

CUSTOMER COMMITMENT OF NON-CONTRACT CUSTOMERS IN THE SOUTH  
AFRICAN CELLPHONE INDUSTRY

by

B M MHLONGO

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Supervisor: PROF D J PETZER

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## ABSTRACT

The number of cellphone users in South Africa has surpassed that of fixed telephone users (Thornton, Carrim, Mtshaulana & Reburn, 2006:23). Cellphone service providers are engaged in price wars and vie for market share offering special deals to both contract and non-contract customers. The three main players in this industry at the time of the study were Vodacom, MTN and Cell C (Mungadze, 2010:1). Contract customers are locked into contracts and switching from one service provider to another is not always easy. Non-contract cellphone customers, however, do not commit easily, since there are no switching costs involved and there is no legal agreement that binds them to a particular service provider (Bolton, Kannan & Bramlet, 2000:96). The main purpose of this study was to investigate the commitment of non-contract customers to cellphone network service providers in the South-African.

A self-administered questionnaire was utilised for this study to gather information about the customer commitment of non-contract cellphone users in South Africa. A convenience sampling method was used in this study to select and co-opt 200 respondents. The research study was descriptive in nature and quantitative methods were used to execute the empirical part of the research.

Customer commitment and four determinants or factors influencing customer commitment namely, customer satisfaction, service quality, switching behaviour and trust were further investigated. The findings indicated that respondents are committed to their cellphone network service provider. The majority of the respondents have been with their current cellphone network service provider for more than three years. Findings indicate that there is a strong correlation between individual customer commitment and customer satisfaction, service quality and trust. The relationship between customer commitment and willingness to switch is slight. It can be concluded that most respondents are committed to their network service provider and have been it for more than three years. It can thus be recommended that the cellphone industry needs to create an extensive retention strategy programmes to keep their loyal customers. The

cellphone business must be committed in building long-term relationship with the customer in order to maintain existing customers. This will result in an increase in profits for the business (Walter, Mueller & Helfert, 2000:3).



## DECLARATION

I, Belinda Mhlongo, declare that this dissertation is my own unaided work. Any assistance that I have received has been duly acknowledged in the dissertation. It is submitted in partial fulfilment of the requirements for the degree of Master of Commerce at the University of Johannesburg. It has not been submitted before for any degree or examination at this or at any other university.

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NAME

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DATE

(Day, Month, Year)



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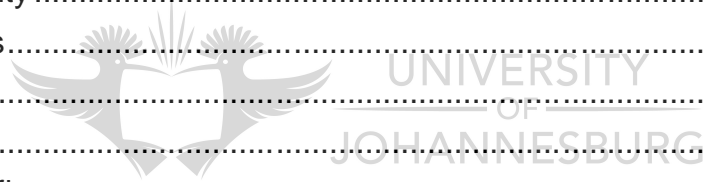
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## Abstract

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## LIST OF ABBREVIATIONS

GDP	Gross Domestic Product
GPRS	General Packet Radio Service
GSM	Global System for Mobile
ICASA	Independent Communications Authority of South Africa
LCR	Least Cost Routing
MTN	Mobile Telephone Network
RICA	Regulation of Interception of Communication and provision of Communication-related Information Act
SADC	Southern African Development Community
SIM	Subscriber Identity Module
SMS	Short Message Service



# CHAPTER ONE: BACKGROUND OF THE STUDY

## 1.1 Introduction

Major changes have occurred in the telecommunications industry since 1994. One such change was the introduction of the cellphone. Prior to that, telecommunication services to most South Africans were limited. Telkom South Africa, a government-owned telecommunication service provider provided fixed phone lines and non-contract calling cards, which were not accessible to the broader community. People who lived in the rural communities had to travel long distances to access public phones (Reck & Wood, 2003:6).

The introduction of cellphones in 1994 into the South African market with Vodacom and MTN (Mobile Telephone Network) as the main two service providers, has revolutionised people's lives much more than television did (Simpson & Dore, 2004:77). Many people have been able to make their first call ever (Reck & Wood, 2003:6). Cellphones have become easily accessible and more affordable than fixed telephones. Cellphone start-up costs are also reasonably priced, so too is the monthly recurring costs, especially for low-income users (Ostemann, 2003:1, 2).

There are two main types of cellphone packages available in the South African telecommunication industry: contract and non-contract cellphone packages. Initially, Vodacom and MTN only offered contract cellphones, which were designed for leisure and business customers (Koutras, 2006:27; Simpson & Dore, 2004:80-81). Contract cellphone users have to be creditworthy in their own individual capacities to qualify for cellphones from the service providers, and they typically enter into a 24-month contract. At the end of every month, a customer receives a monthly statement indicating the calls made and amount owed. Contract cellphones can be very expensive and are often out of reach for low-income users (Simpson & Dore, 2007:144).

In 1996 MTN introduced the non-contract package; in fact, MTN was the second in the world to introduce the non-contract package. Rival Vodacom followed soon after (Simpson & Dore, 2007:144). The non-contract cellphone package is primarily aimed at customers who cannot afford monthly telephone bills, do not have postal addresses and do not maintain cheque accounts. These customers' credit worthiness is typically difficult to assess. Therefore the industry introduced a segmentation approach to the market where these consumers were now catered for (Koutras, 2006:27; Mbarika, 2007:1).

As a result of the introduction of non-contract cellphones in South Africa the industry was revolutionised, making mobile telecommunications accessible to the whole spectrum of the South African society. Non-contract cellphone packages offer flexibility to customers. It gives them the flexibility of also stopping the use of their cellphones at any time. It reduces administrative costs for the service provider. Customers experience no difficulty in signing up for the non-contracts packages. Customers can also easily switch to another cellphone provider, since there is no legal contractual obligation that binds them to stay with the service provider for a specific period of time. The customer is also not exposed to bad debts (Oestmann, 2003:3).

The non-contract cellphone package has broadened the target market from a business person right through to a street vendor. It has also contributed to the growth of the cellphone business in South Africa. Customers are attracted by the "no strings attached" approach, and are able to shop around comparing prices, looking for a service provider that can offer cheaper calls (Simpson & Dore, 2007:144).

Hence, customers now have a choice whereby they can easily switch from one service provider to another. The competition between MTN and Vodacom is fierce, and the market has become even more competitive since a third service provider, Cell C, has come into the market. This has resulted in the redistribution of the market share, and each business has to consolidate its position in the marketplace by delivering excellent quality service at all points of contact with the customer (Koutras, 2006:75). Therefore

cellphone service providers need to invest in programmes that can help to retain existing customers, and build long-lasting marketing relationship with their customers through customer commitment programmes (Evans, Jamal & Foxall, 2005:282).

Customer commitment is seen as a central key in the development and maintenance of marketing relationships, because it links the customer to the business that is marketing the product or serviced. Hence, Evans, Jamal and Foxall (2005:282) describe customer commitment as a consumer's intention to continue a lasting relationship with the service provider. Walter, Mueller and Helfert (2000:1) also argue that developing a customer's commitment in business relationships does pay off in terms of increased profits, customer retention, and willingness to refer and recommend.

This study focuses on investigating the customer commitment of non-contract customers in the South African cellphone industry.

## 1.2 Problem Statement



In South Africa, cellphone users surpass the number of fixed telephone users (Thornton, Carrim, Mtshaulana & Reburn, 2006: 23). Therefore, the cellphone is a very popular means of communication and the portability of the cellphone makes it universally attractive (Sinha, 2005:6). Customers prefer non-contract cellphone packages because they are able to control their spending patterns, they are able to receive incoming calls without paying any additional costs and there are no contractual obligations (Thornton et al., 2006:237). Non-contract cellphone do not find it easy to commit, since there are no switching costs involved and there is no legal agreement that binds them to a particular service provider. There are different factors that motivate customers to change their service providers, such as (1) price, e.g., if a particular service provider offers a cheaper cellphone package than the others, (2) service failures, e.g., if the network coverage is not of good quality, and (3) poor customer service, e.g., if the customer service personnel are not helpful (Bolton, Kannan & Bramlet, 2000:96).

According to Boe (2008:1), customers typically switch from one service provider to another, resulting in an increase in the churn rate. The churn rate refers to the number of customers who discontinue a service (Boe, 2008:1). In a competitive world, businesses are aggressively searching for customers, therefore customer loyalty cannot be guaranteed. There is stiff competition within the cellphone market and as a result, customers have a choice whereby they can easily switch from one service provider to another and consequently, it becomes difficult for the service providers to retain and attract new customers. Hence, relationship building is the key to customer retention and sales growth (Boe, 2008:1).

Cellphone businesses have changed their focus from concentrating on acquiring new customers, to maintaining existing customers (Crabtree, Nathan & Roberts, 2003:7). Existing customers are more profitable for the business, because it costs less to keep them. Business must be aware of the profitability of their customers, not just the product, (Ahmed & Buttle, 2001:33). According to Vatanasombut, Stylianou and Igbaria (2004:69) customer retention strategies must focus on measures that encourage customer commitment and trust. Customer commitment can be enhanced by empowering customers, increasing termination cost, and implementing effective communication (Vatanasombut et al., 2004:69).

The cellphone industry still presents opportunities for growth, but the market is nearly saturated. This study hopes to assist service providers to develop customer retention strategies to retain existing customers through investigating customer commitment. Customer commitment plays a vital role in building long-term relationships (Walter, Mueller & Helfert, 200:1). The focus of this study is therefore on investigating customer commitment of non-contract customers in the South African cellphone industry.

### **1.3 Purpose and Importance of the Study**

The purpose of this research is to investigate customer commitment of non-contract customers in the South African cellphone industry. The study aims to provide a better



understanding of the level of customer commitment of non-contract customers towards cellphone service providers, as well as the factors that influence customer commitment in the cellphone industry. This will allow cellphone service providers in the industry to develop marketing strategies to gain customer commitment and prevent switching. The study also endeavours to recommend proper intervention to cellular network service providers and help them develop proper customer retention programmes. The research has the potential for providing information that will help marketers in developing message themes that may influence non-contract customers in purchase decisions.

#### **1.4 Research Objectives**

The following objectives are formulated for the study:

The primary objective of this study is to investigate customer commitment of non-contract customers in the South-African cellphone industry.

The following secondary objectives are formulated in order to achieve the primary objective of the study:

- Develop a demographic profile of non-contract customers of cellphone network service providers.
- Provide a theoretical overview of the cellphone industry in South Africa.
- Examine consumer decision-making models and processes with particular emphasis on the factors that influence the behaviour based on extant theory.
- Determine the definitions, nature, components, dimensions and determinants of customer commitment based on extant theory.
- Measure the level of customer commitment of non-contract customers of cellphone network service providers empirically.
- Investigate the factors that influence customer commitment to cellphone network service providers, namely trust, satisfaction, switching behaviour and service quality.

## 1.5 Research Hypothesis

Based on the objectives stated above and the literature review, the following hypotheses are proposed for this study:

H1 Non-contract customers differ significantly in their level of customer commitment towards cellphone network service providers with regard to their demographic characteristics.

For further refinement this hypothesis can be divided into the following:

H1a Male and female non-contract customers differ significantly in their level of customer commitment towards cellphone network service providers.

H1b Non-contract customers of different age groups differ significantly in their level of customer commitment towards cellphone network service providers.

H1c Non-contract customers of different education levels differ significantly in their level of customer commitment towards cellphone network service providers.

H1d Non-contract customers of different employment statuses differ significantly in their level of customer commitment towards cellphone network service providers.

H1e Non-contract customers currently using different cellphone network service providers differ significantly in their level of customer commitment towards cellphone network service providers.

H1f Non-contract customers using a cellphone network service provide for different time periods differ significantly in their level of customer commitment towards cellphone network service providers.

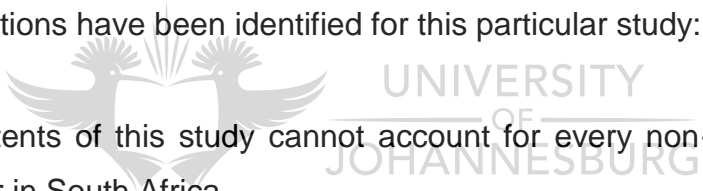
H2 There is a correlation between customer commitment of non-contract customers of cellphone network service provider and the individual determinants of customer commitment.

For further refinement this hypothesis can be divided into the following:

- H2a There is a correlation between customer commitment and customer satisfaction of non-contract customers of cellphone network service providers.
- H2b There is a correlation between customer commitment and service quality perceptions of non-contract customers of cellphone network service providers.
- H2c There is a correlation between customer commitment and the willingness of non-contract customers of cellphone network service providers to switch service providers.
- H2d There is a correlation between customer commitment of and the trust levels of non-contract customers of cellphone network service providers.

## 1.6 Limitations

The following limitations have been identified for this particular study:

- 
- The contents of this study cannot account for every non-contract cellphone customer in South Africa.
  - Convenience sampling is utilised for this study; therefore the results are not representative of all the non-contract cellphone users. A sample was chosen based on accessibility.
  - The results of this study are limited to only four provinces in South Africa namely, Gauteng, Limpopo, North West and Western Cape, and cannot be generalised to other regions.

## 1.7 Division of the Study

This study comprises seven chapters. **Chapter 1** outlines the background of the study; the problem statement formulated for the study, the research objectives, subsequent hypotheses and it also provides an outline of the chapters present in the rest of the document. **Chapter 2** provides an overview of the cellphone industry in South Africa.

**Chapter 3** explores the extant theory on consumer behaviour and focuses on the factors influencing consumer behaviour. **Chapter 4** focuses on customer commitment and four factors influencing or determining customer commitment. **Chapter 5** explains the research methodology used. **Chapter 6** presents the main findings of the study. **Chapter 7** finally provides a brief summary of research objectives and major findings of the study. The recommendations suggested for cellphone network service providers are also presented.



## CHAPTER TWO: THE CELLPHONE INDUSTRY

### 2.1 Introduction

The South African cellphone industry is one of the most advanced in Africa and is the fourth fastest growing GSM (Global System for Mobile) telecommunication market in the world (Reid, 2007:6). In 2009, there were approximately 51.8 million cellphone users in South Africa (Jurgens, 2009:29).

This chapter focuses on the background of the cellphone industry in South Africa in more detail. The chapter also investigates the growth in the cellphone industry. There is also a description of the industry with relevant factors that are responsible for its growth, customer types, cellphone market share, factors influencing the industry and the four main players in the South African cellphone industry.

### 2.2 Description of the Industry



The South African telecommunication infrastructure is the most sophisticated in the Southern African Development Community (SADC) region (Mutula, 2002:81). The telecommunication industry in South Africa includes the government and private sector (Benn, 2005:25).

The South African telecommunication industry has contributed to the growth of the South African economy. It has reached an estimated R181.5bn in 2008/2009 and contributes more than 7% to the country's GDP (Gross Domestic Product). This means that the telecommunications industry has provided more than 7% of all the products and services produced in the country. In 2008, telecommunication was estimated to be worth R102.5bn, with approximately R17.2bn being dedicated to LCR (Least Cost Routing), mobile and bulk sms (short message service) markets (Jurgens, 2009:28). In other words, the telecommunication industry in 2008 grew by a substantial amount when compared to the previous year. Within the telecommunications industry, the

cellphone business has contributed extensively to the growth of the industry. There are about 51.8 million cellphone users in South Africa comprising a cellphone penetration rate of about 106% (Jurgens, 2009:29). Table 2.1 provides an exposition of the size of the industry as estimated in 2009.

**Table 2.1: Size of the telecommunication industry in South Africa**

Telecommunication service	Total number	Estimated penetration rate
Fixed lines	4.5 million subscribers	9.2%
Cellular / Mobile	51.8 million subscribers	106 %
Internet	4.9 million users	10%
Broadband(fixed and wireless)	1.1 million subscribers	2.25 %
Non-Pay Television	38 million viewers	78%
Pay Television	11 million viewers	22%
Radio	45 million listeners	91%

Source: Jurgens (2009:29).

Based on the information above, it is clear that the cellphone business plays a major role in the telecommunication industry. The reason for the growth cellphone business growth is attributed to the decline in fixed telephone demands (Koutras, 2006:17). The current number of cellphone users has surpassed the number of fixed telephones installed over four decades (Mutula, 2002:83). The fixed telephone is lagging behind with about 4.5 million users compared to the 51.8 million cellphone users (Jurgens, 2009:29). This shows that there is currently a higher demand for cellphones than for fixed telephones. Goode, Davies, Mountinho, and Jamal (2005:760) stipulate that there are a number of factors that contribute to the demand in the cellphone industry, namely:

- It is portable;
- It is easy to use, and can handle voice mail and text messages;
- It can be taken anywhere where there is network coverage; and
- It is simple to send messages and access the internet.
- 

According to Mutala (2002:87), a major spin-off in the growth of the industry is the jobs it creates in the country. The industry contributes to the economy of the country by developing and training new employees for the local and international markets.

Furthermore, the cellphone business provides community service as part of its obligatory requirement. Consequently, it provides services to schools, clinics, as well as roads to local communities amongst other things (Mutula, 2002:87).

In summary it is necessary to note that there were four cellphone service providers operating in South Africa at the time the study was conducted, namely: Vodacom, MTN, Cell C and Virgin Mobile. Vodacom and MTN are the two main role players in the cellphone industry (Jurgens, 2009:3). The competitive nature in this industry is furthermore oligopolistic, due to the fact that there are few competitors within this industry. Competition forces prices and tariffs down, with the result that it enhances cellphone usage and sales (Mutula, 2002:87). The next section discusses the different customer types present in the industry.

## **2.3 Customer Types**

As alluded to in the first chapter, the South African cellphone industry is characterised by two broad categories of major customer types: contract and non-contract (prepaid) users.

### **2.3.1 Contract customers**

Contract users pay a monthly subscription for the use of the services provided by the chosen cellphone network service provider. For a customer to enter into a contractual agreement with a service provider, the provider is required by law to conduct a credit check on the potential customer who, if approved, enters into a 24-month contract. Thereafter, the customer receives a monthly invoice specifying the calls made during the month (Simpson & Dore, 2007:143). This means a contract is a written legal agreement that both the cellphone owner and the cellphone service provider must abide by, or risk facing action. In other words, both the customer and the service provider have contractual obligations. The contract option is largely accessible to those who are creditworthy and can afford monthly contracts (Simpson & Dore, 2003:81).

Several choices are available to the contract customer and a customer can choose a contract or package that best suits his individual needs and budget. It happens that a contract cellphone could be more expensive than initially anticipated by the customer due to hidden costs. For this reason some customers terminate their agreement prematurely (Simpson &Dore, 2007:143).

### **2.3.2 Non-contract customers**

The customer buys the air-time or call units upfront and credit checking is not required. The non-contract customer is able to directly control how much is spent on calls by buying a fixed amount of air time. In other words, a person gets connected through a cellphone network service provider without paying a monthly subscription (Simpson & Dore, 2004:81). Additionally, Harrison (2009:28) states that it is unlikely in this event that cellphone service providers can run the risk of churning or incurring bad debts. In other words, because the customer buys airtime upfront, neither the customer nor the service provider can incur bad debts, due to the fact that the problem of non-payment will be avoided. Non-contract cellphone users are expected to use their non-contract airtime more carefully, and the service providers have to respond by extending the time period that elapses before the unused contract time is deactivated (Harrison, 2009:28).

Initially, if a prospective cellphone user could not get a contract he or she was excluded from owning a cellphone, but it this is not the case anymore. The non-contract option brought cellphone ownership and usage to all (Simpson & Dore, 2007:143).The cellphone industry is taking the non-contract cellphone users seriously. Initially, Vodacom and MTN offered one non-contract option, but this has evolved to these service providers offering more flexibility within non-contract packages (Simpson & Dore, 2007:143). The distribution of non-contract packages has also been extended to numerous retail outlets such as Game, Dion, Clicks, Woolworths and Edgars (Simpson & Dore, 2007:143). Harrison (2009:28) argues that non-contract cellphone users constitute the largest component of cellphone users worldwide. Moreover, trends in the



cellphone business indicate that there is an even bigger shift towards non-contract packages (Reid, 2007:14).

Further analysis of this non-contract market reveals that approximately 80% of the non-contract market is black consumers, and 65% of the non-contract market falls into the age category 12 to 30 years old (Reid, 2007:14). The majority of the disposable income spent on cellphones is prominent amongst young black South Africans, and this is the market from which the industry generates its highest profits. Yet, this is the market that has not been serviced to its full potential. The cellphone industry is as yet unfamiliar with the market relating to South African blacks (Reid, 2007:14). Additionally, Mutula (2002:87) states that in South Africa, cellphones have widely spread to townships, market traders, taxi ranks and vegetable vendors. This means that cellphones are easily accessible to the South African black market.

Thomas (2005:1) stipulates that age plays a major role in cellphone usage, especially in the choice of contract versus non-contract users. While 33% of all cell users are on contract and 64% on non-contract, only 8% of those in the 16 to 19 age groups are on contracts, with 90% are not on contract. This doubles to 17% of those who are on contract in the 20 to 24 age group, with 78% non-contract users. Contract cellphone usage increases slowly through the age groups until it reaches a maximum in the 46 to 49 age group, at 40%, and thereafter the percentage begins to decline. A primary source of unexpected changes in consumer demand has come from the introduction of cellphone services – in particular the non-contract cellular package. In other words, young people do not have the same expenses as older people. Older people have more responsibilities. Young people can afford to spend more money on airtime. Therefore, customers who have low expenses on communications prefer non-contract cellphones to a fixed-line residential service. Therefore, non-contract cellphones have significantly higher usage rates than fixed lines phone and have has no monthly fees. The real usage rate of non-contract phone is thus less than a fixed line for low usage levels.

These advantages of a non-contract cellphone comprise a significantly lower waiting time for a phone, the added utility from mobility, no reconnection fees, a second-hand market for phones that reduce connection charges, a per-second bill for the first minute, and the additional benefit of free added service and handset features (e.g. voicemail and caller identity) (Hodge,2003:8-9).

The operations of cellphone service providers are influenced by different laws and regulations. The following section provides insight into the regulatory environment within which cellphone service providers operate,

## **2.4 South African Regulatory Environment**

Telecommunication implies the ability to communicate globally with geographical distances not being a barrier. A good regulatory environment promotes competition and investment by international and local investors. Moreover it facilitates new product innovation (Adams, 2005:98,101).The Independent Communications Authority of South Africa (ICASA) implements policies made by the Ministry of Communications and regulates the telecommunications industry. ICASA approves products and makes sure that service providers compete according to the standards regulated by ICASA (Hodge, 2001:5). Since the inception of the Electronic Communications Act, 2005, new players have entered the telecommunication industry. As a result there is more competition within the industry, and customers will benefit from increased competition. In other words, customers will have the benefit of more choices.

Deregulation facilitates competition within the telecommunication industry (Jurgens, 2009:26). Furthermore, the Regulation of Interception of Communication and provision of Communication-related Information Act (RICA) is a South African law that regulates the agreement for and actual lawful interception of indirect communications. This law helps to track criminals. Cellphone users are required to register their cellphone number as of 1 July 2009. In other words, when buying a new cellphone, a new SIM (Subscriber Identity Module) needs to be registered with the service provider, for the service to be

activated. Existing cellphone numbers must be registered within an 18-months period (Jurgens, 2009:26). The next section explores the factors that influence the cellphone industry.

## **2.5 Factors influencing the Telecommunication Industry**

Technology is the backbone of the telecommunication sector. In South Africa, telecommunication businesses are not necessarily in the business of developing new technologies, but rather acquire technologies for various applications and excel in bringing together various technologies to create innovative services and pricing offerings to the marketplace. A number of small and independent software development businesses are involved in developing applications (such as mobile banking applications) and supply these to large companies (Harrison, 2008:7). Businesses must invest innovation based on customers' requirements. A major challenge in this industry is that government is slow in implementing telecommunication technology (Jurgens, 2010:38).



The 2010 World Cup brought a major boost to the economy, especially in the infrastructure sector. This means the country has invested money in the improvements of infrastructure. However, in the telecommunications industry, the unit price per minute is declining. Consequently, the service providers, in their bid to retain and attract customers, have reduced costs. The cost of the service providers has decreased due to the fact that they are sharing the cost with the customers in an effort to retain and attract customers. The growth in technology such as data traffic has effectively decreased the unit cost, thereby increasing the service providers' profits. However, in a competitive environment, service providers may have difficulty in managing relationships between sales and operating, and capital costs to their advantage. This may lead to a decrease in operating profit (Jurgens, 2010:38).

In South Africa there is a shortage of critical skills, such as technicians, as well as middle and top management personnel. In the information and technology area, a hub

of telecommunication industry, there is also a severe shortage of skills. Therefore, there is a demand for technicians and engineers as they are responsible for the technological development within this industry (Jurgens, 2010:39). This means that engineers and technicians are responsible for the technological development within this industry.

The rising threat of regulation is being used as a blunt mechanism in a market that is competitive and booming. If the fine balance between light-touch regulation and competition can be achieved, it will create an environment that will encourage continued capital investment. Moreover, South Africa has a slow deregulation process that has placed it behind other countries in West and East Africa as far as cost of communications and competition are concerned (Harrison, 2008:4).

## **2.6 Four main players in the South African cellphone industry**

There are four main players that dominate the South African cellphone industry. These main players are cellphone service providers for many cellphone users. It is important to know their background and services. Reviews of each cellphone business follow.

### **2.6.1 Vodacom**

Vodacom is the largest cellphone business service provider in South Africa, based on customer volume and income. Vodacom (Pty) Ltd was first established as Vodacom Group (Pty) Ltd in August 1993. On 8 December 1994 the business underwent a simultaneous name change to Vodacom (Pty) Ltd. Vodacom Group (Pty) Ltd is at present a holding business (Jurgens, 2009:57). In its early days Vodacom launched its “Yebo Gogo” campaign and created a big advertising idea with extensive leverage. The “Yebo Gogo” character has become famous in South African, achieving celebrity status, and has entrenched itself in South African lingo (Simpson & Dore, 2007:142). Vodacom has grown in terms of revenues, profits and subscribers and this is largely attributed to the first mover advantage (Koutras, 2006:24). Vodacom offers contract customers a range of cellphone services designed to cater for each individual, ranging from business packages to leisure packages such as weekend or everyday (Koutras, 2006:29).

Vodago was introduced in 1996, a non-contract package, subscribers on Vodacom Vodago can purchase non-contract packages that provide for unlimited time periods that range from two weeks to six months. Vodago has three non-contract packages:

- Vodago Standards – Which is mainly for customers who make calls during peak or off-peak periods;
- Vodago Smartstep - Which caters for customers who make calls which are longer than one minute; and
- Vodacom 4U – Which caters for customers who make calls during off-peak periods (Koutras, 2006:28).

Intense competition has forced Vodacom to introduce a cheaper non-contract package, which costs 2.8c per second, equating it to R1,70 per minute (Jurgens, 2010:22).

## **2.6.2 MTN**

MTN was formed in 1994, six months after Vodacom's inception. It set a world record for the speed with which it established its infrastructure. MTN launched its "Better Connection" campaign, because technically they claimed they had a better quality network (Simpson & Dore, 2007:142). MTN traces its roots to the Investment Facility Company Two Six Five Ltd that was established in November 1994 when the shelf company was taken over and the name changed to M-Cell Ltd. M-Cell subsequently converted to a public company. Between 1997 and 1999 M-Cell increased its stake in MTN Holdings from 25% to 72%. During the year 2000, M-Cell acquired the remaining shareholding in MTN Holdings from Transnet. In October 2002, the business underwent another name change to MTN Group Ltd (Harrison, 2009:78). MTN has three non-contract packages:

- Pay-as-you-go classic – Which is ideal for customers who receive more calls than they make and who make most of their calls in the evening.
- Pay-as-you-go calls per second – Which charges consumers only what airtime they have used up.
- Pay- as-you-go calls per second plus – Which offers cheaper time-call rates and cheaper SMS rates during peak and off-peak period (Koutras, 2006:42).

### 2.6.3 Cell C

Cell C was formed in 2001 by Saudi Oger and CellSAf. Its initial indirect 54% and 40% shareholders were involved to participate in the tender issued by ICASA for a digital GSM 900 and 1800 dual band mobile licence in South Africa. Cell C received an operating licence in June 2001, followed by a spectrum licence in August 2001, each for an initial 15-year term and with an option to renew. The business was established in May 2005 when a shelf company named Newshelf 766 (Pty) Ltd was utilised for registration purposes, and the name was changed to Virgin Mobile South Africa (Pty) Ltd. The business remained dormant and operations commenced in a developmental stage in October 2005. Officially, operations commenced on 24 June 2006 (Harrison, 2008:28). Cell-C offers three easy-chat, non-contract options: all day, standard and per second, allowing customers to choose the flat rate for all calls or variable billing based on peak and off-peak times. Incoming calls are unlimited, and discount call rates to regularly dialled numbers (Koutras, 2006:49).

### 2.6.4 Virgin Mobile

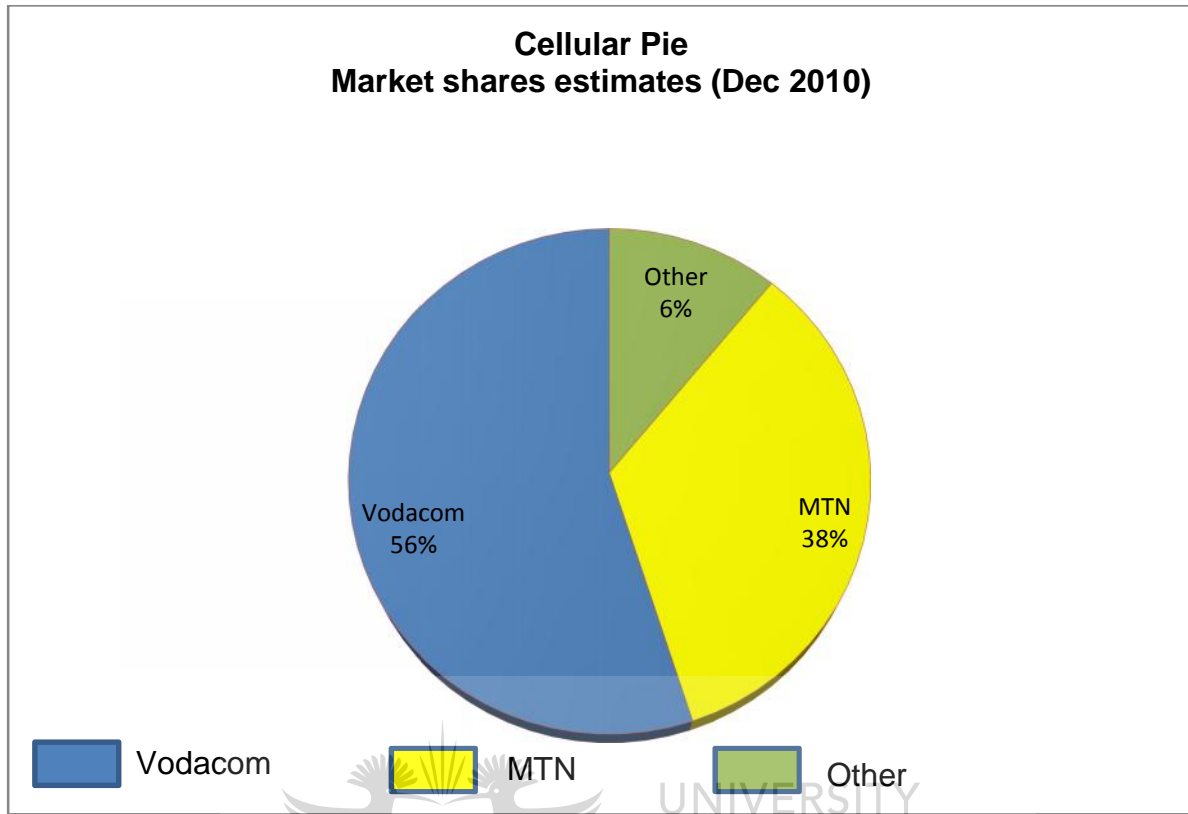


The business was established in May 2005 when a business named Newshelf 766 (Pty) Ltd was utilised for registration purposes, and the name was changed to Virgin Mobile South Africa (Pty) Ltd. The business remained dormant and operations commenced in a developmental stage in October 2005. Virgin Mobile's package includes: My VZone, Road 2V, V-Spot, V-Charge, Virgin Festival and Virgin Mobile (Jurgens, 2009:55). The Table below gives the description of the business, number of employees and service provider's revenue.

The following section provides insight into the cellphone market share in relation to the number of customers the cellphone service providers have.

The cellphone market share illustrates which business has the largest profits. It also gives an indication of which service provider has a high number of customers. Figure 2.1 highlights the market share according to the total subscribers.

**Figure 2.1: Market share according to total subscribers**



Source: adapted from Mungadze (2010:1)

The cellphone industry is a profitable business for some of the service providers, especially Vodacom and MTN which are monopolising the market with 56% and 38% respectively (Mungadze, 2010:1). Figure 2.1 indicates that Vodacom has established itself as the leader in the cellphone business, followed by MTN. Table 2.2 provides a summary of the key players in South African cellphone industry.

**Table 2 .2: Summary of key players in the cellphone industry**

Business	Number of users	Number of employees	Revenue
Vodacom(Pty)Ltd	39 million cellphone users across its operations. 26,3 million cellphone users in South Africa.	5 059	R58,535 million
MTN Group(pty) Ltd	123.6 million cellphone users across its operations. 16.4 million in South Africa.	16 452	R111,947 million
Cell C(Pty) Ltd	6.9 million cellphone users in South Africa.	2 700	R9,900 million
Virgin Mobile South Africa(Pty) Ltd	200 000 cellphone users in South Africa.	200	R400 million

Source: Jurgens (2010:9, 10)

In summary, Vodacom and MTN are big brands, making it difficult for a third licence holder entering the market. Brands with a large market share have huge benefits over smaller brands (Simpson & Dore, 2007:142). This means that Vodacom and MTN have an added advantage when compared with Cell C and Virgin Mobile. Products and services offered by Vodacom and MTN are found to have the same prices, especially in the category calls made to other service providers. The Vodacom and MTN prices are also found to be similar for contract phones. Therefore, Cell C is priced below Vodacom and MTN (Koutras, 2006:52). During 2010 8ta was introduced as the fourth cellphone service provider into the market and this will have a significant impact on the non-contract cellphone customers (Mungadze, 2010:1).

## **2.7 Conclusion**

This chapter focused on the background and description of the cellphone industry in South Africa. The different customer types and the cellphone market share were discussed. The factors influencing the industry and the four main players of the cellphone industry were also discussed in Chapter 2. Chapter 3 provides an in-depth discussion on consumer behaviour, and the factors that influence the consumer's decision-making process.



## **CHAPTER THREE: CONSUMER BEHAVIOUR**

### **3.1 Introduction**

This chapter comprises a detailed discussion on consumer behaviour. The consumer decision-making process model by Hawkins, Best and Coney (2004:27) forms the basis of the discussion, and forms the basis for explaining the behaviour of non-contract customers of cellphone businesses. This section provides insights into the nature and significance of consumer behaviour; it focuses on the consumer behaviour model. Attention is paid to the consumer decision-making process. The final section of this chapter discusses the determinants influencing consumer behaviour.

### **3.2 Consumer behaviour defined**

Craig-Lees, Joy and Browne (1995:7) express the opinion that customers differ in terms of how they make decisions and how they select products. Marketers have been studying customer behaviour since the 1950s in order to develop a systematic method of studying their activities. Besides information about their customers, marketers also need skills to analyse and interpret the information, which leads to the development of consumer behaviour as a specific area of study within marketing. However, Erasmus, Boshoff and Rousseau (2001:88) are of the opinion that consumer behaviour as a discipline originated in the mid-late 1960s, and that many of the early economic theories were based on the theorists who assumed that customers act rationally to maximise satisfaction in their purchase of goods and services.

Solomon (2004:7) describes consumer behaviour as the study of the processes involved when individuals or groups choose, buy, use or dispose of products, services, ideas or experiences to satisfy desires. In similar terms, Schiffman and Kanuk (2004:8) define consumer behaviour as behaviour that a consumer displays in searching, purchasing, using, evaluating and disposing of products and services. Consumer

behaviour focuses on how individuals make decisions to utilise their available resources (time, money and attempt) on consumption related items. Arnould, Price and Zinkhan (2004:9) explain consumer behaviour as a process whereby individuals or groups acquire, use and dispose of goods, services, information or experience. Kotler (2003:161) explains that consumer behaviour refers to the buying behaviour of final consumers, individuals and households, who purchase products and services for personal consumption. Kurtz (2008:148) provides a different definition by explaining consumer behaviour as the process through which customers make buying decisions. Blackwell, Miniard and Engel (2006:4) define consumer behaviour as activities people undertake when obtaining, consuming and disposing of products and services.


The above-mentioned definitions of consumer behaviour share several similar characteristics. These characteristics are: (1) obtaining; which refers to the activities leading up to, and including, the purchase or receipt of a product. This includes the way in which consumers search for information about the non - contract cellphone industry, and how motivation influences consumer behaviour; (2) consuming; which refers to the ways in which consumers utilise their products. This takes into account where and when (frequency) the product is consumed; and (3) disposing; which refers to the discontinuation of use of a product or a service. A typical example is when a consumer is dissatisfied with the service provider and discontinues their relationship (Blackwell et al., 2006:4).

There are many definitions of consumer behaviour, but for the purpose of this study, consumer behaviour is broadly defined as a process consumers follow when obtaining and consuming a product or service. In order to understand the theory behind the consumer behaviour of non-contract customers, the next section will briefly highlight three of the theories suggested by different authors to explain consumer decision-making.

### 3.3 Consumer decision-making theories

Consumer decision-making theories explain the decision processes used by consumers, and they also provide knowledge to marketers who are trying to find the right mix of variables for their products and services (Richarme, 2005:1). The theories assist in indicating what happens when certain variables and circumstances change. This means that consumers are able to make informed decisions about their purchases based on their circumstances. Consumer decision-making theories are widely used in consumer behaviour research, as well as in study areas to structure theory. Theories provide a frame of reference which indicate the interrelationship between defined variables and help to understand the consumer decision-making processes and marketing strategies (Erasmus et al., 2001:83). Three decision-making theories are discussed next.

#### 3.3.1 Utility theory

The logo of the University of Johannesburg, featuring two stylized birds facing each other with a book between them, and the text 'UNIVERSITY OF JOHANNESBURG' to the right.

Bernoulli (1738) developed the first explanation for the decision making process, and later Neumann and Morgenstern (1947) called this initial explanation the utility theory which is based on the fact that consumers make decisions depending on the expected outcomes. Consumers are viewed as realistic decision makers who are simply concerned with self-interest. Where the utility theory views customers as realistic decision makers, modern-day research on consumer behaviour considers a wide range of factors that can influence buying behaviour (Richarme, 2005:1). According to the utility theory, consumers choose products or services that can satisfy or enrich them. However, consumers are viewed as rational, and tend to make decisions that maximise their well-being. The utility theory can be used to assist in decision making that involves risk taking (Kahneman & Thaler, 2006:231). In other words, for example, a consumer buys a phone which has the function of a camera in the hope of saving the money which would have been spent on a camera.

### **3.3.2 Satisficing theory**

Prahba, Connaway, Olszewski and Jenkins (2006:4) claim that satisficing has influenced a variety of disciplines, such as computer science, economics, political science and sociology by reflecting on the contrast between choosing what is satisfactory and choosing what is best. Lee, Lee and Wadhwa (2010:206) also support this approach by asserting that consumers will typically evaluate different alternatives, choose what they want, and start the decision-making process. When customers are confronted with a choice situation, they have the goal of satisficing, rather than maximising. Customers place products or services on a scale in terms of the level of satisfaction and threshold acceptability. A satisfice evaluates products or services until one that exceeds the threshold acceptability, is chosen (Schwartz, Ward, Lyubomirsky, Monterosso, White & Lehmann, 2002:1178). However, Stirling (2003:9) argues that products or services must be evaluated against standard criteria. In essence, a customer will continue the search a process until an option that meets the decision-maker's desire is identified, at which point the search may end. As an illustration, should one have the desire to buy the latest cellphone, the customer may choose a cellphone that could give him the greatest rewards or satisfaction.

### **3.3.3 Prospect theory**

Mercer (2005:1) stipulates that the prospect theory is one of the most imperative behavioural theories of choice in the social studies. The way customers infer their choices as gains or losses, influences how much risk they are willing to take. Customers process information about losses and gains from some reference point. Mc Dermot, Fowler and Smirnov (2008:336) argue that the reference point is supposed to be equal to the status quo, which however certainly can deviate in response to factors such as current need state, future expectation and past history.

Kanbur, Pirttila and Tuomala (2008:325) provide a different view by explaining that in prospect theory, the utility function is replaced by the value function. The key

assumptions made about the value function are that: (1) it is defined on the basis of its deviations from the reference point; (2) it is typically concave for gains and convex for losses; (3) it is steeper for losses than for gains. Levy (2003:215) states that customers tend to frame alternative courses of action in terms of gains and losses from the customer current position, rather than their final position. Customers are more sensitive to losses than to gains. For instance, a customer who buys a cellphone expecting it to have a GPRS (General Packet Radio Service) feature will be at a loss if the cellphone does not have that feature.

Richarme (2005:3) argues that customers are presented with different choices in a controlled environment that expectantly controls other confounding variables. As a result, the choices are decomposed to understand both the conscious and the unconscious component motivating the customer's choices. A better understanding of how customers formulate decisions is of great importance theoretically and to the marketers. The following section discusses the five steps of the decision-making process.

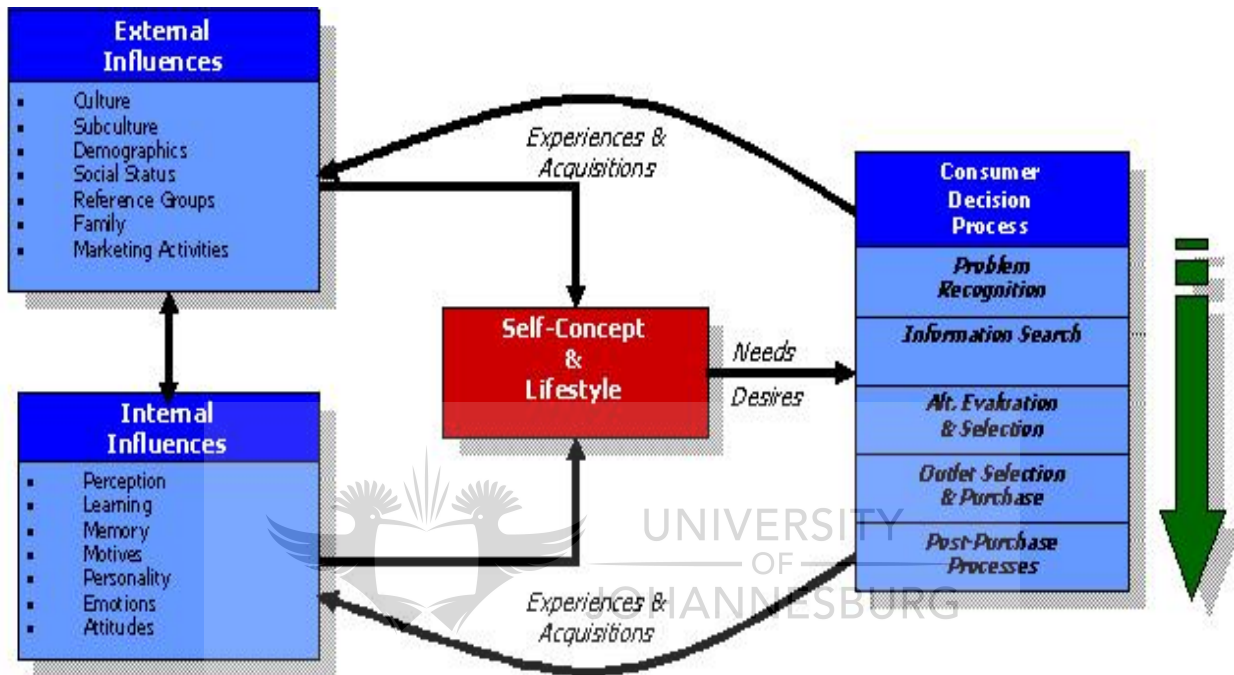


### **3.4 Consumer decision-making process**

Consumers make numerous buying decisions every day. Many large businesses research consumer buying decisions in great detail. This is because they want to address questions such as, why consumers buy services, where they buy them and what consumers purchase. The critical question for marketers is how consumers respond to various marketing efforts businesses may use (Kotler, 2003:161). External and internal influences contribute to the formulation of self-concept and lifestyle, which plays a role in the consumer decision process. During this process, experiences and acquisitions update the original external and internal influences. In addition, lifestyle and self-concept influences set goals through needs, desires and preferences, and these goals depict the decision-making process. Figure 3.1 indicates this process. The antecedents of the purchasing process include the two groups of determinants which influence a buyer's decision (Koklic & Vida, 2009:80). A consumer decision-making

model proposes several steps which a typical consumer goes through when making consumer related purchases. The above-mentioned sequence of actions is influenced by psychological, economic and environmental factors such as culture, group and social values.

**Figure 3.1: Consumer decision making model**



Source: Hawkins, Best and Coney (2004:27)

Figure 3.1 highlights that the two main factors that influence consumer behaviour are internal and external influences. The individual influences include perception, learning, memory, motives, personality, emotions and attitudes, while the external influences include culture, subculture, demographics, social status, reference groups and family. Each of these individual influences highlighted is discussed in detail in the following sections. Figure 3.1 also serves as a framework for the rest of this chapter. The discussion starts with the decision-making model which focuses on consumer decision-making trends, and what influences those decisions. This is followed by a discussion on internal influences and external influences which are briefly highlighted.

### **3.4.1 Consumer decision-making process**

Figure 3 indicates that consumers pass through five stages in every purchase. These stages are: (1) need recognition, (2) information search, (3) evaluation search, (4) purchase decision, and (5) post-purchase evaluation. These five stages promulgate a general process that can be used as a guideline for studying how consumers make decisions. This guideline does not assume that the consumer's decisions will proceed in certain order through all of the steps of the process (Lamb, Hair and McDaniel, 2006:118).

#### **3.4.1 Step 1: Need recognition / problem awareness**

The buying process begins with need recognition. The customer recognises a problem or need. The need can be triggered by internal stimuli such as hunger or thirst (Kotler, 2004:179). This problem identification occurs when there is a difference between a desired state and an actual state. The desire to resolve a particular problem depends on two factors: the magnitude of the discrepancy between the desired and actual states, and the relative importance of the problem (Solomon, 2004:296). Sources of problem recognition include: dissatisfaction with a current product or service, consumer needs and wants and new products. Lamb et al. (2006:118) state that internal or external stimuli can trigger need recognition. Internal stimuli are occurrences where consumers experience or perceive discomfort, and the external stimuli are influences from an outside source. Service providers' objective is to help customers to recognise an imbalance between their present status and their preferred state. Advertising and promotions can help provide the stimulus for the customer (Lamb et al., 2006:118).

A typical example will be when a consumer does not have a cellphone and recognises a need for one. The need will determine the type of cellphone and the service provider. A consumer who just wants to communicate, may be happy with the most basic cellphone that offers voice functionality (e.g. a grandmother in rural areas who wants to keep in touch with her children or grandchildren who are living in an urban area).

### 3.4.2 Step 2: Information search

Once the consumer has recognised a problem, he/she is more likely to search for information using various sources such as visiting stores, talking to friends and browsing through magazines and the World Wide Web (Hoyer & MacInnis, 2010:205). Lamb et al. (2000:69) explain that consumers undertake both an internal and an external search. An internal search occurs when a consumer retrieves information from his/her long-term memory. Internal sources of information are the consumer's personal experiences, memory and past searches. For example, a customer may observe or try a new product. In contrast, external sources of information are: (1) personal sources, such as friends and family members (e.g. friend may recommend a cellphone that he or she has bought); (2) public sources, such as consumer reports; and (3) marketer dominated sources, such as salespeople and advertising campaigns.

Customers are furthermore cautious about information they receive from marketing controlled sources. Customers believe that most marketing campaigns are aimed at emphasising the attributes and benefits of the product, but do not mention the limitations (reference). The extent to which a customer conducts an external search depends on the customer's perceived risk, knowledge and prior experience. However, Cant, Brink and Brijball (2006:199) state that the extent of the search is influenced by the level of customer involvement in the decision-making. Decision-making that requires low involvement implies that customers may possibly act without thinking and may not even be concerned about the brand or product differences, while decision-making that requires high involvement may imply that customers may think cautiously concerning the process of buying. Such information dispensation reflects a complex decision making (Cant et al., 2006:199).

SowDagur (2006:89) specifies that there are three levels of consumer decision-making, namely: (1) routine decision-making, (2) limited decision-making, and (3) extended problem solving. Decision-making becomes more multifaceted as a customer moves from a very low level of involvement with the purchase of a product to a very high level



of involvement. Low involvement requires nominal decision-making; whilst high involvement requires extended decision-making. Nominal decision-making is also called habitual decision making and it involves no decision. Decision-making can be divided into three levels (SowDagur, 2006:89):

- Routine decision-making: consumers make purchases routinely by choosing a preferred brand and have a well-established set of criteria with which to evaluate the brands they are considering. For example, a consumer may preferably use a service provider that they have used before or on which they have vast knowledge.
- Limited decision-making: The consumer already has evaluative criteria for a particular kind of purchase, but then encounters a new, unknown brand. His decision making can be described as limited. For example, a new service provider that consumers do not have concrete information about, is unlikely to get support for his unknown brand.
- Extended problem solving: Extensive decision making involves extensive internal and external information. Extensive decision making is a response to a high level of purchase involvement. For example, when a consumer has to buy an expensive cellphone he goes through extensive decision making because there is a lot of money at stake.

### **3.4.3 Step 3: Evaluation of alternatives**

Evaluations of alternatives clarify the problem to purchase for the consumer by suggesting decision-making criteria, and by providing brand names that meet the criteria (Kurtz, 2008:16). Cant et al. (2006:201) point out that when evaluative criteria are selected, customers make a comparison among product features and use cut-off criteria and rank attributes according to importance. Evaluative criteria are influenced by individual and external influences. Individual influences such as personality and attitudes have an influence on the expected outcomes. Kurtz (2008:167) describes evaluative criteria as the features that a consumer considers in choosing among

alternatives. Hoyer and MacInnis (2010:226) further state that the evaluative criteria depend on consumers' goals and the urgency of the decisions.

A study conducted by Koutras (2006:147) points out that the factors underlying the purchase of a cellphone were found to be the manufacturer, market conditions and influential persons. For the choice of operator, the factors were found to be features and brands, components in pricing, quality and influential persons. Pricing is regarded as the most important factor affecting the decision to buy a cellphone, especially among younger people, and there are different tariffs that suit different needs (Koutras, 2006:147).

#### **3.4.4 Step 4: Purchase decision**

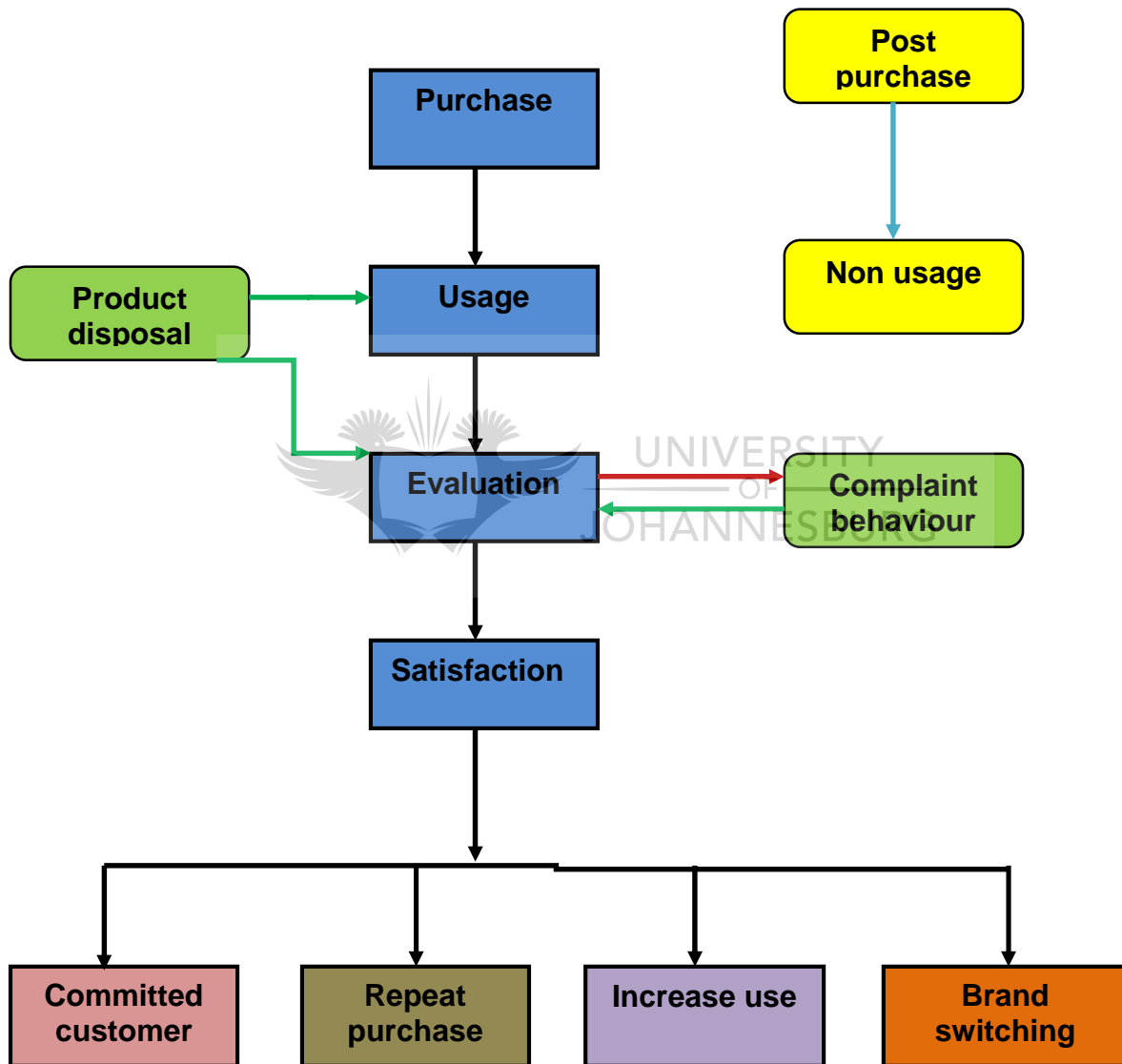
After searching and evaluating, the fourth step in figure 3.1 involves the actual purchase decision. At this stage, the consumer has evaluated each alternative and narrowed down the alternatives to one. Consumers make many kinds of purchase decisions. First a customer can make a basic purchase decision in response to need recognition, such as when communication needs trigger the decision to buy a landline. A cellphone purchase decision is possible if conventional phone services are poorly developed as in many developing countries (Arnould et al., 2004:674).

The purchase decision is influenced by factors such as time and place of purchase, delivery options and type of product purchased (Kurtz, 2008:167). Buying a product or service is not simple. Customer choices are affected by various personal factors, such as the customer's mood, time pressure to make the purchase, and the particular situation or circumstances for which the product is needed. In some situations, such as the purchase of a cellphone, the sales representative plays a vital role in influencing the final selection.

### 3.4.5 Step 5: Post-purchase evaluations

The post-purchase model illustrates what it takes to achieve post purchase goals. The model cohesively highlights the stages that lead to customer commitment. Figure 3.2 provides an illustration of this.

Figure 3.2: Post purchase model



Source: Hawkins and Mothersbaugh (2010:622)

Figure 3.2 indicates the relationship among post-purchase processes. Some purchases are followed by a phenomenon called post-purchase dissonance. It occurs when a consumer doubts the wisdom of a purchase he or she has made. Some purchases are followed by non-use, whereby a consumer returns the product without using it. Most purchases are followed by product use, even if post-purchase dissonance is present. Product use requires the disposition of product package or the product itself. During and after use, the buying process and services are evaluated by the consumer. Unsatisfactory evaluations may create complaints by those consumers. Appropriate responses by the service provider to these complaints can reverse initial dissatisfaction. The consequence of all these is satisfaction, which can result in a loyal, committed customer who is willing to repurchase, or in a consumer who switches brands (Hawkins & Mothersbaugh, 2010:622).

The final stage of the consumer decision-making process involves the post-purchase behaviour of customers. After a purchase, consumers have some level of expectation about the product. If expectations are met, then the customer will be satisfied, but if expectations are not met, the customer will be dissatisfied (McDaniel et al., 2008:123).

Lamb et al. (2006:123) further state that when a customer identifies inconsistency between their standards or options and their behaviour, the customer is likely to experience an inner tension called cognitive dissonance. For example, when a customer decides to buy the latest cellphone, the customer will experience inner tension prior to spending money on the new cellphone, which is a feeling of dissonance. This feeling occurs because the customer is aware that the product may have some disadvantage, such as being expensive, and some advantage, such as having extra-added features. In this case, the disadvantage of the higher cost clashes with the advantage of additional features. Kurtz (2008:168) stipulates that service providers can help customers reduce cognitive dissonance by providing information that supports the selected item. Promotional messages that emphasise customer satisfaction can also help to reduce cognitive dissonance. The following section deals with the internal

factors influencing on what consumers buy and the influence of perception, learning, memory, motivation, personality, emotions and attitudes.

### **3.4.2 Internal influences**

The first set of factors highlighted in Figure 3.1 is termed internal influences. These influences deal with how the individual responds to group influences, environmental changes and marketing efforts (Wiese, 2008:131).

#### **3.4.2.1 Perception**

Wiese (2008:133) describes perception as the process by which people select, organise and interpret sensory stimuli into a meaningful picture, for example how a customer views a product or service. Perception consists of three components namely: (1) exposure, (2) attention, and (3) interpretation. Exposure occurs when a stimulus comes within range of one or more sensory receptors of consumers. Attention occurs when the stimulus activates one or more sensory receptors and relates the sensation to the brain for processing. Interpretation consists of the assignment of meaning to stimuli that have been attended to (Wiese, 2008:133). Arnould et al. (2004:299) point out that consumer perception is important in order to understand acquisition, consumption and the disposal of goods and services. Arnould et al. (2004:299) further state that in marketing communication, the symbols used in language and writing gain meaning by reference to perceptions.

#### **3.4.2.2 Learning**

Schiffman and Kanuk (2004:207) define learning as the process by which individuals acquire the knowledge and experience that they can apply to future related behaviour. Observation learning is called social learning, whereby people observe actions of others to develop certain patterns of behaviour. Hoyer and MacInnis (2010:295) further state that during learning, people are influenced by motivations, prior knowledge, and the

ambiguity of information. In other words for people to engage in learning, there has to be something that can motivate them to engage in the learning experience. Past experience also plays a role for customers to engage in a learning behaviour. Wright (2006:157) points out that marketers are interested in learning how consumers learn, think and behave in order to know how to communicate relevant messages that will persuade initial purchase and build long-term loyalty.

### **3.4.2.3 Memory**

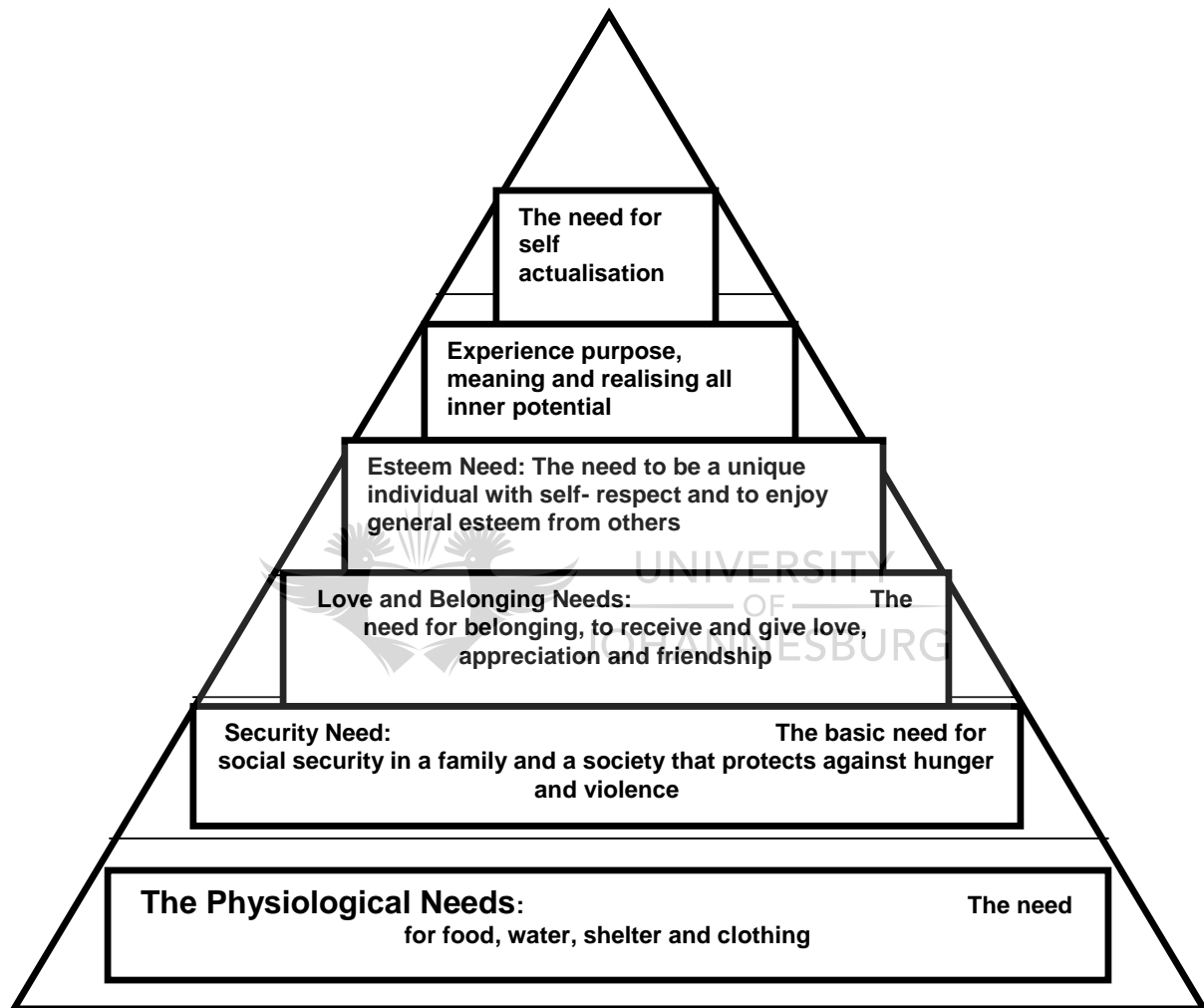
Memory is the process of acquiring, storing, retaining and retrieving information for later use. There are three major processes involved in memory: encoding, storage and retrieval. Encoding is the transfer of information from short-term to long-term memory where information is stored for later use. Retrieval is accessing information stored in long-term memory so that it can be utilised in short-term memory (Solomon, 2004:95). This view is supported by Hoyer and MacInnis (2010:173) who also mentioned that there are three different types of memory storage categories: sensory, short-term and long-term memory. Sensory memory is the ability to store sensory experiences temporarily as they are produced. Short-term memory represents the portion of memory where incoming information is encoded or interpreted in light of existing knowledge. Long-term memory information is placed for later retrieval and use (Hoyer & MacInnis, 2010:175).

### **3.4.2.4. Motivation**

Motivation has been defined as the dynamic property of behaviour that directs and defines the end state (goal) of an individual. It relates to the desire to achieve certain results where customers can be motivated by factors such as hunger and other physically experienced states (Arnould et al., 2004:259). McDaniel and Gates (2006:146) report that when customers buy a particular product, they usually do so to fulfil some kind of need. These needs become motives when aroused sufficiently. Motives are the driving forces that cause a person to take action to satisfy specific

needs. Maslow's hierarchy of needs was introduced in 1943 as a theory of human motivation; with the hierarchy suggesting that people are motivated to fulfil basic needs before moving on to other needs. Figure 3.3 provides an exposition of this hierarchy.

**Figure 3.3: Maslow's hierarchy of needs**



Source: Arnould, Price and Zinkhan (2004:270)

Schiffman and Kanuk (2004:103) specify that five different needs can be identified, using Maslow's hierarchy of needs which consists of the following: physiological needs, safety and security needs, social needs, esteem needs and self-actualisation needs. Best, Day, McCarthy, Darlington and Pinchbeck (2008:306) argue that if all other needs are unsatisfied and the individual is then dominated by the physiological needs, all other

needs can turn out to be simply non-existent or be pushed into the background. The five different needs are subsequently discussed.

- Physiological needs

When applying Maslow's hierarchy of needs, it can be argued that all humans share all basic needs as shown in Figure 3.3 Physiological needs include food and water and these should be satisfied first. Although customers share the same basic needs, the activities they engage in to satisfy themselves may be different. The customer whose main concern is to obtain enough food to survive on, is not likely to have the inclination or the money to devote to other products (Cant et al., 2006:134). For example, a consumer whose primary concern is food does not view having a cellphone as a need.

- Safety and security needs

Once customers have managed to satisfy their physiological need, the second level of need is safety and security. Customers now become aware of the need for protection against physical and psychological dangers. To gratify these needs, customers may buy insurance or security devices. The cellphone industry may promote safety and durability as an attractive design feature for their products (Cant et al., 2006:135). Cellphone customers may use cellphones for security and protection purposes (safety).

- Social needs

This need relates to the primary need for love and affiliation. Social needs include love, a sense of belonging and the need to be accepted by group members. To satisfy this need, consumers may join social clubs and buy goods or services that make them feel part of a group. Social motives of belonging are apparent when customers want to buy products that are regarded highly by others. This results in their use bringing the customers who buy them peer approval from other people who use the same products



(Cant et al., 2006:135). For example, a consumer uses a cellphone to satisfy his social needs by joining social networks in order to build relationships and feel part of a group.

- Esteem needs

Esteem needs include the need for status and recognition. People desire a sense of accomplishment and achievement, and reach this by acquiring products of various kinds. By demanding an ever-widening range of services, customers in contemporary society try to express their needs for power and prestige. Many customers acquire antique products because of their symbolic values, even when their functional value is uncertain. Customers' self-images have a propensity to be developed and confirmed by the material possessions they purchase (Cant et al, 2006:135). For example, a consumer buys an expensive cellphone to exhibit his social ranking in society to others.

- Self-actualisation need

Self-actualisation motive is the root for customer engagement. The self-actualisation need includes the need for self-development and realisation. This stage is characterised by people's desire to realise their full potential and to find fulfilment by expressing their unique talents and skills (Cant et al., 2006:135). For example, a consumer who has realised his full potential, may buy a cellphone that has features that will further his self-development even to a greater extent.

At each level of Maslow's hierarchy of needs, different priorities exist in terms of the product benefits a customer is looking for. Maslow's hierarchy of needs is frequently used as a basis for market segmentation, since specific promotion appeals are directed to individuals on one or more need levels.

### 3.4.2.5 Personality

Schiffman and Kanuk (2004:120) define personality as the inner psychological characteristics that both determine and reflect how a person responds to his or her environment. Schiffman and Kanuk (2004:12) posit that a personality consists of three properties: (1) personality reflects individual differences; (2) personality is consistent and enduring; and (3) personality can change. There are three factors that describe personality types: psychoanalytic factors, socio-psychological factors and trait factors.

- Psychoanalytic factors

According to Statt (1997:63), human personality consists of three parts: the id, the ego and the superego. The id is made of powerful drives that demand to be satisfied immediately. The ego is the rational, conscious, thinking part of personality, while the superego is that part of the personality that deals with right and wrong, morality, and the correct and proper way to behave, feel and think. However, Craig-Lees et al. (1995:135) argue that the id is the fundamental or original system of the personality. The id is the foundation that influences biological drive. It represents the internal world of subjective reality and has no knowledge of the outside world. It also consists of two action components, namely the impulse and primary processes. Impulses are automatic responses to stimuli such as blinking or sneezing. The ego, on the other hand, translates the images created by the id into substance. For, example, the id imagines the cellphone, and the ego turns the picture into actions; causing behaviour to be performed. The superego is the part of the customer that functions as the conscience and/ or ethical control. The values and ideas are instilled during childhood. Blackwell et al. (2006:271) stipulate that psycho-analytic theory serves as the conceptual basis for motivational studies of lifestyle.

- Socio-psychological factors

Statt (1997:69) states that interpersonal relationships are crucial in the development of an individual's personality. There are three major orientations by which people can be classified: complainant, aggressive and detachment. Complainants are people who are dependent on other people for love, affection and approval (Hoyer & MacLinnis, 2007:377). For example, a complainant customer depends on a cellphone for strengthening his relationships. When a complainant customer is connected to his loved ones, then his affection and approval needs may be fulfilled. Aggressive people are those who tend to move against others, they have a need for power and are able to manipulate other people (Hoyer & MacLinnis, 2007:377). Detached people are those who are independent, self-reliant and avoid developing emotional bonds with other people (Hoyer & MacLinnis, 2007:377). Detached customers are not attached to brands or specific service providers. This can mean that their decisions are independently made without any influence from the service providers.

- Trait-factors



The trait-factor theory sets out to identify and measure all the stable characteristics of a person's personality, using psychology and statistics. Each of the characteristics is called a trait. These can be physical (height and weight) or psychological (assertiveness or intelligence) (Statt, 1997:73). Craig-Lees et al. (1995:139) argue that a trait is a tendency to respond to related situations in the same way. For example, a sales representative is expected to be sociable and outgoing. Trait theories are based on two main assumptions; (1) individuals have traits, and (2) traits can be measured and identified.

Traits can be identified through a sequence of questions that are scaled to indicate if a person has a particular trait, and how strong the trait is. Secondary traits are behaviours that are seen less frequently and are more likely to change (Craig-Lees et al., 1995:139). For example, a person's preference for cellphones is likely to change with

time. Common traits are traits that all customers possess. Central traits are the major characteristics that are used to describe a person. For example, if a person's habitual response to the world is being irritable, and short-tempered, then those traits are central to the person's personality.

### **3.4.2.6 Emotions**

Wiese (2008:136) defines emotions as an evaluative response (a positive or negative) that typically includes some combination of physiological arousal, subjective experience and behavioural or emotional expression. Hatfield (2007:413) claims that physiological stimulation results in bodily expression.

Schoefer and Diamantopoulos (2009:7) describe emotion as mental states of readiness of one's thoughts that arise from cognitive appraisals. Emotions have specific referents, such as a rude response from a salesperson. Emotions can be reflected in different forms, namely: (1) physiological change, (2) spontaneous or expressive behaviour (facial expression), and (3) subjective experience, including feelings such as joy, sadness and anger (Mai & Schoeller, 2009:56).

### **3.4.2.7 Attitude**

As is evident from Figure 3.1, attitudes also influence purchasing patterns. Attitude is defined as a learned predisposition of human beings. Based on this tendency, an individual would respond to an object (or an idea) or a number of things (or opinions) (Schiffman and Kanuk, 2004:253). SowDagur (2006:61) defines attitude as a person exhibiting favourable or unfavourable evaluations, emotional feelings, actions and tendencies towards some object or idea. An attitude is simply an evaluation of an alternative, ranging from positive to negative. Attitude consists of three components, namely: (1) cognitive component, (2) feelings or emotions, and (3) behavioural component (reference). The cognitive component consists of the individual's beliefs and knowledge about the object. Feelings or an emotion is reaction to an object that

represents the affective component. The behavioural component reflects actions and statements of behavioural intention (Cant et al., 2006:147).

#### **3.4.2.8 Lifestyle**

According to Blackwell et al. (2001:30), lifestyle is a popular concept for understanding consumer behaviour. It relates to the way people live, spend money and what they value in life. Hawkins and Mothersbaugh (2010:434) describe lifestyle as the way in which a person lives. Hawkins and Mothersbaugh (2010:435) claim that an individual's desired lifestyle influences his needs and desires, and ultimately, what he purchases and uses. In the past, a person's profession (for instance a doctor) defined his or her lifestyle. A person can in fact today be a doctor, a chef, and a single parent all at the same time. Each of these lifestyles is associated with different products and services and represents different target audiences. Component lifestyles increase the complexity of consumer buying habits. The unique lifestyle of every customer may require different marketing mixes. While the consumer believes that the characteristics of a certain product should fulfil his/her goals and needs, the selection of a product will also reflect an individual's self-concept and his/her lifestyle, which will have an impact on the external influences (Koklic, & Vida, 2009:80). The next section focuses on the external influences that persuade and direct the consumer decision-making process.

#### **3.4.3 External influences**

In addition to the internal influences, consumer behaviour is also shaped by external or social factors such as culture, subcultures, demographics, social status, reference group family influences, and other aspects of the external influences as seen in figure 3.1.

### 3.4.3.1 Culture

Culture can be defined as a set of beliefs, values, attitudes, habits and forms of behaviour that are shared by a society (Blythe,2008:191). Culture is the set of collective beliefs, attitudes and behaviours associated with a large and distinctive group of people. Culture is learned, but it is often embedded in people who envision that the rules of their particular society or group have the status of natural laws. Culture is one of the main drivers of behaviour and influences nearly everything we do, including our consumption behaviour (Blythe, 2008:191). De Mooij (2004:26) further states that culture includes things such as shared values, beliefs, norms, and attitudes, as well as affective reactions, cognitive beliefs and patterns of behaviour. These cultural elements are transmitted from generation to generation to ensure existence and facilitate adaptations to circumstances (Koutras, 2006:121). The following section discusses the elements of culture in more detail.

- **Elements of culture**



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Culture consists of elements which are common in all cultures (Blythe, 2008:19). These elements include (Blythe, 2008:19):

- *Values*: Enduring beliefs that a specific mode of conduct is personally or socially acceptable to another mode of conduct. People's value systems have a great effect on their consumer behaviour. Consumers with similar value systems react in a similar fashion to prices and other marketing related inducements (Lamb, Hair & McDaniel, 2004:153). For example, some people place high value on cellphones because they are convenient and they break the barriers of distance.
- *Language*: Is the centre of the culture communication process. People of the same culture can be identified through a language (Legoherel, Dauce, Hsu & Ranchhold, 2009:95). The ability to understand and take action on marketing communications relies on understanding specific languages, but also on understanding specific words (Cant et al., 2006:58). A cellphone business can

- design an advertisement message in a specific language (eg Zulu) to appeal to a certain group of people.
- *Customs*: Norms of behaviour handed down from generation to generation. A number of customs grow out of religion and beliefs (Cant et al., 2006:58). For example, during religious holidays people purchase gifts for others, e.g. a cellphone.
  - *Food* is strongly linked to a culture (Cant et al., 2006:58). A cellphone business can do promotions by preparing a dish (like pap and mogodu/tripe) that is linked to a certain culture.
  - *Conventions*: Norms regarding the manner of everyday life. In the United Kingdom a dinner visitor would be expected to bring a bottle of wine and flowers (Cant et al., 2006:58).
  - A *symbol* is anything that represents something else. A cross symbolises Christianity. Symbols have several, even contradictory meanings. A marketer uses symbols to convey desired product image or characteristics (Cant et al., 2006:58). The next section discusses the dimensions of culture.

- **Dimensions of culture**

Latifi (2006:2056) stipulates that Hofstede has identified five dimensions of culture: power distance, individual / collectivism, masculinity / femininity, uncertainty / avoidance, and long-term orientation.

- *Power distances* are reflected when less powerful members of society accept and expect that power is distributed unequally.
- *Individualistic* cultural people want to differentiate themselves from others, and attach priority to variety and adventure. Consumers from cultures that are individualistic (for example western culture) focus on themselves as individuals (Hoyer & MacInnis, 2010:313).
- *Collectivistic* cultural people identity is based on the social network to which one belongs. Consumers from cultures that are high in collectivism, place more emphasis on their social relationship (Hoyer & MacInnis, 2010:313).

- *Masculinity* is characterised by achievement and success, while the dominant factors in femininity are caring for others and quality of life. Consumers from masculine culture, such as in the United States culture, focus more on personal development, and advancement. Customers representing in feminist culture tend to focus more on networking and relationship building (Hoyer & MacInnis, 2010:313).
- *Uncertainty avoidance* is characterised by the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations. In a country where there is less uncertainty, most things are predictable. There can be more rules and policies imposed on the customers (Kim & Kim, 2010:487).
- *Long-term orientation* is characterised by acceptance of change, perseverance, thriftiness and pursuit of peace of mind. In long-term orientation the main focus is on the future.
- *Short-term orientation* is characterised by immediate gratification where spending is more important than saving. The focus is on the past and present situation (Kim & Kim, 2010:487).

Van Heerden and Barter (2008:43) argue that cellphone service providers need to account for local culture by building it into their marketing strategy, and not expect that potential consumers from a specific culture will adapt and accept the strategy provided. Usually, the responses suggest that a marketer's strategy should suit the local culture in order to reach consumers and have the desired effect on the target market, and not the other way around, because such evolutions could take an extensive amount of time in order to achieve marketing goals. If the cellphone service provider can create a relatively standardised and cross-cultural strategy that translates across most cultures, the goals of marketing across countries would be achieved at a nominal expenditure (Van Heerden & Barter, 2008:43)



### 3.4.3.2 Subculture

Subculture represents a cultural subgroup divided according to status, ethnic background, residence, religion, or other factors that functionally unify the group and act collectively on each member. Subcultures usually share the same beliefs and value systems based on life experiences. Subcultures differ in terms of age, ethnicity, nationality and rituals. Understanding the differences between subcultures can help the marketer to develop more efficient marketing strategies (Kurtz, 2008:150).

A popular way of looking at subculture is by examining age-group subculture. Many businesses categorise market segments on the basis of the consumers' age. Indeed, they develop some products exclusively to meet the needs of people in certain age groups. Age distribution and projected changes in each age group are imperative to marketers, because consumer needs and wants differ remarkably among age groups (Boone & Kurtz, 2001:240). Consumers can be divided according to four major age subcultures according to when they were born. Baby Boomers are people who were born between the years 1946-1964 (approximately) (McCrindle, 2011:1). There is no doubt that baby boomers provide a profitable market, they possess substantial economic power. The service provider should create an advertisement that does not offend their beliefs and values. Those in their fifties and above are often financially well off, have pension funds and social security. The 50 years and older generation's information processing skills may deteriorate with age; therefore they are less likely to search for information (Boone & Kurtz, 2001:241). As an illustration, those in their fifties are less inclined to pay attention to market strategies, use new technology and purchase popular cellphones. This market is generally concerned with enjoying retirement or looking forward to retirement.

Generation Xs are people born between the years 1965-1981 (approximately) (McCrindle, 2011:1). As a group they delay marriages and careers, accept cultural diversity, and value the quality of personal life above work life. Further than these basic statements, researchers have encountered difficulty when classifying the Generation X

age group. Most Generation Xs know what they want in a product and are turned off by marketing ploys that come across as expedient. As an illustration, the generation X age group may be more interested in facts about the cellphone service provider rather than its popularity.

Generation Y consumers were born mainly between 1982 and 2000 (approximately) (McCrinkle, 2011:1). They are more diverse than the older generations. They are highly computer literate, utilising the internet for much activity and information about products and services. Members of Generation Y tend to be practical in their outlook, and cynical about standards and sales pitch. Generation Y is an attractive market for cellphone service providers as this generation is brand crazy and highly aware of world trends (Koutras, 2006:8).

#### **3.4.3.4 Demographics**

Demography is the study of people's vital statistics, such as their age, race, ethnicity and income. Demographic characteristics are strongly interrelated to consumer- buyer behaviour in the marketplace, and are good predictors of how the target market will react to specific marketing mixes (Lamb et al., 2001:32). Demographics are the descriptive characteristics which group customers in the population into smaller subgroups. Market research is often conducted looking at the demographic characteristics that individuals exhibit. The changes and trends in demographics are of great importance to market researchers because they can give insight into the size and location of potential markets. Demographic segmentation has been a popular method of segmentation because of its cost effectiveness and ease in identifying target markets. A more in-depth and detailed understanding of consumers emerges when demographic characteristics are used in conjunction with psychological characteristics (Rivera, 2004:21). Demographics describe a population in terms of its size, distribution and structure. Demographic segments are divided according to age, sex, family structure, social income, occupation, race, religion, ethnicity, geographic location or education (Lamb et al., 2001:32). Cellphone businesses can divide their target group according to

age groups. If they want to appeal to the youth market, the cellphone service providers can introduce a non-contract cellphone package that can attract and appeals to the youth market.

#### **3.4.3.4 Social status**

Social status is defined as status hierarchy in which individuals and groups are classified on the basis of esteem and prestige, acquired mainly through economic success and accumulation of wealth (Schiffman & Kanuk, 2007:358). Hoyer and MacInnis (2007:344) describe social class as the grouping of members of society according to status, either high or low. Consumers from a particular group tend to share similar values and behavioural patterns. Consumers are divided according to three major classes: high, middle and lower class. Hoyer and MacInnis (2007:344) further state that the upper class in most societies tends to exhibit similar characteristics, because they tend to be more cosmopolitan and internationally orientated. Lower classes on the other hand, are more likely to be culturally bound. Social class structures are key factors because they affect norms and values, and therefore behaviour. Williams (2002:250-252) specifies that consumers across social strata tend to exhibit characteristically differentiated psychological and behavioural pattern. Differences in education levels, attitudes and values in social class would be expected to lead to variations in consumer information processing and decision-making styles within and across social strata. In addition, consumers who are highly educated will process information and apply evaluative criteria differently to less educated persons (Williams, 2002:250-252).

#### **3.4.3.5 Reference group**

Reference group as illustrated in figure 3.1 consists of all the groups of people who influence an individual's behaviour. Customers belong to groups in which they share similar characteristics that may influence purchasing behaviour. In most cases, these groups contain opinion leaders or influential people who may have major contributions

to and influences on what the customers purchase. A reference group is a set of people with whom individuals compare themselves for guidance in developing their own attitudes, knowledge and or behaviours (Arnould et al., 2004:608). Customers belong to groups in which they share similar characteristics that may also influence purchasing behaviour. Reference groups are a set of people with whom individuals compare themselves for guidance in developing their own attitudes, knowledge and or behaviours. Reference groups are divided according to three categories, namely: the aspiration reference group, associative reference group and dissociate reference group. The aspiration reference group is a group that the consumers admire and aspire to be like (Hoyer & MacInnis, 2010:393). In an aspiration reference group, a cellphone service provider may use a soccer player like Simphiwe Tshabalala to advertise its non-contract package in order to appeal to a certain market. Associative reference groups are groups which the consumers currently belong to, such as friends or gender groups (Hoyer & MacInnis, 2010:393). Cellphone service providers may use students to advertise their brands in order to appeal to a certain group of students.

Dissociate reference groups are groups which the consumers disapprove of and do not wish to emulate (Hoyer & MacInnis, 2010:393). A cellphone service may use a certain group of people like drug dealers to pass a message to the consumers.

#### **3.4.3.6 Family**

The family whose members are in close interaction (See figure 3.1) is an important determinant of consumer behaviour (Kurtz, 2008:156). Schiffman and Kanuk (2004:345) define a family as two or more persons related by blood, marriage or adoption who live together. The family is the most important collective institution for many customers and it strictly influences values, self-concept, attitudes and buying behaviour. A family who strongly values good health will have a grocery list different from that of family who views every feast as a gourmet (Lamb et al., 2001:132). Each family member has a different role to play in the family's decision-making process. In a family's decision-making process, more than one family member's inputs and agreements are involved.

Family decision-making roles can be divided into two categories, namely; instrumental and expressive. The family's decision roles may be instrumental, which involves the activities that relate to the actual purchase. An example here would be, the amount of money that a family member may spend on a new non-contract cellphone. On the other hand, family decision roles can be expressive. This represents family norms with respect to purchase behaviour, such as the choice of colour for a new cellphone (Hoyer & MacInnis, 2010:349-349).

- Family role behaviour

Members within the family play different roles in decision-making, where some members of the family are the initiators who first recognise a need. Information gatherers seek out information about the products. Influencers do not have power to decide between alternatives, but they can cause embarrassment if their demands are not met. The decision-maker has an influence regarding whether or not to buy and which product to buy. Purchasers are family members who actually purchase the product. Users are the users of the product (Hawkins & Mothersbaugh, 2010:208).

Lamb et al. (2001:132) further state that decision-making roles amongst family members tend to vary extensively, depending on the type of item purchased. Family members assume a variety of roles in the buying process. Initiators are those who suggest, instigate or sow the seed for the purchase process. The initiator can be any member of the family. A sister may start the product search by enquiring about different cellphone service providers. Influencers are those members of the family whose opinions are respected. A mother may for example function as a price range regulator, an influencer whose main role is to approve price range. Decision-makers are the members of the family who in fact make the decision to buy or not to buy. Parents are likely to select which cellphone service provider may be suitable, and determine the model of cellphone to buy after seeking further information.

- Family life cycle

The family is one of the foremost targets which marketers segment as their markets for products and services in the world. Family lifecycle differs from one generation to the next, and marketers spend millions attempting to group family life cycles into meaningful segments that suit their own special needs. An example of a family lifecycle is discussed next (Wright, 2006:355).

In most Western societies, three types of families dominate: (1) the married couple, (2) the nuclear family and (3) the extended family. The simplest type of family regarding the number of members is the married couple (a husband and wife). As a household unit, the married couple usually represents either newlyweds who have not yet started a family, or older couples who have already raised their children. A husband and wife and one or more children make up a nuclear family. Nuclear families with grandparents living within the family unit are called an extended family (Schiffman & Kanuk, 2007:327). There have been changes within the nuclear family in the past 20 to 30 years due to monetary factors and changes in the position of each parent. Permanent employment for men is much more uncertain than it was a generation ago, with many men losing their jobs, thus being forced into early retirement. The rate of divorce has increased, which has resulted in a huge increase in the number of single parents (Statt, 1997:115).

Arnould et al. (2004:559) stipulate that single parent households face tight budgets and severe time constraints, so convenient products appeal to them. They tend not to be brand loyal, and they are more experimental, spontaneous and heavy on time savings. The empty nest consists of older couples without dependents. This group is attractive to the service provider because of high disposable income. They spend less on clothing, services, food, transportation and more on retirement and medical aid.

Marketers need to build marketing strategies that will help to retain these customers through customer relationship. Relationship marketing is both a viewpoint that puts

customer retention at the heart of the business process, and a marketing strategy with a set of tools and practices which businesses use to put relationship marketing successfully into action (Bowie & Buttle, 2004:293).

### **3.5 Conclusion**

This chapter focussed on the definition of consumer behaviour, the three theories that influence consumer decision-making processes, the five steps that a consumer goes through when making purchase related decisions, and the post-purchase consumer behaviour which was presented in a diagram. The internal and external influences that affect customer behaviour were also presented.

Chapter 4 will provide an in-depth discussion on customer commitment and the way in which to build long-term relationships with customers. Four factors or determinants of customer commitment form the basis of the discussion in Chapter 4.



## CHAPTER FOUR: CUSTOMER COMMITMENT

### 4.1 Introduction

The study of relationship marketing provides marketers with the opportunity to build and maintain profitable customers by delivering superior customer value (Kotler & Armstrong, 2004:15). Abratt and Russel (1999:5) argue that to be successful in the new millennium, businesses such as cellphone service providers have to understand the decision-making process and the criteria used in selecting service providers.

Furthermore, an understanding of the relationship marketing and consumer behaviour will provide the service provider with a sound base for building a responsive marketing strategy. Both partners in the relationship will have a mutual benefit. For the cellphone business, the benefits of being in a relationship with a customer arise from the economics of retention and protection from competition. However, for the customer, the benefits of being in a relationship with the business (in this case cellphone business) include customisation, and the risk of dealing with an unknown service provider is reduced. However, Buttle (2004:26), states that there are various reasons that support businesses' motives to be in a relationship with a customer, however, for customers to be in a relationship with the service provider, the reasons, are vague and limited.

Walter, Mueller and Helfert (2000:3) state that commitment plays a central role in marketing relationships. Customer commitment has succeeded in bringing about long-term relationships, and has also increased business profits by retaining existing customers.

This chapter focuses on customer commitment. It looks at the definitions of customer commitment and its nature. The chapter will also focus on the importance of building long-term relationships with customers. Furthermore, customer commitment dimensions and the factors that influence customer commitment form the basis of discussion. The chapter concludes with a discussion on the consequences of customer commitment.



## 4.2 Definitions of customer commitment

The definitions of customer commitment vary and different authors have different views of how customer commitment is best defined. The definitions of customer commitment as provided by the literature, are provided in table 4.1.

**Table 4.1: Definitions of customer commitment**

Author	Definition
Huang, Cheng and Farn (2007:755)	Exchange partners believe that maintaining an ongoing relationship is worthy and valuable and would like to make maximum effort to maintain this relationship.
Bowen and Shoemaker (1998:15)	Belief that an on-going relationship is so important that the partners are willing to work at maintaining the relationship and willing to make short-term sacrifices to realize long term benefits.
Jones, Taylor and Bansal (2009:36)	A psychological force that binds a person to the maintenance of the relationship with a particular entity, has been identified as a key variable in the study of relationship marketing.
Cater (2007:327)	An explicit or implicit pledge of relational continuity between exchange partners.
Theron, Terblanche and Boshoff (2008:998)	The desire for continuity manifested by the willingness to invest resources into relationship.
Lacey (2007:317)	An enduring attitude or desire for a particular firm or brand.

The above- mentioned definitions of commitment share similar characteristics, being (1) exchange of resources into the relationship; (2) a relationship has a long-term orientation; and (3) relationships are based on mutual commitment from both partners (Terblanche, 2007:3).

Based on the above definitions, and for the purpose of this study, customer commitment can then be defined as the willingness of the service providers to sacrifice their resources in an effort to build long-term relationships with their customers. Moreover, it is equally important to look at the nature of customer commitment.

### 4.3 The nature of customer commitment

Wong and Zhou (2006:91) argue that customers commit to a relationship with a service provider when they perceive the relationship will add value. In other words, when customers receive more value and satisfaction from the relationship, they will commit to the service provider. Consequently, committed customers will reciprocate the relationship based on the benefits they have received in the past. Customers may seek to enter into a relationship with the service provider for various reasons. When there is high perception of risk, a relationship can help to reduce risk when customers feel their status may be enhanced, or when customers feel their social needs can be facilitated by entering into a relationship with their service provider (Buttle, 2004:26-27). Additionally, Zillifro and Morais (2004:162) suggest that when customers value their relationship with the service provider, they are willing to make sacrifices towards the relationship to maintain the long-term benefits. These sacrifices include relinquishing discounts, and the convenience or accessibility of increased product alternatives offered by competitors. However, to commit to a single service provider requires vulnerability, since customers are making an investment without knowing if they will receive fair rewards.

In order for a customer to build a long-lasting relationship with the service provider, the psychological and behavioural dimension is required. The psychological dimension refers to the level of emotional attachment that the customer has towards the service provider, as well as his or her present attitude towards and trust in the service provider. It also includes the level of preference for the existing service provider, and a desire to continue the relationship on a long-term basis (Sharma, Young & Wilkinson, 2004:65). For a customer to commit to a long-term relationship with the service provider, an instant situation is not ideal. It is a process which develops over a period of time. This process is characterised by five general phases. The following phases of building long-term relationships with customers have been identified: (1) awareness; (2) exploration; (3) expansion; (4) trust; and (5) relationship (Wetzels, Ruyter & Birgelen, 1998:407).

### **4.3.1 Awareness**

Awareness occurs when a customer starts to take notice of the products and services of the service provider (Wetzels et al., 1998:407. Potential partners are conscious of each other. Exchange partners may strive to increase their attractiveness in this stage (Carsons, 2006:15). Cant et al. (2002:223-224) stipulate that customers cannot buy a product unless they are aware of its existence. Service providers can create brand awareness through promotional strategies such as attractive price discount signs, shelf positioning billboards and advertisements. A high level of the service awareness is important to influence decision-making.

### **4.3.2 Exploration**

Buttle (2004:14) explains that exploration involves investigation and testing during which the service provider and the customer explore each other's capabilities and performance. A customer will engage in trial purchasing, and if he is not satisfied with the service provider, he will be most likely to terminate the relationship with as little costs as possible. However, if satisfied with the service provider, the relationship will continue to the next phase, which is expansion. The exploration phase is characterised by attraction, communication, bargaining and the development of norm and shared values.

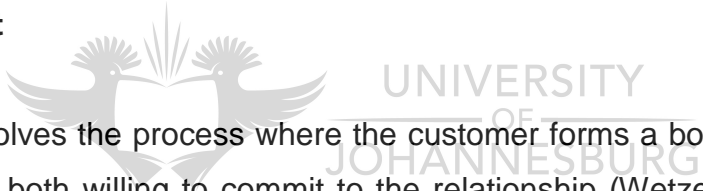
### **4.3.3 Expansion**

Expansion occurs when the benefits received from the relationship increase, and therefore in increasing customer interdependency towards the cellphone service provider, more exchange takes place and trust begins to develop (Wetzels et al., 1998:407). Customers in this phase develop feelings, likes and dislikes about the service provider. Exchange partners' feelings towards each other are strong and positive. Termination of a relationship is often not easy, because resources have already been invested into the relationship (Carson, 2006:18).

#### **4.3.4 Trust**

The customer develops a trust towards the service provider, and if he is satisfied with the relationship, it can result in a customer taking more in order to maintain the existing relationship (Wetzels et al., 1998:408). Trust is the building block of a successful relationship. When a customer develops trust towards the service provider, he expects the service provider to keep his promises. As a result, customers will gain more confidence towards the service provider's ability to keep promises in the future (Palmatier, 2008:77). Additionally, Gounaris (2005:129) further states that when customers are satisfied with the service provider's past performance, they are more likely to trust the service provider. This means they can trust the service provider for future performance. The service provider's reputation and investment into the relationship play a major role in influencing the development of trust.

#### **4.3.5 Commitment**

The logo of the University of Johannesburg, featuring two stylized birds facing each other with a sunburst above them, and the text 'UNIVERSITY OF JOHANNESBURG' in a light grey font.

The last phase involves the process where the customer forms a bond with the service provider. They are both willing to commit to the relationship (Wetzels, 1998:408). The customer and service provider develop a mutual understanding of roles and goals. Commitment will arise from shared values, and the belief that it will be difficult to replace an existing partner. Commitment motivates exchange partners to cooperate in order to protect the relationship. However, not all relationships reach the commitment phase. The customer may terminate a relationship for various reasons such as repeated service failures and a change in product requirements (Buttle, 2004:14-15). It is therefore important to explore the components of building long-term relationships with customers in order to have a broader understanding of the nature of customer commitment.

#### 4.4 Components of building long-term relationships

Commitment involves the process whereby a customer develops a close relationship with the service provider. Stability and sacrifice are the essence of commitment that produces feelings of affiliation and belonging. As such, commitment is being viewed as the highest level of relational bonding and constitutes a central part of successful relationships (Skarmeas & Robson, 2007:172). Several authors have observed that building customer relationships and retaining existing customers are some of the key goals in marketing (Palmatier, Jarvis, Bechkoff & Kardes, 2009:1). Peng and Wang (2006:25) argue that the strategic focus for businesses is towards keeping existing customers, with the purpose of maintaining sustainable and beneficial relationships. It is costly to attract new customers, therefore it is essential to nurture current relationships so that they deepen and continue (Peng and Wang, 2006:25). In other words, it is cheaper to maintain existing customers than to acquire new ones. Harridge-March and Quinton (2009:174) further state that acquisition, retention and nurturing of customer relationships are essential to a business engaging in relationship marketing.

To enhance and build a relationship between businesses and customers, the service providers have to encourage a sense of loyalty among their customers so that they achieve an established business objective. Jones, Fox, Taylor and Fabrigar (2010:16) argue that modern research has identified that customer commitment is a strong indicator of various measurements relating to customer retention, like to switch or to stay intentions, and repurchase intentions. Most authors and practitioners agree that building long-term relationships with customers is essential as it results in increased profits. Therefore customer commitment is a key factor in customer relationships. Jones, Taylor and Bansal (2009:36) argue that although commitment is recognised as important, the target of a customer's commitment is often not clearly defined in marketing research studies, nor has potential differences between various targets of commitment been completely explored. Service providers who seek to build a differentiation strategy must focus resources on the development of committed customers who not only continue to request the services of the business, but also

provide a means of communication and the ability to put in a good word about the service provider's products and services. This can lead to further improvements (Crutchfield, 2007:20)

The next section discusses customer commitment dimensions, which provide credible information on customer commitment relationships as a whole.

#### **4.5 Customer commitment dimensions**

McCormack, Djurkovic, Casimir and Yang (2009:2109) specify that customer commitment consists of three dimensions: (1) affective commitment; (2) continuous (calculative) commitment; and (3) normative commitment. Cater (2007:374) argues that these dimensions of commitment are related to the psychological states of attachment, but each of them is driven by different motivations in maintaining a relationship. Furthermore, it should be understood that affective, continuance and normative commitment are dimensions of commitment and not characteristics of commitment, because each dimension can occur at different levels of a relationship. Gustafsson, Johnson and Roos (2005:211) argue that commitment dimensions are more "presumptuous looking." Affective and calculative commitment captures the depth of the relationship between the service provider and the customer, which motivates the relationship to continue on a long-term basis, and normative commitment captures social norm of mutual exchange. These three dimensions of commitment are loosely known as "want to stay," "should stay," and "have to stay" as the emotional, moral and rational forms of commitment (Jones et al., 2010:17).

#### **4.5.1 Affective commitment**

Affective commitment occurs when a customer develops emotional attachment towards the service provider. In other words, the customer has developed an emotional bond towards the service provider and identifies himself with the service provider's products and services (McCormack et al., 2009:2109). Affective commitment describes a positive attitude towards the business, and it occurs when a customer shares similar values and identifies with the service provider. This means the customer has become fond of and is satisfied with the service provider (Fullerton, 2005:99).

Blau and Holladay (2006:694) claim that since affective commitment is based on values and needs to act in ways that are consistent with being a partner with a particular business, (as compared to other dimensions of commitment), affective commitment tends to exhibit positive attachment towards the service provider. Lings and Owen (2007:486) argue that the length of a customer's involvement with the service provider, his perception of the value or reputation of the service provider, and the frequency with which he partakes with the service provider, increase the degree to which the customer identifies with the service provider, and will therefore adopt its norms and values. However, such affiliation and evaluative process gives rise to an emotional attachment. A customer is unlikely to accept the norms and values of the service provider without first developing a positive emotional connection with the service provider.

#### **4.5.2 Continuous commitment**

Continuous commitment is also an increasingly well-studied construct in relationship marketing, with its roots in lack of alternatives and switching costs. In continuous commitment a customer tends to commit to the relationship because he or she perceives that they will experience difficulty in finding a new service provider (Fullerton, 2005:99). Ganesan, Brown, Mariadoss and Ho (2010:362) argue that continuous commitment reflects the extent to which a customer recognises the need to remain with the service provider in order to avoid switching costs as a result of leaving. This type of

commitment is based on a realisation of the benefits of staying, and the costs of leaving. Evanschitzky, Lyer, Plassmann, Niessing and Meffert (2006:1208-1209) further state that a customer's desire to remain in the relationship is motivated by the effects of high switching costs or the fact that it will be difficult to replace the existing service provider. In such cases, the customer becomes a habitual buyer, and continues the relationship with the service provider. As a result they become emotionally attached. Thus, customers choose to remain in this type of relationship because they are content with the service provider and are not willing to search for alternatives. Another reason that motivates the customer to stay with the current service is the cost involved with learning new service provider products. Past research indicates that high costs are major factors that can influence a customer to remain in a long-term relationship.

Gustafsson et al. (2005:211) argue that in a continuous commitment, the customer may choose to remain in a relationship due to high switching costs. A customer therefore continues the relationship, and this type of commitment is seen as negative. This means that the customer is compelled to remain in the relationship because he has no choice. In other words, the customer remains in the relationship because of heavy investment into the current relationship. In this case the customer compares the cost of leaving the current service provider with the benefits received in the relationship. This type of relationship is based on a cost-benefit approach. Hence, you describe continuous commitment as negative compared to the positive motivation associated with affective commitment (Gounaris, 2005:128). However, Beatson, Coote and Rudd (2006:859) stipulate that customers stay with the service provider because of existing perceived costs associated with terminating the relationship. These costs are not only of economic origin, but can also include the psychological impact of leaving the current service provider.

The perceived effort of looking for a new service provider pertains here. Bansal, Irving and Taylor (2004:238) claim that the customer remains with the service provider because he needs to. Changing services providers presents some kind of constrained



force that develops in the presence of high switching costs or a perceived lack of alternative providers and binds the customer to the service provider.

#### **4.5.3 Normative commitment**

Cater (2007:375) stipulates that normative commitment occurs when a customer is compelled to commit to a service provider due to a perceived obligation, and this occurs as a result of the internalisation of normative pressures that the consumers use before or after they enter into the relationship. In other words, a customer is expected by the society to respond morally to a certain situation. Hence, a customer may commit to the service provider due to moral obligations. Jones et al (2010: 18) argue that these moral obligations usually originate from social pressures. A consumer may decide to commit to a particular service provider because the owner of the business is a friend or a neighbour. This means the customer is obligated to make use of the friend's services.

Very few studies look at the role of normative commitment in consumer behaviour. One such method that was acknowledged as a base for normative commitment, is social norm of reciprocity. You find this type of relationship in various committed relationships such as friendship and a partnership. Research in this area is influenced by the social bond theory and the strength of the relationship. Customers may display normative commitment in two ways that are reciprocal. Firstly, a customer may reciprocate by paying extra for the service or remaining faithful to the service provider. Secondly, customers may reciprocate by helping other customers (e.g. in the course of kind behaviours or recommendations) and indirectly benefiting the service provider. The determinants of customer commitment will be explored next.

## 4.6 Determinants of customer commitment

The management of long-term marketing relationships with customers forced marketers to focus on the specific building blocks or determinants of a marketing relationship. Commitment has been identified as a key factor in relationship formation. However, clarity about which factors influence commitment are still lacking (Theron et al., 2008:998). Table 4.2 shows a summary of the findings of different authors about customer commitment and its determinants or the factors influencing it.

**Table 4.2: Determinants of customer commitment**

Author	Short description	Conceptualisation/ dimension of customer commitment
Aydin and Ozer (2005)	Customer commitment can be built through trust	Trust Switching cost
Theron, Terblanche and Boshoff (2008)	Long-term commitment between a service provider and a customer can be fostered through mutual trust, communication and shared values	Trust Communication Shared values Alternatives' attractiveness
Lacey (2007)	Customer commitment is influenced by trust and switching cost	Switching cost Trust Shared values Economic values
Fullerton(2005)	Commitment serves as mediator for brand satisfaction	Satisfaction Repurchase intentions
Gustafsson, Johnson and Roos (2005)	In the telecommunication industry customer retention is influenced by customer satisfaction	Customer satisfaction
Beatson, Coote and Rudd (2006)	Satisfaction is influenced by affective and temporal commitment	Satisfaction
Fullerton (2005)	Customer commitment in service industry is driven by customer loyalty	Switching intentions Service quality
Huang, Cheng and Farn (2007); Cheng, Lai and Yeung (2008)	Commitment plays a major role in reinforcing customer loyalty	Quality of alternatives Satisfaction level Service quality

The determinants or factors identified in Table 4.2 have an influence on customer commitment. It is essential to understand how these determinants influence the commitment of non-contract customers in the South-African cellphone industry. Authors discussed many determinants of customer commitment and the four most relevant to this study are customer satisfaction, service quality, switching cost and trust. Based on

literature review, the above determinants have been chosen, based on the fact that they are more relevant for the cellphone business.

#### **4.6.1 Trust**

Garbarino and Johnson (1999:71) explain that trust occurs when a customer can have confidence in the service provider's ability to perform (expertise) its service with reliability and integrity. Trust is important in the formation of customer relationships (Garbarino & Johnson, 1999:71). Lacey (2007:317) stipulates that trust is earned when the belief held by the consumer is that the business can deliver its promises is reliably. In other words, trust is established when customers feel they can rely on the service provider's words. Therefore, trust is built through consistency of the service provider to deliver on its promises. Moreover, Zillifro and Morais (2004:161) state that trust can strengthen the relationship between a customer and the service provider when both partners respond in a way that expresses their needs and affirmation. Trust has two essential components, namely: (1) competence, and (2) benevolence. Competence is defined as the service provider's ability to perform the service as agreed. Benevolence is the belief that the service provider will act in the customers' best interests, putting their needs before its own.

Walter, Mueller and Helfert (2000:3) agree with Zillifro and Morais (2004:161) that benevolence and competence are essential components of trust. However, Walter, Mueller and Helfert (2000:3) also posit that another component which is equally important and should be equally recognised, is honesty. They specify that honesty should rely primarily on the relationship between the partners as being credible. Trust can positively influence the maintenance of the relationship between a customer and service provider by reducing uncertainty. In this relationship, a service provider can be trusted when it possesses the ability to perform the service as agreed and has breadth of relevant information. Therefore, the expertise of the service provider has a positive influence on the customer's trust. For this reason, expertise plays a major role in building trust (Tsai, Chin & Chen, 2010:278).

The following aspects play a role in trust influence trust

- Shared values

Shared values occur when a customer and the service provider share similar belief systems, objectives, goals and behavioural patterns (Little & Marandi, 2005:54). In the cellphone business, shared values symbolise the extent to which the business and customers agree upon the common belief on critical values like security and privacy. Therefore, customer trust can be influenced by shared value (Mukherjee & Nath, 2003:7). Shared values play a major role in reinforcing trust. It can lead to an increase in customer commitment by developing a feeling of association, bonding and by fostering long-term relationships (Mukherjee & Nath, 2003:11).

- Communication

Communication is defined as the informal and formal sharing of important information. Variables that constitute communication are transparency, speed of response, and the value of information (Mukherjee & Nath, 2003.8). Communication plays a major role in building trust and speed of response. For this reason, it is considered that the quality of response is an important element of communication between customers and service providers (Mukherjee & Nath, 2003.8). Little and Marandi (2005:94) further postulate that effective communication can help influence customer perception and future prospects to remain with the service provider.

- Not engaging in opportunistic behaviour

This aspect plays a major role in building trust, especially in the cellphone business, and it is most affected by regulatory control and relevant information. The reliability of the cellphone service providers is influenced by strict policies and procedures which are set by the telecommunication regulatory system. Therefore, a cellphone service provider

that abides by the rules and regulations of the regulatory committee tends to be trusted by customer (Mukherjee & Nath, 2003:8).

- Development of trust

Jap (2001:96) posits the arguments that trust is developed through repeated interaction where the customer observes and experiences the service provider to be consistent and competent. This means that through continuous interaction with the service provider, customers can depend on the service provider's ability to deliver as promised. Trust is closely linked to the emotional attachment of commitment, affective commitment. With affective commitment (because the customer trusts the service provider) he may focus on the positive aspect of the service provider because can he associate himself with the service provider. Therefore, trust is influential in the formation of customer commitment (Walter et al., 2000:5). Trust minimises a customer's fears in committing to continue the relationship with the service provider on a long-term basis. In other words, customers can count on the service provider's ability to deliver his promises, and consequently trust leads to a higher commitment. This means that the service provider may not jeopardise the relationship by breaking promises. These commitments propose that there has to be trust between parties, and that each party believes in the sincerity of the other to keep promises and to deliver on promises (Little & Marandi, 2005: 53, 28).

If a service provider is not perceived to be benevolent, truthful or capable enough to show trustworthy behaviour regarding the relationship in question, the customer cannot rely on this service provider and therefore will show no commitment towards the relationship (Walter et al., 2000:5).

Lacey (2007:317) further states that trust reduces uncertainty in an environment in which customers experience vulnerability because they know they can rely on the trusted service provider. Customer confidence without the service provider's reliability is more a reflection of dependence than of trust. However, the mere belief that a service provider is trustworthy in the absence of customer reliance or vulnerability produces

limited trust. A critical complement of trust in a relationship is commitment. Trust influences relationship commitment. As trust increases, commitment also increases (Mukherjee & Nath, 2003:9). The next section discusses satisfaction as one of the determinants of customer commitment.

#### **4.6.2 Satisfaction**

Hill and Alexander (2000:1) affirm that customer satisfaction has become a focal point of business success. Businesses must invest in projects that will reinforce customer satisfaction. Customer service is of vital importance. In order to achieve customer satisfaction, businesses must identify customer needs and try to satisfy those needs (Huertas-Garcia & Consolación-Segura, 2009:819). When customers' needs are met, they will become satisfied. Consequently, they will commit to a relationship with the service provider (Beatson, Coote & Rudd, 2006:860). Satisfaction with the products and services affects a customer's decision to stay with the service provider. Satisfied customers are less likely to terminate the relationship. Satisfaction is achieved when needs are met. This means that customers remain loyal to service providers that meet and fulfil their expectations (Ndubisi, Malhotra & Wah, 2009:8). In other words, if non-contract customers' needs are met, they will be satisfied, therefore their chances of continuing the relationship are enhanced.

Yang and Peterson (2004:804-805) argue that customer satisfaction is influenced by perceived value. Perceived value occurs when the benefits received by the customer are equal to the costs incurred. In essence, it is a variable that reflects the net value derived from the service provider. In other words, perceived value is the net benefit customers can receive from the service provider. Peng and Wang (2006:28), state that value is one of the significant components of relationship marketing. Businesses can position themselves competitively by offering superior value to customers. In a study done by, Peng and Wang (2006:28) it is noted that the perception of value offers is based on the perceptions of reciprocally received benefits. Businesses can strategically position themselves by increasing customers' perceived value through increasing

benefits received and thereby reinforcing customer retention. This means that if non-contract customers have the perception that they receive value for their money, they will most probably stay with the service provider. If not, they are most likely to switch to another service provider.

Both Kurtz and Clow (1998:380) found that customer satisfaction can result in customers buying a product again, and also making recommendation to their friends about the service provider. Consequently, this has the effect of lowering advertisement cost. Goode, Davies, Moutinho and Jamal (2005:767) argue that in the cellphone industry the customer satisfaction is determinable by the following factors: (1) experience of the cellphone product's quality; (2) the level of call charges; (3) the level of service charges; and (4) satisfaction with the service provider. Arguably, a positive customer experience can foster customer satisfaction within the cellphone industry. Marketers must design the promotional messages in such a way that they capture the positive experience consumers have had with the actual product (Goode et al., 2005:767). Verhoef (2003:33) explains that satisfaction is the emotional state that occurs as a result of the customer's interactions with the service provider over time. This could be the process a customer undergoes while trying to establish whether the service provider has met and/ or exceeded his expectations.

Hennig-Thurau (2004:465) suggests that satisfaction is synonymous with relationship quality. When customers purchase a product or service, they have their own level of expectations about the service. When those expectations are met, then customer satisfaction is increased. Consequently, their commitment towards the service provider is increased.

In Hennig-Thurau's (2004:465) view, the customer service personnel is the first point of contact with business, therefore the way they handle customers is very important. It can determine whether the customer will commit to the service provider or not. The customers may decide to stay with a service provider not because of product quality, but because of the good service they have received from the customer service.

Consequently, customer commitment is being reinforced. For example, a non-contract customer may remain loyal to the service provider because of the relationship he or she has developed with the service provider and its employees. The development of this type of relationship is based on the customer's familiarity with specific customer personnel, and the customer thus develops an emotional attachment towards personnel. There are various factors that can influence customer satisfaction, such as switching costs. When customers are not satisfied with the current service provider, the probability of changing the service provider is high. Customers are willing to incur switching costs in order to gain maximum satisfaction. On the other hand, when customers are satisfied with the service provider, the probability of changing the service provider is lower. Customers may however still change service provider for another reason, disregarding the satisfaction advantage (Dikolli, Kinney & Sedatole, 2007:97). The following section discusses switching costs.

#### **4.6.3 Switching costs**

Wong and Mula (2009:1776) view switching costs as an awareness of the factors that influence customers to end the current relationship with their main service provider and secure an alternative. However, switching costs can also be identified as one of the major factors that contribute to the maintenance of customer and service provider relationship (Wong & Mula, 2009:1776). Consumers view switching cost as the costs incurred by both the consumer and service provider. When consumers make a sequence of purchase over time, they may be faced with the reality of higher cost in changing the service provider. They may thus consider to remaining with the current service provider (Tsai, Tsai & Chang, 2010:733). Methlie and Nysveen (1999:378) argue that customers remain loyal to their service providers when switching costs are high, a deterrent that discouraged switching. Consequently, the cost becomes barriers which forces customers to stay with their service providers even if they had their intention to leave. Switching costs is a vital factor customers consider when they contemplate changing service providers.



Economic costs mainly comprise the financial cost, implying a cost benefit approach (Lee & Cunningham, 2001:115). Switching costs are not only a financial factor, but may also comprise psychological and emotional costs. Switching costs can prevent a customer from seeking for an alternative service provider. Switching costs are characterised by the cost that a customer might incur when he changes his service provider, as a result a customer will remain with the same service provider regardless of the competitors offering a better products. The policy of consumer lock-in is the ability of businesses to charge additional cost in order to prevent customers switching (Aydin & Ozer, 2005:914).

According to Tsai et al., (2010:733) switching costs can be classified into three types:

- Procedural switching costs(time) refer to the time it takes to change service provider;
- Financial switching costs(financial profit) refer to the money that is already invested with the current service provider that will be lost; and
- Relational switching costs (emotions) refer to friendship and emotional bonds that will be forsaken.

De Matos, Henrique and De Rosa (2009:508) argue that psychological costs which are equally important as financial costs, should be recognised. Psychological cost is perceived as the cost resulting from social bonds that are formed over the course of time, and the uncertainty / risk of the unused product or service.

The relationship symbolises an investment of special attributes by a customer with regards to effort, time and money and it presents an emotional obstacle when a customer who is dissatisfied with one service, considers switching to another (Tsai et al., 2010:733-734). Customers may not be able to switch unless there is an alternative available that offers some advantage over the current service provider (Ye, Seo & Desouza, 2008:2119).In the telecommunication industry, switching costs include the loss of cell numbers and contacts. This will have a negative impact on the customer, as they have to inform all their friends and family members of the change in cell number.

Switching costs are often incurred when a customer switches cellphone service provider, especially for certain calls such as long-distance calls.

Prefixing every call with a carrier code carries costs. It is for this reason that number portability between cellphone service providers was introduced to enable customers to retain their cell numbers, thereby eliminating switching cost (Thornton, Yasmin, Mtshaulana & Reyburn, 2006:89).

The following factors will influence the cost of switching (Lee and Cunningham, 2001:117).

- Information search cost - when customers consider changing a service provider, they may encounter difficulty in gathering information about the new service provider. For this reason, when information search cost is high, the chances of a customer changing the service provider are low.
- Perceived risk - affects customer perceptions of risk in changing service provider. Perceived risk is thus an important factor in preventing switching.
- Substitute - substitution occurs when another service provider sells similar products as the current service provider. Therefore, a customer can easily change.
- Geographical proximity - customers prefer a location which is convenient. An inconvenient location encourages switching tendency and discourages service loyalty.

It is vital to note that switching costs include non-monetary costs as well. Non-monetary costs will be greater when customers face mental processing costs, and the social costs of forming relationships with the employees of the new supplier (Bhattacharya & Bolton, 2000:9). The following section discusses service quality in more detail.

#### 4.6.4 Service quality

Quality is defined as simply meeting the customer requirements. Accordingly, quality starts with first understanding customers' needs. Most businesses are aware of the fact that they have to provide good service in order to survive in the competitive world. However, most don't know how to meet customer expectations, because it is difficult to define service quality. Service quality is expected to reinforce customer satisfaction, and as a result customers can commit to the service provider, which can lead then to increase in sales profits (Chow-Chua & Komaran, 2002:77). Service quality enhances the building and maintenance of long-term relationships (Venetis & Ghauri, 2004:1578). Service quality is achieved when the service experiences meet customers' expectations. In other words, meeting customer expectation is a key to achieve service quality (Allred & Addams, 2000:53). However, Zhou and Wong (2006:87) describe service quality as a perceived judgment, resulting from an evaluation process where customers compare their expectations with the service they perceived to have received. In similar terms, Wong and Sohal (2002:425) define service quality as perceived judgment that occurs as a result of an evaluation process which occurs when customer expectation correlate with perceived expectation. Quality of service is dependent on two factors, namely, expected service and perceived service. Expected service is driven by a customer's past experience with the service provider, whereas perceived service is driven by a customer's expectation of the service itself.

SERVQUAL is an instrument which was developed to measure service quality. It measures the difference between customers' perceptions and their expected services received (Atilgan, Akinci & Aksoy, 2003:413).

Service marketing researchers suggest that a strategy for the survival and success of businesses is to deliver quality services that exceed customer expectations. Service quality plays a major role in reinforcing customer satisfaction and repeat purchases. In other words, a business that provides superior quality service has an added advantage when compared to other businesses. This means that the focal point of businesses

should be towards providing high service quality. Consequently, it will result in increased customer loyalty. In other words, customers will commit to the service provider (Lee, Park, Park, Lee & Kwon, 2005:29). Gagnon and Roh (2008:64) indicate that service quality can be classified into two categories: (1) customisation, the degree to which a business service is customised to meet heterogeneous customer needs, and (2) reliability, the degree to which the firm's offering is reliable and free from deficiencies.

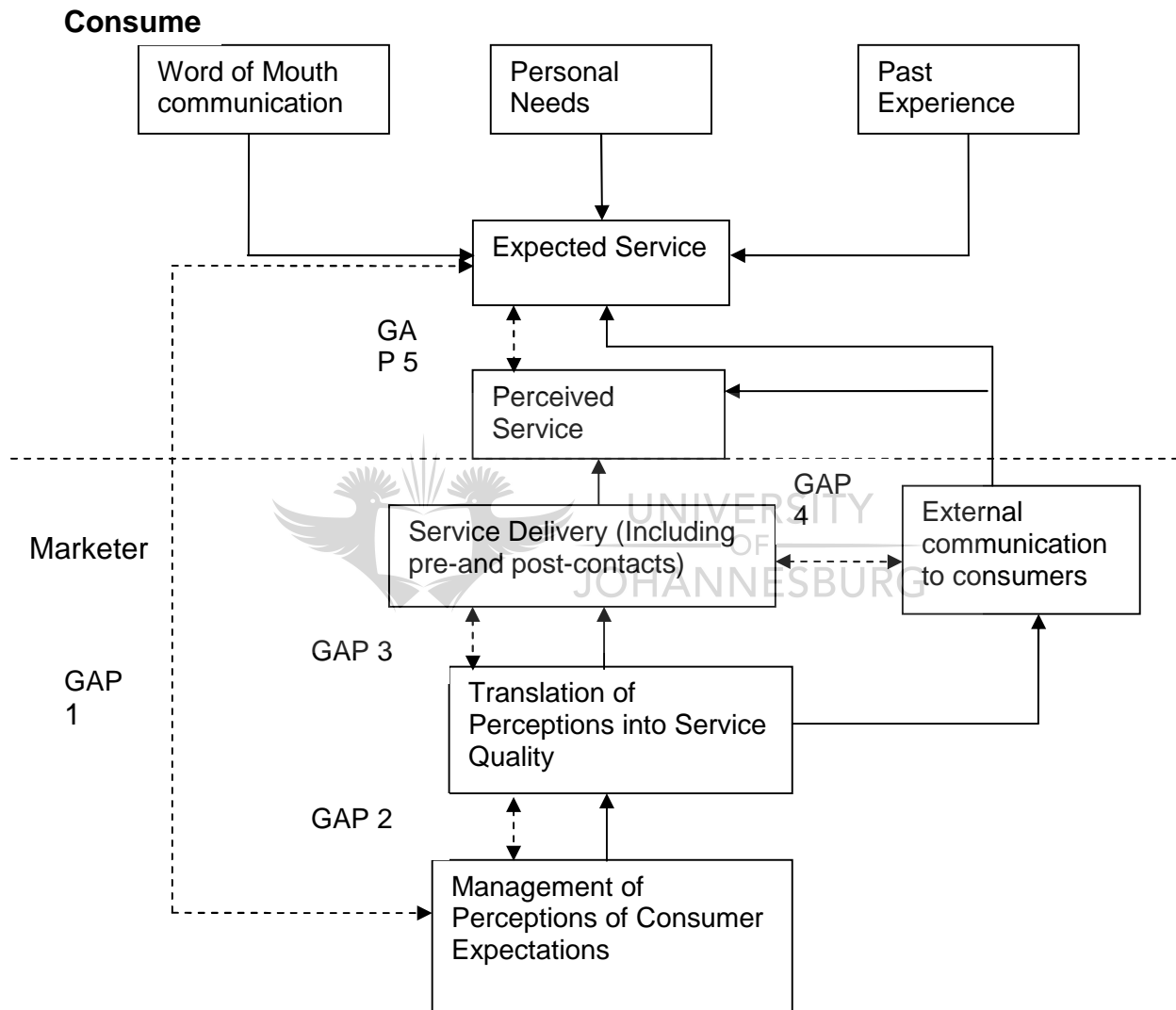
Customisation is a process that allows businesses to design products and services according to customers' individual needs. In other words, customisation is based on a customer's request (Cavusoglu, Cavusoglu & Raghunathan, 2007:12). A cellphone service provider can design a package for an individual based on customers' request. Additionally, Thirumalai and Sinha (2009:6) explain that customisation strategy is aimed at designing products and services according to customers' specifications in order to meet their unique desire needs. Customisation can help reinforce customer satisfaction, customer loyalty and help to keep existing customers. In other words, by meeting customer expectations, service providers can serve their customers better and develop a relationship with customers. However, reliability is a very significant dimension to customers. It is the amount of trust that the customer has for the service provider. Reliability can reinforce service quality when errors are eliminated. Customers prefer a product that is reliable, When a customer buys a cellphone which has defects or is faulty, a customer will compare the same product with competitors' products. Therefore, in this case service quality is compromised (Gagnon & Roh, 2008:64-65). Reliability can thus be described as the ability of the service provider to perform the promised service dependably (Atilgan et al., 2003:413).

The following section will highlight the service quality gap and SERVQUAL model in more detail, because the service quality gap and the SERVQUAL model cohesively make for better understanding.

#### 4.6.1 Model of service quality gaps

There are five major gaps in the service quality theory, which are revealed in figure 4.1

**Figure 4.1: Model of service quality.**



Source: adapted from Seth, Deshmukh and Vrat (2005:917).

Cellphone businesses can conduct a survey about their non-contract customers' expectation. The gaps identified can be used to improve service quality. These gaps identified in Figure 4.1 have an influence on service quality and customer commitment. These gaps can help a business to improve its services.

- Gap 1: These gaps occur when there is a discrepancy between customer expectation and management perception. It is a result of the lack of a marketing research.
- Gap 2: Management perceptions of customer expectations and service quality specification as a result of inadequate commitment to service quality.
- Gap 3 :This difference between service quality specifications and the service actually delivered as a result of role ambiguity and conflict.
- Gap 4: This gap occurs as a result of difference between service delivery and marketing communication as a result of over-promise.
- Gap 5: The discrepancy between customer expectations and their perceptions of the service delivered: In this case, customer expectations are influenced by their own individual needs, and past service experiences(Shuttleworth,2006:23-24).

The SERVQUAL instrument is a major method used to measure customers' perceptions of service quality. The SERVQUAL instrument item measures service quality according to five factors, namely: reliability, responsiveness, assurance, empathy and tangibles (Sureshchandar, Rajendran & Anantharaman, 2002:73).

When customers purchase a product, they expect to receive benefit. When they receive value for their money, the chances of customer commitment is increased. Therefore, service quality plays a major role in reinforcing long-term commitment Fostering relationship commitment through service quality is more important than binding customers in long-term contracts (Venetis & Ghauri, 2004:1578,1592,1593). In other words, building long-term a relationship by providing good service quality is important for the survival of business.

## **4.7 Conclusion**

In conclusion, Chapter 4 discussed the definitions of customer commitment, the nature of customer commitment and the components of building long-term relationships with

customers. This chapter also investigated the customer commitment dimension and the determinants or factors influencing customer commitment. Various reasons that may encourage a customer to commit to a service provider were identified. Non-contract customers may stay with a service provider because of satisfaction, service quality, high switching costs, and trust in their service provider. In the next chapter research methodology will be discussed in detail.

The following chapter, Chapter 5 provides information of the research methodology followed in this study. It provides a step-by-step account of the marketing research process and how the steps were implemented in this study.



## CHAPTER FIVE: RESEARCH METHODOLOGY

### 5.1 Introduction

Research is not just about collecting information, but about creating utility from that information that did not exist before. Furthermore, research can be seen as a process that is used to broaden our limited knowledge. Research is thus defined as a systematic enquiry aimed at providing information to solve problems (Goddard & Melville, 2007:1). In similar terms, Malhotra and Birks (2007:6) state that the main purpose of research is to provide accurate information in an objective manner. Even though research is continually influenced by the researcher's viewpoint, research must be free from the personal or political biases of the researcher or decision-makers. Zikmund and Babin (2007:5) argue that research consequently seeks to deliver accurate and exact information that can make marketing strategy and management more effective.

The empirical component of this study investigates customer commitment of non-contract cellphone customers in the South African cellphone industry. For the purpose of this study, quantitative research was used. Quantitative research uses structured questions and can be used to survey a large group of respondents (Hair, Bush & Ortinau, 2006:171).

This chapter focuses on the research methodology followed in the study, and looks at the scope of the study, sampling method, organisation of the survey, and validity and reliability of the questionnaire. Finally, this chapter concludes with a discussion on how the data was analysed and the results were interpreted.

### 5.2 The scope of the study

The study focuses on the customer commitment of non-contract cellphone users in South Africa. Respondents from four of the nine provinces in South Africa took part in the study. These provinces included Gauteng, Limpopo, North West and the Western



Cape provinces. The study investigated customer commitment of non-contract cellphone users towards cellphone service providers by determining their level of customer commitment and four factors or determinants of customer commitment uncovered in the literature study.

### **5.3 The study population**

Malhotra and Birks (2007:405) define population as a combination and a sum of elements sharing common characteristics. Similarly, Coetzee (2008:870) is of the opinion that the population of the study refers to subjects who possess information that will answer the research question. The population contains elements or units whose opinions, behaviour, preferences and attitudes are of interest to the researcher. Furthermore, Hair et al. (2006:309) also agree that a population consists of a specific group of elements, such as (people, products, organisations) which is of importance to the researcher. However, due to limited resources, researchers do not always obtain information about the entire population, but rather select sample representatives from the populations (Esterhuizen, 2008:85).

The target population for this study includes non-contract cellphone users in South Africa, and the elements or units are individuals who own cellphones and are non-contract customers.

### **5.4 Sampling**

#### **5.4.1 Sampling method**

Cooper and Schindler (2003:179) describe this sampling method as taking a small number of elements from a larger defined target population. Sampling allows the researcher to make inferences to the larger population group based on information obtained from the sample (Cooper & Schindler, 2003:179). In other words, sampling involves any process that draws conclusions based on measurements of a section of

the population. This means that a researcher draws conclusions from the entire population by selecting some elements from a population (Fox & Bayat, 2007:54). Veiga (2009:56) further states that sampling involves making decisions about which elements to select and involve in the study.

There are two primary sampling methods: probability and non-probability sampling (Malhotra & Birks, 2007:410). In probability sampling each sampling unit has a known chance of being selected. On the other hand, in non-probability sampling the probability of selecting each sampling unit is not known (Hair et al., 2006:330). Zikmund and Babin (2007:414) state that non-probability sampling relies on the personal judgement of the researcher. In other words, non-probability sampling is not selected based on the principle of statistical improbability, but according to the principle of availability and convenience (Maluleke, 2008:27).

For the purpose of this study non probability sampling was used, because this method is less time consuming and may be utilised under conditions of limited resources (Hair et al., 2006:331). The following section discusses the specific non-probability sampling technique used in this study.

#### **5.4.2 Sampling technique**

This study utilised a convenience sampling technique. Convenience sampling is associated with non-probability sampling as discussed in the previous section. With convenience sampling, respondents are selected based on the fact that they are in the right place at the right time. This means that the sampling units are easily accessible to the researcher. The advantage of this method is that it is not expensive and requires less time to accomplish (Malhotra, 2004:321). Another advantage of this technique is that there are no selection rules; a sample can be selected at the researcher's convenience (Tansey, 2007:11). The major disadvantage of this method is that results cannot be generalised to the entire population. Therefore, it is difficult to measure

sample representation. As a result, sampling error estimates cannot be accurately determined (Ali, 2008:160).

Even though selection of a convenience sample is based on accessibility, there is still certain selection criteria which need to be taken into consideration (Ali, 2008:104). In this study it was necessary to exclude those who do not own a cellphone and who are on a contract cellphone package. The first two questions in the questionnaire are screening questions that serve as selection criteria (see Appendix). In this particular study, field workers approached possible respondents based upon convenience in the four provinces of South Africa and surveyed those who fulfilled the stated criteria.

#### **5.4.3 Sample size**

Cooper and Schindler (2003:190) describe sample size as the number of elements that can be included in the study. Non-probability sampling size decision-making is based on the intuition and subjective judgement of the researcher. This means that the researcher uses his or her own discretion in determining a sample size. Consequently, results cannot be used to estimate or to draw conclusion about the true population (Hair et al., 2006:320).

Sample size is also influenced by the type of research conducted. Descriptive surveys require a larger sample. In other words, a larger sample reduces sampling error. However, a larger sample cannot guarantee elimination selection bias; thus accuracy of the results is not guaranteed (Burns, 2000:93).

Malhotra and Birks (2007:409) further state that sample size decision is also influenced by resource constraints. This means that the researcher must have enough financial and human resources to conduct the study.

For the purpose of this study a sample size of 200 respondents was determined suitable, based upon the above-mentioned criteria, considerations and constraints. The next section discusses the organisation of the survey.

## **5.5 Organisation of the survey**

This section encompasses a detailed discussion on quantitative research design, the questionnaire used in the study and the pre-testing of the questionnaire.

### **5.5.1 A quantitative research design**

As indicated earlier on in this chapter, quantitative research typically involves questions that are structured in pre-set response options. Quantitative research is more applicable to a research method that requires a larger pool of respondents (Shuttleworth, 2006:42). These types of research methods collect data in numeric form and use statistics in data analysis (Veiga, 2009:53). Quantitative research methods are closely linked with descriptive and casual research, but can also be associated with explanatory designs a. In quantitative research, research problems are clearly defined and specific. It aims to provide specific goals to decision-makers. These goals can be used to (1) provide forecasts about relationships between market factors and behaviours, (2) gain significant insights into those relationships, (3) enforce the existing relationships, and (4) dissect various types of hypotheses (Hair et al., 2006:171-172).

In similar terms, Van der Merwe (2003:149) states that the primary objective of quantitative research is to provide facts to decision makers. These facts make accurate predictions and obtain meaningful information to substantiate and validate existing relationships. Researchers must be experienced in construct development, scale measurement, questionnaire design, sampling and statistical analysis. This means that researchers must be able to interpret numerical data into meaningful narrative information.

For the purpose of this study quantitative research is more appropriate, as a large sample can be collected at a lower cost, data is standardised which makes comparisons easier, and consequently, results can be summarised timorously (Shuttleworth, 2006:42). The research problem for the study is clearly formulated, as well as the subsequent objectives and hypotheses of the study (see Chapter 1). The next section discusses the questionnaire used in the study in more detail.

## 5.5.2 The questionnaire

A questionnaire is a formalised set of questions designed to obtain information from respondents. Its role is to assist in the investigation of a specific subject (Bradley, 2010:187). Maluleke (2008:31) further explains that a questionnaire consists of written statements used to collect specific information from respondents, and that a questionnaire can be regarded as one of the most essential means for collecting information. Several question types exist.

### 5.5.2.1 Types of questions



The following different types of questions may be used in a questionnaire.

- **Open-ended questions**

Open-ended questions are questions that allow respondents to reply in their own words. They can be used in both the qualitative and quantitative research method. The advantage of this method is that it gives the respondents the opportunity to give full answers and also assists the researcher to explore new areas. (Bradley, 2010:194). Hair et al. (2006:172) further state that one of the advantages of open ended questions is that the answers are not fixed. Therefore, open-ended questions within structured questionnaire forms are a valuable tool. An open-ended question gives the researcher an opportunity to probe unknown territories and include them in data collection.

However, the disadvantage is that data analysis can be slow and inconclusive (Bradley, 2010:194). It is also difficult to assign codes for analysis (Hair et al., 2006:172).

- **Closed-ended questions**

Closed-ended questions restrict respondents to a predetermined set of responses. In other words they have answers that are already determined. Answers to questions are coded on the questionnaire to facilitate analysis, a process which is called pre-coding. In a closed question the researcher is able to anticipate the types of answer that may result from a given question. It is easier to manage and examine data (Bradley, 2010:196). It also allows respondents to respond faster as it reduces the amount of thinking and effort. In a quantitative survey, closed-ended questions are preferred to open-ended questions (Hair et al., 2006:172). One disadvantage of this method is that it requires a pilot survey to be conducted in order to develop correct alternative responses, and in such a case, errors are inevitable because options are summarized as single words (Bradley, 2010:196). For the purposes of this study, the questionnaire included only close ended questions.

When closed-ended questions are used, the researcher has a choice of a number of types of closed-ended questions:

- Dichotomous questions

Malhotra and Birks (2007:382) state that in dichotomous questions, only two response alternatives are available, a 'yes' and a 'no'. The two response categories are sometimes implicit, For example, did you buy airtime for your cellphone last week? Yes or No. The respondent is limited to two fixed response alternatives. It is easy to control and manage such response and put the results in a tabular format. It generally results in rapid response. McDaniel and Gates (2002:362) argue that a neutral response option can be added. Zikmund and Babin (2007:357) stipulate that one major problem in developing the dichotomous or multiple-choice response option is that they must not overlap. Dichotomous questions are vulnerable to error measurement (McDaniel &

Gates, 2002:362). The questionnaire used in this study included a number of dichotomous questions.

- Multiple-choice questions

In multiple-choice questions, respondents are required to select one or more alternative answers from a list of response options (Malhotra & Birks, 2007:382). This means that respondents are asked to select an answer from a number of alternatives that most accurately express their opinions (McDaniel & Gates, 2002:362-363). In multiple choices, responses do not have to be coded as with open-ended questions. However, unlike open-ended questions, the amount of information provided is limited. One major disadvantage is that it is time consuming, as during the early stages of questionnaire development, the researcher invests more time in generating a list of possible responses (McDaniel & Gates, 2002:362-363). The questionnaire used in this study included a number of multiple-choice questions.

- Scaled response questions

Burns (2000:559) states that scaling involves a category in which a wide range of respondents' answers are placed according to the number of the measured characteristics they possess. In other words, scaled responses allow measurement of the intensity of the respondents' answers. Various scaled response structures integrate numbers which can be used directly as codes (McDaniel & Gates, 2002:363-364). Therefore the level of scale measurement is seen as important, since it determines the numerical comparisons that are acceptable. The following are the types of scale measurements namely, nominal, ordinal, interval and ratio level scales. These scales offer the researcher additional control in analysing and testing the validity of scales (Zikmund & Babin, 2007:313).

For the purpose of this study, scale response questions, namely Likert scales, were used to measure the construct of customer commitment and its determinants, namely, customer satisfaction, service quality, willingness to switch and trust). Likert scales are more applicable to surveys that use self-administered, personal interviews, or most

online methods to collect data (Hair et al., 2006:394). For the purpose of this study Likert-scale scales were used to measure the customer commitment of non-contract cellphone customers, and are suitable for the following reasons (Cant et al., 2003:113):

- It is easy to code and analyse answers from the questionnaire.
- Response items are standardised which makes it easier to draw comparisons between respondents.
- Likert-scales are used to measure attitudes, beliefs and perception.

The next section discusses questionnaire layout in more detail.

### **5.5.2.2 Questionnaire layout**

A questionnaire should be simple, presentable, straight to the point and easy to understand (Neuman, 2000:284). The questionnaire must motivate the respondent to participate in the survey, and provide complete, honest and accurate answers (Burns, 2000:574). Tustin, Ligthelm, Martins and Van Wyk (2005:389 & 416) further state that a questionnaire is important in creating an impression of quality, and there must be enough space to record answers.

### **5.5.2.3 The content of the questionnaire**

The questionnaire in this study consists of 6 sections. Section A contains questions regarding the biographical details of respondents, and sections B, C, D, E and F contain Likert scales measuring the constructs under study.

The following constructs are measured in the questionnaire:

- Customer commitment
- Customer satisfaction
- Service quality
- Willingness to switch
- Trust



Respondents were required to indicate their level of agreement with the statements regarding the cellphone service provider they currently use. Scale points are as follows: 1 = strongly disagree and 5 = strongly agree (see Appendix).

#### **5.5.2.4 Pre-testing the questionnaire**

Malhotra (2004:301) states that a pre-test involves the testing of the questionnaire on a small sample of respondents in order to identify and eliminate potential problems. All questionnaires must be tested on the aspects question content, wording, sequence, form and layout, question difficulty and instructions (Malhotra (2004:301). In similar terms, Cooper and Schindler (2006:384-385) state that a pre-test helps to improve the quality of the questionnaire by clearing mistakes that are related to wording, content or the design of the questions. Tustin et al. (2005:413) further state that the pre-testing of questionnaires is crucial to determine whether the questionnaire will perform its various functions. These functions include checking that data collected is accurate and relevant. Researchers also check that there is no misinterpretation, lack of continuity, or skip patterns incurred by respondents (McDaniel & Gates, 2006:279). Furthermore, a pre-test should help the researcher determine how much information is needed to complete the survey, and whether to add any instructions (Hair et al., 2006:449). In other words, a pre-test should guide the researcher in terms of producing the final draft of the questionnaire. Therefore the respondents in the pre-test must be identical to the actual respondents included in the survey (Roberts-Lombard, 2002:132). This means that respondents chosen for the pre-test must represent the characteristics of the actual respondents to be surveyed

The questionnaire used in this study was pre-tested and improvements were made based on the feedback obtained from those who completed the questionnaire during the pre-test phase of the study.

## **5.6 Data collection**

Data collection refers to the fieldwork of the study (Coetzee, 2008:89). Data collection includes gathering the actual data using various methods, such as interviewing and surveying. Data is the primary resource with which the researcher works. In order to draw valid conclusions from a research study, it is essential that the researcher have good data to analyse and interpret (Veiga, 2009:156). This means that data should capture the importance of what the researcher is investigating (Veiga, 2009:156).

Data was collected from 25 October 2010 until 01 December 2010 from 200 respondents. Questionnaires were handed out to cellphone users who are on a non-contract package in the four different provinces of South Africa.

### **5.6.1 Self-administered surveys**

In this study, data collection was conducted through a self-administered questionnaire. A self-administered survey is a data collection process in which respondents read the survey questions and record responses without the presence of an interviewer (Hair et al., 2006:241). McDaniel and Gates (2002:178) further state that in a self-administered questionnaire there is no interviewer or computer present to aid in completing the questionnaire. This means that respondents are expected to complete the questionnaire on their own. Table 5.1 provides some advantages and disadvantages of using this method.

**Table 5.1: Advantages and disadvantages of self-administered surveys**

<b>ADVANTAGES</b>	<b>DISADVANTAGES</b>
Allow contact with inaccessible respondents	Low response rates
No interviewer-respondent bias	No interviewer available for probing or explanation
Often lowest cost option	Cannot be long or complex
Requires minimal staff	Often respondents returning survey represent extremes of the population-skewed response
Perceived as more anonymous	Anxiety among some respondents
Rapid data collection	Potential response errors
Anonymity in responses	High non response errors

Source adapted from Coetzee, 2008:91 and Hair et al., 2006:241

The following section discusses the cover letter used to accompany the questionnaire.

### **5.6.2 Cover letter**

A good questionnaire includes a cover letter. A cover letter is a letter that is attached to a self-administered questionnaire and, explains the purpose the survey (Zikmund & Babin, 2007:221, Hair et al., 2006:450). Hair et al. (2006:450) further suggest that the main purpose of the questionnaire is to influence the respondent's willingness to cooperate and participate in the survey. The cover letter motivates the prospective respondent to complete the questionnaire and return it as specified. A cover letter is provided for this study, explaining the nature and the purpose of the research (see Appendix).

## **5.7 Data analysis**

Maluleke (2008:36) explains that data analysis is the incomplete processed part of the research until it has been interpreted. In quantitative research, data consists of numbers that represent scores for variables. Quantitative data is obtained through measurement, where data analysis is a preparatory stage where raw data is transformed into data sets that are in readable format. This step of the research process includes editing, coding and processing of data, as well as the actual analysis of the data (Maluleke, 2008:36).

### **5.7.1 Editing, coding and processing of data**

Zikmund and Babin (2007:480) explain that editing is the process whereby consistency and completeness of the data is checked, in order to be ready for coding and processing. This process makes the data analysis easier. Furthermore, researcher's task includes checking for mistakes in the questionnaire. Editing leads to accuracy and precision of the questionnaire, and it also consists of screening questionnaires to identify incomplete answers (Bradley, 2010:314). McDaniel and Gates (2002:464) further state that editing also assists in identifying respondent and interviewer mistakes.

According to Zikmund and Babin (2007:485), coding refers to the process of assigning a number or other character symbols to previously edited data. Assigning numerical symbols allows for easier transfer of data from questionnaires or the interviewer to a computer. This means that codes are meant to symbolise a meaning in the data. In other words good editing makes the coding job easier.

In this study questionnaires were edited once they had been received back from the field. The questionnaires were then processed and the data was entered using the Statistical Package for Social Sciences (SPSS) programme.

### **5.7.2 Data analysis**

The above-mentioned programme was also used for the analyses of the data. The data analysis involved describing the variables in terms of percentages, frequencies, distribution (skewness, kurtosis and standard deviation) and means where applicable. Reliability testing was also conducted to determine the reliability of each of the constructs measured in the study. The validity of the questionnaire was also investigated. Chapter 6 reports on these aspects in more detail.

In order to test the hypotheses formulated for the study, independent sample t-tests were used to determine whether significant differences exist between the means of two

groups, and one-way ANOVAs were used to determine whether significant differences exist between the means of more than two groups. In order to determine whether correlations exist between two variables, Pearson Product Moment correlations were used. The results obtained from the questionnaire, as well as more detail on the hypotheses testing are presented in Chapter 6.

## **5.8 Conclusion**

In conclusion the chapter firstly focused on the scope of the study, the study population and sampling technique used in the study. The organisation of the survey was also discussed and in particular the data collection method, editing, coding, and processing of data as well as the analyses of the data. The following chapter presents the results and findings of the study in more detail.



## CHAPTER SIX: RESULTS AND FINDINGS

### 6.1 Introduction

This chapter focuses on the results of the empirical section of the study and presents the subsequent major findings of the study. It also provides the demographic profile of respondents who took part in the study, and gives some insight into their behaviour towards cellphone network service providers (section A of the questionnaire). The chapter also provides the results obtained for the different constructs (customer commitment and its determinants, customer satisfaction, service quality, switching behaviour and trust) measured (section B of the questionnaire) and ultimately presents the results for the hypotheses formulated in Chapter 1. The order in which the results are presented in this chapter reflects the layout of the questionnaire used in the study.

The demographic profile and the behaviour of respondents towards cellphone network service providers are described in terms of the percentage of respondents who represented a particular response category. The results of the measurement sets measuring the different constructs reflect the mean score and standard deviation (based on a scale where 1 represents strongly disagree and 5 strongly agree) for each individual statement, as well as the overall mean score for the measurement set measuring the construct.

Before the results can be presented, it is however important to first assess whether the distribution of each of the individual statements included in the measurement sets to measure the five constructs, falls within the acceptable limits of normality in order to justify the use of parametric tests. The validity of the measurement sets measuring the five constructs should also be assessed, as well as the reliability of each of the measurement sets included in the questionnaire.

## **6.2 Distribution of results**

West, Finch and Curran (1995:74) state that in order for the distribution to be considered within the acceptable limits of normality, the kurtosis of the distribution should be less than an absolute value of 7.00, and the skewness of the distribution should be less than an absolute value of 2.00. Initial analysis of the data indicated that all the statements (24 statements) included in the five measurement sets fall within the acceptable limits of normality as presented by West et al. (1995:74).

## **6.3 Validity**

Pallant (2010:7) professes that validity refers to the extent to which a measurement set measures the construct it intends to measure. The question would arise whether the statements included in the measurement set to measure 'customer satisfaction' really measure customer satisfaction. The measurement sets used in this study were all taken from previous studies and adapted for use in this particular study (Dagger & Sweeney, 2007:23). When these measurement sets were used in previous studies, authors reported that each set was valid to measure the particular construct.

## **6.4 Reliability of the measurement sets**

Reliability refers to the extent to which the measurement set measuring a particular construct is free from error, and also the extent to which individual statements within a particular measurement set correlate with one another (Pallant, 2010:6). Cronbach's coefficient alpha values were calculated to determine the reliability of each of the five measurement sets. The closer the Cronbach's alpha value is to 1, the more reliable the measurement set. The cut-off point for reliability is 0.7 (Pallant, 2010:6). Table 6.1 presents the Cronbach's alpha value for each of the measurement sets used. It is evident from the Table that all values are above the cut-off point of 0.7. All measurements sets could thus be considered reliable. When a measurement set for a

construct is found to be reliable, it allows for the calculation of the overall mean score for a construct. In this instance, overall mean scores were calculated for the purposes of describing the data and for the purposes of hypotheses testing later on in the chapter.

**Table 6.1: The Cronbach's alpha values**

Measurement set	Cronbach's alpha value
Customer commitment (6 statements)	0.813
Customer satisfaction (4 statements)	0.877
Service quality (4 statements)	0.908
Willingness to switch (4 statements)	0.783
Trust (6 statements)	0.902

## 6.5 Demographic profile of respondents

A total of 200 respondents took part in the study. From the 200 respondents 199 questionnaires could be used for further analysis. Table 6.2 provides the demographic profile of the 199 respondents.





**Table 6.2: Demographic profile of respondents**

<b>Gender</b>	<b>Percentage</b>
Male	51.3
Female	47.7
<b>Age</b>	<b>Percentage</b>
Younger than 19	4.5
19 to 29 years	53.3
30 to 39 years	24.1
40 to 49 years	11.1
50 to 59 years	4.0
60 to 69 years	1.5
70 and older	1.5
<b>Education</b>	<b>Percentage</b>
No education	1.0
Some primary	1.0
Primary completed	1.5
Some high	10.1
Matric	19.1
Some tertiary	22.1
Completed tertiary	41.7
Other	3.5
<b>Home language</b>	<b>Percentage</b>
Afrikaans	6.5
English	13.1
Nguni (Zulu, Xhosa, Swati, Ndebele)	29.6
Sotho (Sepedi, SeSotho, Tswana)	18.6
Venda/Tsonga	27.1
Other, please specify	5.0
<b>Employment status</b>	<b>Percentage</b>
Full time	51.3
Part time	15.6
Student	23.1
Housewife or househusband	2.0
Retired	3.0
Unemployed	5.0

The majority respondents who took part in this study are male (51.3%), are between the ages of 19 to 29 (53.3%), have completed their tertiary education (41.7%), speak Zulu, Xhosa, Swati or Ndebele (Nguni) as home language (29.6%), and work full time (51.3%).

## 6.6 Behaviour of respondents towards cellphone network service providers

This section provides insight into the cellphone network service provider respondents are using as well as the period of time the respondents have been using their current cellphone network service provider. Table 6.3 provides an exposition of the results.

**Table 6.3: Behaviour of respondents towards cellphone network service providers**

The cellphone network service provider the respondent is currently using	Percentage
Vodacom	42.7
MTN	35.7
Cell C	17.6
Virgin Mobile	4.0
The period of time the respondent has been using the current cellphone network service provider	Percentage
Less than 3 months	1.0
3 months or longer but less than 6 months	3.6
6 months or longer but less than 1 year	6.0
1 year or longer but less than 3 years	24.6
3 years or longer but less than 5 years	22.6
5 years or longer but less than 10 years	29.6
Longer than 10 years	12.6

The majority of respondents (42.7%) were using Vodacom as their cellphone network service provider at the time of the survey. This is followed by MTN, Cell C and Virgin Mobile respectively. The majority of respondents have been with their current cellphone network service provider for three years or longer (64.8%).

**Main finding 1:** The majority of the respondents surveyed use Vodacom as their cellphone network service provider.

**Main finding 2:** The majority of the respondents surveyed have been with their current cellphone network service provider for three years or longer.

## 6.7 Customer commitment of non-contract customers of cellphone network service providers

Table 6.4 reflects the results for the individual statements measuring customer commitment (means and standard deviations), as well as the overall mean score calculated for the construct.

**Table 6.4: Customer commitment of non-contract customers of cellphone network service providers**

Statement	Standard deviation	Mean
I always use this cellphone service provider	1.109	4.15
I deal exclusively with this cellphone service provider	1.362	3.71
This cellphone service provider says a lot about me	1.265	3.40
I think of the cellphone service provider as 'my' cellphone service provider	1.219	3.78
I am likely to do whatever I can to help the cellphone service provider to do better	1.419	3.29
I use the cellphone service provider because I like to give my business to them	1.453	2.98
<b>Overall mean score</b>		<b>3.61</b>

Respondents indicated the strongest level of agreement with 'I always use this cellphone service provider' (mean = 4.15) and 'I think of the cellphone service provider as 'my' cellphone service provider' (mean = 3.78). Respondents agreed least with the statement 'I am likely to do whatever I can to help the cellphone service provider to do better' (mean = 3.29). The standard deviations vary between 1.109 to 1.453 units from the mean. All statements obtained a mean of higher than 3.00. An overall score of 3.61 was realised, thus indicating a positive score for customer commitment (given the five-point scale it was measure on).

**Main finding 3:** Respondents are committed to their current cellphone network service provider.

## 6.8 Customer satisfaction of non-contract customers of cellphone network service providers

Table 6.5 reflects the results for the individual statements measuring customer satisfaction (means and standard deviations), as well as the overall mean score calculated for the construct.

**Table 6.5: Customer satisfaction of non-contract customers of cellphone network service providers**

Statement	Standard deviation	Mean
My feelings towards the cellphone network service provider are very positive	1.048	3.91
I feel good about using this cellphone network service provider	0.937	4.04
I feel satisfied that the results from using this cellphone network service provider is the best that can be achieved	1.120	3.71
The extent to which using this cellphone network service provider has produced the best possible outcome, is satisfying	1.103	3.66
<b>Overall mean score</b>		<b>3.84</b>

Respondents indicated the strongest level of agreement with 'I feel good about using this cellphone network service provider' (mean = 4.04), and 'My feelings towards the cellphone network service provider are very positive' (mean = 3.91). Respondents agreed least with the statement 'The extent to which using this cellphone network service provider has produced the best possible outcome, is satisfying'(mean = 3.66). The standard deviations vary between 0.937 to 1.120 units from the mean. All statements obtained a mean of higher than 3.00. An overall score of 3.84 was realised, thus indicating a positive score for the customer satisfaction they receive from their current cellphone network service provider.

**Main finding 4:** Respondents experience high levels of customer satisfaction from their current cellphone network service provider.

## 6.9 Service quality perceptions of non-contract customers of cellphone network service providers

Table 6.6 reflects the results for the individual statements measuring service quality perceptions (means and standard deviations), as well as the overall mean score calculated for the construct.

**Table 6.6: Service quality perceptions of non-contract customers of cellphone network service providers**

Statement	Standard deviation	Mean
The overall quality of service provided by the cellphone network service provider is excellent	1.126	3.62
The quality of the service provided by the cellphone network service provider is impressive	1.109	3.65
The service provided by the cellphone network service provider is of a high standard	1.062	3.65
I believe the cellphone network service provider offers service that is superior in every way	1.058	3.67
<b>Overall mean score</b>		<b>3.65</b>

Respondents indicated the strongest level of agreement with 'I believe the cellphone network service provider offers service that is superior in every way' (mean = 3.67). Respondents agreed least (although marginally so) with the statement, 'The overall quality of service provided by the cellphone network service provider is excellent' (mean = 3.62). The standard deviations vary between 1.062 to 1.126 units from the mean. All statements obtained a mean of higher than 3.00, and an overall score of 3.65 was realised, thus indicating a positive score for the service quality respondents perceive they get from their cellphone network service provider.

**Main finding 5:** Respondents perceive the service quality they receive from their current cellphone network service provider as good.

## 6.10 Willingness of non-contract customers to switch cellphone network service providers

Table 6.7 reflects the results for the individual statements measuring the willingness of non-contract customers to switch cellphone network service providers (means and standard deviations), as well as the overall mean score calculated for the construct.

**Table 6.7: Willingness of non-contract customers to switch cellphone network service providers**

Statement	Standard deviation	Mean
It is too much hassle for me to switch from one cellphone service provider to another	1.522	3.28
I believe it is difficult to switch from one cellphone service provider to another	1.516	2.99
I believe it is expensive to switch from one cellphone service provider to another	1.295	2.35
I do not switch from one cellphone service provider to another since it is difficult or even impossible to keep the same number	1.515	2.83
<b>Overall mean score</b>		<b>2.84</b>

\*All statements were reversed scored to calculate overall mean score.

Respondents indicated the strongest level of agreement with 'It is too much hassle for me to switch from one cellphone service provider to another' (mean = 3.28), and 'I believe it is difficult to switch from one cellphone service provider to another' (mean = 2.99). Respondents agreed least with the statement 'I believe it is expensive to switch from one cellphone service provider to another' (mean = 2.35). The standard deviations vary between 1.295 to 1.522 units from the mean. Only one statement has a mean of higher than 3.00. An overall mean score of 2.84 was realised, thus indicating a less positive score for the willingness to switch. The results indicate that respondents do not view switching from one cellphone network service provider to another as impossible, difficult or expensive.

**Main finding 6:** Respondents do not perceive it to be impossible, difficult or expensive to switch from their current cellphone network service provider to another.

## 6.11 Trust levels of non-contract customers of cellphone network service providers

Table 6.6 reflects the results for the individual statements measuring trust levels (means and standard deviations), as well as the overall mean score calculated for the construct.

**Table 6.6: Trust levels of non-contract customers of cellphone network service providers**

Statement	Standard deviation	Mean
The cellphone service provider is trustworthy	1.112	3.89
The cellphone service provider delivers what it promises	1.042	3.84
The cellphone service provider is consistent in providing good service	1.041	3.71
I am confident about the service provision of the cellphone service provider	0.979	3.80
The cellphone service provider is truthful	1.122	3.69
The cellphone service provider fulfils its obligations towards me	1.048	3.78
<b>Overall mean score</b>		<b>3.79</b>

Respondents indicated the strongest level of agreement with 'The cellphone service provider is trustworthy' (mean = 3.89), and 'The cellphone service provider delivers what it promises' (mean = 3.84). Respondents agreed least with the statement 'The cellphone service provider is truthful' (mean = 3.69). The standard deviations vary between 0.979 to 1.122 units from the mean. All statements obtained a mean of higher than 3.00, and an overall score of 3.79 was realised, thus indicating a positive score for the trust respondents place in their cellphone network service provider.

**Main finding 7:** Respondents perceive their current cellphone network service provider as trustworthy.

## 6.12 Hypotheses testing

In order to test hypothesis 1, significant differences between groups of non-contract customers needed to be determined. A parametric test, namely the Independent sample t-test was used to determine differences between two groups, while a One-way Anova

test was used to determine whether significant differences exist between more groups. Depending on whether equal variances between the test groups could or could not be assumed, either Scheffe's or Dunnett's T3 post-hoc tests were used to identify the groups between which the significant differences exist (Eiselen, Uys & Potgieter, 2010:124). A confidence level of 95% was used, and subsequently a level of significance (p-value) of 0.05 or less indicates a significant difference between at least two of the test groups.

In order to test hypothesis 2, a parametric test, namely the Pearson product moment correlation, was used to determine whether correlations exist between two interval variables at a time. A level of significance (p-value) of 0.05 or less indicates that a correlation exists between two variables, and the Pearson correlation coefficient indicates the strength of the correlation. A correlation coefficient of between 0.1 and 0.3 indicates a weak correlation a correlation coefficient of between 0.3 and 0.5 indicates a moderate, correlation and a correlation coefficient of greater than 0.5 indicates a strong correlation between the two variables (Eiselen et al., 2010:87).

For the purposes of hypotheses testing, the original response categories contained in the questionnaire were collapsed as follows:

- The seven age categories were collapsed into two age categories, where category 1 represents those younger than 29 years of age, and category 2 represents those who are 30 years and older.
- The seven categories of highest level of education were collapsed into three categories where category 1 represents those with a primary education or less, category 2 represents those who have some high school education or completed high school, and category 3 represents those with some or who completed tertiary education.
- The six categories of employment were collapsed into two categories where category 1 represents all those who are doing something else (part-time employment, student, housewife or husband, retired and unemployed), and category 2 represents those who have full-time employment.



- The seven categories of the period of time the respondent has been with the cellphone network service provider were collapsed into three categories, where category 1 represents those who have been with the cellphone network service provider for less than one year, category 2 represents those who have been with the cellphone network service provider for one year, but less than five years, and category 3 represents those who have been with the cellphone network service provider for five years or more.

The following findings were made with respect to hypothesis 1:

- The results from an independent sample t-test indicate that male and female non-contract customers do not differ significantly in their level of customer commitment towards cellphone network service providers (H<sub>1a</sub>) (p-value = 0.720).
- The results from an independent sample t-test indicate that non-contract customers of different age groups do not differ significantly in their level of customer commitment towards cellphone network service providers (H<sub>1b</sub>) (p-value = 0.218).
- The results from a one-way ANOVA test indicate that non-contract customers of different education levels do not differ significantly in their level of customer commitment towards cellphone network service providers (H<sub>1c</sub>) (p-value = 0.075).
- The results from an independent sample t-test indicate that non-contract customers of different employment statuses do not differ significantly in their level of customer commitment towards cellphone network service providers (H<sub>1d</sub>) (p-value = 0.466).
- The results from a one-way ANOVA test indicate that non-contract customers currently using different cellphone network service providers differ significantly in their level of customer commitment towards cellphone network service providers (H<sub>1e</sub>). The p-value of 0.024 indicates that significant differences exist between at least two of the cellphone network service providers in terms of the means for customer commitment of respondents. Scheffe's post hoc test indicates that those currently using Vodacom seem to be significantly more committed to their

cellphone network service provider (mean =3.76) than those currently using Cell C (3.19). No other differences could be observed between the different cellphone network service providers in terms of customer commitment.

- The results from a one-way ANOVA test indicate that non-contract customers using a cellphone network service provider for different time periods, differ significantly in their level of customer commitment towards cellphone network service providers ( $H_{1f}$ ). The p-value of 0.006 indicates that significant differences exist between at least two of the different time periods non-contract customers use a cellphone network service provider. Scheffe's post hoc test indicates that those who have been using the cellphone network service provider for a period of one year and more (means = 3.62 and 3.75), are significantly more committed to their cellphone network service provider than those using their cellphone network for less than one year (mean = 2.97). No other differences could be observed.

**Main finding 8:** Hypothesis 1 can only be partially supported, since only those customers who are using Vodacom are significantly more committed to their cellphone network service provider than those using Cell C. Those who have been using a specific cellphone service provider for one year or more, are significantly more committed to continue using the cellphone network service provider than those using it for less than one year.

**Main finding 9:** No significant differences in customer commitment based upon differences between groups in terms of gender, age, education levels and different employment statuses could be observed amongst respondents.

The following findings were made with respect to hypothesis 2:

- The results of the Pearson product moment correlation indicate that there is a strong correlation between customer commitment and customer satisfaction of non-contract customers of cellphone network service providers (p-value = 0.000; Pearson correlation coefficient =0.674) ( $H_{2a}$ ).

- The results of the Pearson product moment correlation indicate that there is a strong correlation between customer commitment and service quality perceptions of non-contract customers of cellphone network service providers ( $p$ -value = 0.000; Pearson correlation coefficient = 0.552) ( $H_{2b}$ ).
- The results of the Pearson product moment correlation indicate that there is a weak correlation between customer commitment and the willingness of non-contract customers of cellphone network service providers to switch service providers ( $p$ -value = 0.001; Pearson correlation coefficient = 0.275) ( $H_{2c}$ ).
- The results of the Pearson product moment correlation indicate that there is a strong correlation between customer commitment of and the trust levels of non-contract customers of cellphone network service providers ( $p$ -value = 0.00; Pearson correlation coefficient = 0.561) ( $H_{2d}$ ).

**Main finding 10:** Hypothesis 2 can be supported, since customer commitment correlates with the individual determinants of customer commitment.

**Main finding 11:** The individual correlation between customer commitment and customer satisfaction, service quality perception and trust respectively, is strong.

**Main finding 12:** The correlation between customer commitment and willingness to switch from one cellphone service provider to another, is weak.

### 6.13 Summary of main findings

This section presents a summary of the main findings presented in this chapter. Twelve main findings are presented, based upon the empirical results of the study:

**Main finding 1:** The majority of the respondents surveyed use Vodacom as their cellphone network service provider.

**Main finding 2:** The majority of the respondents surveyed have been with their current cellphone network service provider for three years or longer.

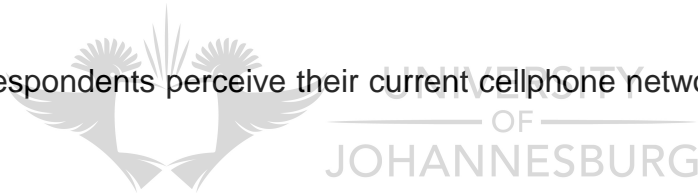
**Main finding 3:** Respondents are committed to their current cellphone network service provider.

**Main finding 4:** Respondents experience high levels of customer satisfaction from their current cellphone network service provider.

**Main finding 5:** Respondents perceive the service quality they receive from their current cellphone network service provider as good.

**Main finding 6:** Respondents do not perceive it to be impossible, difficult or expensive to switch from their current cellphone network service provider to another.

**Main finding 7:** Respondents perceive their current cellphone network service provider as trustworthy.



**Main finding 8:** Hypothesis 1 can only be partially supported, since only those customers who are using Vodacom are significantly more committed to their cellphone network service provider than those using Cell C. Those who have been using a specific cellphone service provider for one year or longer, are significantly more committed to continue using the cellphone network service provider than those using it for less than one year.

**Main finding 9:** No significant differences in customer commitment based upon differences between groups in terms of gender, age, education levels and different employment statuses could be observed amongst respondents.

**Main finding 10:** Hypothesis 2 can be supported, since customer commitment correlates with the individual determinants of customer commitment.

**Main finding 11:** The individual correlation between customer commitment and customer satisfaction, service quality perception and trust respectively, is strong.

**Main finding 12:** The correlation between customer commitment and willingness to switch from one cellphone service provider to another is weak.

## 6.14 Conclusion

This chapter presents the empirical results of the study with specific mention of the demographic profile of the respondents, and the behaviour of respondents towards cellphone network service providers. It also examines the results of the five constructs measured in the questionnaire, namely customer commitment and its four determinants. The results of the hypotheses testing are also presented. The following chapter presents an overview of the study, conclusion, recommendations and limitations of the study.



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

### **7.1 Introduction**

This chapter encompasses an overview of the study, as well as conclusions relating to the findings in terms of customer commitment of non-contract customers in the South African cellphone industry. This chapter also presents some recommendations, as well as the limitations of the study.

### **7.2 Overview of the study**

This study focuses on an investigation of the customer commitment of non-contract customers in the South African cellphone industry. The literature review provides an industry overview and information on consumer behaviour and customer commitment with the aim of providing the background to the empirical investigation of the study.

Consumer behaviour (discussed in Chapter 3) refers to activities people undertake when obtaining, consuming, and disposing of products and services (Blackwell et al., 2006:4). For the purpose of the study, these refer to activities customers undertake when obtaining, consuming and disposing of cellphone service network providers. The study of consumer behaviour is relevant to this research because it addresses the key areas of why consumers buy services, where they buy them and what they actually purchase. It also assists in understanding consumers' response to various marketing communications (Kotler, 2004:161).

Consumers are influenced by two main factors namely internal and external influences in their buying decision. The individual influences include: perception, learning, memory, motives, personality, emotions and attitudes. The external influences include: culture, subculture, demographics, social status, reference groups and family (Hawkins et al.,

2004:27). It is important for the cellphone network service providers to consider the above factors and try to come up with ways to influence the decision-making process of consumers. Abratt and Russel (1999:5) argue that businesses such as cellphone service providers have to understand the decision-making process and the criteria used in selecting service providers.

Walter, Mueller and Helfert (2000:3) state that commitment plays a central role in building marketing relationships between service providers and customers. Customer commitment is essential in cultivating long-term relationships between a customer and the service provider. The benefit of being in a committed relationship for the business is that it increases business profits by retaining existing customers (as discussed in Chapter 4). For such a relationship to develop there must be mutual benefit for both parties. For a customer to be in a committed relationship with the service provider there must be mutual values and roles (Buttle, 2004:14-15). Based on the literature review of customer commitment, a number of determinants of customer commitment were identified. This study, however, focuses on customer satisfaction, service quality, the willingness to switch, and trust as the main determinants of customer commitment.

Customer satisfaction can be achieved when customers' needs and expectation are met. In other words, customers will be committed to the service provider that meets and fulfils their expectations (Ndubisi et al., 2009:8). Therefore the probability of changing from service provider is low when customers are satisfied (Dikolli et al., 2007:97). In the cellphone industry, customer satisfaction is influenced by the following factors: (1) experience with the cellphone products, (2) the level of call charges, (3) the level of service charges, and (4) satisfaction with the service provider (Goode et al., 2005:767).

Service quality plays a major role in reinforcing customer satisfaction and repeat buying. A business that offers superior service quality as compared to other businesses has a competitive advantage (Lee et al., 2005:29). Service quality is achieved when the service experienced meets customers' expectations. In other words, meeting customer expectation is a key to achieve service quality (Allred & Addams, 2000:53). Gagnon and

Roh (2008:64) stipulate that service quality can be achieved through customisation and reliability. Service quality enhances the building and maintenance of long-term relationship (Venetis & Ghauri, 2004:1578) (as discussed in Chapter 4). However, there are various factors that can influence the customers to switch their service providers such as information cost, perceive risk, substitute and geographical proximity (Lee & Cunningham, 2001:117).

In the telecommunication industry, switching costs also includes the loss of cell numbers and contacts. Switching costs are often incurred when a customer switches cellphone service provider, especially for certain calls such as long distances. However, number portability between cellphone service providers was introduced to enable customers to change their service provider, whilst maintaining their existing cell numbers (Thornton et al., 2006:89). Trust is earned when the belief held by the consumer that the business can deliver its promises, is reliable. In other words, trust is established when customers feel they can rely on the service provider's words (Lacey, 2007:317). This means that for a customer to commit to the cellphone service provider there must be trust. The customer trust depends on the service provider's words.

The South African telecommunication industry has contributed to the growth of the economy. The cellphone business has contributed extensively to the growth of this industry (Jurgens, 2009:28). This is credited to the decline in the demand for fixed telephones (Koutras, 2006:17). In South Africa, there were five cellphone service providers at the time of the study: Vodacom, MTN, Cell C, Virgin Mobile and 8ta, with Vodacom and MTN as the two main role players (Jurgens, 2009:3; Mungadze, 2010:1).

The non-contract cellphone users constitute the largest portion of the cellphone users worldwide. Non-contract packages are more popular because they are affordable, and customers are able to buy airtime upfront and there is no monthly subscription fee (Simpson & Dore, 2005:81) (as discussed in Chapter 2).



The aim of this study was to examine the customer commitment of non-contract customers in the South African cellphone industry. The population of this study comprised of non-contract cellphone users in South Africa. For the purpose of this study, a sample size of 200 was determined. A descriptive design was followed. A quantitative research method was followed in this study through the use of self-administered questionnaires. A non-probability sampling technique, namely convenience sampling was used to select the sample (as discussed in Chapter 5). Data were analysed using SPSS programmes and results were presented in Chapter 6.

### 7.3 Conclusions and Recommendations

The primary objective of this study is to investigate the customer commitment of non-contract customers in the South African cellphone industry. This section discusses the conclusions deduced from literature reviews, and the results obtained for this study with regard to the secondary objectives (see section 1.4) and recommendations to the cellphone network service providers are discussed.

#### 7.3.1 Conclusions from Objective 1

The **first objective** of this study is to develop a demographic profile of non-contract customers of cellphone network service providers.

The results indicate that the majority of respondents (42%) were using Vodacom as their cellphone network service provider at the time of the survey. This is followed by MTN, Cell C and Virgin Mobile respectively. The majority of respondents have been with their current cellphone network service provider for three years or longer (64, 8%).

The majority respondents who took part in this study are male (51.3%), are between the ages of 19 to 29 (53.3%), have completed their tertiary education (41.7%), speak Zulu, Xhosa, Swati or Ndebele (Nguni) as home language (29.6%), and work full-time (51.3%).

**Main finding 1** indicates that the majority of the respondents surveyed use Vodacom as their cellphone network service provider.

**Main finding 2** indicates that the majority of the respondents surveyed have been with their current cellphone network service provider for three years or longer.

It can be **recommended** that most of the respondents have been with their cellphone service provider for more than three years, therefore the cellphone industry needs to create an extensive retention strategy programme, to main their loyal customers. Ahmad and Buttle (2001:33) state that existing customers are more profitable for the business, because it costs less to keep them than to acquire new ones. Cell C and Virgin mobile need to keep their existing customers and acquire new customers. They need to come up with a strategy to increase their cellphone users. The cellphone service provider must come up with ways to retain young male adults who are between the ages of 19-29 years.

Since the majority of the respondents speak Nguni (Zulu, Xhosa, Swati or Ndebele) as home language, the cellphone service provider needs to appeal to these target markets. The cellphone service industries need to identify with the culture of this group through advertisement and marketing campaigns. Reid (2007:14) argues that most cellphone users in South Africa are young, black, South Africans, and this is the market from which the industry generates its highest profits. Yet, this is the market that has not been serviced to its full potential. The cellphone industry is unfamiliar with the market relating to South African blacks. The cellphone industry needs to identify with this market and find ways to reach out to them through advertising, promotions and campaigns. The cellphone industry needs to build its brand around this market.

### 7.3.2 Conclusions from Objective 2

The **second objective** is to provide a theoretical overview of the cellphone industry in South Africa.

There are about 51,8 million cellphone users in South Africa, comprising of a cellphone penetration rate of about 106% (Jurgens,2009:29). The number of cellphone users has surpassed that of fixed telephone users (Thornton et al., 2006:23). Customers prefer non-contract cellphone packages due to the fact that they can receive incoming calls without paying any additional cost, and there are no contractual obligations (Thornton et al., 2006:23). There are four main service providers, namely Vodacom, MTN, Cell C and Virgin Mobile. Vodacom and MTN are the two main players in the cellphone industry (Jurgens, 2009:3).

It can be concluded that cellphone users are dominating the South African telecommunication market. It can be recommended that the cellphone industry must continue to dominate the South African market and penetrate other areas on the African continent. In order for Virgin Mobile and Cell C to remain competitive in this industry, they need to differentiate themselves from Vodacom and MTN. They need to position themselves in such a way that they are seen, heard and recognised by the consumers. It means that whatever Virgin Mobile has been doing since its inception, it is not working. They need to change their strategy and differentiate themselves and try to identify themselves with the South African culture.

### 7.3.3 Conclusions from Objective 3

The **third objective** of this study examines consumer decision-making models and processes with particular emphasis on the factors that influence the behaviour based on extant theory.

Consumer behaviour is a process consumers' follow when obtaining, purchasing and consuming a product (as discussed in Chapter 3). Consumers pass through five stages in every purchase: (1) need recognition, (2) information search, (3) evaluation search, (4) purchase decision, and (5) post-purchase evaluation. These five stages can be used as a guideline for studying how consumers make decisions (Lamb et al., 2006:118). A consumer decision-making process is influenced by internal and external factors. Internal influences include the following, perception, learning, memory, motives, personality, emotions and attitudes. These internal influences contribute to the decision-making process of a customer. Consumer decision making is also influenced by external influences such as culture, subcultures, demographics, social status, reference group and family (Hawkins et al., 2004:27).

It can be **concluded** that based upon the above-mentioned finding, that when consumers make buying decisions, they have to go through this process. They have to pass through five stages before they make a final purchase. There are various internal and external factors that influence the consumer decision-making process. It can thus be recommended that the cellphone business pay attention to factors that influence the decision-making process. Factors such as subculture and the demographic profile of the respondents, are of vital importance, and most respondents who participated in the study were within the age group of 19 to 29 years (Generation Y). The cellphone industry must find a way to attract this market, as the Generation Y is emotive about brands and likes to keep up with the world trends (Koutras, 2006:8).

#### **7.3.4 Conclusions from Objective 4**

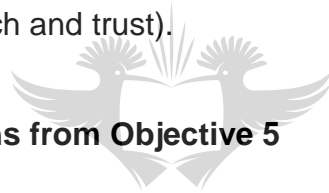
The **fourth objective** is to determine the definitions, nature, components, dimensions and determinants of customer commitment based on extant theory.

Customer commitment can be defined as the willingness of the service providers to sacrifice their resources in an effort to build long-term relationships with their customers (as discussed in Chapter 4). Customers commit to a relationship with a service provider

when they perceive that the relationship will add value and satisfaction (Wong & Zhou, 2006:9). For a customer to commit to a long-term relationship with the service provider, a process which develops over a period of time is required. This process is characterised by five general phases:(1) awareness, (2) exploration, (3) expansion, (4) trust and (5) commitment (Wetzels et al., 1998:407). Long-term commitment is built through shared values, mutual trust and commitment (Roberts-Lombard, 2009:411). The following determinants are found to influence customer commitment: (1) customer satisfaction, (2) service quality, (3) willingness to switch, and (4) trust.

Therefore it can be **recommended** that the cellphone business must be committed in building long-term relationship with the customer. The cellphone business must retain existing customers as this will result in increased profits for the business (Walter et al., 2000:3). The cellphone business must pay attention to the factors influencing or determinants of customer commitment (customer satisfaction, service quality, willingness to switch and trust).

#### 7.3.4 Conclusions from Objective 5



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The fifth objective is to measure the level of customer commitment of non-contract customers of cellphone network service providers empirically.

Main finding 3 indicates that respondents are committed to their current cellphone network service provider.

It can be concluded that respondents are committed to their current cellphone network service providers. Cellphone businesses need to build customer relationships and retain existing customers as one of the key goals in marketing (Palmatier et al., 2009:1). The cellphone industry needs to provide superior service quality to retain their customers.

Main finding 8 indicates that Hypothesis 1 can only be partially supported since those consumers who are using Vodacom are significantly more committed to their cellphone

network service provider than those using Cell C. Those who have been using a specific cellphone service provider for one year or more, are significantly more committed to continue using the cellphone network service provider than those using it for less than one year.

It can be **concluded** that based upon the above-mentioned finding, Vodacom customers are more committed as compared to Cell C. Therefore it can be **recommended** that Vodacom as the leading cellphone brand in South Africa, needs to maintain its position by keeping its customers. They can offer promotional programmes to existing customers and loyal customers. The cellphone industry can target customers who have been using their product for more than a year to make them loyal customers. Those who have been using their product for less than a year, can be motivated to stay with their brand. By giving them free airtime and free sms bundles during peak seasons like Christmas, they can offer them free promotional packages.

Main finding 9 indicates that no significant difference in customer commitment based upon differences between groups in terms of gender, age, education levels and different employment statuses could be uncovered amongst respondents.

It can be **concluded** that based upon the above-mentioned finding, customer commitment seems not to be affected by gender, age, educational level and employment status. Therefore it can be **recommended** that cellphone network service providers could use standardised strategies to build customer commitment to some extent. The cellphone industry can build strategies focusing on customer commitment determinants such as customer satisfaction, service quality, willingness to switch and trust.

### 7.3.4 Conclusions from Objective 6

The **sixth objective** is to investigate the factors that influence customer commitment to cellphone network service providers, namely trust, satisfaction, switching behaviour and service quality empirically.

**Main finding 5** indicates that respondents perceive the service quality they receive from their current cellphone network service provider as good.

It can be **concluded** from the above-mentioned finding that respondents perceive their service provider's service quality to be good. It can be **recommended** that since service quality contributes to the maintenance of long-term relationships (Venetis & Ghauri, 2004:1578), cellphone service providers should focus on improving service quality in order to maintain non-contract customers over the long-term.

**Main finding 6** indicates that respondents do not perceive it to be impossible, difficult or expensive to switch from their current cellphone network service provider to another.

It can be concluded that respondents find it easy to switch from one network service provider to another. Therefore it can be recommended that the cellphone network service provider needs to create a high switching cost that will make it difficult for customers to move between the service providers. Customers can incur a cost from switching from one service provider to another. Number portability between cellphone service providers has made it easier for customers to retain their cell numbers, thereby eliminating switching cost (Thornton et al., 2006:89).

**Main finding 7** indicates that respondents perceive their current cellphone network service provider as trustworthy.

It can be concluded that respondents find their service provider to be trustworthy. Therefore it can be recommended that the cellphone network service providers must

continue to build trust with their customers by providing effective communication through advertisements, newsletters and billboards. Little and Marindi (2005:94) suggest that effective communication can influence customer perception of the service provider and the prospects to remain with the service provider.

**Main finding 10** indicates that Hypothesis 2 can be supported, since customer commitment correlates with the individual determinants of customer commitment.

It can be concluded that customer commitment is closely linked to individual determinants of customer commitment. Trust, customer satisfaction, switching cost and service quality influence customer commitment respectively. Therefore it can be recommended that cellphone network businesses position these determinants to foster customer commitment with the customer.

Main finding 11 indicates that the individual correlation between customer commitment and customer satisfaction, service quality perception and trust perceptible is strong.

It can be **concluded** that there is a strong relationship between customer commitment and customer satisfaction, service quality and trust. Therefore there is evidence to support the fact that customer satisfaction, service quality and trust lead to an increase in customer commitment. This means that these determinants can influence the building of a long-term relationship with the customer. Therefore it can be **recommended** that the cellphone network business use these factors or determinants as building blocks to build customer commitment with the customer.

**Main finding 12** indicates that the correlation between customer commitment and willingness to switch from one cellphone service provider is slight.

It can be **concluded** that there is a negative relationship between customer commitment and willingness to switch. Therefore the relationship is slight. It can thus be **recommended** that the cellphone network service provider business needs to build high barriers that can prevent customers from switching.



## 7.4 Objectives to main findings

This section highlights the link between the secondary objectives formulated for the study, the corresponding questions designed to achieve these objectives, and the main findings based upon the results obtained from the questionnaires. There are also linkages between objectives and the corresponding literature presented in this study. Table 7.1 provides an exposition of these linkages.

**Table 7.1: Linking objectives to main findings**

Secondary Objectives	Questions in questionnaire / literature chapters	Main findings
Develop a demographic profile of non-contract customers of cellphones service providers.	Section A	1 and 2
Provide a theoretical overview of the cellphone industry in South Africa.	Chapter 2	
Examine consumer decision-making models and process with particular emphasis on the factors that influence the behaviour based on extant theory.	Chapter 3	
Determine the definitions, nature, components, dimensions and determinants of customer commitment based on extant theory.	Chapter 4	
Measure the level of customer commitment of non-contract customers of cellphone network service providers empirically.	Section B	3, 8 and 9
Investigate the factors that influence customer commitment to cellphone network service providers namely, trust, satisfaction, switching behaviour and service quality empirically.	Sections C, D, E and F	4, 5, 6, 7, 10, 11 and 12

## 7.5 Directions for future research

The following recommendations are made for future research:

- As the majority of respondents who took part in the study are Nguni (Zulu, Xhosa, Swati or Ndebele), future research can focus on customer commitment of non-contract customers amongst Nguni people.

- The majority of respondents surveyed use Vodacom as their cellphone network service provider, and future research can focus on the factors that contribute to Vodacom customers remaining with their service providers.
- The majority of the respondents who commit to their cellphone service providers are youths. Future research can focus on customer commitment of young people on non-contract cellphone package.
- The research survey focuses on four provinces of South Africa, and future research can focus on a customer commitment of non-contract cellphone users from other regions, e.g. Kwazulu-Natal.
- The study focuses on customer commitment of non-contract cellphone customers, so future research can focus on customer commitment of contract cellphone users.

## **7.6 Conclusion**

In conclusion, Chapter 7 provides an overview of the study and conclusions of this study on customer commitment. It also discusses the main findings and provides appropriate recommendations to the cellphone industry with specific reference to the secondary objectives. Objectives were linked to the main findings.

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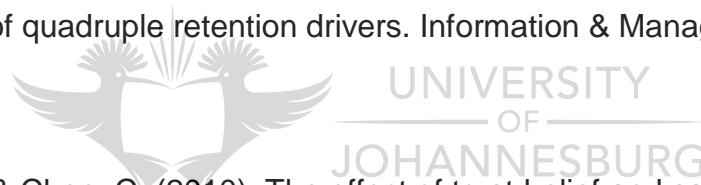
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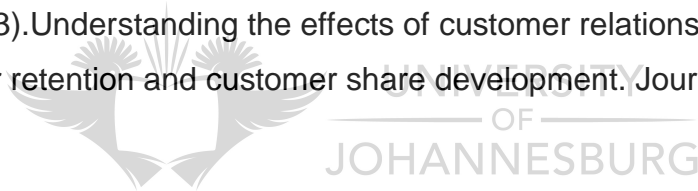
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# APPENDIX

## QUESTIONNAIRE

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### Customer satisfaction and commitment of non-contract customers to cellphone network service providers in South Africa

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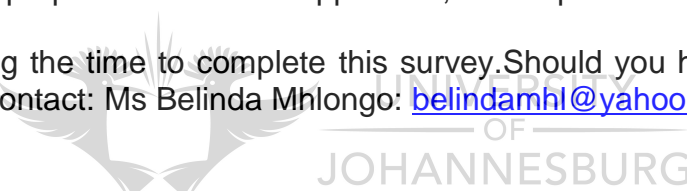
This questionnaire is designed to obtain feedback from you on your satisfaction levels to your cellphone network service provider (Cell C, MTN, Vodacom, Virgin Mobile ).

Taking part in this survey is completely voluntary and anonymous. The questionnaire consists of six sections. The questionnaire should take no more than 15 minutes of your time. Your cooperation is appreciated.

When evaluating a question, please answer the question from your own perspective.

Place an X in the appropriate box where applicable, or complete where required.

Thank you for taking the time to complete this survey. Should you have any questions, please feel free to contact: Ms Belinda Mhlongo: [belindamhl@yahoo.com](mailto:belindamhl@yahoo.com)



#### Screening question

Do you currently use a cellphone?

Yes	
No	

What kind of cellphone user are you currently?

I am a contract customer	
I am a prepaid customer(non-contract)	

If you do own a cellphone and are a prepaid customer: **please complete the rest of the questionnaire.**

If you do not own a cellphone or you are a contract customer, **you do not have to complete the questionnaire.**

**Indicate your answer by placing a cross (X) in the appropriate block or complete where required.**

**SECTION A – GENERAL**

What is your gender?

Male	
Female	

How old are you?

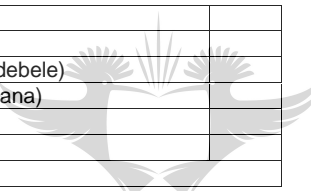
Younger than 19	
19 to 29 years	
30 to 39 years	
40 to 49 years	
50 to 59 years	
60 to 69 years	
70 and older	

What is your highest level of education?

No education	
Some primary	
Primary completed	
Some high	
Matric	
Tech diploma/degree	
University degree	
Other	

What is your home language?

Afrikaans	
English	
Nguni (Zulu, Xhosa, Swati, Ndebele)	
Sotho (Sepedi, SeSotho, Tswana)	
Venda/Tsonga	
Other, please specify	



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Which ONE of the following best describes your employment status?

Full time	
Part time	
Student	
Housewife or househusband	
Retired	
Unemployed	

Which ONE of the following cellphone network service providers are you currently using?

Vodacom	
MTN	
Cell C	
Virgin Mobile	

How long have you been using this cellphone network service provider?

Less than 3 months	
3 months or longer, but less than 6 months	
6 months or longer ,but less than 1 year	
1 year or longer ,but less than 3 years	
3 years or longer, but less than 5 years	
5 years or longer, but less than 10 years	
Longer than 10 years	



## SECTION B – CUSTOMER COMMITMENT

On a scale of 1 to 5 where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements regarding the cellphone service provider you currently use.

Statement	Strongly disagree			Strongly agree	
	1	2	3	4	5
I always use this cellphone service provider	1	2	3	4	5
I deal exclusively with this cellphone service provider	1	2	3	4	5
This cellphone service provider says a lot about me	1	2	3	4	5
I think of the cellphone service provider as 'my' cellphone service provider	1	2	3	4	5
I am likely to do whatever I can to help the cellphone service provider to do better	1	2	3	4	5
I use the cellphone service provider because I like to give my business to them	1	2	3	4	5

## SECTION C – CUSTOMER SATISFACTION

On a scale of 1 to 5 where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements regarding the cellphone service provider you currently use.

Statement	Strongly disagree			Strongly agree	
	1	2	3	4	5
My feelings toward the cellphone network service provider are very positive	1	2	3	4	5
I feel good about using this cellphone network service provider	1	2	3	4	5
I feel satisfied that the results from using this cellphone network service provider are the best that can be achieved	1	2	3	4	5
The extent to which using this cellphone network service provider has produced the best possible outcome is satisfying	1	2	3	4	5

## SECTION D – SERVICE QUALITY

On a scale of 1 to 5 where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements regarding the cellphone service provider you currently use.

Statement	Strongly disagree			Strongly agree	
	1	2	3	4	5
The overall quality of service provided by the cellphone network service provider is excellent	1	2	3	4	5
The quality of the service provided by the cellphone network service provider is impressive	1	2	3	4	5
The service provided by the cellphone network service provider is of a high standard	1	2	3	4	5
I believe the cellphone network service provider offers service that is superior in every way	1	2	3	4	5

## SECTION E – SWITCHING COSTS

On a scale of 1 to 5 where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements.

Statement	Strongly disagree			Strongly agree	
	1	2	3	4	5
It is too much hassle for me to switch from one cellphone service provider to another	1	2	3	4	5
I believe it is difficult to switch from one cellphone service provider to another	1	2	3	4	5
I believe it is expensive to switch from one cellphone service provider to another	1	2	3	4	5
I do not switch from one cellphone service provider to another since it is difficult or even impossible to keep the same number	1	2	3	4	5

## SECTION F – TRUST

On a scale of 1 to 5 where 1 is '*strongly disagree*' and 5 is '*strongly agree*', indicate the extent to which you agree with each of the following statements regarding the cellphone service provider you currently use.

Statement	Strongly disagree			Strongly agree	
	1	2	3	4	5
The cellphone service provider is trustworthy	1	2	3	4	5
The cellphone service provider delivers what it promises	1	2	3	4	5
The cellphone service provider is consistent in providing good service	1	2	3	4	5
I am confident about the service provision of the cellphone service provider	1	2	3	4	5
The cellphone service provider is truthful	1	2	3	4	5
The cellphone service provider fulfils its obligations towards me	1	2	3	4	5

**Thank you for taking the time to complete this survey**

