CUSTOMER RETENTION STRATEGIES IN THE SOUTH AFRICAN MOBILE PHONE NETWORK INDUSTRY

By

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DECLARATION

I declare that '**Customer Retention Strategies in the South African Mobile Phone Network Industry'** is my own original work and that all sources I have used or quoted have been indicated and acknowledged by means of complete references.

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M.E. Molapo Date

DEDICATION

To my late parents, Tshediso Esau Molapo and Disebo Eliza Moduka, who patiently waited but never lived to see their dreams come true. Your inspiration and perpetual encouragement carried me through.

REMARKS

The researcher wishes to bring the following to the attention of the reader:

- The thesis followed the referencing and editorial style prescribed by Elsevier Harvard (with titles). This is as stipulated in the postgraduate research guide for scientific documents in the Faculty of Economic and Management Sciences at the University of the Free State.
- Zotero, referencing assisting software, will be used to insert in-text references and the bibliography.

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ABSTRACT

Customer retention in business is important to increase market share and profits. To retain customers in a competitive business environment, a set of marketing mix strategies, comprising of product, process, price, people, promotion, place and physical evidence (commonly known as the 7Ps), are usually employed. This study investigated the influence of the individual marketing mix strategies on customer retention in the mobile phone network industry. Customer retention was determined by customers’ subscriptions to a particular network who had no intention to switch to another network. Using self-administered questionnaires, data was collected from a sample of 479 respondents at three campuses representing two tertiary institutions (University of the Free State and two Maluti Technical and Vocational Education and Training (TVET) Colleges situated in the eastern Free State in South Africa). Cross tabulations, the Chi-Squared Test for Independence of Association, the Bivariate Chi-Squared Test and the Probit Model analysis were used to analyse the data.

Cross tabulations provided information on the demographic statistics of respondents. A two-way classification Chi-Squared Test for Independence of Association showed that the observed differences in subscription between males and females for all the networks were not statistically different ($p > 0.05$), implying that network subscription and gender are independent of each other. However, network subscription and subscription preferences were significantly not independent of each other, with a strong bias towards prepaid subscription. In all the networks combined, 32.7% of the respondents were employed on part-time basis, with all the networks dominated by respondents in the R1-1500 income category. With the exception of Virgin Mobile where the dominant age category was 18-21 years, all the other mobile phone networks were consistently dominated by respondents in the 22-25 year age category.

The study also showed that the marketing mix variables do not influence subscriptions or retention to an equal extent. Among the 7Ps, the Bivariate Chi-Squared analysis showed that retention of subscribers is significantly and positively influenced by product ($p < 0.01$), place ($p < 0.05$), people ($p < 0.01$), price ($p < 0.01$) and promotion ($p < 0.01$) in all networks, however process and physical evidence did not significantly encourage the use of networks by subscribers. As additional variables, satisfaction, corporate social responsibility and

opinion leadership were also found to positively influence retention, with the former two being significant. The Probit Model analysis revealed that product and people significantly influenced the usage for Vodacom, with the former encouraging the usage and the latter the opposite. Product and process were the only two marketing mix variables found to positively and significantly influence retention in MTN ($p < 0.01$ and $p < 0.1$, respectively). For Cell C, only price was found to be highly significantly in positively influencing retention ($p < 0.1$). For Telkom Mobile (8ta) and Virgin Mobile, price, product and process significantly and positively influenced retention ($p < 0.01$, $p < 0.1$ and $p < 0.1$, respectively). Corporate social responsibility was found to significantly increase customer retention for Vodacom ($p < 0.1$) and Telkom-Virgin Mobile ($p < 0.05$). Satisfaction significantly increased customer retention in Vodacom ($p < 0.01$), MTN ($p < 0.1$) and Cell C ($p < 0.01$), but significantly reduced it in Telkom-Virgin Mobile ($p < 0.01$). Opinion leadership, on the other hand, increased retention of subscribers in all the networks, but was not significant ($p > 0.05$).

On the basis of these findings and the competitive strategies recently employed by these mobile phone networks as detailed in media reports, recommendations ranging from mergers and increased product innovations to improved customer care, geographic market expansion, increased retail channels and lowered prices are made to ensure the survival of the networks in this highly competitive industry.

OPSOMMING

Ten einde markaandele en –profyt in sakeondernemings te laat styg, is dit belangrik om kliënte te behou. Om kliënte in ’n kompeterende sakeomgewing te behou, moet ’n stel gemengde strategieë soos produk, proses, prys, persone, promosies, plek en praktiese bewyse (algemeen bekend as die 7Ps) gewoonlik ontplooi word. Hierdie studie ondersoek die invloed van individueel gemengde bemarkingstrategieë op kliëntebehoud in die selfoonnetwerkbedryf. Kliëntebehoud is deur kliënte se aansluiting by ’n spesifieke netwerk bepaal sonder die intensie om na ’n ander netwerk oor te skakel. Deur gebruik te maak van selfgeadministreerde vraelyste is data van 479 respondente aan drie kampusse van twee tersiêre instansies (die Universiteit van die Vrystaat en twee Maluti VOO-Kolleges) wat in die Oos-Vrystaat van Suid-Afrika geleë is, versamel. Kruistabellerings, Chi-kwadraattoetse vir Onafhanklikheid van Assosiasie, Tweerigting Chi-kwadraattoetse en die Probit Modelanalises is gebruik om die data te analiseer.

Kruistabellerings het inligting aangaande die demografiese statistieke van respondente voorsien. ’n Tweerigtingklassifikasie Chi-kwadraattoets vir Onafhanklikheid van Assosiasie het getoon dat die waargenome verskille in aansluiting tussen mans en vrouens vir al die netwerke nie statisties verskillend was nie ($p>0.05$), wat impliseer dat netwerkaansluiting en geslag onafhanklik van mekaar is. Tog was netwerkaansluiting en aansluitingsvoorkeure weer beduidend afhanklik van mekaar, met ’n sterk voorkeur tot voorafbetaalde aansluiting. In al die netwerke tesame, was 32.7% van die respondente deeltyds in diens en is al die netwerke deur respondente in die R1-1500 inkomstekategorie gedomineer. Behalwe vir Virgin Mobile waar die dominante ouderdomskategorie 18-21 jaar was, is al die ander selfoonnetwerke konstant deur respondente in die 22-25 jaar ouderdomskategorie gedomineer.

Die studie het ook getoon dat die gemengde bemarkingsveranderlikes nie aansluitings of behoud in dieselfde mate beïnvloed nie. As deel van die 7Ps, het die Tweerigting Chi-kwadraatanalise getoon dat die behoud van intekenaars beduidend en positief deur produk ($p<0.01$), plek ($p<0.05$), persone ($p<0.01$), prys ($p<0.01$) en promosie ($p<0.01$) in al die netwerke beïnvloed is. Tog het proses en praktiese bewyse nie die gebruik van netwerke deur

intekenaars beduidend aangemoedig nie. As bykomende veranderlikes is gevind dat bevrediging, korporatiewe sosiale verantwoordelikheid en opinie-leierskap kliëntebehoud positief invloed het, met die eersgenoemde twee beduidend. Die Probit Modelanalise het onthul dat produk en persone die gebruik van Vodacom beduidend beïnvloed, met die eersgenoemde wat die gebruik aanmoedig en die laasgenoemde die teenoorgestelde. Produk en proses was die enigste twee gemengde bemarkingsveranderlikes wat kliëntebehoud positief en beduidend in MTN beïnvloed het ($p<0.01$ en $p<0.1$ respektiewelik). Vir Cell-C was dit net prys wat hoogsbeduidend was om kliëntebehoud positief te beïnvloed ($p<0.1$). Vir Telkom Mobile (8ta) en Virgin Mobile het produk en proses kliëntebehoud beduidend en positief beïnvloed($p<o.01$ en $p <0.1$) respektiewelik). Daar is bevind dat korporatiewe sosiale verantwoordelikheid kliëntebehoud beduidend verhoog het vir Vodacom ($p < 0.1$) en vir Telkom-Virgin Mobile ($p<0.05$). Bevrediging het kliëntebehoud beduidend verhoog in Vodacom ($p < 0.01$), MTN ($p < 0.1$) en Cell C ($p < 0.01$), maar beduidend verlaag in Telkom-Virgin Mobile ($p < 0.01$). Opinie-leierskap aan die ander kant het kliëntebehoud vir intekenaars op al die netwerke verhoog, maar dit was nie beduidend nie ($p<0.05$).

Op grond van hierdie bevindinge en kompeterende strategieë wat onlangs deur hierdie selfoonnetwerke ontplooi is volgens gedetailleerde mediaverslae, is aanbevelings gemaak wat wissel van samesmeltings, verhoogde produkinnoverings, verbeterde kliëntesorg, geografiese markuitbreiding, verhoogde kleinhandelskanale en verlaagde pryse om die oorlewing van die netwerke in hierdie hoogs kompeterende bedryf te verseker.

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LIST OF ACRONYMS

Cell C	Cellstar Cellular Networks
CIM	Chartered Institute of Marketing
CSR	Corporate Social Responsibility
ICASA	Independent Communications Authority of South Africa
MNO	Mobile Network Operators
MTN	Mobile Telephone Network
MTR	Mobile Termination Rates
OLS	Ordinary Least Squares
SA	South Africa
SAPT	South African Posts and Telecommunications
SP	Service Providers
TVET	Technical and Vocational Education and Training
RICA	Regulation of Interception of Communication Act
USA	United States of America
USD	United States Dollar
VMSA	Virgin Mobile South Africa
WASP	Wireless Application Service Providers
ZAR	South African Rand

CHAPTER ONE: INTRODUCTION

1.1 Introduction

The concept of marketing mix strategies is widely recognised in theory and some empirical studies as one of the most important tools to grow a business and retain customers. Companies have previously lavished more resources on attracting new customers than on satisfying old customers, yet in today's low growth and highly competitive marketplace, companies are putting more effort into keeping existing customers by using effective relationship strategy planning, including retention and loyalty strategies (Sheth & Sisodia, 2012: 44).

Recent research studies showed that in order for firms to survive, let alone grow, they have to acquire and then retain profitable customers (Boshoff, 2006: 3-4; Gee, Coates & Nicholson, 2008: 359). Customer retention is not only a cost effective and profitable strategy in today's business world, but is also a necessity for business sustainability. Customer retention has gained increasing attention from both practitioners and scholars in the field of services marketing. Marketers can better cultivate relationships with existing customers in these ways: designing an optimal customer portfolio, formulating a special marketing mix, and modifying the marketing organisation. There should be a balance of efforts between winning new customers and retaining old ones.

Achieving this balance has placed tremendous pressure on marketing professionals and practitioners to consider all aspects of marketing, which eventually leads to the development of the marketing mix concept. Successful marketing therefore depends on optimising all the marketing mix elements, which consist of product, price, place, promotion, people, physical evidence and process. These are commonly known as the 7Ps in the service industries. Although there are known standard customer retention strategies that are used in the field of marketing in general, the marketing mix provide a conduit which is critical in maximizing customer retention (Ahmad & Buttle, 2001:31)

Unfortunately many businesses are still struggling to optimise the implementation of all these marketing mix strategies, and as a result, fail to take advantage of the associated growth benefits. Media reports have shown that this is the case in some of the South African mobile phone networks, especially those that have recently entered the market. This study tries to quantify the effectiveness of these marketing mix strategies in the South African mobile phone network industry, and explore ways in which these can be optimised for the networks to reap maximum benefits. Therefore, the effectiveness of the marketing mix will be evaluated from perspective of customers.

1.2 Background

1.2.1 History of telecommunications in South Africa

Historically, South African Posts and Telecommunications (SAPT) held a monopoly in the postal and telecommunications services and were managed by the Ministry of Transport and Communications. It was a system fraught by a lack of income and operating capital as the government was offering utilities at a lower cost, which in turn led to a growing deficit. In 1989, when only landline phones were available, approximately 45.4% of the population had access to service lines. Telkom was the company owned and run by the government to provide phone services, amongst other things, to the country (Sutherland, 2014: 7).

After the first democratic elections in South Africa in 1994, two mobile phone network providers were given a license to operate: Vodacom and Mobile Telephone Network (MTN). The third major mobile phone operator, Cellstar Mobile Phone Networks (Cell C), came much later in 2001. In 2006 Cell C joined up with Virgin Mobile in a bid to expand its operations, although in early 2011, Cell C sold its shares to Virgin Mobile. In 2010 Telkom launched Telkom Mobile (formally 8ta), which will operate using the MTN network until Telkom is able to set up its own (Pau, 2014: 131).

The three main entities in the mobile industry in South Africa are mobile network operators (MNOs), service providers (SPs) and wireless application service providers (WASPs) (Gilham & Van Belle, 2005: 23). MNOs are responsible for the overall management of the network. The MNOs in the South African market are Vodacom, MTN, Cell C, Virgin Mobile (Ndlovu, 2011: 38) and the most recently added, Telkom Mobile. Since Virgin Mobile is a recent addition to the market, data related to its market share are not yet available. SPs are the retailers of mobile products such as mobile phones, prepaid vouchers and contracts. They are also responsible for the billing of contract subscribers. WASPs create host and market mobile content services, and are dependent on SPs and MNOs as they provide the infrastructure and customer relationship.

1.2.2 Background of the South African mobile phone network providers

1.2.2.1 Vodacom South Africa

Vodacom's initial projection was a very conservative goal of a quarter of a million subscribers in ten years. They linked up with Siemens and Alcatel to supply them with mobile phones. In its first month of operations Vodacom gained approximately 50 000 subscribers, which after five months had grown to a client base of 100 000 subscribers (Koutras, 2009: 24).

To date Vodacom has more than 5.5 million subscribers, which is a far cry from their expectations in 1994. This was achieved by offering one of the cheapest mobile phone prices in the world (Koutras, 2009: 25–27). One of their strategies in promoting their cheap phones was personal safety; they pushed the use of mobile phones to fight crime, especially car thefts and hijacking. They were also first to offer a fax service linked to mobile phones and a prepaid internet card. Through their prepaid plans, they have been able to tap into a marginal market that would have never been able to otherwise afford a mobile phone.

1.2.2.2 MTN South Africa

MTN South Africa is part of a larger group known as the MTN Group, which has more than 152 million subscribers in Africa as well as the Middle East. It is estimated that MTN has cornered 37% of South African mobile phone network subscriptions, with more than 20 million subscribers in South Africa alone. MTN is recognised for starting the pre-paid credits for mobile phone subscriptions. They were also the pioneers in a tax billing system known as the MTN Zone. When they launched this, their subscriber platform rose to 17 million because it became more affordable to own and maintain a mobile phone (Pau, 2014: 132).

MTN is quite unique in their commitment to community development, which can be seen in the promotion of their green awareness campaign and their active participation in national sports and music sponsorships.

1.2.2.3 Cell C South Africa

Cell C's competitive advantage is innovation and service. Within a short period, they were able to attract 8.2 million subscribers. In 2010 they introduced a dual band network, the first in South Africa. Their new network system expanded and covered almost 92% of the country's population. Cell C offers pre-paid and contract plans, and have teamed up with Red Bull one of the top brands in Asia. With Cell C, they have launched a mobile service which conveniently allows subscribers access to sports, news, entertainment and special events (Pau, 2014: 134).

1.3 Problem statement

The South African mobile phone network industry has become highly competitive. Since their inception in 1994, Vodacom and MTN dominated the market and competition was limited to these two network giants. As a result of this early market entry, accompanied by a large market share of subscriptions, the two networks have always had the advantage of economies of scale which afford them huge financial revenues. This scenario presents a challenge to the three networks (Cell C, Telkom Mobile and Virgin Mobile) that have more recently entered the market. Their struggle to win subscribers and grow their market share has resulted in them having to lower prices to such an extent that their survival is threatened. Lean profits make these networks unsustainable and therefore weak market competitors. Appropriate recommendations will be made to ensure that all the networks optimise their use of marketing mix strategies.

1.2.2.4 Telkom Mobile and Virgin Mobile

Launched in 2010, Telkom Mobile grew immensely. Its growth is attributed to having emerged from Telkom, which is an established fixed telecommunication network in South Africa. In 2013 Telkom launched 8ta. 8ta is now known as Telkom Mobile. Telkom Mobile is already in use in the business market while the Telkom Mobile brand is targeted at the consumer market. Despite having managed to distinguish itself in data, with low price, high volume deals and access to Wi-Fi. Telkom Mobile has a unique marketing approach in its market segmentation, with its brand structured to appeal to younger subscribers who tended to spend less. As the participants in this study comprised exclusively of youth from tertiary institutions, having "youth dominance" in the Telkom Mobile sample could not be tested. However, focusing on a particular target market and adding appropriate value, Telkom can make additional revenues (Maake, 2014: 6).

Virgin Mobile South Africa (VMSA) was a joint venture between Sir Richard Branson's Virgin Group and Cell C. In 2011 Cell C's 50% stake in Virgin Mobile was sold to Virgin Group of the UK and Calico Investments of the Bahamas. With their relatively new market entrance in South Africa, the two networks are experiencing a slow growth phase, which is attributed to tough competition from the established cell phone network providers. Since Virgin Mobile and Telkom Mobile are recent additions to the market, information relating to these networks is still limited (Pau, 2014: 134–135) .

1.2.2.5 Challenges in the South African mobile phone network industry

As with any other business industry, the South African mobile phone network industry has not been without its challenges, including growing competitiveness. Since Vodacom and MTN were the cell phone network pioneers in the new democratic South Africa, the two network providers enjoy a high market share of subscribers, presenting a serious growth challenge to the late market entrants. As a result, these networks have been employing varying marketing strategies, which this study aims to evaluate (Aker & Mbiti, 2010: 222).

Given this situation, the research collected and analysed information from students at two learning institutions in the eastern Free State, with the purpose of gauging their perceptions and experiences with regard to the effectiveness of the marketing mix and other competitive strategies employed by the five mobile phone networks to retain their subscribers.

The research therefore primarily involved requesting students at the three campuses to individually and confidentially respond to a questionnaire capturing their perceptions on the marketing mix and additional strategies. The questionnaire attached in Appendix B of this thesis was the research instrument.

1.4 Objectives of the study

1.4.1 Primary objective

The primary objective of this study is to investigate the influence and effectiveness of the marketing mix and other selected strategies in the retention of subscribers in the South African mobile phone network industry.

1.4.2 Secondary objectives

- To gain in-depth information about the South African mobile phone service industry.
- To review literature on retention strategies employed by the mobile phone networks in South Africa
- To determine the extent to which marketing mix and other selected strategies positively influence retention of subscribers in the South African mobile phone network industry.
- To determine the extent to which the marketing mix and other selected strategies negatively influence retention of subscribers in the South African mobile phone network industry.
- To make recommendations on how the networks can optimise the use of their marketing mix strategies for retaining customers.

1.5 Research questions

Based on the stated objectives, the research was designed to address the following questions:

- To what extent do marketing mix and other selected strategies positively influence the retention of subscribers in the South African mobile phone network industry?

- To what extent do marketing mix and other selected strategies negatively influence the retention of subscribers in the South African mobile phone network industry?
- What recommendations, if any, can be made in relation to how the networks can optimise the use of their marketing mix strategies in the retention of subscribers?

1.6 Significance of the study

Firstly, from an academic perspective, the study contributes to the body of existing knowledge in marketing management, with a specific interest in the marketing mix strategies in the services industry for enhancing customer retention. It is hoped that this study will provide a basis for further academic research into the effective and balanced use of these strategies to achieve growth.

Secondly, from a professional perspective, the study is significant as an empirical basis for making recommendations on how to effectively employ these retention strategies, especially in the competitive business environment.

1.7 Hypothesis

In line with the objectives, the following hypotheses were developed for this study:

- Null hypothesis: Not all the marketing mix variables similarly and significantly influence subscriber retention in their respective networks.
- Alternative hypothesis: All the marketing mix variables similarly and significantly influence subscriber retention in their respective networks.

1.8 Chapter organization

Chapter 1: Introduction

This chapter looked at five sub-sections namely: introduction to the study; background and research problem statement; the primary and secondary objectives of the study; research questions; and the significance of the study.

Chapter 2: Overview of the South African mobile phone service industry

This chapter provides an overview of the South African mobile phone service industry.

Chapter 3: Literature review on customer retention in the South African mobile phone network industry

This chapter focuses on the literature on customer retention in the South African mobile phone network industry.

Chapter 4: Research methodology

This chapter covers the research design and methodology. It provides details of the quantitative methodology used in the study, outlines the sampling strategy and data collection process, and describes the data collection tool (questionnaire).

Chapter 5: Empirical results

This chapter presents the results and findings of the study, presenting tables and graphs depicting various results. The researcher also provides analyses and interpretations of the findings. All the analyses and interpretations on the results from this study are made in the context of the research objectives and questions.

Chapter 6: Discussions and recommendations

Based on the results presented in chapter 5, this chapter provides a broad overview of the marketing and competitive strategies currently employed by the mobile phone networks. It also provides recommendations to individual networks on which marketing mix strategies they can employ to give them competitive advantage. Further, this chapter covers the external factors that influence the industry which managers need to be aware of. Finally, some recommendations for future studies are made.

CHAPTER TWO: AN OVERVIEW OF THE SOUTH AFRICAN MOBILE SERVICE INDUSTRY

2.1 Introduction

In this chapter, the service industry is reviewed and the theory of the service industry is explored. The main purpose of reviewing the literature was to locate the current study within the existing body of knowledge. As the mobile phone industry falls under the mobile service industry, the theory that was reviewed relates to the marketing of services. The nature of a service is discussed in order to make a distinction between the definition of a service from that of a product. The third discussion is on the marketing of services, particularly focusing on the marketing mix variables, i.e. the 7Ps. The history of the marketing mix variables is also reviewed in this discussion, as is the management of service failure and recovery. Finally, the models of service quality are discussed extensively.

2.2 Services in general

Services marketing refers to any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything (Boulding, *et al.*, 2005:158). Rao (2011: 129) referred to services marketing as the inclusion of all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms that are essentially intangible for its first purchaser, such as amusement, convenience, timeliness and comfort. Services are intangible, although a demarcation between the tangibility and the intangibility of services is not easy to draw. According to Rao (2011: 131), a service is an intangible and quickly perishable activity which takes place in an interaction process that aims to create customer satisfaction, but does not lead to any material possession. Goldenberg (2005: 16), however, argued that the intangibility of services and their chain of heterogeneous activities are simultaneously produced, distributed and consumed. This is typical of services provided by the mobile phone networks in South Africa.

Because of the uniqueness of service attributes, specifically intangibility and the inseparability of production and consumption, customers' evaluations often gives negative results. In this context, service refers to deeds, processes, and performances (Spohrer & Maglio, 2008: 238). On the other hand, Slang *et al*., (2007: 619) argued that in the service sector a company's worth is determined by two dynamics, namely: the first dynamic is the organisation's potential to acquire and retain customers who want good service. The second dynamic follows the first one in that if the business is to sell or make profit, the business has to increase the customer's portfolio of purchases or to upgrade up-selling and cross-selling. Tokman, Davis, and Lemon (2007: 49) argue that businesses that render services similar to their competitors do that in a differentiated way. In cases where the businesses social capital is high with its customers, their customers tend to focus more on the perception of special treatment than the benefits of the service the business wants to offer in their assessment of the value of services offered.

For example, teaching is a service though at times the service can be of a tangible nature such as teaching students how a new self-service copy machine at Xerox works. Thus the key distinction between products and services is that customers usually derive value from the services without obtaining permanent ownership of any tangible elements. On the other hand, a service culture can be described as a culture where an appreciation for good service exists, and where giving good service to internal as well as ultimate, external customers is considered by everyone to be a natural way of life and one of the most important values (Du Plessis, *et al.*, 2012, 378).

The mobile phone industry provides services in two significant flows. The first flow is the coverage to individuals and businesses, while the second is the creation of programmes for the businesses. The industry therefore has two sets of customers that they serve: individuals who want to communicate with one another and businesses who need specific programmes that are designed for them to distribute their products effectively, using the coverage provided by the mobile phone network providers such as mobile phone banking, which is mainly used by the banking industry and their clients.

It is apparent that few services are without a tangible element and few products do not include a service component (Bei & Chiao, 2006: 164). Although it was stated earlier that a mobile phone network industry offers intangible elements, there is coverage for communicators and the design of programmes for businesses to complement the traditional way of buying and selling products. The mobile phone network industry might have other tangible products that accompany the services they offer, for example mobile phones, micro-sim cards, mobile phone pouches and websites, however the tangible services are only provided in conjunction with the intangible service.

2.3 Services and the marketing mix

Services require the adaptation of the marketing mix in order to ensure customer retention. The marketing mix went through different transitional stages. Initially, there were 15Ps Product/service, price, promotion, place, people, politics, public relations, probe, partition, prioritise, position, profit, plan, performance and positive implementations. The second step was to cut out three variables that were perceived unnecessary, hence the 12 marketing mix variables; product planning, pricing, branding, channel of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact-finding and analysis (Little & Marandi, 2003: 10). The marketing mix was further simplified into four ingredients from the twelve ingredients, namely; Product, Price, Place and Promotion which are perceived as the traditional marketing mix (4Ps). However, the traditional mix were later criticised because of being too narrow by Goi (2009: 2) arguing that the marketing mix is merely a list of variables which are not defining or describing the customer retention as a phenomenon. As a result the list looked as follows; 5Ps Product, price, promotion, place and people, then later 6Ps; Product, price, promotion, place, political power and public-opinion formation. Lastly the focus moved to adding one more ingredient to come up with the 7Ps Product, price, promotion, place, participants, physical evidence and process (Little & Marandi, 2003: 10).

Therefore, the traditional marketing mix are also known as the 4Ps to include additional marketing tools (people for participants, physical evidence and process) to form what is termed the services marketing mix variables or the 7Ps.

Product is regarded as the heart of the marketing mix because nothing can be done before the product is first produced. It is therefore hard to design a distribution strategy, decide on an advertising campaign or even set a price without knowing the product to be marketed. The product can be a tangible product, a service or both. It includes the packaging, warranty, after-sales service, brand name, brand image, value and many other factors (Lamb *et al*., 2008: 455). For example, Vodacom offers talking points, bulk purchases, call backs, mobile phone banking, balance checks and Yebo4less, which had attracted 4.8 million customers by 2013 (Pan, 2009: 51). On the other hand, MTN offers products such as MTN Zone and Cell C offers 100% off peak periods such as weekends (mahala calls).

Place (distribution) is concerned with making products available when and where customers want them. The main purpose of a distribution strategy is to make sure products arrive in a usable condition at designated places when needed. For example, the place, for the purpose of this study, is looked at from the network coverage's point of view. For networks to deliver the service, they need the coverage. Delivery of an intangible service such as using mobile phones is measured by network coverage.

Promotion (marketing communication strategy) includes personal selling, advertising, sales promotions and public relations. The role of promotion in the marketing mix is to bring about mutually satisfying exchanges with target markets by informing, educating, persuading and reminding the target markets about the benefits of the firm or a product. Advertising campaigns like those used by Vodacom with its 'Jan and Elton' campaign can dramatically increase sales. For example, Vodacom, Cell C, Virgin Mobile, Telkom Mobile and MTN advertise their products on television, billboards, newspapers and many other media channels. Vodacom sponsors soccer, rugby, cricket and so on. MTN sponsors soccer, talk shows, tennis and many other activities as part of the social responsibility. Telkom Mobile sponsors football such as Telkom knock outs, Cell C sponsors soccer etc. Virgin Mobile little is known on it. Although this is part of the businesses' corporate social responsibility, they do a lot of promotion in the process.

Price is what a buyer must give up to obtain a product. It is often the most flexible of the four elements of the marketing mix in the sense that it is the quickest element to change; marketers can raise or lower prices more frequently and easily than changing other marketing mix variables. The mobile termination rates (MTR) for all the networks dropped to 40 cents (ZAR) per minute in March 2013, which shook the networks - especially the smaller ones. The South African basket price dropped during that period from USD16.6 to USD12.6. Only Virgin Mobile seemed not to be engaged in a price battle, having made no adjustment to any of its prices since 2011. All other networks either lowered or introduced cheaper products. Both MTN and Vodacom introduced a two cents per second billing product; this was MTN's first time lowering their prices, which happened to still be higher than the cheapest products from Cell C and Telkom Mobile (two cents per second is equivalent to ZAR 1.20 per minute, compared to Cell C's 99 cents and Telkom Mobile's 95 cents per minute). Price appeals to consumers as they prefer to pay less for services provided in everyday life (Koutras, 2009: 42–45).

People are regarded as human actors who play a part in service delivery and thus influence the customer's perception; customers may judge the delivery of a service based on the people representing the organisation. This is because people, namely other consumers or employees, are one of the few elements that customers can see and therefore interact with. For example, the behaviour of an employee of a mobile phone network, either publicly or privately, sends some form of a message to the customer. This is because in the eyes of the customer, the employee, for example a call centre consultant for a mobile phone network, is the network itself. Sales representatives at the mobile phone network's outlets should thus be trained to acquire appropriate interpersonal skills, aptitude, and service knowledge in order to deliver a quality service, as they interact closely with customers whenever they visit the mobile phone network shops. All the networks have call centres and trained consultants who help people with their queries and problems, as well as shops that sell their products; in short, customer care plays a pivotal role in customer retention.

The physical environment is the place where the service is delivered and where the company and customer interact. The environment includes tangible components that translate the performance or communication of the service. For example, the handset pouches from any of the mobile phone networks, websites that can provide the customer with the information on the businesses service offerings. At times the physical environment can go to the extent of including the physical facility where the service is offered, however in the case of the mobile phone network industry, communication between the sender and receiver is mainly based on the availability of the network coverage.

Other tangible representations such as billboards, magazines and brochures help to enhance the image of mobile phone network providers, especially the call centres and the websites that allow visitors to ask for the products they want without the frustration of visiting physical outlets.

Process means the system that is used to deliver the service, which involves the operating system of procedures, mechanisms and flow of activities in which services are consumed. The mobile phone networks pride themselves with things such as the billing system that their networks provide subscriptions for both pre-paid and contract customers. Pre-paid customers refer to those who buy airtime every time they want to make a call or send a message. On the other hand, contract customers pay at the end of the month not every time they want to communicate.

2.4 Management of service failure

Service failure can be explained as the inability to meet the pre-expectation of customers pertaining to the standard of service delivery (Petzer & Steyn, 2006: 165). Another research by Mostert, Meyer and Rensburg (2009: 122) defines service failure as delivery in dealing with the organisation. However, Yunus (2009: 213) argues that the most common factor in service failure can be the nature of service product themselves, which increases the likelihood of errors in service failures and calls for service recovery. Petzer, Steyn and Mostert (2009: 281) cautions organisations that service failure leads to a negative customer experience, which will result in a negative perception of the business by the customer and ultimately to defection. Petzer *et al.* (2009: 4) looked at the service failure from the customers' point of view and arrived at the conclusion that it is when something has gone wrong with regard to the service rendered or offered that service failure occurs. Therefore, service failure occurs when organisations fail to meet customers' expectations. However, Mostert *et al.* (2009: 119) argued that customers experience service failure due to internal or external mistakes, or disruptions during service delivery, therefore it is important for organisations to understand how customers respond to service failures and design retention strategies that help firms to grow.

In addition, Mostert *et al.* (2009: 119) added that the response to service failure can give an organisation a competitive advantage, as it can restore satisfaction and enhance loyalty. On the other hand, it can worsen the situation by pushing customers into the hands of the competitors. Yunus (2009: 214) agreed that giving solutions to customers' problems effectively has a great impact on the satisfaction of the customer and ultimately on customer loyalty. Customers who experience service failure and get satisfying resolution from an organisation's recovery efforts are more loyal than customers with unresolved problems, despite an organisation's numerous efforts to satisfy them. Bolton *et al.* (2007: 3) contended that even in the face of an organisation's failure, customers who have a good experience with the offending organisation are less likely to defect. Even though customers and organisations might aim for flawless service delivery, it is impossible to receive and give such service delivery due to human involvement - both in production and consumption (Mostert *et al.*, 2009: 122). Wilson, Zeithaml and Valarie (2012) added that in times of service failure customers' responses differ, as illustrated in Figure 2.1.

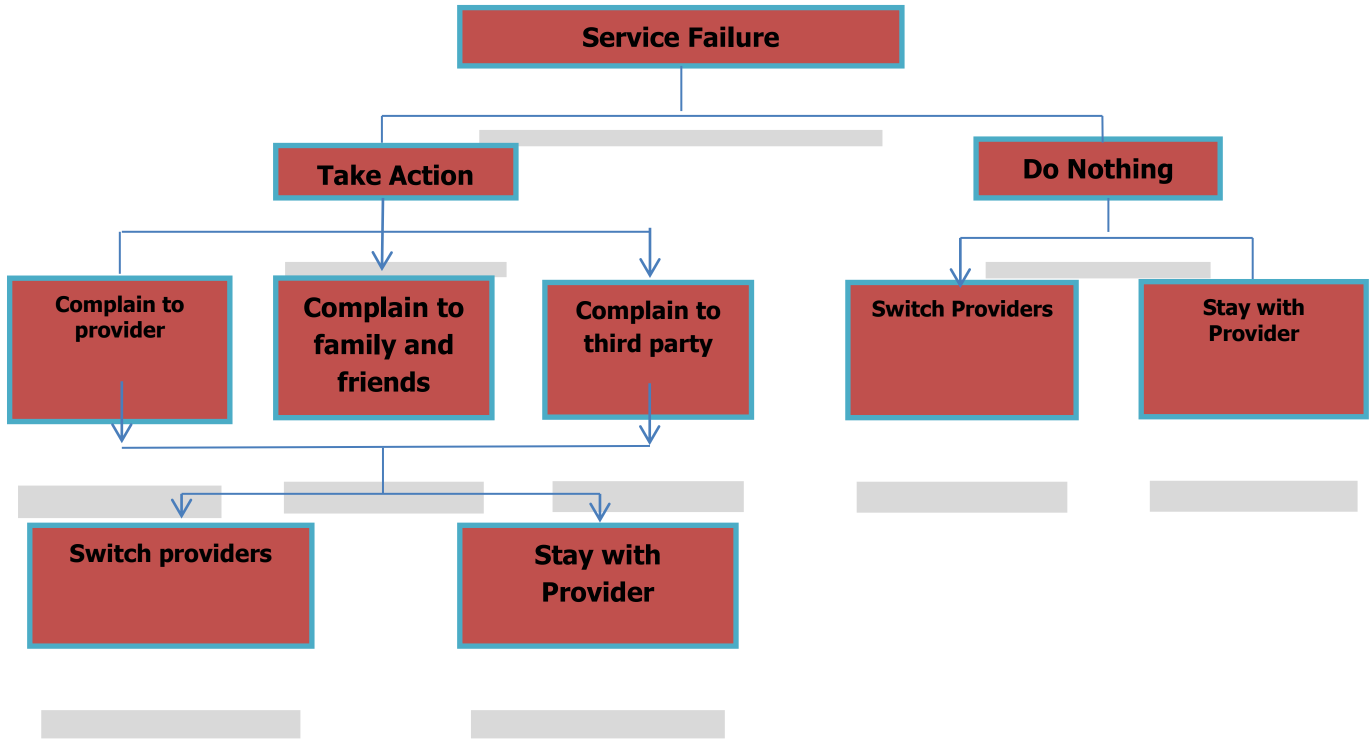

Figure 2.1: How customers respond to service failure

Source: Adapted from Wilson *et al.* (2012)

From the diagram it can be seen that whenever a service failure occurs, customer reactions will differ depending on the level of their dissatisfaction and sophistication. This means that some customers will send a complaint to the organisation while others might choose to do nothing, which is the most threatening decision for the organisation as such customers could immediately decide to switch suppliers.

As noted below, a number of customer actions and complaints can result from service failure. Customer actions include:

- A customer can choose to complain on the spot to the service provider, giving the organisation a chance to rectify the problem immediately.
- A customer might not complain immediately and rather choose to complain later, either in writing or by calling. The organisation thus still has a chance to win back the customer.
- A customer might choose not to complain directly to the service provider, but rather spread a negative message to friends, relatives and co-workers. In this case an organisation has no chance to recover unless it gets rid of the negative message.
- A customer may choose to complain to third parties such as the South African Bureau of Standards, a Better Business Bureau, consumer affairs, arms of the Government, licensing authorities or a private attorney (Tax and Brown, 2012: 122).

It is of paramount importance for a company to understand service failure, especially with regards to the marketing mixes at its disposal. In this study, effectiveness of marketing mix variables in the usage of networks is put into perspective.

Types of complainers include:

- Passives: this customer group is least likely to complain as compared to irates and activists, because they believe complaining does not merit their time and effort. Complaining goes against their norms and personal values and they are also the least likely to spread negative sentiments via word of mouth.
- Voicers: this customer group actively voices out their complaints to the service provider with the hope that they will be addressed, as their norms greatly influence them in launching their grievances. They do not believe in spreading negative

sentiments via word of mouth or complaining to third parties as compared to the irates and activists. Furthermore, this group believes complaining yields social benefits as they are regarded as the organisation's best friends.

- Irates: this customer group is more likely to complain through negative word of mouth sentiments to relatives and friends, however they are unlikely to complain to third parties and only on average do they complain to their service provider. Therefore, they will just switch to a competitor immediately with friends and relatives.
- Activists: this group of customers complain across all dimensions, including to the provider, others, and third parties, because complaining fits with their personal norms. They take complains to the extreme measures in soliciting others to also lodge their complaints.

According to Wilson *et al*. (2012: 170), it can be argued that the reasons why customers complain vary from person to person. Some believe and hope for compensation in some form for any service failure; they believe that fair treatment and good service are their right and organisations should offer good remedies. On the other hand, they feel the urge to complain as a way of helping others to avoid similar situations and to punish the service provider. Meanwhile, some customers do not complain due to a lack of knowledge of which channels to pursue.

2.5 Service recovery

According to Petzer and Steyn (2006: 167), service failure serves as a basis for service recovery, meaning service recovery can only occur once a service failure has occurred. Mostert *et al*. (2009: 123) defined service recovery as an action taken by an organisation in response to service failure in order to change customer dissatisfaction to satisfaction and ultimately to retain those customers. Petzer and Steyn (2006: 168) defined service recovery as a step taken by the organisation in response to service failure, however Yunus (2009: 215) added that the organisation's goal for pursuing service recovery is to maintain healthy relationships with customers. There are two elements that influence the fairness of the process of service recovery, namely:

- Voice-customer: This is an opportunity given to a customer to express their feelings about the situation.
- Neutrality: This is a reflection shown by organisations in an attempt to recover or readdress the situation for the customer.

An organisation should immediately implement service recovery once a failure occurs, as failure means the customer has been let down. In dealing with service failure, companies should always arm themselves with strategies to win back or regain customers, or reinstate them to their place of origin before the failure occurred. Yoo *et al*. (2006: 501) argued that service recovery should not only focus on settling a claim or restoration, but also on strengthening long term relationships. Advocates of services marketing argue that when a service provider reacts with an insufficient recovery method, highly loyal customers are more likely to believe that the organisation did not fulfil its promises (Holloway *et al*., 2009: 388).

Recovery is the practice of rectifying mistakes, either by correcting the mistake, compensating the customer, or merely apologising for the failure (Little & Marandi, 2003: 155). Chebat and Slusarczyk (2005: 665) argued that despite a customer's willingness to grant an organisation the opportunity to recover by correcting their mistake, many organisations choose not to do anything. In support, the researchers claimed that service recovery is a vital part of a relationship marketing strategy because it facilitates customer retention. However, Dong *et al*. (2008: 125) stated that companies should have a proper service recovery plan in place in order to deal with any uncertainty that may occur in the future, because the main thing is to prevent customers from sliding into the 'dissatisfied customers' category. Mostert *et al*. (2009: 123) identified a number of strategies that can be used to achieve successful service recovery, including:

- Recovering the service immediately or offering customers alternatives that will meet their requirements;
- Communicating with customers who are experiencing service failures, providing feedback and offering an explanation for the reasons for the service failure; and
- Ensuring that service recovery personnel are professional in their actions.

Mostert *et al.* (2009: 8) maintained that it is in the interest of suppliers to invite customers to complain because a customer who complains offers the supplier an opportunity to continue the relationship. This is because customers in their relationship with the business can distinguish between major contact episodes and less important episodes. The requirements of the customer's relationship with the business depend on what customers consider to be significant, based on each transaction made with the business and their relationship experienced(Tax & Brown, 2012: 2). On this point, Little and Marandi (2003: 155) agreed with Spohrer and Maglio (2008: 165), arguing that a customer's experience with a company can be enhanced through complaint management. These scholars stated that a complaint and the management thereof impacts on two sides, i.e. the monitoring and control of the relationship quality which works on two different levels, as shown in Figure 2.2.

At an operational level the complaints handling analysis is mainly centred on two different levels, that is service recovery and strategic complaints. Service recovery is a critical element for relationship maintenance; it is a practice of redefining mistakes by giving the right solutions to the mistakes, compensating the customer, or apologising for the service or product failure. Service recovery is a vital component of relationship management and customer retention. The second level plays a strategic role in continuing improvement in an organisation's offerings by ensuring that the service provided by the organisation keeps up with the increasing demand in customers' expectations.

Strategic complaints analysis gives the organisation the necessary information that informs much needed improvement (Little & Marandi, 2003: 155). According to Little and Marandi (2003: 157), effective service recovery is based on the following principles, namely:

- Make it easy to complain: Organisations should help customers to deal with their natural disinterest in complaining by making channels of complaint known to customers. Organisations should train their complaint handling personnel on interpersonal qualities for handling customers' complaints.
- Establish the grounds of a complaint: Customers are more confident to complain if they know that their complaints will be addressed.
-
- Offer immediate redress where possible: Usually customers experience negative emotions concerning their grievances until their complaint gets resolved. The sooner

the complaint is resolved, the lower the negative emotion will impact on the attitude of the customer.

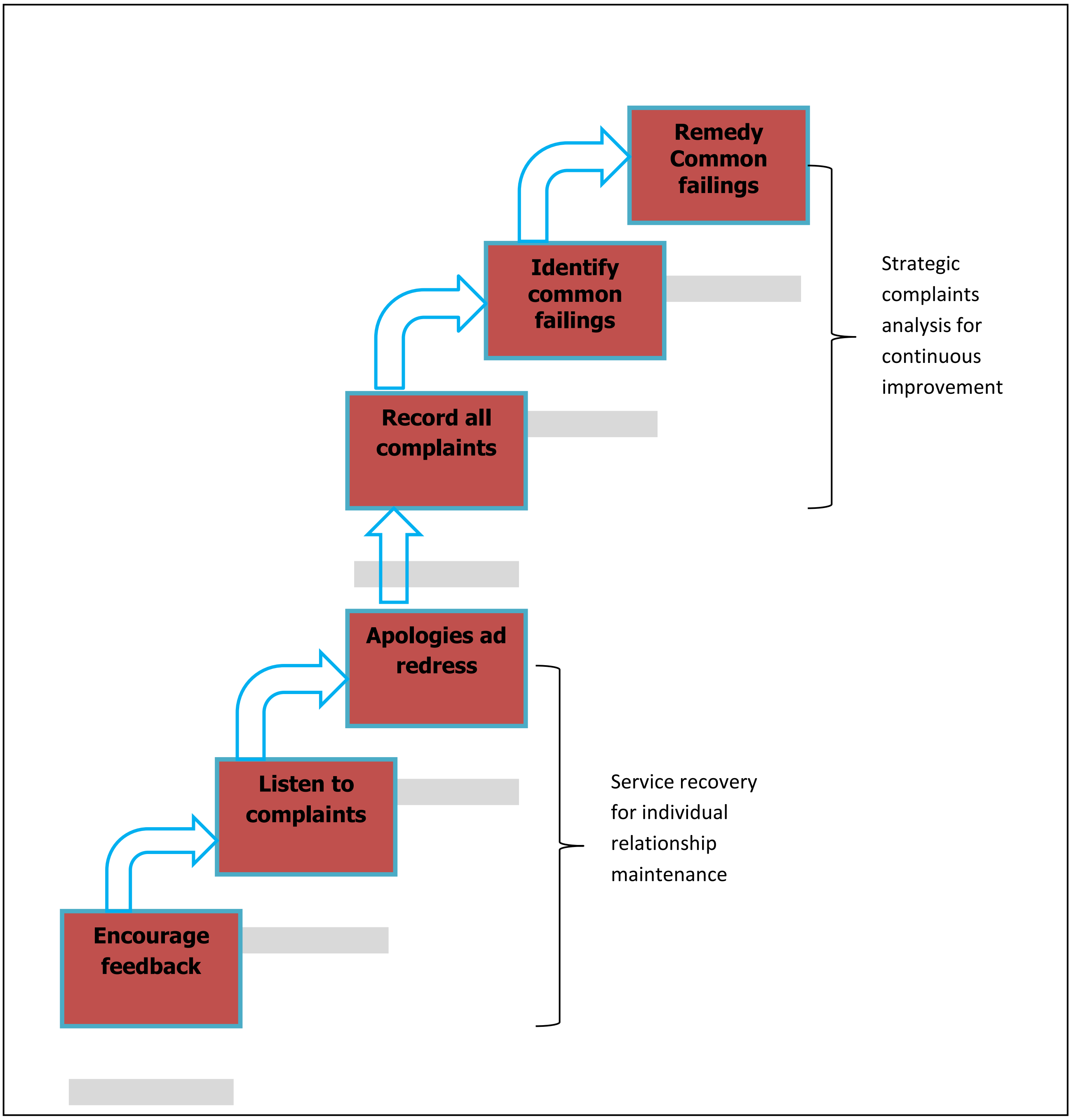

Figure 2.2: Complaints analysis and handling

Source: Wilson *et al.* (2012)

- Communicate: The intensity of customers' negative perceptions always come when they feel that the failure could have been prevented from occurring, but an apology or explanation usually diffuses customer dissatisfaction.

- Company’s weaknesses: Information that is assessed by complaints analysis is the determinant of weaknesses in production and service delivery processes. By examining complaints, senior management can easily identify complaints that come from a common failing.
- Changing customer expectations: The connection between dissatisfaction and expectations and an increase in customer complaints may be caused by expectations rather than the company’s performance. Performance indicators are meant to establish the deterioration of quality levels. In addition, complaints provide the organisation with customer expectation trends.
- Key product attributes: Customers mainly complain about the performance of goods and services that are important to them. A complaint analysis indicates quality dimensions about the sensitivity of different customers.

Little and Marandi (2003: 157) further explained that complaints are usually used to evaluate service performance. High levels of complaints indicate poor performance, while low levels of complaints indicate the efficiency of service quality. In terms of business evaluation, complaints are a useful measuring tool and can be analysed in either qualitative or quantitative ways, getting useful information from both sides of the relationship.

In addition, firms can undertake surveys to investigate the effectiveness of their customer retention strategies. This study took the form of survey that looked into the effectiveness of the marketing mix better known as the Ps. In this case, the study looks at the 7Ps in particular.

2.6 Competition in the service industry

In the modern world, business is faced with stiff competition. According to Nell and Cant 2010: 171), competition in the service sector in South Africa, as well as globally, is intensifying. It is thus becoming more important for service organisations to craft customer retention strategies that counter competition. However, even if many service companies decide to use customer orientation approaches, other service companies still remain dominated by an operations mentality (Chebat & Slusarczyk, 2005: 130). Rao (2011: 142) argued that every service experienced is set into the mind of a customer. Service experience can be defined as the subjective personal reactions and feelings that are felt by customers when consuming or using a service (Chen & Chen, 2010: 31). Since customers perceive service quality through every aspect of their contact with a company, attention should also be paid to the service delivery system (Yu & Ramanathan, 2012: 497). In addition, Terblanche and Boshoff (2010: 6) stated that a customer's perceptions of quality also have a significant influence on the perceived value of the service, while Chen *et al.* (2009: 1251) defined perceived value as the customer's overall assessment of the utility of a product based on the customer's perception of what is received and what is given.

The authors argued that a perceived value is a better predictor of repurchase intentions than either satisfaction or quality. Perception is defined as the process by which an individual selects, organises and interprets the information he or she receives from the environment *(*Sheth *et al.*, 2004: 17). Kumar *et al*. (2006: 86) further argued that there is a positive correlation between service quality and behavioural intentions, such as repurchase intentions and willingness to recommend. In a service industry, protecting existing customers through quality service provision whilst finding creative ways to meet new demands is the key to ensuring success (Chian *et al*., 2011: 72).

Ang and Buttle (2006: 92) warned that if companies' service performance falls short of customers' expectations, a service quality gap will occur. On the other hand, when customers are satisfied they are more likely to return to the institution that helped them with quality services. Dissatisfied customers, on the other hand, are likely to switch institutions or spread negative word-of-mouth (Micu, 2012: 257). Wilson *et al*. (2012: 305) maintained that organisations can prevent the problem of service gaps from occurring by adopting two models of service gap, namely a customer and a provider gap. These models are illustrated in Figures 2.3, 2. 4 and 2.5.

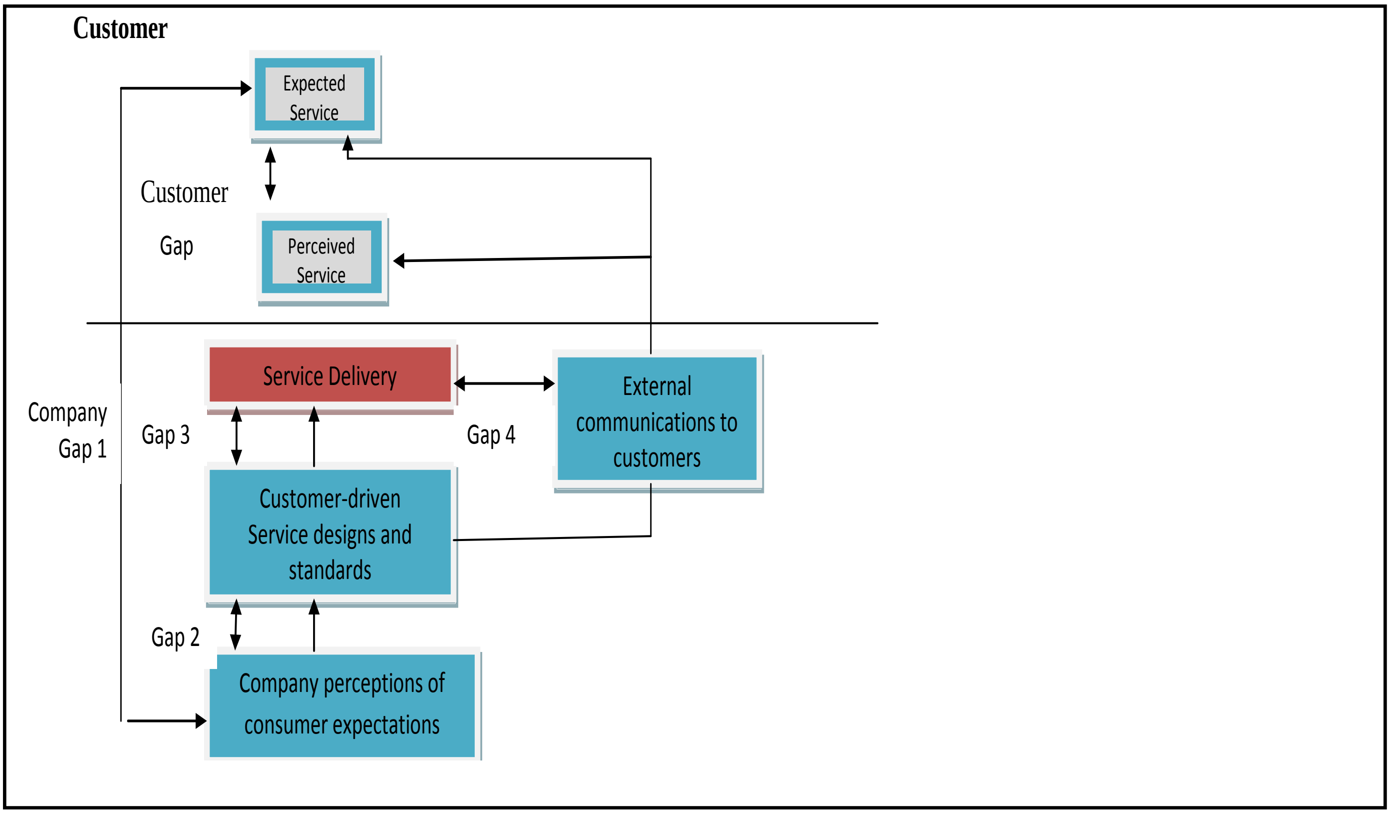

Figure 2.3: Gap models of service quality

Source: Adapted from Wilson *et al*. (2012: 306)

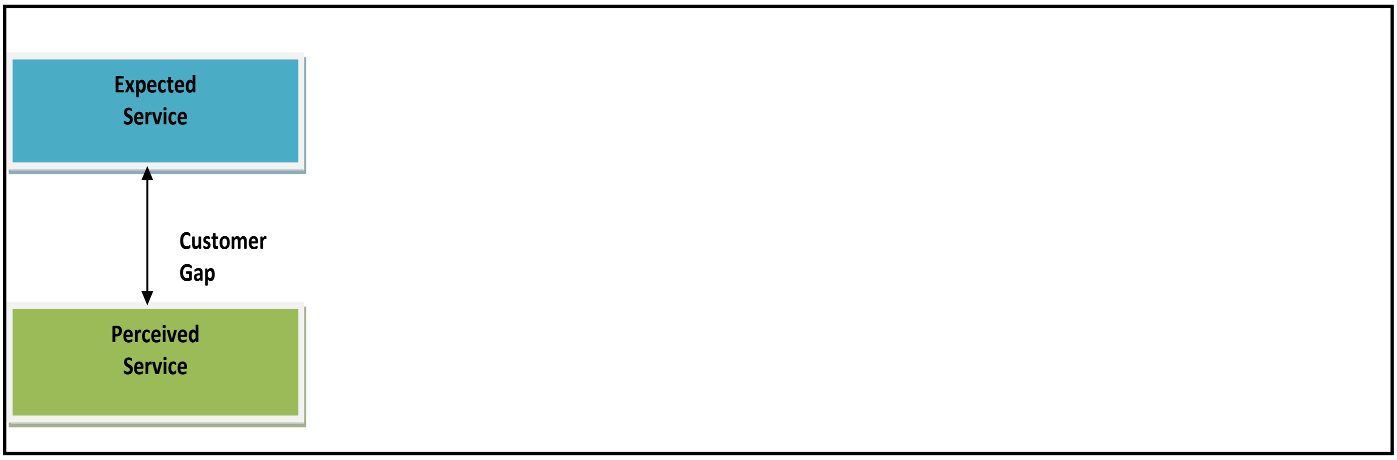

Figure 2.4: The customer gap

Source: Adapted from Wilson *et al*. (2012: 308)

A customer gap is the difference between what customers perceive and expect, and is the focal point in service quality. The organisation's ideology is to close the gaps between customer expectations and what is received, in order to satisfy their customers' needs and build lasting relationships by making sure that the organisation's promises match delivery.

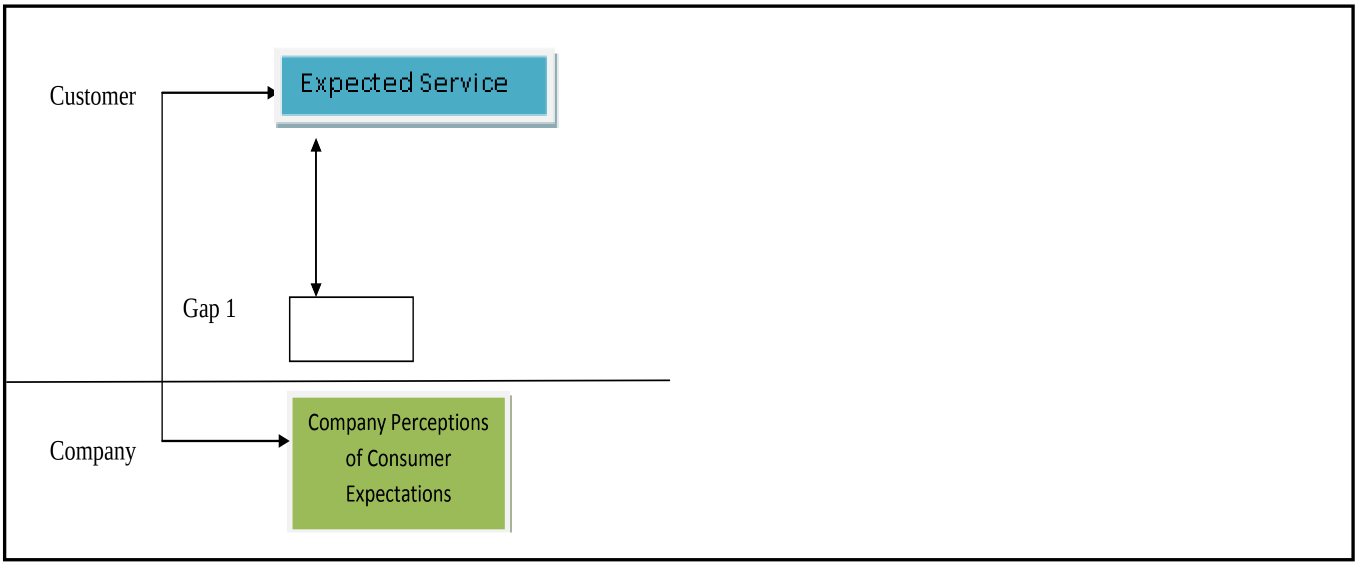

Figure 2.5: The provider gap

Source: Adapted from Wilson *et al.* (2012: 309)

The provider gap is the difference between a customer's expectations and the organisation's offering. It includes not knowing what the customer expects, not selecting the right service designs and standards, not delivering to service standards, and not matching performance to promises.

A challenge for retailers has always been to find explanations for customers' unpredictable behaviour (Knox & Denison, 2000: 33-35). Micu (2012: 257) observed that many companies in South Africa render lip-service in order to keep their customers happy, focusing on costs rather than customers despite their mission statements and advertisements. Against this background, it can be argued that companies that provide excellent service quality and service delivery are good at listening and adhering to the needs of their customers (Macharia, 2014: 13). Scharl *et al.* (2005: 163) confirmed that service quality is important as the definition of quality starts and ends with customers, meaning it is crucial to listen to customers and advise companies to start doing that, as it is a technique that could be learnt and which will cement their relationships with their customers.

According to the services marketing theory, companies today recognise that they can compete more effectively by distinguishing themselves with respect to service quality and improved customer satisfaction (Wilson *et al*., 2012: 74). For this reason therefore, differentiation between customer satisfaction and service quality becomes crucial. A number of studies have revealed the distinction between these two constructs. Macharia (2014: 15) subscribed to the view that service quality is critical to customer satisfaction, customer retention and profitability, and stated that companies operating according to these three factors regard quality as the bridge to future revenue. Customer satisfaction implies a post-consumption experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of an organisation's system of service delivery (Terblanche & Boshoff, 2010: 2). Other researchers such as Micu (2012: 258) warned companies that do not provide customers with quality products and services, that competitors will do that for them.

In the marketing context, customer service and quality are treated separately although in relationship marketing they are intertwined (Micu, 2014: 260). Customer service is an organisation's ability to supply their customers' wants and needs (Anshori & Langner, 2007: 18). Möller and Halinen (2000: 33) argued that the cornerstone of success is not only about building relationships; instead, in all instances companies should deliver excellent service quality that will create value for customers. In confirming this view point, Kasper (2002: 1050) stated that in today's highly competitive market companies should perform well on their core service, which is a matter of "do or die". On the other hand, Olorunniwo *et al*. (2006: 60-63) defined good service as meeting a customer's expectations, while excellent service is defined as exceeding a customer's expectations (Micu, 2012:262). Murphy (2005: 61) advised companies to understand their customers' expectations so as to find ways to exceed them, however customers do not only evaluate a product or service on its advantages, but also evaluate a service according to their own expectations (Blattberg *et al*., 2001: 72).

Notwithstanding that customers form requirements and perceptions as a result of several experiences; still the most important experience is post consumption experience with the supplier (Micu, 2012: 264). Verhoef, Lemon and Parasuraman (2009: 31) argue that a unique customer experience generates a lot of profits for the organisation. Customer experience can be defined as an experience that originates from multiple interactions between a customer and the product, a business, or part of its organisation which provokes a customer's reaction

(Verhoef *et al.*, 2009: 32). Micu (2012: 264-265) has observed that businesses customers compare or form expectations are transferred across different suppliers of products and services.

Scharl *et al.* (2005: 170) argued that companies are also customers, therefore what they want for themselves - which is high quality service - they should also give to their customers. Anshori and Langner (2007: 18) maintained that satisfaction and service quality are two distinct constructs that possess causal relationships in which perceptions of service quality affect the feelings of satisfaction, which eventually influences purchasing behaviour. Service quality is a global judgement of attitude relating to the overall superiority of service (Thenmozhi & Dhanapal, 2010: 16). Service quality is often seen as a tool that drives value for a customer and as a way of possession in a competitive environment to ensure customer satisfaction, retention and patronage (Thenmozhi & Dhanapal, 2010: 22-23). Panichukunnath (2008: 66) observed that in India retailers do not have the right tools to measure service quality, despite their productive strategic methods.

Macharia (2014: 14) argued that customers evaluate the quality of a service by judging it against their internal standards that existed before the service experience; internal standards are therefore the basis for customer expectations. Despite this, the services marketing literature warns companies that even if they might have a clear understanding of their customers' expectations, there will be problems if that understanding is not translated to customer-driven service designs and standards (Wilson *et al.,* 2012: 27). Once service designs and standards are in place, the company will deliver high-quality service. Macharia (2014: 15) urged companies to deliver high quality service in order to keep customers coming back, while Scharl *et al*. (2005: 164) argued that most measurable levels of customer loyalty and retention are obtained through high quality service delivery. Against this background, Gummesson (2002: 49) argued that it requires great knowledge to assess quality and further stated that most customers lack this knowledge of quality evaluation.

Gummesson (2002: 52-54) also looked at the need for knowledge from a company's perspective, and encouraged companies to equip themselves with the necessary knowledge to develop and produce, in addition to marketing, their goods and services. Gummesson (2002: 56) went on to elaborate that the current society is often referred to as the knowledge or information age. In short, companies cannot serve a diverse society without equipping themselves with the knowledge needed to do so effectively. In support, Yunus (2009: 214) stated that companies should have knowledge regarding a customer's needs in order to understand why and how they react to service delivery in the way they do. Voss and Voss (2008: 3) argued differently however, noting that a customer learning orientation incorporates a customer's expectations and preferences into developing and modifying product offerings.

Micu (2012: 255-256) has shown that the extent to which customers make parallel comparisons has been increased by the consumerist value of our age. In addition, the scholar added that any experience of quality customer service can be checked by a questionnaire to all customers. Micu further advised that the results of the questionnaire could be used to identify problems and ensure that dissatisfied customers do not become ex-customers (2012: 257). In this light, the questionnaire used by this study to explore the effectiveness of the marketing mix variables in the use of mobile phone networks aims to achieve the same fit.

According to Terblanche and Boshoff (2010: 2), there are eight types of customer value: Excellence (quality), Efficiency (convenience), Status (success), Esteem (reputation), Play (fun), Aesthetics (beauty), Ethics (virtue/morality) and Spirituality (faith).

However, in closing the service gap the significant strategy used is a human resource strategy, because the service is delivered by people to other people in real time. In addition, customers and behaviour based on customers' experiences will address this problem because of the high human involvement in the manufacturing and the delivering of many services (Petzer *et al.*, 2009: 278). Macharia (2014: 14-15) argued that gaps can occur at different stages during service performance because customers evaluate their levels of satisfaction or dissatisfaction after each experience, eventually using their service experience to update their perceptions of service quality. Macharia (2014: 15) further argued that customers often base their quality judgement on services that they have never experienced; they make judgements based on hearsay and an organisation's advertising campaigns. The author thus advised customers to experience a service themselves before making any assumptions, because service gaps cannot occur before an actual service experience, as shown in Figures 2.6 and 2.7 below.

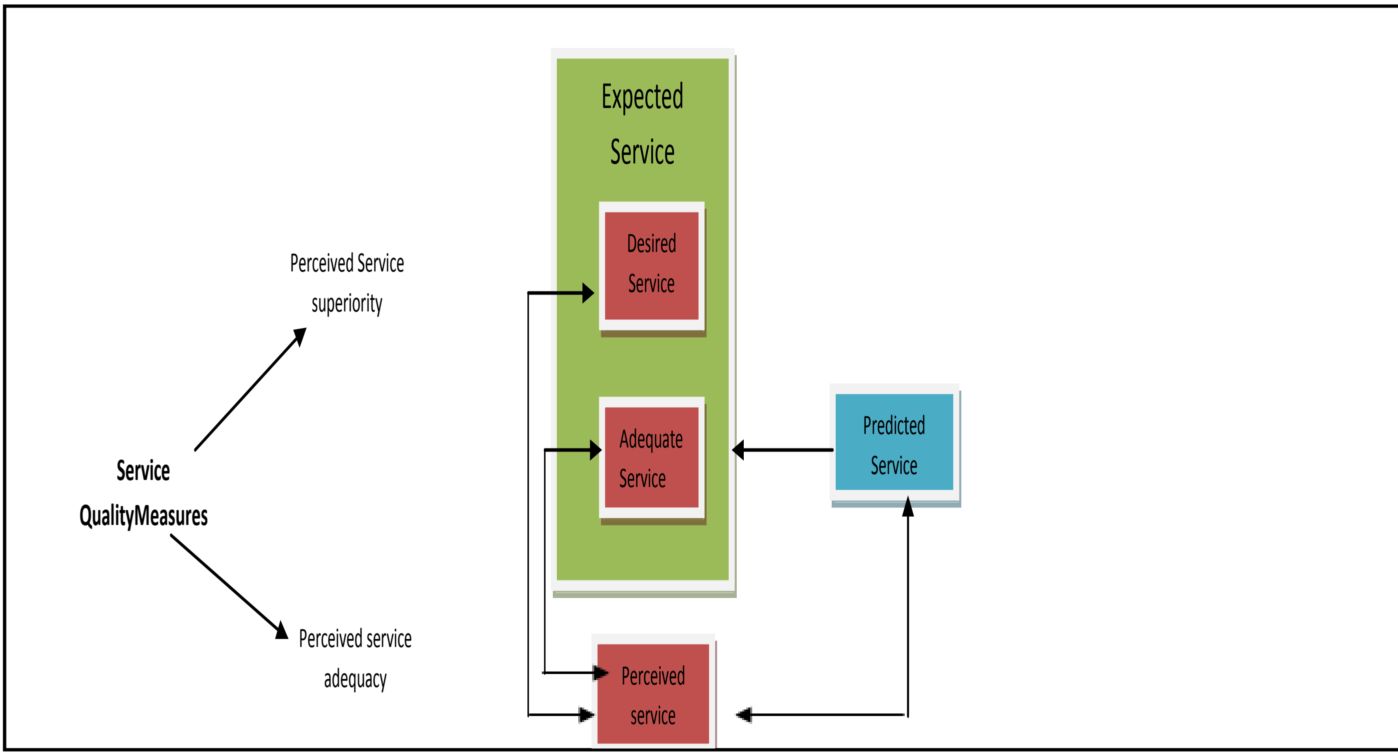

Figure 2.6: The relationship between expectations, customer satisfaction and perceived service quality

Source: Adapted from Wilson *et al.* (2012)

Before customers buy a product or service, for example following an organisation's advertisement or word of mouth referrals, they have different expectations about the service quality due to different individual needs and previous purchasing experiences. After a product or service purchase, the customers weigh or compare the expected quality with what they actually receive. Service performance may surprise or delight customers by exceeding their expectations; if the service falls in the zone of utility satisfaction customers will feel that the service is adequate, yet if the service comes with a surprise package such as a shopping voucher that delights customers by being above their expectations, it is as superior in quality. If the service falls short of a customer's expectations, a discrepancy or quality gap occurs between the service provider's performance and the customer's expectations. It is thus evident that a customer's expectations and perceptions are the determining factors of whether a service gap occurs or not.

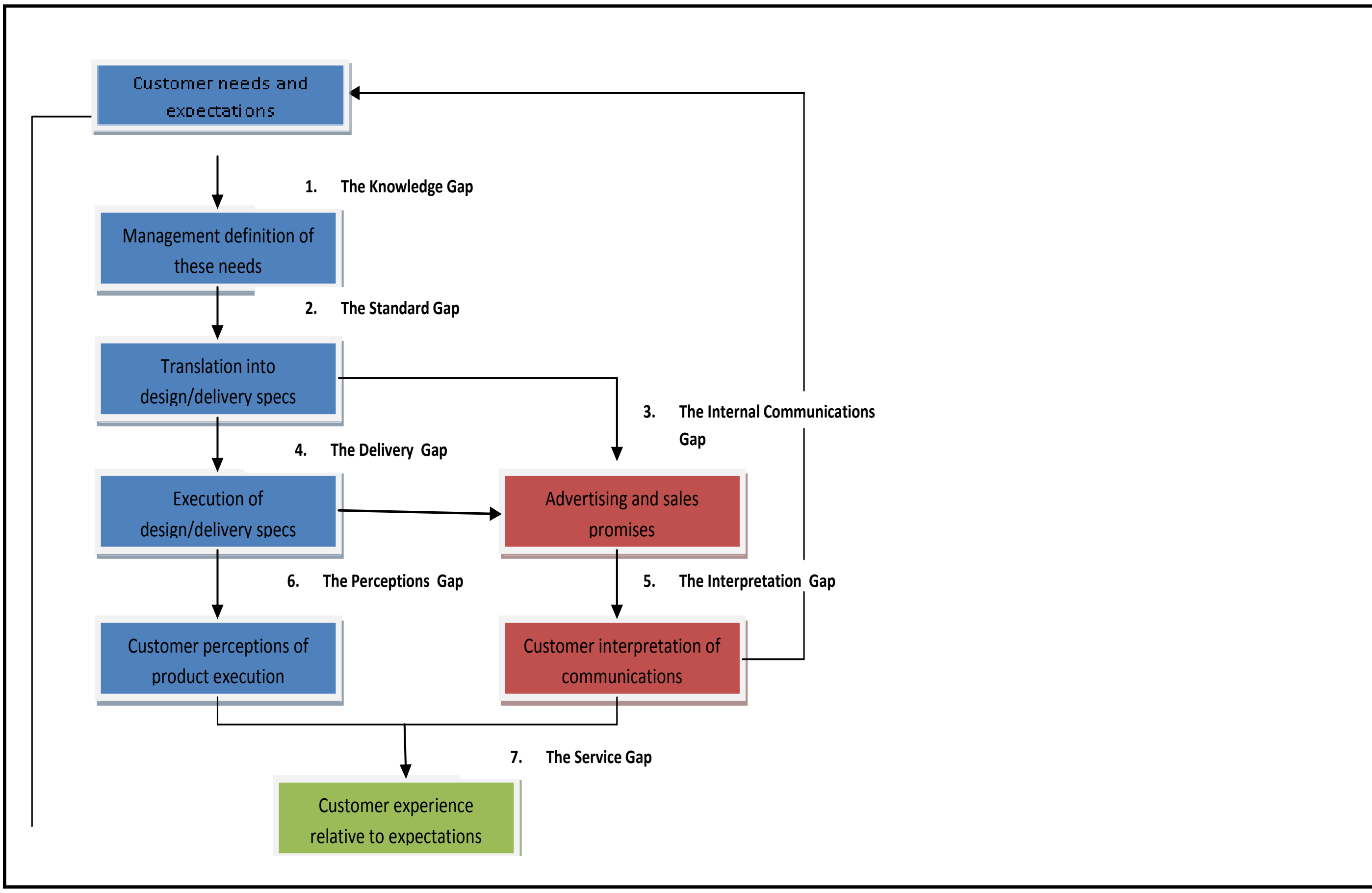

Figure 2.7: Seven quality gaps leading to customer dissatisfaction

Source: Adapted from Wilson *et al.* (2012)

The service gap is an overall assessment of what a customer expects as compared to what they receive, as stated in figure 2.7. The premium goal in enhancing better service quality is to narrow the gap as much as possible. Seven potential quality gaps are:

- Knowledge gap: the difference between what network believe customers expect and customers' actual needs and expectations
- Standard gap: the difference between management's perceptions of customers' expectations and the quality standards established for service delivery
- Delivery gap: the difference between specified delivery standard and the service provider's actual performance
- Internal communications gap: the difference between what the businesses advertising and sales personnel think are the products features, performance, and service quality and what the business is actually able to deliver.

- Perception's gap: the difference between what is actually delivered and what customers perceive they have received (because they are unable to accurately evaluate service quality).
- Interpretation gap: the difference between what a service provider's communication actually promises and what a customer thinks was promised by these communications
- Service gap: the difference between what the customer expects to receive and their perceptions of the service that is actually delivered.

Macharia (2014: 16) explained that each of the seven quality gaps can put the relationship with the customer into disarray. The author also stated that service quality is an overall attitude about service delivery, which is the sum of a number of successful and unsuccessful service experiences. Macharia (2014: 17) advised organisations to avoid service gaps in every encounter with their customers, as this helps the organisations to improve their service quality. Customers' judgement on service quality is not only based on service gaps, but also on four quality dimensions that customers use as criteria, namely; Reliability (dependability of the organisation in providing service as promised), Tangibles (the outlook of network physical facilities or resources), Responsiveness (efficiency of the organisation's employees in providing service), Assurance (personal qualities of the organisation's employees such as politeness, trustworthiness, competency)

In the United States of America (USA), reliability is the determinant of service quality as it is the heart of service. However, for the purpose of this study, unreliability refers to poor service; despite all other attributes, the customers regard the organisation as incompetent and switch to another service provider if the service is not performed reliably. Macharia (2014: 17) agreed that reliability is the most challenging factor for all service organisations, since it is an outcome measure by which customers judge every service experience. Moreover, service delivery gives companies the chance to delight customers by exceeding their expectations, leading to positive perceptions of service quality. Even though customer retention is seen as the various behavioural consequences of service quality, it produces a direct impact on the market share of the organisation (Lee, 2002: 244).

2.7 Customer retention in the service industry

Existing literature on customer retention strategies within the services sector indicates that different service industries, such as the motor, sports, food, insurance, parks and the mobile phone industries, have adopted various customer retention strategies worldwide. For example, in New Zealand the banking industry worked towards limiting customer defection by using revaluation retention strategies through the enhancement of professionalism (Cohen *et al*., 2006: 21). In their study, the scholars revealed that younger customers have a higher tendency to switch banks in search of greater convenience. Similarly, in the USA the customer retention strategies that were adopted by banks led to new technological developments, including the provision of online banking services (Ranganathan & Jha, 2007: 52-55).

Likewise, theme parks need to manage their customer retention as they represent a multi-million rand sector within the service industry in countries like South Africa. The findings of a study generated from two samples of visitors to two theme parks in South Africa revealed that customers normally defect due to a lack of entertainment, poor quality restaurants, dirty bathroom facilities, a lack of security and unreasonable prices (Boshoff, 2006: 3).

In support, previous research advocates that customers are willing to pay higher prices for quality instead of low prices. In other words customers prefer quality to quantity (Molapo & Mukwada, 2011: 55-60). Customers are willing to do this for the long term relationship with the business for as long as the business retains them. It can be concluded that businesses should not only pursue customer satisfaction, but also quality retention strategies. It can thus be concluded that companies should not only pursue customer satisfaction, but also quality retention strategies which are meant to retain profitable buyers. Other researchers seem to agree, although some stated the case differently, saying that companies should use market segments as a way of identifying customers who share similar traits and who are most likely to buy the company's product (Ahmad & Buttle, 2001: 30). The above statements show that not all customers who are profitable are retained, hence quality retention strategies need to be developed and implemented.

Research in the South African fast food industry has shown that customer retention has tended to focus on the evaluation of customer-management relationships as the major strategy of retaining customers (Roberts-Lombard, 2009: 76). A comparison between three fast foods network, namely Something Fishy, Nandos and Steers in the Gauteng, Western Cape and Kwazulu-Natal provinces, indicated that 80% of Something Fishy customers were satisfied with the service they got compared to an average of 50% for the other two networks. The results of the research also indicated that Something Fishy relied on swift handling of customer complaints as a retention strategy (Roberts-Lombard, 2009: 77). Therefore, the other restaurants did not have such a strategy. Other research studies on customer retention studies were conducted in sport volunteers retention in Australia Dhurup and Surujlal (2008: 4) and customer retention in Theme Parks in South Africa (Boshoff, 2006: 5-6). In the Australian study, 56% of sporting organisations indicated problems with retaining volunteers and 80% of such organisations did not have a volunteer policy, which made the retention of volunteers difficult to accomplish (Dhurup & Surujlal, 2008: 21). Of interest is the use of a marketing mix in all the retention strategies employed in the scenarios above. What is not clear is how to identify the marketing mix elements that significantly influence customer satisfaction, which is the main aim of this research.

2.8 Conclusion

From the above discussion it is clear that there are challenges in the South African service industry in general, as customer service is still poor. It has also been shown in this chapter that service quality is of paramount importance and the organisations should strive not only to meet a customer’s expectations, but to exceed them where possible in order to establish a long term relationship with them. Whereas these conditions have been investigated in the service industry in general, less research has been done on them regarding the mobile phone network industry. It is therefore critical to investigate whether marketing mixes significantly influence customer retention in this sector. More so, there should be a clear understanding of the marketing mix variables that essentially encourage a customer’s use of a particular network.

The next chapter will focus on the literature regarding customer retention in the South African mobile phone network industry.

CHAPTER THREE: CUSTOMER RETENTION IN THE SOUTH AFRICAN MOBILE PHONE NETWORK INDUSTRY

3.1 Introduction

In this chapter, key concepts are defined, followed by theory relevant to customer retention. Lastly, the chapter discusses the theory of customer relationship management which is an important aspect when discussing retention strategies. The discussions cover marketing concepts such as relationship quality, commitment and strategy of the business, delivering value to the customer, creating customer satisfaction by delivering value, creating customer quality, customer lifetime value, as well as a model on customer satisfaction, trust, commitment and loyalty.

3.2 Definition of customer retention

A number of scholars have tried to define the term 'customer'. Scharl *et al*. (2005: 160) defined a customer as the next user of a product or service, referring to a customer as a person or organisation who buys goods and services, and stating that the origin of the word 'customer' is derived from the word 'custom', meaning a practice followed as a matter of course among people or society. However, Dawes (2009: 232) says that it means the number of customers who stay with the provider in the course of an established period, such as a year. Hofgesang and Patist (2008: 702) defined customer retention as the marketing goal of preventing customers from going to a competitor, while Mostert e*t al.* (2009: 120) explained customer retention as the way in which organisations focus their efforts on existing customers in an effort to continue doing business with them in the future. In this study, customer retention is defined as focusing marketing efforts on existing customers with the explicit intention of building long-term relationships with them (Du Plessis *et al.*, 2012: 551). Stauss *et al.* (2005: 230) identified customer retention with four emotional-cognitive retention constructs, namely liking, identification, commitment and trust. In addition, Stauss et al. (2005: 234-236) identified behavioural intentions including willingness to recommend and repurchasing intentions. However, research by Blattberg *et al*. (2001: 69) has shown that the definition of retention does not imply that the profit from a customer determines that customer’s retention. A customer is a person or an organisational unit that plays a role in the consummation of a transaction with the marketer or entity (Sheth *et al.*, 2004: 14), while customisation is receiving the product or service in the manner tailored to an individual customer’s circumstances (Sheth & Mittal, 2004: 27).

3.2.1 Customer retention strategies in the mobile phone network industry

According to Mecha (2013: 18), competitors are always on the lookout to poach customers through better deals. In substantiating the above statement, Mecha argued that customer attrition rates ranges from 7% in industries with high exit barriers such as banking and insurance, to almost 40% in the mobile phone network industry. It can therefore be concluded that customers in the mobile phone network industry keep on switching network providers for better deals, which makes the need for this research crucial.

According to Maharaj (2012: 68), the business industry is becoming more mobile and less loyal. In substantiating the above statement, Maharaj added that the rates of customer defection across Europe in key consumer industries for the past five years showed a high percentage of disloyal customers rising. The primary findings of the research were as follows: the highest level of customer defection for the mobile phone network sector in Europe was 38.6% in the UK, followed by Spain with 23.1% and then Italy with 22.6%. In addition, supermarket retailers experienced the highest rate of customer defection at 32.4%, internet service providers at 29% and mobile phone providers at 23.1%.

Customer retention strategies in the mobile phone network industry are not a widely researched area. Previous research on the industry focused only on a few customer retention aspects such as satisfaction and service quality in countries like Austria, Europe, UK, Spain, Italy, Greece and Pakistan. The research that was conducted in Pakistan revealed a continuous growth rate in the mobile phone network industry, with the number of mobile phone network subscribers increasing between 2003 and 2006, with a corresponding rise of mobile phone franchises from 618 to 1748 between 2003 and 2009 (Khan, 2010: 164). The mobile phone network industry in Pakistan has shifted the focus of mobile networks to network coverage, upgrading phones, service quality and competitive pricing, all of which attract and retain customers.

Another study conducted by Ishfaq *et al.* (2010: 11) on mobile phone services in Pakistan showed that mobile phone network providers should keep their promises with customers and provide services that are based on customer perceptions rather than customer satisfaction and high customer loyalty. Other studies have been conducted in countries like Greece, where the mobile phone market has reached its mature stage (Blery *et al.*, 2009: 30). These studies were meant to investigate whether service quality and perceived price had an influence on customers' repurchasing intentions. The findings revealed that service quality is an important factor which contributes to an organisation's ability to retain loyal customers, and thus contribute to improved organisational performance. Lastly, the results showed that perceived price was negatively associated with repurchase intentions.

A comparative study on churn management in the mobile phone network industry in Pakistan used two network providers, namely Ufone and Telenor. The findings of the study showed that Ufone on the one hand stresses customer retention on individual bases and segmentation capacity using loyalty programmes. These programmes offer customers incentives to create loyalty such as talkies packages and zero line rental. Telenor on the other hand focuses on customer acquisition and the development of infrastructure by means of utilizing the software that is used for tracking customer's data and history. In the final analysis, the study indicated that Ufone outmatched Telenor in its effectiveness pertaining to churn management system in retaining customers, as Telenor lacks vision (Jahanzeb & Jabeen, 2007: 12). In conclusion, the scholar is of the perception that Pakistan has great potential as compared to the rest of the world in relation to the mobile phone network industry. As noted earlier, little research has been conducted on the impact of customer retention strategies in the mobile phone network industry; Pakistan is the only country that has conducted intensive research around the topic and based on the literature, it is perceived to be the leading country with regard to this.

It is a truism that marketing mix variables are used as retention strategies in the business environment as a whole. However, what has not been investigated is which of these strategies are most effective in the retention of customers. It is evident from the above-mentioned studies that all the marketing mix variables have not been evaluated entirely, hence there is a need for this kind of research. In addition, strategies aimed at customer retention can be seen as being negative and positive. For example, strategies that lock customers into a relationship by penalising them for exiting (high switching costs) are called negative retention strategies, while those aimed at rewarding customers for remaining in the relationship are regarded as positive retention strategies. The problem of negative strategies is that customers may feel trapped, resulting in them spreading negative sentiments via word of mouth or never doing business with the organisation again once they are freed from their contractual obligations (Du Plessis *et al.,* 2012: 557).

On the other hand, positive retention strategies include deepening relationships with customers through cross-selling, bundling, delighting them, adding customer-perceived value and creating social as well as structural bonds with customers. Another strategy is to satisfy customers' needs by providing products and services in a way that exceeds their expectations. Building and maintaining good relationships with customers as well as customer loyalty will result in customer retention, however the problem with this strategy is that although it is possible to delight customers on occasion, doing it consistently is difficult to sustain. This study thus evaluates the marketing mix variables as a source of influence on customers using networks in general. The design of the marketing mix variables suggests that they are positive retention strategies. The researcher chose to use the 7Ps for this study because if the 4Ps were used, the Probit-model and the Chi-squared test model would capture fewer variables. On the other hand, if the 15Ps were used the model was going to be over specified.

3.2.2 Customer retention as a tool for profitability

Retaining customers allows companies to develop relationships with them and encourage both repeated and increasingly frequent buying activities, ultimately increasing the company's profitability. Retaining existing customers also usually has a much lower associated cost than winning new ones (Chen *et al.,* 2009: 14). A study conducted by Yu and Ramanathan (2012: 489-501), for example, shows that a 5% increase in customer retention can increase profits from 25% to over 85%. Another study by Nyadzayo and Lombard (2010: 167) revealed that as customer retention goes up, marketing costs go down. Moreover, customer retention reduces costs that could be incurred by marketing and dealing with new clients (Lombard, 2009: 411). Lee (2002: 2) stated that if customer retention rates increase by 5% from the current level, the net present value of the customer may increase by 35%. Similar studies have shown that a 5% increase in retention rate can lead to an 85% increase in profits for a bank, a 50% increase for an insurance broker and a 30% increase for an auto service station (Yunus, 2009: 214). Advocates of customer retention argue that a 5% increase in customer retention results in a 75% increase in aggregate lifetime profits, while Keiningham *et al*. (2005: 6) state that businesses can boost their profits from a range of 35% to 95% by only retaining their current customers.

In addition, loyal customers refer new ones to the company, while defecting ones tell about 16 to 18 others about their reasons for defection. In support of the above argument, Eshghi et al. (2007: 95–96) confirmed that the importance of retaining customers is that there is evidence showing that customer retention and profitability are directly related. They further argued that the longer a customer stays with the company, the higher the amount they spend with the company, even to the extent of single sourcing. In support of this argument, Scharl *et al*. (2005: 174-176) claimed that once customers become loyal, the cash flow increases and profits come in a steady stream. Research by Voss and Voss (2008: 4) added that the major goal of retention is to increase the revenue streams from the current customer base. Organisations derive value from customers because customers supply them with profits that pump in a stream from time to time (Bolton et al., 2007: 6-12; Boshoff, 2008: 4). The size of the current customer base in each business in the marketplace is defined by the total number of customers in the market and the business's share of the market (Bolton, Grewal & Levy, 2007: 8-10; Boshoff 2007: 5).

Companies can only achieve higher profits if they focus on the long-term value of customers, because the higher the customer retention, the greater the profits (McDougall 2001: 40). However, Yu and Ramanathan (2012: 487-492) argued that customer retention should be measured in order to check its performance towards profitability, because without being measured, it cannot be managed. Reijonen and Laukkanen (2010: 19) regarded profitability as the foundation of any existing business because it is significant to the organisation's survival. They defined customer profitability as a customer-level measure that indicates the revenues less the costs that the company generates from the customer over a defined period of time, whilst Munn *et al*. (2005: 246) argued that an increase in customer retention rates leads to an increase in the company's revenue and profits. In addition, Ahmad and Buttle (2001: 32) stated that the main goal of most organisations is to make profit, irrespective of how sales are made. Successful organisations are the ones that manage to turn their customers into clients and prospective customers into partners by retaining them, using marketing mixes and any other tool at their disposal. However, Yunus (2009: 214) has observed that customer retention generates more profits compared to market share scale economies.

3.2.3 Customer acquisition, retention and defection

Companies write off lost customers instead of using them as an opportunity to learn about effective ways of customer retention (Micu, 2014: 267). As noted by Tokman *et al*. (2007: 47-90), to reacquire defecting customers companies need to track their lost customers' reasons for switching, i.e. research on existing customers is essential for planning customer retention (Micu, 2012: 267-268). A company's potential to attract customers and regain new ones is not only the function of its product offerings, but also its service to existing customers and the reputation that the company builds within and across marketplaces (Eshghi *et al*., 2007: 66). Cook also argued that many companies see the acquisition of new customers as a sales strategy, while only a few companies record customer retention rates or even analyse the reasons for defection. To best address the problem of customer defection, it would be wise to ask former customers why they left. It is also significant to understand what encourages consumer retention and to explore contingent measures that can be implemented to achieve this goal.

Research by Tokman et al. (2007: 48) showed that instead of companies cutting their losses in customer defection and accepting defeat, they should chase those customers in order to bring them back. Bogomolova and Romaniuk (2009: 291) brings to the fore the principle of relationship marketing and says that it depicts that service businesses would benefit more if they commit most of their resources in getting new customers. In addition, Micu (2012: 15-16) points out that efforts to retain existing customers are minimal in comparison to attracting new customers.

Moreover, previous research proves that the costs of obtaining new customers are very high. For example, a study by Reichheld (2006: 4) showed that the cost of acquiring new customers is six to seven times greater than keeping existing ones, while Kotler and Armstrong (2006: 44) found that the average cost of acquiring new customers is between five and ten times higher. Micu (2014: 17) showed that a company that attracts 100 new customers and loses 20 existing ones for a net gain of 80 customers, is better off than a company that attracts 130 new customers and loses 60 for a net gain of 70. Micu confirmed that the approach of focusing on 'new customers only' as marketing strategy is wasteful as it costs more to acquire new customers than retaining or building on existing ones. In addition, Lombard

(2009: 70) argued that it is ten times more expensive to acquire a new customer than to retain an existing one.

In addition, research by Keiningham *et al.* (2005: 174-178) revealed that customer retention is five times more cost effective than customer acquisition, while Apergis *et al.* (2008: 501) concurred that getting new customers is more tiresome and expensive than maintaining the existing ones. Arpergis *et al.* (2008: 152) note that it is for this reason that organisations dwell much in gathering information on customer relations. For example, what attract customers to their business and what pushes them to competitors, as well as what makes customers spread their purchasing power across industries unevenly. Fruchter and Zhang (2004: 5) advised organisations with larger markets to stress customer retention, while organisations with a smaller market should equally focus on customer acquisition. This thus shows that an organisation should spend more on customer retention provided that its market share is increasing, and spend more on customer acquisition if its market share is decreasing.

Research by Scharl *et al.* (2005: 172) indicated that it takes time and money to acquire new customers, but that for the first year and second year after acquisition, the money spent in the organisation is offset against acquisition costs. However, Blattberg *et al.* (2001: 35) warned about the disadvantages of mistaking customer acquisition with retention, including errors such as inaccurate forecasts about how long customers stay, the profitability of customers and the impact of marketing efforts.

According to Berger *et al.* (2006: 157), customer acquisition includes prospective customers making their first ever purchase with the organisation. The authors defined customer acquisition according to two perspectives, namely the transaction and the process perspectives. The acquisition transaction perspective states that customer acquisition ends with a customer's first purchase, whereas the acquisition process perspective states that an acquisition includes the first purchase, as well as other non-purchase encounters that both precede and follow the purchase, up until the time the customer makes a repeat purchase (Blattberg *et al*., 2001: 36). However, Tokman *et al*. (2007: 48) argued that traditional recruitment is targeted at prospects with no experience of the service rendered for managing retention, whereas current customers are the target group and reacquisition aims at lost customers. Bogomolova and Romaniuk (2010) posited that companies should gear all their efforts to winning back lost customers, because such customers are considered fruitful for the company.

Bogomolova.) advocate that existing customers are more receptive to the firms marketing efforts In addition, their research revealed that existing customers ask fewer questions, are more familiar with the firm’s procedures and employees, and are willing to pay more for service, making them less sensitive to price competition. The implication of keeping existing customers, therefore, is that they are an important source of profit for the firm. According to Li and Murphy (2013: 519–520), keeping, caring for and developing existing relationships is a high priority in today’s competitive market. The authors called this strategy, “catch your own customers before you start catching someone else’s customer”. Other researchers such as Micu (2012: 17) add that tracking down of customers’ works because businesses who do not track down their final customers often fail in managing intermediaries. In substantiating the above argument, the scholar argued that the difference is that in trade marketing, the determinants of customer loyalty tend to be very different from those of consumer marketing.

Customer defection occurs when customers stop coming back to a service provider (Hogan *et al.*, 2003: 197); Tokman *et al.* (2007: 47) referred to a defected customer as an inactive former customer. Bogomolova (2009: 2) listed three main reasons for defection, namely: negative qualities of brand, positive qualities of other brands, and qualities beyond brand management. The first category highlights the negative qualities of the brand customers switch from and is referred to as ‘push-away’ or ‘expectation disconfirmation’. Bogomolova added that the most common reasons for customer defection are service-related issues such as poor service, unethical behaviour of employees, dissatisfaction with prices, interest rates and fees for termination. The second category includes reasons that prompt customers to switch to a competitor, highlighting positive qualities of other brands rather than negative qualities of the former brand. Bogomolova called this category ‘pull-away’ or ‘utility maximisation’ reasons. The final category does not include any of the brands - new or old, but are largely beyond the control of any brand management. Labels for this category are called ‘move-away’ or reasons beyond the control of brand management (Bogomolova & Romaniuk, 2009: 291). Examples of such defections include changes in a customer’s life, for example getting married, getting divorced, being promoted or moving away.

Thompson (2005: 1) argued that poor customer service does not lead to defection, while the companies surveyed felt that price is the primary factor. Thompson (2005: 2 - 3) found that more than 70% of customers felt that the reason they defected was because of poor customer service Thompson observed that defection rates for telecommunications companies in Great Britain were 25 to 35% on average. On the lower end of the continuum being Virgin Mobile held an annual defection rate of about 14%. At the end of the continuum was T-Mobile, with a 34.8% defection rate, costing T-Mobile about $122 to $ 162.3 million to replace the lost customers. On the same note, defection rates range from 5% to 30% annually across industries, with high rates of 20% not being unusual (Thompson, 2005: 2 - 3). As a result, defection rates compel all the industries to replace a major percentage of their customer base yearly, however firms could benefit more if they concentrate on retaining customers.

3.2.4 Dangers involved in customer retention

Opponents of customer retention warn against some dangers, such as organisations that provide uniform standards of services (Jaiswal, 2008: 408). Cook (2000: 13-14) believed that the danger of uniform standards is that customers may perceive that they are just another account number. The author stated a number of dangers that should be taken into consideration: firstly, customers know their rights; secondly, customers are sophisticated; thirdly, customers have high expectations; and fourthly, customers compare service.

Jaiswal (2008: 411–413) stated another danger as being that customers become significant marketers for the company. The author explained that customers are in a position to influence the image of an organisation either positively or negatively, that is by recommending or criticising the organisation. In any case, it is clear that the organisation and the customer create value together through a service encounter. The other warning that Jaiswal (2008: 408) raised is that the environment is dynamic because it requires businesses to be prepared to live with complexity, paradoxes, uncertainty and ambiguity. Evidence to support this can be found in the total relationship marketing theory, which states that although many markets are perceived as chaotic, chaos hold opportunities for those who can grasp them. Accordingly, Jaiswal warned against a credo that challenges companies to re-evaluate their strategies in checking their effectiveness and efficiency, recommending creating relationships with their customers irrespective of how many they are. On this point, Stone *et al*. (2000: 86) argued that the larger the company, the harder it is for the business to understand all its customers' needs and perceptions. Apergis (2008: 168) also warned companies not to be comfortable with high numbers of customers, but rather learn more about the initiation of customer retention and the performance of the businesses while striving to acquire customers.

3.3 Customer relationship management

Companies are in business to meet the needs of their customers, thus they have to be customer-centric. Their products and services should be tailor-made according to the needs and wants of their customers, and doing so better than their competitors. They should study their customers through marketing research so as to know them better and create a solid relationship with them. Customers should be shown how valuable they are to the business because if they are neglected, they will feel like they are just an additional account to the firm instead of an asset.

Customer relationships represent the way customers want to be served, however the challenge that many organisations are faced with is how to develop solid relationships with their customers (Kumar *et al.,* 2006: 90). Customer relationship management includes all the tasks of the organisation that call for interdepartmental or inter-functional cooperation and coordination, however Little and Marandi (2003: 66) added that the task of relationship management is to bring customers up the relationship ladder. The steps that need to be taken at every level of the relationship are shown in Figure 3.1. below.

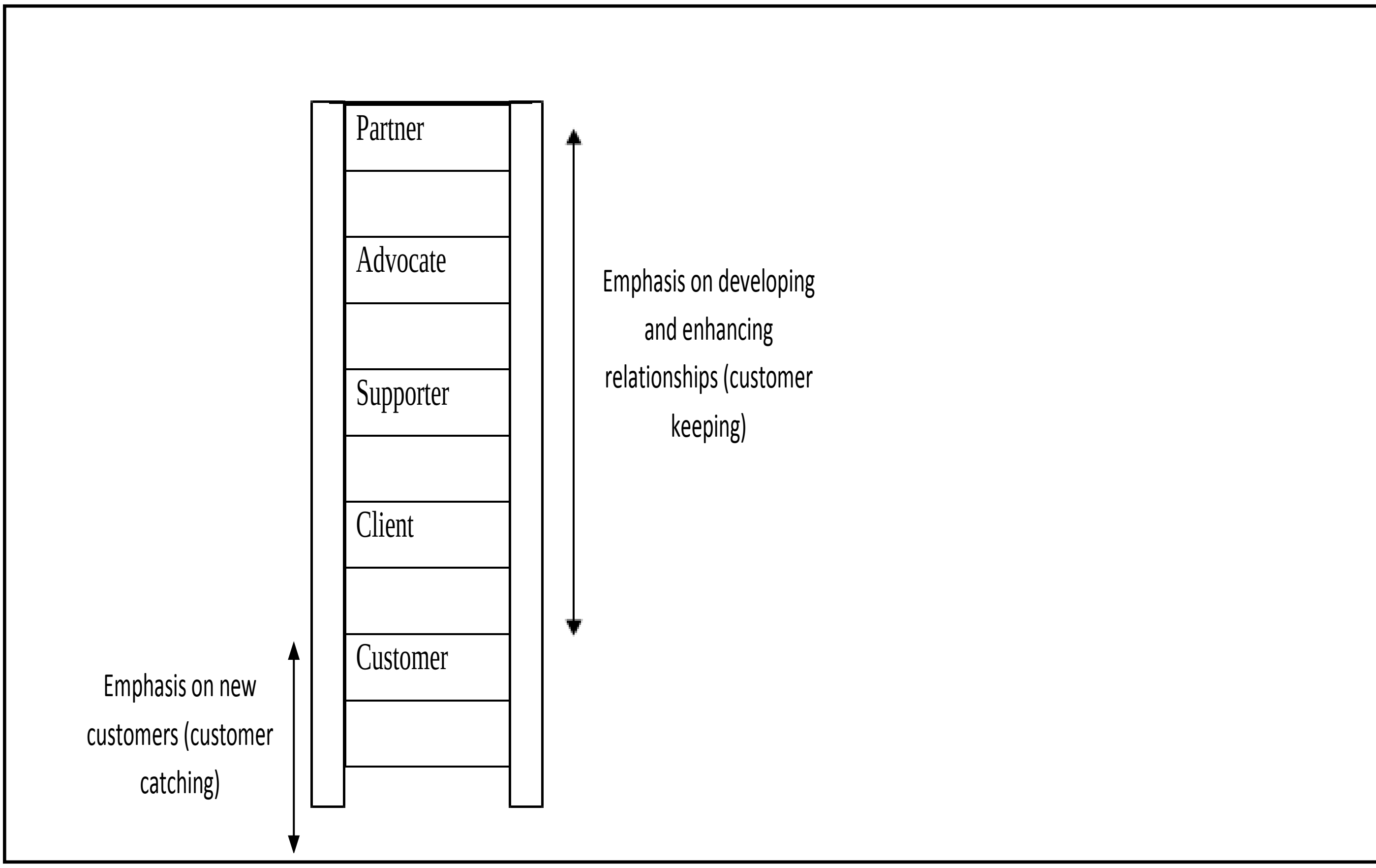

Figure 3.1: The relationship life cycle

Source: Harridge-March and Quinton (2009: 178)

The concept of the relationship ladder is the movement of customers from one level of loyalty to another. The whole notion is to bring customers high up the ladder as far as possible, since greater benefits accrue to the organisation at each level of loyalty. Any failure in climbing the ladder at any stage is a failure of the organisation (Harridge-March & Quinton, 2009: 178–180).

The mobile phone network industry focuses on the relationship management of customers and businesses in a way that will ensure that they are not only attracted to their particular network, but are retained in order to contribute positively towards the long-term profitability objective of the company. The ideal way to achieve this goal will be for the mobile phone networks to employ a customer relationship management strategy.

In practice, customer relationship management is profitable because businesses don't need to understand what it costs to gain a customer rather than what it costs to lose a customer Scharl *et al.* (2005: 165). Companies must create a detailed plan for their relationship management so as to avoid complications in their programmes and cutting costs. Scharl *et al*. (2005: 168-171) maintained that the whole concept of relationship management is centred on maximising the profitable value of individual customers. Furthermore, customers with competitive purchasing strategies should be handled differently by the business *(*Micu 2014: 269). However, Voss and Voss (2008: 4) further added that organisations in concentrated markets succeed with customer relationship management that pay attention to satisfying and retaining profitable customers. They also suggest that businesses should keep their marketing costs and contract to a minimum level.

The relationship between these different marketing factors, namely trust, customer value, satisfaction and loyalty, will be discussed in order to give effect to the relevance of customer relationship management to the mobile phone networks.

3.3.1 Relationship quality, commitment and strategy

The study by Scharl *et al.* (2005: 168-169) confirms that it is not only about service quality, but also the quality of products and excellence which plays a pivotal role in profitability. Little and Marandi (2003: 77) indicate that market expectations are based on quality and excellence, which can be considered as a cornerstone in building customer satisfaction. Alternatively, product quality is one of the factors that promote satisfaction, and must therefore be monitored so as to improve it by an organisation that wishes to have satisfied customers (Little & Marandi, 2003: 77).

Little and Marandi (2003: 77-78) added that customer satisfaction, perceived service quality, perceived value, trust and commitment are all regarded as the basis of consumer behaviour with regard to marketing the organisation. Figure 3.2 illustrates that customer satisfaction alone cannot create loyalty.

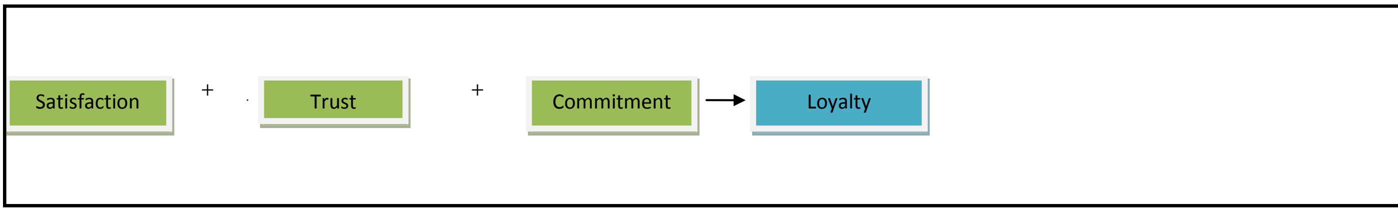

Figure 3.2: The loyalty formula

Source: Adapted from Little and Marandi (2003)

Trust and commitment are the key attributes in a successful relationship. Little and Marandi (2003: 51) defined commitment as an exchange partnership which believes that an on-going relationship with another is so important as to warrant maximum efforts at maintaining it. Harridge-March and Quinton (2009: 175–177) referred to relationship marketing as building and maintaining a base of committed customers who are likely to be profitable to the company. Companies must direct their efforts not only to attracting, but also to the retention and enhancement of customer relationships to achieve the goal of relationship marketing. A study by Gummesson (2002: 53) referred to relationship marketing as the opposite of transaction marketing - the ‘one shot’ deal.

Yet Little and Marandi (2003: 28) argued that one transaction or a couple of transactions cannot constitute a relationship, because relationships are based on mutual agreement, recognition and knowledge between the company and the customer. They further explained that in transaction marketing a customer’s purchasing patterns do not really matter to the firm, even if the customer continues to buy its products. The reason for the customer obtaining goods and services from the same supplier could be the result of high switching costs, and the customer might not want to commit or enter into a closer relationship with the supplier. It can, therefore, be seen that transaction marketing lacks history and memory, and as a result it does not get sentimental. This suggests that transaction marketing has no ambition to climb the loyalty ladder. On the contrary, the long-term relationship is a pillar in relationship marketing which is the opposite of transaction marketing, which is based on single deals and customer “promiscuity”. On the other hand, relationship marketing requires customers to commit themselves to a particular supplier or company and to divulge a great deal of information about themselves to that supplier or company (Little & Marandi, 2003: 33). To companies, loyal customers mean spending less money on advertising, personal selling and the setting up of new accounts. Micu (2012: 261) argued that companies’ inability to serve their customers is due to the cost of finding or accessing the customers. As a result, companies resort to customer relationship management to solve this supply problem, for example by use of telemarketing, mail order enquiry management and the like.

According to Little and Marandi (2003: 25) the reason for businesses to opt for transaction marketing is because customers will be in search of a repair business in which they can stay loyal to. In return, the company will also be looking for loyal customers. They argued that in today's competitive market, relationship marketing provides a competitive advantage to companies by offering customers added value in the form of customised solutions. Still, some customers may have threshold of satisfaction and dissatisfaction. As a result, relationship standards that fall below their threshold may be criticised, but on the level of their threshold the criticism may be taken for granted. Little and Marandi (2003: 29) argued that relationship marketing costs money and maintaining a customer in a relationship can be expensive, hence long term customers should be selected carefully because not all of them are profitable (Reijonnen & Laukkanen, 2010: 120). It has been shown that 30% of organisational customers are unprofitable and only 20% of customers can generate up to 225% of an organisation's profits (Reijonnen & Laukkanen). According to Macharia (2014: 12-13), long-term customers speak well about the company to others, which lowers the cost of attracting new customers.

3.3.2 Deliver value to the customer

Long-term customers are more forgiving because an occasional bad experience will be offset by positive ones that they experienced in their relationship with the company. However, other scholars suggest that the golden rule is that companies should focus all their efforts on retaining and pleasing both loyal and potentially loyal customers (Murphy, 2005: 3). The customers that are most likely to stay in a relationship forecast their lifetime with the business. Therefore, businesses are advised to calculate those customers' lifetime values in order to identify customers whom it will be profitable for the business to have a relationship with (Micu, 2012: 263); it has been shown that loyal customers expect to get better service because of their loyalty to the company. In addition, loyal customers help to cut down service costs because existing customers base their purchase decision on their experience with the company. Furthermore, in managing loyalty, other than through promotional schemes, companies attempt to strengthen the behaviours and the state of mind of frequent customers. It is therefore clear that relationship building is a long term process and very crucial. Micu (2014: 265) urged service companies to think of marketing from the viewpoint of existing customers rather than being only about acquiring new customers. Servicing and selling to existing customers is crucial to long-term marketing success. Customer commitment is the driving force of customer loyalty to the provider rather than service quality (Fullerton, 2005).

3.3.3 Create customer satisfaction by delivering value

According to Lamb, Hair and McDaniel (2008: 5-6), customer satisfaction is the feeling that a product has met or exceeded a customer's expectations, and can be explained in terms of the so-called disconfirmation paradigm. This paradigm proposes that both meeting and exceeding customer expectations lead to customer satisfaction (known as positive confirmation). Dissatisfaction, in contrast, results when performance falls short of those expectations (negative confirmation). Customer satisfaction is thus a customer response or judgment of a product or service in terms of the extent to which consumption meets expectations. A paradigm shift implies that a science or discipline is given a new foundation with new values, new assumptions and new methods, which means the accepted and established must be set aside. A paradigm shift breaks existing patterns and therefore, they are based on different concepts and obey different laws. Lamb *et al*. further noted that relationship marketing is a type of paradigm shift in marketing. Therefore, the paradigm can be illustrated with the help of Figure 3.3 below.

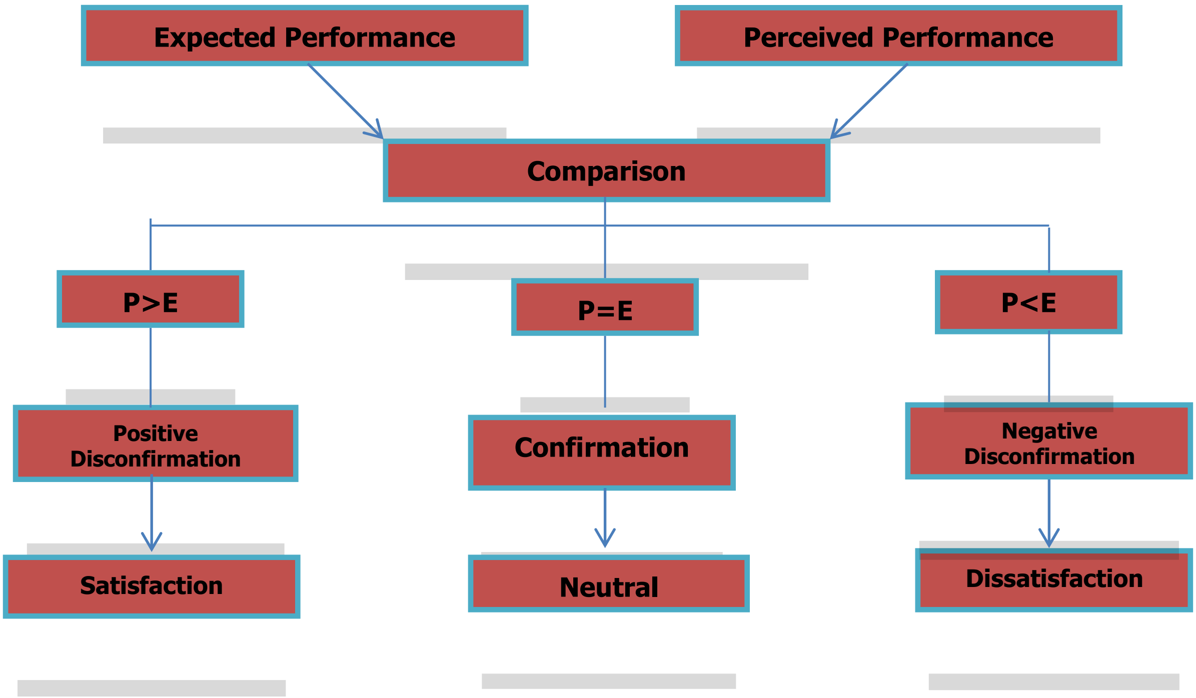

Figure 3.3: The Disconfirmation Paradigm

Source: Lamb *et al.* (2008: 5)

According to Hansemark (2004: 2), customer satisfaction alone cannot generate lifetime customers who will stay loyal to the company, although customer satisfaction is a base for retention. Organisations need to understand the reasons why customers remain with the firm and not assume that it is because of a positive and mindful choice, since they might remain due to lack of alternatives (Petzer *et al.*, 2009: 276). This view was supported by Scharl *et al.* (2005: 169-172), who maintained that customer satisfaction is regarded as a positive feeling, although for many customers it is the absence of a negative feeling, because customers who perceive themselves as satisfied in actual fact can have either positive or negative feelings. Therefore, such customers are satisfied and have no reason to leave or remain with the company. Little and Marandi (2003: 15) argued that for a long time customer satisfaction was regarded as the key to loyalty. However, recently this notion has come under scrutiny, as some scholars argue that satisfied customers still defect to competitors. They thus advise organisations to achieve high satisfaction or customer delight to promote customer retention.

Research by Keiningham *et al.* (2005: 175) confirmed that the relationship between satisfaction and repurchase intention versus satisfaction and repurchasing is significantly different, as it is not clear whether satisfaction leads to repurchasing.

Due to the reasons noted above, de Matos *et al*. (2009: 519) argued that satisfaction alone is not enough to retain customers, hence companies need to look into both customer satisfaction and switching costs aspects such as relational and financial costs. In addition, de Matos *et al.* claimed that an increase in switching costs will minimise the influence of customers' negative word-of-mouth comments to potential customers. Terblanche and Boshoff (2010: 2) suggested that organisations need to invest in customer satisfaction until the costs of avoiding customer defections exceed customer value. Companies with huge success ratings put customers first before profit, even if it means incurring an additional cost because they know it will pay off in the long run. It can be seen that such companies resolve conflicts by putting customers first and profitability second (Rao, 2011: 248). Customer satisfaction increases purchasing and shutters competition, therefore satisfaction is a bridge towards customer loyalty (Scharl *et al*., 2005: 164-166). A study by Grewal and Levy (2009: 522-526; cited in Terblanche & Boshoff, 2010: 6) revealed that customer satisfaction is a primary predictor of customer loyalty, though as already stated above, not all satisfied customers will remain loyal.

Satisfied customers are more likely to make purchases and to say good things to their friends and family members about the organisation and its products. Blem (1995: 15) said that customers act as an unpaid sales force and since they have no vested interest in the product or service, their friends and family believe them. Ryu *et al.* (2008: 460-464) added that a satisfied customer not only comes back to do business, but the customer is happy to make that choice. Little and Marandi (2003: 49) warned companies that they should not be deceived by a high percentage of satisfied customers, because satisfied customers can still defect. Timm (2001: 68) argued that satisfied customers may be in a neutral state of satisfaction, therefore anything that annoys them can push them straight over the edge toward dissatisfaction. Research by Li and Murphy (2013: 520) referred to customer satisfaction as appreciating the value of current customers and continuing to provide superior services to existing customers so that they will remain loyal.

Other researchers such as Little and Marandi (2003: 53) argue that the concept of satisfaction and efforts to keep promises and building trust between businesses and customers fits closely with the concept of the relationship marketing management. These businesses usually note the prospect, as customers make occasional purchases from a range of suppliers without committing to a particular supplier. Customer satisfaction can be described as a cognitive or affective reaction that results in a response to a once-off or multiple set of service experiences (Hu Kundampully & Juwaheer, 2009: 111). Little and Marandi (2003: 149) defined customer satisfaction as an emotional state arising from the favourable disconfirmation of expectations. Again, customer satisfaction can be defined as a consumer's feeling that consumption provides, yielding some form of pleasure (de Matos *et al*., 2009: 507). Research by Chen *et al.* (2009: 4) referred to satisfaction as the perceived discrepancy between prior expectation and the perceived performance after consumption. Customer satisfaction is an emotional state; customers' post-purchase reactions can involve anger, irritation, neutrality, pleasure or even delight (Macharia, 2014: 269). Terblanche and Boshoff (2010: 2) viewed customer satisfaction as cumulative because it includes all of a customer's experiences with the product or service provider. As noted by Knox and Denison (2000: 33), the reaction of customers is unpredictable. Reijonen and Laukkanen (2010: 119) advised organisations to be aware of how well or badly their customers are treated, as the dissatisfaction with a failure in service delivery sometimes leads to violent responses from customers.

In support, Boshoff (2008: 14) illustrated customers' unpredictable behaviour by showing the riots that happened in Pretoria in February 2008, when commuters at a Metro rail station torched six coaches due to dissatisfaction with delayed trains. Similarly, students organised violent protests as a way of expressing their dissatisfaction with the Durban University of Technology, University of Limpopo, Tshwane University of Technology, University of the Witwatersrand and University of Johannesburg, due to escalating tuition fees and the exclusion of poor students who could not pay fees. These actions might have resulted due to customers' anger or irritation, as per Macharia (2014: 271). Other examples of customer dissatisfaction are related to the failures of service delivery by the government, when residents of Diepsloot in Gauteng protested in 2004.

Similar protests occurred near Harrismith in the Eastern Free State in September of the same year. During these services delivery incidents there were violent protests in many parts of the country over the period of 2004 and 2005. Chen *et al.* (2009: 4) define satisfaction as the degree to which one believes that an experience evokes positive feelings. Research by Boshoff (2006: 3) alludes to the measurement of customer satisfaction as not being an easy task because customers' expectations are dynamic and their evaluations are only based on various unstable dimensions. However, Apergis *et al*. (2008: 163) agrees that measuring customer satisfaction is not really useful for the business because what is important is customer retention. However, in most studies satisfaction is measured by self-reported satisfaction by the respondents.

3.3.4 Get customer loyalty

Businesses have been warned about courting valuable customers who are worth keeping in a relationship and giving them preferential treatment, as this could create resentment on the part of remaining customers whose share of wallet could be a source of income that a business may not wish to forgo. Dawes 2009: 232) agrees that a business's share of wallet which is also known as relationship breadth is regarded as a crucial tool in service industries, though a broader relationship with the (customer benefits the business by improving customer retention. Micu (2012: 253) argues that the business acquisition and keeping of dissatisfied customers is often damaging and these customers are not profitable for the business in the long run. Micu (2012: 256) added that frequent customers may be perceived as loyal by businesses.

Micu (2012: 268) says that loyalty can be defined as a physical and emotional commitment given by customers in exchange of their needs being met Loyalty can also be defined as state of mind, set of attitudes, beliefs, and desires. De Matos *et al*. (2009: 508) defined loyalty as a strong relationship between customers' relative attitudes and repurchases, representing the proportion, the sequence and the probability of purchases with the same supplier. Loyalty can be evaluated and also be defined by attitudinal and behavioural measures (Chen *et al.*, 2009: 5). Loyalty is a desire to continue a relationship with a service provider while a behavioural measure refers to the concept of repeat patronage. As noted by de Matos *et al*. (2009: 508), the attitudinal approach stresses a customer's actions, such as past purchase and future purchase probability related to the past purchasing behaviour of a particular brand. Micu (2012: 270) added that strong relationships can be built between a company and its customers based on a customer's loyalty and state of mind.

Chen *et al.* (2009: 5) suggested four stages that can be used to identify customer loyalty, namely cognitive loyalty, affective loyalty, conative loyalty and action loyalty. They argued that action loyalty is not easy to measure, therefore it is normally substituted by conative loyalty. They also argued that loyal customers may solicit information from competitors when coming together with the company for a major purchasing decision. Wilson *et al*., (2012: 377) noted that it is human nature for customers not to change suppliers when there is already a considerable investment between them and the supplier, because the company knows the customers and their preferences, therefore changing providers means educating a new supplier on all of these factors (Reinartz *et al.*, 2005: 68). Scharl *et al.* (2005) observed that every customer needs to be treated as an individual because long-term customers view the company as their own. Such customers want the business to value them. In this context, it can be concluded that relationship marketing effectively creates customers as assets that give higher revenues, lower marketing costs and higher net income. On the other hand, the inefficient use of relationship marketing creates customer liabilities, which offer low revenues due to price discounts, higher costs due to promotion and giveaways, and lower net incomes.

In addition, Scharl *et al.* (2005) argued that dissatisfied customers will influence others into the competitors' arms, hence Keiningham *et al.* (2005: 179) referred to customer dissatisfaction as a primary cause of customer defection. Boshoff (2006: 3) stated that organisations that are incapable of satisfying their customers will face aggravating results, including customer complaints, negative word-of-mouth comments, defection, loss in market share and eventually, bankruptcy. One important component in the concept of satisfaction is complaint management. Tokman *et al*. (2007: 48) investigated the relationship between the benefits that win-back strategies offer in the reacquisition of lost customers. The authors found that encouraging consumers to complain increased their satisfaction, especially in the case of the most dissatisfied customers. Blem (1995: 141) advised companies to either wait for customers' complaints to come in or reach out to get customer feedback. In doing so, companies will either be treating the symptoms of the problem or they can directly attack the causes. However, research by Bogomolova and Romaniuk (2009: 91) added that complaint management not only results in customer satisfaction, but also leads to operational improvement and improved financial performance. A similar view was held by Macharia (2014: 14), who argued that customers complain in order to recover economic loss, seek a refund, or have the service performed again. The other reason that they cited for customers complaining is for rebuilding self-esteem.

Terblanche and Boshoff (2009: 6) argued that a company is more likely to retain a customer by encouraging complaints and then addressing them, than by assuming that a customer is satisfied. Companies should listen and respond to customers' complaints so as to ensure continuous improvement of the company (Nash & Nash, 2002: 165). Timm (2001: 49) added that companies should avoid making unnecessary demands for details and just accept that a complaint is legitimate. Keiningham *et al.* (2005: 176-180) argued that companies should treat complaints as an opportunity to learn and respond to customers even if it means changing their work practices, because complaint handling plays a major role in customer retention or defection. Complaints should be addressed expeditiously to ensure that less damage is inflicted, and the fewer customers lost, the quicker and more efficiently the company solves the problem. It is therefore clear that companies should treat complaints as a tool for strategic planning. In addition, a useful indication can be gained by monitoring customer complaints, particularly at the individual relationship level (Little & Marandi, 2003: 150). Reinartz *et al*. (2005: 69–70) stated that companies should find out how satisfied or dissatisfied its current customers are in order to improve its customer satisfaction levels. They urged companies to ask customers about factors that are important in satisfying them, and then evaluate their service performance and that of their competitors.

Tokman *et al*. (2007: 49) proposed that companies need to recognise that one of the ways of solving the problem of defection is to position themselves differently than their rivals or competitors. In addition, the scholars stated that customer satisfaction also provides a competitive advantage for companies.

3.4 Conclusion

This chapter discussed the literature that was reviewed for this study, and showed that the retention of customers in organisations needs to be further researched. Of critical importance in this review are the major theories on customer retention strategies, with particular emphasis on the South African cell phone network industry. It was shown in this chapter that for the organisation to meet its customers’ expectations, it has to satisfy them so that they become loyal to the organisation. Hence customer satisfaction, trust and commitment are effective in increasing the organisation’s retention rates.

Summary of key theoretical findings

The following is a summary of the theoretical findings:

- Customer Relationship Management – This is important to maintain a relationship with a customer (Scharl *et al.*, 2005: 165). Voss and Voss (2008: 4) maintained that customer relationship management leads to customer satisfaction, which in turn translates into customer retention.

- Loyalty – Little and Marandi (2003: 49) derived a loyalty formula that is constituted of satisfaction, trust and commitment of customers. Loyal customers end up having a long term relationship with the service provider.

- Customer satisfaction – This is important for customer retention (Murphy, 2001: 5; Little & Marandi, 2003: 53; Stone *et al.*, 2000: 102; Hansemark, 2004: 2), but on its own it is not enough. Forging long term relationships with customers is key for customer retention.

- 7Ps - Product, place, people, price, process, physical evidence and promotion.

The above findings can be depicted using the model below:

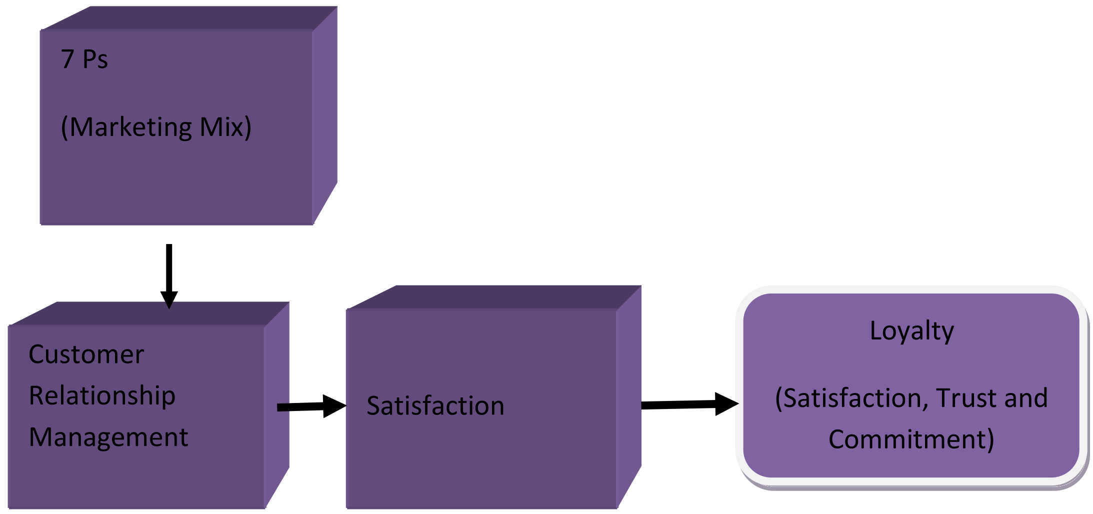

Figure 3.4: Summary of theoretical findings

The above model depicts the key theories that are used in this study. The purpose is to showcase the relationship between customer retention and other variables that have to be considered to enable companies to not only forge long term relationships with their customers, but to provide customer lifetime value to their retained customers. The model simply shows that for every company to retain and also deliver quality service to its target market, the 7Ps must be used as customer retention strategies. To forge good and healthy relationships with customers, the 7Ps need to be tested in order to know which of them appeal to a particular target market. Once good relationships are developed and nurtured and the 7Ps are addressed effectively, this leads to customer satisfaction, which is linked to happiness as well as loyalty. The 7Ps were thus tested to check their influence on customer retention in the South African mobile phone network industry.

The next chapter will focus on the research design and methodology. The chapter will also outline the contents of the research instrument as informed by literature review.

CHAPTER FOUR: RESEARCH DESIGN AND METHODOLOGY

4.1. Introduction

According to Borrego *et al.* (2009: 54), the study of cause and effect relationships between and among variables or indicators is appropriate to a quantitative research strategy. The quantitative research method is a procedure for collecting and analysing data quantitatively in a single study to understand a research problem completely (Creswell & Clark, 2007; Creswell & Tashakkori, 2007: 261). In this type of research, the investigator depends on numerical data to test the relationship between variables (Welman & Kruger, 2001: 7-8). As this study was testing the causal effect or role of marketing mix variables on subscribers' retention in the mobile phone network industry, the research approach used was of a quantitative nature.

4.1.1. Research design

4.1.2 Research approach

A quantitative research approach was used in this study. Creswell (2009: 54) and Borrego *et al.* (2009: 54) described a quantitative study as one in which researchers collect quantitative data on a sample, analyse them, and make generalisations or inferences about a population. A quantitative research methodology was considered more appropriate for this study, as addressing the research problem depended on an analysis of quantitative data collected on a number of survey questions on marketing mix variables and their effectiveness in retaining subscribers in mobile phone networks.

The survey questionnaire, attached in Appendix 1, captured the opinions and perceptions of the selected respondents on the seven marketing mix variables and three additional variables. The reliance on customers to provide information that is used to measure the effectiveness of the marketing mix variables in retaining subscribers was supported by Hennig-Thurau *et al.* (2002: 235-237); they argued that customers can help identify areas of improvement in marketing strategies because they are the ones who use the product or service.

In a study on gender economics, Greene (1997: 14) used a model of the joint determination of two binary choice variables - the presence or absence of a gender economics course and the presence or absence of a women's studies programme. This approach provided a good basis for this study to quantify the effectiveness of the marketing mix variables in retaining mobile phone network subscribers.

The sampling frame from the university and the college registration offices was used to randomly select the participants of the study. In addition, the Raosoft Sample Size Calculator was used to determine the prospective power analysis of the sample size (Raosoft, 2004). Raosoft Sample Size Calculator is an interactive online program for performing power and sample size calculations. The sample size of interest may be determined either in terms of differing response rates, margin of error that can be afforded, confidence levels in estimates or population sizes (Saunders et al., 2003). In the Raosoft formula, the sample size n and margin of error E are denoted by:

[x = Z(c/100)2r (100-r);   n = N x/ ((N-1) E2 + x);   E = Sqrt [(N - n) x/n (N-1)]

In the above equation "…N represents the population size, r the fraction of responses that the researcher is interested in, and Z(c/100) the critical value for the confidence level c" (Raosoft, 2004). Based on the above discussion, the adjusted minimum recommended sample size for this study was 363, calculated using a population size of 6417 elements, a 5% margin of error, 95% confidence level and a 50% response rate. However, a large representation sample of 579 was used.

Four Hundred and Seventy Nine (479) usable questionnaires were returned from 529 questionnaires (response rate of 90.5%) randomly distributed to students who represented the subscribers at two tertiary institutions in the eastern Free State. The numerical data was generated from binary responses to given statements in a questionnaire by 479 out of 529 sampled students across the two TVET College campuses and the university in the eastern Free State (Table 4.1).

Table 4.1: Students population and sample sizes at the three study campuses, 2014

Institution	Number of students	Minimum recommended sample size	Distributed Questionnaires	Number of usable questionnaires	Response rate
UFS (QwaQwa campus)	4269		200	317	
Maluti Campus-Itemoheleng	1300		198	97	
Maluti Campus-Bethlehem	848		131	65	
Total	**6417**	**363**	**529**	**479**	**90.5%**

4.1.3 Research method

Supervised and unsupervised self-administered questionnaires (SAQ) were used as the research tool in this study. The supervised questionnaires were for those respondents who preferred to fill in the forms in the presence of fieldwork assistants, while the unsupervised questionnaires were for those respondents who preferred to fill them in at their own time and return them to the fieldwork assistants later. The latter category of respondents was given the option of seeking clarity telephonically. The questionnaire covered aspects of marketing mix strategies and other marketing strategy identified in the literature, and was distributed directly to the students in their respective campuses.

According to Fink *et al.* (2003: 2), SAQs are one of the most commonly-used data collection methods in research studies, and produce more trustworthy responses because respondents have the independence to respond to the questionnaire (Sandhu, 2012: 32). Fink *et al.* (2003: 9-14) identified several other advantages of SAQs in data collection:

- Timing: Unsupervised SAQs reduce the amount of time needed to complete the survey, thereby making survey implementation easier. This was relevant in this study as some of the questionnaires were filled in unsupervised.
- Sampling: SAQs allow for a wider geographic coverage in comparison to surveys that require person-to-person interviewing. This was relevant in this study since the respondents were based at three geographically separate campuses.
- Cost: SAQs afford the greatest cost advantage compared to all other data collection methods.

- Sensitive topics: People are more likely to give complete and truthful information on sensitive topics in a SAQ than in other forms of surveys. To some extent, this may have been the case in this study since respondents were requested to disclose personal information such as their age and salaries.

Respondents who completed questionnaires unsupervised were given a period of 15 working days. The researcher maintained a checklist of all the 529 candidates to keep track of progress in completing the questionnaire. Follow-up and reminder short message service (SMS) and phone calls were made to outstanding candidates over a period of one week after the expiry of the original two-week deadline. The entire primary data collection process took a period of four weeks to complete.

4.1.4. Questionnaire construction

The questionnaire used in the study consists of three sections (see Appendix B). In the first part of the questionnaire, respondents were requested to provide their demographic data such as their age, gender, employment status and income levels. Also, respondents were requested to indicate the network they use and whether their subscription is prepaid or contract.

The second part of the questionnaire consisted of closed questions based on the seven marketing mix strategies (7Ps). Here, respondents were expected to indicate their choice by ticking the right box. The response variables were either of a binary or polychotomous nature (Xu & Hu, 2010: 359-366). In the former, respondents were required to indicate whether they "agree" or "disagree" with a given statement. The latter consisted of questions in which respondents were required to indicate a single choice given more than two options.
The last part of the questionnaire consisted of additional marketing strategies other than the 7Ps, namely corporate social responsibility, satisfaction and opinion leadership.

4.1.5 Target population

The population in this study was made up of all the students in the three institutions in the Eastern Free State (Table 4.1). In total, the three tertiary institutions in the eastern Free State had 6417 students in 2014. The sample for this study was drawn from this population.

4.1.6 Sampling strategy

The population in this study was geographically spread, being based at Maluti TVET College and the University of the Free State campuses in the Eastern Free State. The University of the Free State and Itemoheleng-Maluti TVET College are situated in the Maluti-a-Phofung District in Phuthaditjhaba (Qwaqwa), while the Bethlehem-Maluti TVET College is situated in the Thabo Mofutsanyana District in Bethlehem. Phuthaditjhaba and Bethlehem are approximately 70 kilometres apart.

This study used probability sampling as the selection strategy. Probability sampling in the form of cluster random sampling was used to select students from each campus that participated in the survey. According to Wegner (2009: 219), cluster random sampling is used where the population can be naturally divided into clusters, where each cluster is similar in profile to every other cluster.

A subset of clusters is then randomly selected for sampling. The sampling units within these sampled clusters may themselves be randomly sampled to provide a representative sample from the population. In this study, each selected campus represented a cluster within which a representative sample was determined by using the Raosoft sample size calculator (Raosoft, 2004).

One advantage of this method of sampling is that it reduces the likelihood of selection bias, since every member of the target population has an equal chance of being selected for the sample. The sample statistics are thus likely to be unbiased estimates of their population parameters (Wegner, 2009: 221).

As the selection of respondents was random, questionnaires were handed out to available mobile phone subscribers among the students at the three campuses. Each student was given an identification number upon selection.

4.1.7 Data analysis

Chi-Squared Tests and the Probit model were employed to analyse data. Kerlinger (2000: 82-90) defined analysis as categorising, ordering, manipulating and summarising data to obtain answers to the research questions. Kerlinger (2000: 101-110) further explained the purpose of analysis as the reduction of data to an intelligible and interpretable form, so that the relations of research problems can be studied and tested and conclusions drawn from the data.

4.1.7.1 Chi-Square tests

The Chi-square ($\chi2$) test is non-parametric test, which is used to evaluate whether frequencies that have been empirically obtained differ significantly from those that would be expected on the basis of chance or theoretical expectations. The basic idea of the chi-square statistic is to compare the observed distribution of frequencies with the expected distribution of frequencies, showing whether the observed association between the variables is due to chance. This test relies on the basic assumption that there is no association between the variables in the contingency table. A statistically significant chi-square test indicates that the rows and columns of the contingency table are dependent, that is, there are differences between the cell frequencies that are substantial enough not to be attributed to chance or randomness. A non-significant chi-square test implies that differences in cell frequencies may be random (Wegner 2009: 1819-1820).

To calculate the Chi-Squared Test ($\chi2$) in simple terms, the researcher used the formula below:

$$[\, X^2 = \sum \frac{(O-E)^2}{E} \qquad \text{Equation 1}]$$

O - Represents the Observed responses and *E* - represent the expected responses (Average responses) (Navidi & Monk, 2013: 546).

In this study, the following chi-square tests were used:

4.1.7.2 Chi-squared Test for Independence of Association

The Chi-squared Test for Independence of Association was used to test whether there was an association between (1) subscription preferences (prepaid or contract) and (2) gender subscription bias across all the five mobile phone networks. In each case, the frequencies of “prepaid and contract” subscriptions and “male and female” in the five networks were entered in the contingency tables and statistically analysed. The results were considered significant at $P < 0.05$.

4.1.7.3 Bivariate chi-squared test

A Bivariate chi-squared test was used to test whether the frequencies of the respondents’ responses to questions relating to the marketing mix variables were significant or not in all the mobile phone networks. In this case, the frequencies of “agree” and “disagree” (and also in cases where there were more than two options to choose from) responses in the five mobile phone networks were entered in the contingency table and statistically analysed. The outcome of the test showed which of the marketing mix (and additional variables) were significant in retaining subscribers. The level of significance was considered at two levels, significant at $P < 0.05$ and highly significant at $P < 0.01$.

4.1.7.4 Probit Model analysis

The use of Probit models is increasingly important for strategy researchers (Hoetker 2007: 341). Probit analysis developed from the need to analyse qualitative (dichotomous or polychotomous) dependent variables within the regression framework. Many response variables are binary by nature, while others are measured ordinarily rather than continuously (degree of severity).

Ordinary least squares (OLS) regression has been shown to be inadequate when the dependent variable is discrete, and therefore the Probit Model analysis was more appropriate in this case (SAS, 2008: 2833). Since the data is categorical in nature, the probit model is more appropriate tool to analyse the data.

In evaluating the influence of marketing mix strategies in individual network, the use of a particular network by respondents served as a proxy for customer retention. A Probit model is a binary response model, the variable to be explained for example, *y* in this case is a particular mobile phone network subscribed, either MTN, Vodacom, Cell C, Telkom Mobile, or Virgin Mobile, is a random variable taking on the values zero and 1, which indicate whether or not a certain respond holds the network. For example *y=1* if a person uses a particular network, *y=0* a person does not hold a particular network. Y was generated by asking the question "Which of the five mobile phone networks do you often use?" This is a binary response (Wooldridge, 2010: 561). In the Probit model *y* is the explained variable, also known as the response variable whereas X= $(x_1, x_2, ..., x_k)$ are explanatory variables.
The Probit model is specified as follows.

The Probit model is specified as follows:

$$p(x)=p(y=1/x)=p(y=1|\ x_1, x_2, ..., x_k) \qquad \textbf{Equation 2]}$$

Where p stands for probability, *y* is the network held by the respondent and *x* stands for the marketing mix variables under consideration as well as other variables that were suggested to be influential in customers' usage of networks. In this case *x* stands for price, product, promotion, physical evidence, place, corporate social responsibility, satisfaction, happiness, people, process, gender, age and income. Since the questionnaire included binary responses, the Probit Model was suitable for the analysis under consideration.

The marginal effects of the marketing mix variables were calculated (using equation 3) with regard to the usage of a particular network using the command *dprobit*. In this calculation, categorical variables, such as usage of a network, could only take on two values, 0 and 1. The categorical variables therefore show that P (Y=1) changes as the categorical variable changes from 0 to 1, holding all other variables (marketing mixes) at their means.

Marginal Effect Xk= Pr(Y = 1|X, Xk= 1)–Pr(y=1|X, Xk= 0) Equation 3

Where X_k is a marketing mix and Y is usage of a network.

In short, the marginal effects calculated using the Probit model are the change in probability of network usage due to a change in a marketing mix variables (Ps) or any other variable crucial in using a network (Wooldridge, 2010: 562).

Other features that were reported for the Probit Model were R^2, which simply explain the percentage of y explained by x. R^2 indicates how well data points fit a statistical model (Wooldridge, 2000: 577) where y stands for usage of a network and x stands for variables that influence using a network. All the marginal effect results are tested at a 1%, 5% and 10 % level of significance.

All statistical analyses were performed using STATA 13 statistical software.

4.8 Definition and justification of marketing mix variables

Below are the definitions of the marketing mix variables according to the Chartered Institute of Marketing (Dann, 2010: 1-10; Murphy *et al.*, 2005: 3-4). Below the definition of each variable is a question that was asked in relation to it in the questionnaire.

4.8.1 Product

Marketing is about identifying, anticipating and satisfying customer needs, therefore a company needs to make a point that its product and service continue to meet its customers' needs. Within this element one needs to consider such things as product range; its quality and design; its features and the benefits it offers; sizing and packaging; and any add-on guarantees and customer service offerings (Kotler and Armstrong, 2013: 218; Lamb Jr *et al.*, 2010: 207).

Question: " "what are the benefits you get from your network provider?" the choice of responses were mobile phone banking, talking points, bulk purchases, and call backs

4.8.2 Price

Sound pricing decisions are crucial to a successful business and should be considered at both long-term strategic and short-term tactical levels. Within this element of the mix one should consider list price and discount price; terms and conditions of payment; and the price sensitivity of the market.

Question: “The prices are reasonable as they carry a lot of incentives e.g. free minutes and talking points”. The response choices were agree and disagree.

4.8.3 Promotion

There are many different promotional techniques, each with their own strengths, but essentially they can be broken down into five broad categories: advertising; public relations; sales promotions; direct marketing and personal selling. These techniques are used to communicate the specific benefits of a product to customers.

Question: “Do you think the adverts communicate the uniqueness of the product”. The responses were agree and disagree.

4.8.4 People

The impact that people in the company can have on marketing cannot be underestimated. At its most obvious, this element covers front line sales and customer service staff who will have a direct impact on how the product is perceived. What needs to be considered is the knowledge and skills of staff, as well as their motivation and investment in supporting the brand. Any element of the marketing mix will also have an impact on other elements of the business, but the people element is one where the importance of regarding marketing as an integral part of the way business is done becomes crystal clear.

Question: “The customer care service personnel are helpful in handling queries”. The responses were agree and disagree.

4.8.5 Place

Place is the means of distribution or channel selected depending on the type of service that is being marketed. The choice of such a channel is important, as is the variety of channels being used.

Question: “I am happy with the service provider because of its network coverage”. The responses were agree and disagree.

4.8.6 Process

The process part of the mix is about ‘being easy to do business with’. The more ‘high contact’ the product and the more intangible, the more difficult it is for the business to get the process right. The processes involved in delivering the products and services have an impact on how the customer perceives the business.

Question: “The network billing system keeps me informed about my account e.g. increases in rates and free minutes”. The responses were agree and disagree.

4.8.7 Physical evidence

Physical evidence is used to describe the type of image that a business portrays through its physical presence. When customers do not have anything that they can touch, see or try before they buy, they are likely to assess the business by the image it puts across.

Question: “My network keeps its promises”. The responses were agree and disagree.

4.8.7.1 Other additional variables

In order to test if there are variables other than the 7Ps that may influence subscribers’ retention, the researcher used her discretion to select and include in the questionnaire additional variables that are commonly cited in literature. These variables were selected on the grounds that they have been recognised widely in literature as having an impact on influencing customer choice and/or retention. These variables are satisfaction, corporate social responsibility and opinion leadership. It should be noted, however, that other variables such as opinion leadership, for example, fall out of business’ direct control and there is therefore very little that managers can do to change them.

4.8.7.2 Satisfaction

Customer satisfaction with a company's products or services is often seen as the key to a company's success and long-term competitiveness. In the context of relationship marketing, customer satisfaction is often viewed as a central determinant of customer retention (Jaiswal, 2008, p. 416). The researcher in this study therefore decided to find out which of the networks the subscribers were mostly satisfied with.

Question: "Which of the networks are you satisfied with". Responses were Vodacom, MTN, Cell C, Virgin Mobile and Telkom Mobile.

4.8.7.3 Corporate Social Responsibility (CSR)

Corporate social responsibility can be defined as situations where the firm goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2010: 1). Numerous studies have shown that positive CSR beliefs held by consumers are strongly associated with greater purchase likelihood, longer-term loyalty and advocacy behaviours (Du, Bhattacharya & Sen *et al.*, 2007: 235). In their study, Mohr *et al.* (2001: 13) demonstrated that a substantial, viable and identifiable market segment exists that considers a company's level of social responsibility in its purchase and investment decisions. There was thus sufficient motivation for the researcher to test the influence of this aspect in subscribers' retention in the mobile phone networks studied.

Question: "My network sponsors…..". The responses were soccer matches, cricket, rugby and tennis.

4.8.7.4 Opinion leadership

Opinion leaders are product specialists who provide other consumers with information about a particular product class. Tellis *et al.* (2004: 13) identified opinion leaders as one of the dimensions of consumer innovativeness. Rogers and Singhal (2003: 18) maintained that the concept of opinion leadership is consistently associated with customer influence.

Since this appears as one concept that influences customers even though it is outside the control of business managers, the researcher in this study decided to test its influence in the retention of subscribers in the mobile phone networks studied.

Question: “Was you choice of network influenced by peers, friends, family members or other experienced network subscribers?

4.8.7.5 Pilot study

A pilot study is a smaller-scale version of the main study, which is designed to check if the design works according to plan. The purpose of a pilot study is to identify any problems with the design so that they can be corrected before the main study is conducted. This helps to maximise the validity of the study (George *et al*., 2008). In this research, a pilot study was conducted by the researcher to test for the practicality of implementation based on the planned methodology. The main objective of the pilot study was to test if the questions asked in the questionnaire were understood by the respondents. Further, the aim was to test if the collected data met the requirements of the statistical tests used. Fifteen students from the University of the Free State campus were invited earlier by the researcher to respond to the survey questionnaire. Since the main study was based on cluster random sampling, these 15 pilot study respondents were retained as part of the full sample. Based on the common queries from these respondents, few adjustments were made to the questionnaire.

4.9 Research process

4.9.1 Verification of reliability

Cohen *et al*. (2007: 146) described reliability in quantitative research as relating to dependability, consistency and replicability over time, over instruments and over groups of respondents. Reliability therefore means that similar results would be obtained if a test and then a re-test were undertaken within an appropriate time span. Self-administered questionnaires come with their own challenges and shortcomings. Brown *et al*. (2010: 924-928) identified some of the challenges of questionnaires as the following: sampling and non-response errors; faulty or biased design; unreliability of respondents; misunderstanding;

processing and statistical analysis; and incorrect interpretation of results. In this study, respondents were given complete control of the process of responding to the questionnaire, which might have introduced some of the stated problems.

However, the researcher made follow-up telephone calls to 15 of the 479 respondents who returned questionnaires to ensure that they had fully understood the questions. This helped the researcher to gain a reasonably high level of confidence that the responses to the questionnaire were reliable.

4.9.2 Informed consent

Informed consent is defined as the responsibility of the researcher to ensure that all participants have a clear understanding of the implications of participating in the study (Hofstee, 2006: 211). To this effect, Pedroni and Pimple (2001: 5-8) suggested four essential criteria of informed consent. The researcher used these criteria as the basis for ensuring the informed consent of participants:

- Understanding: this refers to the ability of participants to understand the research. Considering the academic level of students in the three tertiary institutions selected for the study, the researcher deemed all the respondents to have the ability to understand the research.
- Information: participants in the research must be provided with all the necessary information on the nature of the research. In this study, an attempt was made to ensure that all respondents were informed of the nature of the study; its objectives and the academic institution involved. Respondents were also assured that their personal identities and responses would be kept anonymous.
- Decision-making capacity: relates to the mental capacity of a research subject to participate in the study. All the participants in this study had the mental capacity to decide on whether or not to participate.
- Voluntariness: This ensures that participants do not feel obliged to participate in the study. Upon presenting questionnaires to potential participants, the researcher/fieldwork assistants requested each selected participant's approval to participate in the study.

4.9.3. Control of bias

According to Taylor (2005: 240), objectivity in quantitative research must always be sought. Some means to reduce personal bias of research subjects are:

- Designing instruments and data gathering procedures that limit the amount of personal contact with participants during the data collection process. Although questionnaires in this study were handed to participants through personal contact, an attempt was made to ensure that their responses were not influenced by the researcher or fieldwork assistants.
- Standardising data gathering instruments: A standard questionnaire was used in this study to ensure that the responses obtained were from the same questions to all participants.

4.9.4. Ethical considerations of the study

Throughout this study, the researcher ensured that ethical research standards were adhered to. Firstly, the researcher ensured that all participants in the sample were provided with all the information pertaining to the study in regard to the objectives, the nature of data or information to be collected, and the intended uses of the research findings. This provided the research participants with the opportunity to autonomously give their informed consent to take part in the study. All raw data were kept securely on the researcher's computer database, with no other third parties having access to it except those who assisted with the analysis. The reporting of the study results made it impossible to identify any participants individually. The researcher also upheld the highest levels of anonymity and confidentiality over the data provided by the participants. Individual respondents were not identified by name, but were assigned unique codes by the researcher.

4.10 Conclusion

This chapter outlines the procedures which were followed in carrying out this project. The best procedures were chosen considering the nature of the industry and its market. The survey research was appropriate for this study given the number of respondents that were used. The research instrument made it easy to understand the perceptions of consumers, because the questionnaire was formulated in a manner that was clear and understandable. The technique used ensured that the sample was the right size and representative of the whole population. Field work was also carried out in a manner that brought in the correct data. Lastly, the methods chosen for analysis ensured that the objectives of the project were answered.

CHAPTER FIVE: DATA ANALYSIS

5.1. Introduction

This chapter explains how the data was analysed and gives a description of the outcomes of the data analysis. Descriptive statistics were used to analyse and graphically display the demographic profiles of the respondents, which was followed by a Chi-square test that was used to investigate the influence of the marketing mix variables on the use of the networks in general. A Probit-Model was used to explore the influence of the marketing mix variables as a source of influence on individual networks.

5.2. Descriptive statistics

5.2.1. Proportions of subscribers in the five mobile phone networks

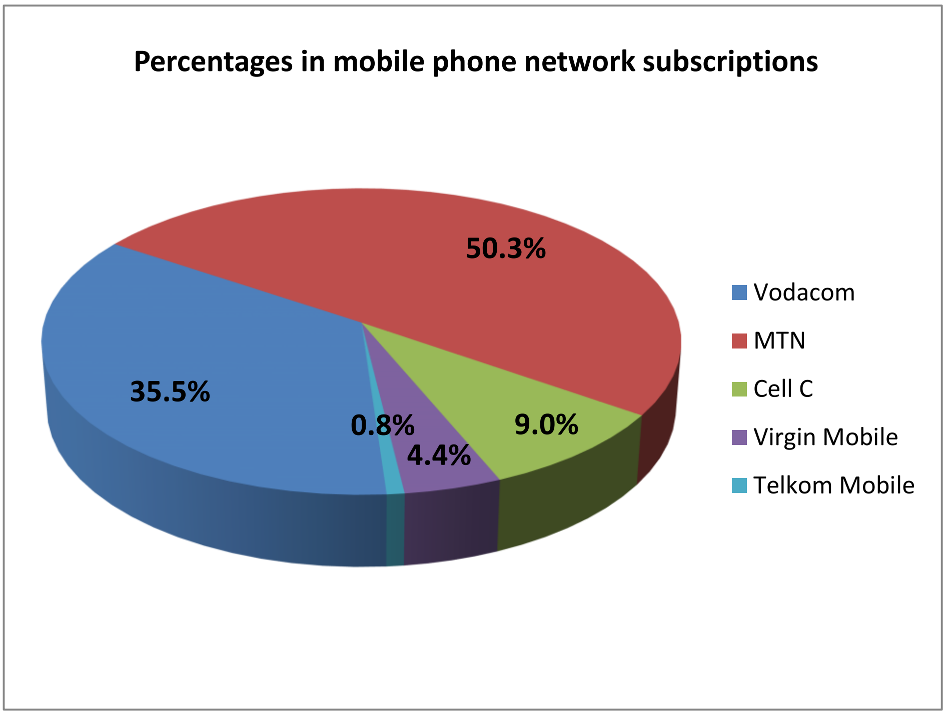

Figure 5.1: Respondents' percentages in mobile phone network subscriptions

Regarding the mobile phone networks, the majority of respondents were MTN subscribers (50.3%), followed by Vodacom (35.5%), Cell C (9.0%), Virgin Mobile (4.4%) and lastly, Telkom Mobile (0.8%) as depicted by Figure 5.1 above. Both Virgin Mobile and Telkom Mobile had a very low percentage of subscribers, thus the researcher decided to combine the two networks when running a Probit model (V_Telkom Mobile). The results are made up of a sample size of 479, the average age is 25.2 and the average income is R1064.70.

According to figure 5.1 above, the higher number of subscribers for both Vodacom and MTN confirmed the literature in section 1.2.2. The other three networks were launched in recent years and therefore have lower number of subscriptions. This can be attributed to their late entrance into the mobile network industry. MTN has the largest percentage of network subscriptions, with Telkom Mobile having the lowest percentage. In this regard MTN and Vodacom are the big players in mobile phone industry; both share 85.8% of the total subscribers in South Africa.

Figure 5.2 below indicates that in all the networks the majority of respondents (67.3%) were unemployed, however this is because most of the respondents were young and still in school. Students who were working (32.7%) were also studying, as they indicated that they had part-time classes that allowed them to work and study at the same time. Some of the respondents were full-time students.

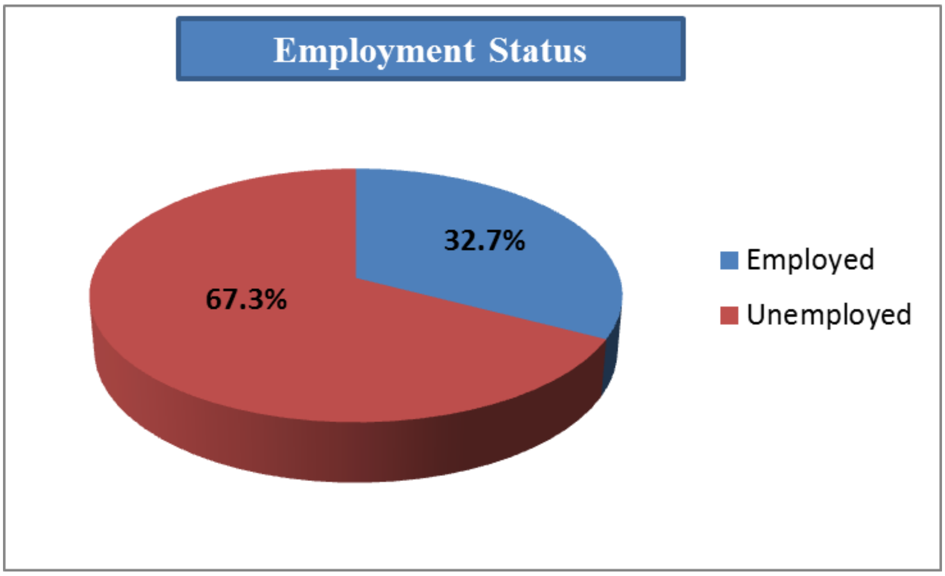

Figure 5.2: Percentages of employed and unemployed subscribers in the five mobile phone networks

For individual networks, Figure 5.3 below shows the proportions (by percentages) of respondents in each of the three income categories. As can be seen, all the networks were dominated by respondents in the R1-1500 income category, with Telkom Mobile having 100% of its employed respondents in this category. The second-majority income category in all the networks consisted of the respondents in the R1501-R5000 category, followed by the lowest numbers in the R5001+ category. In terms of the R5001+ category, Virgin Mobile has a bigger portion of the income, with Telkom Mobile with zero percentage. With regards to the R1501 – R5000 bracket, Cell C has the highest income percentage of individual subscribers.

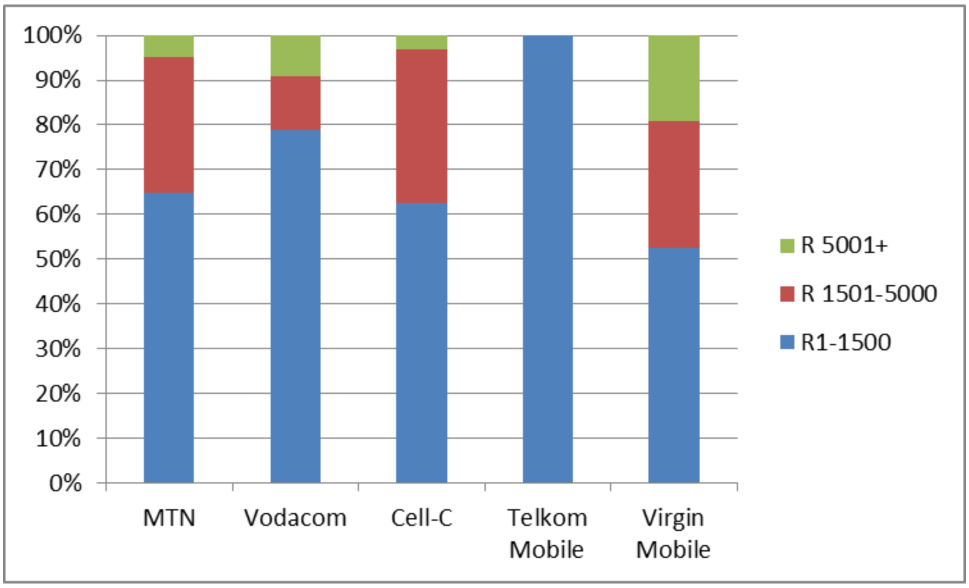

Figure 5.3: Proportions of respondents (by percentages) in the three income categories in the five mobile phone networks

5.2.2. Age

Figure 5.4 below shows the age profiles of the respondents in the five mobile phone networks. Except in Virgin Mobile where the dominant age category was 18-23 years, MTN, Vodacom and Cell C were consistently dominated by respondents in the 24-29 age category. For all the networks except Telkom Mobile, where the 18-23 age category was not represented, the second largest age category was 18-23, followed by 30-35. Since the respondents were requested to indicate their age by ticking the category and not giving their exact age, the lowest and highest age in the sample could not be determined.

As students without mobile phones were not included in the study, the high numbers of respondents in the 24-29 age category suggests that irrespective of mobile phone ownership, a large part of the study population consists of students only. Although age was found not to present a barrier to access to mobile phone networks in South Africa, a survey by Carmody (2009: 54) found that a large number of mobile phone subscribers came from the 25-45 age group, which represents an economically active group. This might partially explain why the 18-23 age category in this study comparatively had fewer numbers.

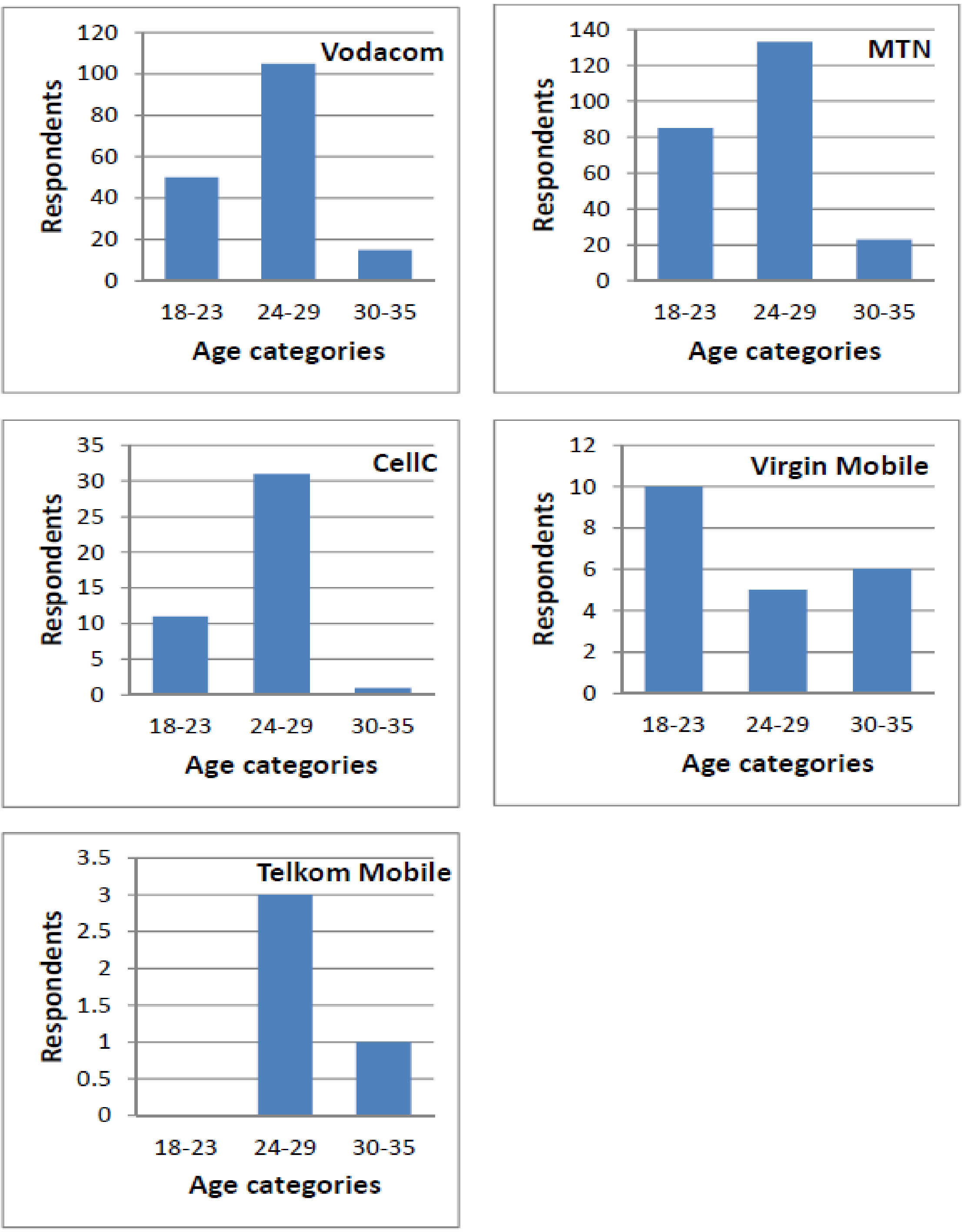

Figure 5.4: Age profile of respondents in the five mobile phone networks

5.2.3. Prepaid and contract

The respondents were also asked to indicate whether they had a prepaid service or contract. In each network the majority of the respondents were on prepaid, with Vodacom (86.5%) having the highest percentage of prepaid subscribers and Virgin Mobile (52.4%) the least. The Chi-squared Test for Independence of Association was performed to test whether the observed subscription preferences (prepaid and contract) of the respondents for the five networks were similar or different. The results showed that the observed differences in subscription preferences for all the networks were statistically different (χ^2= 15.62, *df* = 4, *p* <0.05), implying that network subscription and subscription preferences are not independent of each other, or there is a strong association between network subscription and subscription preferences, with a strong bias towards prepaid subscriptions.

A strong bias towards prepaid subscriptions may be attributed to the fact that the majority of respondents are students whose monthly income is unstable and unpredictable; a contract subscription plan would thus be a risky commitment for such students. These results are consistent with the findings of Chigona *et al*. (2008: 2202-2205), who found prepaid plans to be the most common among their respondents. According to the authors, although contracts offer lower rates, prepaid plans are more flexible as the customer is not locked in. In addition, contract subscription requires a minimum gross income of R3500 (Chigona et al., 2009: 2206). A high number of prepaid subscriptions in this study can, therefore, also be explained by the fact that the majority of respondents (67.3% in Figure 4.2) were unemployed, and a relatively large portion of those who were employed earned a monthly income of less than R3500.

The findings above show that all the networks have a higher percentage of prepaid subscribers in comparison to contract subscribers.

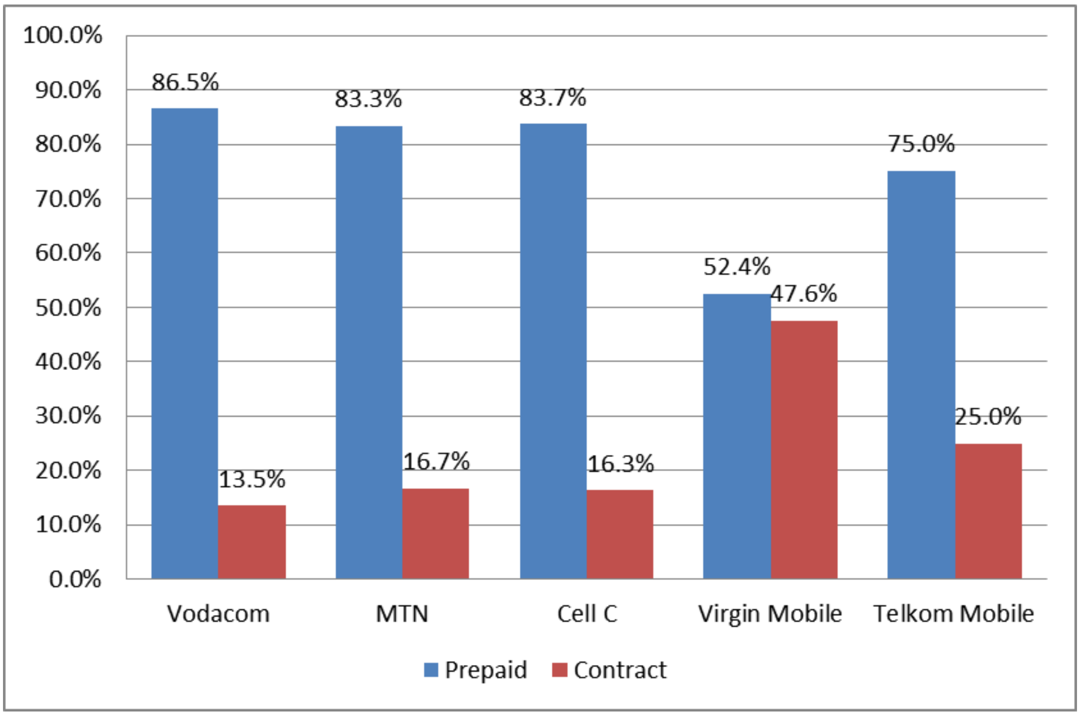

Figure 5.5: Differences in preferences between prepaid and contract subscriptions in the five networks

5.2.4. Gender

The total number of respondents was 479, with female respondents constituting 56.8% (272) and male respondents constituting 43.2% (207). Proportions of female and male subscribers in individual networks are shown in figure 5.6 below. This figure shows the dominance of female subscribers in all networks except for Telkom Mobile, where female and male subscribers were in equal proportions. Virgin Mobile has the highest percentage of female subscribers (81.0%), with Telkom Mobile having the least percentage of female subscribers (50.0%). These results were confirmed by the Chi-squared Test for Independence of Association, which showed that the observed differences in subscription between males and females for all the networks were not statistically different (χ^2 = 7.66, *df* = 4, *p* >0.05), implying that network subscription and gender are independent of each other.

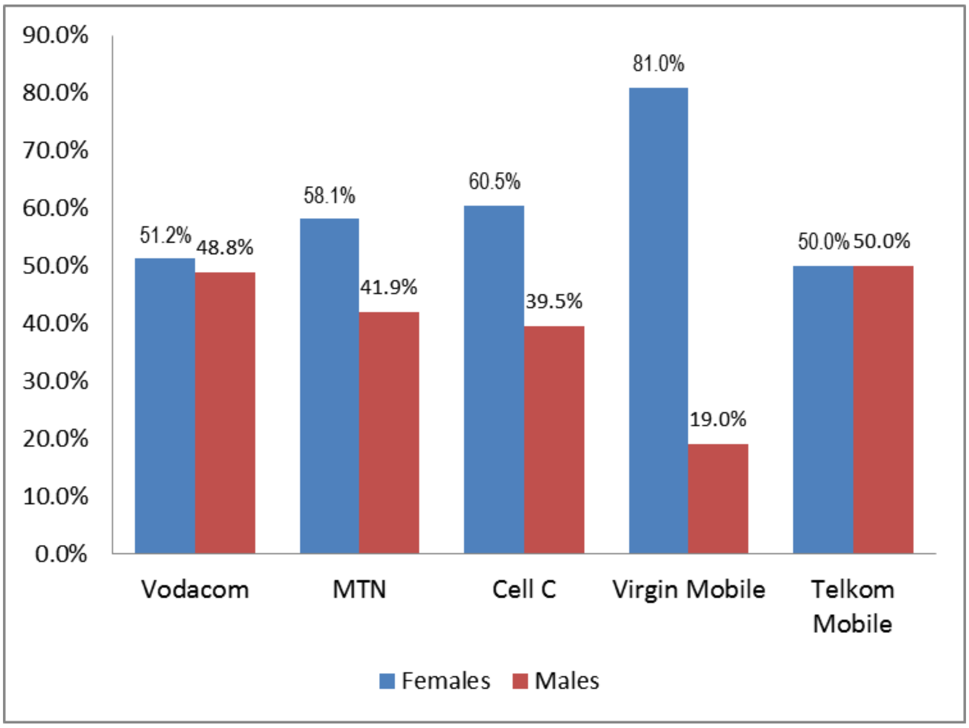

Figure 5.6: Proportions of male and female subscribers in the five networks

Table 5.1: Demographic information and 7Ps Chi-Squared analysis

Product

	Age Classes	Cell phone banking	Talking points	Bulk purchases	Call back	Level of Significance
Vodacom	18-23	32.39	21.43	40.00	33.33	*
	24-29	52.11	75.00	50.00	63.64	
	30-35	15.49	3.57	10.00	3.03	
MTN	18-23	36.84	23.64	28.57	41.46	
	24-29	56.39	60.00	57.14	48.78	
	30-35	6.77	16.36	14.29	9.76	
Cell C	18-23	31.82	20.00	0.00	20.00	
	24-29	63.64	80.00	100.00	80.00	
	30-35	4.55	0.00	0.00	0.00	
VMobile	18-23	33.33	55.56	66.67		
	24-29	33.33	22.22	0.00		
	30-35	33.33	22.22	33.33		
Telkom Mobile	18-23					**
	24-29	0.00	100.00			
	30-35	100.00	0.00			

	Gender					
Vodacom	Male	49.30	57.14	30.00	39.39	
	Female	50.70	42.86	70.00	60.61	
MTN	Male	49.62	27.27	42.86	41.46	**
	Female	50.38	72.73	57.14	58.54	
Cell C	Male	40.91	30.00	100.00	40.00	
	Female	59.09	70.00	0.00	60.00	
VMobile	Male	44.44	0.00	0.00		**
	Female	55.56	100.00	100.00		
Telkom Mobile	Male	100.00	33.33			
	Female	0.00	66.67			
Voda	Employed	30.99	37.50	20.00	18.18	
	Unemployed	69.01	62.50	80.00	81.82	
MTN	Employed	31.58	40.00	57.14	24.39	
	Unemployed	68.42	60.00	42.86	75.61	
Cell C	Employed	36.36	33.33	0.00	40.00	
	Unemployed	63.64	66.67	100.00	60.00	
VMobile	Employed	55.56	55.56	33.33		
	Unemployed	44.44	44.44	66.67		
Telkom Mobile	Employed	100.00	0.00			
	Unemployed	0.00	100.00			
	Income					
Voda	Low	76.06	83.93	80.00	90.91	*
	Medium	16.90	1.79	10.00	3.03	
	High	7.04	14.29	10.00	6.06	
MTN	Low	87.22	76.36	42.86	85.37	**
	Medium	10.53	14.55	42.86	4.88	
	High	2.26	9.09	14.29	9.76	
Cell C	Low	81.82	70.00	100.00	80.00	
	Medium	13.64	20.00	0.00	10.00	
	High	4.55	10.00	0.00	10.00	
VMobile	Low	55.56	66.67	66.67		
	Medium	11.11	22.22	33.33		
	High	33.33	11.11	0.00		
Telkom Mobile	Low	100.00	100.00			
	Education					
Vodacom	Primary	1.41	1.79	10.00	3.03	
	Secondary	98.59	98.21	90.00	96.97	

MTN	Primary	4.51	5.45	0.00	4.88		
	Secondary	95.49	94.55	100.00	95.12		
Cell C	Primary	4.55	10.00	0.00	0.00		
	Secondary	95.45	90.00	100.00	100.00		
VMobile	Primary	22.22	0.00	0.00			
	Secondary	78.78	100	100			
Telkom Mobile	Primary	0.00	33.33				
	Secondary	100.00	66.67				
	Age	**Price**	**Process**	**Place**	**Promotion**	**People**	**Physical Evidence**
Vodacom	18-23	29.41**	28.08	29.27	30.25	30.25	29.56
	24-29	63.40	62.33	62.20	60.42	60.49	61.64
	30-35	7.19	9.59	8.54	9.26	9.26	8.81
MTN	18-23	32.72**	35.82	34.51	34.39	35.00	32.67
	24-29	56.68	54.23	55.31	56.11	54.55	56.73
	30-35	10.60	9.95	10.18	9.50	10.45	10.58
Cell C	18-23	25.64	23.68	28.95	26.19	26.32	23.68
	24-29	71.79	73.68	68.42	71.43	71.05	73.68
	30-35	100.00	2.63	2.63	2.38	2.63	2.63
VMobile	18-23	50.00	50.00	47.06	40.00	61.54	43.75
	24-29	21.43	21.43	29.41	26.67	15.38	31.25
	30-35	28.57	28.57	23.53	33.33	23.08	25.00
Telkom Mobile	18-23						
	24-29	75.00	75.00	75.00	75.00	75.00	75.00
	30-35	25.00	25.00	25.00	25.00	25.00	25.00
	Gender						
Voda	Male	50.33	47.26	49.39	49.38	46.91**	49.69
	Female	49.67	52.74	50.61	50.62	53.09	50.31
MTN	Male	40.55	41.29	40.71	40.27	42.27	40.38
	Female	59.45	58.71	59.29	59.73*	57.73	59.62
Cell C	Male	38.46	36.84	36.84	38.10	42.11	39.47
	Female	61.54	63.16	63.16	61.90	57.89	60.53
VMobile	Male	21.43	21.43	23.53	13.33	15.38	18.75
	Female	78.57	78.57	76.47	86.67	84.62	81.25
Telkom Mobile	Male	50.00	50.00	50.00	50.00	50.00	50.00
	Female	50.00	50.00	50.00	50.00	50.00	50.00
	Employment						
Vodacom	Employed	30.07	32.19	29.88	30.25	30.25	30.82
	Unempl	69.93	67.81	70.12	69.75	69.75	69.18

	oyed						
MTN	Employed	33.64	33.33	32.30	34.39	30.91	32.21
	Unemployed	66.36	66.67	67.70	65.61**	69.09	67.79
Cell C	Employed	38.64	37.84	35.14	36.59	32.43	35.14
	Unemployed	63.16	62.16	64.86	63.41	67.57	64.86
VMobile	Employed	57.14	57.14	58.82	60.00	46.15	62.50*
	Unemployed	42.86	42.86	41.18	40.00	53.85	37.50
Telkom Mobile	Employed	25.00	25.00	25.00	25.00	25.00	25.00
	Unemployed	75.00	75.00	75.00	75.00	75.00	75.00
	Income	**Price**	**Process**	**Place**	**Promotion**	**People**	**Physical Evidence**
Vodacom	Low	83.01*	80.82	82.32*	82.10	81.48	81.76
	Medium	9.15	9.59	9.15	8.64	15.26	8.81
	High	7.85	9.59	8.54	9.26	9.26	9.43
MTN	Low	82.49	81.59	82.74	81.90	82.73	81.73
	Medium	11.98	12.94	11.50	12.22	11.36	12.50
	High	5.53	5.47	5.75	5.88	5.91	5.77
Cell C	Low	79.49	78.95	78.95	78.57	78.95	81.58
	Medium	15.38	15.79	15.79	14.29	15.79	13.16
	High	5.13	5.26	5.26	7.14	5.26	5.26
VMobile	Low	57.14	57.14*	58.82	53.33	61.54	56.25
	Medium	21.43	21.43	17.65	20.00	30.77	18.75
	High	21.43	21.43	23.53	26.67	7.69	25.00
Telkom Mobile	Low	100.00	100.00	100.00	100.00	100.00	100.00
	Education						
Vodacom	Primary	2.61	2.74	2.44	2.47	2.47	2.52
	Secondary	97.38	97.26	97.56	97.53	97.53	97.48
MTN	Primary	5.07	4.98	3.54***	4.52	4.09	4.33
	Secondary	94.93	95.02	96.46	95.48	95.91	95.67

Cell C	Primary	5.13	5.26	5.26	4.76	5.26	5.26
	Secondary	94.87	94.74	94.74	95.24	94.74	94.74
VMobile	Primary	0.00**	0.00	5.88	13.33	0.00**	6.25
	Secondary	100.00	100.00	100.00	100.00	100.00	100.00
Telkom Mobile	Primary	25.00	25.00	25.00	25.00	25.00	25.00
	secondary	75.00	75.00	75.00	75.00	75.00	100.00

An investigation into the usage of networks given demographic information was carried out by way of a Chi-Squared analysis. In very few incidents, it was concluded that the marketing mixes could have influenced usage of network for the given demographics. This could be due to the fact that the use of mobile phone is basically a necessity. A huge number of South African citizens make use of mobile phones and their use of mobile phones could have been necessitated by the convenience derived. The analysis reveals that given the demographic information, the marketing mixes significantly influence the holdings of Vodacom, MTN, and Virgin Mobile. No evidence for the influence of marketing mixes given the demographics was found for the usage of Cell C and Telkom Mobile. The finding in this regard is that demographics have no influence on marketing mixes.

The analysis suggests that product significantly influences the usage of the Vodacom network, given the respondents' age at 10% level of significance. In addition, price also influences the usage of Vodacom given the respondents' age at 5% level of significance. These results are supported by findings by Ivy (2008: 16), who concluded that price influenced MBA students to opt for studying the programme that was offered. The usage of Vodacom is influenced by people. This suggests that customer care influenced the usage of Vodacom. This variable was also concluded to be also critical in retention of MBA students by (Ivy, 2008: 12). Respondents using Vodacom given income are significantly influenced by the network coverage which is represented by place. This submits that network coverage is influential in the usage of Vodacom. More so, given the respondent's income, usage of Vodacom is also significantly influenced by the products offered by the network.

The usage of MTN given the respondent’s gender is significantly impacted by product at 5% level of significance. Preferences of the products offered by Vodacom may be having different impact across gender. The respondent’s gender is also found to be significantly influenced by promotion in the usage of MTN network. Furthermore, given one’s income, usage of MTN is significantly influenced by product at 5% level of significance. The findings are similar to those reported for Vodacom above. Considering the respondent’s age, usage of MTN is significantly influenced by price and it is significant at 5%. The analysis reveals that given gender and employment, the usage of MTN network is significantly influenced by promotion. Usage of MTN given one’s education level is significantly influenced by place and it is highly significant at 1% level.

Although Virgin Mobile has very low number of respondents, the usage of the network was found significantly influenced by product given the respondent’s gender. More so, given the respondent’s income, usage of Virgin Mobile is significantly influenced by process. In conclusion, given the education level of Virgin Mobile network subscribers, people and price significantly influence usage of the network at 5% level of significance. The study found a low level of correlation between demographic information and the marketing mixes. Using the Pearson Correlation coefficient (Sedgwick, 2012: 17), it is concluded that employment is significantly correlated with people and promotion at 5% level of significance. Promotion is negatively correlated to employment, whereas the variable person is positively correlated with employment. The level of education is also found to be significantly correlated to Place, which is network coverage and people that represent customer care and they are all positively correlated Level of education. Age is also positively correlated with physically evidence and it is significant at 10% level of significance. See Appendix C.

5.3. Bivariate Chi-Square analysis on subscribers of a network using marketing mix

The marketing mix variables are a powerful tool that firms use to retain subscribers. The Bivariate Chi-Squared Test was used to investigate whether this is true for the mobile phone industry. Interestingly, the results suggested that product, price, promotion, people and place significantly encourage subscribers’ usage of the mobile phone networks in general. On the contrary, the test showed that process and physical evidence do not significantly influence the use of networks.

This indicates that more often than not, network providers may have failed to keep their subscribers informed about their accounts (process), and to keep their promises (physical evidence). While networks sometimes send subscribers individual messages informing them of offers such as free minutes and other benefits, these offers are often announced on media such as television, magazines and newspapers, which subscribers may ignore. Other variables that were found to encourage the use of networks are satisfaction and corporate social responsibility (CSR). Satisfaction in this context represents an overall view of whether a subscriber is happy with their network or not. CSR's reason for positively influencing the use of a network is impacted by the network's contribution to addressing social needs and improving the welfare of their communities. For example, the sponsoring of soccer matches, cricket, rugby and tennis by networks goes a long way from a customer's point of view in terms of the forging of long term relationships. Using the Bivariate Chi-Square Test, it was evident that some marketing mix variables significantly influenced respondents to use certain mobile phone networks. A Probit Model analysis was further used to explore the marketing mix strategies that may have significantly influenced the usage of a particular mobile phone network.

Table 5.2: Bivariate Chi-Square Test Analysis

7Ps		**Network**					
Variable		**Voda**	**MTN**	**Cell C**	**Virgin Mobile**	**Telkom Mobile**	**Level of significance**
Product	Cbanking	41.8	56.3	51.1	42.8	25.0	**
	Tpoints	32.9	23.3	23.2	42.8	75.0	
	Bpurch	5.8	2.9	2.3	14.4	0	
	Callback	19.5	17.3	23.2	0	0	
Process	Agree	85.8	83.4	88.4	66.6	100.0	
	Disagree	14.2	16.6	11.6	33.4	0.0	
Place	Agree	96.5	93.7	88.3	80.9	100.0	*
	Disagree	3.5	6.3	11.7	19.1	0.0	
People	Agree	95.3	91.3	88.4	61.9	100.0	**
	Disagree	4.7	8.7	11.6	38.1	0.0	
Price	Agree	90.5	90.4	90.7	66.7	100.0	**
	Disagree	9.5	9.6	9.3	33.3	0.0	
Physical evidence	Agree	93.6	87.4	88.3	76.1	100.0	
	Disagree	6.4	12.6	11.7	23.9	0.0	
Promotion	Agree	95.2	91.7	97.6	71.5	100.0	**
	Disagree	4.8	8.3	2.4	28.5	0.0	
Other variables							
Satisfaction	Agree	97.6	95.2	91.7	88.3	100.0	**
	Disagree	2.4	4.7	8.3	11.6	0.0	
`CSR (corporate social responsibility)	Soccer	72.9	82.8	60.4	60.0	25.0	**
	Cricket	9.4	9.2	20.9	15.0	25.0	
	Rugby	12.5	3.9	13.9	20.0	25.0	
	Tennis	5.0	3.9	4.6	5.0	25.0	
Opinion leadership	Agree	30.0	32.3	35.7	52.3	25.0	
	Disagree	70.0	67.6	64.2	47.6	75	

*Coefficient significant at 5% ($P < 0.05$); **Coefficient significant at 1% ($P < 0.01$)

The above analysis shows that product, people, price and promotion have a high significance with regards to customers using the network. Although place was significant in terms of network usage, it was not highly significant.

5.3.1 Probit Model analysis on customer retention using 7Ps

In evaluating the influence of marketing mix strategies in individual networks, the use of a particular network by respondents served as a proxy for customer retention. As a result, customer retention is measured by analysing customer perception on the marketing mix. For example, if a customer uses a network because of price, it can be concluded that the network provider includes price in their customer retention strategy. Due to a limited number of observations from Virgin Mobile and Telkom Mobile, a single variable V_Telkom Mobile was created to represent data collected for the two networks. The Probit model marginal effects indicating how changes in the seven marketing mix strategies impact on the probability of the use of mobile phone network were calculated; a positive probability indicated an increase in the chance of a successful retention, whilst a negative probability indicated a reduction in the chance of customers using a network (Wooldridge, 2010: 562).

5.3.2. Vodacom

Only product and people significantly influence customer retention for Vodacom. Product increases the usage of Vodacom by 3% and it is significant at a 10% level of significance. This suggests that Vodacom is managing to retain subscribers because of the type of product they provide, however their subscribers seem to disapprove of their customer care, represented by the variable 'people'. Customer care reduces the usage of Vodacom by 19% and is significant at 5% level of significance. Promotion, place and physical evidence are found to be reducing the usage of Vodacom, but are not significant. On the other hand, price and process increase the usage of Vodacom, but are also not significant.

5.3.3. MTN

Product and process are the only two marketing mix variables that were found to encourage the usage of MTN. Product increases the use of MTN by 15% and is highly significant at 1% level of significance. Process increases the usage of MTN by 6% but it is weakly significant at 10% level of significance. Other variables that increase using MTN are people and physical evidence, although they are not significant. Place, price and promotion reduce the usage of MTN, but they are not significant.

5.3.4. Cell C

Only price was found to be highly significantly in positively influencing the use of Cell C. Price is significant at 10% level of significance and increases the usage of Cell C by 14%. Other variables that increased using Cell-C, although not significant, were physical evidence and place. Product, process, people and promotion were found to be reducing customer retention in Cell C, but were not significant.

5.3.5. V_Telkom Mobile

Marketing mix strategies that significantly influence the usage of V_Telkom Mobile (virgin and Telkom Mobile) are price, product and process. Price is highly significant at 1% level of significance ($p > 0.01$) and increases the use of V_Telkom Mobile by 14%. Interestingly the price of V_Telkom is highly significant in influencing the usage of a network because the two mobile phone networks prices are cheaper compared to those offered by their rivals. Product and process increase the usage of V_Telkom Mobile by 4% and 2% respectively. Physical evidence and people also increase the use of V_Telkom Mobile, but they are not significant. Conversely, place and promotion reduce the use of V_Telkom Mobile, but they are not significant.

5.3.6. Other variables

To obtain a deeper understanding on how mobile phone networks retain subscribers, the researcher further looked into probit models that included: 1) corporate social responsibility

(CSR); 2) satisfaction; and 3) opinion leadership, as additional variables that were also thought to be critical in the usage of particular networks by respondents. Corporate social responsibility was found to significantly increase customer retention for Vodacom ($p < 0.05$) and V_Telkom Mobile ($p < 0.01$).

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Customer satisfaction with a company's products or services is often seen as the key to a company's success and long-term competitiveness; in the context of relationship marketing, Jaiswal (2008: 416) viewed customer satisfaction as a central determinant of customer retention. The results of this study with regard to customer satisfaction are consistent with this view.

Numerous studies have shown that positive CSR beliefs held by consumers are strongly associated with greater purchase likelihood, longer-term loyalty and advocacy behaviours (Bigné-Alcañiz *et al.*, 2012: 271-280). Similarly, Mohr *et al.* (2001: 65-70) demonstrated that a substantial, viable and identifiable market segment exists that considers a company's level of social responsibility in its purchase and investment decisions. Significant retention of subscribers as a result of mobile phone networks' involvement in social upliftment activities is also consistent with these views.

5.3.7. R^2 Modeling

The R^2 for all the models is very low, ranging from 0.02 to 0.12. This is typical of micro data, especially with data that is binary in nature. R^2 explain the percentage of dependent variables that is explained by the independent variables.

The models showing network usage are all correctly classified. The percentages range from 58% to 94%. A model correctly classified can be relied on if the percentage is above 50% (Wooldridge, 2010: 583).

Table 5.3: Probit Model marginal effects analysis on 7Ps and other variables

Variable	Vodacom	MTN	Cell C	V_Telkom Mobile
	Marginal effects	**Marginal effects**	**Marginal effects**	**Marginal effects**
Product	0.03*	0.15***	-0.02	0.04*
Process	0.02	0.06*	-0.04	0.02*
Place	-0.10	-0.07	0.02	-0.02
People	-0.19**	0.02	-0.04	0.01
Price	0.08	-0.05	0.13*	0.14***
Physical evidence	-0.10	0.01	0.03	0.06
Promotion	-0.11	-0.11	-0.03	-0.03
Other variables				
CSR	0.05*	0.01	0.01	0.01**
Satisfaction	0.03***	0.06*	0.06***	-0.02***
Opinion leadership	0.02	0.04	0.01	0.01
R^2	0.03	0.02	0.03	0.12
Correctly classified	64%	58%	91%	94%

*coefficient significant at 10% (P < 0.1)
**Coefficient significant at 5% (P < 0.05)
***Coefficient significant at 1% (P < 0.01)

From the Probit Model analysis above, the marketing mix reveals that product is significant for Vodacom (3%), V_Telkom Mobile (4%) and MTN (15%) as an important element for customer retention. In addition, customer satisfaction was found to be highly significant for Cell C (6%), Vodacom (3%) and MTN (6%). On the other hand, customer satisfaction for V_Telkom Mobile was found to significantly reduce the usage of the network (2%). With regards to people as another marketing mix element, these were found to significantly reduce the usage of the network (-19%). Furthermore, price was found to be highly significant in the use of the V_Telkom Mobile network (14%), while it was found to be significant in the use of the Cell C network.

5.4. Conclusion

This chapter presented a data analysis and interpretations, with the research findings suggesting that although all the marketing mix variables may be important in the mobile phone network industry, they variably influence subscribers' retention. . These findings generally negate the alternative hypothesis (which states: All the marketing mix variables similarly and significantly influence subscribers' retention in their respective networks and confirms the null hypothesis (which states: *Not* all the marketing mix variables similarly and significantly influence subscribers retention in their respective networks)This chapter discussed the findings of the empirical study, which were schematically presented through graphs and tables. The discussions explored the graphs and revealed what the implications of the findings were in the context of this study. The next chapter will discuss the findings further and provide conclusions and recommendations.

In summary the results from the descriptive statics show that:

- The percentage in mobile phone network subscriptions are as follows: 50.3% of respondents use MTN, 35.4% use Vodacom, 8.9% use Cell C, and 4.3% use Virgin Mobile and Telkom Mobile.
- The percentage of employed and unemployed subscribers in the five mobile phone networks shows that 67.3% of students were unemployed whereas 32.7% were employed.

Demographics results had the retention strategies components:

- Age: 20s
- Gender: female
- Education: matric
- Mobile phone service provider: Vodacom and MTN
- Income: (R1-R1500)

Cross tabulation using the Chi-squared test on respondents' demographics per network and the 7Ps found the following:

Vodacom

- Usage of Vodacom given the respondents' age is influenced by product
- Usage of Vodacom given the respondents' gender is influenced by people
- Usage of Vodacom given the respondents' income is influenced by product, place and price

MTN

- Usage of MTN given the respondents' income is influenced by product
- Usage of MTN given the respondents' gender is influenced by product and promotion
- Usage of MTN given respondents' age is influenced by price
- Usage of MTN given the respondents' employment is influenced by promotion
- Usage of MTN given the respondents' education is influenced by place

Cell C and Telkom Mobile

From the analysis there was no significant influence of the 7Ps on Cell C and Telkom Mobile given the respondents' demographics, namely age, gender, income and education. As a result they will not be discussed further.

V_Telkom Mobile

- Usage of V_Telkom Mobile given the respondents' gender is influenced by product
- Usage of V_ Telkom Mobile given the respondents' income is influenced by process
- Usage of V_Telkom Mobile given the respondents' education is influenced by price and people

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6. 1 Introduction

Following the comprehensive findings presented in the previous chapter, the study will now focus on the conclusion and provide recommendations.

6.2 Summary of key findings and conclusions

The following is a summary of the theoretical findings:

- Customer Relationship Management – This is important to maintain a relationship with a customer (Scharl *et al.*, 2005: 165). Voss and Voss (2008: 4) maintained that customer relationship management leads to customer satisfaction, which translates into customer retention.
- Loyalty – Little and Marandi (2003: 49) derived a loyalty formula that is constituted of satisfaction, trust and commitment of customers. Loyal customers end up having a long term relationship with their service provider.
- Customer satisfaction – This is important for customer retention (Murphy, 2001: 5; Little & Marandi, 2003: 53; Stone et al., 2000: 102; Hansemark, 2004: 2), but on its own it is not enough to forge a long term relationship with customers, which is key for customer retention.
- 5Ps - Product, place, people, price and promotion.

The following summarises the empirical findings:

- CSR: is important for customer retention in the South African mobile phone network industry.
- Opinion leadership: is important but was not significant in customer retention in the mobile phone industry.
- Satisfaction: is important strategy for customer retention as proved by the literature. The results also found satisfaction to be an important variable in

influencing subscribers to be loyal holders of their network of choice in the mobile network industry.

The above findings can be depicted using the model below:

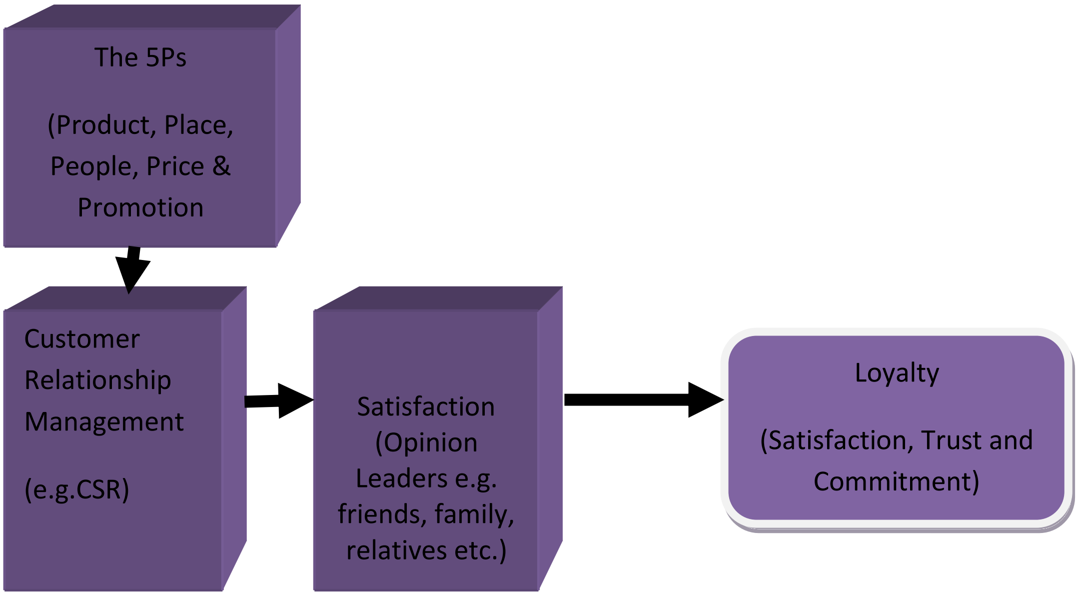

Figure 6.1: Summary of Findings

Figure 6.1 above presents a combination of results from the empirical and theoretical findings. The empirical findings revealed that out of the 7Ps, only the 5Ps were found to be significant in influencing customer retention in the South African mobile phone network industry. The 5Ps could not have achieved a high rate of customer retention without the help of customer relationship management, which is represented by CSR. CSR was also found to be significant for Vodacom. For example, if mobile service providers support community outreach projects and the well-being of the communities in which they operate through projects such as providing educational bursaries, alleviating poverty by giving out food parcels etc., that will lead to customer satisfaction. As soon as subscribers are satisfied with their provider's service offering they act as advocates for that provider (positive word of mouth/opinion leader).

On the other hand, satisfaction was found to be prominent across all networks. The satisfaction that customers have for a company's product offering usually translates into happiness. In other words, a satisfied customer is a happy customer. For as long as a good relationship is maintained, customers will eventually be loyal to the provider. Loyalty can be seen by the levels of satisfaction, trust and commitment that customers demonstrate towards their provider's service and product offering. Interestingly, the empirical findings showed opinion leadership to be a good influencer of customer retention. This proves the theory that satisfaction alone is not enough - other variables should also be taken into consideration for customer retention.

The results of this study show that marketing mix strategies retain customers to varying degrees in individual networks in South Africa. Out of the 7Ps, product, price, promotion, people and place generally play a significant role in retaining customers across all networks. For example, product was key for Vodacom and MTN, while for Cell C price was significant and for V_Telkom Mobile price, product and process were found to be significant. From the results it is clear that V_Telkom Mobile has more 7Ps than the other networks. It can be concluded that the less reputable the mobile network, the more demanding customers become so that they don't remain long with the network.

Since these marketing mix variables are significantly important for retaining customers, it is therefore important for network providers to focus on improving these aspects. While the South African network providers have done their best in media campaigns and advertising, as well as making customer services easily accessible, product and pricing have been the cornerstones in their competitive endeavours. Recent media reports have shown some of the marketing initiatives that the individual networks have taken to strengthen their market position. In the light of these successful initiatives, it is recommended that other competitive strategies are used in order to further increase their market share and buyer patronage.

6.3 Conclusions of the study

The preliminary study of the literature concerning the service industry revealed how this industry is run and what the challenges are. The methodology chapter revealed how the empirical research was carried out and finally, the results and their analysis were discussed.

6.3.1 Conclusion on the mobile phone service industry

Chapter two focused on an overview of the South African mobile phone network service industry. It was shown in this chapter that service quality is of paramount importance and that service providers should make sure that they not only meet their customers' expectations, but exceed them where possible in order to have a long term relationship with them.

6.3.2 Conclusion on customer retention in the South African mobile phone industry

Chapter three focused on customer retention in the South African mobile phone network industry. Here it was revealed that the challenges that this industry is facing are those of a developing country. This chapter discussed the literature that was reviewed for this study, which showed that the retention of customers in organisations needs to be further researched. Of critical importance in this review were the major theories on customer retention strategies. These include customer relationship management and customer satisfaction. It was shown in this chapter that for the organisation to meet its customers' expectations, it has to satisfy them so that they become loyal to the organisation. Hence customer satisfaction, trust and commitment are effective in increasing an organisation's retention rates.

6.3.3 Conclusion on research methodology

Chapter four showed the details of the research methodology. Survey research was used and the questionnaire utilised the measurement. The research sample was mobile phone network subscribers (students) in the Free State Province. The data was analysed quantitatively. The questionnaires were distributed in the two Maluti TVET College (Bethlehem and Phuthaditjhaba). The other questionnaires were distributed at the University of the Free State in Phuthaditjhaba. The questionnaire measured each student's network preference.

6.3.4 Empirical conclusions

Chapter five presented the results and the findings. It was clear that out of the 7Ps, only five influence customer retention, namely product, price, promotion, people and place. The data were analysed using descriptive statistics, and a Chi-Squared Test and the Probit model were employed to analyse the data.

6.4 Recommendations for the South African mobile phone networks

6.4.1 5Ps

The literature review showed that customer retention is influenced by the 7Ps, however this study's empirical analysis revealed that the 5Ps (product, place, people, price and promotion) are key in retaining customers in the mobile phone network industry in South Africa. The following recommendations are in relation to how the 5Ps should be applied to the mobile phone subscribers. It is recommended that for the mobile phone networks to succeed in customer retention, they need to focus their efforts and resources on using the 5Ps as strategies for customer retention (see paragraph 4.8.1).

6.4.2 Customer satisfaction

Customer satisfaction with a company's products or services is often seen as the key to a company's success and long-term competitiveness. In the context of relationship marketing, customer satisfaction is often viewed as a central determinant of customer retention (see paragraph 4.8.7.2). Satisfaction was found to be significant for retention across all the networks, and requires special attention by the network marketers. Customer satisfaction is coupled with customer retention for a company's success and long-term competitiveness. It is thus important that the determinants of customer satisfaction be understood by companies. The empirical findings of this study indicated that customer satisfaction is critical in customer retention in the mobile phone network industry. It is recommended that mobile phone networks should develop products that will promote long-term company competitiveness, as this will maintain the satisfaction levels of their customers which is key for customer retention. It is important that mobile phone network marketers understand all aspects that constitute subscribers' satisfaction and make necessary investments therein.

6.4.3 Customer relationship management

Customer relationship management represents the way customers want to be served, thus mobile phone networks need to develop strategies on how to forge a solid relationship with their customers (See paragraph 3.3 and paragraph 4.8.7.3). Relationship management's primary objective is to bring customers up the relationship ladder of the organisation. Corporate Social Responsibility was found to be significant in influencing customer retention in the mobile phone network industry, thus it is important for the mobile phone networks to view CSR as an investment that can enhance their competitive positioning. These networks' contributions should focus on social development and upliftment initiatives such as poverty alleviation, building and improving orphanages, disaster management and skills development, to name a few. It is evident from the results that subscribers become less demanding if the provider cares about their wellbeing. This study recommends that mobile phone networks should develop integrated strategies to serve their customers, including broadening their CSR strategies.

6.4.4 Customer loyalty

Loyalty entails the physical and emotional commitment given by customers in exchange for their needs being met, and includes state of mind, attitudes, beliefs and desires (see paragraph 6.4.4). Loyalty is also an attitudinal measure and a desire that a customer has to continue a relationship with a service provider. The above variables lead to customer loyalty, for example, if the provider uses the 5Ps effectively and also gives back to the community through community building projects or shows some kindness to the community, that will build goodwill between the service provider and the subscriber. Once the customer's wellbeing is considered by the provider, the subscriber will be happy and tell others to come across to the provider. Loyalty is the driving force behind the subscriber acting as an advocate of the company to other customers. This is as a result of having seen that the provider is trustworthy, which means a satisfied customer who is committed to the provider. Mobile phone networks should thus make a concerted effort to clearly identify their customer needs in order to retain their loyalty.

6.5 Limitations of the study and directions for future research

The limitation of this study lies primarily in the fact that due to financial and time constraints, sampling was carried out in the Eastern Free State region only, and not in other parts of the province or other provinces. A geographically dispersed sampling would have being desirable. Focusing on students and excluding other groups is another limitation. The inclusion of other groups such as workers in the sample would probably have yielded different results, which would better represent the views of diverse South African subscribers. It is recommended for future studies to focus on other provinces and non-students in South Africa.

The responses from respondents in this study were limited to the closed ended questions asked in the questionnaire. Open ended questions would have allowed respondents the freedom to provide in-depth insights into other factors that were not captured in the questionnaire. Such questions could have revealed other factors that are important in directing subscribers' choices of mobile phone network. That will, in turn, provide marketers with a broader understanding of the subscribers' needs that would shape their future marketing strategies.

6.6 Final remarks

The purpose and the objectives of the study were achieved:

- To gather in-depth information about the South African service industry. This was achieved in Chapter 2.
- To review the literature on retention strategies employed by the mobile phone networks in South Africa. This was achieved in Chapter 3.
- To determine the extent to which marketing mix and other selected strategies positively influence the retention of subscribers in the South African mobile phone network industry. This was achieved in Chapters 4 and 5.
- To determine the extent to which marketing mix and other selected strategies negatively influence the retention of subscribers in the South African mobile phone network industry. This was achieved in Chapters 4 and 5.

- To make recommendations on how the networks can optimise the use of their marketing mix strategies. This was achieved in Chapter 6.

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APPENDICES

Annexure A- Letter for the Empirical Study

Dear Respondent

The questionnaire is for research purposes concerning the mobile phone network providers (Vodacom, MTN, Cell C, Virgin Mobile and Telkom Mobile), which is also part of the research I am doing. This research aims to provide information to the mobile phone network providers concerning your needs and wants as customers. Responding to the questionnaire is not compulsory, only your honest response is required. Your name is not required, only general information is required. The information you provide will be treated with maximum confidentiality.

Kind regards

Motshedisi Molapo	Dr. Johan Van Zyl
(Student)	(Supervisor)
…………………………	…………………….

Annexure B- Questionnaire for the Empirical Study

Strictly confidential

Questionnaire regarding customer retention strategies in the Mobile Phone Industry

Questionnaire No

Please note:

- **All information will be kept strictly confidential**

Demographics

1. How old are you?

   18-23

   24-29

   30-35

2. What is your gender?

- Male
- Female

3. What is your level of education?

  - Primary education
  - Secondary education

4. Are you employed?

   - Yes
   - No

5. How much does your parents/guardian gives you every month?

- R1-R1500
- R1501-R5000
- R5001+

6. Are you on pre-paid or contract?

   - Pre-paid
   - Contract

Product

7. What are the benefits you get from your network provider?

- Mobile phone banking ☐
- Talking points ☐
- Bulk purchases ☐
- Callbacks ☐

Happiness

8. I am happy with my network

   - Agree ☐
   - Disagree ☐

Holding network

9. Which of the five mobile phone networks do you often use?

   - Vodacom ☐
   - MTN ☐
   - CellC ☐
   - Virgin mobile ☐
   - Telkom Mobile ☐

Place

10. I am happy with the service provider because of its network coverage

- Agree ☐
- Disagree ☐

People

11. The customer care services are helpful and supportive in handling queries.

- Agree ☐
- Disagree ☐

Price

12. The prices are reasonable as they carry a lot of incentives e.g. free minutes and talking points.

- Agree ☐
- Disagree ☐

Physical evidence

13. My network keeps its promises.

- Agree
- Disagree

Promotion

14. Does the adverts communicate the uniqueness of the product

- Agree
- Disagree

Satisfaction

15. Which of the network are you satisfied with, choose ONE?

    - Vodacom
    - MTN
    - CellC
    - Virgin mobile
    - Telkom Mobile

Corporate Social Responsibility (CSR)

16. My network sponsors

    - Soccer matches
    - Cricket
    - Rugby
    - Tennis

Process

17. The network billing system keeps me informed about my account e.g. increase in rates and free minutes

- Agree
- Disagree

18. Was your choice of network influenced by peers, friends, family members or other experienced network subscribers?

- Agree
- Disagree

Appendix C - Correlation Analysis

	Gender	Employment	Income	Age	Product	Process	Place	People	Price	Physical Evidence	Promotion	Education
Gender	1											
Employment	0.004	1										
Income	0.0258	-0.7069***	1									
Age	-0.0523	-0.3497***	0.3527***	1								
Product	0.0744	0.0625	-0.0062	-0.0266	1							
Process	0.0364	-0.0708	0.0570	0.0334	0.0282	1						
Place	0.0180	0.0038	0.0017	0.0158	-0.0227	0.2651***	1					
People	-0.0022	0.0992**	-0.0176	-0.0078	0.0122	0.2290***	0.2854***	1				
Price	-0.0082	-0.0348	-0.0376	0.0615	-0.0062	0.3372	0.3342***	0.3346***	1			
Physical Evidence	-0.0118	-0.0368	0.0398	0.0831*	0.0373	0.3536	0.3294	0.3233***	0.3240***	1		
Promotion	0.0466	-0.0929**	0.0730	0.0391	-0.0324	0.2294	0.2585***	0.2249***	0.1446***	0.2667**	1	
Education	-0.0346	0.0105	0.210	0.0102	0.0096	-0.0049	0.1183***	0.0829*	-0.033	0.0290	-0.0185	1

PO Box 68648
Bryanston
2021
4th February 2015

To whom it may concern,

This letter is to confirm that I am a professional editor and proof reader and that I have edited Motshedisi Molapo's thesis, the title being: 'Customer Retention Strategies in the South African Mobile Phone Network Industry'.

For any queries, please contact me on jenniferrenton@live.co.za.

Yours sincerely,

Jennifer Lindsey-Renton