
In watter mate stem u met die volgende stellings saam?

1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, and 5 = strongly agree
1 = verskil heeltemal, 2 = verskil, 3 = onseker, 4 = stem saam, en 5 stem heeltemal saam.

1. I usually try and find somewhere private to talk, if I receive a call when other people are around *As ek 'n oproep ontvang en ander mense is in die omgewing, probeer ek gewoonlik om 'n êrens plek te vind om privaat te gesels*	1	2	3	4	5
2. I often feel I have to hurry when using a cellular phone in front of others *Ek voel dikwels dat ek gou moet maak as ek 'n selfoon voor ander mense moet gebruik*	1	2	3	4	5
3. I do not like the feeling of being watched when I use a cellular phone in front of others *Ek hou nie van die gevoel dat ek dopgehou word as ek 'n selfoon voor ander mense gebruik nie*	1	2	3	4	5
4. It does not bother me that people might hear my conversation when I use a cellular phone in public *Dit pla my nie dat ander mense my gesprek kan hoor as ek 'n selfoon in die openbaar gebruik nie*	1	2	3	4	5
5. I sometimes find it rude if someone I know answers their cellular phone, when I am with them *Ek vind dit soms onbeskof as iemand hul selfoon antwoord terwyl ek by hulle is*	1	2	3	4	5
6. I always take my cellular phone with me wherever I go *Ek neem altyd my selfoon saam waar ek ook al gaan*	1	2	3	4	5

7. I like the way cellular phones make people constantly available to others *Ek hou van die manier waarop selfone mense die heeltyd beskikbaar maak vir andere*	1	2	3	4	5
8. I would always answer my cellular phone in public, if I hear it ring *Ek sal altyd my selfoon in die openbaar antwoord as ek dit hoor lui*	1	2	3	4	5
9. I sometimes feel vulnerable when using a cellular phone in public *Ek voel soms kwesbaar as ek 'n selfoon in die openbaar gebruik*	1	2	3	4	5
10. I think it s wrong that some places should be cellular phone-free zones *Ek dink dit is verkeerd dat sommige plekke selfoonvrye areas is*	1	2	3	4	5
11. I rarely consider setting my cellular phone to silent or vibrate just because I am with others *Ek oorweeg dit nie dikwels om my selfoon sag of op vibreer te stel net omdat ek saam met ander mense is nie*	1	2	3	4	5

3. **How important are the following reasons in motivating you to use a cellular phone?**
Hoe belangrik is die volgende redes om u te motiveer om 'n selfoon te gebruik?

1 = not at all important, 2 = not so important, 3 = neutral, 4 = fairly important, and 5 = very important
1 = glad nie belangrik nie, 2 = nie so belangrik nie, 3 = neutraal, 4 = effens belangrik, en 5 = baie belangrik.

1. It allows me to communicate with my family *Dit laat my toe om met my gesin te kommunikeer*	1	2	3	4	5
2. It allows me to communicate with my friends *Dit laat my toe om met my vriende te kommunikeer*	1	2	3	4	5
3. I use it to send SMS / MMS *Ek gebruik dit om SMS/MMS te stuur*	1	2	3	4	5
4. I use it to entertain myself (music, games, photos, Internet) *Ek gebruik dit om myself te vermaak (musiek, speletjies, foto's, internet)*	1	2	3	4	5
5. I like to be trendy *Ek hou daarvan om byderwets te wees*	1	2	3	4	5
6. It makes me feel part of a group *Dit laat my deel van 'n groep voel*	1	2	3	4	5

7. It is necessary for my work *Dit is nodig vir my werk*	1	2	3	4	5
8. It makes me feel safe *Dit laat my veilig voel*	1	2	3	4	5
9. I find the additional functions useful (calendar, calculator, alarm) *Ek vind die bykomende funksies handig (almanak, sakrekenaar, alarm)*	1	2	3	4	5
10. I can use it as a photo camera *Ek kan dit as 'n kamera vir foto's gebruik*	1	2	3	4	5
11. I use it as a palmtop (agenda, data management) *Ek gebruik dit as 'n palmrekenaar (agenda, data, bestuur)*	1	2	3	4	5

4. When choosing cellular phone service provider, how often do the following influence your choice?
By die keuse van 'n selfoondiensverskaffer, hoe dikwels beïnvloed die volgende u keuse?

1 = never, 2 = rarely, 3 = sometimes, 4 = often, and 5 = very often
1 = nooit, 2 = baie min, 3 = soms, 4 = dikwels, en 5 = baie dikwels

1. Family *Gesin*	1	2	3	4	5
2. Friends *Vriende*	1	2	3	4	5
3. Acquaintances *Kennisse*	1	2	3	4	5
4. Advertising *Advertensie*	1	2	3	4	5
5. Sales personnel *Verkoopspersoneel*	1	2	3	4	5
6. Websites *Webblaaie*	1	2	3	4	5
7. Sales promotion *Verkoopspromosie*	1	2	3	4	5
8. Physical surroundings in a retail store *Fisiese omgewing in 'n kleinhandelswinkel*	1	2	3	4	5
9. Personal experience *Persoonlike ervaring*	1	2	3	4	5

5. **To what extent do you agree/disagree with the following statements when choosing cellular phone service provider?**
In watter mate stem u saam/verskil u van die onderstaande stellings wanneer u 'n selfoondiensverskaffer kies?

1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, and 5 = strongly agree
1 = stem glad nie saam nie, 2 = stem nie saam nie, 3 = onseker, 4= stem saam, en 5 stem heeltemal saam.

	1	2	3	4	5
1. I make special effort to choose a cellular phone service provider who offers the best quality *Ek wend 'n spesiale poging aan om 'n selfoonverskaffer te kry wat die beste gehalte bied*	1	2	3	4	5
2. I don't give much thought or care when choosing a cellular phone service provider *Wanneer ek 'n selfoondiensverskaffer kies, gee ek nie baie om daaroor nie*	1	2	3	4	5
3. A cellular phone service provider doesn't have to be perfect to satisfy me *'n Selfoondiensverskaffer hoef nie perfek te wees om my tevrede te stel nie*	1	2	3	4	5
4. A cellular phone service provider which is well-known is best for me *'n Bekende selfoondiensverskaffer is die beste vir my*	1	2	3	4	5
5. A cellular phone service provider whose offers are expensive is my choice *'n Selfoondiensverskaffer met duur aanbiedinge is my keuse*	1	2	3	4	5
6. Nice retail stores (physical surroundings) of cellular phone service provider offer me the best services *Mooi kleinhandelswinkels (fisiese omgewing) van selfoondiensverskaffers bied aan my die beste dienste*	1	2	3	4	5
7. The most advertised cellular phone service provider is usually very good *Die mees geadverteerde selfoondiensverskaffer in gewoonlik baie goed*	1	2	3	4	5
8. I prefer buying from the best selling cellular phone service provider *Ek verkies dit om by die selfoondiensverskaffer te koop met die beste verkope*	1	2	3	4	5
9. When I see a new cellular phone service provider, I often try it to see what it is like	1	2	3	4	5

As ek 'n nuwe selfoondiensverskaffer sien, probeer ek dit dikwels om te kyk hoe dit is					
10. I am very cautious in trying new cellular phone service providers *Ek is baie versigtig daarvoor om nuwe selfoondiensverskaffers te beproef*	1	2	3	4	5
11. I would rather wait for others to try a new cellular phone service provider than try it myself *Ek sal eerder vir ander mense wag om 'n nuwe selfoondiensverskaffer te beproef as om dit self te doen*	1	2	3	4	5
12. Investigating new cellular phone service providers is generally a waste of time *Om nuwe selfoondiensverskaffers te ondersoek is gewoonlik tydmors*	1	2	3	4	5

6. **Indicate how frequently you use your cellular phone for the functions listed below**.
Dui aan hoe dikwels u u selfoon gebruik vir die funksies wat hieronder aangedui word.

1 = never, 2 = once in a week, 3 = two to four times in a week, 4 = once in a day and 5 = more than once in a day.
1 = nooit, 2 = een maal per week, 3 = twee tot vier keer per week, 4 = een maal per dag, en 5 = meer as een maal per dag.

1. Local calling *Plaaslike oproepe*	1	2	3	4	5
2. Sending messages *Stuur boodskappe*	1	2	3	4	5
3. Sending pictures *Stuur foto's*	1	2	3	4	5
4. Updating sports/news *Sport/nuus opdateer*	1	2	3	4	5
5. Playing games *Speletjies speel*	1	2	3	4	5
6. Listening to music *Luister na musiek*	1	2	3	4	5
7. Watching movies *Kyk flieks*	1	2	3	4	5
8. Recording video clips *Video snitte opneem*	1	2	3	4	5
9. Photography *Neem foto's*	1	2	3	4	5
10. Data/pictures transferring *Oordra van data/foto's*	1	2	3	4	5

11. Storing important data *Stoor belangrike data*	1	2	3	4	5
12. Doing calculation *Doen berekeninge*	1	2	3	4	5
13. Organising your schedule *Organiseer u skedule*	1	2	3	4	5
14. Using the internet *Internetgebruik*	1	2	3	4	5
15. Sending and receiving email *Stuur en ontvang e-posse*	1	2	3	4	5
16. Navigating (mobile maps for driving directions) *Navigasie (mobiele kaarte met inligting oor bestuursroetes)*	1	2	3	4	5
17. Using mobile search features for movie listings, weather, stock quotes. *Gebruik mobiele soekfasiliteite vir fliek-evaluasies, die weer, aandelemark.*	1	2	3	4	5

Section C
Afdeling C

Indicate your response with a cross (X) next to the appropriate answer
Dui u antwoorde aan met 'n kruisie (X) teenoor die toepaslike antwoord

1. To what extent do you agree that the following statements reflect your cellular phone service provider brand?
In watter mate stem u saam dat die volgende stellings die handelsnaam ("brand") van u selfoondiensverskaffer reflekteer?

1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, and 5 = strongly agree
1 = stem glad nie saam nie, 2 = stem nie saam nie, 3 = onseker, 4= stem saam, en 5 stem heeltemal saam.

	1	2	3	4	5
1. I am satisfied with my chosen brand *Ek is tevrede met my gekose handelsnaam*	1	2	3	4	5
2. I would recommend this brand to others *Ek sal hierdie handelsnaam vir ander mense aanbeveel*	1	2	3	4	5
3. I will not switch this brand for another one *Ek sal nie hierdie handelsnaam vir 'n ander een omruil nie*	1	2	3	4	5
4. Only under extreme circumstances would I consider purchasing a brand different from the one I am using now *Ek sou dit slegs onder buitengewone omstandighede oorweeg om 'n ander handelsnaam te koop anders as die een wat ek nou gebruik*	1	2	3	4	5
5. This brand offers me good deals *Hierdie handelsnaam gee vir my goeie aanbiedings*	1	2	3	4	5
6. I trust this brand *Ek vertrou hierdie handelsnaam*	1	2	3	4	5
7. This brand is dependable *Hierdie handelsnaam is betroubaar*	1	2	3	4	5
8. I have a good experience with this brand *Ek het 'n goeie ervaring met hierdie handelsnaam*	1	2	3	4	5
9. I would be willing to pay a higher price for this brand compared to what competing brands charge *Ek sou bereid wees om 'n hoër prys vir hierdie handelsnaam te betaal in vergelyking met wat mededingende handelsname vra*	1	2	3	4	5

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2. **How important are the following statements about your brand of a cellular phone service provider to you?**
Hoe belangrik is die volgende stellings vir u oor die handelsnaam van 'n selfoondiensverskaffer?

1 = not at all important, 2 = not so important, 3 = neutral, 4 = fairly important , and 5 = very important
1 = glad nie belangrik nie. 2 = nie so belangrik nie, 3 = neutraal, 4 = effens belangrik, en 5 = baie belangrik.

	1	2	3	4	5
1. This brand has a modern look *Die handelsnaam het 'n moderne voorkoms*	1	2	3	4	5
2. The brand is visually appealing *Die handelsnaam is visueel aantreklik*	1	2	3	4	5
3. The brand delivers its promise on time *Die handelsnaam kom sy beloftes betyds na*	1	2	3	4	5
4. The brand performs the service right the first time *Die handelsnaam lewer die eerste keer die regte diens*	1	2	3	4	5
5. The personnel is always willing to help *Die personeel is altyd gewillig om te help*	1	2	3	4	5
6. The personnel attends to my complains *Die personeel gee aandag aan my klagtes*	1	2	3	4	5
7. The personnel behaviour instils confidence in me *Die personeel se gedrag wek my vertroue*	1	2	3	4	5
8. The personnel treats me as a special and valued client *Die personeel behandel my as 'n spesiale en gewaardeerde kliënt*	1	2	3	4	5
9. The personnel is neat and appropriately dressed *Die personeel se kleredrag is netjies en toepaslik*	1	2	3	4	5
10. The personnel has knowledge to answer my queries *Die personeel beskik oor kennis om my navrae te beantwoord*	1	2	3	4	5
11. The personnel has best the clients' best interests at heart *Die personeel dra die kliënte se beste belange op die hart*	1	2	3	4	5
12. The personnel understands the specific needs of clients *Die personeel verstaan spesifieke kliëntbehoeftes*	1	2	3	4	5
13. The brand meets my expectations *Die handelsnaam voldoen aan my verwagtinge*	1	2	3	4	5
14. The brand guarantees satisfaction *Die handelsnaam waarborg tevredenheid*	1	2	3	4	5
15. The brand is of high quality *Die handelsnaam is van 'n hoë gehalte*	1	2	3	4	5
16. The brand is concerned about continuously improving	1	2	3	4	5

performance quality *Die handelsnaam is besorg daaroor om voortdurend prestasiegehalte te verbeter*					
17. The physical facilities are visually appealing to me *Die fisiese fasiliteite is vir my visueel aantreklik*	1	2	3	4	5

3. **To what extent do you agree that the following statements reflect the brand of your cellular phone service provider?**
In watter mate stem u saam dat die volgende stellings die handelsnaam (brand) van u selfoondiensverskaffer reflekteer?

1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, and 5 = strongly agree
1 = stem glad nie saam nie, 2 = stem nie saam nie, 3 = onseker, 4= stem saam, en 5 stem heeltemal saam.

1. The brand reflects high status/the brand has a social status symbol *Die handelsnaam reflekteer hoë status/die handelsnaam het 'n hoë statussimbool*	1	2	3	4	5
2. The brand has a differentiated image from other brands/it is different from other brands *Die handelsnaam se beeld is gedifferensieer van ander handelsname/dit is anders as ander handelsname*	1	2	3	4	5
3. The brand makes me feel good about myself *Die handelsnaam laat my goed voel oor myself*	1	2	3	4	5
4. The brand is in line with my lifestyle *Die handelsmerk is in lyn met my lewensstyl*	1	2	3	4	5
5. The brand is fashionable *Die handelsnaam is in die mode*	1	2	3	4	5
6. I would consider this brand as a brand leader *Ek sou hierdie handelsnaam as 'n handelsnaam leier beskou*	1	2	3	4	5
7. The brand is worth the cost *Die handelsnaam is die koste werd*	1	2	3	4	5
8. The service of this brand is expensive *Die diens van hierdie handelsnaam is duur*	1	2	3	4	5
9. The brand is socially responsible *Die handelsnaam is sosiaal verantwoordelik*	1	2	3	4	5
10. The brand really cares about its clients *Die handelsmerk gee werklik om vir sy kliënte*	1	2	3	4	5

4. **To what extent do you agree that the following statements reflect the brand of your cellular phone service provider?**
In watter mate stem u saam dat die volgende stellings die handelsnaam (brand) van u selfoondiensverskaffer reflekteer?

1 = strongly disagree, 2 = disagree, 3 = uncertain, 4 = agree, and 5 = strongly agree

1 = stem glad nie saam nie, 2 = stem nie saam nie, 3 = onseker, 4= stem saam, en 5 stem heeltemal saam.

	1	2	3	4	5
1. I am very familiar with this brand *Ek is baie bekend met hierdie handelsnaam*	1	2	3	4	5
2. I can recognise this brand among competing brands *Ek kan hierdie handelsnaam tussen mededingende handelsname herken*	1	2	3	4	5
3. Some characteristics of this brand come to mind quickly *Ek kan baie vinnig aan party van hierdie handelsnaam se eienskappe dink*	1	2	3	4	5
4. I know what this brand looks like *Ek weet hoe hierdie handelsnaam lyk*	1	2	3	4	5
5. When I think of a cellular phone, this brand comes to mind *As ek oor 'n selfoon dink, kom hierdie handelsnaam in my gedagtes op*	1	2	3	4	5

THANK YOU for your participation.
DANKIE vir u deelname.

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