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The identification of management-process critical success factors that will achieve competitiveness and sustainable growth for South Africa as a tourism destination

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Existing destination competitiveness models do not clearly identify the strategic relationships between the critical factors and how they can be integrated for sustainable growth and competitive advantage.

Against this background, this article focuses on the development and testing of a destination competitiveness model that can be used to identify and integrate critical success factors for a tourism destination.

The destination competitiveness model that is presented makes provision for the identification and integration of critical success factors within four strategic perspectives, namely, sustainable growth, the customer, destination management processes, and learning and growth.

To test the model, a survey was undertaken among the primary tourism stakeholders in South Africa involved in attracting and servicing international tourists. This survey was used to identify critical success factors in the destination management processes that could have the greatest impact on customer satisfaction and the achievement of sustainable growth objectives. Specific conclusions are made and key actions recommended on the basis of the results obtained.

Introduction

Tourism has become a fiercely competitive business for tourism destinations the world over. Competitive advantage is no longer natural, but increasingly man-made, driven by science, technology information and innovation. It is thus not simply the stock of natural resources of a destination such as South Africa that will determine its share in the tourism market, but rather how these resources are managed and integrated with other competencies to create a competitive advantage.

If the benefits from increasing globalisation are to be shared, all countries need to ensure that they have the necessary level of competitiveness (Dwyer 2001: 30). The World Travel and Tourism Council (WTTC) states that "maintaining competitiveness has become an increasing challenge for destinations" (WTTC 2001). However, it is not always clear where inefficiencies that could be rectified might exist. The constantly growing number of travel destinations and the enhanced quality of existing ones puts great pressure on those responsible for a given destination to find better ways of competing in the tourism marketplace, and to do so in a sustainable manner. The first step in achieving this goal is to better understand those forces and success factors that determine the competitiveness of major tourism destinations. The success factors of a specific destination can then be identified and integrated to ensure sustainable growth for the destination within a competitive environment.

Problem statement

In recent tourism literature, researchers have introduced concepts and relevant models about tourism destination competitiveness (for example, Crouch & Ritchie 1999; Ritchie & Crouch 2000; Hassen 2000; Thomas & Long 2000; Kozak 2001; Dwyer 2001; Yoon 2002). Most of these studies have focused on how effectively and efficiently destination competitiveness can be improved to

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respond to escalating market competition. By far the most comprehensive destination planning models that have been developed are those of Crouch & Ritchie (2000) and Dwyer (2001). Although both these models are comprehensive in terms of including all the important aspects that will impact on destination competitiveness, they do not adequately identify the strategic relationships between the critical factors in the models and how they can be integrated for sustainable growth and competitive advantage.

Furthermore, although a number of studies have addressed concepts and relevant models concerning destination competitiveness, no empirical study has been undertaken to develop an integrative strategic model capable of identifying and integrating critical success factors in such a manner that the interrelationships between all factors, as well as their contribution to international competitiveness and sustainable growth, can be determined.

Given the new challenges related to the strategic identification and integration of critical success factors, the following question arises: 'How can management-process critical success factors be identified and integrated to achieve competitive advantage and sustainable growth for South Africa as a tourism destination?'

Literature review

Critical success factors

Fishman (1998: 10) points out that well-defined goals are critical to the success of any organisation or destination, but that it is just as important to identify the critical success factors needed to attain these goals.

The concept of critical success factors (or factors that are critical to success) was first mentioned by Daniël (1961: 111). Daniël's main thrust was the need for the elimination of issues not directly related to the success of the firm in the planning process of management information systems.

Rockart (1979: 81–93) took this further and used the idea of identifying the information needs of the executive manager based on the critical factors for success, suggesting that the concept of critical success factors would be useful as an information systems methodology.

In the years that followed, many organisations used the critical success factor approach as a framework for strategic planning (Bullen 1995: 13). Definitions found in the literature study reflecting this approach are given in Table 1.

While the definitions and views provided by the above authors differ, there appear to be several common characteristics that help to explain the nature and extent of critical success factors, namely:

- Critical success factors are the sub-goals and/or success outcomes that are directly related and critical to the attainment of the vision, mission and long-term goals of the organisation.
- Critical success factors can be internal areas such as resources, skills, competencies, attri-

Table 1: Selected definitions of critical success factors

Critical success factors are "events, conditions, circumstances or activities. Specifically, they are the limited number of areas in which results, if they are satisfactory, will ensure the successful competitive performance of the organisation" (Jenster 1987: 102).
Critical success factors are "sub-goals, end statements, characteristics, conditions or variables that are critical for the attainment of the organisation's mission and ultimate success" (Hardaker & Ward 1987: 114).
"The most important factors governing the success are those which are consistent with the company's goals and objectives" (Pollalis & Grant 1994: 12).
"The critical success factor method directs managers to determine those things that must go right in order to succeed in achieving goals and objectives. The ultimate value that the CSF [critical success factor] method brings is the ability to focus management's attention on what needs to be done well to achieve success" (Bullen 1995: 13).
"Critical success factors are those product features that are particularly valued by a group of customers and therefore, where the organisation must excel to outperform competition" (Johnson & Scholes 2002: 151).
"Critical success factors are the resources, skills and attributes of an organisation that are essential to deliver success in the marketplace" (Lynch 2003: 102).

butes or conditions, or market-related areas such as product features and profitable market segments.

- Critical success factors are *limited* areas of success that will ensure the successful, *competitive* performance of the organisation.
- Critical success factors are result areas in which success can be measured.

The identification and integration of critical success factors

Critical success factors are identified and integrated by using four perspectives, namely, sustainable growth, the customer, destination management processes, and learning and growth, as shown in Figure 1.

A two-step process for identifying and integrating critical success factors was identified. The starting point is formulating and classifying the 5S 'strategy block', consisting of stakeholder values, shared vision, strategic position, strategic guidelines and success factors, which are the outcomes of the strategic direction and positioning box. This strategy block serves as the 'nerve centre' from which secondary critical success factors can be identified and integrated in four different categories:

- Sustainable growth

  The sustainable growth perspective measures the sustainable growth that the tourism destination generates for all the stakeholders. This measurement is arrived at through economic indicators and social indicators. Profitable enterprises are critical for the economic development of the industry. However, according to Hassen (2000: 239), it is also critical for destination development plans to be compatible with environmental and social integrity for the tourism industry to maintain its economic viability. The WTTC (2001) notes that "sustainable travel and tourism development relies upon policies which support harmonious relationships among travellers, local communities, the private sector and governments to balance natural, built and cultural environments with economic growth and stability". Social success indicators that will measure sustainable growth can therefore include environmental sustainability, employment creation and supportive communities.

- Customer perspective

  The market segments in which the destination would like to compete and the differentiating factors in each section are important inputs into the customer perspective, the ultimate goal of which is to add optimum value to the customer experience at the tourism destination. Kaplan & Norton (1996: 62) divide customer value proportions into three parts: customer acquisition, satisfaction and retention. The critical success area identified for customer acquisition is destination image. Various works on tourism, particularly those of Fakey & Crompton (1991: 12) and Kim (1998: 341), indicate that the primary goal in promoting a destination and acquiring customers is to project a positive image to potential tourists so that the product becomes desirable to them. These destination attributes include tangible as well as intangible attributes that determine the attractiveness of a destination to a particular tourist in a given travel situation (Kim 1998: 388).

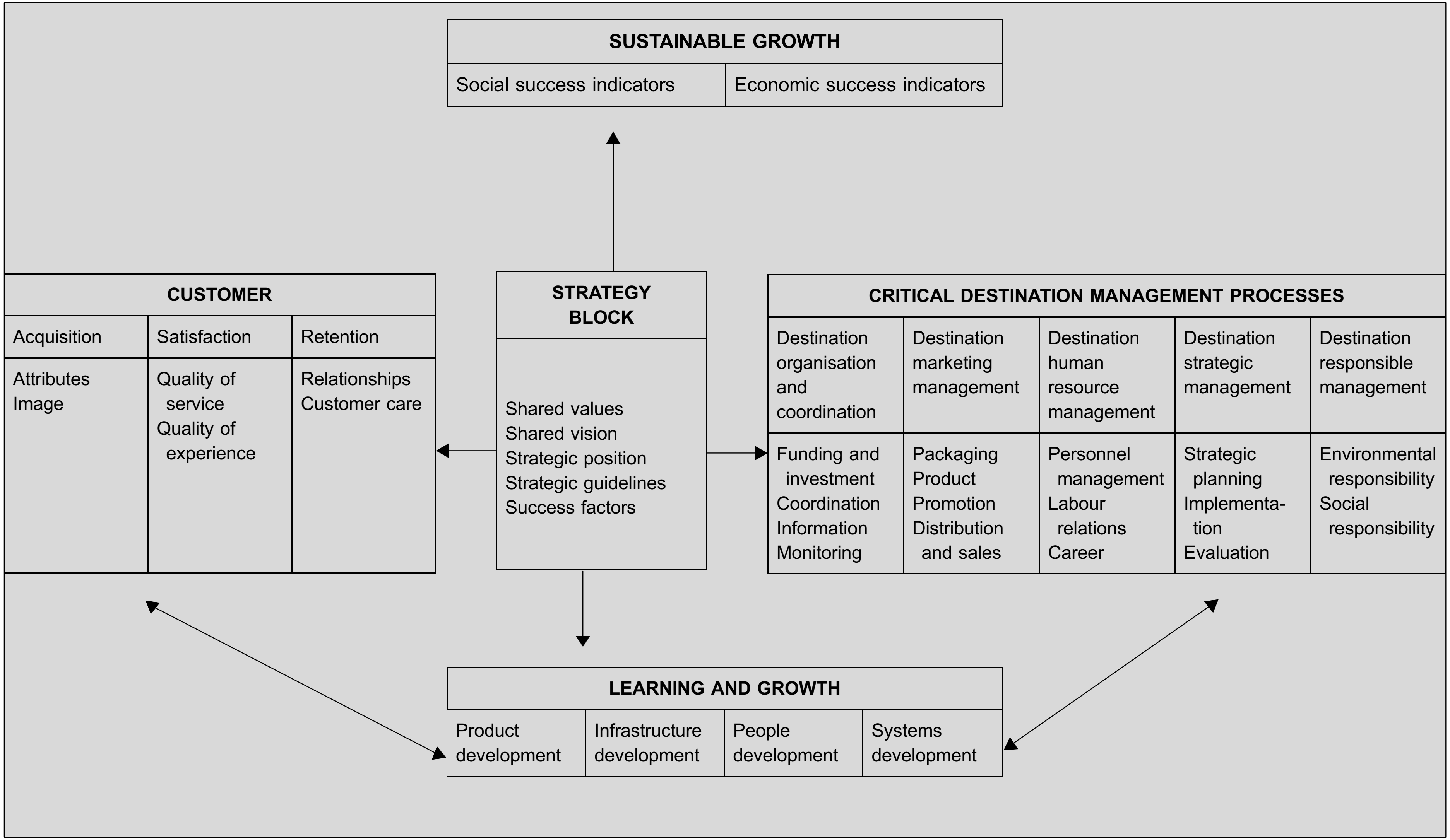
  The generic critical success factors identified for customer satisfaction are those of quality of service and quality of experience. Otto & Ritchie (1996: 167) point out that a measure for the quality of the service experience is a useful complement to traditional quality of service measures. The relationship experience with the tourist is critical if customer retention is to be ensured. According to Grönroos (1995: 250), relationship-type approaches must also manage interactive aspects of the delivery process that go beyond traditional management of the marketing mix elements.

- Destination management processes

  Destination management processes that will have the greatest impact on the value proportions of customers and the achievement of sustainable growth objectives must be identified and measured (Kaplan & Norton 1996: 63).

  Various areas and levels of government are involved in the promotion, regulation, presentation, planning, monitoring, maintenance, coordination, enhancement and organisation of tourism resources at the macro level (Dwyer 2001: 77). As Buhalis notes, destination management organisations (DMOs), which include convention and visitor bureaus and national and regional tourism organisations, "have overall responsibility for the entire destination product and through incentives and policies facilitate the development of product and create local partnerships for the delivery of seamless experiences" (Buhalis 2000: 108).

  The model in this study identifies five types of destination management processes that are important for destination competitiveness: destination organisation and coordination, destina-



Source: Framework adapted from Kaplan & Norton (1998: 60)

Figure 1: The strategic integration of destination success factors

tion marketing, destination human resource development, destination strategic management and destination responsibility management. These activities correspond with the destination management activities identified by Crouch & Ritchie (2000: 3) and Dwyer (2001: 74) in their destination competitive models.

Destination management organisation refers to the organisation of tourism activities at a national and regional level. Four aspects of destination management organisation are particularly important to competitiveness, namely, funding and investment, coordination, the provision of information, and monitoring and evaluation (Dwyer 2001: 77). The next element, destination marketing management, refers to the overall marketing and promotion of the destination. Crouch & Ritchie (1999: 149) point out that it also includes attention to product packaging, promotion, effective distribution channels and sale of the destination. Human resource development refers to a responsibility at a macro level to manage the human resources of the destination, and includes personnel management, labour relations and career pathing. Bueno (1999: 321) argues that "since competition between firms is determined by skills, human resources are a central factor in achieving competitiveness".

Destination strategic management starts with the strategy block where the values, vision, strategic position and strategic guidelines are identified and formulated. It will be the responsibility of organisations at the macro-level to ensure that all stakeholders buy into the vision and overall strategy and to manage the strategic implementation of these strategies and guidelines. Strategic management and implementation will also include taking specific strategic decisions such as the deployment of resources. These strategic decisions should be taken within a policy framework of regulations, strategic guidelines and objectives. Destination responsible management refers to the management of the social as well as the environmental responsibility of the destination.

- Learning and growth

  The fourth integration perspective identifies the infrastructure that the destination must build to create long-term growth and improvement (Kaplan & Norton 1996: 63). Destinations are unlikely to meet their sustainable growth targets by simply using today's technologies and capabilities. International competition also requires that destinations continually improve their products, infrastructure, systems and capabilities for delivery to customers and stakeholders.

  Kaplan & Norton (1996: 94) note that learning and growth come from three principal sources: people, systems and organisational procedures. The integrated model adds one more source, namely, product development. The present and desired capabilities, competencies, products and infrastructure of the destination should therefore be analysed to reveal the strategic gaps. To close these gaps, the destination may have to develop new products, build new infrastructure, invest in re-skilling employees, enhancing information technology and systems and aligning organisational procedures and routines.

Methodology

The research approach

According to Welman & Kruger (1999: 12), a research problem refers to some difficulty that the researcher experiences in the context of either a theoretical or practical situation. In the case of this study, the problem posed by the researcher is: 'How can management-process critical success factors be identified and integrated to achieve competitive advantage and growth for South Africa as a tourism destination?'

In addressing the problem, the objectives of the empirical investigation were:

- To identify management-process critical success factors considered to be important by South African tourism stakeholders
- To formulate specific strategic recommendations for South Africa as a tourism destination based on the empirical findings.

Planning the empirical study

The empirical survey was conducted by means of an electronic mail survey, using a questionnaire developed from the literature study. The results of the survey were tabulated and statistically analysed. The process followed during the empirical survey is described in the following sections.

Population and sample size

- Population

  Population can be defined as the entire group under study as specified by the objective of the research (Burns 1998; Yoon 2002: 59). Since the objective of this study was to investigate tourism stakeholders' perceptions regarding the identification and integration of critical success factors for South Africa as a tourism destination, the population of this study were South African tourism stakeholders. Specifically, the target population included members or groups that are attracting or servicing the international tourism market in South Africa.

- Sampling

  The major source of the sampling frame was the official 2002 Tourism Indaba address list. The South African Tourism Indaba is an annual event aimed at providing a platform for exhibiting South Africa as a destination to the international world. Indaba 2002 had a total of 1300 tourism products and 1316 delegates. All primary stakeholders involved in international tourism in South Africa were represented at the Indaba. The address list classified stakeholders into ten formal classifications, namely, Accommodation/Conference Facilities/Restaurants, Game Lodges/Game and Nature Reserves/Show Farms, Tour Operators and Travel Agents, Tourist Attractions, Transport, Tourism Associations, National Tourism Organisations, Provincial Tourism, Local and Regional Publicity Associations, and Tourism Marketing Organisations. The remainder of the members were listed in a general and addendum section. All the members on the ten official classification lists were used for this study. Forty-two members that did not have e-mail addresses were omitted from the list. The number of representatives in these categories is shown in Table 2.

The sample size for this study thus comprises 920 attendees of the 2002 Tourism Indaba conference, representing all the major stakeholders involved in the South African tourism industry. Yoon (2002: 60) argues that, in general, there is no correct sample size, although larger sample sizes are always preferable.

Distribution of the questionnaire and response

In order to achieve the largest possible sample, a total of 920 questionnaires was sent out by electronic mail to the representatives identified in Table 2. Twenty-eight questionnaires were returned uncompleted. Of the remaining 886 questionnaires, 139 usable questionnaires were completed and returned, representing an overall response rate of 15.7%. This is considered satisfactory, given the nature of the mail-out collection method and the length of the questionnaire.

Results of the empirical research

Destination management processes: the identification of critical elements

This first section focused on destination management processes that will have the greatest impact

Table 2: Population size classification

Stakeholder segment	Number of representatives
1 Accommodation/Conference Facilities/Restaurants	327
2 Game Lodges/Game and Nature Reserves/Show Farms	154
3 Tour Operators and Travel Agents	275
4 Tourist Attractions	59
5 Transport	30
6 Tourism Associations	12
7 National Tourism Organisations	13
8 Provincial Tourism	11
9 Local and Regional Publicity Associations	15
10 Tourism Marketing Organisations	24
TOTAL	**920**

on the customer satisfaction and the achievement of sustainable growth objectives. Respondents were requested to identify key elements within each of the following five destination management processes: destination organisation and coordination, destination marketing, human resource management, strategic destination management, and responsible destination management. These processes are briefly discussed in the following sections.

Destination organisation and coordination

The results of the critical elements identified by the respondents for the destination organisation and coordination management process are shown in Table 3.

Respondents regarded all the elements listed as critical and ranked them in the following order of importance:

- Ensuring appropriate marketing organisations at all levels
- Ensuring appropriate funding to sustain destination marketing organisations
- Continuing coordination and cooperation between stakeholders
- Implementing appropriate benchmarking, monitoring and evaluation.

It is clear from the critical elements listed as well as the additional elements identified that the respondents wanted a well-organised and integrated marketing organisation that would focus more on selling South Africa as a tourism destination.

Destination marketing

The results of the critical elements identified by the respondents for the destination marketing management process are shown in Table 4.

The most critical elements identified by the respondents for destination marketing in order of importance are:

- Develop an effective branding strategy
- Develop relevant, viable and sustainable target markets
- Develop effective distribution and sales
- Ensure integrated promotion strategies
- Develop an effective positioning strategy.

Most of the respondents regarded marketing as an extremely important process, with specific empha-

Table 3: Destination organisation and coordination – the identification of critical elements

DESTINATION MANAGEMENT PROCESS			1	2	3	4	5	
			Not important	Some importance	Reasonably important	Very Important	Extremely important	Mean
DESTINATION ORGANISATION AND COORDINATION	1	Ensuring appropriate destination marketing organisations at all levels (national, provincial)	0	2.2	10.8	28.1	56.1*	4.42
	2	Continuous coordination and cooperation between tourism stakeholders	0	0.7	10.1	37.4	48.9*	4.38
	3	Ensuring appropriate funding to sustain destination marketing organisations	0	2.2	7.2	35.3	52.5*	4.42
	4	Implementing appropriate benchmarking, monitoring and evaluation mechanisms	0	7.2	18.7	35.3	35.3*	4.02

* Highest response percentage

Table 4: Destination marketing – the identification of critical elements

DESTINATION MANAGEMENT PROCESS		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
DESTINATION MARKETING	1 Developing an effective branding strategy for the destination	0	0	7.9	30.2	60.4*	4.53
	2 Developing an effective positioning strategy	0	1.4	11.5	33.1	51.1*	4.37
	3 Determining relevant, viable and sustainable target markets	0	0	10.8	30.2	56.8*	4.47
	4 Packaging, theming and routing current tourism attractions and experiences and developing those with potential	0.7	2.2	15.8	40.3*	38.1	4.16
	5 Ensuring integrated promotion strategies (e.g. advertising, exhibitions, Internet, workshops)	0	0.7	10.1	34.5	51.1*	4.41
	6 Ensuring effective distribution and sales (effective information dissemination, brochure distribution, reservation systems)	0.7	1.4	9.4	30.2	56.1*	4.43

* Highest response percentage

sis on branding, target markets, distribution and sales and the integration and coordination of the funding and marketing effort.

Destination human resource management

The results of the critical elements identified by the respondents for the destination human resource management process are shown in Table 5.

The respondents identified only one critical element, namely, the effective recruitment, training and development of staff.

It can therefore be concluded that respondents considered this element as the most critical in terms of human resource management.

Strategic destination management

The results of the critical elements identified by respondents for the destination strategic management process are shown in Table 6.

It is evident from Table 6 that most of the respondents regarded the strategic management of the destination as critical. All the elements listed have an average mean above four, with strategic direction having the highest mean of 4.14.

Responsible destination management

The results of the critical elements identified by the respondents for responsible destination management are shown in Table 7.

The most critical elements identified by the respondents in order of importance are:

- Ensuring environmental and social impact assessments as a base for future tourism development
- Promoting the importance of responsible tourism practices
- Putting mechanisms in place to preserve cultural integrity and authenticity

Table 5: Destination human resource management – the identification of critical elements

DESTINATION MANAGEMENT PROCESS		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
HUMAN RESOURCE MANAGEMENT	1 Effective recruitment, training and development of staff	0	0.7	6.5	30.2	60.4*	4.54
	2 Implementing appropriate transformation strategies	5.0	6.5	28.1	34.5*	22.3	3.64
	3 Providing appropriate career paths	2.2	6.5	22.3	42.4*	21.6	3.78
	4 Ensuring appropriate labour relations and negotiation strategies and processes	3.6	11.5	20.9	36.7*	23.0	3.67

* Highest response percentage

Table 6: Strategic destination management – the identification of critical elements

DESTINATION MANAGEMENT PROCESS		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
STRATEGIC DESTINATION MANAGEMENT	1 Providing strategic direction (shared vision and strategic framework)	0.7	2.2	19.4	33.8	39.6*	4.14
	2 Continuous macro-competitive and market analysis	0.7	4.3	19.4	36.0*	35.3	4.05
	3 Formulation and implementation of integrated destination strategies	0	3.6	16.5	43.2*	31.7	4.08
	4 Strategic benchmarking. Monitoring and evaluation	0.7	2.2	20.1	37.4*	34.5	4.08

* Highest response percentage

- Putting mechanisms in place to protect the interests of local communities
- Incentivising tourism stakeholders who adhere to the principle of sustainable development.

It is evident that most of the respondents considered responsible destination management, with all its elements, as critical.

Learning and growth perspective: the identification of critical success factors

This section focuses on the learning and growth perspective that portrays future development factors that are critical to creating long-term growth and improvement for the destination. Four categories were identified in the literature study, namely, product development, infrastructure development,

Table 7: Responsible destination management – the identification of critical elements

DESTINATION MANAGEMENT PROCESS		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
RESPONSIBLE DESTINATION MANAGEMENT	1 Putting mechanisms in place to protect the interests of local communities	2.2	5.8	12.9	31.7	44.6*	4.14
	2 Putting mechanisms in place to preserve cultural integrity and authenticity	0.7	5.0	12.2	29.5	49.6*	4.25
	3 Ensuring environmental and social impact assessments as a base for future tourism development	0.7	0.7	9.4	28.1	58.3*	4.47
	4 Incentivising tourism stakeholders who adhere to the principles of sustainable development	0.7	3.6	14.4	39.6*	37.4	4.12
	5 Promoting the importance of responsible tourism practices on the part of tourists, communities and the tourism industry	0.7	2.2	5.8	35.3	53.2*	4.42

* Highest response percentage

people development and systems development. The results of these four categories are discussed in the following sections.

Product and market development: the identification of future critical success factors

The respondents' views on product and market development are depicted in Table 8.

The critical success factors identified by respondents, in order of importance, are:

- Upgrading and further development of visitor services and facilities
- Developing new airline alliances
- Exploiting new market opportunities.

Most of the respondents did not regard the development of new tour routes and tour packages, or the development of new attractions and experiences, to be critical. This is interesting, as both of these are critical elements of innovative development in ensuring competitive future products and attractions.

Infrastructure development and management: the identification of future critical success factors

Respondent feedback in terms of infrastructure development and management is shown in Table 9.

The most important future critical success factors identified by respondents, in order of importance, are:

- Safety and security management
- Road signage and information networks
- Appropriate infrastructure provision
- Appropriate public transport systems, roads, airport and rail ports provision
- Responsible destination planning and resource usage.

Table 8: Product and market development – the identification of future critical success factors

LEARNING AND GROWTH PERSPECTIVE		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
PRODUCT AND MARKET DEVELOPMENT	1 Development of new attractions and experiences	0	7.9	29.5	36.0*	23.7	3.79
	2 Development of new tour routes and tour packages	0.7	8.6	32.4*	29.5	25.9	3.73
	3 Exploiting new market opportunities and focusing on new market segments	0	4.3	13.7	38.1	41.0*	4.19
	4 Development of new airline alliances	0.7	5.0	17.3	20.9	52.5*	4.24
	5 Upgrading and further developing visitor services and facilities	0	1.4	11.5	28.1	54.0*	4.41

* Highest response percentage

Table 9: Infrastructure development and management – the identification of future critical success factors

LEARNING AND GROWTH PERSPECTIVE		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
INFRASTUCTURE DEVELOPMENT AND MANAGEMENT	1 Responsible destination planning and resource usage	0	1.4	15.8	36.7	43.9*	4.26
	2 Provision of appropri-ate public transport systems, roads, airports, rail ports	0	1.4	10.8	33.8	51.1*	4.39
	3 Provision of appropri-ate infra-structure (e.g. water. electricity)	0	0	12.2	33.8	51.1*	4.40
	4 Safety and security management	0	0	0	16.5	80.6*	4.83
	5 Road signage and information networks	0.7	0.7	5.0	27.3	62.6*	4.56

* Highest response percentage

It is evident from the foregoing that the majority of the respondents consider infrastructure development and management as critical to the future success of South Africa as a tourism destination. The most important of these is safety and security management.

People development: the identification of future critical success factors

The people development success factors identified by the respondents as important are shown in Table 10.

The most important future people development critical success factors identified by respondents, in order of importance, are:

- Customer-care programmes
- Skills training and education
- Community tourism awareness programmes
- Entrepreneurial support.

Skills training and education were again highlighted as an important critical success factor for future development. Customer care, community awareness and entrepreneurial training were also considered to be critical. Respondents again viewed transformation programmes to be not as important.

Systems development and usage: the identification of future critical success factors

The systems development factors identified by the respondents as important are shown in Table 11.

The most critical systems development success factors chosen by respondents, in order of importance, are:

- Market research and intelligence
- Optimum utilisation of the Internet and other technology-based tools.

Recommendations

Based on the information obtained in the empirical survey, certain recommendations can be made to the South African tourism industry. These are discussed in the following sections under the headings of safety and security management; people development and systems development; marketing and product development; and responsible management.

Recommendations for destination managers

Safety and security management

In this survey, safety and security management was also identified as the most important critical success factor for infrastructure development and management.

It is clear that steps to reduce safety risk will have to play a key role in future tourism strategy. Steps such as encouraging the government and police to reduce levels of violence and crime in the country as a whole and increasing foot patrols in tourism areas are essential. It is also clear, however, that safety and security management should be integrated with tourism management, which should be expected to address this problem in an innovative way. For example, safety and security provisions could be built into national, provincial and local tourism, resulting in specific tourism security initiatives.

Table 10: People development – the identification of future critical success factors

LEARNING AND GROWTH PERSPECTIVE		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
PEOPLE DEVELOPMENT	1 Skills training and education	0	0.7	5.8	33.8	58.3*	4.52
	2 Community tourism awareness programmes	0	2.9	12.2	33.8	48.2*	4.31
	3 Customer care programmes	0	1.4	3.6	33.1	59.0*	4.54
	4 Transformation programmes	2.2	7.2	30.9*	30.2	25.9	3.73
	5 Entrepreneurial support programmes	1.4	4.3	15.8	38.1*	37.4	4.09

* Highest response percentage

Table 11: Systems development – the identification of future critical success factors

LEARNING AND GROWTH PERSPECTIVE		1	2	3	4	5	
		Not important	Some importance	Reasonably important	Very important	Extremely important	Mean
SYSTEMS DEVELOPMENT AND USAGE	1 Integrated systems of information technology	1.4	4.3	23.0	36.0*	33.1	3.97
	2 Market research and intelligence	0.7	3.6	11.5	36.7	45.3*	4.25
	3 Computerised reservation system	2.9	10.1	16.5	37.4*	28.8	3.82
	4 Optimal utilisation of the Internet and other technology-based tools (e.g. CD Rom)	2.2	11.5	15.1	35.3	40.3*	4.10

* Highest response percentage

People development and systems development

People development and systems development were identified as the most important components under the learning and growth perspective.

People development refers to development in customer-care, skills and education, community tourism awareness and entrepreneurship. People development success factors will impact on all the management processes. The development of human capital is therefore crucial for the management of all the destination management processes, and people development success factors should be integrated with the success factors of the destination management processes to ensure success and specifically to lead to optimum customer satisfaction.

The South African tourism industry therefore requires a multidisciplinary and integrated approach to addressing the perceived inadequate training and education. It is evident that appropriate tourism training courses should receive priority attention, and that more effort should be directed at achieving international standards of professionalism in the South African tourism industry. Education and training should therefore be at the forefront of tourism development and should be expanded to school curricula and tertiary institutions.

The respondents indicated that **systems development** (with specific reference to market research and intelligence and the optimum utilisation of the Internet and other technology-based tools) was important. Appropriate systems development can ensure that the destination will be able to generate and disseminate the information that is needed to take strategic decisions.

Marketing and product development

Most of the South African respondents regarded marketing as an extremely important process, with specific emphasis on branding, target marketing, distribution and sales, and the integration and coordination of the marketing effort. It is therefore recommended that the marketing efforts of provinces be integrated and coordinated in a South African effort. Marketing also shows a strong correlation with systems development, once again increasing the importance of market research and information systems in this process.

Product development should be linked to marketing to ensure that the products reflect as closely as possible the needs of the people who will make use of them. It is important to note that although the literature considered the development of new attractions, experiences, tour routes and tour packages as being important, the respondents did not consider these to be critical. This issue must be addressed to ensure the enhancement of innovation in product development. South Africa should therefore devote attention to innovative product development and link the marketing process to this to ensure synergy and sustainable product/market matches.

Responsible management

It is recommended that responsible management principles become an important factor for the identification and integration of critical success factors in South Africa. There should also be a direct relationship between this process and the achievement of social and environmental protection targets as defined by the sustainable growth indicators identified by the destination.

Recommendations for future research

Based on the results of this study, the following suggestions are put forward for consideration regarding future research:

- The testing of the destination competitiveness model developed in this study in rival national destinations and comparison of the results with the results obtained for South Africa
- An investigation of the effectiveness of strategic direction and position formulation, communication and implementation in the South African context
- An investigation of the effectiveness of strategic assessment and strategic information dissemination in creating strategic knowledge for a destination such as South Africa
- A critical analysis of the strategic capability of a destination such as South Africa, and matching this with the product offering and market focus.

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Job-sharing and employee productivity: two for the price of one?

*H.C. Ngambi**

In view of South Africa's low levels of productivity, and the fact that the country faces increasing international competition, many South African organisations have been (or should be) searching for ways to correct what is wrong. This study examines job-sharing as a possible solution to the problem of low levels of employee productivity within South African organisations.

The literature survey confirms that low levels of productivity are prevalent in South Africa. The survey results indicate that there is a relationship between employee productivity and a willingness to share jobs. Furthermore, the results reveal that job-sharing has the potential to help address the productivity challenges that South Africa faces.

Introduction

Productivity, to a great extent, determines how effectively organisations and nations are able to compete, both internally and at the global level (Berman 2003; Giles & Campbell 2003; Warner 2002). Declining levels of productivity in South Africa require urgent attention (Taho 2004; Ensor 2003; Shevel 2002; Gerber, Nel & Van Dyk 1998; Hillard 1996). Job-sharing, which allows two people to voluntarily share the responsibilities of a single full-time permanent job, along with the pay and benefits, is a strategy that could be used to increase employee productivity (Brocklebank & Whitehouse 2003). The results of this study reveal that there is a significant relationship between job-sharing and employee productivity.

This article presents productivity as a challenge that many South African organisations face. It defines productivity, reviews the literature on how job-sharing could address productivity problems, and then presents the research question and methods. The article ends with the presentation and discussion of results (which are part of a larger study). Recommendations for action are provided.

Purpose and background of the study

The purpose of the study was to explore whether there is a willingness to share jobs in South Africa, and to explain whether job-sharing could be used as an alternative strategy for addressing multi-faceted problems such as lay-offs and low levels of productivity. The aspect of the study relating to the willingness to job-share and to address unemployment and lay-offs in South Africa is reported in detail in Ngambi (2001). The study revealed that 68% of job seekers and 33% of organisations are willing to job-share. Furthermore, the study revealed that 80% of employees would rather job-share, share work, or opt for some alternative other than retrenchments (Ngambi 2001: 4). This article reports on the results of the study, which pertain to job-sharing and its potential to increase employee productivity in South Africa.

Productivity as a challenge for South African organisations

South Africa ranks very low globally in terms of productivity (Gerber et al. 1998; *World Competitiveness Yearbook* 2001; Business Day 2000; Shevel 2002; Ensor 2003). Since productivity has an impact on economic prosperity (Cherrington 1995; Bruce 2000), and therefore the standard of living, this paints a very bleak picture for South Africa. Hillard (1996: 16-18) emphasises that in spite of the outcry over low productivity in South Africa, it appears that little has been done to improve the situation. South Africa was ranked 42nd out of 49 countries surveyed in 1996 and 2001 (Hillard 1996; *World Competitiveness Yearbook* 2001). The situation worsened in 1999 and

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2000, with South Africa's ranking dropping to 43rd. There was an improvement in 2002, which saw South Africa ranked 39th out of 49 countries surveyed (Shevel 2002; Ensor 2003). Except for isolated instances of increased productivity, confined mainly to the private sector, South Africa's productivity is deplorably low when compared with its international competitors. Even these increases, according to Shevel (2002), were achieved by increasing output and decreasing labour, which is the least desirable method of increasing productivity given South Africa's high unemployment levels, which saw the country ranked 49th on the World Competitiveness Report (Lewis 2002). A *Sunday Times* survey conducted in 2002 revealed that some 60% of employees showed low levels of creativity. Poor morale was also cited as a problem: some 66% of the workers surveyed were unhappy at work.

The latest statistics (Statistics SA 2003) reveal that the majority (53%) of South Africa's population is below the age of 24, which suggests that they have not yet obtained sufficient skills and experience to effectively contribute to organisational performance. Women constitute 52.2% of the population. The majority of women are below 25 years of age; these women have not yet finished raising children. Creative ways of balancing work and family life are clearly called for.

The employment profile (Statistics SA 2003) revealed that only 12% of top management are women, despite the fact that the majority of individuals with tertiary education are women. In terms of total employment, 65% of the workforce are men and 35% are women. The majority of women who have skills, knowledge and competencies required within organisations are in the unemployment pool, despite the skills shortage in South Africa. Skilled labour is in the minority, with those aged 50 years and above only constituting 11% of the workforce. White males hold the majority of professional and skilled jobs. These statistics imply that unless something is done to transfer skills to the majority of the workforce (the young, black and female groups of the population) and to effectively utilise the available skills of women who cannot work on a full-time schedule because of family obligations, South Africa is heading for a productivity and economic disaster.

Creative and flexible ways are needed not only to draw these designated groups into the employment pool, but also to effect a skills transfer and retention strategy that will positively impact upon productivity and sustainable growth. Job-sharing could alleviate the situation.

A global survey by Proudfoot Consulting (2002) attributed low productivity to worker fatigue, inadequate management, insufficient planning and control, lack of autonomy and control of the work environment, lack of appropriate skills, poor management, ineffective communication and poor working morale (Proudfoot Consulting 2002).

Urgent action is called for to break the vicious circle of poverty and unemployment in South Africa. Practical ways need to be found to increase productivity (Warner 2002; Prokopenko 1995) and to maintain sustainable growth. In an attempt to address low productivity levels, Morgan (1998) talked about creating a productive culture. Morgan (1998: 16) listed some factors that are guaranteed to inhibit the productivity improvements that need to be addressed in South Africa. These include poor quality of work, absenteeism, injuries, breakages, lack of motivation and high labour turnover. Job-sharing might be a strategy for addressing some, if not all, of these problems.

It can be seen from the foregoing factors that the human resource is the most critical in terms of increasing productivity. Government and the unions (which are very strong in South Africa) are unlikely to support any strategies for increasing productivity that would involve lay-offs or retrenchments, especially in view of the high levels of unemployment. For example, Volkswagen was ordered at the beginning of 2001 to reinstate 1300 workers who had been fired the previous year following an illegal strike (*The Economist* 2001). Even though there may have been many complexities surrounding the Volkswagen case, it does indicate that in South Africa, retrenchments are not easily accepted as an effective and appropriate method for addressing productivity problems. Thus, the method used to increase productivity would have to avoid cuts in the workforce (Morgan 1998). Volkswagen could possibly have introduced job-sharing as a strategy for addressing its productivity problems and as an alternative to retrenchments. For example, Jackie Brocklebank and Heather Whitehouse (Brocklebank and Whitehouse 2003: 243) job-share the position of Acting Director at Aston University Library and Information Services, Birmingham, UK. They say: ''Neither of us had job shared before but we decided that the time was right for us to consider this option.'' It might be that the time has come for South African organisations to explore the use of job-sharing as a strategy for addressing, among other things, employee productivity challenges.

Definitions of employee productivity

There are various definitions of what is meant by productivity, but common elements include capital investment, innovation, learning (skill and competence) and motivation and commitment (Stein 1983). Some writers (Mondy, Sharplin & Premeaux 1981: 17; Ivancevich & Matterson 2002) define it ''as a measure of the relationship between inputs (labour, capital, natural resources, energy and so forth) and the quality and quantity of outputs (goods and services)''.

The ultimate and most important source of productivity, based on Stein's (1983: 11) definition, is motivation and commitment. Without motivation and commitment, people may fail to use equipment properly, whether deliberately or otherwise. They will be disinclined to innovate or explore new ideas, and would have no interest whatsoever in learning or its application.

Another definition that this study adopts, as it applies to the South African context, is provided by Armstrong (1991: 83), who describes productivity as ''increasing efficiency with which human resources are utilised, with particular emphasis on developing flexibility in the type of people employed as well as flexible working arrangements'' (which includes job-sharing).

This study adapts Ronen's (1984) viewpoint that unless one addresses issues pertaining to worker fatigue (worker energy), autonomy and control, productivity is likely to continue to decline in South Africa. Thus, this study attributes the decline in worker productivity, as also revealed by other studies in South Africa (Proudfoot Consulting 2002; Morgan 1998; Hillard 1996) to alienation and sagging morale, resulting in absenteeism, labour turnover and tardiness, as a result of a lack of motivation and commitment, lack of autonomy and control of the work environment, and lack of skilled labour, which can be addressed through job-sharing. In this article, productivity refers to labour or employee/worker productivity.

In attempts to find ways to improve labour productivity, organisations have considered methods that would foster worker satisfaction in the belief that a satisfied employee is a productive worker. However, this relationship may not be as direct and as clear as is supposed. The productivity-satisfaction paradox, as discussed in the following section, sheds some light on the job-sharing–productivity connection.

The productivity paradox

Gordon (1993) argues that, it is possible to reach a ''promised land'' of high satisfaction and productivity. There are many models that assume, either directly or indirectly, that it is possible to create an environment where both performance and satisfaction co-exist. These include worker participation, socio-technical system, 9–9 systems and theory Z (Gordon 1993). The Japanese 'miracle' reveals that valuing both employee satisfaction and productivity can only be beneficial, irrespective of whether satisfied employees are productive or not.

A concern for productivity within organisations implies a concern for both effectiveness and efficiency, since an organisation may be said to be productive if it achieves its goals and does so by transferring its inputs to outputs at the lowest cost. Organisations want to know which factors would influence the effectiveness and efficiency of employees as individuals, as groups, and the organisation as a whole (Robbins 2001). According to Robbins (2001), Morgan (1998) and Cherrington (1991), the factors that impact on productivity include absenteeism, turnover and job satisfaction.

Since absenteeism and turnover are behaviours, it is relatively easy to relate them to worker productivity. It is quite obvious that it would be fairly difficult to get an employee, who is not at work when he or she is supposed to be, to be productive, just as it is impossible to get someone, who has permanently left his/her job with the organisation, to be productive.

Job satisfaction as it relates to productivity is, however, paradoxical. Job satisfaction is not a behaviour but an attitude. There is no distinct empirical evidence to support the causal relationship between job satisfaction and productivity (Robbins 2001; Gordon 1993), even though it would probably be easier to get satisfied employees, rather than dissatisfied ones, to be productive. Robbins (2001) indicates that the reason for the failure to detect causality is that research has focused on the individual to the exclusion of the complex organisational dynamics. If this relationship is investigated in terms of the organisation, taking all the dynamics into consideration, it may well be found that happy organisations are more productive (Robbins 2001: 77).

Absenteeism is a human resource problem that contributes to lower levels of productivity in South Africa (Butler 1995; Gool 1996; Morgan 1998; Taho 2004). Butler (1995) conducted a survey in Cape Town, which revealed unacceptable levels of absenteeism mostly attributed to ill health, domestic problems (need to have work/family balance), mode of travel, poor motivation and development opportunities in organisations. Gool's study (1996) confirms these factors. Literature on job-sharing (Financial Times Information 2003; Fox 2003; Ronen 1984; Pierce, Newstrom, Dunham & Barber 1989; Gomez-Mejia, Balkin & Cardy 2001) reveals that these are some of the reasons why employees opt to job-share, which indicates that it could be one of the most suitable alternative solutions to high levels of absenteeism and hence productivity problems in South Africa.

Absenteeism translates into a decline in productivity in South Africa. According to the studies done by Butler (1995) and Gool (1996), the adverse effects include disruption of the work/production flow, an increase in overtime expenses, negative impact on goods and services, adverse effects on the morale of other workers, and a lowering of general standards of performance.

All these factors have a negative effect on productivity. Yet another aspect revealed in their respective studies (Butler 1995; Gool 1996) is that absenteeism rates are highest among female workers, mostly due to family/work conflict. All these are indicative of the potential of job-sharing as an alternative solution (Beeler 2003; Financial Times Information 2003), as discussed further in the next section.

Job-sharing as an alternative for addressing low levels of productivity

A variety of studies and case scenarios (Beeler 2003; Financial Times Information 2003; Fox 2003, Ngambi 2002; Warme, Lundy & Lundy 1992; Lee 1984) indicate that job-sharing, by addressing a variety of employee-related problems, can lead to increased productivity. The reasons advanced for job-sharing include:

- Opportunity for a more balanced life and more time for family
- More flexibility in arranging days off
- A way to develop team skills and an opportunity to work with a more experienced person (on-the-job-training)
- Personal enrichment and psychological support as a result of close contact with a job partner
- Opportunity to phase out into retirement
- Reduced workplace stress, and working when more alert
- Retention of skilled employees
- Improved quality of work life, increased employment opportunities and increased employee productivity.

Mckeown (2003) says that family-friendly policies are key to productivity and comments: "The remarkable truth is that payback on being 'family friendly' is well proven. In Australia, for example, DuPont got back £4 for every £1 spent, while NMRA got £14 for every £1 spent." Job-sharing as a family-friendly policy could be used as one of the strategies for addressing productivity challenges in South Africa.

In their study, Warme et al. (1992) found that more than a third of the respondents were willing to job-share. Some of the jobs that have been considered well suited to job-sharing include "jobs with widely varying activity levels, high-pressure jobs, boring jobs and jobs requiring a variety of skills" (Lee 1984: 30). However, many other jobs have been shared. A number of job-share case scenarios and studies (*Australian Financial Review* 2003; Beeler 2003; Brocklebank & Whitehouse 2003; Ngambi 2001; Dancaster 1993: 5) reveal that various areas of work are amenable to job-share schemes. These include administrative, clerical and professional work, such as nursing, computing, teaching and librarianship, and to a lesser degree jobs in manufacturing and the retail trade. This indicates that there is potential for job-sharing in many areas of work and that this can be used as an alternative solution to low levels of productivity.

There is enough evidence to suggest (Beeler 2003; Mckeown 2003; Pierce et al. 1989; Ronen 1984) that matching work times to people's individual time needs allows them to respond with greater productivity, lower absenteeism, less tardiness and lower labour turnover, all of which are prevalent in South Africa. People who might be the most able, but were not available under normal working schedules, now become available under an alternative work schedule such as job-sharing. Ronen (1984: 35) contends that:

> If we assume that worker fatigue and lack of autonomy and control of the work environment have caused the decline in productivity, then we can see how alternative work

schedules can enhance organisational effectiveness. Particularly those workers at tedious or hectic jobs may be unable to tolerate the boredom or pressures of a 40-hour work week.

Research conducted in the UK by Mckeown (2003) reveals that family-friendly policies such as job-sharing are key to productivity. Allowing the job-sharing alternative may increase employee productivity (Robbins 2001; Touby 1993; Polsky & Foxman 1987) in the following ways:

- Increased job satisfaction and motivation afforded by greater flexibility in work scheduling
- Increased worker energy (two for the price of one)
- Reduced turnover, absenteeism and tardiness
- Job-continuity
- Use of a broader and expanding range of skills
- Utilising the skills of parents that would otherwise be at home raising children.

If management allows job-sharing as an alternative work schedule, parents that may be well educated and highly trained would no longer have to make a choice between raising children and a career. This arrangement would also give older workers that want to start phasing out prior to retirement the opportunity to do so. Employees that want to learn as they earn would be afforded the opportunity. Employees that want to develop team skills and obtain personal enrichment and psychological support through close contact with a job partner would also have their needs met.

All employees who, for whatever reason, want to work less than full-time would also be permitted to do so. Workers would thus be satisfied, motivated and committed to the organisation. This could translate into improved productivity. Job-sharing in South Africa would meet the need for employees 'to share', which is an element that is characteristic of Africa. Many studies (Booysen 1999; Ngambi 1999; Mbigi & Maree 1995; Blunt & Jones 1992; Hofstede 1980) have used terms such as 'collectivism', 'communal' and *'ubuntu'* to express the sharing characteristic of Africans.

It would be strategic for organisations in South Africa to try some of the strategies that would support the cultural characteristic of Africans to share. It would thus make sense to explore the use of a 'sharing' strategy, such as job-sharing, as a possible practical solution to some of the problems in Africa as a whole, and South Africa specifically. There seem to be no records of any job-sharing arrangement in South Africa, even though the results of research conducted in the country reveal that 33% of respondents are willing to job-share (Ngambi 2001).

The effects of job-sharing on employee productivity are similar to those of flexitime, as summarised and

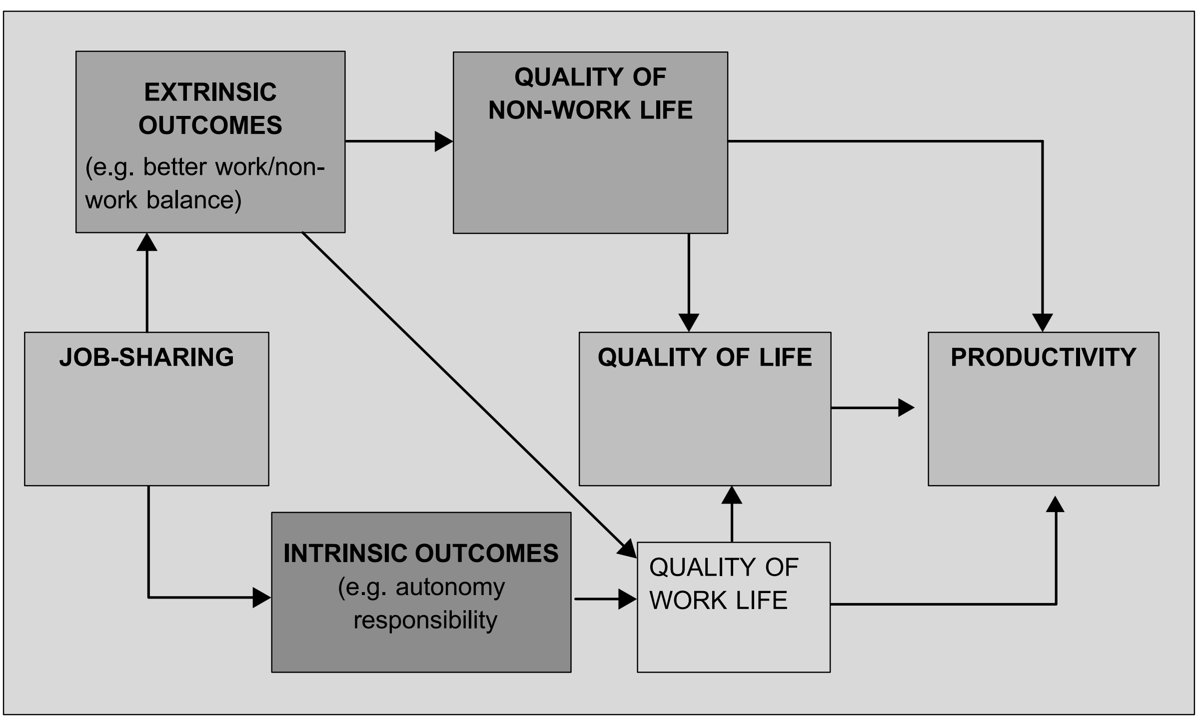

Figure 1: Effects of job-sharing on productivity

Table 1: Advantages and disadvantages of job-sharing

Advantages/benefits	Disadvantages
• Greater flexibility in work scheduling • Retention of valued employees • Reduction of turnover • Wider range of skills in one job • Recruitment from a broader labour pool • Options for older employees • More energy on the job • Reduction in absenteeism • Continuity of job performance • Work and non-work balance • Higher employee productivity • Allows employees to enrol for further studies	• Increased cost of benefits to the employer • Higher costs of payroll administration • Difficulties in the recruitment of job-sharers • Possible personality conflicts between sharers • Work space problems if sharers overlap • Increased workload for supervisors (or increased cost of supervision) • Problems of accountability if responsibility is divided • The necessity of developing a coordinating mechanism (Warme et al. 1992: 318)

illustrated in Figure 1. Ronen's (1984) intrinsic-extrinsic job characteristic taxonomy can be contextualised as a vehicle for further explaining how job-sharing influences motivation (Pierce et al. 1989: 23–25), which has an impact on productivity. It may be argued that job-sharing can satisfy needs that are associated with both the extrinsic (work environment or context) and intrinsic (feelings that stem from work itself) categories and can therefore influence the quality of work life and quality of life via both routes, which ultimately impacts on productivity (see Figure 1).

As shown in Figure 1, employees pursue a lifestyle that combines both work and non-work activities as may be satisfactory to them (Pierce et al. 1989: 22). This implies that when employee needs are satisfied in each of these domains, the outcomes are both quality of work life and quality of non-work life, which both influence employee productivity. Either the work or non-work domain has the potential to influence values held in another domain (Ronen 1984: 20).

As Stein (1983: 36) says: ''Whilst attempting to improve the quality of work, realistic organisational approaches to improving productivity also pay attention to employees in their non-work circumstances, and that means a sensitivity to their family situations in particular.''

Given that almost half of all economically active women are in the workforce (Statistics SA 2003), including those with pre-school children and the growing number of single parents, organisations can no longer assume that their male employees have support systems (female) at home to ensure that family problems do not encroach into the workplace and negatively impact on productivity. Astute organisations, especially in western countries, have recognised the need to establish personnel policies, such as flexitime and job-sharing, to ameliorate the work and non-work dilemma (Stein 1983). Organisations in South Africa would be wise to take heed and explore the use of job-sharing to improve and sustain employee productivity levels.

It is acknowledged, however, that there are many factors other than employee motivational levels that influence productivity, where job-sharing might not be the answer. Gray & Starke (1984) illustrate this point well in their satisfaction-motivation-productivity model. They propose that managers should first determine the interrelationship of need satisfaction, need structure and job motivation for employees before predicting productivity. They emphasise the importance of analysing each situation to determine which factors significantly moderate the motivation-productivity link. Thus, it would be expected that in the current South African environment, with the post-apartheid changes in the workforce composition and characteristics, the traditional methods of scheduling work would be unsatisfactory. This would call for an analysis of alternative work schedules to determine the appropriate one for increasing productivity. It is expected that this analysis would reveal that job-sharing would be one of the most appropriate alternatives for increasing productivity. There is considerable evidence that job-sharers are at least as productive as full-time employees, and often even more so (Cohen & Gadon 1978). This is not to assume that every employee and organisation in South Africa would opt to job-share, but rather that this would be a viable alternative for those who are not able to work on a full-time schedule.

Advantages and disadvantages of job-sharing

There is a need for a proper managerial cost/benefit analysis before any option is implemented, since there are many possible variations of the job-sharing option. However, studies and reported cases of job-sharing reveal certain advantages (or benefits) and disadvantages associated with job-sharing.

On the basis of various studies (Ivancevich & Matterson 2002; Gomez-Mejia, Balkin & Cardy 2001; Schneider 2000; Sheley 1996; Warme et al. 1992; Walton 1990; Lussier 1990; Lee 1984; Lunt 1994; Olmsted & Smith 1989: 129), Ngambi (2001) provides a summary of the advantages and disadvantages of job-sharing, as shown in Table 1.

One of the job-sharers at Fleming Fulton School in Belfast, Catherine, says: ''I think there are real benefits for the school. Because we are not here all week, we are both very enthusiastic on the days that we do work'' (Financial Times Information 2003). Another example is that of Cafero and Como of the New York-based Xerox Corporation, who share a management position. Ten years ago when they decided to pursue a job-share option, neither one of them knew anyone with a similar work arrangement (Beeler 2003). Not only is their arrangement still working, but the advantages of this option are still tangible. ''It enabled Xerox to hold on to two valuable employees who also needed to address family and personal situations'' (Beeler 2003: 30).

In a recent study (*Worklife* 2001) presented at the British Psychological Society Conference, it was revealed that job-sharing and other alternative work arrangements can significantly improve performance. The findings indicated that even though all the individuals on flexible work arrangements reported higher performance than those on a traditional full-time schedule, job-sharing resulted in a higher performance improvement than flexitime, reduced hours and working at home.

From the foregoing review, it would seem that job-sharing would benefit the individual employee, the organisation and society at large in various ways, including addressing the desire for a balanced work–non-work life, problems of unemployment and lay-offs, and low productivity. There are, however some disadvantages or costs to be considered, as indicated in Table 1. Sheley (1996) also reports on the findings of a study on job-sharing that management resistance and scepticism, corporate culture, compensation and benefit costs were some of the challenges and problems reported by the study.

In summary (Ngambi 2001: 10), the cost/benefit analysis depends to a great extent upon the objectives for instituting job-sharing (Olmsted & Smith 1989). It has to be determined whether job-sharing is being considered in response to an employee's request, or because of recruitment difficulties, as an alternative to lay-offs, or as a way to manage several of these problems at once. The areas in which savings, both current and future, may be made need to be established. Olmsted & Smith (1989: 155) also point out that if one weighs the advantages and disadvantages of using job-sharing, it might be found that there are savings in base salary. If the organisation sets up job sharers' schedules to enable them both to use the same space and equipment, no extra expense in this area is incurred. The decrease in absenteeism and turnover generally associated with the use of job-sharing often offsets whatever moderate cost increases may be involved.

In some cases (Lunt 1994: 88), it has been found that employing job-shares is cheaper than employing either a full-timer or two part-timers, and that job-sharing is less expensive than replacing someone. It has also been found in some banks (Lunt 1994) that a pair of job-sharers is more productive than a single full-time employee.

The literature indicates that, if properly implemented, the benefits of job-sharing at least outweigh the costs. Job-sharing must be implemented carefully and cautiously (Ngambi 2001). Successful implementation of job-sharing requires a proper analysis of the job – the duties, responsibilities, costs and benefits to be divided between the sharers – before it can be effectively used to address the productivity challenge and applied as an alternative strategy for addressing a variety of organisational problems in South Africa, especially since it is a voluntary strategy. This implies that those who would prefer this strategy would rather job-share than stay at home, either for a variety reasons as summarised in Table 1, or as an alternative that is more attractive in the form of a 'half loaf of bread', or the fact that less pay is better than none. In the case of organisations, there are potential increases in employee productivity as they utilise the energy and skills of two employees for the price of one.

Research question and objective

To achieve the purpose of the study, this article focuses on the following research question and objective: to what extent would willingness to job-share be influenced by perceived employee productivity. The objective of this question was to explore the relationship between workers' (employees') perceived productivity and their willingness to job-share.

Research methodology

In South Africa, the job-sharing concept is not very well known, and its implementation, if any, is very limited. It therefore does not render itself open to observation in the 'natural' work setting in a qualitative way (Gay & Diehl 1992). A quantitative, *ex post facto* survey research methodology (Creswell 1994) was used. To conduct this study, data were obtained from employees and organisations/ employers from all the nine industries in Gauteng, as shown in Table 2.

Even though this study is also interested in the question of causation, it cannot be carried out experimentally by manipulating variables. Subjects could not be assigned to treatment and control groups in advance. It is therefore possible that there might be multiple causes, rather than just one, for any of the responses. The *ex post facto* design was thus used as the most appropriate for determining causal explanations between variables (Cooper & Schiedler 1998: 132).

Target population and samples drawn

In this study, multi-stage, stratified, systematic samples of the organisations and the workers, based on sector, industry, organisation and gender, were obtained to reduce the sampling error (Babbie 1992), as shown in Table 2.

This study was limited to Gauteng, which is responsible for approximately 50% of all economic activities in South Africa (CSS 1996). The economic activities in South Africa are classified into three sectors: primary, secondary and tertiary (Martins 1979), as shown in Table 2. These sectors constitute 22%, 33% and 45% of the major industries respectively. According to the Standard Industrial Classification (SIC) of the Central Statistical Service (1996), there are nine major industries that are grouped into these sectors. The samples at sector, industry and organisational level were classified as such. Since stratified systematic samples were obtained for the purpose of this study, the percentages provide a natural stratification (see Table 2). The population consisted of organisations and the economically active population (workers) in Gauteng who would like to work less than full-time on a job-share schedule. Since the exact number was not known, an estimate was obtained from the number of those workers who work part-time, less those who would like to work more hours (CSS 1996). A sample of 20 organisations (Human Resource Managers or their representatives) out of 500, from which a sample of 560 workers was obtained, was stratified proportionately, as shown in Table 2, using judgement and convenience. This judgement, and hence the sample design, was based on the following assumptions:

- Since job-sharing involves working fewer hours than traditional full-time work (as does part-time work), potential job-sharers would come from the population that prefer to work fewer hours (that is, the current part-timers), especially because the job-share strategy is voluntary.
- With the job-sharing concept being new in South Africa, scepticism is likely to be prevalent, precluding many people from immediately opting for it, especially in view of the many recent changes in the country.
- Statistics on quality of life, as reported by Central Statistical Service (CSS 2000), indicate that the majority of people live in very poor conditions. This is indicative of the possibility that most workers might not immediately want to job-share, since they would have to share their income as well.
- Cooper & Schiedler (1998) are of the view that if a study is exploratory and precision is not critical, as is the case in this study, the absolute sample size is much more important than its comparison to the population. Thus, in this study, precision was not considered as critical in determining the sample size.
- Research on job-sharing elsewhere (Warme et al. 1992) reveals that about 30% of the respondents indicated the desire to work fewer hours with a pay cut. In South Africa, it was anticipated that the rate could be far lower than that, for the reasons already mentioned. However, the results (see Ngambi 2001) reveal that there are slightly over 30% respondents in South Africa who are willing to job-share.

Table 2 also reports the response rate. For lack of space and brevity, the details of the sampling

Table 2: Population and sample by sector and industry (organisations and workers)

Sector (3)***	Industry (9)***	Sample of organisations		Sample of workers	
		*N=20	**R=15	*N=560	**R=431
Primary 22%	Agriculture, forestry, hunting and fishing	2	2	56	42
	Gold mining and other mining and quarrying	2	2	56	39
Secondary 33%	Manufacturing	2	2	56	54
	Electricity, gas and water	3	2	84	83
	Construction	2	1	56	13
Tertiary 45%	Wholesale and retail trade and catering and accommodation service	2	1	56	29
	Transport, storage and communication	2	1	56	41
	Financing, insurance, real estate and business services	2	1	56	27
	Community, social and personal services	3	3	84	103
TOTAL	**9**	**20**	**15**	**560**	**431**

Note:

* sample size: 560 workers, 20 organisations

** Response rate: 431 workers (77%), 15 organisations (75%)

procedures and methods are not provided here. They are provided in Ngambi (2001).

Questionnaire development and statistical analysis

Data were collected by means of a questionnaire containing 90 items in the case of employees and 37 items in the case of organisations. In the case of organisations, the questionnaire was completed by an informed representative. The majority of the questionnaire items took the Likert form, based on a 5-point scale from 'very easy' to 'very difficult', and from 'strongly agree' to 'strongly disagree'. For example, the construct 'absenteeism', as shown in Table 3, consisted of the following statements to which respondents were asked to indicate the degree of their agreement:

- "During the next three months, I plan to arrive at work on time whenever it is possible to do so.
- During the next three months, I expect to miss at least one day of work on a day when it would be possible for me to come to work.
- Due to some family problems, it has been difficult for me to always be at work on time.
- It is difficult for me to be at work on time due to transportation problems."

Other questions were asked for factual, demographic information.

The principal component analysis was conducted (see Ngambi 2001), which revealed five major constructs relating to productivity, as reported in Table 3. To establish whether these grouped items (constructs) do measure their respective constructs, each Cronbach alpha coefficient was determined. The productivity-grouped items and the

Table 3: Cronbach alpha coefficient

Constructs	Mean	Cronbach alpha coefficient
PRODUCTIVITY		**0.75**
Amount of work/ worker energy	3.3	0.68
Absenteeism	3.9	0.67
Continuity	3.5	0.61
Tardiness/ absenteeism intentions	3.9	–
Attendance	3.5	–

corresponding alpha coefficients are presented in Table 3.

Table 3 shows, by the results of the Cronbach alpha coefficient, that the items do measure productivity (0.75) constructs, in that the coefficients are above the acceptable level (Hair, Anderson, Tatham & Black 1992). Tardiness/absenteeism intentions and attendance were single items and thus did not have individual coefficient alpha values.

Results and discussion

When the independent variable is continuous and the dependent variable is categorical/nominal, the most appropriate tool for testing the significance of relationships between variables would be discriminant analysis (Alreck et al. 1995). In this study, all analyses requiring a determination of the relationship between the preference of the work schedule (a single nominal/categorical variable) as a dependent variable and attitudes and opinions of respondents towards work schedules (Likert scale variables treated as continuous) as independent variables, used discriminant analysis.

Upon testing the assumptions for the regression and discriminant analysis, it was found that some of the assumptions (see Barkhuizen, Schepers & Coetzee 2002) were not exactly met. Usually the large sample size such as that for the workers (560) would reduce the error in the results that arose through violations of the assumptions. Since the data were categorical, Spearman correlation was used to determine linearity between the dependent and independent variables. The results reveal low linear tendencies. The results also show that the variables were not normally distributed, since they could only assume five-point scale values and are thus not continuous in the true sense of the word.

The results of these analyses reported very low R-squared values, indicating that the percentage variability in the dependent variables is explained only minimally by the predictor variables. Thus, as a corrective measure, CHAID (Hair et al. 1992) was used simultaneously with regression and discriminant analyses. CHAID was used to analyse the data, since it has no assumptions, except that the sample size be large enough, as it was in this case of employees/workers. In most cases, however, the results were more or less the same, thus only the results for regression and discriminant analysis are reported to avoid repetition.

The biographical profile of respondents is reported in detail elsewhere (see Ngambi 2001). Most of the surveyed workers are from organisations that are unionised (82%), which calls for sensitivity and participation by unions in any decision made regarding the introduction of a new work schedule such as job-sharing. It has been established and reported that there is willingness to job-share in South Africa (Ngambi 2001). The willingness to job-share has two dimensions, namely, perceived suitability (support) and personal preference (personal choice), for the option. Both dimensions are influenced by a variety of factors (primary factors), which need to be taken into consideration. These primary factors, which are possible motivators for willingness to job-share in South Africa, include: demographics, work/non-work balance, skills shortage, employment opportunities/unemployment and lay-offs, and employee productivity (Ngambi 2001).

The research question in this article is to establish a relationship between job-sharing and productivity as presented in the following section.

Influence of willingness to job-share on productivity

The research question was: ‘To what extent would willingness to job-share be influenced by the worker’s perceived productivity?’ To address this question, the objective sought ‘to explore the extent to which the workers’ perceived productivity would relate to their willingness to job-share’.

To measure productivity, 13 variables, which were grouped into five constructs through principal component analysis, were used. The overall mean for productivity variables is 3.5 (see Table 3). Thus, based on the mean results, it would appear that the workers are relatively satisfied with these aspects of their work, especially with regard to absenteeism and to tardiness. This is probably to be expected, because the workers are unlikely to admit that absenteeism and tardiness are major problems, since the questions were directed at them. The statistical results of these variables, as they relate to perceived suitability of job-sharing and personal preference of the work schedule, are presented next.

'Productivity' against 'suitability of job-sharing work schedule'

To establish the relationship between suitability of the job-sharing schedule and productivity, regression analysis was conducted. First analysis was done for the overall productivity (mean = 3.5) variable to determine if it had any significant relationship with the perceived suitability of job-sharing. Table 4 reports the results.

'Productivity' was a significant explanatory variable of the variation in the perceived suitability of the job-sharing work schedule at the 0.05 level of significance. The R-square value indicates that it explains approximately 4% of the variation in the dependent variable 'suitability of the job-sharing work schedule'. The study went further to determine which of the productivity variables (constructs) might explain most of the variation in the perceived suitability of job-sharing, through stepwise regression analysis. The results of this analysis are reported in Table 5.

The summary of stepwise procedure indicates that 'absenteeism' and 'amount of work' are the two variables that remained in the model. Both of these were significant and together explained approximately 5.5% of the variation in perceived suitability of job-sharing. Thus it may be concluded that productivity would have an impact on whether workers perceive job-sharing as suitable or not, especially with regard to absenteeism and the amount of work to be done. This implies that as a result of difficulties of being at work for the current, full-time work schedule, employees might opt to job-share, which would facilitate higher attendance at work and lead to higher productivity. This is based on the assumption that it would be impossible to get employees, who are not at work when they are supposed to be, to be productive. With regard to the amount work, the results imply that there is a need to job-share to ensure that employees are able to effectively and efficiently complete their jobs. Allowing two people to share the same job is likely to translate in higher productivity, as shown by the literature presented, owing to a broader range of skills, more energy and less absenteeism (since job-sharing provides for a better balance between work and non-work activities). The next section presents the results for this variable, with regard to preference for the work schedule.

'Productivity' against 'preference for job-sharing work schedule'

To establish the relationship between productivity variables and personal preference for the work schedules, discriminant analysis was conducted.

Table 4: 'Productivity' against 'suitability of the job-sharing work schedule'

Summary of regression analysis procedure for dependent variable 'suitability of the job-sharing work schedule'			
Variable	**Model R**	**F- Value**	**F-Prob**
Productivity	0.0376	15.44	**< 0.001**

Table 5: 'Productivity' against 'suitability of job-sharing work schedule'

Summary of stepwise procedure for dependent variable 'suitability of the job-sharing work schedule'					
STEP	**Variable entered**	**Number in**	**Model R^2**	**F-Value**	**F-Prob**
1	Absenteeism	1	0.0394	15.85	**< 0.001**
2	Amount of work	2	0.0548	6.26	**0.01**

Table 6: 'Productivity' against 'preference for the job-sharing work schedule'

Canonical Discriminant Analysis							
		1		2		3	
Variable entered	**Partial R^2**	**F statistic**	**F-Prob**	**Wilks Lambda**	**Prob Lambda**	**Canonical correlation**	**Prob ASCC**
Productivity	0.0868	19.620	0.0001	0.9132	0.0001	0.0434	**0.0001**

The discriminant analysis results for 'productivity' as a variable (see Table 3 for the constructs) are presented in Table 6.

The results of the discriminant analysis in Table 6 reveal that 'productivity' is a significant explanatory variable of the workers' personal preference for the work schedule at the 0.05 level of significance. It explains approximately 9% of the variation in personal preference for the work schedule. The study also went further, to determine which of the productivity variables might explain most of the variation in the personal preference for the work schedule through stepwise discriminant analysis. The results of this analysis are reported in Appendix 1.

The summary table of the discriminant analysis results presented in Appendix 1 reveal that all five variables entered and remained in the analysis as significant discriminators, based on their Wilk's Lambda values. The analysis reveals that amount of work, attendance, tardiness, absenteeism and continuity are the most significant explanatory variables of the workers' personal preference for the work schedule. These results correspond with the literature presented previously.

The canonical discriminant functions reveal that function 1 explains approximately 84% of the variation in the dependent variable; it is thus the most useful. The structure matrix reveals that all variables except tardiness on function 1, if left in the model, are important determinants of the personal preference of the schedule by the workers.

The group centroids results in Appendix 1 indicate that function 1 discriminates well between group 1 (those that would prefer the current work schedule), group 2 (those that would prefer job-sharing) and group 3 (those that would prefer some other alternatives). The classification result of 'grouped' cases correctly classified is approximately 69%, as opposed to 50% if classification had been based on chance.

Implications of the results

In South Africa, the majority of the population consists of blacks (in terms of ethnicity) and women (in terms of gender). These are the two groups most directly affected by unemployment. These groups are also more prone to absenteeism and tardiness. In the African context, it is mostly women that attend to children and housework. In general, it is black workers that have transport problems. Both of these factors are likely to affect productivity at work. It could be, as alluded to in the literature presented, that the job-sharing option could be used as a 'two edged sword'. It would meet the needs of women who want to raise their children but do not want to get out of employment, who could share jobs with those who may not be in employment. In the South African context, these would mainly be blacks. This would also allow the transfer of skills and on-the-job training through allowing the majority of the unskilled population to share jobs with those who are skilled but are, for example, phasing out into retirement. This would not only spread the employment opportunities to a larger portion of the population, but would also improve employee productivity. This could be a practical solution, in that the job-sharing option would also draw on the African cultural values of *ubuntu*, which centre on sharing in a form of 'half loaf of bread' is better than none, and as expressed in the collective aspect of 'I am because we are' approach to life. Since job-sharing is a voluntary strategy, meaning that those who would prefer it would accept a cut in their salary rather than being unemployed or working full time and thus failing to balance their work and non-work life. This means that an organisation would be getting two employees for the price of one, especially if office space, equipment and benefits are shared pro rata among the job-sharers. This would translate into increased productivity, as discussed in the literature and presented in discussion of the results.

Conclusions and recommendations

Conclusions

- There is potential for job-sharing in South Africa to the extent that it is perceived as a suitable and preferred work schedule by some organisations and workers.
- Employee productivity would influence whether or not job-sharing would be perceived as suitable in the South African labour market, and whether or not it would be preferred as an alternative work schedule.
- Job-sharing in South Africa may be used as an alternative solution, among other things, to low employee productivity.
- Job-sharing may be used to increase employee productivity in the form of employing two employees for the price of one.

Recommendations

- A thorough needs assessment and cost/benefit analysis should be done to ensure that it is need based and that the benefits outweigh the costs.
- Sound planning, clear policy statements, and careful, detailed consideration of how the duties, responsibilities and benefits are to be divided, should be done.
- Trade unions must be involved from the beginning, and there must be adequate publicity training and education, and an effective monitoring and communication system to generate understanding of, and support for, job-sharing.
- There must be a proper analysis of the job, duties, responsibilities, costs and benefits to be divided between sharers.
- In view of low productivity levels, massive retrenchments and high levels of unemployment in South Africa, as presented and discussed in this article, it is highly recommended that all stakeholders explore the use of job-sharing as a viable alternative solution to these problems.

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Appendix 1: 'Productivity' against 'preference for job-sharing work schedule'

Summary Table							
Step entered		Variables included	Wilks' Lambda	Sig.	Minimum D-squared	Sig.	Between Groups
1	Amount of work	1	.93883	.0000	.07678	.0918	Current and other
2	Attendance	2	.92137	.0000	.12460	.1674	Job-share and other
3	Tardiness	3	.91037	.0000	.27752	.0480	Job-share and other
4	Absenteeism	4	.89549	.0000	.31517	.0215	Current and other
5	Continuity	5	.87505	.0000	.37016	.0625	Job-share and other

Canonical discriminant functions								
Functions	Edge value	Cumulative variance	% of variance	Canonical correlation	Wilks' Lambda	Chi-square	df	Sig.
					.8750	53.52	10	.0000
1*	.11775	84.01	84.01	.3245704	.9781	8.88	4	.0640
2*	.02241	15.99	100.00	.1480350				

* Marks the 2 canonical discriminant functions remaining in the analysis

Structure matrix: pooled within-groups correlations between discriminating variables and canonical discriminant functions (Variables ordered by size of correlation within function)		
	Function 1	Function 2
Amount of work	.73454*	.26918
Continuity	.70426*	-.16187
Absenteeism	.57156*	.43856
Attendance	.41621*	-.32624
Tardiness	.00829	.69616*

* Denotes largest absolute correlation between each variable and any discriminant function

Canonical discriminant functions evaluated at group means (group centroids)		
Group	Function 1	Function 2
Current	.23080	-.02141
Job-share	-.57202	-.13456
Other	-.30539	.41231

Classification results:
Percent of 'grouped' cases correctly classified: 68.97%.
Proportional chance ratio: 50%

Customer relationship management implementation within a retail banking environment: a South African perspective

A.D. Berndt, F.J. Herbst & L. Roux[*]

The environment within which organisations function continues to change with respect to customer expectations and customer service. In the case of retail financial services, changes brought about by new entrants, technology and customer sophistication have required that organisations build relationships with their customers. Relationship building requires extensive inputs on the part of the organisation. The organisation is required to interact proactively with the customer, provide customised service and differentiate the services for their various customers as part of this relationship-building process. This process can result in long-term benefits, both for the organisation (by improving marketing productivity) and for the customer (by delivering better quality products). The purpose of this study was to investigate the ways in which the four steps in implementing a one-to-one relationship marketing programme are perceived by customers of a specific retail financial services company. The study found that customer relationship management and marketing productivity are important to organisations, and that improving customer services is an integral part of this relationship-building activity.

Background

Twenty years ago, relatively few people in South Africa had bank accounts, and those who did were made to feel they were privileged. A visit to the bank manager could be an intimidating experience. To acquire a mortgage, one normally had to have been saving with the building society or bank for at least three years before they would consider lending any money. The banks thus dealt with their customers in a paternalistic manner, which resulted in a 'bank-knows-best' approach. There was no concept of shopping around for service. The banks had a captive market and they exploited it.

Banking in South Africa has changed over the last 20 years. Banks have come to realise that they are service providers, and customers now have a wide choice. Customer expectations have risen, and customers expect access to their bank in ways and at times that are convenient to them.

New entrants, technological changes and increased customer expectations have contributed to the managerial changes required by organisations. It is in this competitive environment that organisations need to consider new strategies to survive and thrive.

Introduction

In order to compete more successfully in this environment, it is necessary for organisations to differentiate themselves in the minds of the consumer. To do so, the organisation is required to use not only the seven marketing mix elements – namely, product, price, promotion, place, people, physical evidence and processes (Booms & Bitner 1981) – but also to become more relationship quality oriented. Service quality is expected, but customers require relationship-based business processes.

Customers are increasingly making purchase decisions based on a perception of their relationship with a particular company (Gibbons 1999). Improving relationships with the most profitable customers will undoubtedly impact on a company's bottom line. Instead of focusing all their attention on attracting new customers and introducing new product lines, banks must concentrate on retaining and growing profitable customers. Irrespective of the business or industry, it is a generally accepted

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fact that the cost of acquiring a new customer is much higher than that of retaining an existing one (Kotler 1995). It is estimated that it costs up to five times more to acquire a new customer than to get an existing customer to make a new purchase. This means that for every Rand spent to acquire a new customer, it will cost a company only 20c to retain that customer (Silverstein 2000: 326).

The South African financial sector

The South African financial services sector consists of four local banks that dominate the retail banking sector. In the case of corporate banking, these banks experience competition from international banks that have identified the profit potential in South Africa.

As a dynamic and innovative organisation, and with an ongoing commitment and management philosophy to meeting the needs of its retail clients efficiently and caringly, a leading bank in South Africa is well placed to develop financial products to optimise its service to its chosen market segments nationwide. This leading bank is a specialised financial services institution; its principal interests lie in banking, life and short-term insurance, and the provision of financial advisory services. As a specialist player and low-cost operator in the market, it provides a range of value-added financial services and products to its clients in selected market segments. Through a network of branches, agencies and ATMs, this bank is focused on the retail market – predominantly in the middle-income segment.

Customer relationship management (CRM)

CRM and relationship marketing (RM)

The terms 'relationship marketing' and 'customer relationship management' are often used interchangeably. Relationship marketing (RM) is used to describe the philosophy and orientation towards customer retention, which takes place at top management (Christopher, Payne & Ballantyne 2002), or the relationship networks and interactions developed by organisations (Gummesson 2002). Customer relationship management (CRM) is regarded as the practical implementation of relationship marketing (Christopher et al. 2002; Gummesson 2002). The relationship between RM and CRM can be diagrammatically represented as in Figure 1.

This diagram indicates the importance of top management's commitment to relationship marketing in order to facilitate the development of CRM and relationships between various parties.

The CRM philosophy is based on the concept of building long-term quality relationships with customers who will provide value to the organisation (Du Plessis, Jooste & Strydom 2001). Customers are not all equally important to the organisation, and they will seek to build relationships only with those customers who have a high lifetime value (LTV) for the organisation. This results in the 'firing' of customers who are not able to contribute positively to the profits of the organisation (Buttle 2000).

It should also be noted that CRM is not appropriate for all organisations. Organisations that have a mass market product, or where there is high customer churn, or where there is no direct contact between the seller and the ultimate buyer, may not benefit from the use of a CRM strategy (Kotler 2002). Those who stand to benefit the most from a CRM strategy include:

- Organisations that have a large amount of data (such as credit card companies and insurance companies)
- Organisations where customers have unique needs and hence different values to the organisation
- Organisations that do a great deal of upselling. An example of upselling is where customers expand their investments to higher levels (Gummesson 2002).

CRM and customer service

With respect to CRM, the question regarding the place of customer service can be posed. Customer service is defined as "the ongoing process of managing the buyer/seller interface to ensure continued customer satisfaction" (Christopher et al. 2002). In order to receive the service, a service encounter takes place. During this service encounter, when customers interact directly with the service, they receive a level and quality of service from the organisation. The interaction to receive the service provides a 'moment of truth' for the customer (Christopher et al. 2002). The customer will use these 'moments of truth' to determine whether they want a relationship with the organisation or not. Through the interaction, value will be created and shared (an exchange process), and hence these perceptions contribute to the desirability of a relationship between the organisation and the customer. If an organisation is able to satisfy the needs of the customer on an ongoing basis, the relationship that develops will see the continuation of these transactions (Brink & Berndt 2004). As CRM focuses on the value created for both parties, customer service is an important dimension in CRM and relationship-building efforts carried out by organisations.

As part of the overall customer service, it is necessary for an organisation to continue paying attention to the delivery of service quality. Service quality can be defined as the delivery of excellent or superior service relative to customer expectations (Zeithaml & Bitner 1996). Five broad dimensions (namely tangibility, reliability, responsiveness, assurance and empathy) can be used to evaluate service quality (Zeithaml & Bitner 2000; Lovelock 1991). In the case of banks, these dimensions can be linked to a number of specific questions, as reflected in Table 1.

Customer service and marketing productivity

Productivity can be defined as a performance measure relating outputs to inputs of organisations (Lussier 2003). Marketing inputs refer to expenditure associated with advertising and other marketing activities, while output traditionally refers to sales and profits. The output cannot be measured alone in terms of quantity, but also needs to be measured in terms of quality. This means that the outputs of marketing are expressed in terms of the quality and quantity of the product, specifically the acquiring and retaining of customers (Murphy 1997; Sheth & Sisodia 1995).

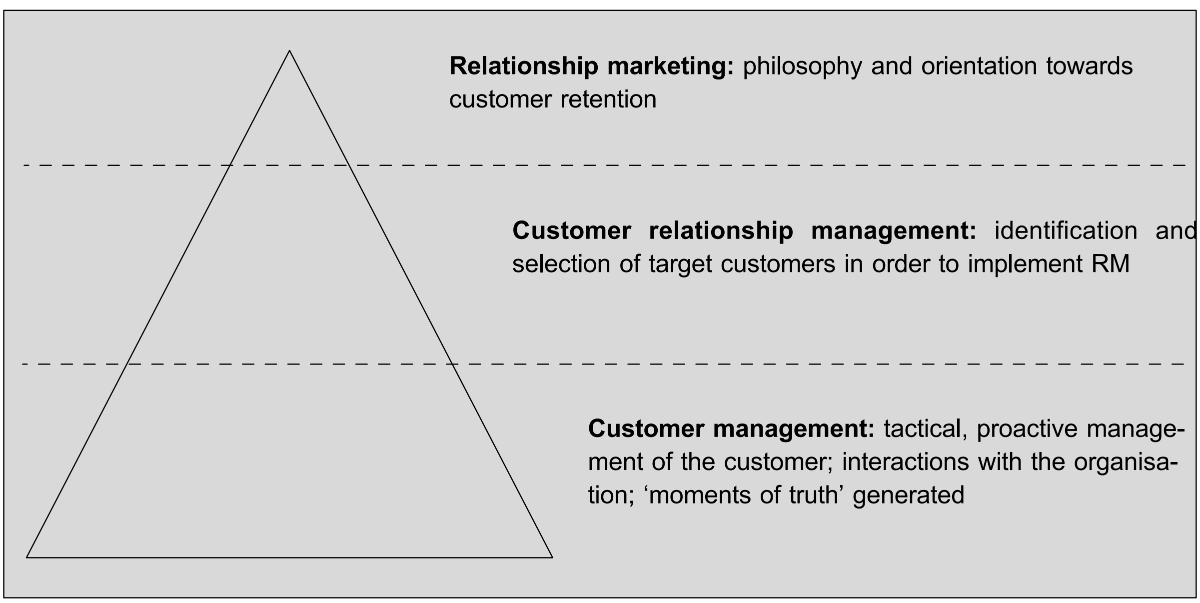
Key to attracting and maintaining customers is the issue of customer service. Customer service provides the 'moments of truth' for the customer, contributing to both the attraction and the maintenance of customers. Many organisations spend a great deal of effort on attracting customers, but little marketing effort on retaining customers (Sheth & Sisodia 1995). Placing an emphasis on the improvement of marketing productivity has an impact on the levels of customer service offered by the organisation.

This leads to the development of a hypothesis in order to link these concepts, namely:

H_1: A higher level of marketing productivity will result in a higher level of customer service.

The customer relationship management (CRM) model

In order to reach a segment of one, use can be made of the CRM model, as illustrated in Table 2. This model reflects the steps that form part of the implementation of this segment. Four key steps in implementing a relationship-marketing programme can be identified (Peppers, Rogers & Dorf 1999).



Source: Adapted from Christopher et al. (2002)

Figure 1: CRM and RM – the relationship

Table 1: Dimensions of service quality

Dimensions and definitions	**Examples of specific questions raised by customers**
Tangibles: Appearance of physical facilities, equipment, personnel and communication materials	Are the bank's facilities attractive? Is my stockbroker dressed appropriately? Is my credit card statement easy to understand?
Reliability: Ability to perform the promised service dependably and accurately	Is my credit card statement free of errors?
Responsiveness: Willingness to help customers and provide prompt service	If there is a problem with my bank statement, does the bank resolve the problem quickly? Is the stockbroker willing to answer my questions?
Competence: Possession of the required skills and knowledge to perform the service	Is the bank cashier able to process my transactions without fumbling around? Does my brokerage firm have the research capabilities to track market developments accurately?
Courtesy: Politeness, respect, consideration and friendliness of contact personnel	Does the bank cashier have a pleasant demeanour? Does my broker refrain from acting busy? Is the organisation rude when I ask questions?
Credibility: Trustworthiness, believability, honesty of the service provider	Does the bank have a good reputation? Does my broker refrain from pressuring me to buy a product?
Security: Freedom from danger and organisation doubt	Is it safe for me to use the bank's automatic teller machine? Does the brokerage firm know where my stock certificate is?
Access: Approachability and ease of contact	How easy is it for me to talk to senior bank officials when I have a problem? Does the credit card company have a toll free number 24 hours a day?
Communication: Keeping customers informed in a language they can understand, and listening to them	Can the loan officer explain clearly the various charges related to the mortgage loan? Does my broker avoid using technical terms?
Understanding the customer: Making the effort to know customers and their needs	Does someone in my bank recognise me as a regular customer? Does my broker try to determine what my specific financial objectives are?

Source: Adapted from Zeithaml, Parasuraman & Berry (1990)

These sequential steps represent progressive stages of implementing the basic principles of CRM (as described in Table 2).

Step 1: Identify your customers

Customer-identifying information is any information that can be used to separate one particular customer from another, tracking the transactions and interactions with the customer, and getting in touch with the customer individually. Name, rank, serial number, address and telephone numbers are some of the basic details of a customer that must be kept on a database system. These data can also include purchase behaviour and customer preferences (Brink & Berndt 2004). It is essential that the database be accurate and continually updated if value is to be obtained. The value that organisations derive from the database is the ability to analyse and determine customer needs, as well as changes in these needs. The database thus enables the organisation to customise its products and services, and thus provide superior customer service.

This leads to the development of a hypothesis in order to link these concepts, namely:

H_2: Identifying new and existing clients increases the level of customer service.

Table 2: Customer Relationship Management model

STEP 1: IDENTIFY		STEP 2: DIFFERENTIATE	
Activity	**Steps to consider**	**Activity**	**Steps to consider**
Collect additional customer information	Drip-irrigation dialogue	Identify top customers – segmentation; rank customers in classifications	Database mining Management information systems (MIS) Adapting marketing and process activities according to ranking of clients
Verify/update customer information	Competitions; letters to customers; use of interaction opportunities	Determine which customers are not cost effective	Accounts not used or service fees too low for transaction volume
Expand existing database	Outside service; alliances with complementary companies	Identify new potential customers; customer life cycle; complementary products	Add to sales action plans and to database for promotions and new product launches
STEP 3: INTERACT		**STEP 4: CUSTOMISE**	
Activity	**Steps to consider**	**Activity**	**Steps to consider**
Build relationships	Phone top customers – not to sell, just to build relationships	Customise paperwork	Use regional and subject-specific catalogues
Client service project	Phone company and test employees' knowledge and service levels	Personalise mail	Use customer information and detail to determine promotion details
Call centre	Recordings at call centre and productivity tests	Find out what your customers want	Invite customers to focus groups
Process trail	Seek to eliminate steps – reduce cycle times to speed up response time	Ask top customers what can be done differently	Respond to suggestions
Improve complaint handling	Banking code; market complaint handling	Involve top management in customer relations	Customer relations are a culture
Technology to make doing business easier	Personalised messages on statements; call valuable customers		

Source: Adapted from Peppers et al. (1999)

Step 2: Differentiate the customer

In order to treat different customers differently, it is important to know what makes customers different from one another. Customer differentiation is perhaps the most powerful of the four one-to-one implementation principles, because it sets the stage for how the organisation behaves towards an individual customer.

Customers are different in two principal ways – they have different values to the organisation, and they need different things from the organisation. The key differentiation issues are what the customer wants and what the customer is worth. The value of the customer, relative to other customers, allows the organisation to prioritise its efforts, allocating more resources to ensure that more valuable customers remain loyal and grow value, and catering for a specific customer's needs can be the basis for creating a relationship and winning the customer's loyalty. The customer differentiation process should take place in two stages, in this order:

- Rank the customer by value. This is done by determining the LTV and building relationships with those who have high LTVs.
- Differentiate the customers by their needs.

This leads to the development of a hypothesis in order to link these concepts, namely:

H_3: Differentiating between the services offered to new and existing clients increases the level of customer service.

Step 3: Interacting with the customer

Interaction requires the customer's active participation and involvement. It is usually the first, and sometimes the only, one-to-one initiative that is visible to the customer. It has a direct impact on the customer, whose awareness of the interaction is an indispensable part of the process.

Organisations require interaction with the customer for a number of reasons:

- Strategic value – unless the organisation is prepared to interact with the customer, it cannot really know much about the customer's growth potential with the organisation.
- Customer satisfaction and complaint discovery – interacting with the customer to learn how satisfied the customer is, or whether the customer has an unspoken complaint, is just another way of obtaining information about a customer's needs. What the organisation wants to know is how to make the service better for that customer at the next opportunity (Gummesson 2002).
- Maintaining the learning relationship – the only way that an organisation can learn about the changing needs of customers is to interact with them. This takes place through extensive interaction (Brink & Berndt 2004).

In order to make interaction convenient and cost-effective, organisations can make use of call centres, websites, e-mails and fax. Comparing the various interactive media that might be used, and all the reasons that customers might use them, will allow the organisation to identify opportunities to improve interaction. Customers today expect no less, and if a better relationship is to be created, certain minimum standards have to be met.

Regardless of how the interaction with the client takes place, one aspect that is necessary to becoming a one-to-one organisation is to recognise and take advantage of every existing opportunity to interact with the customer.

This leads to the development of a hypothesis in order to link these concepts, namely:

H_4: The level of customer service is increased if there is an active interaction with potential and existing clients.

Step 4: Customising the product or service

Customisation of a product or service means that it is developed for the individual customer (segment of one), to satisfy the customer's unique needs. Customisation is not concerned only with the service or the product, but can also include the customisation of communication (Gordon 1998). Customisation would involve giving customers a product that is tailored to their individual needs. In the case of a bank, it could involve, for instance, a cheque book, credit card and vehicle financing, should these be the customer's needs.

This leads to the development of a hypothesis in order to link these concepts, namely:

H_5: The level of customer service is increased if customised service is offered according to each individual client's needs.

Problem statement

In order to improve the level of customer retention, customer service and relationship-building could be used. The focus of this study is to determine whether the level of customer service is an integrated part of relationship marketing and, if so, whether the four basic steps of relationship marketing, namely, identifying new and profitable clients, differentiating service, interacting, and customising service (see Table 2), can be implemented as part of a relationship-building strategy.

Research objective

The primary objective was to determine how the implementation of a customised service could optimise the contact between the financial institution (bank) and the client, and to use the result as a method of differentiation and relationship building.

Research design and methodology

The research design was executed according to a blueprint designed by the researcher. The blueprint included a questionnaire design, pre-testing, data collection and data processing.

Questionnaire design

The questionnaire included specific dimensions of customer relationship management, each of which was represented by certain questions. The main body of the questionnaire included 35 positive individual statements, divided into six categories (Table 3), as follows:

Statements 1– 8: Quality service
Statements 9–13: Marketing productivity
Statements 14–18: Differentiation
Statements 19–23: Interaction
Statements 24–29: Customisation
Statements 30–35: Identification.

A five-point Likert scale was used to measure the statements both in terms of perceptions and expectations.

Pre-testing was done with 17 customers in one of the bank's branches to ensure that the questionnaire was user-friendly, easy to understand and not too long. After having completed the questionnaire, each customer's opinion on the flow of the questionnaire, its length and the importance for customers of such a study was obtained. The feedback was positive, and only one amendment to the questionnaire was made.

Data collection

Structured questionnaires to measure the respondents' perceptions and expectations were distributed to 52 branches and to the call centre of the bank. The number of questionnaires that each branch received was proportional to the client base of the branch. Altogether 950 questionnaires were distributed among the branches, and 50 questionnaires were distributed to the call centre. The respondents were selected randomly.

Data processing and statistical analysis

Data were captured on Microsoft Access computer software and converted to a Microsoft Excel spreadsheet. The data were then transposed to Statistica computer software for the execution of validity and reliability tests. Descriptive statistics, such as the mean and the median, were also determined for the various items.

The Pearson correlation coefficient (r) determines the *level of association* between two variables (Diamantopoulos & Schlegelmilch 1997), and it was used to determine the relationship between the variables. The level of association, as measured by

Table 3: Summary of grouped variables

VARIABLE	
Variable one (independent variable)	**Variable two (dependent variable)**
Marketing productivity	Customer service
Identification	Customer service
Differentiation	Customer service
Interaction	Customer service
Customisation	Customer service

Table 4: Mean values

	Mean values		
	Expectation	**Perception**	**Gap**
Quality service	4.72	4.28	***0.44***
Marketing productivity	4.56	3.87	0.69
Differentiation	4.49	3.85	0.64
Interaction	4.56	3.89	0.67
Customisation	4.54	3.75	**0.79**
Identification	4.61	3.69	**0.92**

Pearson's co-efficient, falls between –1.0 and +1.0, which indicates the strength and direction of association between the two variables. The Rules of Thumb proposed by Burns & Bush (in Van Heerden 2001) suggests that 'moderate' ends at 0.60, and 'strong' starts at $\pm$ 0.61.

It is also necessary to determine a score (p-value) to evaluate the probability that the correlation (r) falls within a desired significance level. The lower the p-value, the stronger the evidence against the null hypothesis, hence the acceptance of the alternative hypothesis (Diamantopoulos & Schlegelmilch 1997).

All the tests were conducted at the 95% confidence interval.

Research findings

Response rate

The effective response rate for the questionnaires was 76.5%.

Reliability and validity results

Reliability was computed by means of Cronbach's alpha coefficient, which is an index of reliability associated with constructs, with a range between 0 and 1. The higher the score, the more reliable the generated scale is (Santos 1999). The reliability results for the total evaluation of the data set was 0.97%, which indicates a high degree of reliability.

Factor analysis was used to determine the validity of the data in the data set. Principal component analysis and a Varimax rotation accounted for 67.24% of the variance on the perception section.

Mean values on the expectations and perceptions

The mean values depicted in Table 4 were obtained for each of the categories, based on the expectations and perceptions.

As seen in Table 4, a small gap exists with respect to quality service (***0.44***). Large gaps can be identified in the areas of customisation (***0.79***) and identification (***0.92***). These areas will have an effect on customer service.

The other gaps are not perceived to be significant. Two reasons can be cited for this:

1. The client's perceptions are high and their expectations are being met.
2. The respondents did not understand the statements correctly.

Hypothesis testing

The finding for each hypothesis is discussed separately.

H_1: A higher level of marketing productivity will result in a higher level of customer service.

Statistical null hypothesis: H_o: r = 0
Statistical alternative hypothesis: H_a: r 0

VARIABLE			
Variable one (independent variable)	**Variable two (dependent variable)**	**Pearson value (r)**	**p-value**
Marketing productivity	Customer service	0.6175	0.00

With a Pearson value (r) of 0.6175, the *association* is moderately strong as it exceeds 0.61. The association between marketing productivity and customer service is statistically significant because of the p-value of 0.00. This indicates not only that a higher level of marketing productivity affects the level of customer service offered to bank clients, but the strength of this relationship is seen in the p-value of 0.00 obtained and depicted above. H_a is therefore accepted.

H_2: Identifying new and existing clients increases the level of customer service

Statistical null hypothesis: H_o: r= 0
Statistical alternative hypothesis: H_a: r 0

VARIABLE			
Variable one (independent variable)	**Variable two (dependent variable)**	**Pearson value (r)**	**p-value**
Identification	Customer service	0.5792	0.00

With a Pearson value (r) of 0.5792, the *association* is moderately positive as it does not exceed 0.60. The association between identifying new and existing customers and customer service is statistically significant because of the p-value of 0.00. The identification of existing clients increases the level of customer service, as certain customers will be identified as being significant to the bank (based on the database information on the client). The client will receive special attention, thus affecting the level of customer service. The strength of this association is seen in the p-value of 0.00 obtained and depicted above. H_a is therefore accepted.

H_3: Differentiating between the services offered to new and existing clients increases the level of customer service

Statistical null hypothesis: H_o: r = 0
Statistical alternative hypothesis: H_a: r 0

VARIABLE			
Variable one (independent variable)	**Variable two (dependent variable)**	**Pearson value (r)**	**p-value**
Differentiation	Customer service	0.5952	0.00

With a Pearson value (r) of 0.5952, the *association* is moderately positive as it does not exceed 0.60. The association between differentiation of service to new and existing clients and customer service is statistically significant because of the p-value of 0.00. Differentiation of the service in the mind of the customer forms part of customer service delivery. The strength of this association is seen in the p-value of 0.00 obtained and depicted above. H_a is therefore accepted.

H_4: The level of customer service is increased if there is an active interaction with potential clients and existing clients

Statistical null hypothesis: H_o: r= 0
Statistical alternative hypothesis: H_a: r 0

VARIABLE			
Variable one (independent variable)	**Variable two (dependent variable)**	**Pearson value (r)**	**p-value**
Interaction	Customer service	0.598	0.00

With a Pearson value (r) of 0.598, the *association* is moderately positive as it does not exceed 0.60. The association between active interaction with potential and existing clients and customer service is statistically significant because of the p-value of 0.00. Interaction regarding specific client needs and the use of opportunities for interaction provides opportunities for active interaction with customers, increasing the level of customer service received. This association is also a strong one as a result of the p-value of 0.00 obtained and depicted above. H_a is therefore accepted.

H_5: The level of customer service is increased if customised service is offered according to each individual client's needs

Statistical null hypothesis: H_o: r= 0
Statistical alternative hypothesis: H_a: r 0

VARIABLE			
Variable one (independent variable)	**Variable two (dependent variable)**	**Pearson value (r)**	**p-value**
Customised service	Customer service	0.5912	0.00

With a Pearson value (r) of 0.5912, the *association* is moderately positive as it does not exceed 0.60. The association between customised service and customer service is statistically significant because of the p-value of 0.00. Customised service provides the organisation with the opportunity to develop products specifically for individual clients. This also shows a positive relationship between these two factors, and the strength of the relationship is seen in the p-value obtained. H_a is therefore accepted.

Findings

The study found that the steps identified by Peppers et. al. (1999) are positively associated with the customer service provided by the organisation. This indicates the importance of customer service to the implementation of a customer relationship marketing programme.

Managerial implications

A number of managerial recommendations can be made on the basis of the findings of the study:

- The identification of new and existing clients is an integral part of the relationship-building process, and is able to provide a competitive advantage in the marketplace.
- In other instances, the issue of how organisations actually differentiate their products for various categories of customer has to be addressed. While indicating that this is an integral part of a CRM strategy, how the product is differentiated requires planning on the part of the organisation. In the case of financial services, this differentiation has to be brought to the attention of staff in order to implement this with specific categories of customers.
- Interaction with customers is essential in building relationships. It is necessary that the appropriate methods of interaction be determined to suit the needs of the target market, and that these interactions be meaningful to both parties.
- In the implementation of any strategy, the support of top management is essential. This is also the case with respect to a CRM strategy. Without the support of top management, the strategy will not be implemented and sustained over an extended period. This support is essential for ensuring that front-line employees are committed to the devised strategy and provide exceptional customer service.
- The creation of a culture of customer service is an important part of the implementation of any CRM strategy. This corporate culture is determined by the top management of the organisation, and again the impact of top management on strategy implementation can be seen. Without a corporate culture of customer service, relationship-building efforts will not be advanced.
- The implementation of the CRM strategy implies the evaluation of customers, and the 'firing' of customers where necessary. This poses potential problems for the image of the organisation when it is implemented. Commitment to a CRM strategy means that the decision regarding the 'firing' of customers must be taken but carried out in such a way that the image of the organisation is not negatively impacted.

Conclusion

Customer relationship management and marketing productivity are important to organisations that are customer centric and to those that want to increase their levels of service in the perception of their valued clients. The four cornerstones identified by Peppers et al. (1999) are important elements to consider if management believes in quality customer service and has a management philosophy of quality service.

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Personal income – means of segmentation for the purposes of marketing research

*H. de J. van Wyk**

Market segmentation is an often-applied tool in marketing research for establishing market sizes by consumer characteristics. In South Africa, one of the traditional means of segmentation in the past has been population group. Although this method still has some applications, it can seldom be used alone. In this article, various means of segmenting personal income, which is an appropriate indicator of purchasing power and therefore market size, are investigated. One method of segmentation is personal income and number of individuals/households by income group. Another method that is considered is personal income by life stage (age) and life plane (level of education). These two variables have a significant influence on purchasing behaviour. By applying these two variables simultaneously, a table containing income figures in a large number of cells can be constructed. Marketers can thus choose the cells that are applicable to their product or products and determine and weigh the relative market size represented by each cell.

Introduction

Marketing segmentation has been an essential tool in marketing and marketing research for many years now. In 1987, Weinstein (1987: 15) defined market segmentation as follows: "Segmentation is a process of partitioning markets into segments of similar potential customers likely to exhibit similar purchase behaviour." As early as 1972, Frank, Massy & Wind (1972: 26) referred to the following demographic and geographic parameters of segmentation: sex, age, life cycle, subcultures (racial/ethnic), geographic location and mobility.

The question now arises: how can market segmentation be applied in practice? In this regard, Puohiniemi (1991: 33) states: "Segmentation is a tool for marketing. To be useful it must fulfill certain criteria. The segments must be relevant, measurable, identifiable ... ." It is therefore important to ensure that segmentation is applicable in practice. This can be done by including segmentation variables in a primary survey. However, if secondary information is utilised for segmentation, segmentation possibilities are limited by the variables included within the secondary information. Most census databases contain a large variety of variables, including age, gender, ethnic group, geographic area, type of abode, marital status, occupation and economic activity, and it is therefore possible to construct an almost infinite number of segmentation cells, each cell containing a small number of observations. However, Belch & Belch (2001: 45), point out: "It is not possible to develop marketing strategies for every consumer. Rather the marketer attempts to identify broad classes of buyers who have the same needs and will respond similarly to marketing actions."

In most instances, segmentation variables portraying socioeconomic status are used because socioeconomic status impacts strongly on consumer behaviour. In the United States of America, the census uses a scoring regime based on occupation, monthly household income and education to determine socioeconomic status.

In other countries, household durables are sometimes used as indicators of socioeconomic status – in South Africa, for instance, the All Media and Products Survey (AMPS) combines demographic and shopping habit variables (20 in total) (Higgs 2002: 3).

Once a decision has been made, a further question must be posed: what should the unit of measurement be? "Is it the individual based on individual characteristics, the individual based on household characteristics, the individual based on community characteristics or what?" (Higgs 2002: 5). Higgs (2002: 10) concludes: "The ESOMAR, British and USA ... systems mostly use the values for the main

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income earner as the values to apply to everyone in a household'' and goes on to say: ''Where people begin life together and share leisure activities, major purchases, eating patterns and living standards, perhaps the combined household income and the occupation and the education of everyone (except children) needs to be used in a Socioeconomic Status (SES) measure'' (Higgs 2002: 12).

The second area of viable choice concerns the actual variables. These appear to fall into two broad domains: ''income or income related variables and expenditure or expenditure related variables'' (Higgs 2002: 11).

On the basis of considerations of availability and manipulation possibilities, income has been used as the main variable in this article, with population group, age of household head and educational level of household head as secondary variables. In South Africa, the traditional method of market segmentation has been by race (population group) because, in the past, blacks largely represented the lower income group, coloureds the somewhat higher but still low income group, Asians (mostly Indians) the group with the second highest income, and whites the income group with the highest income by far. Although segmentation by population group still has its merits for various socioeconomic applications, equating population group with a certain level of income no longer holds true. The primary objective of the study was therefore to develop alternative means of personal income segmentation to the traditional ones used in South Africa up to now. These means of segmentation are discussed in the following sections.

Segmentation of personal income by income group

Various sources can be used in the segmentation process by income group. For example, households can be quantified by income group using household income data surveyed by Statistics South Africa (Stats SA), the Bureau of Market Research (BMR) and AC Nielsen for the purposes of the AMPS report published by the South African Advertising Research Foundation (SAARF). The same sources can be used to segment individual income as opposed to household income. For the purposes of this article, it was decided to use the 1996 population census as a base, because the raw data are available, have been evaluated, and can easily be manipulated.[1] In the sections that follow, the focus is not only on estimating the number of units per income group (for example, individuals or households) but also on estimating the total income in each income group cell.

Individual income by income group

In 2000, the BMR published a report entitled 'Personal disposable income in South Africa by population group, income group and district, 2000', in which disposable income of *individuals* was presented within five income groups by district and population group. The methodology can be summarised as follows: A bottom-up approach was followed in the sense that the district was the point of departure. The population census data of 1996 for each population group and district were inspected, since the census was prone to undercoverage and other errors. For instance, special cognisance was taken of the distribution of individuals across income groups – whether it was realistic in terms of the national distribution and that of comparable districts in the vicinity. Where it did not appear to be realistic, adjustments were made to the figures. The adjusted number of individuals in each income group was then multiplied by the midpoint of the class interval of that income group to arrive at a total income figure within an income group. The income figures of all income groups were added together and divided by the total population to arrive at a *per capita* income for the population group per district.

Again, comparisons were made between districts and with the national figure, and upward and downward adjustments were made where deemed necessary. In the last instance, all figures in an income/population group were raised by the undercount factor[2] for that particular income/population group. The class intervals used in the census (14 in total) were lumped together in pairs of three (except for the last pair which had only two class intervals, the last being an open interval which was closed by adding the value of the previous class interval to the starting point of the last interval). Direct taxes (mainly income tax) were subtracted from these figures in order to arrive at personal disposable income.

1 At the time of writing, the results of the 2001 census had not yet been fully evaluated by outsiders.
2 The undercount factor is an independently calculated national figure for an income group within a population group divided by the sum of the unadjusted district figures for that group.

Household income by income group

Although *individual* personal income figures provide a good indication of individual purchasing power, for many commodities the *household* is the purchasing unit, and purchasing power is therefore a function of *household income*. It is therefore also necessary to calculate household income by income group. Instead of the bottom-up approach, starting with districts, used in the calculation of individual incomes, the calculations were only at a national level.

The 1996 census was again taken as the point of departure. The same approach was adopted as with individual income, namely, multiplying the number of observations (in this instance, households) with the midpoint of the class interval. There was no possibility of adjusting the undercount of the population by income group because of a lack of information, and adjustments were therefore made by population group across income groups.[3] These adjustments were made for the number of observations as well as the calculated income in the cell.

The results were then adjusted by population group by common undercount factor so that the totals would tally with the independently calculated national totals by population group. As the number of observations per cell was known, per capita income per cell could also be calculated. The same adjustments were made in the income group boundaries, using the adjustment factor for total income.

Household income by lifestyle

General discussion

Apart from segmentation by population and income group, various other segmentations can be attempted, the most common being by life stage (usually with age as an indicator) and life plane (usually with level of education as an indicator). Apart from age as indicator of life stage, other indicators are also used. AC Nielsen, for instance, identifies the following nine categories: at-home singles, starting-out singles, mature singles, young couples, new parents, mature parents, single parents, golden nests and left alones. In order to qualify for a specific category, a person/household must comply with between two and four conditions. Another well-known classification is the Living Standards Measures (LSM) system used in AMPS, where households are primarily classified according to amenities at home. However, both these classification systems have the drawback that they cannot easily be coupled to population census information, because the information needed is not asked in the population census, or is difficult to manipulate.

Instead, it was decided to develop a matrix using age across (as indicator of life stage) and level of education down (as indicator of life plane). This matrix is based on methodology developed by Douglas Parker Associates (Parker 1998). Parker identifies the following life stages (the descriptions, however, are those of the author):

16–20 Preparation: This is the life stage during which young people usually prepare themselves for adult life by studying, or are at the stage at which they have just started a career. They may be living on their own, most probably as single households, or they may be part of a multiple household headed by a parent.

21–25 Freedom: These are the years during which people are still mostly single but are no longer living with their parents. They spend almost all their income on themselves.

26–30 Newlyweds: This category may consist of people living in two-person households, with both working full time and sometimes studying as well. Babies are, however, also becoming part of many households.

31–35 Homemakers: Children are definitely in the picture now. Most people have their own homes now and the struggle to make ends meet comes to the forefront.

36–40 Career builders: People are progressing to middle management careers now and becoming very much part of the ‘rat race’. Promotion becomes very important, also because of financial needs. Leisure time decreases. Children are at primary school.

41–45 Management mêlée: People are entering top management, with added responsibilities, causing increasing stress and less family time. Spouses are usually working (again). The family’s financial position is somewhat sounder. Children are becoming teenagers.

3 The Bureau of Market Research adjusted the 1996 census for undercount by population group over and above adjustments for undercount by Statistics SA (Van Aardt, Van Tonder & Sadie 1999).

46–50 Family years: People have settled in their careers. Children are entering tertiary institutions or starting to work, but are still living at home.

51–55 Empty nesters: Children are leaving home and people have more money to spend on themselves. Leisure time increases as a result of fewer commitments.

56–60 Easing off: Money becomes less of an issue. Children are completely independent. People start to enjoy their grandchildren. Younger people are taking over more of the responsibilities at work, leaving more time for leisure and holidays.

61–65 Retirement: People are increasingly shedding responsibilities at work in preparation for retirement, and life becomes far more restful. Hobbies and vacation become important, but the lower income when retired and uncertainties about the future may curtail spending. Lump sums may, however, be used partly for home renovations and the purchasing of new vehicles that have to last them through their retirement years.

66–70 Downscaling: People contemplate moving into smaller homes or retirement villages. Security becomes an important issue. Holidays and leisure time are still important, but health and the coming of old age may curtail activities somewhat. Expenditure on health-related issues increases. Worries about their financial future may curtail spending. The activities and friendships of children, other family and friends become more important.

The author has added another category to those of Parker, because consumers aged 71 and over usually demonstrate a unique spending pattern, and this category becomes more important as life expectancy increases:[4]

71+ Dependent again: People now enter old age or are already in that category. They become physically, emotionally and mentally increasingly frail. Some may already have lost their spouses through death. They become less mobile, more dependent on others for assistance with household and other chores and need help with the administration of their finances. Their needs become more focused on the basics, with discretionary spending being curtailed.

It is clear from the foregoing that spending habits depend largely on the stages of life people are in because this determines their needs. Another question that faces us is whether spending is determined by the individual or by the household at the various stages. It is clear from the foregoing that apart from the first two categories and probably the last, spending patterns are largely determined by the structure of and circumstances in the household. For the purposes of the matrix, it was therefore decided to use household income as the determinant, together with the age of the household head, because his age generally determines the structure of the household.

Attention must still be paid to the other dimension of the matrix, namely, life planes as portrayed by level of education. Parker (1998) comments as follows in this regard: "After a lot of experimentation, it would seem that the best way to segment the market into socioeconomic groups is by classifying people into educational groups. Education influences attitudes and perceptions. Education plays a major role in shaping expectations and aspirations. Education is the key to a person's choice of career, and there is little doubt that education influences performance." It can be added that education also largely influences income.

Based on Parker (1998), the life planes can be categorised as follows:

Life Plane A. Graduates who are mostly professionals

Life Plane B. People who hold senior positions in business and have studied beyond matric and hold a diploma

Life Plane C. People who have matric or an equivalent and are generally in clerical positions

Life Plane D: People who have three or four years of secondary schooling but not matric. They follow technical careers, many becoming artisans

Life Plane E: People who have one or two years of secondary schooling and become factory workers and assistants to artisans

Life Plane F: People who have no secondary schooling, many of whom are barely literate. Most find employment as domestic servants, gardeners and labourers.

Again, the educational level of the household head was used as a proxy.

4 Although HIV/AIDS will impact negatively on the growth of this category in future, it will take a long time before the impact manifests itself.

Application

All households were first classified by the population group of the head of the household. Next, the household head had to meet two requirements in order to be classified into a particular cell in the matrix, namely, he or she must fall into a particular age group (life stage) and meet with a particular educational level (life plane). The next step was to adjust the numbers in each cell by population group for undercounting using information from BMR report number 270 (Van Aardt et al. 1999).[5]

Income of the households in each cell was determined by multiplying the number of households within each income group in a specific cell by the midpoint of the income group and then adding the results together. All the figures for a particular population group were then adjusted by a constant factor to make provision for under-reporting of income in the population census. The factor for each population group was derived by dividing the total income by population group (as calculated by the BMR) (Van Wyk 2002) by the total income derived from the population census. The factor-adjusted total figures therefore tally with the totals by population group as calculated by the BMR research. Average income per household was derived by dividing the total income in a cell by the number of households in a cell.

In the census, a number of households with household heads aged 6–10 and 11–15 were presented. This is possible, since there have been reports of child-headed households resulting from the death of both parents from AIDS. Improbably high levels of education were, however, reported for some of these households, which points to interviewer or coding/data capturing errors in the population census. As the numbers involved were not very high, no adjustments were made, and they were all placed into the under-21 years of age category.

Discussion of the results

Although the main aim of this article is to discuss the development of new means of personal income segmentation, some illuminating results emerged from the exercise and will now be discussed.

The results of the calculations of individual and household income by income group are presented in Table 1. The five income groups were kept the same[6] and, as can be expected, there is a shift towards higher income groups in the household rows because of the number of multiple income households.

While 5.7% of all individual income fell into the low-income group (up to R10 155), only 2.8% of all household income fell into this group. At the other end of the scale, 20.4% of all household income fell into the high-income group, compared with 10.9% of the income of individuals. Almost 39% of all households fell into the low-income group, compared with 2.0% in the high-income group. A full 50% of all African (black) households fell into the low-income group in 1996, and only 0.4% into the high-income group – for whites the figure in the high-income group was 8.7%. Almost 92% of the households in the low-income group were African. The average income of low-income households was only R3 675, while that of high-income households (R324 950+ per annum) averaged R515 469 (averaging R498 706 for coloureds and R602 443 for Africans).

Table 2 presents the number of households in all population groups by life stage and life plane in matrix format. In total, there were almost 9.5 million households, of which more than 1.2 million households (13.1% of the total) fell into the 36–40 life stage. The percentage of the 31–35 life-stage group was 12.7%. The share of the 71+ life stage group was 8.9%, while that of the under-21 group was only 2.2%. Looking at life planes, it was found that almost 47% of household heads had no school

5 Although undercount estimates are available by age group, no attempt was made to incorporate these here, as these figures are for the whole population and not for household heads only.

6 There are various means of determining income groups. One is the foregoing method, where the groups are fixed somewhat arbitrarily and if adjusted, they are adjusted by a common factor. Another method is to make use of the quantile method, whereby the population (or number of households) is divided into five equal portions, with each segment containing 20% of the population. This method works well, especially with sociological analysis, but has a drawback when the distribution of income is very skew, with large numbers of the population having a very low income (as in the case of South Africa – in other circumstances, it could, of course, be skewed to the upper income group). When this method was followed with the findings of the 1995 Statistics SA income and expenditure survey, the top quantile class interval (which was open) started at about R52 801, because of the large number of households with a low income (CSS 1997: 6.) This resulted in a situation where 65% of white households and 45% of Indian households fell into the top quantile (CSS 1997: 14). For marketing research, one has to resort to dividing the top quantile into more categories (Ligthelm, Martins & Van Wyk 2000).

Table 1: Personal income by population group and income group (1996)

Income group	Description	Asians			Africans (blacks)			Coloureds			Whites			Total		
			%	%		%	%		%	%		%	%		%	%
Low (Up to R10 155)	Individuals	R431 m	2.0	1.6	R22 979 m	12.5	83.6	R2 668 m	7.5	9.7	R1 393 m	0.3	5.1	R27 471 m	5.7	100.0
	Households	R73 m	0.3	0.5	R12 524 m	6.8	92.4	R597 m	1.7	4.4	R362 m	0.2	2.7	R13 556	2.8	100.0
	No. of households	23 076	9.4	0.6	3 380 556	50.0	91.7	148 073	20.3	4.0	136 822	7.9	3.7	3 688 527	38.9	100.0
	Average	R3 163			R3 705			R4 032			R2 646			R3 675		0.0
Low-middle R10 156–R50 773)	Individuals	R6 153 m	28.1	4.5	R88 147 m	48.0	64.8	R16 019 m	45.4	11.8	R25 780 m	10.7	18.9	R136 099 m	28.3	100.0
	Households	R2 441 m	11.1	2.7	R70 271 m	38.2	78.0	R8 508 m	24.1	9.4	R8 905 m	3.7	9.9	R90 125 m	18.7	100.0
	No. of households	81 117	32.9	2.5	2 577 357	38.1	78.0	336 829	46.2	10.2	307 790	17.8	9.3	3 303 093	34.9	100.0
	Average	R30 092			R27 265			R25 262			R28 932			R27 285		0.0
Middle (R50 774–R121 856)	Individuals	R8 856 m	40.4	5.7	R51 197 m	27.9	32.7	R12 158 m	34.5	7.8	R84 450 m	35.1	53.9	R156 661 m	32.5	100.0
	Households	R7 031 m	32.1	6.0	R52 727 m	28.7	44.8	R12 970 m	36.8	11.0	R44 927 m	18.7	38.2	R117 656 m	24.4	100.0
	No. of households	87 609	35.5	6.1	617 683	9.1	43.1	175 895	24.1	12.3	551 273	31.8	38.5	1 432 460	15.1	100.0
	Average	R80 254			R85 363			R73 737			R81 497			R82 136		0.0
High-middle (R121 857–R324 949)	Individuals	R4 738 m	21.6	4.4	R15 019 m	8.2	13.8	R3 350 m	9.5	3.1	R85 605 m	35.6	78.7	R108 712 m	22.6	100.0
	Households	R8 780 m	40.1	5.4	R32 431 m	17.6	20.0	R10 495 m	29.8	6.5	R110 141 m	45.8	68.1	R161 846 m	33.6	100.0
	No. of households	47 916	19.4	5.6	160 763	2.4	18.8	63 173	8.7	7.4	585 375	33.8	68.3	857 227	9.1	100.0
	Average	R183 237			R201 732			R166 131			R188 155			R188 802		0.0
High (R324 950+)	Individuals	R1 718 m	7.8	3.3	R6 489 m	3.5	12.4	R1 072 m	3.0	2.0	R43 031 m	17.9	82.3	R52 310 m	10.9	100.0
	Households	R3 571 m	16.3	3.6	R15 878 m	8.6	16.2	R2 697 m	7.6	2.8	R75 924 m	31.6	77.4	R98 070 m	20.4	100.0
	No. of households	7 001	2.8	3.7	26 356	0.4	13.9	5 408	0.7	2.8	151 489	8.7	79.6	190 254	2.0	100.0
	Average	R510 070			R602 443			R498 706			R501 185			R515 469		0.0
Total	Individuals	R21 896 m	100.0	4.5	R183 831 m	100.0	38.1	R35 267 m	100.0	7.3	R240 259 m	100.0	49.9	R481 254 m	100.0	100.0
	Households	R21 896 m	100.0	4.5	R183 831 m	100.0	38.1	R35 267 m	100.0	7.3	R240 259 m	100.0	49.9	R481 254 m	100.0	100.0
	No. of households	246 719	100.0	2.6	6 762 715	100.0	71.4	729 378	100.0	7.7	1 732 749	100.0	18.3	9 471 561	100.0	100.0
	Average	R88 749			R27 183			R48 352			R138 658			R50 810		0.0

Table 2: Households by age group (life stage) and level of education (life plane) of the head

Age group	Under 21 (N)	21–25 (N)	26–30 (N)	31–35 (N)	36–40 (N)	41–45 (N)	46–50 (N)	51–55 (N)	56–60 (N)	61–65 (N)	66–70 (N)	71+ (N)	Total (N)
Std 10 + degree	616	17 701	45 394	54 065	52 746	43 159	34 740	25 337	19 026	13 672	10 263	17 092	333 812
Std 10 + certificate/ diploma	2 874	40 353	101 792	124 452	120 913	91 693	69 812	51 313	42 278	31 273	23 633	34 740	735 128
Std 10/equivalent	26 120	143 206	237 992	213 806	174 268	116 758	99 278	70 148	56 005	43 023	37 279	64 860	1 282 743
Std 8–9	47 899	110 127	187 880	216 554	195 547	134 211	103 177	76 546	64 684	47 532	37 880	56 189	1 278 224
Std 6–7	55 523	84 219	146 391	176 597	194 911	173 984	150 695	110 423	93 456	72 938	59 133	92 150	1 410 421
Primary school/none	77 268	143 763	292 938	413 872	504 483	476 973	449 420	362 248	395 271	359 231	378 025	577 744	4 431 235
Total	210 300	539 370	1 012 387	1 199 347	1 242 867	1 036 777	907 123	696 014	670 721	567 669	546 213	842 774	9 471 562

Age group	Under 21 (%)	21–25 (%)	26–30 (%)	31–35 (%)	36–40 (%)	41–45 (%)	46–50 (%)	51–55 (%)	56–60 (%)	61–65 (%)	66–70 (%)	71+ (%)	Total (%)
Std 10 + degree	0.2	5.3	13.6	16.2	15.8	12.9	10.4	7.6	5.7	4.1	3.1	5.1	100.0
Std 10 + certificate/diploma	0.4	5.5	13.8	16.9	16.4	12.5	9.5	7.0	5.8	4.3	3.2	4.7	100.0
Std 10/equivalent	2.0	11.2	18.6	16.7	13.6	9.1	7.7	5.5	4.4	3.4	2.9	5.1	100.0
Std 8–9	3.7	8.6	14.7	16.9	15.3	10.5	8.1	6.0	5.1	3.7	3.0	4.4	100.0
Std 6–7	3.9	6.0	10.4	12.5	13.8	12.3	10.7	7.8	6.6	5.2	4.2	6.5	100.0
Primary school/none	1.7	3.2	6.6	9.3	11.4	10.8	10.1	8.2	8.9	8.1	8.5	13.0	100.0
Total	2.2	5.7	10.7	12.7	13.1	10.9	9.6	7.3	7.1	6.0	5.8	8.9	100.0

Age group	Under 21 (%)	21–25 (%)	26–30 (%)	31–35 (%)	36–40 (%)	41–45 (%)	46–50 (%)	51–55 (%)	56–60 (%)	61–65 (%)	66–70 (%)	71+ (%)	Total (%)
Std 10 degree	0.3	3.3	4.5	4.5	4.2	4.2	3.8	3.6	2.8	2.4	1.9	2.0	3.5
Std 10 + certificate/diploma	1.4	7.5	10.1	10.4	9.7	8.8	7.7	7.4	6.3	5.5	4.3	4.1	7.8
Std 10/equivalent	12.4	26.6	23.5	17.8	14.0	11.3	10.9	10.1	8.3	7.6	6.8	7.7	13.5
Std 8–9	22.8	20.4	18.6	18.1	15.7	12.9	11.4	11.0	9.6	8.4	6.9	6.7	13.5
Std 6–7	26.4	15.6	14.5	14.7	15.7	16.8	16.6	15.9	13.9	12.8	10.8	10.9	14.9
Primary school/none	36.7	26.7	28.9	34.5	40.6	46.0	49.5	52.0	58.9	63.3	69.2	68.6	46.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 3: Total income of all population groups by age group (life stage) and level of education (life plane)

Age group	Under 21 (R'000)	21–25 (R'000)	26–30 (R'000)	31–35 (R'000)	36–40 (R'000)	41–45 (R'000)	46–50 (R'000)	51–55 (R'000)	56–60 (R'000)	61–65 (R'000)	66–70 (R'000)	71+ (R'000)	Total (R'000)
Std 10 + degree	93 328	1 994 228	7 791 286	11 747 634	12 245 968	10 745 049	8 957 280	6 342 517	4 459 051	2 648 653	1 502 272	2 526 738	71 054 002
Std 10 + certificate/ diploma	149 733	3 346 451	10 229 179	14 392 045	14 740 764	11 806 043	9 987 303	7 407 543	5 175 116	3 065 174	1 981 493	2 644 008	84 924 852
Std 10/equivalent	999 424	7 601 691	16 533 520	18 844 511	18 378 875	14 872 627	14 410 915	10 523 422	7 264 454	4 501 690	3 257 615	4 824 877	122 013 620
Std 8–9	818 597	2 713 511	6 544 800	9 462 154	10 148 399	8 618 429	7 635 342	6 057 782	4 597 971	2 940 387	1 912 971	2 554 783	64 005 127
Std 6–7	787 300	1 538 892	3 330 974	4 942 409	6 113 753	6 190 020	6 005 208	4 784 411	4 144 992	3 002 461	2 145 877	3 035 619	46 021 916
Primary school/ none	984 429	2 036 637	5 109 711	8 038 029	10 363 464	10 716 310	10 481 204	8 748 535	9 306 395	7 775 517	7 879 908	11 793 346	93 233 483
Total	3 832 810	19 231 410	49 539 471	67 426 782	71 991 224	62 948 478	57 477 251	43 864 210	34 947 979	23 933 881	18 680 135	27 379 370	481 253 000

Age group	Under 21 (%)	21–25 (%)	26–30 (%)	31–35 (%)	36–40 (%)	41–45 (%)	46–50 (%)	51–55 (%)	56–60 (%)	61–65 (%)	66–70 (%)	71+ (%)	Total (%)
Std 10 + degree	0.1	2.8	11.0	16.5	17.2	15.1	12.6	8.9	6.3	3.7	2.1	3.6	100.0
Std 10 + certificate/diploma	0.2	3.9	12.0	16.9	17.4	13.9	11.8	8.7	6.1	3.6	2.3	3.1	100.0
Std 10/equivalent	0.8	6.2	13.6	15.4	15.1	12.2	11.8	8.6	6.0	3.7	2.7	4.0	100.0
Std 8–9	1.3	4.2	10.2	14.8	15.9	13.5	11.9	9.5	7.2	4.6	3.0	4.0	100.0
Std 6–7	1.7	3.3	7.2	10.7	13.3	13.5	13.0	10.4	9.0	6.5	4.7	6.6	100.0
Primary school/none	1.1	2.2	5.5	8.6	11.1	11.5	11.2	9.4	10.0	8.3	8.5	12.6	100.0
Total	0.8	4.0	10.3	14.0	15.0	13.1	11.9	9.1	7.3	5.0	3.9	5.7	100.0

Age group	Under 21 (%)	21–25 (%)	26–30 (%)	31–35 (%)	36–40 (%)	41–45 (%)	46–50 (%)	51–55 (%)	56–60 (%)	61–65 (%)	66–70 (%)	71+ (%)	Total (%)
Std 10 + degree	2.4	10.4	15.7	17.4	17.0	17.1	15.6	14.5	12.8	11.1	8.0	9.2	14.8
Std 10 + certificate/diploma	3.9	17.4	20.6	21.3	20.5	18.8	17.4	16.9	14.8	12.8	10.6	9.7	17.6
Std 10/equivalent	26.1	39.5	33.4	27.9	25.5	23.6	25.1	24.0	20.8	18.8	17.4	17.6	25.4
Std 8–9	21.4	14.1	13.2	14.0	14.1	13.7	13.3	13.8	13.2	12.3	10.2	9.3	13.3
Std 6–7	20.5	8.0	6.7	7.3	8.5	9.8	10.4	10.9	11.9	12.5	11.5	11.1	9.6
Primary school/none	25.7	10.6	10.3	11.9	14.4	17.0	18.2	19.9	26.6	32.5	42.2	43.1	19.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

qualifications, or only a primary school education, while 3.5% had a degree and 7.8% had a Std 10 plus certificate/diploma. There are, however, vast differences in the distribution, particularly according to life plane, if the main population groups are analysed separately.

In Table 3, the total income of R481 billion for 1996 is segmented according to life stage and life plane. A full 15% of all income was earned by the 36–40 life-stage group, and a further 14% by the 31–35 group. The 46.8% of households with no school qualifications, or only a primary school education, earned only 19.4% of the income, while the 3.5% of households with degrees earned 14.8% of the income.

By dividing the total income in each cell (Table 3) by the corresponding number of households (Table 2), the average income per household in each cell can be determined. The average household income of households where the head holds a degree was R212 857, more than ten times as much as the income of those where the head has no school qualifications, or only a primary school education.

Conclusion

The dynamics of the South African market necessitate the reclassification of personal disposable income into other categories than the traditional ones. It is clear that income group and life stage/life plane will become more important as classification systems in future, overshadowing (but not completely doing away with) classification on the basis of race/population group.

The vast differences in income according to income group life stage and life plane indicate the relative importance of the various segments for marketers, making it possible for them to focus their marketing efforts on the segments with the largest market and profit potential, depending on the product they wish to market.

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Best practice in South African loyalty-based management: an exploratory study

*P. Venter & M. Jansen van Rensburg**

Despite the fact that customer retention is widely supported as a business goal and an important component of business success, there seems to be a great deal of cynicism regarding the current state of business loyalty. This article reports on a survey among 217 South African business managers and finds that loyalty still has a place in business. It also reports specifically on best practices in loyalty-based management in South African companies.

Introduction

'Loyalty is dead', the experts proclaim, and the statistics seem to bear them out. On average, US corporations now lose half their customers in five years, half their employees in four, and half their investors in less than one. The future seems to be one in which the only business relationships will be opportunistic transactions between virtual strangers (Engelhardt 2002).

Disloyalty at current rates stunts corporate performance by 25–50%, and sometimes more. By contrast, businesses that concentrate on finding and keeping good customers, productive employees and supportive investors continue to generate superior results (Reichheld 1996, 2001).

Background

Defining loyalty

Research suggests that neither attitudinal nor behavioural measures on their own are sufficient to explain or define loyalty. This is important for managers, as it suggests that existing measures of loyalty may be seriously flawed, and that strategies developed on the strength of such measures may thus be inadequate. "The very term loyalty implies commitment rather than just repetitive behaviour, which suggests that there is a need for a cognitive as well as a behavioural view" (Assael 1992: 89). Researchers now agree that loyalty is the non-random re-purchase behaviour (behavioural loyalty), following a process of evaluation (mental loyalty) (Constabile 2002).

Loyalty-based management

Loyalty-based management has three dimensions – customer loyalty, employee loyalty and investor loyalty – and these dimensions are interdependent. What should drive business is not profit but the creation of value for the customer, a process that lies at the core of all successful enterprises. This forms the very core of the marketing concept (Perreault & McCarthy 2002). Because of the linkages between loyalty, value and profits, these forces are measurable in cash flow terms. For example, "companies can boost profits by almost 100 percent by retaining just five percent more of their customers" (Reichheld & Sasser 1990: 105). The concept of loyalty-based management can be seen as a continuum, where 'transactional focus' is the one extreme and 'loyalty focus' the other. Transactional focus represents the short-term view, where opportunism and profit maximisation dominate. At the other end of the spectrum, a long-term view and quality relationships are the key focus areas. This continuum is depicted in Table 1.

Figure 1 depicts loyalty-based management as a 'virtuous circle', in which all of the elements must be present, or none are achievable.

Given the literature review and the context of the article, the question of what makes companies with high levels of loyalty different from those with lower levels of customer loyalty can be answered as follows:

- Companies with high levels of customer loyalty would tend to be more profitable (as an outcome).

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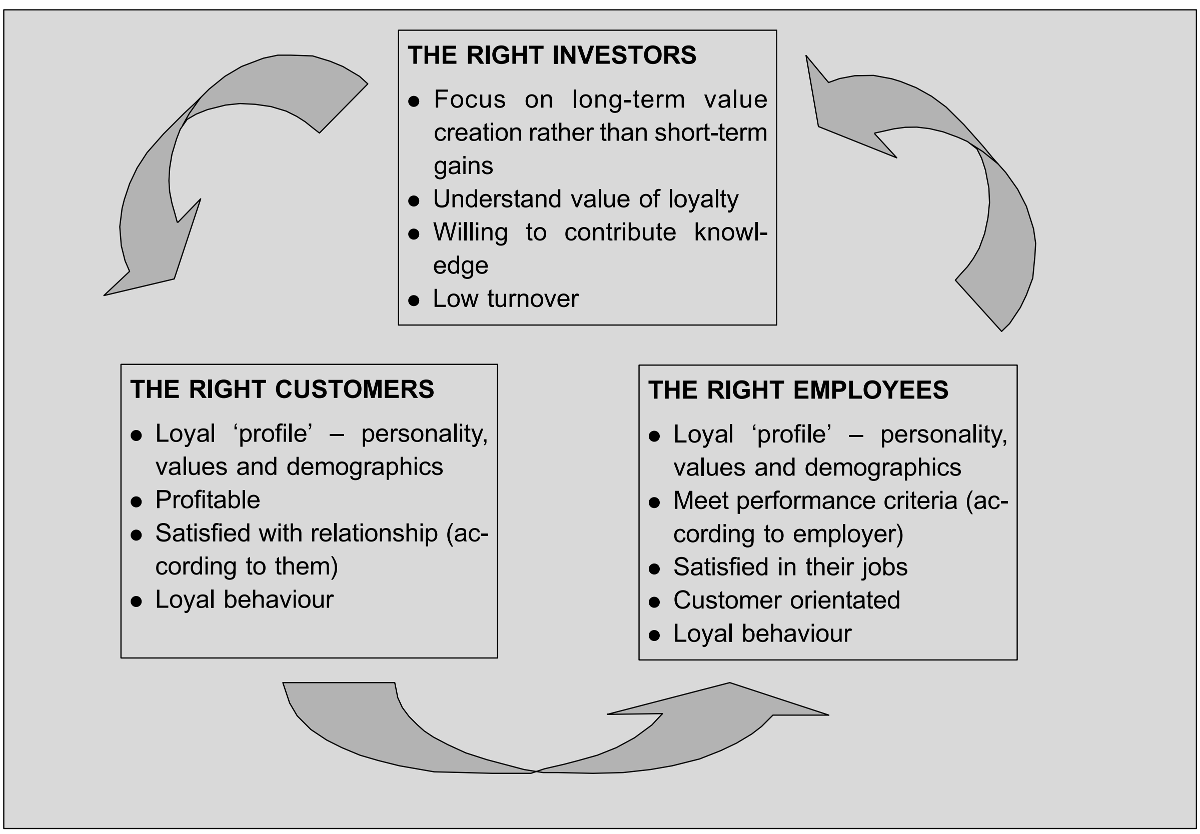
Table 1: Transactional versus loyalty focus

	Transactional focus	Loyalty focus
Customer relations	• Short-term focus • Marketing mix • More price sensitive Market share is the key metric Technical quality dominates Optimise each transaction Ad hoc surveys Functional management (silos) 'Close the deal'	• Long-term focus • Customer relationships • Less price-sensitive • Retention and lifetime value are the key metrics (direct interaction) • Functional quality dominates • Lasting relationships with key customers • Real-time customer information systems • Integrative approach • Do what is best for the relationship
Employee relations	• Short-term focus • Optimise input-output • Reward profitability Employees are 'suppliers' Recruit 'most proficient'	• Long-term focus • Value relationship • Reward long-term value creation • Employees are partners Recruit 'best fit', including shared values
Investor relations	• Short-term profitability Dictate terms Investment is an economically rational decision (buy and sell)	• Long-term sustainability • Contribute knowledge • Investment is about ownership of an asset (maximise value)



Source: Adapted from Reichheld (1996: 20)

Figure 1: The virtuous circle

- Companies with high levels of loyalty would have higher levels of employee loyalty and shareholder loyalty (as key drivers of customer loyalty).
- Overall, it could be argued that companies with higher levels of customer retention would exhibit higher levels of market orientation as part of the organisational environment enabling customer retention and profitability (Narver & Slater 1992; Jaworski & Kohli 1993).

Objective of the study

In recent competitive business environments, customers have been exposed to a proliferation of choice alternatives. In order for managers to cope with the forces of disloyalty among customers, they need to have an accurate method to measure and predict loyalty. However, it seems impossible to obtain an objective and general measurement of loyalty, because loyalty has been defined and operationalised differently by a number of authors. This diverse definition and operationalisation of loyalty has in part been due to the various aspects of loyalty being in focus at different times, and by various authors (Ha 1998).

Given this situation, it would seem that there is very little evidence of integrated, organisation-wide loyalty management in most business organisations. In addition, many research studies focus on the customer aspects of customer loyalty (for example, Mittal & Lassar 1998; McGoldrick & Andre 1997). Therefore little empirical research seems to have been done on integrated models for managing loyalty across the whole organisation.

This research problem gave rise to three study objectives:

1. Given the various approaches and definitions to loyalty, what are the key internal drivers of customer loyalty in the South African business environment?
2. What are the interrelationships between the various drivers?
3. Are there differences in loyalty-based management practices in different types of organisations?

This article focuses on the third objective, and specifically on the differences between organisations reporting a high level of loyalty and those exhibiting an average or below average level of customer loyalty.

Research methodology

A positivistic (quantitative) approach was used to research loyalty-based management practices in South African business organisations. In the absence of a more complete public sampling frame of business managers, it was decided to use the database of students and alumni of Unisa's Graduate School of Business Leadership.

Questionnaire design

The questionnaire contained the following sections:

- The first section contains two questions measuring the respondents' perception of their own organisation's performance on two critical organisational performance measures, namely profitability and growth.
- The second section covers individual and organisational characteristics of respondents and the companies they work for.
- The third section deals with aspects relating to loyalty-based management. This was covered in a variety of questions and topics, namely:
  - Respondents' perception of the level of customer and employee loyalty in their own organisations
  - The tools and techniques used to manage and increase loyalty
  - How loyalty is measured
  - The allocation of managers' time to various activities
  - A scale item bank of 56 questions measuring respondents' level of agreement with a range of statements (on a five-point scale) relating to loyalty-based management. The statements were generated from the literature survey and from interviews with six business managers from different organisations
  - A section measuring respondents' perception of the importance of various loyalty-related aspects to the establishment of customer loyalty (again on a five-point scale).

Data collection

With the assistance of Micro-Ices, vendors of the Perseus Survey Solutions software, the questionnaire was converted into HTML format for web-based data gathering. The questionnaire was then hosted on the Micro-Ices website from mid-July (of a certain year) until the end of August. Students and alumni of the Unisa Graduate School of

Business Leadership were approached by e-mail to link them to the website. In response to this elicitation, 217 usable responses were gathered electronically.

Data analysis

The 56 statements relating to various aspects of loyalty were subjected to factor analysis (Principal Component Analysis with Oblimin rotation and Kaizer normalisation).

Only statements with a factor loading of higher than 0.5 and factors with a Cronbach's alpha coefficient (a) of higher than 0.7 were used in the analysis. Both of these parameters are considered adequate for exploratory research. This had the following effect:

- Nine different, reliable factors were identified.
- It reduced the number of statements from 56 (with a very high a of 0.97) to 36 statements (a of 0.87). The factor analysis thus assisted in establishing a more efficient scale item battery.

Respondent profiles

The sampling frame used led to a definite bias in favour of managers in large organisations, as the demographics and corpographics confirm.

As far as the demographics of individual respondents were concerned, respondents could be classified as follows:

- Median age of 34 years old
- Mostly top and middle managers (71%)
- Had worked for their organisations for a median of five years.

There was no clear concentration of respondents in any particular functional area, and a wide range of different functional areas was represented in the realised sample.

The corpographics also show that there is a definite bias towards larger organisations, as follows:

- 64% had more than 500 employees
- 82% had been in business for more than ten years
- 77% are privately owned or listed companies
- All three economic sectors are represented: tertiary (58%), secondary (27%) and primary (16%)
- 64% do business internationally
- 62% have a turnover of more than R500 million per year.

Again, the respondents covered a wide range of business activities, with no concentration in any particular industry.

In summary, a large and diverse sample was realised, with some bias towards large companies.

Research findings

This section compares companies that reported a perception of customer retention higher than the industry ('high performers') with those reporting a level of customer retention similar to or lower than the industry ('low performers') on a number of key variables. High loyalty refers to those respondents rating themselves at levels 4 and 5 on a scale of 1–5 regarding retention compared to the industry. Low loyalty refers to those respondents rating themselves as 1, 2 or 3 on the same scale. These groupings were selected because of the relatively low number of respondents reporting results lower than industry average (thus preventing the formation of a separate group).

Performance compared to the industry

In this comparison, high performers were compared with low performers on two key performance measures, namely, profitability and revenue growth. Respondents were asked to compare themselves with the industry, and the scores of the top two boxes (slightly and much better than industry average) are reported (see Figure 2). From this comparison, it seems that companies with high loyalty perform better than companies with lower loyalty on financial measures. This is in line with the findings of various research projects that suggest that loyalty results in monetary rewards.

The ANOVA table (Table 2) suggests that the means differ significantly in terms of profitability, but not in terms of growth. This suggests that high customer loyalty does not necessarily result in higher growth, but does explain differences in profitability.

Corpographics

Although the responses were definitely skewed towards larger organisations, an analysis of three key demographics shows that companies with high loyalty are most likely:

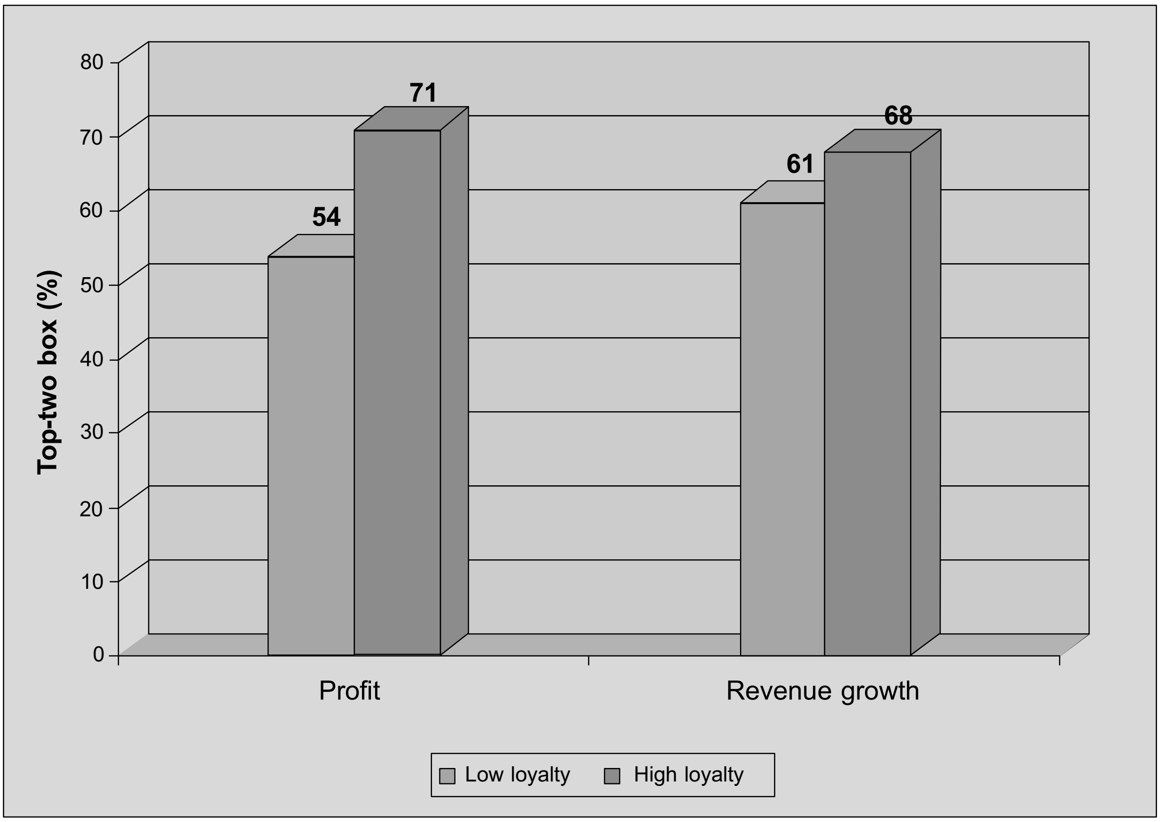


Figure 2: Comparison of organisational performance

Table 2: ANOVA table comparing performance measure means

QUESTIONS		Sum of squares	df	Mean square	F	Sig.
When we compare our own profitability to our industry, we generally perform:	Between groups	8.789	1	8.789	7.084	.008
	Within groups	241.912	195	1.241		
	Total	250.701	196			
When we compare our own revenue growth to our industry, we generally perform:	Between groups	.039	1	.039	.030	.863
	Within groups	251.494	195	1.290		
	Total	251.533	196			

- Between five and ten years old
- A medium-sized company with between 200 and 500 employees
- Operating in the secondary or tertiary sectors of the economy.

This is illustrated in Figures 3 to 5.

However, ANOVA (Table 3) suggests that there are no statistical differences in the mean age of organisations with high and low loyalty.

Figure 4 depicts the relationship between organisation size and loyalty performance. Again, ANOVA suggests that there are no significant differences in the mean size of organisations with high and low loyalty.

As for economic sector, Figure 5 suggests that organisations in secondary and tertiary sectors tend to be higher performing on loyalty aspects.

The conclusion from this section is that corpographics such as age and size do not differentiate

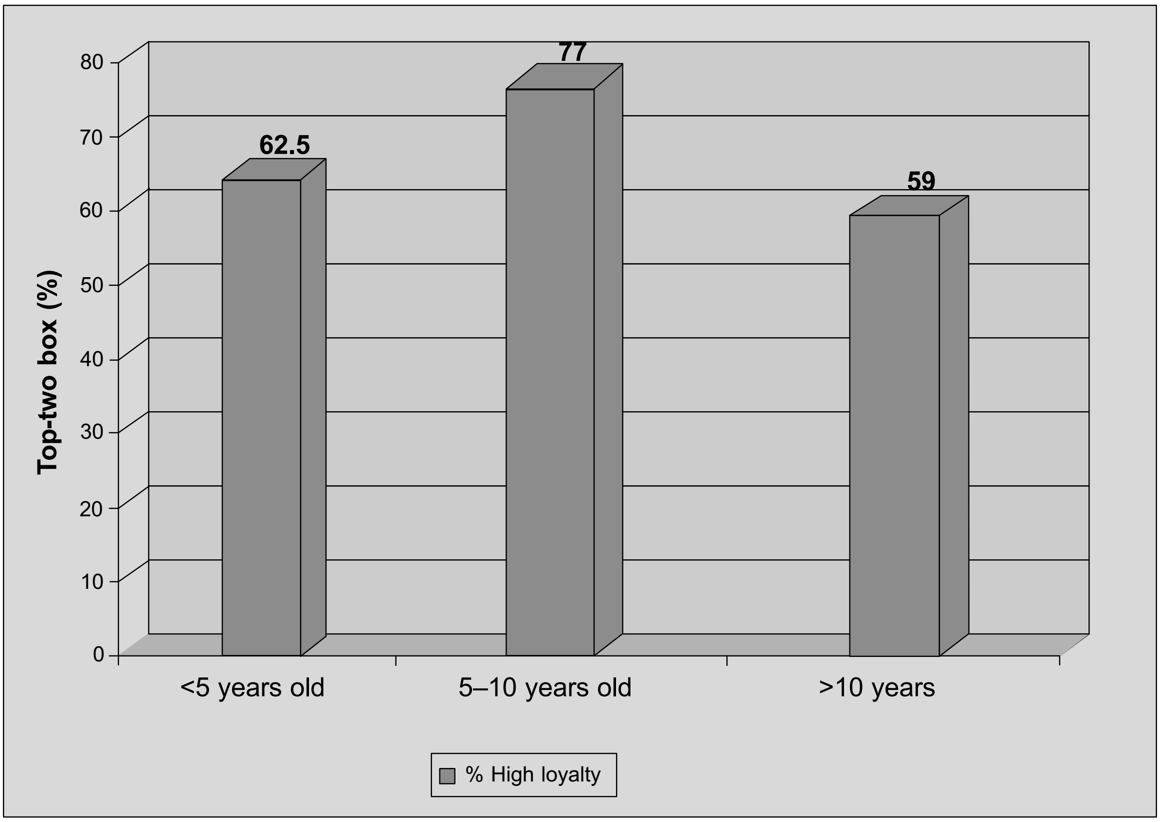


Figure 3: Comparison of organisation age and loyalty performance

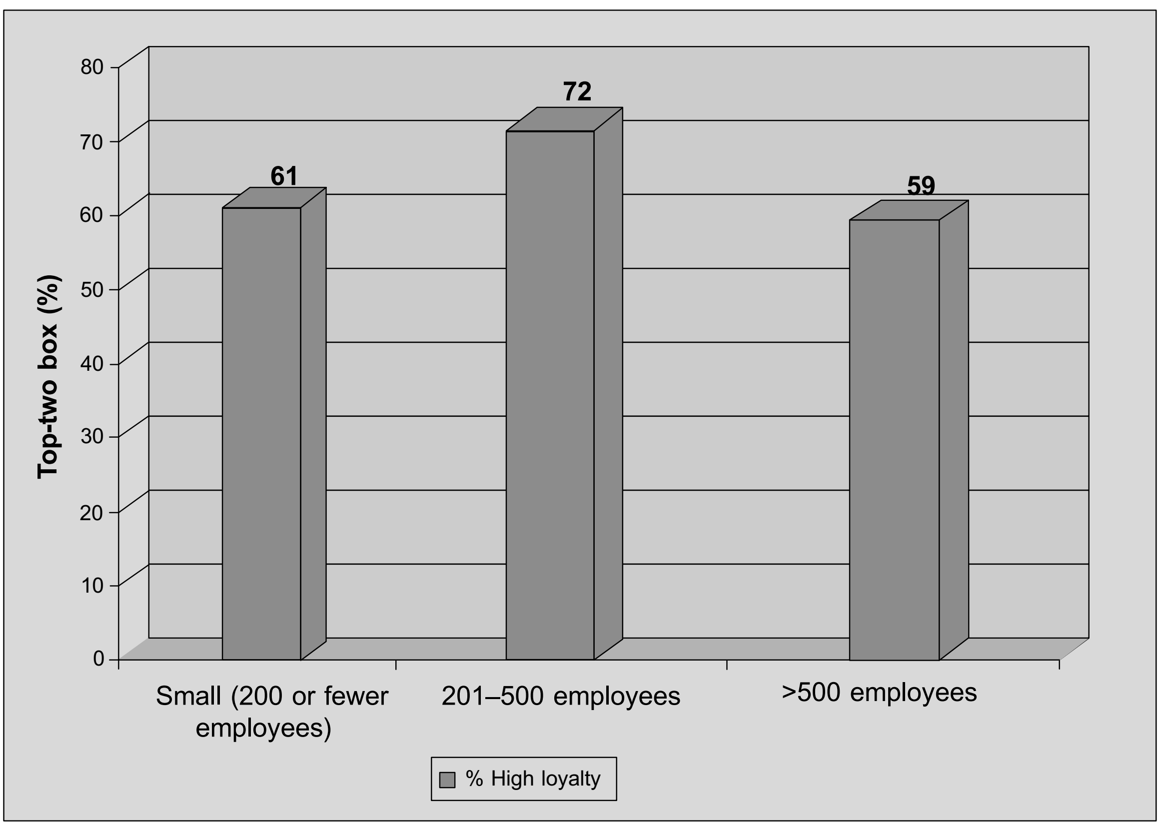


Figure 4: Organisation size and loyalty performance

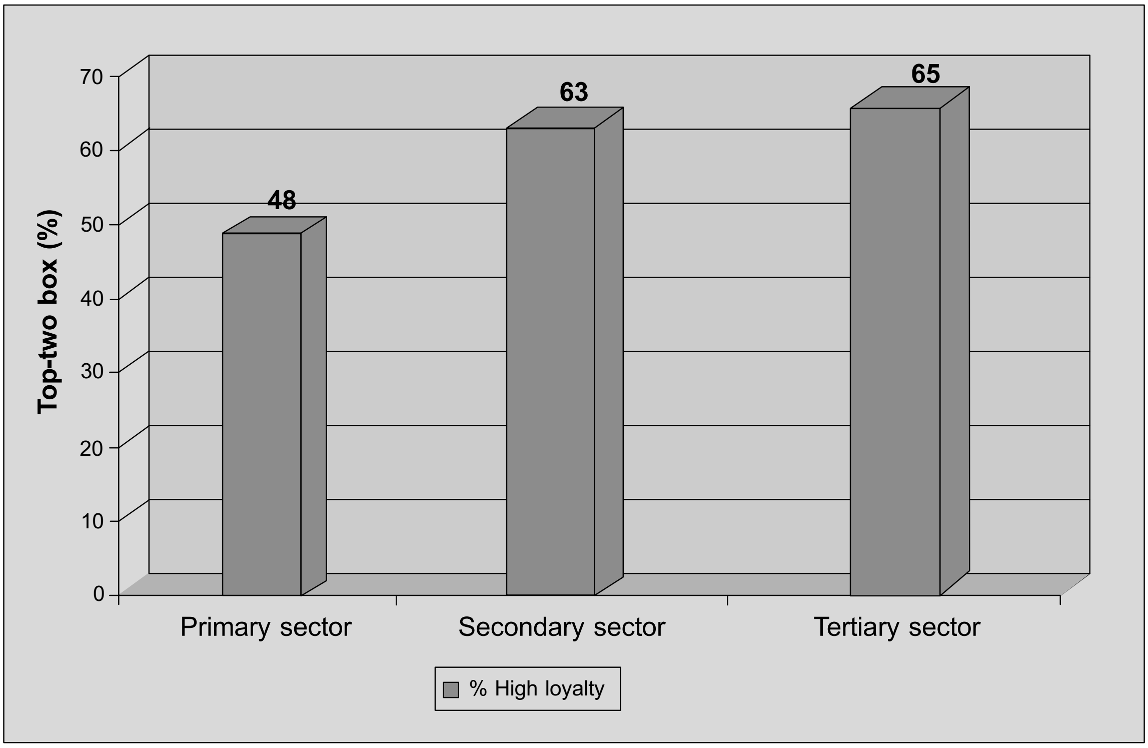


Figure 5: Economic sector and loyalty performance

Table 3: ANOVA comparing organisations with high and low loyalty on corpographics

QUESTIONS		Sum of squares	df	Mean square	F	Significance level
Age of organisation	Between groups	.228	1	.228	.405	.525
	Within groups	109.012	194	.562		
	Total	109.240	195			
Organisation size	Between groups	.956	1	.956	1.769	.185
	Within groups	105.369	195	.540		
	Total	106.325	196			

sharply between organisations with high and low loyalty. However, there are some indications that economic sector may differentiate to some extent.

Loyalty tools and measurements used

Low and high loyalty performers are very similar in their use of loyalty tools. However, high performers seem to make more use of coordinating structures (such as steering committees and single points of responsibility) (Figure 6) and show a possible tendency to use more high-level measurement tools (such as managing customer lifetime value) (Figure 7).

There are some key differences between high and low performers:

- High performers make more use of organisational tools to promote loyalty, specifically steering committees and single points of contact and responsibility.
- High performers make more use of loyalty programmes, loyalty measurements, managing customer lifetime value as well as customer relationship management (CRM) tools.

The key issue seems to be that high loyalty performers are more committed to dedicating resources to managing loyalty and to investing in new technologies and ideas.

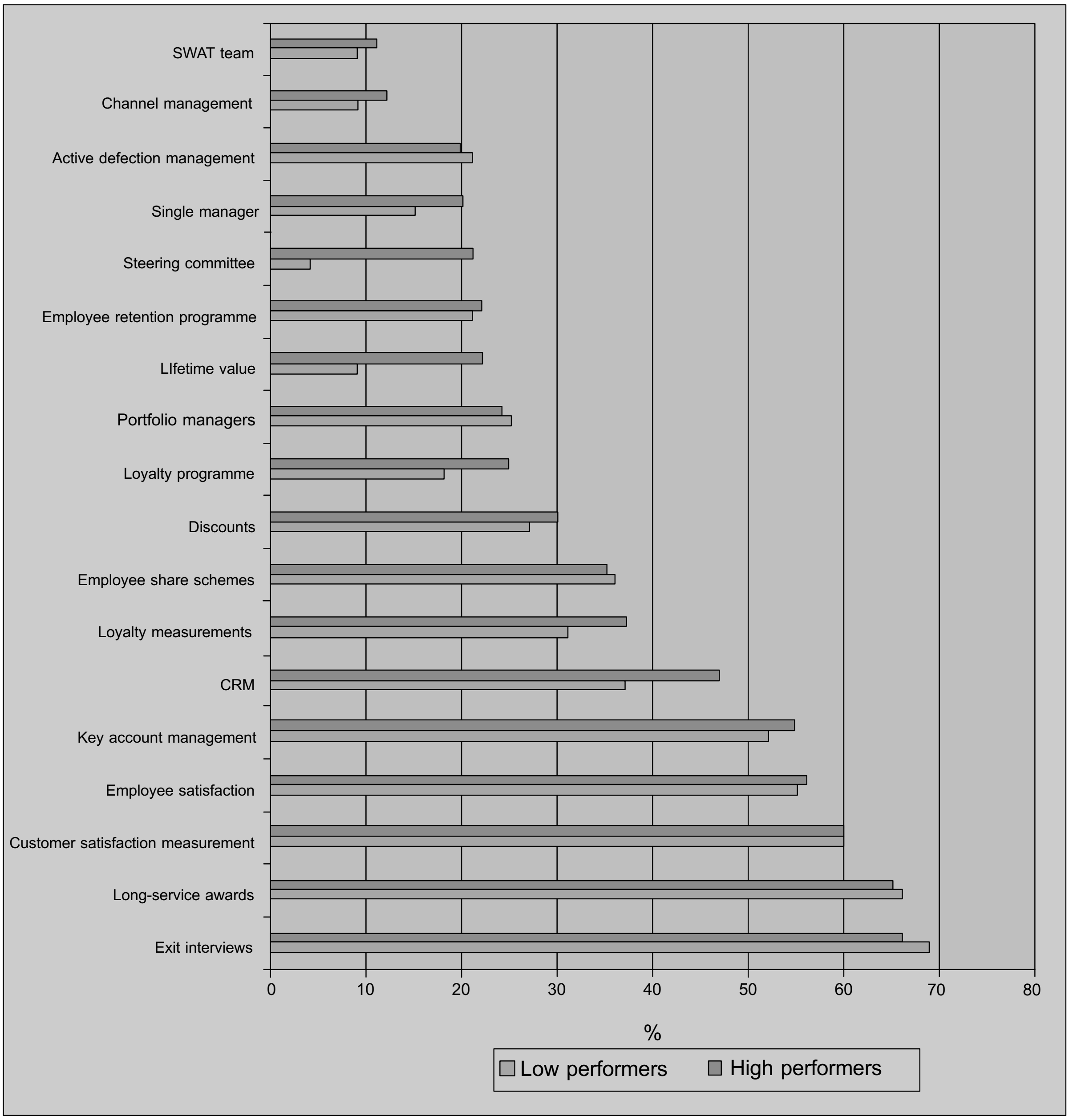


Figure 6: Loyalty management tools used – high and low loyalty performers

Figure 7 compares high and low performers on the loyalty measurements that they use. It is interesting to note the following:

- Time invested in the relationship (years as a customer or employee) is the key measure and is popular in both groups.
- Lifetime value or contribution is generally regarded as best practice when it comes to loyalty, but is the least popular measurement used. This is perhaps because of the lack of good information on customer and employee contributions that many organisations experience. In this case, low performers outscore high performers, perhaps because high performers may have a better idea of what measuring lifetime value really entails.
- The biggest difference between high and low performers in this section is that high performers measure repeat business more than low performers. Repeat business or transactions is the most basic of measures when it comes to loyalty, and intuition would have suggested that both groups score high on this measure.
- High performers also seem to invest more in understanding customer commitment and brand image, which suggests (as in the previous conclusions) that they are more willing to invest resources in customer retention.

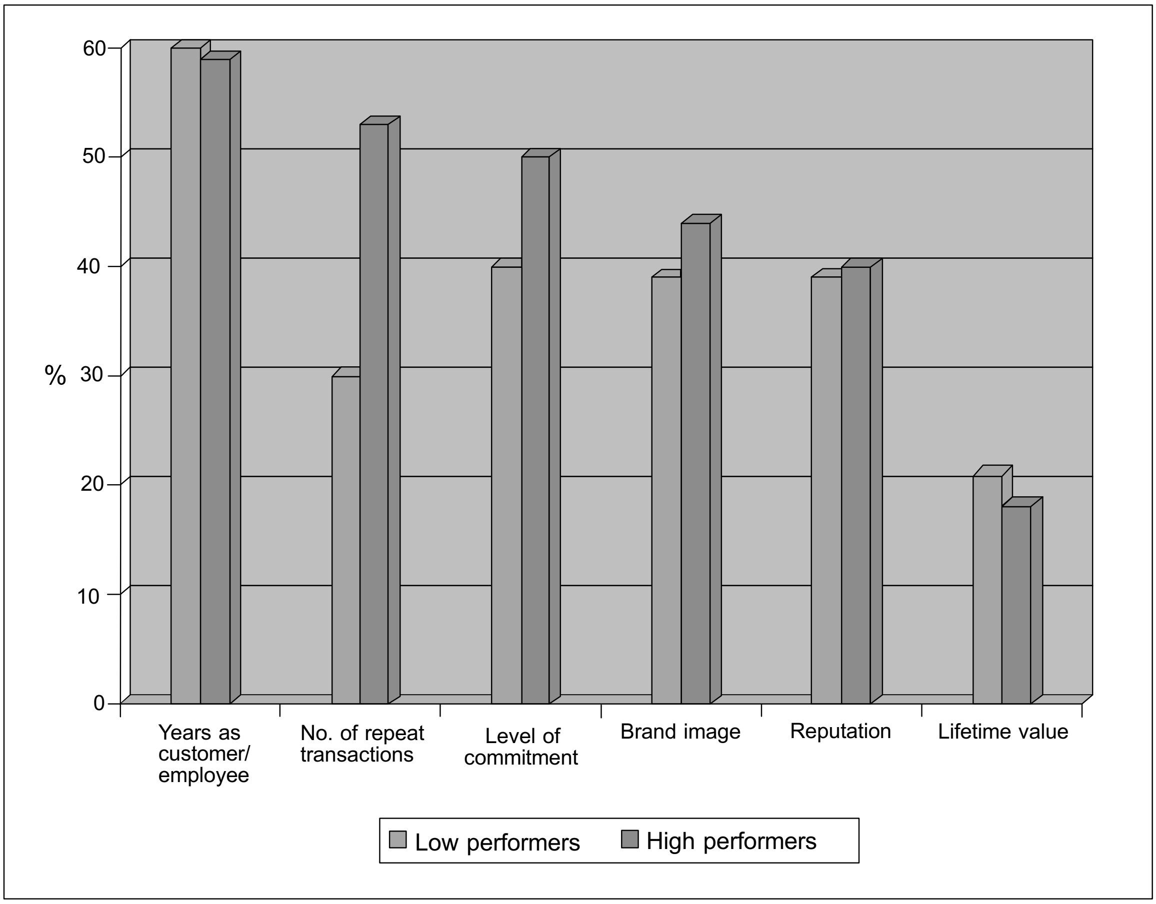


Figure 7: Measurements used – high versus low performers

Time utilisation

This section compares high and low performers on two key aspects, namely time spent with key customers and time spent working alone in their offices. In this case, the median was used as a measure. Interestingly, high performers seem to spend a little more time in their offices working alone. However, they also seem to spend slightly more time with key customers and significantly less with subordinates – perhaps as a result of more empowerment in higher performing organisations (Figure 8).

Loyalty drivers

This section compares the performance of low and high loyalty performers on the nine identified loyalty factors. For this comparison, means were used as the basis for comparison. As a first step, it is important to provide more background on the factors and the scale items that they comprise (Table 4).

In Table 4, the top-box scores and means for the 37 selected scale items are compared according to level of loyalty performance. If the ANOVA resulted in a significant difference, it is indicated as 'Yes', and if there was no significant difference, this is denoted by a 'No'. A 'Yes' can therefore be interpreted as a significantly higher mean for high loyalty performers than for low performers.

In brief, the following results were obtained for each of the factors:

1. **Market and employee focus:** While there are no differences when it comes to benchmarking against competitors and recruiting the right kind of employees, high performers seem to perform better on a culture of customer and employee satisfaction.

2. **Organisational customer orientation:** While customer satisfaction and commitment to customers is also high on the agenda of low performers, high performers apparently succeed better at creating true customer and loyalty focus.

3. **Climate of trust and commitment:** The only aspect that seemingly makes a difference between high and low performers is the ability of high performers to create a climate of trust,

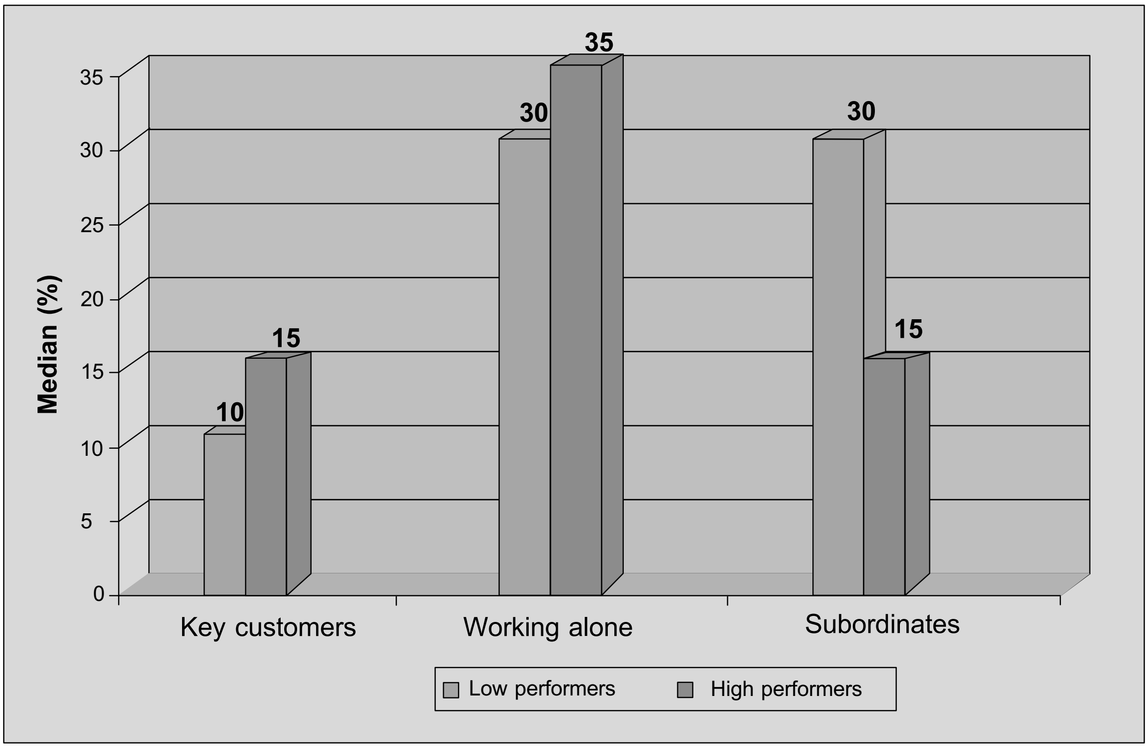


Figure 8: Time utilisation – high versus low performers

with a leadership behaving with integrity. This supports the views of Schein (1992) on the importance of leaders setting behavioural standards by their own behaviour.

4. **Relationship focus:** High performers outperform low performers on all aspects, indicating yet again the importance of a relationship focus rather than a transactional focus.

5. **Shareholder contribution:** As in the previous point, high performing respondents were much more positive about the contribution of shareholders to their business in all respects.

6. **Employee empowerment:** While low performers also felt confident that their employees are empowered to act decisively in dealing with customers, high performers were more positive about the policies that they have in place to make this easier and that their employees can use their discretion in dealing with customers.

7. **Top management commitment:** High performers outperformed low performers in every aspect of this proximate driver, and again highlighted the crucial role of top management in creating a culture of commitment and loyalty.

8. **Quality focus:** While there is no significant difference between the perceptions of high and low performers that they measure the cost of poor quality, high performers think more about ways of improving quality. This introduces an element of proactiveness in dealing with quality.

9. **Internal service focus:** The key difference here is that high performers' performance ratings are determined more by internal customers than by supervisors.

Figure 9 compares the means for high and low performers for each of the nine factors.

As the ANOVA table (Table 5) shows, there are significant differences at the 95% level for seven of the nine factors. There is thus statistical evidence that companies exhibiting high performance on loyalty outperform low performers on almost every internal aspect of loyalty, except on two factors: a climate of trust and commitment and quality focus. This drives home the point that having good quality is not enough – the cultural aspects of loyalty have to be in place as well.

Conclusions and recommendations

With relation to how high loyalty performers differ from low performers, the key differences can be summarised as follows:

- High performers are significantly more profitable.

Table 4: Top-box scores for factor items

FACTOR	Statements	ANOVA significant (95% level) (Yes/No)	Top-box score (%)
1. Market and employee focus	We are constantly measuring ourselves against competitors to identify opportunities for improvement.	No	20
	We recruit employees whose values match those of the organisation.	No	15
	Our employees are generally happy working for our company.	Yes	10
	Our customers are generally satisfied with our product/ service	Yes	13
	We attract outstanding employees.	Yes	13
	We are dedicated to developing innovative ideas that make our customers' lives easier.	Yes	18
	Our employees are well trained to keep customers satisfied.	Yes	11
	We have developed a strong culture of service.	Yes	13
2. Organisational customer orientation	We spend enough time surveying the needs of our key customers.	Yes	13
	Commitment to customers is widely communicated.	No	20
	Customer successes are celebrated.	Yes	10
	Customer satisfaction is high on the agenda of top management.	No	27
	Customer loyalty is high on the agenda of top management.	Yes	26
3. Climate of trust and commitment	There is a climate of trust between management and employees.	Yes	7
	Employees are not afraid to constructively criticise management.	No	6
	Employees are given regular feedback on their performance.	No	11
	Employees perceive that they have a stake in our success.	No	10
	Our leaders consistently behave with integrity.	Yes	19
4. Relationship focus	We are uncompromising on ethics in all our dealings with suppliers.	Yes	36
	We are uncompromising on ethics in all our dealings with customers.	Yes	37
	We have a relationship of trust with our key suppliers.	Yes	23
	A long-term relationship with a key supplier is more important than price.	Yes	20
5. Shareholder contribution	Our shareholders are more focused on long-term relationships than on short-term profits.	Yes	19
	Our shareholders make a valuable contribution to our business.	Yes	20
	Our shareholders understand the value of loyalty.	Yes	24
6. Employee empowerment	Key customer contact personnel are empowered to act decisively if customer satisfaction is jeopardised.	No	18
	Our policies make it easy for us to retain customers.	Yes	13
	Employees have a great deal of freedom to use their own discretion in dealing with customers.	Yes	7

Table 4: Top-box scores for factor items (continued)

FACTOR	Statements	ANOVA significant (95% level) (Yes/No)	Top-box score (%)
7. Top management commitment	Senior management spends enough time with key customers.	Yes	15
	Senior management spends enough time with our customer contact personnel.	Yes	9
	Management acts quickly to remove obstacles in the way of retaining key customers.	Yes	20
8. Quality focus	We measure the cost of poor quality.	No	13
	We are constantly thinking of ways to eliminate poor quality.	Yes	27
9. Internal service focus	Internal customers have the opportunity to formally evaluate the service of internal suppliers.	No	8
	Performance appraisals are determined more by internal customers than by supervisors.	Yes	3

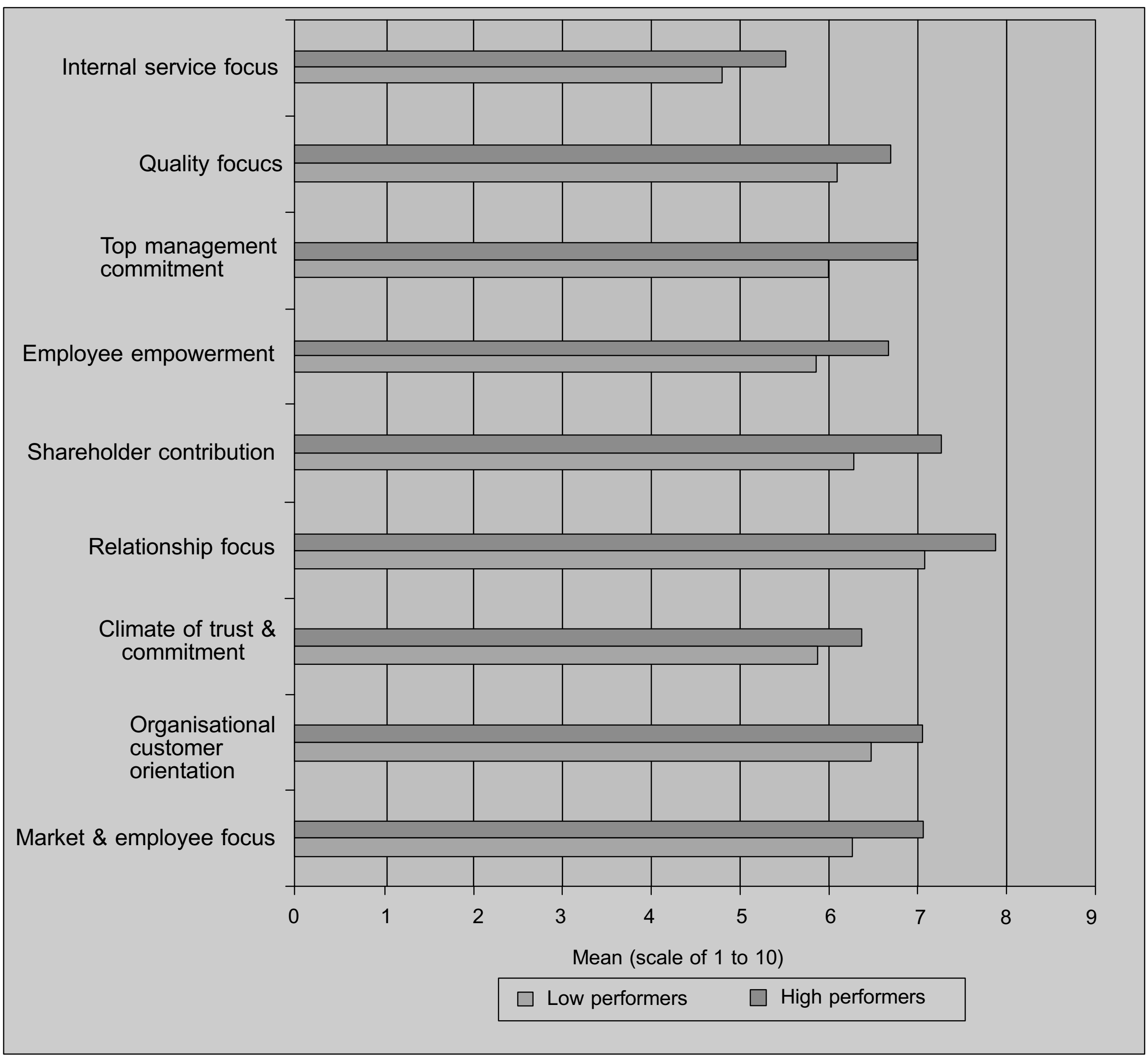


Figure 9: Comparative scores for loyalty factors – low and high performers

Table 5: ANOVA for loyalty factors by high and low performers

FACTORS		Sum of squares	df	Mean square	F	Significance level
Market and employee focus	Between groups	27.716	1	27.716	10.864	.001
	Within groups	464.311	182	2.551		
	Total	492.027	183			
Organisational market orientation	Between groups	18.212	1	18.212	6.531	.011
	Within groups	524.246	188	2.789		
	Total	542.458	189			
Climate of trust and commitment	Between groups	10.023	1	10.023	3.144	.078
	Within groups	586.516	184	3.188		
	Total	596.538	185			
Relationship focus	Between groups	27.392	1	27.392	9.442	.002
	Within groups	551.228	190	2.901		
	Total	578.620	191			
Shareholder contribution	Between groups	42.256	1	42.256	11.312	.001
	Within groups	702.261	188	3.735		
	Total	744.517	189			
Employee empowerment	Between groups	29.082	1	29.082	8.842	.003
	Within groups	634.772	193	3.289		
	Total	663.854	194			
Top management commitment	Between groups	52.012	1	52.012	16.818	.000
	Within groups	603.069	195	3.093		
	Total	655.081	196			
Quality focus	Between groups	14.258	1	14.258	2.771	.098
	Within groups	988.113	192	5.146		
	Total	1 002.371	193			
Internal service focus	Between groups	21.253	1	21.253	5.929	.016
	Within groups	677.512	189	3.585		
	Total	698.764	190			

- They tend to invest more in 'loyalty best practice' tools and measurements.
- They are more market-oriented and better able to create customer and loyalty focus.
- They are better able to create a climate of trust.
- They exhibit a stronger relationship focus.
- They are more positive about shareholder contributions to their business.
- They are more proactive when it comes to quality improvement.
- They have a stronger focus on internal service delivery.

Recommendations

Top management support is such a key aspect that it requires considerable attention in the following areas:

- The first and foremost point is for top managers to embody integrity and ethical behaviour. Without this, trust is impossible.
- Top management must emphasise and live the values of long-term relationships, without tolerating poor performance.
- Policies and decisions must remove obstacles to loyalty-based management and must enable employees to act freely to the benefit of the organisation and the customer.
- Key account management programmes must be established so that top management spends time with key customers. In addition, opportunities should be created for staff (especially frontline staff) to interact directly with top management.

Other aspects relating to the factors contained in this area are:

- Organisations need time to build trust across the organisation. The best way to do this is to create opportunities for regular, open and honest two-way communication between employees and management especially, but ultimately across the whole organisation.
- Reward systems must support long-term relationship building and not short-term results.
- Internal service delivery requires considerable attention. Not only must internal departments learn to focus on their next process as a customer, but service delivery also needs to be measured and managed in terms of the supplier/client relationship. In this regard, internal service delivery should be a part of every employee's performance management metrics.

It has been shown over and over again that customer loyalty is a passport to financial gain. However, it is becoming increasingly difficult to establish a philosophy of loyalty-based management. Those organisations that overcome the barriers and are willing to commit the resources in the right areas may well become the long-term industry 'winners'.

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