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THE PENINSULA TECHNIKON

BUSINESS FACULTY

Mtech Thesis

THE INFLUENCE OF THE MARKETING CONCEPT ON COMPANY PERFORMANCE WITH SPECIFIC REFERENCE TO CUSTOMER SERVICES WITHIN THE TRAVEL AGENCY INDUSTRY IN THE WESTERN CAPE

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by

M. Roberts-Lombard

Supervisor: **Mr. I.C. van der Heever (Peninsula Technikon)**

DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is
my own original work and has not previously in its entirety or in part been
submitted at any university or technikon for a degree.

SIGNATURE: ....

DATE: ....

ABSTRACT

Companies operating in the service industry must take note of three important marketing tasks. The first of these tasks is that companies should realise that they must provide the market with a variety of products. Businesses should therefore furnish the market with a diversified product range. Secondly, customers expect from the business sector to provide them with a quality service that even exceeds their own expectations. Thirdly, to ensure its survival in a competitive environment, the company should improve the productivity of its employees e.g. by improving the level of customer service provided to customers. Kotler (1997: 488) argues that such an improvement in productivity levels of employees can be achieved through employees working more skillfully, increasing the quantity of service by surrendering some quality, industrialising the service, inventing new-product solutions, designing more effective services, presenting customers with the incentive to substitute their own labour for company labour, or using technology to save time and money.

Keeping these facts in mind and taking into consideration that tourists have been arriving in South Africa from all over the world for decades, it is of great importance for visitors to South Africa to receive customer service of the highest quality. A tourist travelling in the Republic of South Africa will most probably make use of a local travel agency if they should be in need of any further travel related services. A travel agent representing a particular travel agency, will not be engaged in the sale of travel related services only to tourists, but also to any other consumer interested in making use of the Travel Agencies' services.

The Association of Travel Agents' (ASATA) code of conduct stresses that "ach travel agent engaged in the sale of travel-related services direct to consumers shall maintain the highest standard of service possible, complying with all statutory requirements, including those applicable to travel agents and with all provisions of this code" (Business Practices Committee Consumer Code For Travel Agencies, 1994: 5).
This thesis is an analysis of the "marketing concept", with specific reference to customer service. It focuses on the top management in the travel agency industry and

will be concerned with the degree to which top management is marketing orientated and the influence their marketing-orientated outlook will have on the performance of the travel agency.

With marketing being defined as: "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals", it must be emphasized that marketing can be seen as, amongst others, the anticipation and satisfaction of customer needs (Boshoff & Terblanche, 2000: 4). This research study would also include a study of the travel agency's level of customer service, which will have a direct reflection on top management's marketing outlook as well as the travel agency's level of performance.

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- My late mother, Sue Roberts and
- My late brother, Byron Roberts.

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M. Roberts-Lombard
September 2001

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CHAPTER 1

RESEARCH PROBLEM

Calmness is a sign of power.
(Brooks)

1.1   <u>INTRODUCTION</u>

Marketing plays many different roles, but one important aspect relates to continuous growth of economies and at the same time, ensuring the continuance of individual standards of living. The determination of needs and wants, backed up by purchasing power, must indicate how management is to deploy its scarce resources in an attempt to maximise customer satisfaction.

Should the management of companies succeed in this, human welfare will be optimised within the limitations of those available resources. If firms can think ahead and be able to predict the future needs and wants of people, such firms may be able to implement actions which will ensure the satisfaction of these needs.

The marketing concept is based on satisfying the needs of customers. It is for this reason that the management of travel agencies in the Western Cape should understand the environment in which their customers make their purchasing decisions. Such an understanding could assist management in formulating marketing policies that could have a positive influence on a firm's ability to generate profits.

When the marketing concept is adopted by a business, they also undertake futuristic planning in an effort to forecast the needs of customers in the future as well as the marketing environment in which such a company will be operating. What South Africa needs is better service and lower prices. It would become more important for South African companies to provide their clients with better quality services at declining prices.

South Africa's economic entry into the world of globalisation as well as the country's economic policy of free market trading will make way for an increase in foreign competition in South Africa. Increased competition will benefit the customer, not only regarding price, but also with reference to the quality of customer service rendered by the company.

It was Clem Sunter from the Anglo American corporation who said that companies who do not adopt the scenario of better service and lower prices, will eventually die (Boshoff & Terblanche, 2000: 3). Phillip Kotler (1997: 433) defines the concept of service as follows:"...services are intangible, inseparable, variable, and perishable. As a result, they normally require more quality control, supplier credibility, and adaptability". He further argues that "any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything can be looked at as a service."(Kotler; 1997: 488) The economy of America has moved quite far in the direction of a service economy. The marketing community in the United States of America (USA) has shown an extensive interest in the marketing of services and the challenges it involves.

Kotler (1997: 488) described the responsibilities awaiting marketers in the new millennium as follows:
➢ Marketers must:
- provide tangibility to intangibles;
- increase the productivity of service providers;
- increase and standardise the quality of the service provided; and
- match the supply of services during peak and non-peak periods with market demand.

Service industries world-wide took much longer to adopt and apply the concepts of marketing. It is of vital importance within the service industry to focus on both internal and external marketing. Companies are starting to realise that they have to look at their own employees as potential customers who expect the company they work for to provide them, as customers, with only the best service possible.

Companies operating in the service industry must take note of three important marketing tasks.
- The first of these tasks is that companies should realise that they must provide the market with a variety of products. Businesses should therefore furnish the market with a diversified product range.

- Secondly, customers expect from the business sector to provide them with a quality service that even exceeds their own expectations.

- Thirdly, to ensure its survival in a competitive environment, the company should improve the productivity of its employees e.g. by improving the level of customer service provided to customers.

Kotler (1997: 488) argues that such an improvement in productivity levels of employees can be achieved through "employees working more skilfully, increasing the quantity of service by surrendering some quality, industrialising the service, inventing new-product solutions, designing more effective services, presenting customers with the incentive to substitute their own labour for company labour, or using technology to save time and money".

Keeping these facts in mind and taking into consideration that tourists have been arriving in South Africa from all over the world for decades, it is of great importance for visitors to South Africa to receive customer service of the highest quality. A tourist travelling in the Republic of South Africa will most probably make use of a local travel agency if they should be in need of any further travel-related services. A travel agent representing a particular travel agency will not be engaged in the sale of travel-related services only to tourists, but also to any other consumer interested in making use of the travel agencies' services.

The Association of Travel Agents' (ASATA) code of conduct stresses that "each travel agent engaged in the sale of travel-related services direct to consumers shall maintain the highest standard of service possible, complying with all statutory requirements, including those applicable to travel agents and with all provisions of this code"(Business Practices Committee Consumer Code For Travel Agencies, 1994: 5).

This thesis will be an analysis of the concept of "marketing", with specific reference to customer service. It will focus on the top management in the travel agency industry and will be concerned with the degree to which top management is marketing-orientated and the influence their marketing-orientated outlook will have on the performance of the travel agency.

With marketing being defined as "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals", it must be emphasised that marketing can be seen as, amongst other things, the anticipation and satisfaction of customer needs (Boshoff & Terblanche, 2000: 4). The research study would also include a study of the travel agency's level of customer service, which will have a direct reflection on top management's marketing outlook as well as the travel agency's level of performance.

1.2 **BACKGROUND STUDY**

1.2.1   Business decision making philosophies - An introduction

All business operations function under the guidance of some philosophy of business decision making. Firms, for example, may be driven to maximise short-term profit, even if it means that the firm gives up on its long-term growth. It may even be that organisations feel so threatened by competitive firms that their focus becomes defensive with survival as the only goal.

Examples include goals such as market share, market dominance, competitive parity and so forth. Whilst the philosophies under which firms may operate are diverse, the rigours of the marketplace allow only productive philosophies to exist for long. The marketing concept is perhaps the best known philosophy of business decision making which stresses customer orientation. The philosophy on which a firm base its decisions is a matter of great importance. The reason for this is that such a philosophy will, in the long run, determine the fate of the firm. Should a firm, for example, adhere to the marketing concept as its philosophy of doing business, and should the marketing concept prove to be non-productive in the firm's marketing environment, the business will most likely fail.

Intuitively, it becomes important for the company to feel secure about its chosen philosophy of doing business. It wants to know whether the philosophy it applies in business is a productive strategy for competing in a given market.

1.2.2   The marketing concept and its link to customer service

The literature has paid extensive attention to the marketing concept over the decades. Writers such as Kotler, Webster, Kohli and Jaworski have written much about the marketing concept being a standard bearer for the marketing discipline.

The marketing concept is regarded by many as both a philosophy as well as a concept of business operation. The marketing concept has a range of literature which is quite broad, but from a conceptual viewpoint, it is straightforward. Van der Merwe (1974: 35-36) argues that a philosophy is a broad umbrella that governs the business life, whilst a concept is a recognised way of operating within the climate that the philosophy umbrella has set. Van der Merwe (1974: 30-31) also provides a review of the literature on the marketing concept where three core themes are identified, namely,

- customer focus;
- coordinated effort and
- profitability.

Most of the literature on the subject is aimed at the further development of the marketing concept compared to examining the marketing concept in practice. This research project will attempt to link an operational business concept and philosophy to results in actual business practice. According to the theory where the technique of observation would appear to confirm a link to desirable performance, there remains no substitute for empirical testing. The groundwork for further investigation into the link between customer service and the marketing concept has been laid down by Kotler, thirty years ago when a "new marketing concept" was presented by him. "The 'old concept', later known as the selling concept, defined marketing as: 'The performance of business activities that direct the flow of goods and services from producer to consumer or user'. The new concept assigned a customer-orientated focus and defined

marketing as: 'the analysing, organising, planning and controlling of the firm's customer-impinning resources, policies and activities with a view to satisfying the needs and wants of chosen customer groups at a point'. This is known as the marketing concept" (Brannback, 1997: 294).

According to Chang & Chen (1998:249) market orientation is:

- the generation of market intelligence throughout the organisation which pertains to current and future customer needs;
- intelligence dissemination across departments and
- the response to it by the organisation.

The marketing concept, as currently defined in the marketing literature, holds that organisational success " depends on determining the needs and wants of the target market and delivering satisfaction (to those markets) more effectively and efficiently than competitors do" (Kimerey & Rinehart, 1998: 118). The core of the marketing concept is the enterprises' dependency on the goodwill and satisfaction of its customers. The customer will become the focal point for company functions such as planning, strategy setting, research, product development as well as marketing activities.

The Association of Travel Agents' Code of Conduct (Business Practice Committee Consumer Code for Travel Agencies, 1994: 5) underlines the importance of honesty, quality and professionalism in the Travel Agency Industry through specified principles. Quality service delivery encompasses characteristics such as honesty, quality and professionalism and is underwritten in the Code of Conduct through the following principles:

- "when complaints are directed to it, the Business Practice Committee(the Committee) will have regard to the provisions of the Code in assessing whether conduct complained of constitutes a harmful business practice, irrespective of whether the travel agent involved is a member of the Association of South African Travel Agents and

- The Code can accordingly be viewed as a statement of policy by the Committee about the desired conduct of travel agents. Apart from providing information to consumers, the consumer codes approved by the Committee are intended to provide information to the business community as to likely policies and thus to render the functioning of the Harmful Business Practices Act as predictable as possible"(Business Practices Committee Consumer Code For Travel Agencies, 1994: 3).

The Association of South African Travel Agents' (ASATA) code of conduct underlines the importance of allowing the client to determine the standard of service expected from the travel agency. This Code further illustrates the critical role it plays in assisting travel agents, should they be members of ASATA or not, to deliver a level of business practice that would be acceptable to the consumer. ASATA believes that this could be achieved by providing travel agencies with the necessary criteria and guidelines broadly accepted within the travel industry. It was ASATA that was requested to assist travel agencies in South Africa with the formulation of a standard set of service and business practice deliverance, inclusive of a professional approach.

Every firm and every network organisation is limited in terms of its competencies. Any business that is committed to a value-delivery strategy should put a limitation on the number of customers with which it plans to do business. The customer will evaluate a specific firm by placing a set of demands on such a business for the delivery of superior value. The selection of customers, directly influenced by the segmentation of the market as well as target market decision making, will set forth criteria according to which the business will be evaluated within the market.

The selection of customers will become a very important function of any business. Such a function is especially significant with reference to the company's product development because a product is viable, but the customer is given. Both the old and the new marketing concept, inclusive of market segmentation, target marketing and product positioning are critical requirements for effective strategic planning. It is the new marketing concept that adds a higher value to the concept of value proposition.

What is meant by the term value proposition? The term value proposition can be described as a verbal statement which links an organisations' unique competencies with the specific needs and wants of potential customers. It can be seen as a communication mechanism providing a link between the employees of an organisation and its clientele (Cherry, Gutek, et al., 2000:2). The Ford Motor Co. in the United States of America (USA) may skip television advertising for its Thunderbird models in the USA as of January 2001. The management of Ford Motor Co. wants to focus more on relationship marketing efforts to boost sales. "Ford is hoping to capture the driving public's imagination the way Chrysler's PT Cruiser did in 2000. Mickey D'Armi, Thunderbird brand manager, would not disclose Ford's planned spending on the Thunderbird. Chrysler spent about $65 million on the launch of PT Cruiser during 2000" (Irwin, 2001:1).

The emphasis is placed on the efforts of the companys' employees as well as the expectations if its customers to concentrate on those things that the customer does best to ensure the deliverance of superior value. The management of the Ford Motor Co. will put its hope on the ability of its staff to provide service of superior value, not only to high income customers such as that of the Thunderbird, but to all customers of Ford products in the future.

"In one of its initial marketing efforts in September 2000, Ford enlisted retailer Neiman Marcus to make 200 special edition 2002 Thunderbirds for early orders in its annual Christmas Book, a catalogue of exclusive gifts. The black and silver cars were priced at $41 995 and sold out in a record time of 2 hours and 15 minutes. Mailings have gone out to the Neiman Marcus customers who expressed an interest in the car" (Irwin, 2001: 1).

Although the social status factor, when driving a Thunderbird motor vehicle, provided a sound basis for its success, the deliverance of a high calibre service to customers contributed quite extensively to successful sales. This clearly indicated to the Ford Motor Co. that by following the same principles when less expensive vehicles are sold, the firm might be able to build a long-term relationship with all its customers, irrespective of income group or the price of the vehicle sold. It is the value proposition

that develops a shared understanding to enable the business to create a long-term relationship that will support the objectives of both the business and its customers.

According to an article in the newspaper Beeld (1999:9), Sure Travel, an established travel agency franchise in South Africa, brought a new product on to the market that will introduce the concept of corporate travel management, called Sure Corporate Services. Sure Travel wants to shift their product focus to the corporate market and because of their national representation through their 120 branches, they are able to provide big and small companies in Southern Africa with a truly professional travel management service. It is the objective of Sure Corporate Services to provide its clients with the most modern travel management facilities available.

The article further states that travel agencies focussing their attention on business individuals specifically, developed into travel management companies. This changing role is reflected through the provision of management information to clients, progress on the internet and company intranet technology as well as new financial relations between clients and agents. There are many travel agents that do not sell themselves solely because of their ability to book and issue tickets to clients, but also because they can operate as travel consultants.

This role includes the management of clients' travel plans and costs, evaluations of management information and strategies and assisting clients in saving money and costs. Sure Corporate Services was started to provide clients with a variety of options regarding service levels and cost savings. This travel agency group adds new meaning to the concept of value proposition by delivering a product and service of superior value to its customers.

The objective under the old marketing concept was simply to make a sale. It is under the new marketing concept that the objective was changed to the development of a relationship with the customer where the sale is only the start of a long-term relationship. The firm views the customer as a long-term strategic business asset. Customer relationships and strategic buyer-seller partnerships are being replaced by

transactions and simple repeat purchases as the focus of marketing activity, thereby allowing for a new definition of customer loyalty to emerge.

1.2.3 Relationship marketing - An Introduction

Van der Merwe (1974: 31) wrote: to satisfy the customer is the mission and purpose of every business. The past two decades illustrated this shift of focus from the enterprise to the customer on a gradual basis. By shifting the focus to the customer, management's concern is not only to serve the customer, but also to recognise that customer knowledge is of critical importance for the achievement of market orientation. Shani and Sujana (in Duddy & Kandampully, 1999: 317) defined relationship as "an integrated effort to identify, maintain, build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualised and value-added contacts over a long period of time". These two researchers argue that through building a long-term relationship with the customer it will enable the enterprise to add value to its offerings.

The relationship between the enterprise and its customers can be strengthened by means of different networks that the enterprise can develop to the benefit of all stakeholders. Morgan and Hunt (in Duddy & Kandampully, 1999: 317) defines relationship marketing as "those activities directed towards establishing, developing and maintaining successful relational exchanges" These researchers underline the principles of trustworthiness, cooperation as well as shared values to assist the firm in maintaining successful relational exchanges. Relationship marketing should also include relationships with stakeholders other than customers, both inside and outside the enterprise.

A relationship marketing programme holds benefits for both the firm and the customer. Sheth and Parvatiyar (in Duddy & Kandampully, 1999: 319) identifies the following advantages available to customers who pursue a long-term relationship with the organisation:
- achieving greater efficiency in their decision making;
- reducing the task of informative processing;

- achieving more cognitive consistency in their decisions and
- reducing the perceived risks associated with future purchase decisions.

Zeithmahl and Bitner (in Duddy & Kandampully, 1999: 319) identified the following five benefits to be gained by the firm who adopts the relationship marketing concept:

- increased purchases;
- reduced costs;
- free advertisement through word-of-mouth;
- employee retention and
- the lifetime value of the customer .

It can be concluded that all successful enterprises share one common attribute, the loyalty of their customers. The customers, however, does not guarantee loyalty.It is the company's ability to anticipate the future needs of its customers and to satisfy such needs before competitors do, that will build a strong long-term relationship between the firm and its customers. To enable a company to achieve leadership in the market, it should undertake actions that will complement, support and strengthen the networks of its stakeholders. It will eventually be the interdependency between the firm and its clients that will transform the firm to the level of unequivocal leadership.

1.3 FORMULATION OF THE RESEARCH PROBLEM

The main research problem can be formulated as follows:

- Is management in the travel agency industry in the Western Cape aware of and understand the meaning of the term marketing concept?

1.3.1 Sub-problems

- Is there a correlation between the marketing orientation outlook of management in the travel agency industry and the customer focus of the company?
- Does management in the travel agency industry in the Western Cape possess the necessary marketing orientation traits?

1.4 HYPOTHESIS

The major hypothesis put forward is that:

- Management in the travel agency industry in the Western Cape is aware of and understand the meaning of the term marketing concept.

Further, it is hypothesised that:

- There is a correlation between the marketing orientation outlook of management in the travel agency industry in the Western Cape and the customer focus of the company.

- Management in the travel agency industry in the Western Cape does possess the necessary marketing orientation traits.

1.5 DELIMITATION OF THE RESEARCH

Travel agencies in the Western Cape Province were chosen as the population for the study. In conjunction with the Association of Travel Agents of South Africa (ASATA) a judgemental sample was selected which is representative of travel agencies in the Western Cape. For the purpose of this study, a method of stratified judgemental sampling was used. The stratified judgemental sample, together with the co-operation of ASATA, ensures the representativeness of the sample and therefore also the validity of results

1.6 RESEARCH METHOD

1.6.1 Primary data

Primary data was gathered through an empirical study. The empirical study included:

- Structured questionnaires sent to the top management of travel agencies in the Western Cape.

1.6.2   Secondary data

The secondary data consists of a literature study of available material on the marketing concept, service delivery, relationship marketing and any other relevant sources of information.

1.7   SIGNIFICANCE OF THE RESEARCH

Linton (1993: 4) stipulates that today's consumer is better informed, more discerning and more insistent on quality and service. This can work to our advantage as long as we can meet their needs more efficiently and cost-effectively than our competitors. If we can do that, we can look forward to increased long-term market share as a result of customers repurchasing our products.

Customer loyalty can ensure that a business experience the advantage of long-term company performance. Such a long-term performance will provide the business with a solid base for the development of new products, short and long-term planning as well as investment in the business itself. The company's dependence on these long-term performances, because of its desire to be and stay profitable, will allow it to lay down strategic targets that are focussed on the customer.

The need for the research project was identified when it became clear to the researcher that the needs of the customer in the travel agency industry should be understood by both the top management and their staff in the travel agency to ensure its success, therefore its profitability. It would also be the responsibility of the top management of any travel agency in South Africa to develop products that will satisfy the needs of its customers and to ensure that all staff members learn and develop skills that will meet those consumer needs.

Both the top management of travel agencies in the Western Cape as well as the travel agency industry in South Africa will benefit by the research.

According to Linton (1993:127) South African travel agents are a vital link between travel companies and consumers. They provide essential information, take bookings and help customers plan their holidays. To deliver the right standard of service they depend on the quality of their own staff and the information provided to them by the travel companies. Their income is determined by the commission they gain from the sale of holiday and associated services. Top management in the travel agency industry should explore the relationship between providing quality customer service and profit maximisation. The research undertaken will not only highlight the importance of such a relationship, but will also show the top management of travel agencies in the Western Cape how its profit maximisation and long-term profitability is influenced by customer-retention through the concept of relationship marketing.

The research project also attempts to indicate why it is important for top management in the South African Travel Industry to:

- better their levels of client service provision in retail outlets;
- better the quality of customer information to enhance high standards of personal service;
- have a highly visible customer care programme running; and
- keep contact with clients through direct marketing programmes being well planned.

With the tourism industry being a sector contributing quite extensively to job creation in South Africa today, the provision of quality customer service could have a positive influence on profit maximisation, thereby stimulating job creation within the travel agency industry.

1.8 OBJECTIVES OF THE RESEARCH

1.8.1 Primary objective

To ascertain whether managers in the travel agency industry in the Western Cape are aware of and understand the meaning of the term marketing concept.

1.8.2 Secondary Objectives

- To establish whether there is a correlation between the marketing orientation outlook of management in the travel agency industry and the customer focus of the company.

- To isolate marketing orientation traits of managers in the travel agency industry in the Western Cape.

1.9 RESEARCHER'S QUALIFICATIONS

University Attended - Full time:

University of Port Elizabeth

Qualifications obtained:

Faculty of Economic Sciences

B.Com Degree (1989)

Faculty of Education

Higher Diploma in Education: Postgraduate (1990)

Professional membership

- Corporate membership: Institute of Marketing Management

- Full membership: South African Marketing Research Association

- Associate membership: Institute of Administration and Commerce of Southern Africa

1.10 INTENDED PROGRAMME OF STUDY

1.10.1 Outline of chapters

The globalisation of competition is leading firms to become customer and knowledge orientated. The maintenance of customer loyalty and satisfaction are becoming more difficult and more important in a highly competitive business world such as that characterised by the new millennium.

Firms are discovering that the customer exist both outside and inside the firm. Keeping the customer satisfied is therefore the key to ensure that they come back. To ensure that these customers keep on coming back, it is vitally important for the firm and the bottom line for a profitable marketing policy. The chapters in this study will illustrate the role of the marketing concept and its relationship to profitability, customer orientation and relationship marketing.

CHAPTER 1:   **PROBLEM IDENTIFICATION**

CHAPTER 2:   **DEFINITION AND HISTORICAL DEVELOPMENT OF THE MARKETING CONCEPT**

CHAPTER 3:   **CUSTOMER SERVICE IN PERSPECTIVE**

CHAPTER 4:   **RELATIONSHIP MARKETING REVIEW**

CHAPTER 5:   **PLANNING OF EMPIRICAL STUDY**

CHAPTER 6:   **RESEARCH RESULTS**

CHAPTER 7:   **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

1.10.2   Time frame

The timeframe for the programme of study is from February 2000 to August 2001.

1.10.3   Budget

The budget allocated for the research study is R8000-00.

1.11 GLOSSARY OF TERMS

ASATA: The umbrella association for registered travel agents in South Africa.

Business Practice: The method of operation used by the organisation.

Customer service orientated:	How rapidly and dependably a firm can deliver what customers want.
Globalisation:	The world becoming one marketplace through, amongst other things, improved technology.
Marketing concept:	The idea that an organisation should aim all its efforts at satisfying its customers - at a profit.
Marketing orientation:	Trying to carry out the marketing concept.
Marketing outlook:	Focus on satisfying customer wants and needs while meeting the firm's objectives.
Relationship marketing:	This emphasises building long-term partnerships with customers.
Travel Agency:	An organisation that sell travel products and packages to consumers.
Value proposition:	The verbal statement that matches up the firm's distinctive competencies with the needs and preferences of a carefully defined set of customers.

1.12 SUMMARY

In this chapter the background to the study is given. The statement of the problem and the objectives and hypotheses are put into perspective. A review of the related literature is given. The research design and methodology are presented. Finally, the structure of the study is presented.

CHAPTER 2

DEFINITION AND HISTORICAL DEVELOPMENT OF THE MARKETING CONCEPT

Our life is what our thoughts make of it.
(Aurelius)

2.1 INTRODUCTION

There is almost universal acceptance of the concept of "marketing". Firms which adopt the marketing concept are said to be marketing-orientated rather than production-orientated. Marketing-orientated firms believe that success is achieved by first finding out what customer needs are and then producing goods to satisfy those needs. Literature on the market orientation of the firm has developed as an operationalisation of the marketing concept. A recent definition of market orientation as the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment establishes a general pattern between market orientation and various measures of business performance (Steinman & Deshpandee, 2000:3).

Both businessmen and academics have shown great interest in the development of the marketing concept over the past decade. The marketing concept is described by its promoters as "a total philosophy of business and they suggest that as such, it represents the key to successful company growth" (Van der Merwe, 1974:1).

An analysis of the marketing concept indicates that it consists of three fundamental aspects:

➤ profit orientation
➤ customer orientation and
➤ organisational integration.

The marketing concept refers to the idea that the social and economic justification for the existence of a company is its ability to satisfy the needs and wants of customers whilst meeting the objectives of the firm. A study of the development of the marketing concept must give theoretical acknowledgement to the marketing concept. Various relevant marketing concept definitions, the evolution, conceptual construction and acceptance of the marketing concept will be critically reviewed in this chapter.

2.2 AN INTRODUCTORY FOCUS ON THE MARKETING CONCEPT

A basic supposition of the marketing concept is that the primary function of any business should be to ensure that the needs of its customers are satisfied.

According to the literature studied, the marketing concept can be defined in various ways. Significant arguments and misunderstandings about the marketing concept are the result of the absence of a generally acceptable definition.

Kotler (in Brannback, 1997: 294) argues that to formulate an acceptable definition of the marketing concept is a challenge. Through the years the marketing concept has been revised to ensure the closer alignment of marketing activities with strategic organisational activities. Figures 2.1 and 2.2 illustrate that the purpose of such a revision was to make sure that a firm's customer orientation was supported by integrated marketing activities to assist the firm in the generation of customer satisfaction, and so satisfying the firm's objectives.

Figure 2.1

The "old" marketing concept (1967)

Products	Selling and Promotion	Profits through sales volume
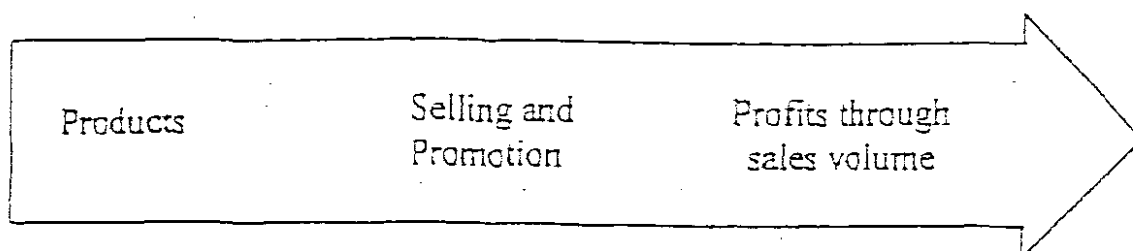
(Brannback, 1997: 295)

Figure 2.2

The "new" marketing concept (1976)

Customer needs → Integrated marketing → Profits through customer satisfaction
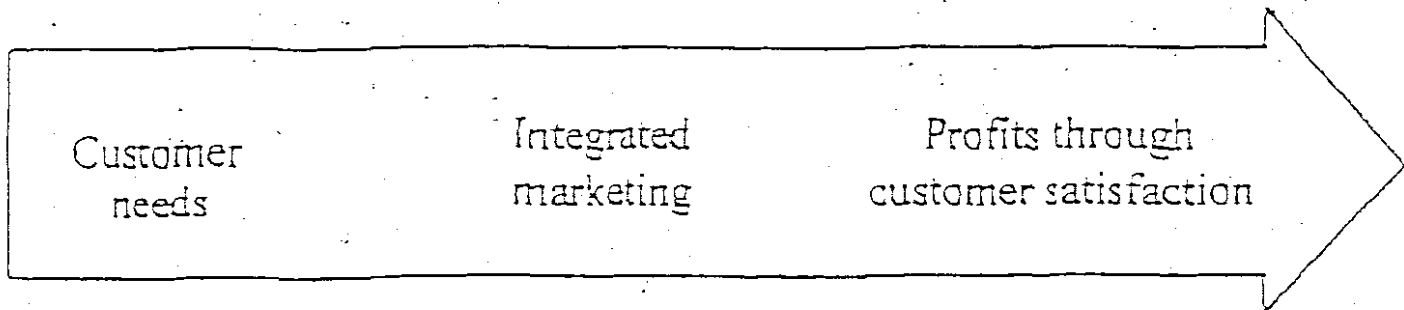
(Brannback, 1997: 295)

2.2.1 Three fundamental ingredients to the marketing concept

In the new millennium, marketing is seen by many as a managerial and social process. Nevertheless, the aim of marketing is still to satisfy the needs and wants of both individuals and groups through the offering of value creation. The literature on the marketing concept identifies the following three fundamental aspects of the concept: customer orientation, profit orientation, and integrated effort.

- Customer Orientation

The key factor that will ensure success in a highly competitive environment is the provision of superior value to clients. It is the purpose and responsibility of a firm to ensure that the needs of its customers are satisfied. When a firm focuses its attention on competitive success, and therefore profitability, such a firm is becoming more customer-orientated. Businesses today tend to look at their customers from a different perspective. The idea of customers being "in here", i.e. employees of the firm, is an emerging understanding. Firms will have to realise that products and services are only important for the customer to the extent that they satisfy his or her needs.

According to Zeleny (in Brannback, 1997: 296), "customers are the only valid source and purpose of the business because of the needs and desires they have". It is the employees and clients of the firm that possess the knowledge of how to do things, but they are also the reason why the firm exists.

The firm must realise that there are two groups who can be seen as the possessors of relevant knowledge, enabling the business to exist. Both the customer and the employee must be integrated into the firm, allowing it to become customer-orientated and to achieve global competitiveness.

By looking at both the customer and the employee as a customer, Zeleny (in Brannback, 1997: 296) argues that customer integration is the most important characteristic of any knowledge-based management system. By using a problem-solving approach to ensure that the needs of customers are satisfied, the use of strategic, tactical and operational planning will have to be based on the allocation of resources to identify what the needs of customers are and how the firm will go about satisfying such needs.

The firm will also be expected to define the line of business it is in as well as what its business should be in the future, given legal, competitive and customer trends. There has been much discussion of the appropriate strategic levers to enhance the market orientation of a firm to bring it closer to its customers. In all of this discussion, there is an implicit acknowledgement that becoming market-orientated involves real investment in a set of capital-intensive processes and activities. This raises the question of what is the appropriate level of market orientation that a firm should have? An answer to this question would be: an appropriate level of market orientation is what the customer thinks it should be (Steinman & Deshpandee, 2000: 3).

- Profit Orientation

It is the ultimate purpose of the marketing concept to ensure that businesses achieve their goals. The major goal for any business should be profitability. This goal is achieved only by satisfying the needs of customers better than competitors do, where

profits will be the by-product of good performance. What is required is knowledge management.

Hagel III and Rayport (in Brannback, 1997: 296) assert that knowledge management is "the purposeful co-ordination of action". These researchers further state that integrated marketing activities depend on the co-ordination of other functional departments within the business. How well a business is able to satisfy the needs and desires of its customers, i.e. its marketing performance, will be the test for its integrated marketing activities. According to the literature studied, this can be referred to as the knowledge-based marketing concept. Figure 2.3 below provides an illustration of the concept. Drucker *et al.* (in Brannback, 1997: 296) state that for knowledge to become a source of competitive advantage as claimed in management literature, there must be more substance. The knowledge-based marketing concept illustrated below is based on a global business perspective.

Figure 2.3

The knowledge-based marketing concept.
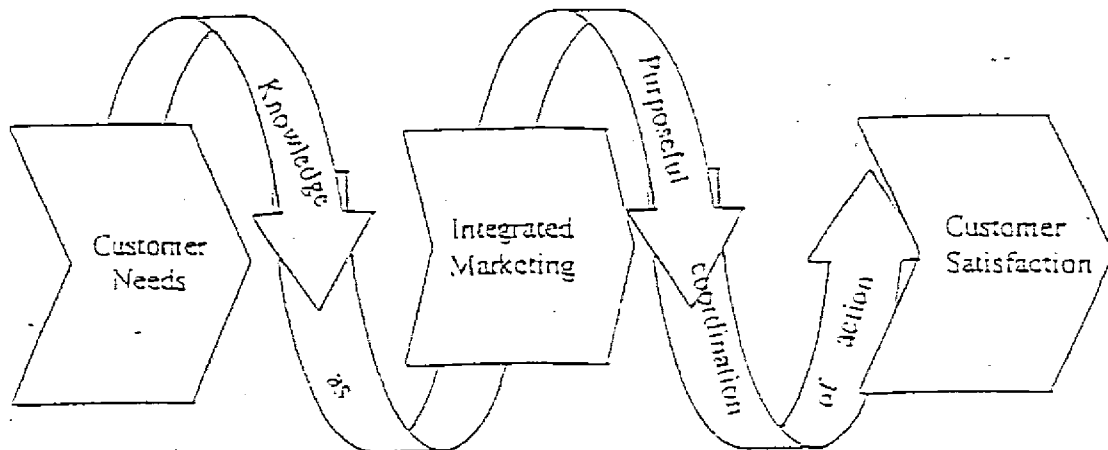
(Brannback, 1997: 297)

Figure 2.4 below illustrates the evolution of the marketing concept and emphasises the pursuing of a basis for IT-enabled customer orientation. This is also known as the IT-enabling marketing concept.

Figure 2.4

The IT-enabling marketing concept.
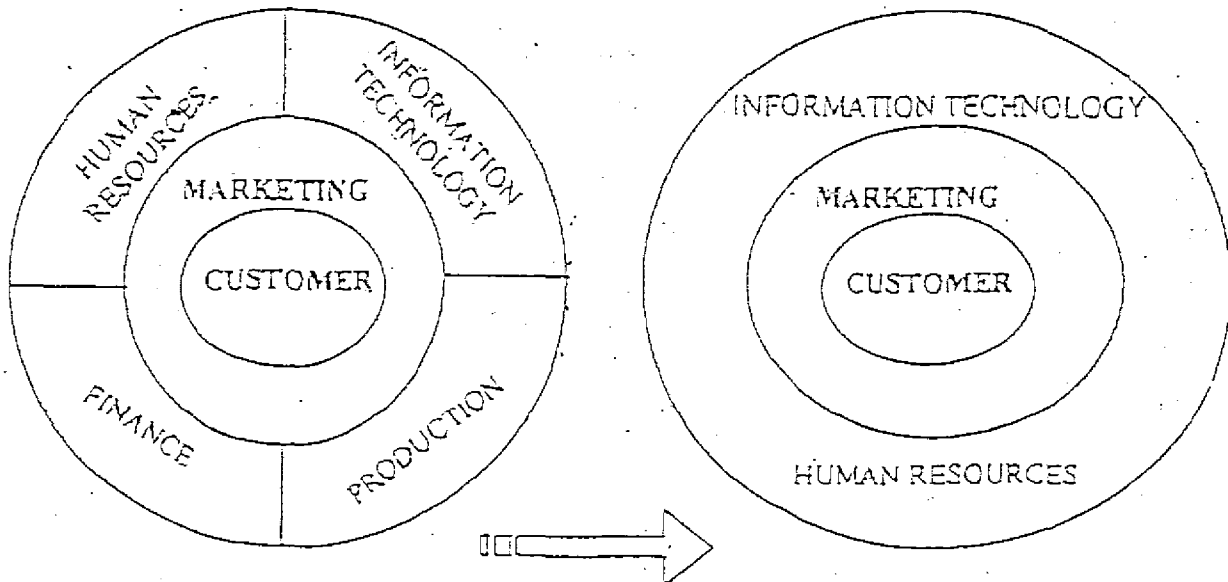
(Brannback, 1997: 298)

There should be a belief, in every firm, in the importance of the customer. The overriding managerial philosophy should reflect the customers' point of view and it should also ensure that the aim of the firm is to satisfy the customers' needs at a profit. The requirement for such an aim is the commitment of the firm's top level management to the interests of customers ahead of those of shareholders.

The first priority for all in the firm, especially the chief executive, should be to believe that the best way to manage the firm is to do so for the benefit of the firm's customers. This does not imply that profit maximisation, the employees, and shareholders of the firm, are not important. It underlines the importance of looking at customers as the first priority in the company's order of priorities. Whether this commitment exists is often the acid test for determining whether the business, in fact, is committed to the marketing concept.

- Integrated effort

Figure 2.4 illustrates the different aspects of the marketing function and it can be argued that this view of marketing needs to be developed to fit the context of global

business. The activities of a business should be integrated and co-ordinated to ensure that customer needs are satisfied to the best of the companies' ability and to secure a satisfactory rate of profitability.

Marketing must function in collaboration with the financial, production, personnel administration, engineering and the research and development functions within the organisation. Clearly, the marketing activities of a firm must be effectively integrated and co-ordinated in order to achieve market impact. Webster (1994: 120) argues that for any firm to survive in the future, it will have to be customer-focused, market-driven, global in scope and flexible in its ability to deliver superior value to customers whose preferences and expectations change continuously as they are exposed to new product offerings and communications about them. Morrow (2000:4) agrees with Webster's focus on customer orientation by stating that "when developing a customer relationship management process for your organisation, you should embrace the Internet by making constant reference to your website. Your mailings, whether automated or personal, should all contain a reference on your stationary to your website as well as specific invitations to visit it for text. Your website should encourage direct contact through e-mail requests for more specific information and phone calls to establish an appointment".

Global competition is a fact of economic life for the industrialised nations as well as for most of the developing economies. The global marketplace is as real for the small manufacturer and retailer, bank or travel and foreign exchange agency as it is for the multinational corporation. All customers have purchasing options that span the globe, not just the community or the nation. The underlying principle of the marketing concept is that all business firms in an age of abundance is to develop customer loyalties and satisfaction and the key to this is to focus on the needs of customers. It should be clear to the firm that it should seek to meet these needs at a profit rather than for it to place its main emphasis on its own internal activities and the utilisation of its forces and resources.

According to the literature studied, the marketing concept can be described as a market, or consumer orientation emphasising the subordination of departmental goals

to company-wide goals through interrelated operations, and a concern for profitability, all in order to achieve operating results in accordance with overall company goals. The marketing concept therefore holds that the key to achieving organisational goals consists of being more effective than competitors in integrating marketing activities towards determining and satisfying the needs and wants of target markets (Van der Merwe, 1974: 32-33).

The most important features of the marketing concept that stand in relation to the goals of the organisation, are presented schematically in Exhibit 1 below.

- **Exhibit 2.1**

The Marketing Concept
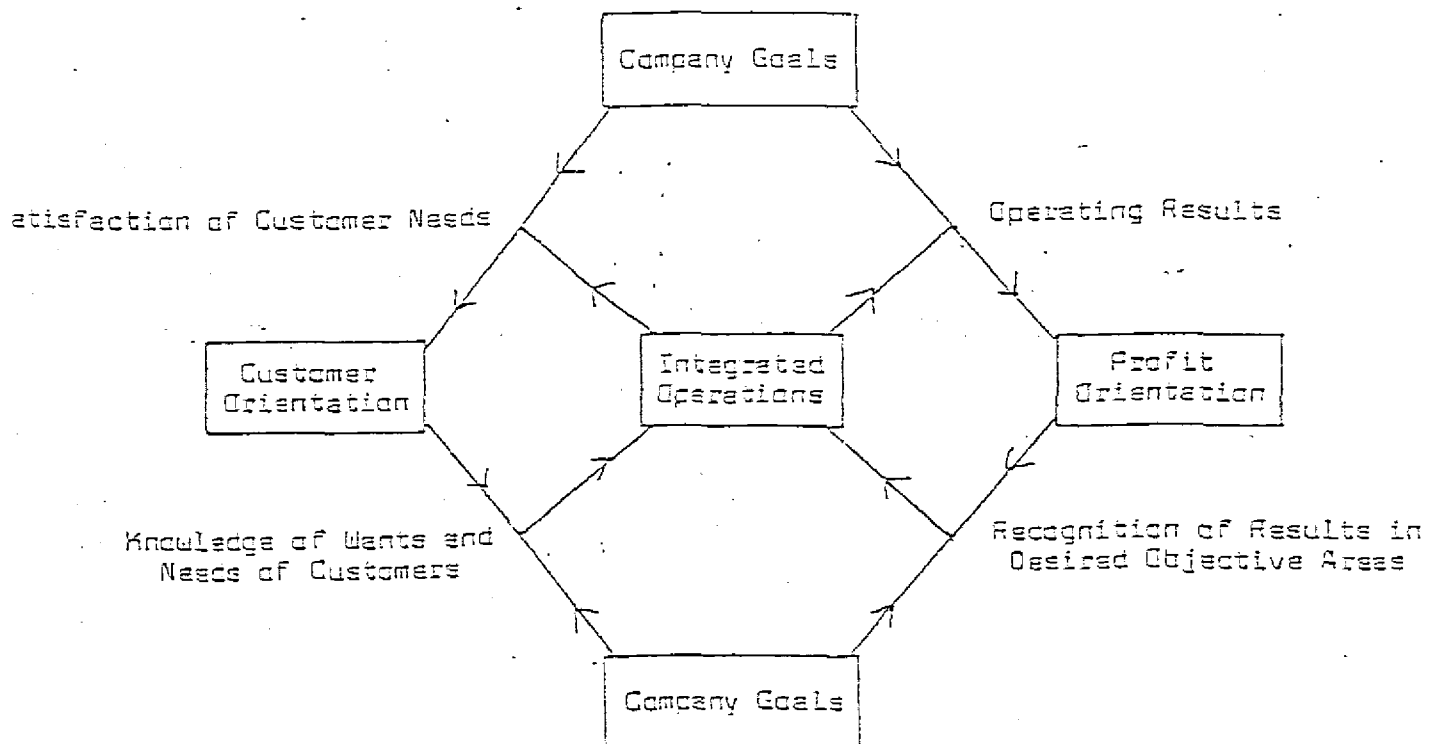
(Van der Merwe, 1974:34)

Part of the research which the writer undertook tested the currently accepted meaning of the term "marketing concept" as understood by top management in the South African travel agency industry. Research that was done on the marketing concept and its implementation suggested it to be a business philosophy that stresses the importance of the organisation-wide generation of, dissemination of, and responsiveness to market intelligence. The marketing concept is also a broader concept than customer focus because it encompass a range of external market factors (e.g., competitiveness and regulators) and also considers both current and future market conditions (Kimerey & Rinehart, 1998:118).

Within the global business context there is the dilemma that to sustain a profitable business practice is becoming increasingly difficult. It also becomes more difficult for organisations to distinguish themselves from their competition. The question that confronts business in the new millennium is how can they create added value, which is also perceived as such by their clients. With the emergence of the electronic commerce industry, this question was the guiding light.

Brannback (1997: 296) holds the opinion that through the medium of electronic commerce, many firms will be able to expand their markets infinitely. They also argue that a large number of the value adding features that electronic commerce have available, can be applied in the global business context, if they are not in some instances basically the same. It was these two writers who proposed that the marketing concept be developed in terms of corporate functional departments.

An article in the newspaper Rapport (2000: 14) points out that world-wide the internet was responsible for business transactions with a net worth of R900 trillion. This, despite the fact that only a very small portion of the world population made use of the internet for the purchasing of products. Figures indicate that about 90% of internet transactions were in the United States of America (USA) and about 80% of all internet transactions are between businesses. The Forrester Research group from the USA forecasted, in the same article, that internet sales could increase from R900 trillion in 1999 to the amount of R18 thousand trillion in 2004. E-commerce transactions between businesses and consumers are also increasing at a rapid rate.

The travel agency industry in South Africa will be hard-hit by the e-commerce industry. The reason given for this is that because of the small profit margins of travel agencies, a loss of 3-5% of their current market share could close the doors of some travel agencies. According to Shop.org, an e-commerce group in America, about 2% of all travel transactions in the USA are currently being done through the internet.

The same article further stipulates that Ernst E Young, a consulting firm in America, calculated that about 39 million American consumers purchased products on the internet in 1999. More than 50% of them had spent R3000 or more through the internet. The American Investment Bank, Goldman Sachs, forecasts that electronic purchases will consist of 15 - 20% of all retail sales by the year 2010. Some forecasters even feel that the e-commerce industry will, world-wide, push down retail prices in the future due to increased publicity and competition. The role of the mediator, especially those that provides products and services such as bankers and insurance brokers, can change drastically in the future or they may even disappear completely. The fact is that the youth of today is becoming computer literate at an accelerating rate and they are the ones who will be more than eager to do transactions on the internet.

2.3 HISTORICAL OVERVIEW OF THE DEVELOPMENT OF THE MARKETING CONCEPT

Warner (1996: 3212) states that "Marketing is the distinguishing, unique function of business. It is the whole business seen from the customers' point of view and where responsibility for marketing must permeate all areas of the enterprise". This statement represented the birth of modern marketing and paved the way for subsequent generations of practitioners, consultants and academic researchers. The marketing concept is important if a company wants to ensure customer satisfaction.

The concept is based on the assumption that companies who are marketing-orientated will do better than companies which are not. The marketing concept further implies that if people do not want or need what a company is marketing, they will simply not buy it. It is this simple logic that is at the heart of business success.

The marketing concept is important if a company wants to ensure customer satisfaction. Steinman & Deshpandee (2000: 1) state that "the essence of market orientation is the successful management of a relationship between suppliers and customers. According to these researchers it is during the past 15 years that a body of scholarship on antecedents and consequences of market orientation has emerged. All the definitions of the marketing concept in the marketing literature have definite shortcomings. The definition of the marketing concept provided by Houston (1986: 81) succeeded in broadening the notion of consumer need satisfaction. The definition reads: "The marketing concept states that an entity achieves its own exchange-determined goals, most efficiently, through a thorough understanding of potential exchange partners and their needs and wants, through a thorough understanding of the costs associated with satisfying those needs and wants, and by then designing, producing and offering products in light of this understanding".

What this definition wants to illustrate is the necessity of uncovering the needs and wants of customers and by doing so, the company can produce products and services that are in demand by the consumer. This will also ensure that the company will attain its organisational goals. This definition, however, does not address the issue of planning for marketing activities and it does not stress sufficiently the importance of a long-term approach to creating an exchange relationship between a company and its clients.

According to the literature studied, the term "marketing concept" has been discussed and written about many times. It is therefore acceptable to excuse the ignorance of the uninformed for believing that the marketing concept is a dramatic and revolutionary theory that has recently appeared on the management scene.

The marketing concept is not new and most of the philosophies it embodies have been with us for quite some time. Academics believed for many years that marketing assisted in the implementation of the economic system. Adam Smith (Van der Merwe, 1974: 45) stated that the consumption of products and the use of services by consumers is the only end and purpose for production in the economy. He further argues that the interest shown by the producer of products to the consumer market will depend on the interest shown by the consumer for the products produced. This viewpoint of Adam Smith came to be called the marketing concept or the integrated marketing concept. The marketing philosophy of enterprises are increasingly influenced by research and development. Experience has shown companies that businesses that invest more time, money and effort into research and development will tend to be more successful with their ability to satisfy specific customer wants and to produce a better quality product(s) than those businesses that do not. Colgate (2000: 2) argues that in *an environment of increasingly intense competition and reduced profits, one of the* most important business tenets of the 1990s has been customer retention. In turn, customer retention has spearheaded growing interest in relationship marketing due to the demonstrated benefits that it can bring to an organisation. According to Rosenberg (in Colgate & Danaher, 2000: 2), the cost of winning a new customer is about five times greater than the cost of retaining a current customer through the use of relationship marketing strategies.

It should be emphasised at this point that the marketing concept focus on more than simply consumer research. The marketing concept also assists the firm in the scanning of its environment for any potential threats or opportunities. This notion can be referred to as the acquisition of data regarding happenings that occurs in the external environment of the firm to assist such a firm with the identification and interpretation *of possible trends in the market. A new outlook for the marketing concept is its* emphasis on marketing as the "central point" of a firm's business philosophy.

McKitterick (in Van der Merwe, 1974: 45) made the statement at the 1957 meeting of the American Marketing Association that there is nothing new to the marketing concept itself. The reason for his statement was based on his belief that textbooks, in the field of marketing, have long advocated that the organisation must be "market-

orientated". Articles that were written by J.B. McKitterick, In the Journal of Marketing and the Harvard Business Review are articles that were written about seventy years ago, in the 1930s, that provide substantial proof of J.B. McKitterick's statement.

The marketing concept, as it is currently seen by academics and businessmen alike, includes the notion of segmentation. An inherent characteristic of the marketing concept is the idea that for an organisation to achieve customer satisfaction, it should provide a marketing mix to the right group of customers that are acceptable to those customers. The tastes and wants of consumers have become more heterogeneous over the past decade, making it necessary for organisations to adjust their marketing and production policies irrespective if the organisation supply a specific market segment with one product (called market concentration) or with a variety of different products (called differentiated marketing). By combining previous measures of the marketing concept with current views of the concept, it would be possible to obtain measures of higher accuracy and the adoption and implementation of the marketing concept into micro businesses would be more truly evaluated. Such an instrument could be of great value to those company directors who want to determine the strengths and weaknesses of their firms in the implementation of the marketing concept.

2.4   THE EVOLUTION OF THE MARKETING CONCEPT: A BACKGROUND STUDY

The literature studied clearly states that marketing practices have been around since the start of civilisation. An example could be the long-distance trade in flint axe heads in the Palaeolithic times. It is therefore understandable why academic material on marketing have argued that marketing related activities have happened long before the "marketing revolution" of the 1950s. Baker (in Warner, 1996: 3206) claims that increased marketing activity which can be looked at as a new phase in marketing development, occurred in the last 40 years. Environmental factors, after the Second World War, such as the growth in consumers' standard of living, increased competition within and between sectors and a situation where supply is in excess of demand, had a

large influence in the growth of consumer and business interest in the marketing concept. The theory underlines the fact that the statement of Peter Drucker (1954: 36) that "Marketing is the distinguishing, the unique function of business" started the marketing conflagration.

2.4.1   Evolutionary periods in the development of the marketing concept

There are three periods that characterise the evolution of the marketing concept, namely:

- The production-orientated period in the marketplace (1900-1930);

- The sales-orientated period in the marketplace (1930-1950);

- Introducing the marketing concept to the marketplace (1950-current).

- The production-orientated period (1900-1930)

This period can also be referred to as the "production era" and lasted until the world depression that started in 1929. The period was characterised by concerns from management with regard to the creation of production capacity; work method and the production of large volumes (Warner, 1996: 3209). It was during this period that output increased at a fast rate, but demand also expanded rapidly because of the application of science and technology in the field of medicine and public health. Warner (1996: 3209) referred to this phenomenon as an order of evolution that is not natural, but one that is the result of expansion by the design and application of scientific methods to economic and social activities.

During this period people involved with the production function were engineering minded. These people did not have a problem to understand mechanical approaches to management, the scheduling of inputs and outputs and the layout of assembly plants was easily understood by them. During this stage of the marketing concept's development, more emphasis was placed on the enterprise's ability to produce, i.e. what can the company produce and what it was best capable of producing. The firm would focus on more cost effective ways of production, but would expect the sales

staff to sell increased numbers of products. Such increased sales was an objective to be met even if it meant that products are to be forced down the throats of customers.

The marketing function was viewed, during this stage, as an add-on function to the enterprise. The important departments for the proper functioning of the company was production and sales, although sales was viewed by management as an afterthought. The management of firms during this stage, supported the production function strongly, assuming that it would be beneficial to the profitability of the company to hire a sales force and to have high expectations for results.

The business community was therefore primarily focussed on increased output because population numbers and incomes continued to increase. The firm's production orientation was based on the fact that demand exceeded supply and that goods were scarce during this time period. For the business sector the best opportunities for profit maximisation were to increase their level of output. The emphasis for management would be on the efficiency of manufacturing, the reduction of long-term costs by means of economies of scale and to improve on the effectiveness in distribution and supply (Warner, 1996:3209).

The management of firms operating during this period paid a lot of attention to cost reduction and the improvement of production processes. They did not want to take cognisance of the influence on the firm's production capabilities and level of profitability that factors such as marketing, changes in demand and new areas of demand could have. Management wanted to increase competitiveness and market share solely by providing similar products to that of competitors, but at a lower price to the market.

Firms were not primarily concerned, during this period, with customers and their needs. Due to the fact that demand exceeded supply, customers were too happy to take what they could get. Both the customer and the management of the firm did not know any better, but the firms' production-orientated outlook was short-sighted. The reason was that it focussed on the product, as such, and that the demand for the product cannot be sustained indefinitely. Competitors will eventually move into the

market, provide similar products and may even provide the client with an additional choice in style, colour, size or any other benefit which the customer may value. Production-orientated companies operating during this period did not recognise that the firm's existence depended on its ability to serve a market and not only to sell a product which it produced. A production-orientated firm can only succeed when the demand in a market exceeds the supply of the product.

- The sales-orientated period in the marketplace (1930-1950)

The "sales era" is sometimes referred to as the period of excess supply that stretched from the late 1920s to the 1950s. The idea of production-based growth by countries could not happen indefinitely. Despite the fact that the production of larger volumes of products reduced the costs of such production and therefore prices, standardisation meant that more products were not able to satisfy the needs and wants of customers any longer.

An over-supply of products and services was caused by a large number of producers that competed for a small number of consumers. This situation put more pressure on the selling function to increase distribution. It was during the period of sales orientation that the distribution problem was to be emphasised more prominently. Most important for the firm was to sell large volumes of products and although profits were not ignored by the enterprise, the sales manager was not answerable to them. Eventually, this situation created conflict and a lack of co-operation between the various departments within the enterprise.

It became clear that as growth that was based on production efficiency could not be sustained on the long run, the function of direct selling became the most important company activity. A variety of novel methods were created by organisations to offer incentives and inducements to potential customers where technical and cost advantages were unable to do so. Organisations allocated a large number of resources to the functions of selling, advertising and promotional activities to make sure that the company's products would be sold at a profit. A further reason why businesses

attempted this was to try and obtain additional customers in large numbers to ensure economies of scale and a competitive advantage for the firm.

It was not characteristic of firms during the early to middle sales-orientated period to become involved in researching the needs of the market they served. Furthermore, the development of new products was also not a priority for the firms operating during this stage. What was important to the firm was to sell a particular product to the prospective client under the assumption that it was somewhat new and improved. At this point the difference between selling and marketing should be highlighted. During the selling process, the needs of the seller is emphasised, but during the marketing process it is the buyer's needs that are priority number one.

During the sales orientation stage the objectives of the firm are based on different sales levels that are compared with foregone periods. The emphasis is on convincing buyers through sales and promotional support. With regard to marketing orientation, the nature and scope of the organisation will focus on the identification of the needs of its customers. Such an organisation will, however, also focus on the current wants and trends in the market and the competitive environment.

Businessmen realised that they could use marketing research to make better decisions during the 1940s. The management of companies could now change their view of the marketplace from that of attempting to provide the market with a cheaper product to the actual improvement of the product, based on a faint idea of what the needs of the consumers in the market are. Companies came to realise that by producing quality products, they do not satisfy the needs of all the potential buyers in the market. First and foremost these companies had to identify their customers, then they had to determine who are the people in the market that will most definitely buy their products and lastly, determine what the needs are of these prospects and how such needs can be satisfied. The firm realised that such an approach would ensure its survival in the future.

During this stage management activities such as distribution, customer research, promotion and pre-planning were integrated and became known as marketing.

Marketing was seen by management as distinct from selling, but marketing management still made exclusive use of the supplier perspective.

- Introducing the marketing concept to the marketing place (1950 - current)

From 1950 onward firms in the United States of America used marketing as a means of providing direction to the firm. With marketing also becoming more prominent as a philosophy of business, it was the companies that made use of the marketing process to identify the needs and wants of customers, anticipated and reacted to trends in the environment and who managed the firm in such a way that the needs of customers are met and market trends followed, who were successful (Warner, 1996: 3210).

After the Second World War, the level of competition in the U.S.A. increased and customers became more demanding and selective. The adoption of the marketing concept by firms in America contributed to a large extent to this change of attitude and competitiveness in the marketplace.

This period was characterised by improvements in related disciplines that made it possible for the marketing concept to operate. These improvements was in the behavioural sciences field that helped the management of firms to understand the behaviour of consumers better and also to question consumer behaviour in certain cases. Furthermore, management had access to a larger number of quantitative data with regard to the biggest segments of the market in which they operate.

Better methods of quantitative analysis were developed during this period creating more accurate ways to deal with a wide variety of marketing problems and the fact that a large number of people with a formal training who acknowledged the value that these tools could have in the planning of a successful marketing strategy, contributed quite extensively to the introduction of the marketing concept to the companies that were participating in the marketplace during this time period.

It is not difficult to articulate the marketing concept, but it is difficult to put the concept into practice. The reason for this is that the marketing philosophy becomes a

series of maxims or empty rhetoric and that this philosophy, in many cases, do lack relevance to the actual operation of the business. The customer satisfaction concept was not clearly understood within the business community until 1950. It was during this year that businessmen came to realise that to guide the firm in the right direction, they needed to focus on the customer for guidance.

What these businessmen came to realise was that for their companies to become market driven, it had to be flexible, i.e. a company that could adapt and respond to the ever-changing needs of the customers. The creation of such flexibility was to become the fundamental role of marketing management.

The marketing orientation period began when Ralph Cordiner from the General Electric Company in the U.S.A. phased the marketing concept into the company during its reshuffling in 1950. General Electric began to restructure its activities systematically and in such a way that it was in line with the underlying principles of the marketing concept. The literature provides enough evidence that will verify the legitimacy of General Electric being the first company, not only in the U.S.A., but in the whole world to have introduced the marketing concept to the business 0environment (Van der Merwe, 1974: 51).

The post-war era reflected the belief that a combination of the function of marketing and the marketing concept were the most important managerial functions and the key that will ensure success for any business. It was from 1950 onwards that the management of firms showed increased interest in the markets which they served, attempting to become more focussed on what the consumer wanted.

Finally, such a focus was supported by an increased trend to bring more marketing functions under one executive. This would allow the firm to become market driven through its ability to identify target markets, design, produce and deliver products and services to customers in a way they want them and at a time, place and price that will suit them.

2.5 THE CONCEPTUAL CONSTRUCTION AND ACCEPTANCE OF THE MARKETING CONCEPT

The marketing concept is based on the premise that the purpose of the firm could be to provide satisfaction to the needs of its customers. The importance placed on meeting the needs of customers, through the marketing concept, was extensively criticised for not taking the offerings of competitors into account.

It was argued that success within the business environment is not secured by simply meeting the needs of customers, but by satisfying those needs better than competitors would do. Furthermore, by focussing primarily on the needs of customers, it was argued, that the attention was taken away from the physical production of the product and from the product itself. It should therefore be clear that the marketing concept was not easily accepted within the business community. From a historical point of view, the business sector operated from a production orientation, not paying much attention to the marketing philosophy. There were those companies who believed that the adoption of the marketing concept was the right choice to make, irrespective if such adoption was because they felt they had to adopt it or because it was the "responsible" thing to do.

2.5.1 The marketing concept had come of age

According to Kotler (in Warner, 1996: 3214) it was often contended whether the marketing concept should reflect customer orientation as such, or whether it should rather involve broader concerns of society. This argument revolved around the question whether products and services should be developed by the firm to satisfy the needs and wants of its customers or whether such products be developed taking into consideration the social consequences at hand, such as environmental pollution, global warming, depletion of natural resources, etc.

In today's highly competitive business environment, companies are very eager to confess that their staff are customer-orientated. The question is: are they? If a firm were only customer-orientated, it would not have been in business because through such an orientation, it would have neglected its production and distribution responsibilities. Businessmen still believe that if they or the company they work for, do not satisfy the needs of their customers, they would not be in business today. Companies are still managed today through their marketing approach to the market they serve, arguing that the customer will have to take what the firm gives to them. This management style is totally opposite to what the marketing concept stands for. On the other hand, researchers such as Reynolds and Arnold, (2000: 7) state that a customer's willingness to resist competitive offerings, such as lower prices, convenience or other benefits elsewhere, is important to firms because it can reduce the incidence of switching behaviour and allow for the formation of even stronger customer loyalty. Having customers that resist competitive pressures can be beneficial for the firms.

About a decade or two ago the term marketing was viewed by a large number of senior managers as a new name for selling. Today, however, to be marketing-orientated is considered by many firms as a tool that will ensure the long-term success of the firm. The literature studied provided three examples as empirical evidence supporting this contention.

In 1985 the researchers Hooley and Lynch (in Brown, 1995:5) identified 504 companies from the United Kingdom that could be classified as "high flyers". These companies clearly illustrated a greater market orientation when the extent of their market research programmemes, the firm's strategic sensibility and its direct concern with the quality and design of its products are taken into account.

In 1990 Narven and Slater (in Brown, 1995: 5) used a sample of 140 American enterprises called strategic business units to determine the extent to which the top managers were marketing-orientated. A multiple-item scale was used to obtain a measurement result and what was discovered was that there was a direct relation between the marketing orientation of top management and the profitability of the firm.

Furthermore, it was discovered that the top management of the highest profitable companies showed the most marketing orientation.

Companies from Japan, the United States of America and the United Kingdom were studied by Wong and Saunders in 1993. These companies were either classified as "innovators", "quality marketers" or "mature marketers" and it was empirically proven that these companies showed higher degrees of sales profits and market share than those companies that were categorised as "price promoters", "products makers" and "aggressive pushers".

2.5.2   The adoption of a marketing orientation philosophy

What is evident today is that the relationship existing between marketing and business success is still solid despite the size, sector or the geographical area in which the firm operates. One of the primary reasons why companies do not succeed in a highly competitive environment is its poor marketing performance. Further reasons for such failure is the firm's ability to ensure a distinctive corporate image for the company, management not understanding the strengths and weaknesses of the company and the firm's inability to adjust to ever-changing consumer needs and wants. Doyle (in Brown, 1995:5) argues that inept marketing is the primary cause of the British industry's continuing lack of international competitiveness and, rather than seeking macro-economic solutions to the country's commercial ills, much greater attention should be paid to improving the marketing competence of individual companies. .

There still are enterprises today that want to develop wholesale and retail distribution outlets because that is the desire of their top executives who have a manufacturing -or financial orientation. Other companies are concentrating their marketing operations under their sales manager. Bigger and more successful companies, on the other hand, have placed all their marketing activities under the watchful eye of a chief marketing executive. Although it can be assumed that the chief executive of a company would have a marketing-orientated outlook on business operations, the same cannot be said of all other executives. The adoption of a marketing orientation philosophy by the firm

will have a positive impact on the company's performance. Examples of such a positive influence are increased returns on invested capital and the achievement of goals set in intermediate objective areas (Chang & Chen, 1998: 247).

It was in 1975 when the business community of the United States of America expressed their view on the marketing concept. They did not consider the marketing concept to be "new" during the early seventies in the U.S.A. There were firms in the U.S.A. that were convinced that the principles underwritten by the marketing concept were right, not only for them, but for any other company for whom growth in terms of market share and return on investment, were important.

The relevance of the marketing concept has spread to fields such as health care, public administration, aesthetic accomplishments, individual people, religious experiences and the non-profit sector. According to the literature studied, it is quite clear that the marketing concept has completely matured approximately 25 years after Kotler and Levy attempted to broaden its base, 35 years after the codification of Levitt and 40 years after Drucker gave the marketing concept its first exposure.

2.5.3 The factors that influence the acceptance of the marketing concept

Van der Merwe (1974: 52) identifies the following factors that influence the acceptance of the marketing concept:

> Acknowledgement of innovations contributing to the development of new products and services assisting in the growth and survival of the corporate environment;

> An increased number of multinational companies that underwrites the importance of improved market planning and co-ordination;

> Increased competition between companies because of sophisticated managerial techniques delivering improved productivity levels;

> A decrease in expenses and more successful means of marketing;

> An improvement in the education level of consumers and the amount of product information available;

> The growth of markets with large amounts of spending power, providing companies with the opportunity to supply consumers with new products and services to meet their needs and wants;

> The creation of large markets was made possible by conditions that ensured full employment and job security to people;

> An increase in competition between firms because they developed a wide variety of similar products;

> The increase in credit facilities available to the consumer made the purchase of expensive products more inviting for potential buyers in the marketplace;

> Companies experienced an improvement in the productivity levels of their employees enabling them to operate more profitably in favourable competitive conditions.

These competitive conditions put greater pressure on companies to focus their production, marketing and selling activities on the needs, wants and consumption patterns of customers. The manufacturing operations of firms were automated, bringing about high fixed costs and larger volumes of production that required large markets for the sale of such products. More firms produced the same type of products and this ensured that competition in the product market increased, delivering products to the market at competitive prices. This resulted in firms experiencing a decrease in their profit margins.

2.6 PRACTICAL APPLICATION OF THE MARKETING CONCEPT

Since the marketing concept was introduced to the marketing research literature in the 1960s, a number of writers addressed questions concerning the use and optimality of a business philosophy grounded in the concept. According to the general literature on marketing researchers have focussed their attention on marketing orientation which is

considered by many to be the implementation of the marketing concept. Researchers also focussed their attention on the meaning of the term "marketing concept".

2.6.1 The origin and adoption of the marketing concept

Previous research that was done on the adoption of the marketing concept by small firms revealed that small firms have been more hesitant than the larger firms to embrace the marketing concept to attain company objectives. However, prior investigations into the adoption of the marketing concept by small firms provided a limited evaluation of how well smaller enterprises embrace the marketing concept. The methodology most often used in prior research was to provide the owners of small enterprises with a short description of the marketing concept and then to ask them whether such a description correctly portrayed the business philosophy of their enterprises. This methodology, however, was unsuccessful to determine exactly which, and to what extent, aspects of the marketing concept are or are not implemented.

Despite the centrality of the marketing concept and the perceived importance of a marketing orientation for business success, academics have devoted very little effort to this area of research in comparison with other, perhaps less pivotal, subjects. Furthermore, there is very little agreement within the academic and practitioner communities with respect to the implementation of the marketing concept and what it means to be market-orientated.

The marketing concept originated in an article, "The marketing revolution", written by R. Keith (in Brown, 1995: 2), in which he describes that the Pillsbury company in the United States of America had adopted a market-research based strategy in 1960 already. Another writer, Peter Drucker (in Brown, 1995: 2), had already advised businesses, a decade preceding Keith's publication, to adopt a customer-orientated perspective to obtain competitive advantage in the market. A company such as General Electric in America had already adopted a customer-orientated approach as part of their overall business strategy.

As was previously mentioned, the marketing concept, as currently defined in the marketing literature, holds that organisational success "depends on determining the needs and wants of target markets and delivering ... satisfactions (to those markets) more effectively and efficiently than competitors do" (Kotler, 1994:13). The core of this concept is characterised by the dependence of any enterprise on the goodwill and satisfaction of its customers. Customers should become the focus point for all planning, strategy-setting, research, product development, and marketing activities done within the firm.

2.6.2   A South African application of the market concept: The Sure Travel travel agency group

The Sure Travel travel agency group, with more than 120 branches all over South Africa, started a new company called Sure Corporate Services (*Die Volksblad*, 25 May 1999). The purpose of this company would be to provide customers with new corporate services and to extend its current market share in the travel industry. To enable the company to stay competitive in a highly competitive market, strategic planning and new product development was a necessity. This service will provide big and small corporations with a total travel management service package, inclusive of not only the most developed travel management and cost savings, but also drawing up and negotiation of contracts. Frequent flight and staff motivational programmemes will also be provided.

The Sure Travel group's active involvement in the recreation industry also plays a very important role in keeping corporate prices as low as possible. The reason for this being that a greater number of companies accept the management fee concept and that the commission obtained form recreational travel is used to keep corporate travel fares as low as possible. To improve their service deliverance even more, Sure Travel signed an agreement with Galileo Southern Africa, according to which a computerised booking system to the value of R240 million will be delivered to all of Sure Travel's 120 branches nation-wide. This exclusive five-year agreement, the biggest agreement of its sort involving Galileo Southern Africa, also include a technological development

programmeme. This will ensure that Sure Travel will be, in the foreseen future, on the forefront of travel agency-technology in South Africa. Sure Travel can serve as an example to all other travel agency groups in South Africa, whereby the consumer is the focal point when product research and development, short-term and long-term planning by top management as well as the marketing of products and services to customers are done to ensure increased competitiveness in the market.

2.6.3 The development of the marketing concept and its focus on customer service

Figure 2.4, the IT-enabling marketing concept which appears earlier in the chapter, indicates that an organisation, operating from a marketing-orientated perspective, place the customer at the centre of every organisational activity. The customer, however, did not have any direct interaction with many of the functional departments of the firm's marketing group. From a traditional perspective, the marketing mix, designed and implemented by the marketing department, represents the primary vehicle for managing the relationship between the customer and the firm. The rest of the organisation's external environment, such as political, legal, economic, technological and social factors is separate and isolated from the consumer. The result is that possible influences from the environment on the consumer and the organisation's relationship with the consumer are protected by specialised organisational functions.

Studies that were done on the marketing concept and its implementation brought about a number of definitions of the concept. Kimerey & Rinehart (1998: 118) have identified a definition of the marketing concept as a philosophy of business that underlines the importance of the organisation-wide generation of, dissemination of and responsiveness to market intelligence.

These researchers also stated that market intelligence is a broader concept than customer focus, in that it encompasses a range of external market factors, such as competitors and regulators, and considers both current and future market conditions.

A comprehensive perspective, such as that mentioned above, has not been clearly incorporated into research designs and implementations in the 1990s.

2.7 THE MARKETING CONCEPT - A PHILOSOPHY OF MANAGEMENT

The function of marketing can be described as both a philosophy and a technology. From the perspective of marketing being conceptualised as a philosophy, it is the responsibility of a company to use its resources, human and physical, to the advantage of its clientele. On the other hand, the performance of the company can be improved through the use of technological tools and techniques. The primary focus of marketing is the creation and stimulation of an exchange relationship, the core being transactions taking place between buyers and sellers.

Marketing associates itself directly with those establishments and techniques facilitating the exchange relationship between buyer and seller. It further enfolds the social norms as well as the direct implications marketing activities would have on society as a whole and the three dimensions of the marketing process, namely, legal, moral and ethical.

The literature studied clearly defines the term philosophy as an attitude or a frame of mind. The principal guiding line of any firm is its philosophy. Such a company philosophy originally developed from those individuals who started the company. It was only later on that the top management of the firm were responsible for its philosophy creation and the daily functioning of the firm as a whole.

The marketing philosophy of an organisation can be described as those principles that provide reasons why the marketing discipline exist and are put to use within a company. The marketing philosophy can be studied from a wide variety of perspectives. These perspectives are, however, related to each other. The first perspective that can be identified is that of the seller. Marketing plays a very important role in business, its importance is highlighted through the contribution it made to the

performance of managers. Marketing furthermore underlines the contribution sellers make to the exchange process by emphasising the what, where, when and how of sellers when involved in the exchange of goods and services.

In the development of the marketing research process the focus was on what the management of companies should do to become more effective in the management of their respective companies. A company's philosophy should therefore provide a broad spectrum of guidelines in the daily operation of the company and should be seen as an umbrella guiding all the company activities. The past experiences of an organisation, how competent and competitive such an organisation is in the market and the firm's future orientation makes it necessary for the organisation to formulate company creeds.

Reynolds (2000:1-2) argues that firms in today's retail marketplace are increasingly seeking to enhance service quality and build store loyalty by implementing salesperson-customer relationship programmes. Furthermore, customers in many service industries are realising the benefits of entering into relationships, particularly in "relationship selling" retail environments where customers often desire personalised service. In short, while building relationships is thought to result in customers who are loyal, who spend more, and are more tolerant of service failures, many of these outcomes have not been empirically verified.

For future reference, company creeds will be referred to as company philosophies from this point onwards. It should be stipulated that such creeds must be incorporated into and operate within the overall company creed or philosophy. The reason for this is that the philosophy of the company should function as a general management mechanism. Looking at marketing from the perspective of the buyer, marketers need to determine why buyers make the decisions they do. Furthermore, marketers have to know at what time such decisions are taken by buyers and finally, how buyers go about in the making of their purchases.

The emergence and considerable growth of consumer protection legislation and consumer advocacy groups underlines the disparity between buyers and sellers in the

exchange process. The importance of addressing this problem must be stipulated, because the purpose of the marketing concept, amongst others, is to provide guidance and co-ordination of the company in its totality. It must secure the constant growth of the firm by ensuring that the needs of clients are the most important criterion for weighing the decisions and actions undertaken by management. This argument supports the viewpoint that the marketing concept is a philosophy of action.

Companies attempting to apply the marketing concept to its daily activities are the ones looking for ways and means to fix long-term relationships with its clientele. What the management of companies should realise is that even the most creative companies, constantly trying to find new ways of ensuring customer satisfaction, will be faced with competition some or other time. The satisfaction of customers must occur at a profit to the firm and it is for this reason that the firm must put together and mobilise its resources to create, stimulate and satisfy the customer. This argument, which the marketing theory holds, makes it possible to look at the marketing concept as a "way of life".

It is a more costly exercise for firms to try and lure customers away from competitors than to try and keep current customers happy through the satisfaction of their needs. Companies must realise that a satisfied and happy client will repurchase at the same firm, over and over again. Such repurchasing activities makes the customers' buying task less complicated and, at the same time, increase the profits of the company from whom the client buys.

One advantage of the marketing concept is that the management of a firm is given a set of standards, guidance and stimulation of the thought process of managers, assisting them with the management and influence of policies made within the company and understanding the decisions made by and actions undertaken by different groups of people functioning in different businesses (Finansies & Tegniek, October 2000: 46).

The conclusion can now be made that marketing not only developed from, but also expanded into a philosophy and later into a social phenomenon. What resulted from this is that a wide variety of different situations, having very little in common, needed a

consensus solution under the umbrella title of marketing. The reason provided here should make it clear to the reader that the marketing concept must therefore never be confused with marketing per se.

The literature studied further warns against the broadening of the scope of marketing. It was suggested that if what marketing stands for becomes too vague, it will eventually make its reappearance under a new name. The management of firms, employees of organisations and academics should therefore not look at marketing as the most important function within a business. Instead, marketing can be described as an eclectic body of knowledge and theory. Marketing clearly illustrates the influence of other disciplines and the administration of all business operations within an organisation is simplified through the marketing concept and its principles operating as a basic conceptual foundation.

A clear distinction should be made between the marketing function within an organisation and the concept of marketing as a philosophy. The function of marketing is aimed at products or services desired (wanted or needed) by customers. Furthermore, such a marketing function is also inclusive of a competitive advantage or a specified selling point that is unique in its own way and one that is cost effective, offering customers value for their money. Marketing, as such, is therefore not the concept, but is the skill that is required to implement the marketing concept. It is for this reason that marketing functions such as advertising and sales are not in themselves the philosophy of marketing.

In an era of globalisation and increased competition, organisations have to look at themselves as marketing companies. The reason being that management's plans to manage their organisation and the needs and wants of customers of that company must be co-ordinated to ensure maximum customer satisfaction whilst the firm stays profitable. The implication of this being that companies must produce what they can sell instead of selling what they can produce. The marketing concept does not manifest itself in an aggressive marketing department. Companies in support of the marketing concept prefer to look at themselves as "marketing organisations". Such companies come to the realisation that the basis for a sound business philosophy is the marketing

concept because the purpose, amongst others, of the marketing concept is to describe an important facet of all of an organisation's activities.

2.8 OPTIMISATION OF THE MARKETING CONCEPT

The publication of empirical research results in the 1990s on the marketing concept suggested that a consistently strong, positive relationship exists between the marketing orientation and organisational effectiveness of a firm. The examination of discrepancies between earlier conceptual and more recent empirical studies will provide clarity as to how such divergent results were obtained and what possible impact it will have on the interpretation of study results recently obtained.

2.8.1 Marketing-concept related research

Reynolds (2000: 2) argues that the past 35 years was characterised by marketing concept-related research that falls into one of four categories:

CATEGORY A: Essays that emphasises the virtues of the marketing concept as a philosophy of business;

CATEGORY B: Descriptions about the implementation of the concept;

CATEGORY C: Analysis of factors that assist or impede the concept's - - implementation;

CATEGORY D: Identification and estimation of the limitations of the marketing concept.

Houston (in Kimerey & Rinehart, 1998: 118) argues that a large number of the research done on the marketing concept portrays the marketing concept as having intuitive appeal, contributing little in terms of any real performance advantage. Houston further argues that such a lack of performance gain can be attributed to poor implementations, but that a significant body of literature such as that published by Bennet and Cooper in 1979, Hayes and Abernathy (1980) and Hirchman (1983) adopts a contingency-based approach, implicitly assuming or directly suggesting that the optimality of a marketing orientation is primarily determined by situational variables.

2.8.2   A detailed critique of the marketing concept

Houston (in Kimerey & Rinehart, 1998: 119) also presented a detailed critique of the marketing concept in 1986. According to him, the marketing concept is responsible for reducing the success of an organisation rather than actually leading to improved performance. To support his argument, Houston offered five arguments to demonstrate that costs associated with gathering, disseminating and integrating market information can outweigh the competitive benefits associated with these activities. He concludes that a marketing orientation is counter productive when:

➢ There is no demand for a particular good or service;

➢ There is no supply of a desired good or service;

➢ The terms of the exchange are unchangeable;

➢ The transactions involved are subject to product-related constraints; and

➢ The cost of collecting information is greater than its value.

A consideration of Houston's first argument reveals that that he has chosen to ignore the inherent risking and high potential costs associated with making business decisions without the support of market information. "Negative" information, or that which leads managers to conclude that particular products or marketing strategies, for example, is not likely to succeed, certainly has value when it is used to reduce future losses and when it channels attention towards other, potentially more profitable, opportunities. Contrary to Houston's second argument, consumer research is perhaps most beneficial when it identifies customer needs that are not currently being satisfied by available products. This is research that reveals the most lucrative opportunities for new product development, redefinition or positioning.

Houston's third argument refer to exchange relationships that are non-negotiable or unchangeable, for example, due to regulatory control. The literature studied contend that it is rarely, if ever, the case that all elements of the marketing mix are fixed and demand is constant and guaranteed over time. Indeed, if a strict regulatory environment supersedes the traditional powers of consumers and producers in a market

economy, it makes sense that the regulatory body exercising such control has supplanted direct buyers, at least in the short term, as the "critical" market for the firm. For companies in South Africa to have a market orientation outlook, such companies must be effective, responsible to multiple "markets", or constituencies in their external environments. The design and conduct of any specific intelligence gathering programme, as well as information dissemination and integration, is made based on calculated trade-off of costs and expected benefits.

Adhering to a market orientation in no way requires that a firm pursue consumer research beyond its financial capabilities or the point of expected improvements in profitability. Every company in South Africa must design the research scope and methodology that fits its particular circumstances, needs and resources.

2.9 THE ADVANTAGES AND DISADVANTAGES OF THE MARKETING CONCEPT

Piercy (in Warner, 1996: 3212) identifies six advantages for companies deciding to adopt the marketing concept. These advantages are:

♦ Greater sales, profits and growth for the organisation;

♦ The spread of risk by identifying trends and adaptation to change;

♦ Appropriate standards by which to measure performance;

♦ Integrated and unified operation of management and staff;

♦ More effective and efficient communication with customers and role partners; and

♦ Compatibility between the organisation and society.

The marketing concept was criticised by Dickinson (in Warner, 1996: 3212) on the basis that the purpose of marketing is not to ensure consumer sovereignty, but to avoid competition and ensure market domination. Dickinson further argued that the marketing concept was not able to provide a realistic business modus operandi.

According to Piercy (in Warner,1996: 3212) the key issues in marketing are how to implement the marketing concept, how to manage it and how to effect organisational change based upon its premises.

Some writers have advocated broadening the scope of marketing from beyond managerial activity to incorporate additional dimensions, such as greater social awareness. Taking into consideration that such awareness is also customer-satisfaction orientated, it should be compatible with the aims of marketing. Kotler (in Warner,1996: 3212) argues in his article "Principles of Marketing" that the societal marketing concept can be expressed as a call to marketers to balance the three considerations of company profits, consumer satisfaction and public interest when they develop their marketing strategies.

In conclusion, it can be said that the marketing concept was first accepted by consumer product companies such as General Electric and Proctor & Gamble. These companies viewed the concept as a way of thinking about corporate activity. Competition was intense in some of these companies and trying to satisfy customers' needs more fully was a way to win in this competition. Widespread publicity about the success of the marketing concept at companies such as General Electric and Proctor & Gamble in the United States of America helped spread the message to other firms. The marketing concept can therefore be viewed as a school of thought and as an indication of how companies have begun to adapt to the new competitive environment, globalisation, industrialisation and technical relations brought upon them.

2.10 SUMMARY

Webster (1994:1) holds the opinion that the old marketing concept, the management philosophy first articulated in the 1950s, is a relic of an earlier period in economic history. Most of the assumptions are no longer appropriate in the competitive global markets of today. As the marketplace evolves under the converging pressures of changing demographics, politics, economics, technology, and social norms and values,

so are organisations changing. As organisations change, so must the role of marketing within them.

The marketing concept, as currently defined in the marketing literature, holds that organisational success "depends on determining the needs and wants of target markets and delivering ... satisfactions (to those markets) more effectively and efficiently than competitors do" (Kotler,1994:13). The core of this concept is characterised by the dependence of any organisation on the goodwill and satisfaction of its customers. Customers should become the focus point for all planning, strategy-setting, research, product development, and marketing activities done within the firm.

Morrow (2000: 1) supports the argument of Kotler, but emphasises that as society has changed and multiplied the products, distribution channels have undergone a radical transformation. Those old, personal relationships are a matter of history, but applying a client relationship marketing programme to your organisation, can help reform them.

CHAPTER 3

THE MARKETING CONCEPT AND CUSTOMER SERVICE

We seldom think of what we have, but always of what we lack
(Schopenhauer)

3.1 <u>INTRODUCTION</u>

"When maximising customer value is the goal, the firm needs to know how well it is meeting customer expectations. Customer satisfaction is the feeling that a product has met or exceeded the customer's expectation. No firm can rely on customers to make their feelings known, however, and so it may deliberately set out to measure customer satisfaction levels" (Boshoff & Terblanche, 2000: 5).

Service is rendered by one person at a time. An individual delivers the service and it is for this reason that it is important for the firm to pay attention to and take care of the people providing the service. Stiel (2000:22) argues that "service providers need to take care of themselves so they have what it takes to take care of others. The mistake most people make is concentrating on the customer only when talking about customer care. We can learn a universal truth every time we take an aeroplane. Secure your own mask first before attempting to help others".

The underlying principle here is that self-esteem and service deliverance go hand in hand. Borgelt (2000:22) agrees, but emphasise that the entire customer service delivery system must be trained and developed to ensure that the needs and wants of clients are satisfied in the best way possible. This will distinguish the company from its competition providing the firm with a competitive advantage through its ability to please people.

This chapter investigates the competitive advantage provided by the marketing concept to companies who apply it as a guide to ensure the successful satisfaction of customer needs and wants. It further investigates the importance of researching consumers to enable the firm to identify their prospective buyers more successfully, thereby ensuring the successful development and application of a strategic marketing programme; the development of products that will satisfy the needs of the individual customer; improve the satisfaction level of clients; improve the retention level of consumers; and assist with the identification of opportunities for new products in the marketplace.

The marketing concept is based on the principle that individuals who do not have a

need or desire for the products which the firm is selling will simply not purchase it.

3.2 THE MARKETING CONCEPT AND ITS COMPETITIVE ADVANTAGE

The marketing concept can be seen as a guide to ensure the satisfaction of customer needs and wants. The marketing concept is based on the principle that individuals who do not have a need or desire for the products which the firm is selling will simply not purchase it. This is applicable to products such as toothpaste, perfume, industrial cranes or tour packages to a country or countries for which the client has no interest or any other product or service. Such logic is the foundation of business success in a competitive market environment. This principle can be applied to non-profit organisations as well.

"Market orientation implies that a business obtains information from customers about their needs and preferences and then takes action based on that information, while considering competition and regulations. In a dynamic marketing environment, marketers continuously modify their offering mix in response to and/or in anticipation of changing needs and competitors' actions. Such consistent efforts by a marketing-orientated firm narrow the perceptual gap between the firm's management and its customers" (Chang & Chen, 1998: 247).

The firm need to understand what the needs and wants of its customers are and such an understanding is vital if the firm wants to satisfy the needs of its customers. If a client is satisfied with a product purchased or service obtained, such satisfaction can create a sustainable advantage for the firm. Any organisation can obtain a competitive advantage in the marketplace if it provides the client with a product or service of superior value compared to that of the competition. It is the firm's responsibility to ensure that the client is furnished with lower prices to that of competitors' for similar benefits provided or that the customer is provided with specific benefits that more than offset a higher price. Sure Travel travel agency group in South Africa distinguished themselves from other travel agencies through the creation of a new company called Sure Corporate Services. The services provided by this company to both big and small organisations include a complete travel management service which

includes the most advanced travel management and cost savings as well as the negotiation of contracts, including flight and staff motivational programmes.

Sure Travel travel agency went into an agreement with Galileo Southern Africa to provide its 120 travel agencies with a computerised booking system. This exclusive five-year agreement, the biggest agreement of its sort of which Galileo Southern Africa have been part, is also inclusive of a mutual technological development programme that will ensure that Sure Travel will be on the forefront of travel agency technology in South Africa in the future (Die Volksblad, 25 May 1999).

Linton (1993: xiii – xiv) identified a number of high ranging considerations that will assist the company in its attempt(s) to gain a competitive advantage in the market and to ensure that its customers are satisfied. These considerations are:

➢ improving standards of customer service in retail outlets;

➢ improving the quality of customer information to enhance high standards of personal service;

➢ packaging services for specific market sectors so that they reflect customers' real needs;

➢ building the loyalty of distributors by supporting their business operations;

➢ demonstrating the quality of service by operating a highly visible customer care programme;

➢ maintaining contact with customers through planned direct marketing programmes.

Customers whose needs and wants are not satisfied and whose requirements are not met will inform twice as many people about bad experiences as good ones. Research studies have indicated that those consumers who complained and whose complaints have been solved are more than six times willing to repurchase from the same company compared to those individuals who never complain. Companies came to realise that by printing telephone numbers on the packages of their products, consumers are motivated to phone the company to obtain product and service information and to put forward any complaints they might have regarding a product or service.

3.3 CUSTOMER-DRIVEN BUSINESS STRATEGIES WITHIN THE MARKETING CONCEPT

To successfully implement the marketing concept in an organisation, every individual in the company should assist in such an implementation. It is not only the function of sales and marketing staff. The organisational structure of a company has a direct influence on the relationship that exists amongst the different departments within the firm. Hewlett-Packard, an international supplier of electronic products such as computers, restructured the company in the 1980s in such a way that the company could put a greater focus on the customer-driven principle and less on the technology-driven principle. The reason for this step was to ensure that the firm and its staff would become more responsive to the needs and wants of consumers.

The management of Hewlett-Packard had planned to increase the market share of the company. The new organisational design of the company implied that a large number of new product divisions was to be placed under market sectors and not under product lines. Two of the divisions that specialised in the marketing of computers focussed their attention on both the business customer and the scientific and manufacturing customers. The last sector were offering both computers and instruments to their clientele. The advantages of this strategy for Hewlett-Packard was that they were able to offer a full process control and testing capability that could link computers, measurement and control devices to each other. Through this new organisational design of Hewlett-Packard, the company was in a position to stimulate teamwork amongst colleagues by providing clients with integrated solutions to their problems (Cravens, 1991:11).

Organisations that focus their attention on the satisfaction of customer needs will show a much greater eagerness to make long-term investments in projects whose impact can be felt only after several years. Examples include customer hot-lines (e.g. Nestlè Incorporated), call centres (e.g. Old Mutual and South African Airways) and extended warranty programmes (e.g. Hi-Fi Corporation). Companies that support this principle will go so far as to accept a reduction in their profit ratio if such a step will ensure the happiness and satisfaction of their client base. Companies claiming to be customer-focussed should ensure that it is everyone's business to know the client. It is

for this reason that departments such as marketing, accounting, production and the company directors should show interest in meeting the clientele of the company. Each and everyone of them should want to know as much as possible about their clients.

Every firm should know that keeping their clientele base satisfied will be to the advantage of their business. The marketing concept clearly indicated that it is not necessary for any company to lower their rate of profitability in an attempt to keep their clientele happy and satisfied. Blem (1995:14) is of the opinion that "firms which constantly rank high on customer satisfaction also rank high in profitability; these companies have more loyal customers. The happier their customers are with a product or service, the more likely they are to buy it again, and the less likely they are to switch to the competitors' products".

3.3.1 Advantages of a customer-orientated approach

Blem (1995: 14) argues further that by providing superior customer satisfaction a firm can gain several competitive advantages. The advantages referred to by Blem are:

- Less wasted effort

An organisation will, through time, become more knowledgeable regarding the needs and wants of its customers. Through its attempts to get to know its customers better, the firm will waste less time attempting to find out precisely what the client wants. Any organisation wanting to determine the needs and wants of its clientele base will have to approach their clients directly. The writer would like to state that not all clients know exactly what they want. The firm, on the other hand, could experience cost savings if they know what their customers want because it would not be necessary for the company to spend money on wasted market research surveys. It was the motor car manufacturing sector in Japan who got to know their customer base very well through their attempts to speak to their client base personally. They attempted to determine what their customers' likes and dislikes were.

The executive director of the Association of South African Travel Agents (ASATA), Chris du Toit, (Marx, 2000:10) stated that that the travel industry as a whole in South Africa is not coping with the electronic age. He indicated that he does not believe that

the South African market is too small for paperless tickets to be sold on the internet. Bob Williams, the managing director of e-Travel, argues that although tickets are sold in South Africa on the Internet, such tickets must still be collected or has to be delivered. It is only in the United States of America where paperless tickets are sold. According to Chris du Toit (Marx, 2000:10) it is the responsibility of every travel agency in South Africa to understand how e-commerce works and to start selling their services on the Internet.

He argues that the bigger travel agencies are trying, but that the smaller companies are not doing anything. E-commerce is coming towards us; it's inevitable that we'll be doing business that way in the near future. It's better to meet it and be prepared by being proactive rather than being swamped by it and having to react. It also concerns me that agents don't realise they should charge clients for their expertise which ensures peace of mind and get the best products at the best prices. Although there are a large number of travel agents who accept that they are in a legal position to accept payment for their knowledge and expertise, such agents do not know how to. Chris du Toit (Marx, 2000: 10) is of the opinion that it should appear as a separate entry on an invoice, labelled service fee, or something similar, in the same way that obtaining a visa appears as a separate entry.

- <u>Customer loyalty</u>

Keenan (2000:23) states that it is seven times more expensive to win new customers than to keep old ones, according to a British survey. Yet, while South African companies are concerned about high customer turnover rates, they have been doing little to stop them. It is the basic responsibility of any company that considers customer loyalty a priority, to ensure that it renders customer service of high quality. Bennet and Seaman (1999: 53-54) state that the success or failure of this mission can be determined by way of client loyalty quantified by the retention rate.

According to these researchers, the loyalty of a client will have the following three direct effects on a business, namely:

- An increase in income as a result of repeat business and referrals.
- A decrease in cists due to lower acquisition expenses as well as the efficiencies of service to experienced clients and

- lastly, the retention of employees increase because of an increase in job satisfaction and job pride, which in turn create a loop to strengthen client loyalty". It should be clear that loyal customers will be more willing to return to the organisation and repurchase products from the company. A higher repeat rate will ensure that the company will generate increased income and profits.

- Price advantage

What should be clear to any marketing orientated organisation is that its pricing objectives should be a means to an end and should therefore be consistent with the overall objectives of the firm. The purpose of a company's pricing policy should be to help attain the company's objectives.

The theory studied clearly illustrates that the satisfaction of customer needs will ensure that such customers would be willing to pay more for the satisfaction they gain from receiving better quality service. To determine how much extra such a client is willing to pay is not very easy. Bennet and Seaman (1999: 54) argue that to create a loyalty-based system in any company requires a radical departure from traditional business thinking. It puts the creation of customer value, not the maximising of profits and shareholder value, at the centre of business strategy, and it demands significant changes in business practice, namely redefining target customers, revising employment policies and redesigning incentive. Organisations that put a high value on the deliverance of value to secure the loyalty of their customers, should measure it. Many companies can only obtain sustainable superior profits by ensuring that their customers are loyal to them. The question of how much extra a client would be willing to pay for better service is directly influenced by the price sensitive nature of the client, the level of competition that exists within the market, the nature of the purchase the customer is planning to make and the manner in which the organisation's products are positioned in the market.

Irrespective of whether the price the company gets is big or small, it is possible for the firm to gain an additional margin. Baker (2000: 377) supports the argument that price must assist the organisation in its attempts to reach its objectives. He explains that in the short run price has a direct and immediate influence on the firm's short-run profitability through its effect on sales volume, which in turn affects sales revenue and possibly unit cost of production and marketing as well. Further, in the medium to long

run there is an indirect connection between prices and the firm's profit objectives as prices affect the firm's cash flow, its inventories, its brand image, its quality image, the competitiveness of its markets and the customers' awareness of price. Although a firm operates in a market that is very competitive, e.g. a company that supplies flavoured milk products to the market, where it is basically impossible for the firm to demand a premium price, the company can be in a position where it secures its existence without having to supply potential or existing customers with free gifts and/or extra units.

- Selling costs

It was mentioned earlier on in the chapter that it is seven times more expensive to gain new clients than to retain old customers. It is therefore acceptable, within a business context, to assume that it is easier for a client to repeat a purchase than it is for the company to sell a product to a customer for the first time. Despite the fact that South African companies are aware of the large turnover of clients which they experience, they do little to try and stop it.

Companies spend much less time attempting to persuade clients to repurchase from them. The sole responsibility of the salesperson, in many transactions, is to take the customers' order and to answer the questions which the customer may ask. Blem (1995:15) stipulates that credit approval, order processing, shipping and other costs are lower because the preliminary paperwork has been done and pertinent information about the customer has been ratified and recorded.

It is interesting to see companies spending the largest share of their advertising budget in a desperate attempt to gain new customers, whilst their most successful source of sales - their current clients - are allowed to go over to the competitor(s). Organisations should view their satisfied clients as unpaid sales consultants. The reason being that these customers inform their friends, family, colleagues, etc. and because there are no vested interest in the product or service the customer purchase, people they inform believe them. The promotional technique known as word-of-mouth or referral could assist organisations in their attempt to gain new customers, thereby extending their market share. If customers are satisfied with the product or service they purchased, they will recommend the company to other people bringing about a higher credibility level to the company.

- Brand switching

When the clients of an organisation are satisfied they are less willing to change to a product or service provided by a competitor. They would also not prefer to abandon the company from whom they initially purchased the product or service for a competitor whose products are less expensive. Such a situation would provide the company with the opportunity to make adjustments if it should become necessary to protect itself from competition.

What should be clear at this point is that the objective under the old marketing concept was simply to sell a product or service. The new marketing concept, on the other hand, underlines the importance of developing a customer relationship where the sale is the beginning. "Brand loyalty" was always defined as the portion of a customer's purchases concentrated on the brand. This definition was solely based on the statistical characteristics of a number of purchases by an unknown client. The customers of organisations were seen as statistical averages and central tendencies within a population, not as individuals.

- Taking the customer for granted

Some organisations start off by being focussed on their customers. These organisations do, however, become indifferent over time. They take their customers for granted because of the success they have achieved over time. A loyal customer may decide, under the circumstances, to rather support a competitor. The company will eventually realise that this is a mistake because they would experience the difficulty to sell to such a customer the next time around. The moral of the story is never to take the customer for granted.

According to Kananelo Makhetha (Marx, 2001: 2), outgoing president of the Association of South African Travel Agents (ASATA), the year 2001 will be the year of the battle for ownership of the customer, the struggle for the hearts and minds of clients. He foresees principals and the retail travel trade going all out to launch technology direct-based sales campaigns and believes their methods will demonstrate a new creativity. The travel agency industry will be seeing services not previously offered such as match-making services linking consumers to specialised travel agencies. On the corporate management side, there could be a spate of new e-

commerce-enabling companies or even retailers making their products available to other retailers.

Training consultant Jolante Hess (1999:37) provides the following nine guidelines that could ensure that service blunders don't happen:

♦ Sometimes complaints from customers are not communicated to management because service staff are afraid that they will be blamed.

♦ Communicate effectively - and that means listening too.

♦ Service staff should never feel subservient or inferior to guests, but should be given the confidence to speak to guests on their level. This becomes a complex issue in South Africa where the relationship between service staff and customer is often across cultures.

♦ Choose staff according to your target market. Whoever you employ needs to be able to relate to that market with confidence.

♦ Service staff should not be trained in rigid procedures or told what to do or say.

♦ Service staff should have as much information about their business as possible.

♦ Train staff to be very aware of their customers' needs and body language - there is no "one-size-fits-all" in the service industry.

♦ Feedback from customers is important, though hard to get.

♦ Never teach staff the "how" without teaching them the "why". If you give them an instruction or train them to do something in a certain way, always give the reason, or they will not be able to adapt their service in different situations.

3.4 THE FOCUS OF THE MARKETING CONCEPT ON THE STRATEGIC TARGETING OF THE CUSTOMER

The strategic targeting of one or more subgroups of buyers is necessary to respond to the variations in customer requirements in many markets. Variations in the needs and wants of buyers brings forward opportunities instead of threats if an attempt is made to try and understand the threats that appear when an effort is made to understand the

preferences of a variety of buyers. Firms can focus their attention on the preferences of a large number of buyers. Firms are able to focus their attention on meeting specific needs of their customer base more efficiently compared to their competition. The firm as a whole must put in an effort to achieve the satisfaction of the clients' needs.

To attain this would imply the participation of the chief executive on a large scale, but also involving the marketing staff in the company's strategic analysis and planning function. To integrate the distribution network into a client-driven team of co-operating organisations is of great importance to ensure that client-focussed strategies is successfully implemented.

The differences that exist between the needs and wants of buyers allow the firm to create products that will meet the demands of a variety of client groups. For any organisation to use its clients as a strategic focus point will require from top management to select the product as well as the market scope of the firm that will ensure the development of a total company commitment to the satisfaction of their client base. The strategic role of marketing is to assemble the company's market-influencing capabilities into an integrated strategy. To focus their attention on all the buyers within a given market is not a strategy that many organisations will typically use. Companies that may decide to focus their attention on the entire market whom they serve, do so by dividing their market into a variety of segments and develop different strategies for each market segment.

A company such as Dell Computer in the United States of America positioned themselves quite well in the personal computer market in America because of their strategy of selective targeting of companies purchasing computers. The company was started in 1984 by Michael Dell. During 1989 the company's sales record already showed a figure of 400 million dollars. The strategy that Dell computers was using to ensure sales growth was to sell personal computers by mail. These computers were sold at competitive prices and ensured a 30-day money-back guarantee, a one-year warranty and guaranteed 24 hour on-site service. All of these guarantees supported the compan's marketing efforts and provided Dell Computer with the necessary competitive advantage to gain market share above the rest of the mail-order suppliers of personal computers.

Dell Computer broadened their targeting strategy in 1990 to include salespeople who will contact companies directly (i.e. face to face) for business. These companies would be represented by government institutions in America and Fortune 500 companies. Eventually these clients would represent more than 50% of the sales of Dell Computers (Cravens, 1991:11-12).

According to Oosthuizen (2000:12), the traditional marketing concept holds that an organisation should enhance long-term customer satisfaction through a co-ordinated set of activities that also allows the organisation to satisfy its profit goal. The implications are patently clear; long-term relationships with customers are desired, profit rather than short-term exchanges (volume) is emphasised, and co-ordination signifies long-term relationships with both internal and external stakeholders (particularly customers).

Today marketing is being looked at from a different perspective because of increased competition, a wider variety of products and because customers are better informed before they make a purchasing decision. One of the cornerstones of traditional marketing thought is the idea of creating customer satisfaction by adding customer value to products or services. The creation and maintenance of loyal customers was always the objective for many companies who followed the path of traditional marketing thought. Today, however, with an ever-changing market environment, increased entry and exit possibilities for competitors and international growth and acceptance of the concept of globalisation, companies will have to become more creative in the marketplace to ensure their survival.

Marketing research in the consumer and industrial market is regarded by many as an outdated process despite the fact that such research is the core basis for the segmentation of such markets. It has been argued that marketing research should rather shift towards customer knowledge. Improved technology allows companies, individuals and marketing research organisations to discover improved ways of doing market research such as "mining of a data base (memory) and a web-site which allows customers to express directly what they think about the company and its products and services (interactivity)"(Oosthuizen, 2000: 14). It should be noted that such research, due to its intensive depth, does not guarantee the privacy of the consumer any longer.

Furthermore it is important to take into consideration that the positioning of a company's product(s) and/or service(s) will in the future become more important. This is especially true where a company's product or brand is to be recognised on-line. Taking the vast number of web-sites and products that are available over the internet into consideration, it is to be assumed that familiar and trustworthy brand names will provide an organisation with the competitive advantage it would require to survive in a highly competitive market.

3.4.1   Practical guidelines to delivering quality customer service

Companies can ensure that their clientele receive quality service by following the guidelines provided below:

- Getting closer to the customer

To satisfy the needs and wants of clients it is important for firms to realise that they must understand the expectations of buyers. The management and staff of these companies must furthermore develop a definite commitment to satisfy such needs. It is the responsibility of company management to create a culture of commitment within their organisation ensuring that staff understand and meet the needs of clients.

An increased number of companies are focussing their attention more towards meeting the needs of customers, better their communication with their clients and updating the information they have on their customers. In addition to this, these companies are putting more emphasis on improving their service support and field linkage systems and has already implemented a policy of customer orientation.

Marx (2001:1) refers to "the company eTRAVEL and partner Prism Technologies who have introduced the world's first travel Website that shows flights reflecting real-time seat availability at the time of the request. e-Travel chief executive officer, Bob Williams, and managing director, Garth Wolff, said the site showed users the lowest available fares and upwards for different airlines on the dates requested. Users can check whether lower fares exist on dates not selected by clicking the "All fares' button". The assumption has been made that less than 40 seconds is needed for the

search engine of e-travel to go through the six billion fares of Galileo and to provide the available options on screen (inclusive of airport taxes).

Another example is South African Airways which "launched its redesigned Website, fly saa.com", marking the start of the carrier's longer-term e-commerce strategy. The real-time interactive site provides consumer travel services including flight, hotel and car hire pricing and availability with online booking facilities. The customers of South African Airways can use the Airline's Website for the following functions:

➤ View Voyager mile status;

➤ Find out about travel-related healthcare information;

➤ Check real-time flight status;

➤ Request delay notification via Short Messaging Service (SMS); and

➤ Review in-flight features and services" (Marx, 2001: 1).

The purpose of the redesigned Website is to motivate consumers to make increased use of the Internet and to stimulate ticket sales of South African Airways in the airline's home market.

● Factors influencing customer satisfaction

Companies that are successful have clients that are satisfied. What is of greater concern is that unsatisfied customers will have a negative influence on the business activities of the company. Companies in the United States of America that are well known for their high levels of customer satisfaction are American Airlines and Hewlett-Packard. There are also companies in other countries that are highly successful in satisfying the needs of their customers. Japanese companies are delivering high performance standards within the internal market for automobiles. Honda car manufacturer in Japan experienced a high sales rate of the Acura Legend, a light passenger vehicle, in the American market in the 1990s due to the high-quality products designed by the Japanese to satisfy the needs of their customers. This success was secured despite the fact that the largest exporter of luxury motor vehicles to the USA in the 1990s was the European car manufacturing industry (Cravens, 1991: 8).

In the South African travel market, e-Travel and partner Prism Technologies brought about a technological revolution within the South African travel industry. Marx (2001: 1) stipulates that the travel Website uses the newly released XML interface to the Galileo system and connects real-time to Galileo international in Denver, Colorado, USA. The chief executive officer of e-Travel Bob Williams stipulates that the international community has shown great interest in the website and that the South African interest in the branding component was large. Marx (2001: 1) also underlines that the Call Me Now feature enable users (in South Africa only) to enter their phone numbers and within five minutes they receive an automatic free connection to an independent travel consultant (ITC). Once connected, the consultant can guide the user. Over and above the developments mentioned above, e-Travel also launched a wholesale division, called e-Holidays, on to the market. e-Holidays would primarily be used by ITCs (international travel consortiums) and its main focus would be on local packages. Domestic packages provided by e-Holidays can be booked through the e-Travel website.

- Product/Service delivery system

A distribution chain of suppliers, manufacturers, middlemen and end-users are usually involved in the movement of the product from the producer to the consumer or end-user. To ensure that the needs and wants of consumers are met, such a network of companies must ensure that it functions as an integrated and co-ordinated unit. Every member of such a system must have an understanding of and respond to the needs and wants of clients.

- Product/Service performance

The satisfaction of a customer's needs and wants depends on the performance and reliability of the product purchased. Motor-car manufacturers in Japan experienced success mainly because of the high level of quality products they produce. The previous example of the Honda Acura Legend is also applicable here. Within a two-year period after it entered the American motor vehicle market, it secured a first place in the categories of sales and customer satisfaction (Cravens, 1991:8).

- Brand image

The managing directors of companies are positive about the ability of a company's brand to create a positive image with buyers and they look at such positive brand image as a competitive advantage. Firms in the marketplace are willing to spend millions of rands to convince existing and potential buyer's to purchase their product. The development of brand image depends on the individual buyers' purchasing experience. If such an experience is positive (favourable), the development of brand image will take place. Tupperware and Kodak are examples of brand names that became household names and strong customer franchises − Tupperware within the kitchen industry and Kodak within the photo supply industry.

- Price-Value relationship

A price-value relationship is considered to be favourable when the buyer of a product believes that the value gained from the purchase of such a product is equal to the price paid for the specific brand. An objective put forward by the management team of both Toyota and Nissan car manufacturers who produced the Toyota Lexus and Nissan Infinity luxury motor cars is to inform the purchasers of such products that the value offered to them can be compared to the value gained from purchasing a BMW and Mercedez-Benz models although the prices of the Toyota and Nissan models are much lower (Cravens, 1991: 9).

- Employee's level of performance

A company's ability to put a process in place that will ensure the satisfaction of customer needs and wants will have a direct influence on the performance of its product in the marketplace and the quality of the product delivery system. Every individual in the company will directly or indirectly affect the clients of the company in a favourable or unfavourable way. The awareness of customer responsibilities and the training of company employees to equip them in meeting such responsibilities are important factors in ensuring the achievement of customer satisfaction. Hewlett-Packard provides a high standard of training to their staff on the aspect of product quality in an attempt to ensure that high levels of customer satisfaction is achieved.

- Competitor advantages and weaknesses

Firms can obtain a competitive advantage in the marketplace if they could identify a competitor's weakness(es). Such an identification of competitor weak spots can assist the company in the identification of opportunities that will ensure the satisfaction of customer needs and wants.

By analysing the competition, companies provide themselves with the opportunity to improve on their own ability to satisfy the needs of their customers. A study of the products delivered by competitors put companies in a position to identify ways and means of improving on their own products and services. There might be certain competitors who are in a better or worse position when it comes to meeting the needs and wants of clients in a specified market segment.

The identification of differences that exist between the requirements of customers and the offerings of competitors can provide an organisation with the opportunity to enhance the satisfaction level of its customers. An organisation who identifies customers with similar needs also provides assistance to its customer satisfaction analysis. Companies comparing their levels of customer service should do so by looking at their prior performance, the industry in which they operate, and/or the area of competitor performance.

3.5 POWER SHIFTS TO THE CONSUMER BY MEASURING CUSTOMER SATISFACTION

The majority of companies in South Africa must have a good reason why they should research their customer base. Researching consumers allows the organisation to identify their prospective buyers more successfully, to develop products that will satisfy the needs of the individual consumer, improve the satisfaction level of clients, improve the retention level of consumers and assist with the identification of opportunities for new products in the marketplace.

According to Marx (2001: 13), Harvey World Travel Limited (HWT) has bought Thomas Cook's retail travel business in Australia and New Zealand for Australian

dollars (AUD) 10 m (about R40m). The move almost doubled its business in New Zealand.

HWT has increased the number of Australian and New Zealand outlets by 23% and its worldwide network to 559 outlets. The total network turnover is taken to more than AUD 1, 25 billion (about R5 billion) per annum. The purchase comprises a network of 97 company-owned travel shops, a call centre and a travel insurance claims handling business.

The managing director of Harvey World Travel, Paul Fleming, argues that the strategic plan implemented by HWT to be aggressive in their approach to move into high-profile metropolitan shopping centres, was supported and boosted by the acquisition. The number of foreign exchange bureaux in both Australia and New Zealand will be increased from 3 to 86. Another 50 bureaux are planned for these two countries over the next four years. Marx (2001:13) furthermore states that the acquisition will increase Harvey World Travel's (HWT) buying power which will benefit HWT's 72 Southern African franchisees.

An increased number of managers are starting to develop marketing strategies for their companies that are based on researched customer data. Kuys (in Keenan, 2000:23) holds that the overall level of satisfaction provided by a company to its consumers is a better predictor of intentions to repurchase from the company than the total level of quality service rendered to the consumer. Consumers whose needs and wants are satisfied are not supposed to move over to competitors but will stay loyal to the company and repurchase. These customers will render their support over the long-term as long as their needs and desires are met and will be more supportive of the company than, not so loyal, customers.

Reis, (in Keenan, 2000: 23) Managing director of the international IT (information technology) group BSG, states that with the arrival of customer relationship management (CRM) in South Africa, the perception of companies who tend to be passive in the past regarding the acceptance of lost customers will drastically change in the future. He describes CRM as casting a fine silk net around a company's systems then gently pulling it in, capturing all the valuable customer information without disturbing the IT operation. The beauty is that it blends information previously only

readily available to specific departments within a company. The right CRM solution will enable a company to use a customer's history to predict future buying behaviour.

The underlying principle with customer relationship management is to perceive consumers as being valuable. Kuys (in Keenan, 2000: 23) argues that although it sounds easy enough, the trick is identifying who should get tender loving care and then developing a strategy to make the plan work. He holds that more and more big firms are focussing on a strategic approach towards their customers.Companies such as Engen, Truworths, Sanlam, Eskom and Genbel are examples of large corporations making use of a strategic customer approach in marketing. Companies will spend most of their advertising budgets desperately trying to attract new customers when their best source of sales - existing customers - are allowed to drift to the competition. A well thought out CRM strategy identifies the rich potential of the consumer base and works out ways of keeping them loyal.

A CRM strategy which has been applied effectively allows management to become aware of the hidden motives for buying of consumers. This would enable advertising management to be more successful in their attempts of targeting the correct consumer market. The higher success rate achieved through the advertising also makes it more cost-effective because the company now focuses on people who want to purchase their products. A question that was asked by many marketing managers in the past is: "What is the underlying principle of customer satisfaction?". Traditionally it was perceived that the consumer would put the quality of a product purchased before the satisfaction obtained from that product.

In the 1990s researchers and academics criticised the principle that consumers' purchasing decision is largely based on the quality of the product he would purchase. The criticism was based on the fact that the price paid for or the costs involved in the purchase of the product is not directly included in the consumer's decision to purchase. It was seen as a shortcoming and must be inclusive of financial factors to allow the customer to make a solid decision weighing the advantages gained from purchasing the product against the costs involved in obtaining the product.

The concept of value enters at this point. If the satisfaction of customer needs are dependent on value, it must be dependent on the total costs incurred in obtaining the

product as well as the sacrifice the consumer had to make when purchasing the product. When consumers make their purchases, they make use of reference prices and values in their evaluation of attractive offerings. Despite the fact that sensitivity towards prices might show a decline over time in a supplier relationship, the consumer's decision to purchase a product will definitely be influenced by the price of the product as well as the total cost factor.

Emanating from the above, it is becoming necessary for companies to develop new techniques that will ensure customer loyalty. It is has become insufficient in a highly competitive global market to only focus on the quality of the product to be delivered to the consumer. Firms must take notice of consumers' needs and willingness to pay for such products and cannot just concentrate on what it wants to give to the consumer. The focus should be on the sacrifice the consumer had to make to purchase the product. A hypothetical example that could illustrate this point is where a tour operator such as Trafalgar Tours or Contiki Tours adds product features such as cheaper airfares or improved accommodation facilities or any other supporting services, such as transport to and from airports, to the core product so that the total worth of the product/package to the consumer increased. Tour operators might alienate their customers because the value they added to their product/package has consequently nothing to do with the actual needs of the customers.

It should be clear at this point that if "extras" are added to a product or service and such "extras" are not driven by the needs and wants of customers, such customers would be no more than short-term buyers of the product or service. It may be possible for the company to win new customers from the competition and to improve its market share, but it will be for the short-term only. The company might also find itself in a position where its customers expect from it to constantly develop and introduce new complimentary services in addition to its core products. By doing this, the company will push up its total costs structure and will have to cover these additional costs by charging higher prices. This might cause the company to become less competitive in the marketplace. Although the customer receives more, the price to be paid will also be more. This implies that consumers' perceived value of the product will be basically the same and the customer will have a particular reason to repurchase.

The objective of a firm should therefore be to maximise customer value. This implies that company management will have to take responsibility for determining to what extent the firm is meeting the expectations of its customers. Boshoff & Terblanche (2000:5) holds the opinion that customer satisfaction is the feeling that a product has met or exceeded the customer's expectations. No firm can rely on customers to make their feelings known, however, and so it may deliberately set out to measure customer satisfaction levels.

A very important question that comes to mind is "Why is it important for any travel agency in the Western Cape to measure how satisfied their customers are"? The answer is clear. Every travel agency would want to find out what their customers' thoughts are, then use this information to increase satisfaction levels. Hermanus (1996:36) states that whether an organisation is delivering good or reliable service quality or not is difficult to measure in a precise manner due to the nature and characteristics of service. He argues that to measure service quality to determine whether good service quality was offered the user of the service needs to be consulted in order to asses the service quality level.

Chang & Kelly (1995:23) view customer satisfaction as a result of your product or service meeting a certain set of customer requirements. According to these writers the following factors contribute directly to the requirements laid down by customers with reference to product and service delivery:

- ◆ Accuracy
- ◆ Adequacy
- ◆ Aesthetics
- ◆ Availability
- ◆ Cost Dimension
- ◆ Follow-through
- ◆ Functionality
- ◆ Quantity
- ◆ Price
- ◆ Relevance

- ◆ Responsiveness
- ◆ Service
- ◆ Specificity
- ◆ Timeliness
- ◆ Thoroughness
- ◆ Yield

The customer's perception of product value or worth can therefore be influenced by factors such as

- the quality of the service delivered by staff members of the company from whom the product is purchased;
- the time and effort it took the customer to reach the company and to make the purchase and
- the relevance of the product to the satisfaction of the customer's needs and wants.

Satisfaction is the result of satisfying the needs and wants of consumers. It would therefore be to the advantage of a company to measure the current satisfaction or dissatisfaction levels of its consumers. Such a measurement will enable an organisation to have a better understanding of what it is their consumers want and the reasons why they are not getting it.

3.6 SUMMARY

Organisations must understand what the needs and wants of their customers are and such an understanding is vital if the organisation wants to satisfy the needs of their customers. If a customer is satisfied with a product or service obtained, such satisfaction can create a sustainable advantage for the firm. Any firm can obtain a competitive advantage in the marketplace, if it provides the customer with a product or service of superior value compared to that of the competition. It is the responsibility of the organisation to ensure that its customers are furnished with specific benefits that more than offset a higher price.

The measurement of customer satisfaction is subjective and difficult to measure. There are many service providers who assume that customer service entails being friendly and smiling at the customer. Many companies state in their advertising campaigns that the service they provide is the best, despite the fact that they have made a few real changes to their customer service strategy. This results in the creation of false expectations for the customer resulting in damage to the image of the firm. The reason for this is that customers will measure the performance of the firm according to the claims that have been made.

To ensure that companies achieve success in a highly competitive environment, they have to reflect a positive understanding of the service needs of their customers. When the firm wants to evaluate the level of its service quality, it will have to concentrate on certain focal areas. These are the areas where the customer has contact with the employees. Irrespective of what management attempts to instil into employees, if there is no commitment by employees themselves to improve the level of service quality, the service quality process will be a futile exercise.

Satisfaction is the result of satisfying the needs and wants of consumers. It would therefore be to the advantage of any firm to measure the current satisfaction or dissatisfaction levels of its consumers. Service providers must remember that satisfied customers are an important form of advertising and ensuring that customers are satisfied should be the first objective of any service organisation. It is only after such an objective has been met that firms should attempt to further exceed the expectations of customers.

CHAPTER 4

RELATIONSHIP MARKETING REVIEW

Service starts where remuneration ends
(Palmer)

4.1 INTRODUCTION

The relationship marketing concept not only received a great deal of attention in the theory of marketing, but in practice as well. Instead of focussing on exchanges in single transactions alone, the importance of building long-term, value-laden and interactive relational exchanges between the buyers and sellers of products and/or services, has been advanced extensively in the literature (Ruyter & Wetzels, 2000:1). Maralah (2000:1) states that communication is the critical ingredient in building and maintaining relationships. In a relationship, it is only natural for both parties to be consistent in their communications with each other. To build relationships with customers rather than merely to be involved in transactions, the marketer must integrate communication forms to build a consistent approach that in turn will build the relationship.

Management traditionally believed that the marketing concept implies that the firm is responsible for creating long-term customer satisfaction by way of a co-ordinated set of activities. These activities would, therefore, also ensure that the profit objective of the company is met. According to Oosthuizen (2000:12) the concept of relationship marketing is built around the same six icons which are incorporated into the traditional marketing concept. This chapter provides definitions of relationship marketing and indicate how it incorporates into the field of marketing. The development of relationship marketing and the contributions it made to customer service deliverance, customer retention and the field of marketing in general, is explained by means of relevant examples in, amongst others, the travel agency industry.

4.2 THE MARKETING CONCEPT AND RELATIONSHIP MARKETING

The marketing field is confronted by a new paradigm called relationship marketing. The focus of marketing is not aimed at attracting customers to those activities that will grasp the attention of customers and will enable the company to take care of such customers. Relationship marketing is based on the concept of relations. A travel

agency, for example, would like to maintain the relationships that was built between itself and other groups that are present in its micro-environment such as tour operators, market intermediaries, the public and clients. Marx(2001: 18) refers to the example of Quantas Airways, the National carrier of Australia, and Alitalia, the national carrier of Italy, and explain that they have signed a code share agreement according to which the Italian carrier will resume services to Sydney and Melbourne from March 2001. Four flights a week, departing Rome-Fiumicino, will operate under the dual code QF AZ to Melbourne and Sydney via Bangkok. The flights from Sydney to Rome go via Melbourne and Bangkok. All aircraft are Quantas B747-400s. The two carriers can also collaborate on activities such as ground services and Frequent Flyer programmes.

Organisations will stipulate that customers are their most valuable asset whose presence in the company's micro-environment is much respected. The main purpose of relationship marketing is the creation of customer loyalty that will ensure the enhancement of a stable, mutually profitable and long-term relationship.

By satisfying the needs of its customers, companies are building a loyal customer base. The total satisfaction of customer needs can be seen as a better way of ensuring that customers will repurchase from an organisation. A customer who is satisfied is supposed not to move over to the competition, but to stay loyal to the firm (e.g. travel agency) in the long run and to repurchase on a more regular basis compared to clients that are not as loyal to the company. The issue at hand is to determine what the underlying construct of customer satisfaction is. The traditional view amongst consumers was for the quality component to precede the aspect of customer satisfaction.

Quality can be described as the judgement of the superiority or excellence of a product. Perceived value can be described as the ratio of perceived benefits gained by the buyer in relation to the perceived sacrifice the buyer would have to make. It should therefore be clear that if the satisfaction of customer needs is dependent upon the value gained by the consumer, then customer satisfaction should also be dependent upon the total costs or sacrifice that was made to make such a purchase. Consumers use in the

majority of the buying situations in which they find themselves, price referencing and reference values whilst they are evaluating attractive offerings. Sensitivity towards prices can decrease over time in a supplier relationship, but the customer will still be sensitive towards the price charged by the company and the total cost component when such a client is evaluating alternatives offered by competitors. According to the theory studied, customers will tend to put a higher priority rating on lower costs compared to additional benefits offered by a company. It should therefore be clear that companies should apply new and creative approaches to ensure that the buyers of their products are going to stay loyal to them. Organisations should not only concentrate on how they can satisfy the needs of their clients by providing better quality products or services, but must determine to what extent their clients have a need for such quality and how willing that client is to pay for a high-quality product or service.

Firms cannot focus only on what they sell to their customers, but must also consider the sacrifice the customer had to make to purchase the product. Angel (2000:1) argues that customer relationship marketing is driven not by what the company has to sell, but by what the individual customer actually needs to buy. The tendency in the past has been for suppliers (e.g. a tour operator) to add specific product features or supporting services to the product they sell, thereby increasing the total value of the product they offer to the prospective buyer. In some cases the added value has got little or nothing to do with the needs and wants of the specific target market. Companies introducing "extras" to their product package, when such "extras" are not supportive of the needs and wants of their customers, are providing a short-term solution only. These companies might be successful in their attempts to attract new customers, they might even push up their share of the market, but will not be able to secure long-term relationship building with their customers.

Morrow (2000:1) stipulates that Client Relationship Marketing (also referred to as Customer Relationship Marketing), is a term gathering serious attention from attorney, accountants, merchants, bankers and financial advisors. It applies modern technology to cost-effectively strengthen your relationships with your clients and customers, and it can have a dramatic impact on your future income. Many years ago, small business people such as the proprietor of the local corner store and the local debit insurance

agent knew all their customers on a first-name basis. They had weekly contacts, and could anticipate concerns and satisfy needs. As society has changed and multiplied the products and distribution channels have undergone a radical transformation. Those old personal relationships are a matter of history, but Customer/Client Relationship Marketing can help reform them". Morrow supports his arguments by using the example of a financial adviser/life insurance agent having four basic components, namely:

- "Define your clientele;
- retain key clients;
- maximise referrals; and
- market to qualified prospects.

Companies should realise that the danger of expectation does exist. They can be put in a position where they are expected to continually develop and introduce new, exciting and interesting complimentary services as "extras" to their existing product(s). To deliver such complimentary services implies extra costs for the company. These costs will be covered through an increase in the price of the core product(s). With regard to the customer: he gets more, but also has to pay more. The perceived value for the customer remains the same. The customer is also not provided with a reason to repurchase. The company's objective to differentiate itself from competitors through the provision of increased value was unsuccessful and the costs the company had incurred in the development of all the extra complementary services, did not bring about any returns. The objective of the company to add more value to its products and thereby ensure increased customer loyalty will be difficult to reach if the value added to its products does not incorporate the needs and wants of its customers.

Consumers' primary concern is the sacrifice they have to go through when they purchase a product. A large percentage of consumers are limited in their purchases by financial boundaries. Companies that are successful in ensuring that a customers' perceived sacrifice, when purchasing a product, is reduced, relationship costs are minimised and customer performance improved, will be more successful in their

attempts to add complementary services to their core products. The successful implementation of a marketing strategy whereby complementary services are added on to a core product to attract more customers, can only be ensured if the company understands the elements of customer-perceived value and how its activities can influence customer performance positively or negatively. Colgate (2000:2-3) states that before embarking on a relationship strategy, a firm should be aware of the benefits and drawbacks of such a strategy. The following factors are desirable prerequisites for making a relationship strategy more appropriate:

- internal marketing and employee empowerment;
- profitable target segments;
- a business strategy emphasising service;
- sufficient levels of involvement;
- high experience or credence qualities (greater risk and uncertainty) and
- the ability to calculate relationship performance.

Oosthuizen (2000: 13) points out that relationship marketing claims to be the original advocate for tailoring products to customer needs, i.e. customised products. The customer selects from a benefits menu (known as a choice board) and develops his/her own unique bundle of benefits. These benefits, however, remain the tangibles and intangibles of the conventional model. For example, Nokia's 9000 Communicator which is a combination of a cellular phone and web-surfing capabilities. Furthermore, tailoring products in collaboration with the customer is no novel idea. General Electric has always designed engines for Boeing air planes (Business to Business marketing) and in services marketing the ProSumer (self-marketing) is a long-standing term which stresses the inseparability between producer (supplier) and consumer).

4.3   RELATIONSHIP MARKETING - A DEFINITION

Traditionally the marketing concept stipulated the importance of securing long-term client satisfaction by co-ordinating activities that will also ensure satisfying the profit orientation objective of the company. It should be quite clear at this point that the

marketing concept supported long-term relationships with clients; the company's profit motive was of greater importance than securing short-term sales and exchanges with clients; and the co-ordination of activities illustrates the value the company could foresee in establishing long-term relationships with stakeholders that were both inside and outside the company, with specific reference to clients.

Grönroos (in Yau & Lee, 2000:2) states that relationship marketing is an interactive process in a social context where relationship building is a vital concern. He suggests that it requires a mutual exchange and fulfilment of promises. He concentrates not only on the commercial benefit of relationship marketing for both parties, but also identifies the mutual benefit to be obtained from such relationships.

According to Chalasani (in Yau & Lee, 2000: 2) relationships marketing can be defined as an integrated effort to identify, build up, and maintain a network of individual consumers, and to strengthen the network continuously for the mutual benefit of both sides through interactive, individualised, and value-added contacts over a long period of time.

Morgan and Hunt (in Yau & Lee, 2000:2) refer to it as all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges.

4.4 THE PREMISS OF RELATIONSHIPS WITH FUTURE AND CURRENT CUSTOMERS

Despite the fact that relationship marketing is a relatively new theoretical concept, different organisations have practised it for many decades, not having a true understanding of its real value. Ever since it was acknowledged by researchers and included into the academic literature as a concept in 1982, relationship marketing was recognised and accepted by people in the academic field and practitioners. It is viewed by many as the future of marketing.

Many companies came to realise that their success within the marketplace is to a large extent determined by their relationships with customers. The approach followed by relationship marketing will enable companies to build relationships with their customers and those parties that are directly involved with the company, to ensure a profitable existence as well as meeting the objectives of all parties involved in the exchange process. An example is where first- and business-class passengers flying with Lufthansa out of Johannesburg or Cape Town International Airports with tickets bought in South Africa can now benefit from the carrier's offer of three days' free parking. Eligible passengers can call Executive Carport and leave their vehicles at the company's drop-off zone at the airport. Additional parking days are available at discounted prices and a complimentary valet service is included on request (Marx, 2000:12). Another example that will illustrate the importance of building solid relationships with clients is the launch of the official ASATA (Association of South African Travel Agents) web-site. Found at www.ASATA.org.za, the site is described as the gathering place for South African travellers, visitors and travel agents. Chris du Toit (Marx, 2000: 10), executive director of ASATA, argues that the site encourages non-affiliated travel agents to appreciate the advantages of belonging to ASATA. Both inbound and outbound travellers can benefit from consulting the site when planning itineraries. Affiliated agents are provided with industry information and kept updated with relevant local and international developments. Other information includes travel tips, frequently asked questions, interesting consumer and industry stories and membership forms.

The basis of a large number of relationship marketing programmes is the ability of companies to retain their customer base. The success of such a relationship marketing programme will largely depend on the ability of the organisation to incorporate technology into their marketing programme(s). The Peppers and Rogers Group in the United States of America is of the opinion that the success of business relationships depends as much on compatible internal operations as it does on external relationship marketing skills. Reicheld & Sasser (in Colgate & Danaher, 2000:2) comment that companies can boost profits by almost 100% by retaining just 5% more of their customers". Shani & Chalasani (in Colgate & Danaher, 2000:2) indicate that a non-economic benefit of relationship marketing includes having a 'core group' of

customers who can provide a firm with a market for testing and introducing new products or offers with reduced risk

It is important for companies to consider the advantages and the disadvantages before they implement a relationship strategy. The following factors are listed as desirable prerequisites for making a relationship strategy more appropriate:

- internal marketing and employee empowerment,
- profitable target segments,
- a business strategy emphasising service,
- sufficient levels of involvement,
- high experience or credence qualities (greater risk and uncertainty) and
- the ability to calculate relationship performance (Colgate, 2000: 2).

Cochrane (2001:18) writes that Lance Brogden, Chief Executive Officer of International Strategic Solutions (ISS) is of the opinion that travel Agencies in South Africa should have a single view of customers. This implies that irrespective of the travel agent with whom the customers deals, such a travel agent should have immediate access to relevant information. Whether the client's issue is an account inquiry, placing an order, formalising a complaint or asking about the status of any other request, all the client's information and data should be on hand. He further states that the following are key areas to delivering excellent service:

- Incentives should focus on delighting customers;
- Client satisfaction levels should be analysed continually;
- Solve client problems or issues immediately (even at midnight on a Saturday);
- Each employee must be 100% accountable for at least one deliverable within your business;
- Customers should never have to be passed on to other contacts in your company more than once. At most, the second interface must settle the issue; and
- Invest in training staff in soft skills.

The importance of building long-term relationships with customers and the implementation of a customer relationship marketing policy should be seen by company management as inevitable to ensure long-term growth in profits and sales. Creating highly sophisticated customer relationship management processes is not going to be an easy task for management because to do away with functional hierarchies and bureaucratic control systems is in direct contrast to a worth of conventional wisdom applied within companies for centuries. For the survival of the company, however, its dismantling is vital and inevitable.

Major Airlines of the Qualifyer group are to invest R144 million over the next four years developing a high-tech, multilingual customer call centre at Cape Town's Victoria & Alfred Waterfront. The first phase, to be completed by year-end, will cost about R57 m. The centre, scheduled to open in July, will initially employ 200 people, increasing to 600 over the next four years The call centre is the eighth of its sort in the world and is built by the Swiss-based Qualifyer Customer Call Centre (QCCC). The QCCC is owned in equal proportions by Swissair, Sabena, TAP, Air Portugal and AOM French Airlines. QCCC chief executive officer William Pattison says the company provides internet and telephone bookings and a frequent flyer member service. It is also negotiating with other airlines so they may use the QCCC services, also available to car rental firms and hotel chains. Call from customers world wide are automatically routed to one of QCCC's facilities, with the Cape Town centre dealing mainly with enquiries from Europe. William (2001:22) says the 24-hour accessibility of operators to the European travel market and cheaper labour costs justify the high capital expenditure (Marx, 2001:22).

4.5   THE GROWTH OF RELATIONSHIP MARKETING

According to Duddy & Kamdampully (1999: 319), relationship marketing was proposed by people such as Buttle, Peppers & Rodgers and Bitner. They identified the following aspects which had a direct influence on the path of development and growth in importance of relationship marketing:

➤ The increasingly global and intense nature of competition;

➤ More demanding and sophisticated customers;

➤ Increased fragmentation of consumer markets;

➤ Rapidly changing customer buying patterns;

➤ Continuous increasing standards in quality;

➤ The inadequacy of quality in itself to create sustainable competitive advantages;

➤ The influence of technology in almost all products and services; and

➤ The unreliability of traditional marketing (e.g. decline in overall advertising effectiveness).

The concept of relationship marketing originated from North American and European cultures. The main focus was on service management and the emphasis was on the retention of customer base. Yau & Lee(2000:2) argues that relationship marketing can be considered more appropriate within China's cultural context, for the Chinese tend to prefer long-term personalised and mutual co-operation as the basis for most of their business dealings. In China, in fact, the concept of relationship marketing has evolved under a different name- guanxi- since the period of Spring and Autumn of 770-470 BC. Due to the fact that relationship marketing incorporates a lot of time and effort, it is not to be considered as an add-on approach. Relationship marketing should form an integral part of any company's marketing strategy.

The theory studied clearly indicates that the traditional approach towards marketing was not successful in providing a clear understanding of or making the tools available for companies to develop and manage long-term relationships with their customers. Oosthuizen (2000: 12) suggests that the new marketing paradigm (RM) is built around six unique icons, namely:

● Customer value;

● Individualised market offers;

● Process design;

● Life-time association;

● Networks of alliances; and

- Information technology (IT)".

These icons are, however, included in the traditional marketing concept. Ensuring that clients obtain more satisfaction from the product they purchase or the service they use by adding customer value to products or services is part of the foundation on which the traditional view of the marketing concept is built. Over the centuries companies have striven for individualised market offers. Examples are suits that were tailor-made to the specifications of clients and cobbler-designed shoes. Even in today's modern mass markets companies are still attempting to cater for smaller niche markets, called micro-segments. The inclusion of process design into relationship marketing, as illustrated through the concepts of value cluster and value web analysis does not offer much more than that what is already provided for by the Porter Value Chain System

Oosthuizen (2000: 12) identifies four grounds on which the Porter Value Chain System was rejected by relationship marketing. These grounds were restricted to tangibles only, linear sequence of linkages, no provision for human (information and knowledge) capital and internal focus only. The contemporary Porter Value Constellation Activity System makes ample provision for each one of the above-mentioned perceived shortcomings. Furthermore, reengineering the value chain is not, as relationship marketing seems to claim, conducted only with a view to cost cutting, but it also aims at creating both price as well as non-price competitive advantages.

The traditional view of marketing was always based on the creation and maintenance of customer loyalty. Customers that are loyal to a certain brand name or product type will tend to stay loyal to that brand name or product type for as long as they live. By building a network of alliances between companies, organisations are ensuring that competition in the marketplace is not, per se, between individual organisations anymore but rather between value delivery networks. This process is already incorporated into virtual marketing and where companies are making use of lock-out agreements.

The focus of marketing shifted over time from a transaction-orientated focus to a relationship-orientated focus. Companies should apply a marketing policy that will be inclusive of customer service, quality product and service deliverance and the incorporation of the relationship marketing principle to ensure the survival of the firm in a competitive environment. Relationship marketing will hold the following advantages for the firm:

> It will assist the firm in its attempts to focus on the retention of customers;

> It will enable the firm to develop and strive for a long-term vision;

> It will underline the importance of delivering a customer service of high quality;

> It will enable the firm to provide its clientele with product/service benefits of superior value;

> It will create customer commitment; and

> It will make sure that quality deliverance is the concern of all.

(Duddy & Kandampully, 1999: 319)

Travel agents are a very important linkage between the travel company and the consumers it serve. Travel agents provide their clients with essential information, make bookings and is of assistance when clients want to plan their holidays. The quality of both the staff working for the travel agency and the information they pass on to their clients will have a direct influence on the standard of service delivered to customers by the travel agency. A travel agency's income is determined by the commission they make through the sale of holiday and related services.

Stiel (2000: 22) identifies five important benefits for an organisation adopting the relationship marketing concept:

> An increase in purchases by customers;

> A reduction in the cost structure of the firm;

> Free advertising for the firm through word-of-mouth;

> Retaining employees; and

> A lifetime relationship with the customer.

Bidoli (1999: 120) identifies different benefits that are available to those customers that are prepared to commit themselves in the long-run to the organisation. These benefits are:

➤ The attainability of higher levels of achievement in the decision making process;

➤ Limiting the function of data processing;

➤ Ensuring that a larger degree of cognitive consistency is attained in the making and making of decisions;

➤ Lowering the risk factor involved with purchasing decisions to be made in the future.

4.5.1   A practical approach to customer research

To ensure that companies achieve success in a highly competitive environment they have to reflect a positive understanding of the needs and wants of their customers. These companies would also have to develop the necessary skills and products/services that will satisfy those needs. Management will have the following responsibilities to enable their companies to stay competitive, namely:

- the improvement of the level of customer service delivered in retail outlets;

- to improve on the quality of client information that will push up the standard of personal service delivered;

- providing package deals for specified market sectors that reflect the true needs of clients;

- gaining the loyal support of distributors through the support rendered to their business activities;

- delivering a quality service by means of a visible customer care programme and

- keeping customers interested in the company through well planned direct marketing programmes. (Bidoli, 1999:120)

It is important for companies to realise that any lapse in their ability to satisfy the needs and wants of their customers can result in the company losing more customers.

Companies in South Africa can use the following worksheet to help them satisfy the needs and wants of their customers:

WORKSHEET 4.1

CALCULATE THE COSTS OF REPLACING LOST CUSTOMERS

A.   Annual revenue   R...

B.   Marketing budget to attract new customers   R...

C.   Number of current customers   .....

D.   Percentage of loyal customers   ..%

E.   Number of loyal customers (C*D)   .....

F.   Number of customers considered fence-sitters (C-E)   .....

G.   Percentage of dissatisfied fence-sitters   ....%

H.   Number of lost customers (G*F)   .....

I.   Cost of replacing each lost customer   R....
     (Chang & Kelly, 1995: 10)

The application of such a worksheet by South African companies for a period of three to six months will allow the company to calculate the cost of replacing lost customers because they delivered a service of poor quality. This will, once again, illustrate to the company the importance of relationship marketing.

Obtaining and keeping the loyalty of customers because the company delivers a product or service of good quality starts with activities along the firm's internal chain

of events. The primary objective of a customer is satisfaction and the policy should be to ensure external satisfaction through the improvement of internal customer relationships. Feedback between the company and its customers and the company and its employees is vital for determining and managing the satisfaction of customer needs and wants. Feedback from customers can be in a variety of forms, e.g. from a whisper to a shout. Those companies who have not yet implemented a communication system with its clients may find itself in a position where it is unable to identify and interpret the warning signs of low satisfaction levels. If such a warning sign is not identified or interpreted early enough, the company may experience a large drop in sales, a high turnover rate for clients, etc.

When a company provides its customers with low levels of satisfaction, the company pays for it in the following ways: revenue lost because former consumers are now buying from the competition and additional spending on advertising, marketing and sales because new customers must replace those lost because of poor service deliverance (Bidoli, 1999: 119-120).

To enable a company to keep its clients satisfied, management must pay attention to the following important questions:

♦ What issues have been raised in the company regarding customer satisfaction and its implications?
♦ What efforts have been made by the management of the company to improve or encourage customer satisfaction in the past six months?
♦ What have the results been?
 (Chang & Kelly, 1995: 10-11)

With reference to the above facts, Berry & Parasuraman (in Duddy & Kandampully, 1999:319-320) suggest that relationship marketing be exercised on multiple levels to gain customer loyalty and sustain competitive advantage:

LEVEL 1:   Relies primarily on pricing incentives to encourage customers' frequent use of the services; for example the frequent flyer mile programme of South African Airways,

LEVEL 2:   Relies on nurturing social bonds; for example, the bond and trust that develop between an employee and his/her customers (through personalised service),

LEVEL 3:   Utilises structural bonds to solidify relationships in addition to social and financial bonds. Structural bonds are created by providing services that are valuable to customers and not available to other sources.

Organisations came to realise that their survival and competitiveness in the marketplace depends on their ability to create and maintain a network of relationships that will enable them to provide their customers with products and services capable of gaining customer recognition.

4.6 THE IMPLICATIONS OF A RELATIONSHIP MARKETING STRATEGY FOR THE FIRM

The firms' relationship with the customer, rendered through employees/ retailers, is recognised as the indisputable and ultimate goal of the company, the primary relationship. However, the effectiveness of the firm's primary relationship is determined by the strength of its secondary relationships. Essentially, the secondary relationships identify the various stakeholders the firm has to establish and nurture on an ongoing basis, such as employees/retailers, suppliers and shareholders (Duddy & Kandampully, 1999: 320).

Both profit- and non-profit-orientated firms focus on satisfying the needs of their customers. The success rate of companies in the marketplace is not so much determined by the company's ability to meet the needs of its clients, but to establish a long-term relationship with its customers. Boshoff & Terblanche (2000: 199) identify three factors that have a direct influence on a company's ability to establish a relationship with its customers. These factors are:

- the availability of rewards if a relationship is entered into;

- the extent to which each party is aware of the potential rewards, duties or obligations involved in the relationship; and

- the ability of either party to encourage and enhance an adequate level of trust in the other party".

In the case of companies delivering a service to clients, such firms depend quite extensively on the ability and performance of their employees to ensure the fostering of long-term relationships with customers. Manufacturing firms, on the other hand, depend on the ability of the retail sector to develop and maintain relationships with their clients. Figure 4.1 below clearly illustrates the important role that both the employees of the company and the retailers play in the establishment of long-term relationships with customers.

FIGURE 4.1

Primary relationship between the firm and its customers

Firm   Customer

⟵————————————————⟶

Employee/Retailer

(Duddy & Kanadampully, 1999:320)

4.6.1   The primary relationship between the company and the customer

It does not matter whether the firm is providing its clients with a service or a manufactured product, every organisation needs the input of humans (employees). Companies delivering a service do so through the process of employee interaction with other people. This implies that contact between the employees of the company and the customer purchasing the service is inevitable.

Customers want to have a personal and strong relationship with the company from whom they purchase the product or service. They believe that by having such a relationship they can actually lower any risk that might be involved in the purchase of the product or service. The primary relationship that exists between the company and the consumer provides stability and long-term success to the firm. Due to the high levels of technology applied in companies today, industry is providing customers with products and services having shorter life-spans compared to those produced in the past.

De Sousa (2001: 2) provides an example of relationship marketing within the Travel industry. A leading South African e-commerce solutions provider, Prism Transactive, is one of only three companies in Europe, the Middle East and Africa chosen to spearhead the implementation of new developments on the Galileo air travel reservation system. David Blyth, managing director of Prism Transactive, holds that the company is an early adopter of interface software that will make the mainframe-based Galileo system more user-friendly for Internet use, thereby expanding its capabilities and functionality

By putting the focus primarily on the product produced or the service delivered, firms are ignoring the importance of creating customer loyalty and retaining their current customer base for the long-term. It is important, however, for the firm not only to realise that the level of customer satisfaction must be improved, but the company must have the necessary tools to improve such customer satisfaction levels. The following six steps can be applied by the firm to ensure that it successfully reaches its goals:

Step 1: Measure external customer satisfaction

What has been done in your company in the past two years to measure external customer satisfaction?

Step 2: Map the internal chain

If management did measure external customer satisfaction in the past, what hurdles or issues did management experience? What issues might management experience in the future? How might management overcome those issues if they arise?

Step 3: Locate the critical links

What issues have you as management experienced inside your company when focusing on improving customer satisfaction? What issues do you as management expect to experience in the future? How will you as management overcome these issues when they arise?

Step 4: Analyse the critical links

What tools or methods have you as management used in the past to analyse causes of customer satisfaction issues? What has management's success been in dealing with these issues? What has been management's challenges in these situations?

Step 5: Resolve critical link issues

What has been the keys to management's successes in the past? What pitfalls have management encountered at this phase? What might management do differently in the future?

Step 6: Evaluate changes

What benefits do management see by doing things differently in the future? What challenges do management foresee? (Chang & Kelly, 1995: 13-16).

The above-mentioned model start with the measurement of external customer satisfaction and ends with the measurement of the results of the actions undertaken by the firm to which it is applied. The actions of such a company are directly influenced by the operations of its employees and the decisions taken by its management.

4.6.2 The secondary relationship between the company and its customers

The importance of secondary relationships within the framework of relationship marketing is based on the principle that the competitive advantage of any company flows from its ability to be competitive holistically. Such a holistic approach to competitiveness, within the marketplace, can be ensured through the creation of strategically planned partnerships with other companies which are also in a position to satisfy the needs of customers in its totality. To ensure their survival in a competitive environment today, companies are expected to develop, maintain and manage strategic relationships with partners on a continual basis. This is illustrated by Figure 4.2 below.

Although there are other stakeholders that could be an inclusive part of the network of relationships, the five stakeholders, functioning as partners, mentioned in the previous paragraph are the essential participants in the company's basic operations.

FIGURE 4.2

Secondary relationships with stakeholders
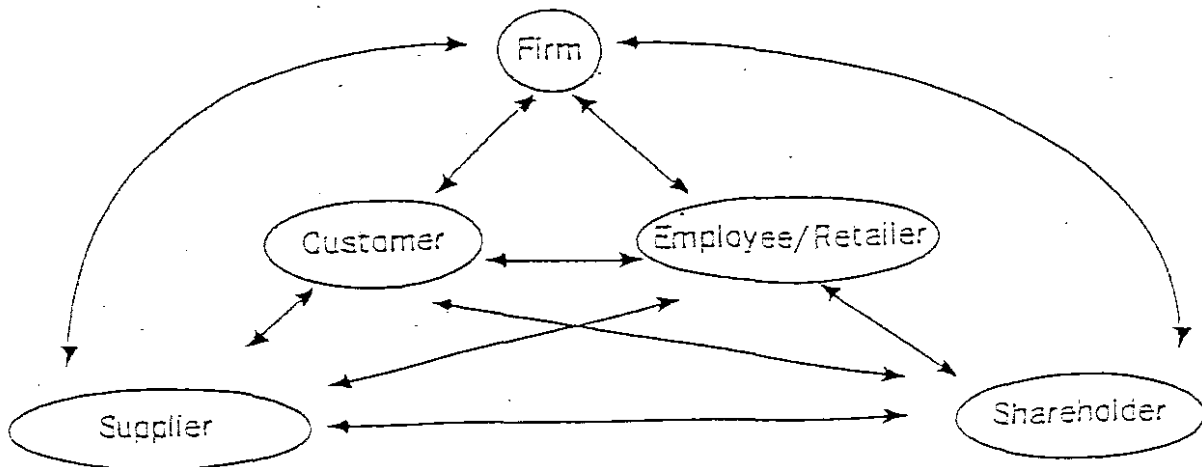
(Duddy & Kandampully, 1999:321)

Marx (2001: 13) reports about KLM airline's plans to survey the South African market to determine whether the airline should do marketing of its products to the gay community of South Africa. Gail LaRey, KLM's marketing manager, told TNW the gay market was lucrative with money to spend and without the constraints of the traditional nuclear family. KLM was one of the official carriers of the Gay Games held in Amsterdam in 1998. Quantas is a major sponsor and official airline for the Sydney Gay & Lesbian Mardi Gras and the Gay Games in 2002. The carrier expects to carry up to 3000 international passengers to Sydney in February and March for the Mardi Gras. While Quantas's key markets for the event are North America and New Zealand, it reports good development from South Africa, the UK and Europe. Quantas is a sponsor of the entire festival and international passengers can get tickets to the Mardi Gras Party only by purchasing Quantas packages.

The two cornerstones of relationship marketing are primary and secondary relationships. Their purpose is to ensure that the product or service provided to the customer is increased in value that could be beneficial to the consumer purchasing the product, the firm supplying the product and the other stakeholders involved. The approved framework will provide firms with an opportunity to identify and prioritise marketing to those relationships capable of leveraging the firms' corporate resources (Duddy & Kandampully, 1999: 321).

In their private life it is the desire of consumers that relationship marketing should be two-way. From a business perspective, however, they want it to be one-way. Consumers do not want a relationship unless the company make it worth their while and unless the basis of the relationship is on their terms. Business want relationships with their customers because companies understand that those relationships make finishing companies successful.

What are customer expectations precisely? The answer is simple, the customer wants solutions. By providing solutions to customers and not simply products or services, customers will desire to have one of these 'relationships' with you.

How effective a programme of relationship marketing can be applied by a company will be determined by that company's ability to broaden its focus beyond what they need to develop with the customer to those customers who leverage the value of the product or service provided by the company. This product or service value will be the foundation on which the customer builds a decision to maintain a relationship with the firm in the long run. The firm, on the other hand, is interested in the creation of value-creating partnerships because this would ensure its competency and competitive advantage within the marketplace.

It is becoming vital for the survival of the company that management focus on partnerships that will ensure the long-term competency of the company in the marketplace. This can become a realisation for many companies when they focus on the holistic needs of their customers and when their management show the ability to build and strengthen relationships with its customers.

Relationship marketing programmes should filter through all the different ranks, departments, functions and assets of the firm and should have one, very important, communal objective, namely the simultaneous deliverance and gain of value at all levels within the organisation.

The functions of marketing, management, operations, finance and human resources should function as a support base to assist the firm in creating and nurturing the ongoing flow of value between the different stakeholders in the company's internal and external environment.

4.6.3   A suggested service quality – profitability relationship model

Figure 4.3 below identifies that the quality of service deliverance is directly influenced by both the cost of service deliverance and the retention of staff.

Figure 4.3

Service quality – profitability relationship model
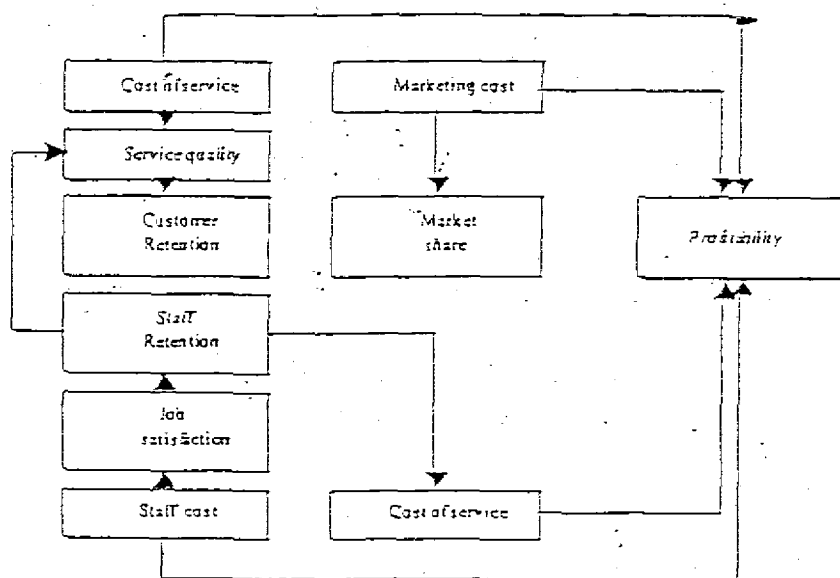
(Bennet & Seaman, 1999: 62)

Marketing costs directly affect the market-share of a firm. It is further assumed that if the customer retention rate is high, the probability exists that marketing costs will be lower. If, on the other hand, the rate of customer retention is low, it is anticipated that the offensive marketing costs will be high. The reason for this being that the firm will attempt to improve on the size of its mark-share through offensive marketing activities. Figure 4.3 also illustrates that the size of a company's market share has an influence on the profitability of the firm. The cost of providing a quality service to customers has an actual influence on service quality.

Bennet & Seaman (1999:73) makes the suggestion that the service quality-profitability relationship model should be reassessed to identify and include any other variables that might impact on this model. Although job satisfaction was included as a dimension of the service quality-profitability relationship model, it is necessary to further investigate the employee-job fit relationship since various factors and antecedents impact on job satisfaction. This is especially important since the level of job satisfaction experienced by an employee will have a direct influence on that employee's level of service deliverance.

According to Doak & Thomas (2000: 1), South African business is confronted with the challenge of global competitiveness. The world Competitiveness Yearbook indicates that South Africa lags in 42nd place among the 47 industrialised countries under review. As South African workplaces become more representative of the population, managers are faced with increasingly diverse workforces that need to be motivated. Through the establishment of a communal set of work-related values where all the employees of the organisation have a part in creating, the firm can unite diverse employees in their work towards company objectives, such as quality service deliverance.

4.7 SUMMARY

According to Confucianism, an individual is fundamentally a social or relational being. Social order and stability depend on properly differentiated role relationships between particular individuals. The past decade has witnessed a major directional change in both marketing theory and practice with the shift toward relationship marketing. Because of the need for interactions in a complete network of producers, marketers, and consumers, relationship marketing is viewed as an interactive process in a social context where relationship building is a vital concern.(Yau & Lee, 2000:2).

The two pillars of relationship marketing are the process of mutual exchange and the fulfilment of promises. Shani and Chalasani (in Yau & Lee, 2000:2) define relationship marketing as an integrated effort to identify, build up, and maintain a network of individual consumers, and to strengthen the network continuously for the mutual benefit of both sides through interactive, individualised, and value-added contacts over a long period of time. The implication of this definition is that relationship marketing should incorporate all the stakeholders of the company, inclusive of business contacts and influential sources.

Traditionally the marketing concept stipulated the importance of securing long-term customer satisfaction by co-ordinating activities that will also ensure satisfying the profit orientation objective of the firm. Over the years many firms came to realise that

their success within the marketplace is to a large extent determined by their relationships with customers. The approach followed by relationship marketing will enable companies to build relationships with their customers and those parties that are directly involved with the company, to ensure a profitable existence as well as meeting the objectives of all parties involved in the exchange process.

CHAPTER 5

EMPIRICAL INVESTIGATION INTO THE TRAVEL AGENCY INDUSTRY IN THE WESTERN CAPE

The best doctors in the world are: Doctor Diet, Doctor Quiet and
Doctor Merry man
(Jonathan Smith)

5.1 <u>INTRODUCTION</u>

This study was primarily undertaken to determine whether management in the travel agency industry in the Western Cape are aware of and understand the meaning of the term marketing concept, the level of customer service delivered by travel agencies and to isolate marketing orientation traits of managers in the industry.

It is essential to assess the current level of service quality being offered by travel agents in the Western Cape because of its importance to, amongst others, the tourism industry in the Western Cape region. The Western Cape region refers, more specifically, to the Cape Town Metropole, Boland, Helderberg and Overberg regions. The local travel agency industry needs to assess its image and service quality levels as perceived by its customers because of the significant impact that these aspects have on its profitability, competitive edge in the market and on tourism in general.

Busbin, Pearce & Wright (1997: 23).argues that all business operations function under the guidance of some philosophy of business decision making. For example, firms may be driven to maximise short-term profit, even if it means forsaking long-term growth. Or organisations may feel so threatened by competitive firms that their focus becomes entirely defensive with survival as the only goal. Examples could continue to include various goals such as market share, market dominance, competitive parity, market inconspicuousness (in the case of a follower or 'copycat' strategy), maintenance of private ownership (if takeovers are eminent), perception of family line ownership, and so forth.

Although there are a diverse number of philosophies according to which many firms operate, the competitiveness of the marketplace ensure that only productive philosophies will exist for a long period of time. Busbin further argues that the overriding philosophy on which a business organisation's decisions are based is an important matter; this philosophy, over the long run, will likely determine the fate of the organisation. For example, should a firm adhere to the marketing concept as its philosophy of doing business, and should the marketing concept prove non-productive

in this firm's market environment, then the business will likely fail. It is, however, important for a company to be sure whether the business philosophy it has chosen will be a productive strategy to compete in a particular market.

Hermanus (1996:110) holds the opinion that the image of Cape Town as a tourist destination has been tarnished by the high crime rate and level of public violence. It is therefore important that the quality of service deliverance of travel agents compensate to some degree for these negative aspects and that the management of travel agency's possess the necessary marketing traits that will enable them to use customers as the starting point of the travel agency's entire marketing and promotional efforts.

5.2 PRIMARY RESEARCH PROJECT

The following are the main components of the primary research project:

- **The objectives on which the research project is based.**

- **The research process which consists of:**

✓ The geographical scope of the project

✓ The selection of respondents

✓ The design of the questionnaire

✓ Collection of data

✓ Analysis of the data

5.2.1 Statement of Objectives

The primary objective would be to ascertain whether managers in the travel agency industry in the Western Cape are aware of and understand the meaning of the term

marketing concept through the use of structured questionnaires sent to managers of travel agencies in the Western Cape.

A secondary objective would be to establish whether there is a correlation between the marketing orientation of management in the travel agency industry and the customer focus of the company. The study would also isolate marketing orientation traits of managers in the travel agency industry in the Western Cape.

5.2.2 The research process

- **The geographical scope of the project**

    The geographical scope of the project ranges from the Southern suburbs of Cape Town, through to the Northern Suburbs, Boland , Helderberg and Overberg regions. There are a large number of travel agencies in this area and the study would therefore attempt to attain a diverse spread of the various travel agencies to ensure that the results are not specific to a certain type of travel agency and that the travel agencies included in the sample are representative of the travel agencies in the Western Cape.

    Table 5.1 depicts the various travel agencies that have been selected for the sample and their location.

Table 5.1
Travel agency sample

No.	TRAVEL AGENCY	LOCATION	REGION
1.	Sure Boland Travel	Paarl	Boland
2.	SAA City Centers Traveller's Joy	Cape Town	Peninsula
3.	Momentum Travel Worldchoice	Cape Town	Peninsula
4.	Harvey World Travel	Hermanus	Boland
5.	Sure Maties In-House (Corporate)	Stellenbosch	Boland
6.	Sure Link Travel	Cape Town	Peninsula
7.	Phileas Fogg Travel Worldchoice	Cape Town	Peninsula

8.	Sure Triumph Travel	Cape Town	Peninsula
9.	Harvey World Travel	Paarl	Boland
10.	Rosenbluth International	Cape Town	Peninsula
11.	Sure Flywell Travel	Cape Town	Peninsula
12.	Sure Boland Tours	Worcester	Boland
13.	Confinitive Travel	Cape Town	Peninsula
14.	Sure Indojet Travel	Cape Town	Peninsula
15.	Sure Millway Travel	Cape Town	Peninsula
16.	Maties Travel	Stellenbosch	Boland
17.	Sure Travel Ways	Cape Town	Peninsula
18.	Hylton Ross Travel	Cape Town	Peninsula
19.	Sure Stellenbosch Travel	Stellenbosch	Boland
20.	Sure Millenium Travel	Goodwood	Northern Suburbs
21.	High Constantia Travel	Cape Town	Peninsula
22.	Rennies Travel (Regional)	Stellenbosch	Boland
23.	Rufaro Travel Services	Cape Town	Peninsula
24.	Titch Travel Worldchoice	Cape Town	Peninsula
25.	Pentravel	Tygervalley	Northern Suburbs
26.	ERM Travels	Cape Town	Peninsula
27.	SAA City Center Terra Travel	Cape Town	Peninsula
28.	Udomo Worldchoice Travel	Cape Town	Peninsula
29.	Sure Rondebosch Travel	Cape Town	Peninsula
30.	Sure Triumph Travel	Cape Town	Peninsula
31.	Trend Travel	Cape Town	Peninsula
32.	Sure Fishoek Travel	Cape Town	Peninsula
33.	Rennies Travel	Cape Town	Peninsula
34.	Sure Tripos Travel	Cape Town	Peninsula

- **The selection of respondents**

The demographic profile of the respondents is not very specific, because the selection of the respondents was difficult to control. A total of 60 travel agencies in the Western Cape were approached, but only 31 responded. The travel agencies who did respond, were included in the sample to be used for the research study.

Incomplete questionnaires were received from the following three respondents:

◆ Momentum Travel – Nr.3: Figure 5.1;

◆ Hylton Ross Travel – Nr. 18: Figure 5.1 and

♦ High Constantia Travel – Nr. 21: Figure 5.1

The three respondents mentioned above were extracted from the sample and the data obtained from them were not analysed . The travel agencies included in the sample ensures that the respondents are representative of the population in the Western Cape. Respondents were selected according to the convenience sampling method. A member list of the Western Cape branch of the Association of South African Travel Agents (ASATA) was obtained and respondents were chosen according to this method. Members were contacted by telephone to determine their willingness to participate in the research study. This was procedure was followed until a representative number of respondents were obtained to make up the sample.

- **The design of the questionnaire**

A structured questionnaire was developed to obtain the primary data necessary for the empirical study. The questionnaire covered the following areas of examination:-

➢ marketing orientation of management;

➢ customer orientation of management;

➢ profit orientation of management and the

➢ marketing orientation traits of managers

The questions used in the questionnaire were developed with the aid of academic material and staff in the travel agency industry . The questionnaire was well designed and structured making it possible for the respondents to complete the questionnaire without the assistance of the researcher.

The questions that was used in the questionnaire were:

➢ Dichotomous questions;

➢ Scaled questions and

➢ Multiple-choice questions

The use of open questions was limited to one, asking the name of the responding travel agency. The researcher's decision regarding the type of questions to use in the questionnaire was guided by the type of questionnaire that was to be designed.

Since the decision was to send out a structured questionnaire, the questions to be used must be easily understood by the respondent and easy to complete.

- **The method of data collection**

The research was conducted using a structured questionnaire. A structured questionnaire was sent to managers of travel agencies and they were requested to complete the questionnaire in their own time. The managers of the selected travel agencies were allowed 10 working days for completion of the questionnaire. If the completed questionnaire was not received within ten working days after delivery, the manager/owner of the travel agency was contacted and reminded of the questionnaire.

The purpose of the follow-up was to ensure that every member of the selected sample returned their completed questionnaire to the researcher. Since the selected sample was contacted and reminded of the questionnaire on a regular basis if the questionnaire was not received back within the specified time allowed, a high response rate was ensured.

- **Analysis of data**

The empirical research project was largely an opinion survey, and therefore no detailed statistical analysis was done. The 31 complete questionnaires were coded using the statistical programme SPSS version 4.0 and this resulted in each questionnaire having 78 variables. The seventy eight variables consist of the following:

Variables 1 – 4	:	Section A of the questionnaire
		(Personal information)
Variables 5 - 19	:	Section B of the questionnaire
		(Travel agency business focus)
Variables 20 – 39	:	Section C of the questionnaire
		(Management of the travel agency)
Variables 40 - 55		Section D of the questionnaire
		(Integration of activities)

Variables 56 – 71	Section E of the questionnaire
	(Marketing orientation traits)
Variables 72 – 78	Section F of the questionnaire
	(Social responsibility)

The analysis of information was handled in conjunction with the Educational Development Support Centre at Peninsula Technikon.

5.3 SUMMARY

This chapter provided a comprehensive description of the empirical investigation conducted in the travel agency industry. An overview of the design of the research project was given. The main components of the primary research project were discussed. One primary and two secondary objectives were identified. The selection of respondents varied from the Southern Suburbs of Cape Town through to the Boland and Overberg regions. A total of 60 travel agencies in the Western Cape were approached, but only 31 responded. The travel agencies who responded, were included in the sample to be used for the research study. The stratified judgemental sample, together with the co-operation of ASATA, ensures the representativeness of the sample and therefore also the validity of results.

A structured questionnaire was developed to obtain the primary data necessary for the empirical study. The questionnaire covered the following areas of examination, namely marketing orientation; customer orientation; profit orientation and the marketing orientation traits of managers. The questions used in the questionnaire were developed with the aid of academic material and staff in the travel agency industry .The research was conducted using a structured questionnaire. A structured questionnaire was send to managers of travel agencies and they were requested to complete the questionnaire in their own time. The managers of the selected travel agencies were allowed 10 working days for completion of the questionnaire. The empirical research project was largely an opinion survey, and therefore no detailed statistical analysis was done. The 31 completed questionnaires were coded using the statistical programme SPSS version 4.0 and this resulted in each questionnaire having 78 variables.

CHAPTER 6

RESEARCH RESULTS

The one who do not risk, will never win.
(Anonymous)

6.1 INTRODUCTION

This chapter deals with the analysis and interpretation of the questionnaires. Interpretations and conclusions are the culmination of the research process. The success of a research project is measured by the extent to which the conclusions answer the objectives of the research. According to Hedges and Olkin (in Terblanche-Smit, 1997:103).

Procedures for testing the statistical significance of combined results are readily applicable to the problem of combining results of studies in the social sciences. These two researchers further comment that researchers in social sciences often use statistical significance to help interpret the results of individual research studies, and intuitively use the outcomes of significance tests in each study to asses the average effect and the consistency of effects across studies (Terblanche-Smit, 1997:103).

Hunter and Schmidt (in Terblanche – Smit, 1997:103) identify two steps when cumulating knowledge namely:

- **Step 1**: the gathering of results across different fields of study to formulate facts and
- **Step 2**: the formulation of different theories which can be used and applied.

Terblanche-Smit (1997:103) comments that these researchers have reviewed all the methods that have been proposed for cumulating knowledge across studies, but devote most of their book to methods of averaging results across studies, and refer to these averaging methods as 'meta-analysis'.

This chapter will illustrate the accumulation of results obtained from questionnaires that were sent to the various travel agencies in the Western Cape to establish common facts. A variable number were allocated to each question and its components on the questionnaire to make the coding and analysis of the data easier and more understandable. Staff at the Educational Development Centre at Peninsula Technikon assisted in the coding, and processing of the data that were obtained from the questionnaires that were sent back.

6.2 RESULTS AND DISCUSSION

This section deals with the analysis and interpretation of the data obtained from the question-naires that were sent to the managers of travel agencies in the Western Cape (Refer to Appendix A for a copy of the questionnaire).

Each section and question in the questionnaire will be discussed individually. The question, applicable to each section, will be provided and the interpretation thereof will be supported by either a table, a figure or both.

6.2.1 SECTION A: DEMOGRAPHIC DATA

This section will identify demographic factors, related to the management of travel agencies in the Western Cape, such as:

- **the level of experience;**
- **language group and**
- **seminar attendance.**

Question 1   Name of travel agency.

The names of the travel agencies who completed and returned their questionnaires are grouped together in table 5.1, chapter 5. Refer to this table for future reference.

Question 2:   How long have you been manager of this Travel agency?

A = 0-2 years

B = 2-5 years

C = Longer than 5 years

Table 6.1

	Frequency	Valid Percent
A	1	3.33
B	11	36.67
C	18	60.00
Missing	1	
Total	30	100.00

Comment:

The majority of the managers in the sample, 60%, indicated that they have been involved in the travel agency industry for more than five years. There is also 36, 67 percent who indicated that they have been involved in the industry between 2 and 5 years. It seems to indicate that the majority of the managers of travel agencies in the Western Cape are experienced managers and that their level of experience would have an influence on the level of customer service deliverance and profitability within their specific travel agency.

Question 3: Have you attended any seminars over the last two years?

Table 6.2

	Frequency	Valid Percent
Yes	22	75.86
No	7.	24.14
Missing	2	
Total	29	100.00

If yes, indicate the subject of the seminar.

- Human Resources
- Motivational course
- Service fee seminar
- Accounting

- Small business management

- Global change

- Tourism marketing

- International Harvey World Travel Conferences

- National Harvey World Travel Conferences

- Sure Travel Congresses

- Travel Workshops

- Motivational workshops

- Customer services and Product knowledge

- Leadership and Management – Integrated Training and Design

- Promotional seminars presented by South African Airways and British Airways

- Black empowerment

- Skills enhancement

- Sales techniques

- Fraud

- E-commerce

Attendance of seminars

Fig 6.1

yes

no
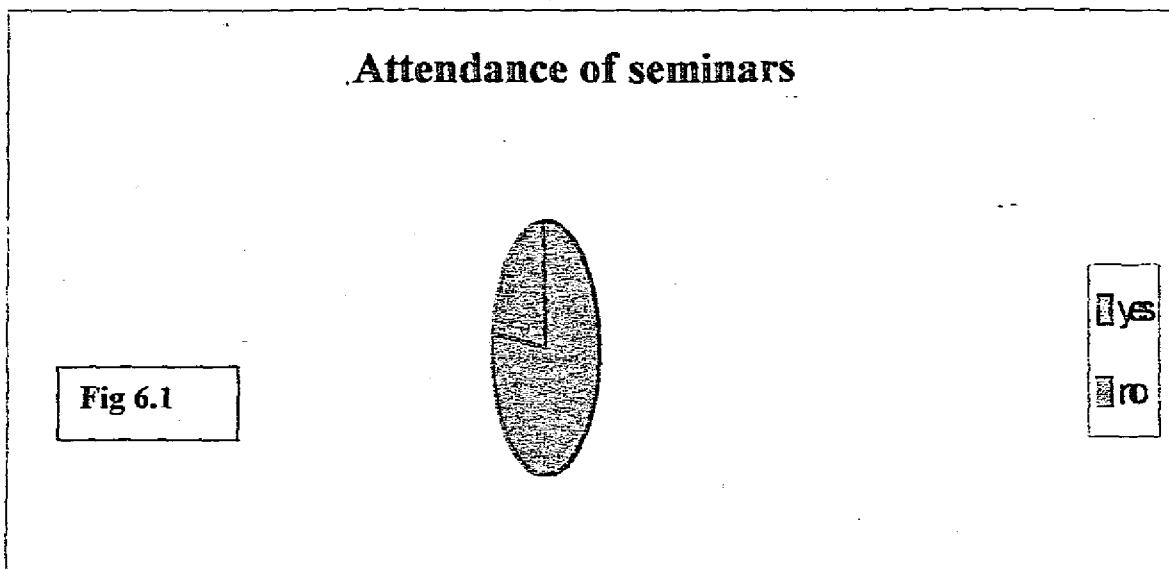
Comment:

The majority of respondents indicated that they have attended seminars which can be classified into three categories namely:

- Human resource management
- Account management
- Marketing

The results appear to indicate that there is a strong focus on seminar attendance for topics such as:

- Sales
- Time management
- Motivation and
- Leadership, but there seem to be a lack of interest in the field of customer services and product knowledge as only one respondent indicated the attendance of such a seminar. Boshoff & Terblanche (2000: 365) indicate that consultative selling implies a sales practice of building, maintaining, and enhancing interactions with customers in order to develop long-term satisfaction through mutually beneficial partnerships. This statement underwrites the importance of attending seminars that will indicate to the management of a Travel agency what an acceptable level of customer service deliverance is and how to improve on their own service deliverance level.

The majority of the respondents, 75, 86%, indicated that they do attend seminars which can be interpreted as an indication of management's willingness to improve on their current level of experience and knowledge.

Question 4:   Home language

Table 6.3

	Frequency	Valid Percent
Afrikaans	8	25.81
English	23	74.19
Total	31	100

Comment:

The majority of the respondents, 74,19%, indicated that they were English speaking. Only 25,81% indicated they were Afrikaans speaking.

6.2.2   SECTION B: TRAVEL AGENCY FOCUS

In this section:

- **Question 5:**   **Will identify the focus of travel agencies on the different markets within the travel industry.**
- **Question 6:**   **Will identify the different divisions within the sampled t ravel agencies.**
- **Question 7:**   **Will identify the marketing principles which are important to the management of the sampled travel agencies.**

The analysis of questions 5-7 will be done on the following basis:

✓   **Each component of each of the three questions will be evaluated on a yes or no basis,**

✓   **With regard to the option which specifies other, all data provided by the respondent will be provided.**

Question 5:   Do you consider your travel agency to focus on the:

LEISURE MARKET

Table 6.4

	Frequency	Valid Percent
Yes	17	54.84
No	14	45.20
Total	31	100

Comment:

The majority of the respondents indicated that their travel agency do focus on the leisure market. Since the largest concentration of travel agencies are in this market segment, the level of competition, between travel agencies competing for a particular market, would also be the highest. Travel agencies would be expected to become more original in the marketing and advertising of their products to attract customers and convince them to purchase their products.

CORPORATE MARKET

Table 6.5

	Frequency	Valid Percent
Yes	20	64.52
No	11	35.48
Total	31	100

Corporate market

Fig. 6.2
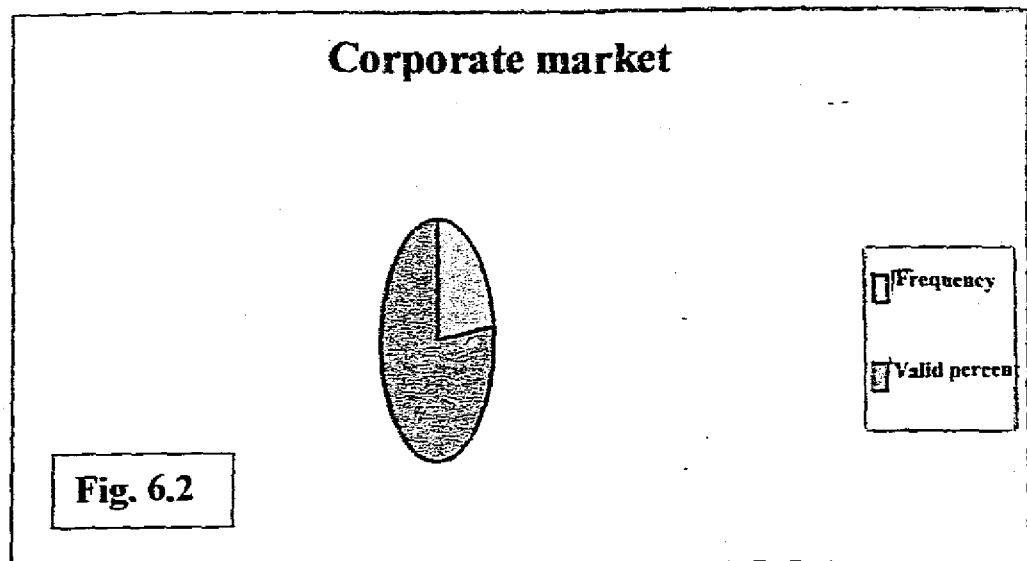
Comment:

The majority of respondents, 64.52%, indicated that they focus on the corporate market. The results indicate that the corporate market share of the total travel agency market is also the largest. This seems to indicate that the management of travel agencies find a larger percentage of financial security in the corporate market compared to the tour or leisure market sectors of the travel agency industry.

TOURS MARKET

Table 6.6

	Frequency	Valid Percent
Yes	7	22.58
No	24	77.42
Total	31	100

Comment:

The majority of the Travel agencies who responded indicated that their focus was not on the tours market. The results would seem to indicate that there is growth potential in this segment of the market which, in turn, could contribute to the profitability level of the travel agency. The number of respondents who did indicate that their focus is on the tours market was 22,6%.

ALL OF THE ABOVE

Table 6.7

	Frequency	Valid Percent
Yes	8	25.81
No	23	74.19
Total	31	100

Comment:

There was a small percentage, 25.81%, of the respondents who indicated that they concentrate on all three sectors of the travel agency market. The results seem to indicate that travel agencies focus on the market segment which is financially the most viable for them. The profit orientation outlook of the management of the travel agency will influence the decision to focus on or enter a particular market segment.

Question 6: Does your travel agency consist of a:

LEISURE DIVISION

Table 6.8

	Frequency	Valid Percent
Yes	22	70.97
No	9	9.03
Total	31	100

Leisure division

Fig. 6.3
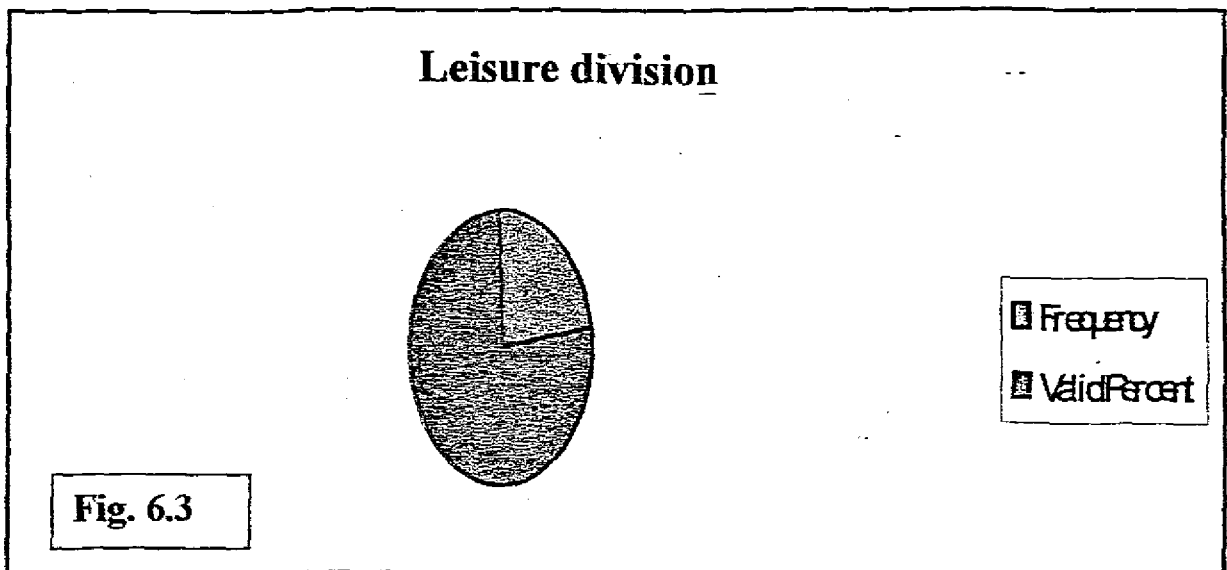
Comment:

A large percentage of the respondents, 70, 97%, indicated that they do have a leisure division. Taking into consideration that only 54.8% of the travel agencies who took part in the survey identified that their focus is on the leisure market, the indication is that there is growth potential in the leisure market. The results would further seem to indicate that there are travel agencies who concentrate on a particular market because of the profitability potential that lies within that market, but that other sectors of the market are not explored effectively because of the possibility of additional marketing, advertising and training costs which might be incurred along the way. The management of travel agencies might therefore be ignoring a market which might deliver profitable returns if the travel agency is provided with more marketing visibility.

Corporate Division

Tabel 6.9

	Frequency	Valid Percent
Yes	25	80.65
No	6	19.35
Total	31	100

Corporate division

Fig. 6.4
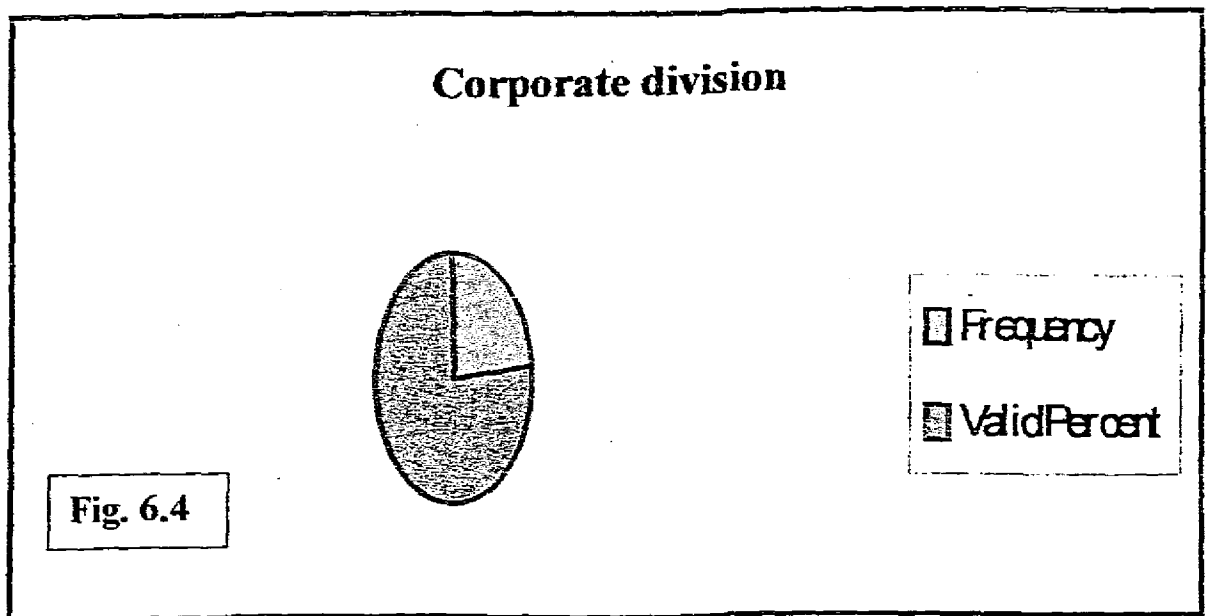
Comment:

The respondents indicated that 80,65% do have a corporate division in the the travel agency. In comparison, only 64,5% indicated that they focus on the corporate market segment. The corporate market remains the most popular market segment for the respondents and it would seem to indicate that this particular market is the most profitable for travel agencies in the Western Cape. The results also indicate that the popularity of the segment increase the level of competition within the market, making it more difficult for the travel agency to maintain the level of profitability from that particular market segment. The indication seems to be more towards increased diversity, especially towards the tours and/or leisure market.

TOURS DIVISION

Table 6.10

	Frequency	Valid Percent
Yes	13	41.94
No	18	58.06
Total	31	100

Comment:

The division within the travel agency with a low level of recognition is the tours division. The results indicate that 41,9% of the respondents indicated that they have a tours division, although only 22,6% focus on the tours market. The possibility of finding a niche in the market is much greater in this market segment compared to the corporate market because of the smaller level of competition.

MARKETING DIVISION

Table 6.11

	Frequency	Valid Percent
Yes	11	35.5
No	20	64.5
Total	31	100

Fig. 6.5

Marketing division
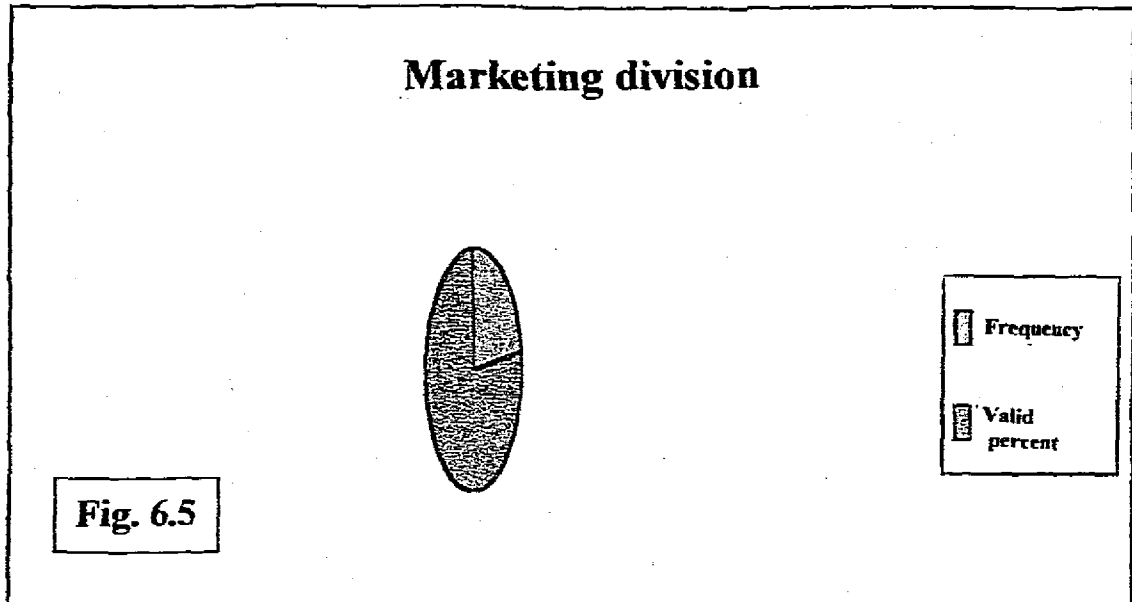
Comment:

Only 35, 5% of the respondents indicated that they have a marketing division within the travel agency. The implication which the absence of a marketing division might have on product development and customer service deliverance will be explained during the discussion of other sections of the questionnaire.

OTHER

Tabel 6.12

	Frequency	Valid Percent
Yes	7	22.59
No	24	77.41
Total	31	100

Comment:

There were 22, 59% of the respondents who indicated that they also have other divisions in the travel agency. The other divisions indicated are:

- Accounts
- Back office
- Administration
- Youth tourism
- Conference
- Groups & Incentives (Outbound)

The management of staff and the administration of accounts within the travel agency seems to play an important role. The outcome might have a positive influence on the level of profitability achieved by the travel agency, but the absence of divisions for:

- The handling of customer complaints;
- customer queries and
- customer care (e.g. after-sales service) is disturbing.

Question 7: Which of the following marketing principles are important to your travel agency?

SERVICE DELIVERANCE

Table 6.13

	Frequency	Valid Percent
Yes	31	100

CUSTOMER CARE

Table 6.14

	Frequency	Valid Percent
Yes	28	90.32
No	3	9.68
Total	31	100

HANDLING OF CUSTOMER COMPLAINTS

Table 6.15

	Frequency	Valid Percent
Yes	28	90.33
No	3	9.67
Total	31	100

Customer complaints

Fig. 6.6

☐ yes
☐ no
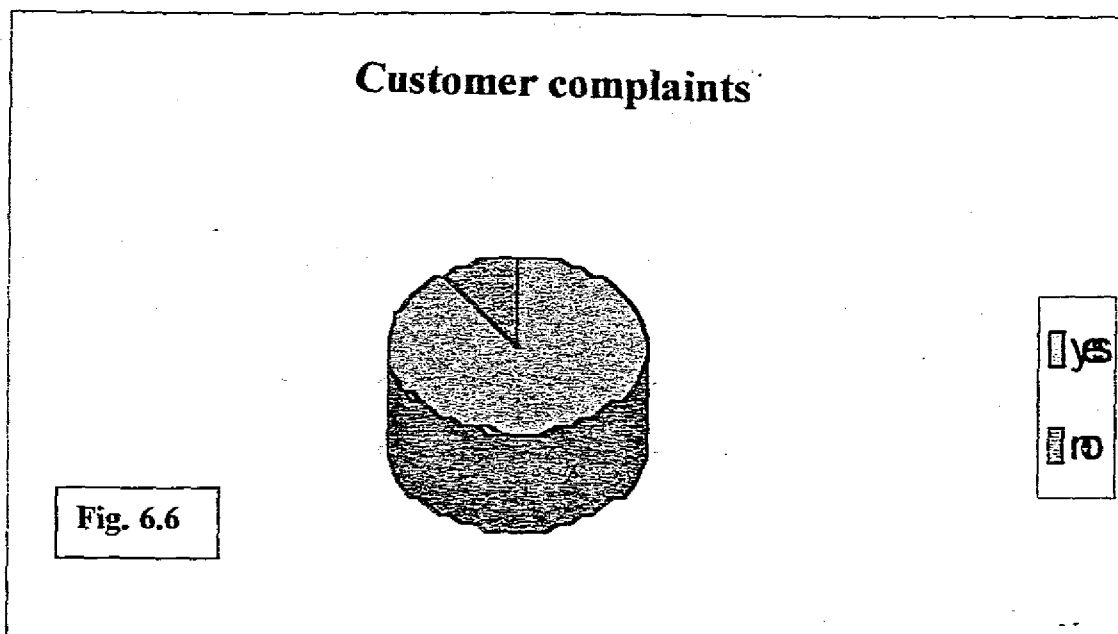
PERSONAL ATTENTION

Table 6.16

	Frequency	Valid Percent
Yes	30	96.77
No	1	3.23
Total	31	100

RELATIONSHIP MARKETING

Table 6.17

	Frequency	Valid Percent
Yes	20	64.52
No	11	35.48
Total	31	100

Relationship marketing

Fig. 6.7

yes
no
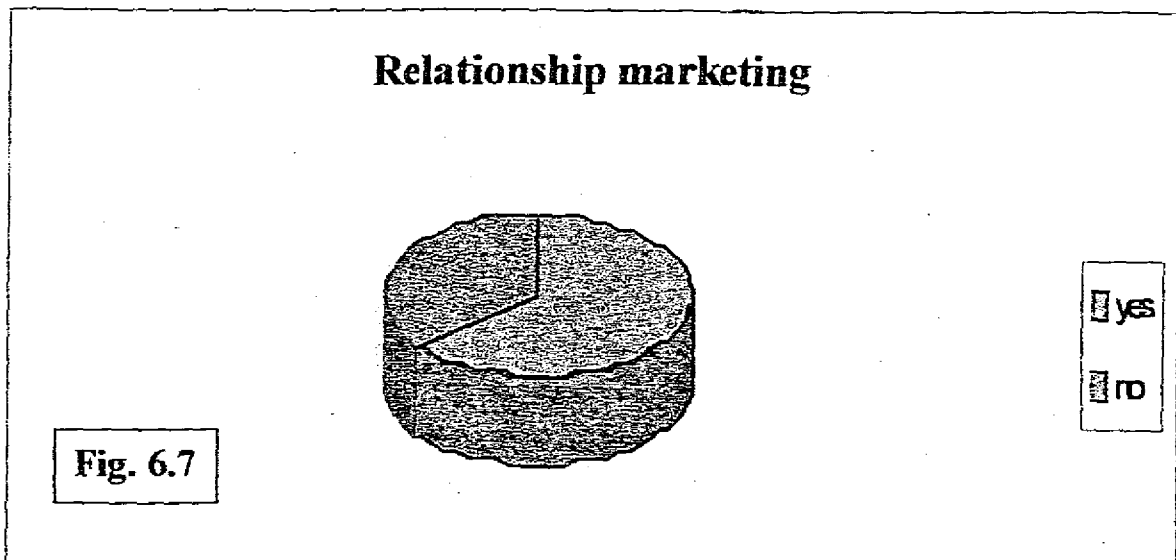
Comment:

Boshoff & Terblanche (2000:16) states that in most South African industries competition is often vigorous. Examples are banking, car rental, retailing and airline travel. Competition has an important bearing on marketing decision-making, especially in a competitive environment where it is easy for firms to copy each other's product offerings. An example of such a competitive environment in South Africa is the travel agency industry. It is important for each travel agency to create standards and criteria appropriate to it, in concert with the service strategy against which it is to be measured.

All service – quality programs and productivity programs must have total management involvement. It is up to the management of the travel agency to show that it can be done. The

progress; a reward system to encourage staff to achieve, and follow-through to ensure the program is being implemented.

Each element is interdependent and no service-quality program will work without effective application of all elements. It is worthwhile to note that the management of travel agencies in the Western Cape support the importance of service deliverance within the travel agency industry. Customer care, personal attention and the handling of customer complaints were marketing principles which ranked high in importance by management. The results appear to indicate that the management of travel agencies do not rate staff development programs as being very important. As will be explained under Section F in the thesis, the importance of staff development programs by management in the travel agency were only supported by 54.8% of the respondents. This is unfortunate because to provide the right level of customer care, service deliverance and personal attention the management of the travel agency will have to identify key staff and set up training programs to assist them in achieving the right standards.

Furthermore, the importance of relationship marketing was only acknowledged by 64.5% of the respondents. Friedman & Giladi (2000:2) defines relationship marketing as a philosophy that a company that wishes to succeed, should develop a strong lifetime (or at least a very long-term) relationship with their customers. Companies that follow this philosophy understand the importance of communicating with their customers on a regular basis. Since relationship marketing also implies that the customer must feel good to do business with the company should find it easy to contact the company and feel welcome when communicating with it should feel that he or she is part of a big family and that the company is upset if the product or service fails to perform properly.

When the importance of marketing principles such as the handling of customer complaints, personal attention paid to the customer, delivering customer care and providing quality customer service is compared to the low ranking of building long-term relationships with customers, the results seem to indicate that the management of travel agencies in the Western Cape are not focussed on long-term customer relationship building. This seem to confirm the sub- hypothesis that there is a correlation between the marketing orientation outlook of management in the travel agency industry in the Western Cape and the level of service deliverance of the company.

The results appear to reflect that the management who have been involved in the travel agency industry for longer than five years view relationship building of less importance compared to those managers whose involvement in the industry was between two and five years. There is a stronger tendency amongst managers, with more than five years experience in the travel industry, to be more profit-orientated compared to relationship marketing-orientated.

It is, however, important for the management of a travel agency to understand that every staff member in the travel agency is responsible for building customer loyalty over the long-term , which will ensure long-term company growth, increased profitability and eventually, the retention of current jobs and the creation of future working opportunities within the travel agency itself and the industry, as a whole.

OTHER

There were 6% of the respondents who identified the following marketing principles as being important to the travel agency:

➢ Value for money;
➢ Travel expense control;
➢ Authorisation control;
➢ Accountability;
➢ Reporting

6.2.3   SECTION C: UNDERSTANDING OF THE MARKETING CONCEPT BY MANAGEMENT IN THE TRAVEL AGENCY INDUSTRY (TRUE & FALSE STATEMENTS)

In this section question 8 will identify the understanding of the elements of the marketing concept by the management of travel agencies in the Western Cape.

Question 8:

Question 8.1:   Profit is important when you make decisions about any aspect of the travel agency's activities.

Table 6.18

	Frequency	Valid Percent
True	23	76.67
False	7	23.33
Missing	1	
Total	30	100

Question 8.2: When the goals for each division are set, they should be in line with overall company profit goals.

Table 6.19

	Frequency	Valid Percent
True	30	100
Missing	1	
Total	30	100

Question 8.3: The manager of the travel agency should partake in every important business decision.

Table 6.20

	Frequency	Valid Percent
True	31	100

Question 8.4: The travel agency's organisational structure should allow for the very best co-ordination between all the divisions.

Table 6.21

	Frequency	Valid Percent
True	30	96.78
False	1	3.22
Total	31	100

Question 8.5:   Divisions within the travel agency must co-ordinate their activities towards achieving company goals.

Table 6.22

	Frequency	Valid Percent
True	31	100

Question 8.6:   Every division of the travel agency must be concerned with the product needs of the travel agency's customer's.

Table 6.23

	Frequency	Valid Percent
True	27	90
False	3	10
Missing	1	
Total	30	100

Fig. 6.8
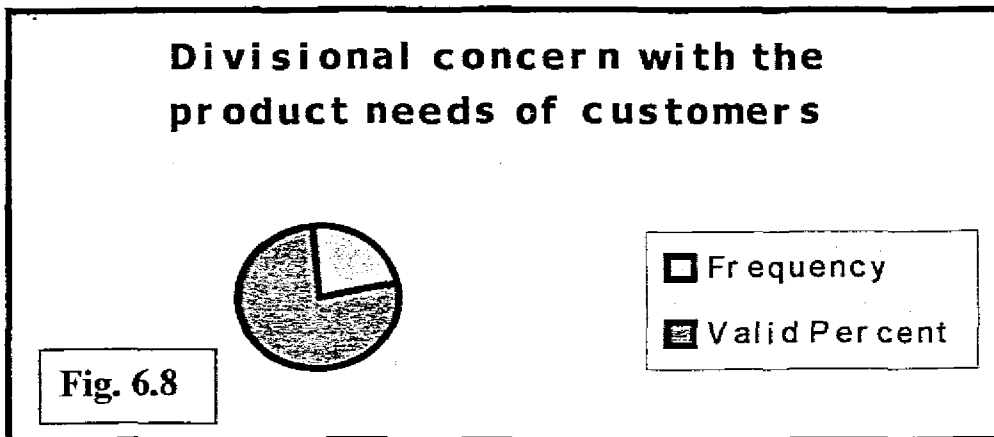
Question 8.7: Every division of the travel agency must be concerned with the service needs of the travel agencies' customers.

Table 6.24

	Frequency	Valid Percent
True	29	93.55
False	2	6.45
Total	31	100

Fig. 6.9

Divisional concern with the service needs of customers
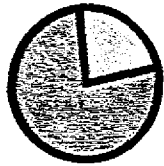
☐ Frequency
▣ Valid Percent

Question 8.8: If the price is right, the customer will buy the product.

Table 6.25

	Frequency	Valid Percent
True	18	58.07
False	13	41.93
Total	31	100

Question 8.9: In the manager's planning, he/she must rely on feedback about customer's needs.

Table 6.26

	Frequency	Valid Percent
True	29	93.55
False	2	6.45
Total	31	100

Feedback on the needs of customers

Frequency

Valid Percent

Fig. 6.10
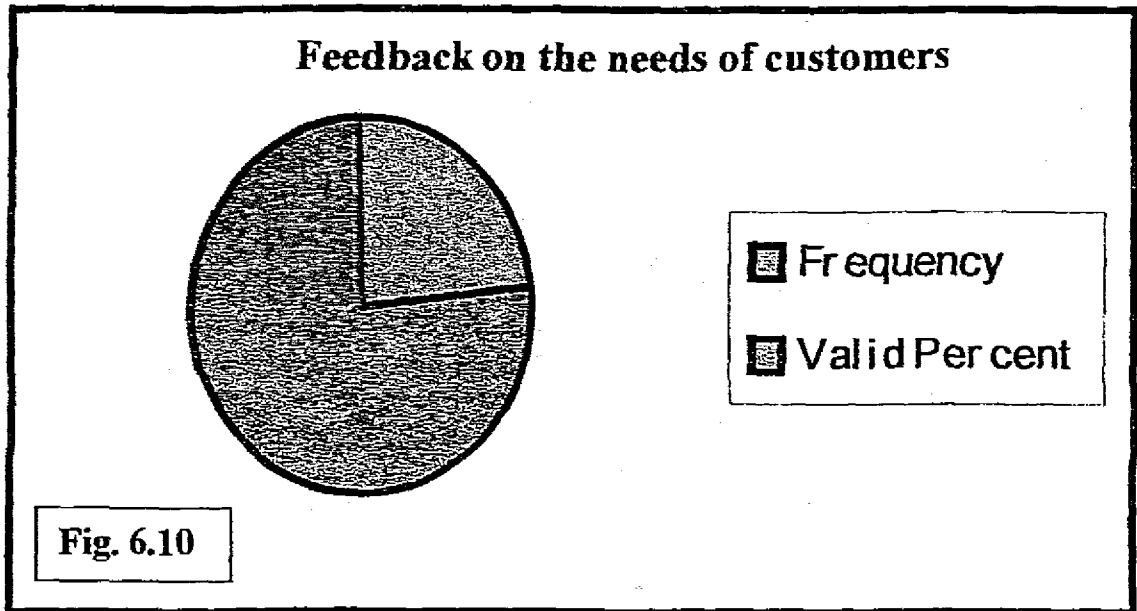
Question 8.10: In the manager's policy making, he/she must rely on feedback on how to satisfy the needs of customers.

Table 6.27

	Frequency	Valid Percent
True	30	100
Missing	1	
Total	30	100

Question 8.11: The manager of the travel agency is responsible for ensuring that customer orientation is accepted as a way of life by all staff in all divisions within the travel agency.

Table 6.28

	Frequency	Valid Percent
True	30	96.77
False	1	3.23
Total	31	100

Question 8.12: The travel agency must be organised in such a way that different divisions co-operate to satisfy the needs of customers.

Table 6.29

	Frequency	Valid Percent
True	29	96.67
False	1	3.33
Missing	1	
Total	30	100

Question 8.13: If the sales force is good enough, the customer will accept the products the travel agency decides to offer to them.

Table 6.30

	Frequency	Valid Percent
True	18	60
False	12	40
Missing	1	
Total	30	100

Question 8.14: It is not necessary for an experienced manager in the travel agency industry to do market research to know what the needs of customers are.

Table 6.31

	Frequency	Valid Percent
True	5	16.67
False	25	83.33
Missing	1	
Total	30	100

Importance of market research on customer needs
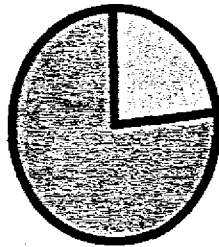
Fig. 6.11

□ Frequency
□ Valid Percent

Question 8.15: The sales force of the travel agency must participate in marketing decision making.

Table 6.32

	Frequency	Valid Percent
True	26	86.67
False	4	13.33
Missing	1	
Total	30	100

Question 8.16: There is a difference between the duties performed by the sales and marketing staff in your travel agency.

Table 6.33

	Frequency	Valid Percent
True	17	58.62
False	12	41.38
Missing	2	
Total	29	100

Question 8.17: When experienced managers are drawing an advertisement they research customers buying motives.

Table 6.34

	Frequency	Valid Percent
True	24	80
False	6	20
Missing	1	
Total	30	100

Importance of researching the buying motives of customers when designing an advertisement

Fig. 6.12
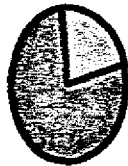
Frequency

Valid Percent

Question 8.18: Some top company directors believe that the most successful new product come from what the customers wants.

Table: 6.35

	Frequency	Valid Percent
True	25	86.21
False	4	13.79
Missing	2	
Total	29	100

Successful products based on customer needs
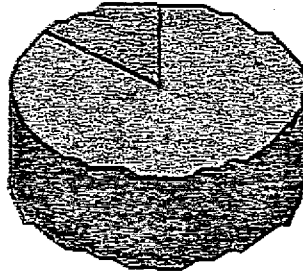
true
false

Fig. 6.13

Question 8.19: The function performed by sales staff of the travel agency is more important than that of marketing staff.

Table 6.36

	Frequency	Valid Percent
True	10	34.49
False	19	65.51
Missing	2	
Total	29	100

Question 8.20: If the manager of the travel agency constantly encourage the agency to update its product range, it would improve the company's profit margin.

Table 6.37

	Frequency	Valid Percent
True	20	66.67
False	10	33.33
Missing	1	
Total	30	100

Comments:

The results of question 8 seem to indicate that the management of travel agencies in the Western Cape feel strongly about their involvement in decision making and policy formulation. This is promising as management are primarily responsible for

- the level of customer service delivered by the travel agency;
- informing staff of the profit orientation focus to ensure company growth;
- effective and productive co-operation between divisions to ensure that company goals are met and
- the involvement of the travel agency in community related programs.

The focus of management on keeping divisional goals in line with company goals is also definite. The results would seem to indicate that 96,8% of the respondents are of the opinion that the goals of divisions within the travel agency must be in line with the overall goals of the travel agency. The results seems to suggest that the management of travel agencies in the Western Cape are focussed on keeping customers happy and 96, 8% of the respondents indicated that it is their primary responsibility to ensure that their staff are customer-orientated.

Blem (1995:14) states that, the marketing concept has proven that companies do not have to sacrifice profitability to keep customers happy. In fact, firms which constantly rank high on customer satisfaction also rank high in profitability. The happier their customers are with a product or service, the more likely they are to buy again, and the less likely they are to switch to competitors' products. By providing superior customer satisfaction a firm can gain several competitive advantages such as:

- less wasted effort;
- customer loyalty and
- price advantages.

According to the results, it would seem that this statement by Blem describes what the management of travel agencies in the Western Cape are attempting to achieve. Their focus is strongly on the needs and wants of the customer and researching the consumer market to determine what it is that the customer wants and expects from the travel agency. The

marketing function was also identified by management as an important and necessary function to be used as an instrument in determining the needs of consumers. The marketing division is also seen by management as being responsible for advertising based on researched customer buying motives. The results, however, also seem to indicate that the management of travel agencies in the Western Cape do not see a difference between the duties performed by the marketing and sales staff.

This view of management could be problematic in the future since sales is a function of marketing, compared to marketing which incorporates the functions of advertising, research, market analysis and sales. It is possible for the marketing division to be responsible for the sales component of the travel agency, but it might be risky for the travel agency industry to expect an individual, group of individuals or a division with primarily sales experience, to take on functions of which they have little or no knowledge.

The importance of staff development programs cannot be emphasised enough. To enable management to motivate and convince their staff members to become more marketing and customer-orientated, staff members will have to be educated in these fields to understand the reasons for management's strong view on customer orientation.

6.2.4   SECTION D: UNDERSTANDING OF THE MARKETING CONCEPT BY MANAGEMENT IN THE TRAVEL AGENCY INDUSTRY IN THE WESTERN CAPE (RATING QUESTIONS)

This section will identify the level of understanding of the marketing concept by the management of travel agencies in the Western Cape.

Question 9:   Marketing orientation statements rated in order of importance.

Marketing orientation is required for the implementation of the marketing concept. The extent to which a firm or individual is marketing-orientated is evidenced either through attitudes of management or the staff of the business, or from the attitudes of people outside the firm towards the company. Also, marketing orientation manifests itself through conditions inside, and outside, the organisation (Van der Merwe, 1974: 73).

With this question, as was the case with question 8, the researcher will attempt to determine the marketing orientation of management of the travel agency industry by evaluating the internal attitudes of management. For the purpose of evaluating the internal attitudes of management, the Rotated Component Matrix A below, will be used.

The Rotated Component Matrix A, applicable to question 9, was extracted by using the Principal Component Analysis extraction method and the Varimax with Kaiser Normalisation Rotation method. The Rotated Component Matrix identifies four components according to which the different statements could be categorised based on similarities. The four components are:

- **Component 1**

  Company orientation towards product development and service deliverance;

- **Component 2**

  Employee inputs in management stimulates innovation;

- **Component 3**

  Management focus on customer needs;

- **Component 4**

  Position of marketing management in company.

Each of the four components mentioned above, will be analysed and discussed individually.

The Rotated Component Matrix A below can be interpreted as follow:

➢ The marketing orientation statements, applicable to question 9, are grouped into four categories;

➢ Each of these categories include individual marketing orientation statements;

➢ The larger and more positive the number, the stronger the correlation between the marketing orientation statement and the category;

➢ e.g. marketing orientation statement: Profit is important when management has to make decisions about new products for the travel agency. Component 1: (837)

➢ The larger and more negative the number, the lower the correlation between the marketing orientation trait and the category.

➢ e.g. marketing orientation trait: Innovation is encouraged within the travel agency. Component 1: (-5,9E03)

Rotated Component Matrix

	Component			
	1	2	3	4
9.1 Tell employees - customer orientation - way of life	-2.75E-02	.803	-.119	.171
9.2 Every part of T.A. - concerned with product needs of customers	6.443E-02	-2.39E-02	.197	.803
9.3 Concerned with service needs of customers	8.244E-02	5.416E-02	.612	7.859E-02
9.4 Profit important - make decisions about new products	.837	.226	-6.22E-02	3.028E-02
9.5 Make decisions about new prices for products sold	.889	.188	4.599E-02	8.364E-02
9.6 Divisional goals tie up with company goals	.748	.164	-3.36E-02	-.221
9.7 Customer needs - find out through market research	.467	.628	-8.18E-02	.280
9.8 Manager, sales and marketing staff - make policy decisions	.334	.733	-5.64E-02	8.139E-02
9.9 Person in charge of marketing - have senior status on company chart	-4.39E-02	.223	9.284E-03	.770
9.10 All divisions - co-ordinate activities to achieve company goals	.482	2.427E-02	.176	.120
9.11 Innovation - encouraged in T.A.	-5.99E-03	.878	.180	-.105
9.12 Company expansion - related to marketing forecasts	.728	.293	-.291	.132
9.13 Organisation chart - allow co-ordination between divisions	.873	-.145	.216	-6.38E-02
9.14 Allow full co-operation between divisions	.860	-.111	.280	-7.23E-02
9.15 Advertising - based on research into customer buying motives	.735	.260	.398	.149
9.16 Customer satisfaction - important when management do planning	.131	-.119	.855	9.042E-02

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

- **Discussion of component 1: Company orientation towards product development and service deliverance.**

The Rotated Component Matrix A, provided at the at the end of section D, indicates that in the case of component one, the respondents indicated a strong correlation between the following factors:

➢ Profit is important when making decisions about new product development;

➢ Make decisions about new prices for products sold;

➢ Divisional goals tie up with company goals;

➢ Allow full co-operation between divisions;

➢ Organisation chart allows for co-ordination between divisions and   -

➢ Advertising should be based on research regarding the buying motives of customers.

Comment:

The results from this category seem to indicate that

➢ the profitability of the travel agency could depend on the ability of different divisions to function together in a productive way;

➢ Product development will be influenced by the successful application of the research function within the travel agency;

➢ The company structure should allow for the marketing division to have inputs into management policy aspects such as advertising, company expansion and the setting of divisional and company goals.

➢ The marketing division would be the most suitable department within the travel agency industry to work in close collaboration with management when product development, market analysis, sales forecasts and company expansion is considered. It is however startling to point out that only 35.5% of the respondents indicated that they have a marketing division within the travel agency.

➢ The absence of a marketing division, even though such a function is incorporated into another department or done by management, might have a negative influence on the level of service deliverance by the travel agency. The reason for this statement is that an organisation can only be considered to be marketing-orientated when it has implemented the marketing concept by adopting the characteristics of marketing orientation.

With reference to category one, the results seem to indicate that although management seem to understand the importance of doing marketing research, developing advertisements that are based on the needs and wants of customers, co-operation between divisions such as marketing and sales and development of products with high profitability levels, they fail to realise the importance of creating and implementing a marketing division to manage and co-ordinate all of these activities.

- **Discussion of component 2:   Employee   inputs   in   management   stimulates innovation.**

Component two indicates a strong correlation between the following factors:

➢ Inform employees that customer orientation is a way of life;
➢ Management, together with the sales and marketing staff, make policy decisions;
➢ Encouragement of innovation within the travel agency

The results obtained from this category would seem to suggest that the management of travel agencies in the Western Cape are aware of the marketing concept with specific reference to the integration of company systems.

Management in the travel agency industry tend to focus strongly on the following aspects:
➢ Inform the different divisions, within the travel agency, of its function and responsibilities,

➤ how such responsibilities should be linked with the overall goals of the travel agency

➤ enabling staff to be innovative and creative and

➤ the importance of management, marketing and sales to work together in making policy decisions.

The results indicated that 77, 4% of the respondents agreed that all employees should know that customer orientation is a way of life. This strong focus on the importance of customer orientation indicates management's commitment to be customer-orientated and to ensure that employees are as well. The disappointing fact is, however, that only 54.8% of the respondents indicated that they send staff on staff development programs. This percentage does not seem to correlate well with management's desire to ensure that all staff members are customer-orientated.

The encouragement of innovation and creativity of staff was rated as being of importance by 87,1% of the respondents. This allows for the creation of a warm and healthy environment in which staff can work, develop and grow. This factor correlates well with management's view that the marketing and sales divisions together with management should be responsible for strategic policy decision making. The number of respondents who agreed with this statement was 77,4%.

Since the research problem wants to determine whether the management of the travel agency industry in the Western Cape are aware of and understand the term marketing concept, the results would seem to indicate that management do understand and realise the importance of customer orientation and the successful co-ordination and integration of divisions within the travel agency.

• **Discussion of component 3: Management focus on customer needs.**

Based on the responses received from the managers of travel agencies who participated in the research, there is a strong focus on the needs and wants of customers. All of the respondents, 100%, agreed that it is very important to be concerned with the service needs of customers. Linton (1993:159) states that it is important for management to ensure that staff understand customer service. The results seem to indicate that the management of travel agencies in the Western Cape do communicate the importance of customer service deliverance to their staff members. The results clearly indicate that 96,8% of management in the travel industry believe

in communicating the importance of customer orientation as a way of life to all staff members on a regular basis.

Albrecht and Zemke (in Blem, 1993: 68) define a service strategy as follows: " It is a distinctive formula for delivering service. It is linked to a well chosen benefit premise that is valuable to the customer and that establishes an effective competitive position. Service should be managed differently from a manufactured commodity. By setting a service strategy, a company is upgrading service from a haphazard routine to an important organisational strategy".

The acknowledgement by management that customer satisfaction is an important factor to consider when management do planning and that management should be concerned with the service needs of customers, is a positive indication of management's understanding of the marketing concept from the viewpoint of customer orientation.

The response of management towards the important role played by profit in the travel agency industry was interesting. The results of question 8.1 indicated that 74,2% of the respondents believed that profit played a very important role in the existence of the travel agency. Such a response, on its own, might be interpreted as a strong tendency towards profit orientation by the management of the travel agency industry in the Western Cape, but question 8.8, on the other hand, indicates that only 58.1% of the respondents believed that if the price is right, the customer will buy the product. The quality of the service delivered, the effectiveness of staff, the handling of customer complaints, the creation of a friendly and warm environment in which the customer can purchase the service as well as the satisfaction of the needs and wants of the customer, is recognised as being more important by management than simply the price of the product or service. This is a possible indication of the strong customer focus of management in the travel agency industry in the Western Cape.

- **Discussion of component 4: The position of marketing management within the company.**

This component reflects primarily the attitude and feeling of management towards the position the marketing division should have within the overall travel agency structure.

Component four indicates a strong correlation between the following factors:

➤ Every part of the travel agency must be concerned with the product needs of customers;

➤ The person in charge of marketing must have senior status on the company chart;

➤ Determine customer needs through market research;

➤ Company expansion is related to marketing forecasts;

➤ Advertising must be based on research into customer buying motives;

➤ Tell employees customer orientation is a way of life and

➤ All divisions within the travel agency should co-ordinate their activities to achieve the goals of the company.

The important role played by marketing research in the travel agency industry was emphasised by 77,4% of the respondents. Marketing research is responsible for the success of other functions within the marketing division such as

➤ Advertising

➤ Marketing and sales forecasts

➤ Company expansion and

➤ Product range expansion

Since the majority of the respondents, 77,4%, indicated that the marketing, sales and general manager should be responsible for policy decision making, the importance of a marketing division within the travel agency cannot be ignored. As was mentioned earlier on in this chapter, the results would seem to indicate that only 35,5% of the travel agencies in the Western Cape do have a marketing division. Since travel agencies are expected to perform marketing functions to ensure its growth and survival in a highly competitive industry, the function of the marketing division seems to be incorporated into other divisions such as sales or is the responsibility of the management of the travel agency.

The function of management is:

➤ to control,

➤ co-ordinate and to

➤ make decisions regarding the travel agency and its staff.

The function of marketing, however, is to plan and execute the

> ➢ conception;
> ➢ pricing;
> ➢ promotion and
> ➢ distribution of ideas, goods and services

These components ensure that exchanges are created to satisfy the needs of both the consumer and the travel agency. The results would seem to suggest that the incorporation of a marketing division into the travel agency, instead of the function of marketing being performed by another division or management, is necessary to ensure the growth and survival of travel agencies in the future.

Since 93.5% of the respondents indicated that they are concerned with the service needs of customers, a carefully thought out, well-written and accepted service strategy seems to be the best foundation for effective long-term management. It lets every staff member know where they are and in which direction they should be going. It also promotes clear thinking and provides for a more thorough examination of the concept of service deliverance.

Furthermore, it can improve communication throughout the travel agency. The formulation of such a service strategy should be the responsibility of both the marketing manager and the general manager. Customer satisfaction is a critical requirement for successful marketing, and successful firms the world over have got it down to a fine art. They make sure that they know what their customers want (through research) and then they make sure that they satisfy those needs as well (Boshoff & Terblanche, 2000: 17). This statement by Boshoff & Terblanche reiterates the fact that the successful satisfaction of customer needs is dependent on the ability of the travel agency to determine, through marketing research, the needs and wants of customers. It is also the responsibility of the marketing division to advertise the right product, at the right price, to the right people at the right time. This can only be done if the marketing manager or the marketing division was involved in proper research into the market. The function of marketing is specialised and needs trained people with experience to explore and research the market to ensure that the needs and wants of customers are satisfied with the products and services they want.

Since the results suggested that 77,4% of managers in the travel agency industry in the Western Cape indicated that marketing research is of importance to determine the needs of customers, it should be noted that marketing research is not a cure for all ills, however, - and certainly does not guarantee success. Three mistakes commonly made by researchers are:

➤ wrong assumptions are made about the type of information required;

➤ the wrong research technique is used; or

➤ the data are misinterpreted (Boshoff & Terblanche, 2000:100).

These are important considerations for the management of travel agencies in the Western Cape when they, or their marketing division, implement a marketing research strategy and decide to build advertising programs and do marketing forecasts based on the information obtained.

Table 6.38 suggests a strong customer orientation focus of the management of the travel agency industry in the Western Cape and the important role marketing and marketing research play in the daily functioning of the travel agency.

Explanation of table 6.38:

FACTOR DESCRIPTION 1-4

The Rotated Component Matrix A, refer to start of Section D, identifies four components according to which the different statements for question 9 could be categorised based on similarities.

The four components are:

• **Component 1:** Company orientation towards product development and service deliverance;

• **Component 2:** Employee inputs in management stimulates innovation;

• **Component 3:** Management focus on customer needs;

• **Component 4:** Position of marketing management in company.

Table 6.38 indicates the factors that were present in at least two of the four categories by means of an X symbol.

Table 6.38

FACTOR DESCRIPTION	1	2	3	4
Tell employees customer orientation is a way of life.		X		X
Customer needs must be determined through marketing research.	X			X
Manager, sales & marketing staff must make policy decisions together.	X	X		
All division must co-ordinate their activities to achieve company goals.	X			X
Company expansion is related to marketing forecasts.	X			X
Advertising based on research into customer buying motives	X			X

It is interesting to note, however, that despite the strong customer orientation focus of the management of the travel agency industry in the Western Cape the results seems to suggest that there is still a lack of interest on the side of management to invest in staff development programs to ensure that staff is adequately equipped to handle customer queries, customer complaints, and customer enquiries in such a way that it will ensure the deliverance of a quality customer service. Only 54,8% of the respondents indicated that they find it important to send staff on development programs.

The responsibility of implementing a successful customer service program starts with management. The results would seem to suggest that management of travel agencies in the Western Cape need to make a mind shift regarding the correlation between well-trained staff and delivering quality customer service in the travel agency industry in the Western Cape.

Furthermore, the results would seem to suggest that the management of travel agencies underwrites the important role marketing and marketing research play in the daily functioning of the travel agency, but only 35,5% of the respondents indicated that they do have a marketing division within their travel agency. This seem to imply that the marketing function is carried out, in the majority of travel agencies in the Western Cape, by other divisions and/or by management. Since, as earlier indicated, the function of marketing is responsible for the growth and survival of the travel agency in the long run, the risk of incorporating the marketing function into other divisions is high. The cost of setting up a marketing division

must be weighed against the long-term advantages of having a specialised team of marketing specialists that provide the travel agency with a competitive advantage in terms of products provided and services delivered.

6.2.5   SECTION E: IDENTIFICATION OF THE MARKETING ORIENTATION TRAITS POSSESSED BY MANAGEMENT IN THE TRAVEL AGENCY INDUSTRY IN THE WESTERN CAPE.

This section will identify the marketing orientation traits which are characteristic of the management of travel agencies in the Western Cape.

Question 10: Marketing orientation traits rated in order of importance.

The Rotated Component Matrix B , applicable to question 10, was extracted by using the Principal Component Analysis extraction method and the Varimax with Kaiser Normalisation rotation method.

The Rotated Component Matrix B, provided below, identifies five components according to which the different statements could be categorised based on similarities.

These five components are:

- **Component 1**

  Building customer loyalty;

- **Component 2**

  Interaction with customers;

- **Component 3**

  The importance of service deliverance to customers;

- **Component 4**

  Relationship building with customers;

- **Component 5**

  Customer orientation policy

Each of the five components mentioned above, will be analysed and discussed individually.

Rotated Component Matrix

	Component				
	1	2	3	4	5
10.2 Customer care	-4.54E-02	.154	.893	.122	.179
10.3 Handling of customer complaints/ queries	.112	-.218	.360	.599	.423
10.4 Personal attention	.637	-7.80E-02	.223	5.714E-02	.501
10.5 Providing products = value for money	.843	6.751E-02	-.174	.212	9.082E-02
10.6 Building customer loyalty	.808	3.957E-02	.377	3.284E-02	5.266E-02
10.7 Establishing - policy of relationship marketing	-5.98E-02	.334	1.217E-02	.765	4.719E-02
10.8 Create - culture: mutual trust and drive	-1.05E-03	.102	.192	.874	-7.32E-03
10.9 Work to prevent problems before they happen	1.256E-02	-6.56E-03	.850	.305	-.113
10.10 Implement effective staff development on job	.907	.215	3.681E-02	-.120	-5.08E-02
10.11 Base improvement effort - well established principles, tools & best practices	.109	.886	.118	.198	9.750E-02
10.12 Customer interaction	-5.29E-02	.282	1.790E-02	8.995E-02	.806
10.13 Customer satisfaction	.731	.307	-.133	-.244	-9.84E-02
10.14 Knowing your customer personally	.138	.785	.122	7.073E-02	.241
10.15 Warm and friendly personality	.331	.310	.499	-.249	.319
10.16 Creating trade -the internet	.566	.682	-4.76E-02	.100	-.111

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 8 iterations.

The Rotated Component Matrix B above can be interpreted as follow:

➢ The marketing orientation traits, applicable to question 10, are grouped into five categories;

➢ Each of these categories include individual marketing orientation traits;

> ➤ The larger and more positive the number, the stronger the correlation between the marketing orientation trait and the category;

> ➤ e.g. marketing orientation trait: The implementation of effective staff development
>
>   programs on the job correlating with component:1 (.907)

> ➤ The larger and more negative the number, the lower the correlation between the marketing orientation trait and the category.

> ➤ e.g. marketing orientation trait: Customer interaction not correlating with
>
>   component:1 (-5,29E02)

Discussion of component 1: Building of customer loyalty.

This component indicates a correlation between the following marketing orientation traits:

> ➤ Providing personal attention to the customer;
> ➤ Provide products which the customer view as value for money;
> ➤ Building customer loyalty;
> ➤ Implement effective staff development on the job;
> ➤ Ensuring customer satisfaction and
> ➤ Creating trade through the internet.

The primary focus of management in this category seem to be sensitive towards the needs of customers. Experience has shown that satisfied customers are more loyal. They are more likely to keep coming back and to buy the other products or services provided by the company. The results would seem to indicate that the management of travel agencies in the Western Cape are aware of this, thus the reason for their strong concentration on satisfying the needs and wants of the customer. The results further implied a significant percentage of respondents who indicated that trade through the internet is of importance to ensure customer satisfaction. The percentage was 80, 6%. Management with less than five years management experience in the travel industry were more favourable towards the internet as a selling tool compared to managers with more than five years of experience.

The focus on staff development feature once again. The development of commitment and understanding are essential stages in equipping staff to build customer loyalty. Unless staff have the skills to make a contribution, that commitment could be wasted. Blem (1995: 69)

argues that training is an essential element of the customer loyalty process, but it should operate at two levels:

➢ at a generic level where people learn basic customer care skills – and
➢ at the specific level where people are trained in the customer care activities relevant to their own jobs.

The results seem to recommend that if management actively put their thoughts on customer service in action by supporting staff development programs on a more regular basis, the sub-hypothesis which states that there is a correlation between the marketing orientation outlook of management in the travel agency industry in the Western Cape and the customer focus of the company, stand a bigger chance of being proven correct.

- **Discussion of component 2: Customer interaction.**
  This component indicates a correlation between the following marketing orientation traits:

➢ Base improvement effort on well established principles, tools and best practices;
➢ Know your customer personally;
➢ Creating trade through the internet;
➢ Implement a policy of relationship marketing;
➢ Customer satisfaction and
➢ Warm and friendly personality.

The focus on customer orientation is once again strong. According to the results, management wish to indicate the importance of finding out what the customer wants and, more importantly, doesn't want. Thus the focus by management on the marketing trait: "Know your customer personally". Customers do not only purchase the product, their decision is also influenced by factors such as:

➢ The quality of the service rendered;
➢ The atmosphere in which the sale is made;
➢ Willingness of staff to assist with queries, inquiries, etc.

It is for this reason that the management of travel agencies should possess the following marketing orientation traits to ensure that the needs and wants of customers are met:

➤ customer satisfaction (93.5%);

➤ knowing your customer personally (94,6%);

➤ a warm and friendly personality (96,7%) and

➤ the establishment of relationship marketing (96,8).This further supports the sub-hypothesis which states that managers in the travel agency industry do possess the necessary marketing orientation traits.

Discussion of component 3: The importance of service deliverance to customers.

This component indicates a correlation between the following marketing orientation traits:

➤ Customer care;

➤ Work to prevent problems before they happen;

➤ Warm and friendly personality and

➤ The handling of customer complaints and queries.

The focus of management with regard to this component is to ensure that customers are satisfied, rather than dissatisfied. The results seem to suggest that management would expect their staff to have a warm and friendly personality when dealing with customers and to work to prevent problems before they happen. It is only possible to build a long-term relationship with a customer if his problems are solved and he is satisfied before leaving the office.

(Blem, 1995: 138) states that a dissatisfied customer should always be cause for concern because many unhappy customers do not complain – at least not to the company. Instead, they tell family and friends of their dissatisfaction. Many switch to other products or services.

Taking into consideration that 100% of the respondents agreed that complaints must be handled effectively and that staff must work to prevent problems before, the results seem to recommend that if complaints are handled in a professional manner, they can provide the travel agency with the opportunity to retain customers who might otherwise switch.

- **Discussion of component 4: Relationship building with customers.**

Component 4 indicates a correlation between the following marketing orientation traits:

➤ Establishing a policy of relationship marketing;

➤ Creation of a culture of mutual trust and drive;

➤ Work to prevent problems before they happen and

➤ The handling of customer complaints and queries.

Boshoff & Terblanche (2000: 205) defines relationship marketing as follows:
"all the activities necessary to identify, establish, maintain and enhance profitable relationships with internal and external customers and other stakeholders, so that the objectives of all parties involved are met through mutual exchanges and the making, enabling and keeping of promises".

Taking into consideration that 96,8% of the respondents agreed to the important role played by relationship marketing in the travel agency industry, there seem to be an understanding by management that it is much more expensive to win a new customer than to retain an existing customer.

The results seem to suggest further that the management of travel agencies in the Western Cape are aware of the importance of creating a culture of mutual trust and drive, not only between staff and customers, but also between management and staff. All of the respondents (100%) indicated that they agree with the importance of mutual trust when doing business.

The handling of customer complaints and queries to prevent problems before they happen featured just as significantly under component 4 as it did under component 3. This seems to be a clear indication of management's expectation of staff to "walk an extra mile" with customers. Blem (1995:138) states that " complaints provide information about perceived and actual problems, and strengthen the links between the firm and its customers. By analysing complaints, managers can deal with the causes of problems. This may mean making decision changes; improving quality or facilitating better communication by eliminating bad sales practices or misleading advertising, and so on".

Since the results seem to suggest that the management of travel agencies in the Western Cape feel strongly about building relationships with their customers, 96,8% indicated that they support the building of long-term relationships with customers, the effective handling of customer queries and complaints and the ability of staff to work hard in preventing problems before they happen, are actions that show customers that the travel agency is responsive to their needs, which increases customers satisfaction. In this way the travel agency and its customers are brought closer together.

- **Discussion of component 5: Customer orientation policy.**

Component 5 indicates a correlation between the following marketing orientation traits:
➢ Handling of customer complaints;
➢ Personal attention;
➢ Customer interaction;
➢ Knowing your customer personally and
➢ Warm and friendly personality.

The majority of the marketing traits above were also present under the previous four categories. This seems to indicate its importance to the management of travel agencies in the Western Cape. The results seems to indicate that if a travel agency wants to be focussed on the needs, wants and expectations of its customers, the attitudes and actions of the employees of the travel agency must be customer-orientated. An employee may be the only contact a particular customer has with the firm. It would seem as if management is aware of this because they ranked the importance of personal attention as 100%.

Interaction with customers were deemed important by 93,5% of the respondents, the importance of knowing your customer personally were ranked 93,6% and 96, 7% of management said they expect their staff to have a warm and friendly personality. These percentages may be proof of management's customer orientation beliefs because in the customer's eyes, the staff member is the travel agency. Any person or division that is not customer-orientated weakens the positive image of the entire travel agency.

Table 6.39 indicate the factors that were present in at least two of the five categories.
The table suggests a strong customer orientation focus of the management of the travel agency industry in the Western Cape and the important role personal contact with customers

and the effective handling of customer complaints can play in ensuring that both management and staff of travel agencies are customer-orientated in their approach to the performance of their daily tasks.

Explanation of table 6.39:

The Rotated Component Matrix B, refer to start of Section E, identifies five components according to which the different statements of question 10 could be categorised based on similarities.

These five components are:

- **Component 1:** Building customer loyalty;
- **Component 2:** Interaction with customers;
- **Component 3:** The importance of service deliverance to customers;
- **Component 4:** Relationship building with customers;
- **Component 5:** Customer orientation policy

Table 6.39 indicates the marketing orientation traits that were present in at least two of the five categories by means of an X symbol.

Table 6.39

MARKETING-ORIENTATED TRAITS	1	2	3	4	5
Handling of customer complaints and queries	X		X	X	X
Establishing a policy of relationship marketing		X		X	
Working to prevent problems before they happen			X	X	
Customer satisfaction	X	X			
Knowing your customer personally		X			X

Warm and friendly personality		X	X		X
Creating trade through the internet	X	X			

The results seems to suggest that the management of travel agencies in the Western Cape do possess a large number of marketing-orientated traits, making the second sub-hypothesis positive. The strong focus of management on customer satisfaction and long-term relationship building with customers to ensure high levels of profitability and company growth, also make the major hypothesis, namely that management in the travel agency industry in the Western Cape are aware of and understand the meaning of the term marketing concept, positive.

6.2.6 SECTION F: COMMUNITY INVOLVEMENT OF TRAVEL AGENCIES IN THE WESTERN CAPE.

In this section:

Question 11: **Identify the level of community involvement of travel agencies in the Western Cape**
Indicate in which community development program travel agencies are involved.

Question 11:

11.1 Is your travel agency involved in community development?

Table 6. 40

	Frequency	Valid Percent
Yes	24	82.76
No	5	17.24
Missing	2	
Total	29	100

Community involvement by Travel Agencies

☐ yes

▨ no
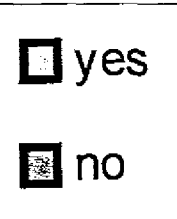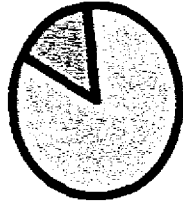
Fig. 6.14

The results would seem to suggest that 82, 76% of the travel agencies in the Western Cape are involved in some form of community development. This further supports the hypothesis which states that management of travel agencies in the Western Cape are aware of and understand the meaning of the term marketing concept. Earlier on in the chapter the strong focus of management on customer orientation and the effective co-operation of divisions to reach company goals were explained, indicating that the management of travel agencies in the Western Cape do understand the term marketing concept. The "new" marketing concept, referred to in chapter 2, however, also focus on the involvement of organisations in community development. It would be necessary to determine whether the management of travel agencies in the Western Cape are also aware of and understand this part of the marketing concept. Since the results would seem to indicate an 82,7% involvement of the travel agency industry in the Western Cape in community programs, it clearly supports the hypothesis even further.

11.2 If Yes, indicate with an X which of the following programs your travel agency has been involved with over the past two years.

This question will identify the programs in which the travel agency industry in the Western Cape are involved.

BURSARY PROGRAMS FOR TERTIARY STUDIES

Table 6. 41

	Frequency	Valid Percent
Yes	4	15.39
No	22	84.61
Missing	5	
Total	26	100

SPORT SPONSORSHIPS

Table 6. 42

	Frequency	Valid Percent
Yes	11	44
No	14	56
Missing	6	
Total	25	100

LITERACY PROGRAM SPONSORSHIPS

Table 6. 43

	Frequency	Valid Percent
Yes	3	12
No	22	88
Missing	6	
Total	25	100

STAFF DEVELOPMENT PROGRAMS

Table 6. 43

	Frequency	Valid Percent
Yes	17	68
No	8	32
Missing	6	
Total	25	100

Community involvement: Staff development programs

Fig. 6.15

☐ yes
☐ no
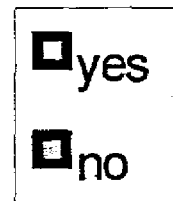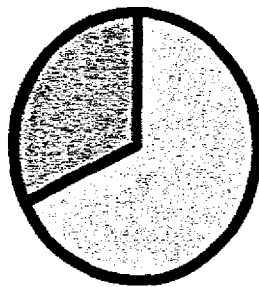
DONATIONS TO WELFARE ORGANISATIONS

Table 6. 44

	Frequency	Valid Percent
Yes	20	80
No	5	20
Missing	6	
Total	25	100

OTHER/DIFFERENT PROGRAMS

Table 6. 45

	Frequency	Valid Percent
Yes	1	4
No	24	96
Missing	6	
Total	25	100

➢ Other involvement in the community refers to the continuous in-house training of young people who are not trained or qualified for a particular career. They are provided with temporary employment in an effort to expose them to a business environment.

The employment opportunities mentioned are:

◆ Operating as a messenger;

◆ Administration clerk, etc.

Comments:

The results seem to indicate a diversity in community involvement by the management of travel agencies in the Western Cape. Based on the results, the following conclusions can be made:

➢ 12,9% of the respondents indicated that they provide bursaries to students for further study in the travel industry. A stronger involvement by the management of travel agencies in assisting future staff in training and education could contribute to an improvement in the level of service deliverance by travel agencies in the Western Cape.

➢ Travel agencies could combine a bursary program with an in service working responsibility by the student for a specific time period, e.g. a year. The student would sign a contract with the relevant travel agency indicating that he/she would be employed by the bursary provider for the time period of the bursary.

➢ There were 35,5% of the respondents who indicated that they provide sport sponsorships as part of their community involvement program. The necessity of a marketing division within the travel agency is once again underlined by the fact that sport sponsorships could be allocated with both the community and the travel agency in mind. The community benefits because they are financially supported, but the travel agency can also use the sponsorship to promote their name, products and services within that specific community through the following methods:

■ Printing of travel agency name and logo on the sponsored sports team clothes;

■ Printing of travel agency name and logo on the sponsored sports gear of the sports team;

■ Billboards on sport grounds of schools/colleges/ technikons sponsored by the travel agency. The name, logo, address, telephone number and product range of the travel agency is printed on sponsored bill board, etc.

These are a few ideas that could improve the market share of a travel agency and ensure its survival in the long-term. The survival of travel agencies in the future seems to depend on the quality, experience, education level and focus of its marketing staff and therefore, its marketing division.

➢ The involvement of management in literacy program sponsorships was 9.7%. Taking into consideration that the marketing opportunities obtained from supporting literacy programs are minimal, it is understandable that the percentage is low. A financial contribution to organisations who are directly involved in literacy programs in the Western Cape could, however, have a positive influence on the social responsibility image of travel agencies in the Western Cape.

➢ It is disappointing to see that, according to the results, only 54,8% of the management of travel agencies in the Western Cape seem to support staff development programs. Blem (1995: 68-70) states that a carefully thought out, well-written and accepted service strategy is the best foundation for effective long-term management action. It lets every staff member know where they are and in which direction they should be going. It promotes clear thinking and provides for more thorough examination of the concept of

service excellence. Furthermore it can improve communication throughout the organisation.

This statement by Blem clearly illustrates that successful service deliverance might only be achieved if the management of travel agencies in the Western Cape formulate a service strategy, in conjunction with the marketing and sales staff of the travel agency, that will ensure that staff members are sent on relevant staff training programs that deal with aspects such as:

- Customer care;
- After sales service;
- Handling of customer queries;
- Handling of customer complaints and
- Customer inquiries.

All staff members of the travel agency should be provided with the opportunity to attend such programs since all in the travel agency, from the manager through to the receptionist, are responsible for delivering a quality service to both customers and potential customers.

➤ The number of respondents who indicated that they are involved in donations to welfare organisations are 64,5%. This figure seems to strengthen the community involvement of management in the travel agency industry and further supports the major hypothesis.

➤ One respondent indicated an alternative involvement in the community namely the continuous in-house training of young people who are not trained or qualified for a particular career. They are provided with temporary employment in an effort to expose them to a business environment. The employment opportunities mentioned are:

- Operating as a messenger;
- Administration clerk, etc.

6.3 SUMMARY

This chapter provided the results of the empirical investigation conducted in the travel agency industry. It deals with the analysis and interpretation of the questionnaires.

The tendencies that were identified during the study are as follow:

- A strong management orientation towards the development of new products and service deliverance;
- Employee inputs in management stimulates innovation within the travel agency industry;
- A strong management focus on customer needs and
- The importance of providing the marketing management division with a senior status position within the organisation.

The results seem to imply that the management of travel agencies in the Western Cape are aware of and do understand the meaning of the term marketing concept, but that their focus on customer orientation and the co-operation between divisions within the travel agency are stronger than their focus on profit orientation. It would seem that management's focus on profit orientation is primarily to ensure the survival and growth of the travel agency within the highly competitive travel agency industry. This is indicated by the low profit margin available to travel agencies in the Western Cape. The results would appear to indicate further that management would not consider a stronger focus on profit orientation if that would imply delivering a service of poorer quality. The need for marketing research was emphasised by management and to provide the customer with products that would satisfy their needs and wants was rated as being very important.

The marketing orientation traits that seem to feature strongly within the management group of travel agencies in the Western Cape are as follows:

- The handling of customer complaints and queries;
- The establishment of a policy of relationship marketing;
- Working to prevent problems before they happen;
- Customer satisfaction;
- Knowing your customer personally;
- A warm and friendly personality and
- Creating trade through the internet.

Possible problem areas that were identified were:

✓ The lack of a marketing division within the travel agency;

✓ Management's lack of understanding of the difference between marketing and sales and

✓ Management's lack of support for staff development programs.

Although the majority of respondents seem to belong to a travel agency franchise group responsible for the marketing function of the whole franchise, the necessity for individual travel agencies in the franchise group to have a stronger say in the marketing function, cannot be denied. Franchise groups would need to consider decentralising the marketing function to ensure that the needs and wants of customers are met through the use of market techniques adapted to a particular area or region.

The training and development of staff in the fields of customer care; relationship marketing and the internet must be promoted more vigorously. The results would seem to indicate that such training programs could assist staff to improve on their level of service deliverance and enhance their customer orientation focus.

To improve the quality of service deliverance is a process which will not be resolved immediately. However, the management of travel agencies in the Western Cape need to embark on these service quality journeys and in doing this, enhance the overall perception and image of the travel industry as a service provider to the people of the Western Cape.

CHAPTER 7

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Live your life to the fullest, every day.
You only have one.
(Anonymous)

7.1   INTRODUCTION

This chapter will provide a brief summary of all the chapters. The following aspects will also be included in this chapter:

- Limitations to the research study;
- Conclusions on the basis of the hypothesis that have been mentioned in Chapter 1;
- Recommendations and
- Customer service and future trends

7.2   SUMMARY OF CHAPTERS

The primary objective of the study has been to ascertain whether managers in the travel agency industry in the Western Cape are aware of and understand the meaning of the term marketing concept.

The secondary objectives are directly related to the primary objective. The secondary objectives are:

➤ To establish whether there is a correlation between the marketing orientation outlook of management in the travel agency industry and the performance of the company.

➤ To isolate marketing orientation traits of managers in the travel agency industry in the Western Cape.

There is a brief summary which follows each chapter in this study. For the purposes of clarification further summaries of each chapter will follow:

Chapter 1

This chapter provides the entire background to the study. An analysis of the "marketing concept", with specific reference to customer service, is given.

The focus is placed on the top management in the travel agency industry and the thesis is concerned with the degree to which top management is marketing-orientated and the influence their marketing-orientated outlook will have on the performance of the travel agency.

With marketing being defined as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals, it must be emphasised that marketing can be seen as, amongst others, the anticipation and satisfaction of customer needs (Boshoff & Terblanche, 2000: 4). The research study would also include a study of the travel agency's level of customer service, which will have a direct reflection on top management's marketing outlook as well as the travel agency's level of performance.

Definition of terms which was used extensively throughout the project is mentioned in this chapter. The methodology and programme of study are also established.

Chapter 2

This chapter deals primarily with the definition and historical development of the marketing concept. It was mentioned that the old marketing concept, the management philosophy first articulated in the 1950s, was a relic of an earlier period in economic history.

Most of the assumptions are no longer appropriate in the competitive global markets of today. As the marketplace evolves under the converging pressures of changing demographics, politics, economics, technology, and social norms and values, so are organisations changing. As organisations change, so must the role of marketing within them (Webster, 1994:1).

The chapter clearly indicates that the core of the marketing concept is characterised by the dependence of any organisation on the goodwill and satisfaction of its customers. It was clearly illustrated by the factual composition of this chapter, that customers should become the focus point for all planning, strategy setting, research, product development, and marketing activities done within the firm.

Chapter 3

This chapter illustrates the importance for organisations to understand and realise what the needs and wants of their customers are to enable such organisations to successfully satisfy the needs and wants of their customers.

Mention is made of the fact that if a customer is satisfied with a product or service obtained, such satisfaction can create a sustainable advantage for the firm. Any firm can obtain a competitive advantage in the marketplace, if it provides the customer with a product or service of superior value compared to that of the competition. The chapter further clearly illustrates, through the use of examples and text referencing, that it is the responsibility of the organisation to ensure that its customers are furnished with specific benefits that more than offset a higher price.

The views and opinions of prominent researchers in the field of customer services are presented. They state that companies can only achieve success in a highly competitive environment if they reflect a positive understanding of the service needs of their customers. When the firm wants to evaluate the level of its service quality, it will have to concentrate on certain focal areas. These are the areas where the customer has contact with the employees. It is important for the management of corporations to realise that irrespective of what they attempt to instil into their employees, if there is no commitment by employees themselves, to improve the level of service quality, the service quality process will be a futile exercise.

Chapter 4

The two pillars of relationship marketing are the process of mutual exchange and the fulfilment of promises. This chapter deals extensively with the concept of

relationship marketing. Relationship marketing is defined as an integrated effort to identify, build up, and maintain a network of individual consumers, and to strengthen the network continuously for the mutual benefit of both sides through interactive, individualised, and value-added contacts over a long period of time (Yau & Lee, 2000:2). Researcher's in the field of relationship marketing highlights the implication of this definition by stating that relationship marketing should incorporate all the stakeholders of the company, inclusive of business contacts and influential sources.

Since this chapter is still part of the academic discussion, the opinions of prominent researchers are illustrated. Reynolds (2000:1), for example, argues that there are many organisations today that are increasingly seeking to enhance service quality and build loyalty by implementing salesperson-customer relationship programmes. These efforts are becoming more feasible, particularly as the advantages of relationships become better known and advances in marketplace technology better allow firms to implement such strategies. The chapter primarily emphasised that companies who follow a relationship marketing approach will be able to build relationships with their customers and those parties that are directly involved with the company, to ensure a profitable existence as well as meeting the objectives of all parties involved in the exchange process.

Chapter 5

The questionnaires were coded and variables numbered. A comprehensive description of the empirical investigation conducted in the travel agency industry as well as an overview of the design of the research project is given.

Chapter 6

This chapter provides the results of the empirical investigation conducted in the travel agency industry. It deals with the analysis and interpretation of the questionnaires. Various tendencies were identified through the use of the Extraction method: Principle Component Analysis and the Rotation method: Varimax with Kaiser Normalizsation. These methods are part of the statistical package made available by the Educational Development Centre of Peninsula Technikon. The statistical package

assisted in the identification of management's understanding of the marketing concept;

➤ marketing orientation outlook and the customer focus of the company and

➤ marketing orientation traits.

The tendencies that were identified during the study are as follows:

➤ A strong management orientation towards the development of new products and service deliverance;

➤ Employee inputs in management stimulates innovation within the travel agency industry;

➤ A strong management focus on customer needs and

➤ The importance of providing the marketing management division with a senior status position within the organisation.

7.3 LIMITATIONS

There are a few limitations that presented itself during the period the study was conducted, namely:

➤ There are 120 travel agencies in the Western Cape who are members of the Association of South African Travel Agents. From this universe, a sample of 65 travel agencies were selected. Questionnaires were sent to these respondents, but only 34 replied. These respondents were asked to reply before the 10th of August 2001. The majority of them did not reply by the target date and two weeks additional time were allocated.

The selected travel agencies were provided with sufficient time to complete the questionnaires and send them back to the researcher. There were 34 participants who completed and returned the questionnaires by the target date, but three of the participants replied with incomplete questionnaires. These questionnaires were discarded from the data analysis process, reducing the sample to 31.

➤ A structured questionnaire was sent to the managers of travel agencies in the Western Cape to complete. These respondents were allowed to complete the questionnaire in their own time. There could therefore be certain responses that were made without the respondent fully understanding the nature of the question or statement because they did not regard the completion of the questionnaire as priority at the time and could have completed the questionnaire in a hurry.

➤ The opinion of the management of travel agencies was asked and their responses could contain an element of bias, as they do not want to present the travel agency in a negative light.

7.4 CONCLUSIONS

The research hypothesis and the two sub-hypothesis that have been identified in Chapter 1 are as follows:

• **Major hypothesis :**

Management in the travel agency industry in the Western Cape are aware of and understand the meaning of the term marketing concept.

▪ **Sub – hypothesis:**

✓ There is a correlation between the marketing orientation outlook of management in the travel agency industry in the Western Cape and the customer focus of the company.

✓ Management in the travel agency industry in the Western Cape do possess the necessary marketing orientation traits.

The empirical investigation validated the hypothesis that have been identified. As the hypothesis were validated, the following conclusions have been drawn.

The management of travel agencies in the Western Cape:

- ➢ feel strongly about their involvement in decision making and policy formulation;
- ➢ are focused on keeping divisional goals in line with company goals;
- ➢ are serious about keeping customers happy;
- ➢ indicated that it is their primary responsibility to ensure that their staff are customer-orientated;
- ➢ are focused on the needs and wants of the customer;
- ➢ feel strongly about researching the consumer market to determine what it is that the customer wants and expects from the travel agency;
- ➢ identified the marketing function as an important and necessary function to be used as an instrument in determining the needs of consumers;
- ➢ believe that the marketing division is responsible for advertising based on researched customer buying motives;
- ➢ showed a lack of interest in staff development programmes;
- ➢ did not seem to understand the difference between marketing and selling.

The results of the empirical study would seem to identify management's awareness and understanding of the marketing concept with the following views of management:

- ➢ The profitability of the travel agency could depend on the ability of different divisions to function together in a productive way;

- ➢ Product development will be influenced by the successful application of the research function within the travel agency;

- ➢ The company structure should allow for the marketing division to have inputs into management policy aspects such as advertising, company expansion and the setting of divisional and company goals.

- ➢ The marketing division would be the most suitable department within the travel agency industry to work in close collaboration with management when product development, market analysis, sales forecasts and company expansion is considered.

The results, however, seem to indicate that although management seem to understand the importance of doing marketing research, developing advertisements that are based on the needs and wants of customers, co-operation between divisions such as marketing and sales and development of products with high profitability levels, they fail to realise the importance of creating and implementing a marketing division to manage and co-ordinate all of these activities.

According to the results of the empirical investigation the following marketing orientation traits would seem to be present amongst the management of travel agencies in the Western Cape:

- The handling of customer complaints;
- The establishment of a policy of relationship marketing;
- Working to prevent problems before they happen;
- Customer satisfaction
- Knowing your customer personally
- A warm and friendly personality and
- Creating trade through the internet.

The results would therefore seem to suggest that the management of travel agencies in the Western Cape do possess a large number of marketing-orientation traits; making the second sub-hypothesis positive. The strong focus of management on customer satisfaction and long-term relationship building with customers to ensure high levels of profitability and company growth, also make the major hypothesis, namely that management in the travel agency industry in the Western Cape are aware of and understand the meaning of the term marketing concept, positive.

7.5 RECOMMENDATIONS

The following are the recommendations that could be considered to improve the quality of service within the travel agency industry:

➤ A complete "paradigm shift" in managerial thinking in terms of service quality deliverance through the continual education and training of staff in fields such as customer care, customer satisfaction and customer service;

➤ The total commitment of owners, managers and staff alike to the implementation of service quality programmes. There need to be "visible signs" of top management commitment to these programmes to ensure that customer- contact personnel remain loyal to these programmes.

➤ Ensuring that staff are well trained and re-trained, properly screened and ensuring that they possess the necessary interpersonal skills to perform their functions well. Should shortcomings be observed in any of these facets, the corrective measures in terms of supplementary training need to be conducted.

➤ The tangible aspects associated with delivering quality service need to be visually appealing and the physical facilities need to be regularly maintained to ensure that they meet and exceed customer expectations;

➤ The service offering needs to be more consistent and reliable, ensuring that an overall perception is created within the minds of consumers. Attention needs to be given to the finer detail in delivering quality service as these are the aspects that result in good service quality;

➤ Travel agency staff need to spend more time building "relationships" with their customers. This will assist in receiving regular feedback from customers in terms of the service quality. It helps to develop customer loyalty as customers enjoy personalised attention.

➤ Travel agencies need to cater for the specific and unique needs of customers and not be indifferent to special requests. It is for this reason that the marketing function, in the case of franchise holders specifically, should be decentralised since the marketing needs of franchisees would seem to differ according to region. The needs of customers are also influenced by factors such as

- the region in which they function (e.g. urban versus rural);

- income levels and

- career category pursued(e.g. professional).

The results would seem to suggest that the staff of travel agencies would need to be more creative in their service offerings as this is one of the few means available to them by which they can differentiate themselves from other similar competing travel agencies. By "going the extra mile" might not deliver immediate financial returns, but they will certainly enjoy the benefits of such action in the long term. More communication needs to take place between all the personnel involved in delivering quality service to ensure proper coordination and completion of the service offering. This, together with regular feedback from customers, will assist service providers in building relationships and keeping focus of the customer's ever increasing expectations and changing needs. The "flow of information" is important and it should not only be from management down to customers, but also vice versa.

➢ Quality standards need to be set to ensure that service quality programmes are constantly monitored. The format of the quality standards is to be set by all personnel involved with delivering quality service;

➢ The management of travel agencies in the Western Cape need to have a better understanding of the difference between the sales and marketing functions within the travel agency. The results of the empirical study indicated that 77, 4% of the respondents agreed that all employees in the travel agency industry in the Western Cape should know that customer orientation is a way of life.

This indicates the strong marketing orientation focus of management within the travel agency industry. The sales function should be redefined and repositioned to assist management in its attempt to become more customer-orientated without it having a deterring effect on company growth, profitability and market share.

7.6 <u>CUSTOMER SERVICE AND FUTURE TRENDS</u>

The South African travel industry operates in a dynamic and turbulent society, where new values, opportunities and corporate expectations will be created. Travel agencies should constantly be aware of the quality level of customer service they deliver and the perceptions of their clients, in order to adapt to changing circumstances.

Terblanche-Smit (1997: 125) states that corporate success in the future will be determined largely by customer satisfaction, as more companies are placing priority on quality as perceived by the customer. New emphasis will be put on the continuous improvement of product quality and the level of service deliverance and greater emphasis on using the potential of employees.

Management is responsible for a company's philosophy, strategy, mission and long-term goals. By satisfying the needs of internal customers, a company enhances its ability to satisfy the needs of external customers. It is important to offer a vision that employees believe in. The vision must form part of the company culture. Employees, as internal stakeholders must be trained in order to perform excellently, they must feel part of the company and should be given the opportunity to verbalise their thoughts at all times.

An array of changes will affect the activities of companies in the future. Management can contribute to change using the one common factor underlying all change, namely communication. To gain corporate advantage in a changing environment a company's corporate image should be optimally positioned, accurately valued and persuasively marketed.

The management of travel agencies in the Western Cape would seem to realise that the customer is the key to their business success. There is, however, a lack of understanding about how to create customer loyalty or what really lies at the heart of a customer care programme.

It is, however, important for the management of travel agencies in the Western Cape to have a better understanding of the following aspects:

> why the customer is so important to the travel agency industry in the Western Cape;

> how to motivate staff members to go all out for the customer;

> how to get proven results from a customer loyalty programme and

> what training and skills staff in the travel industry need to give customer satisfaction.

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ADDENDUM A

QUESTIONNAIRE ON CUSTOMER SERVICE
WITHIN THE TRAVEL AGENCY INDUSTRY

ADDENDUM A

QUESTIONNAIRE ON CUSTOMER SERVICE WITHIN THE TRAVEL AGENCY INDUSTRY

The objectives of the questionnaire are to:

- determine whether management in the travel agency industry in the Western Cape are aware of and understand the meaning of the term marketing concept,
- determine the level of customer service delivered by travel agency's and
- to isolate marketing orientation traits of managers in the industry.

All information provided on the questionnaire will be treated with confidentiality. After completion of the questionnaire, please send it back (envelope with stamp included) to the following address:

Mr. M. Roberts
La Via 10
Constantia street
Twin Palms
STRAND
7140

Alternatively, fax it to me to the following number: (021) 853 1640.

SECTION A

1. Name of travel agency:

   ....

Please indicate the correct option by making an X in the appropriate block.

2. How long have you been manager of this travel agency?

   (a) Less than two years
   (b) Between 2 – 5 years
   (c) More than 5 years

3. Have you attended any seminars over the last two years?

   (a) Yes
   (b) No

   If yes, indicate the subject of the seminar.

   ....

   ....

4. Home language.

    (a)   Afrikaans

    (b)   English

    (c)   Other

If other, please specify.

....

SECTION B

**Please indicate the correct option by making an X in the appropriate block.
(More than one option may be chosen)**

5. Do you consider your travel agency to focus on the:

    (a)   Leisure market

    (b)   Corporate market

    (c)   Tour market

    (d)   All of the above

6. Does your travel agency consist of a:

    (a)   Leisure division

    (b)   Corporate division

    (c)   Tours division

    (d)   Marketing division

    (e)   Other

If other, please specify.

....

7. Which of the following marketing principles are important to your travel agency?

    (a)   Service deliverance

    (b)   Customer care

    (c)   Handling of customer complaints

    (d)   Personal attention

    (e)   Relationship marketing

    (f)   Other

If other, please specify.

SECTION C

Question 8

Please indicate your choice by making an X in the appropriate block.

STATEMENT	TRUE	FALSE
8.1 Profit is important when you make decisions about any aspect of the travel agency's activities.		
8.2 When the goals for each division are set, they are in line with overall company profit goals.		
8.3 The manager of the travel agency partake in every important business decision.		
8.4 The travel agency's organisational structure allows for the very best co-ordination between all the divisions.		
8.5 Divisions within the travel agency must co-ordinate their activities towards achieving company goals.		
8.6 Every division of the travel agency must be concerned with the product needs of the travel agency's customers.		
8.7 Every division of the travel agency must be concerned with the service needs of the travel agency's customers.		
8.8 If the price is right, the customer will buy the product.		
8.9 In the managers' planning, he/she must rely on feedback about customers' needs.		
8.10 In the managers' policy making, he/she must rely on feedback on how to satisfy the needs of customers.		
8.11 The manager of the travel agency is responsible for ensuring that customer orientation is accepted as a way of life by all staff in all divisions within the travel agency.		
8.12 The travel agency must be organised in such a way that different divisions co-operate to satisfy the needs of customers.		
8.13 If the sales force is good enough, the customer will accept the products the travel agency decides to offer to them.		
8.14 It is not necessary for an experienced manager in the travel agency industry to do market research to know what the needs of customers are.		
8.15 The sales force of the travel agency must participate in marketing decision making.		
8.16 There is a difference between the duties performed by the sales and marketing staff in your travel agency.		
8.17 When experienced managers are drawing an advertisement, they research customers' buying motives.		
8.18 Some top company directors believe that the most successful new products come from what the customer wants.		
8.19 The function performed by sales staff of the travel agency is more important than that of marketing staff.		

8.20 If the manager of the travel agency constantly encourage the agency to update its product range, it would improve the company's profit margin.		

SECTION D

Question 9

Rate the following statements in order of importance by making an X in the appropriate block.

STATEMENT	VERY IMPORTANT	IMPORTANT	NOT IMPORTANT	UNSURE
9.1 It is necessary to tell employees, in all divisions, that customer orientation is a way of life.				
9.2 Every part of the travel agency must be concerned with the product needs of customers.				
9.3 Every part of the travel agency must be concerned with the service needs of customers.				
9.4 Profit is important when you make decisions about new products for the travel agency.				
9.5 Profit is important when you make decisions about new prices for products sold by the travel agency.				
9.6 The different divisions must set goals which tie up with the overall profit goals of the travel agency.				
9.7 The needs of the company's customers should be established by market research.				
9.8 Not only the manager of the travel agency, but all staff responsible for marketing and sales must participate in making policy decisions.				
9.9 The person in charge of marketing must have senior status on the company organisation chart.				
9.10 It is necessary for all divisions to co-ordinate their activities to achieve company goals.				

9.11 Innovation should be encouraged in the travel agency, that is introducing new products even if it means scrapping existing ones.				
9.12 When a company is planning expansion of a capital nature, this should be closely related to , marketing forecasts.				
9.13 The organisation chart should allow for full co-ordination between divisions.				
9.14 The organisation chart should allow for full co-operation between divisions.				
9.15 Advertising messages should be based on research into customer buying motives.				
9.16 Customer satisfaction is an important factor to consider when management do their planning.				

SECTION E

Question 10

Rate the following marketing orientated traits of managers in order of importance by making an X in the appropriate block.

MARKETING ORIENTATED TRAIT	VERY IMPORTANT	IMPORTANT	NOT IMPORTANT	UNSURE
10.1 Service deliverence				
10.2 Customer care				
10.3 Handling of customer complaints/ queries				
10.4 Personal attention				
10.5 Providing products which are value for money				
10.6 Building customer loyalty				
10.7 Establishing a policy of relationship marketing				
10.8 Create a culture of mutual trust and drive				
10.9 Work to prevent problems before they happen				
10.10 Implement effective staff development on the job				

10.11 Base improvement effort on well-tested principles, tools & best practices				
10.12 Customer interaction				
10.13 Customer satisfaction				
10.14 Knowing your customer personally				
10.15 Warm and friendly personality				
10.16 Creating trade through the internet.				

SECTION F

Question 11

Indicate your choice by making an X in the appropriate block.

11.1 Is your travel agency involved in community development?

    (a) Yes

    (b) No

11.2 If yes, indicate with an X which of the following programs your travel agency has been involved with over the past two years:

1. Bursary programs for tertiary studies (e.g. in travel/ tourism)	
2. Sport sponsorships	
3. Literacy program sponsorships	
4. Staff development programs (e.g. development through training)	
5. Donations to welfare organisations (e.g. Red Cross)	
6. Other	

If other, please specify.

....
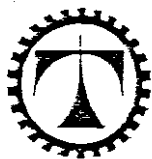
Thank you for your time and effort in completing this questionnaire. It is much appreciated.

ADDENDUM B

COVER LETTER TO EXPLAIN THE OBJECTIVES AND ADVANTAGES OF THE RESEARCH STUDY TO THE MANAGERS OF TRAVEL AGENCIES IN THE WESTERN CAPE

PENINSULA TECHNIKON

MARKETING DEPARTMENT

TEL. NO.:   021 853 – 8386/887 – 3027/8 (X225)

FAX NO.:   021 853 – 1640

The Manager
ASATA MEMBER
Western Cape Province
South Africa

Re: Research Study – Masters Thesis

I am currently undertaking a research study for my masters thesis in marketing management on customer service within the travel agency industry in the Western Cape.

Your assistance as the manager of the travel agency will be appreciated to ensure that accurate and relevant information is obtained that could assist me in making the correct conclusions and recommendations. The research study might benefit your travel agency because of the following:

  results of the current level of customer service delivery within the travel agency industry will be published.

  the input of managers on aspects such as consumer orientation, profit orientation and integration of divisions within the travel agency will be published.

  recommendations on how to improve on the current level of customer service delivery will be provided.

Copies of the summarized results will be sent to you as well as ASATA, Western Cape branch, for personal use.

I would like to make use of this opportunity to thank you for the time and effort in completing the accompanying questionnaire.

The due date for return of the questionnaire is Friday, 10 August 2001.

Yours sincerely

Mornay Roberts
La Via 10
Constantia Street
Twin Palms
STRAND 7140

ADDENDUM C

TRAVEL AGENCY QUESTIONNAIRE CODING SHEET: SEPTEMBER 2001

ADDENDUM C

TRAVEL AGENCY QUESTIONNAIRE
September 2001
CODING SHEET

Var. no	Variable name	Coding
1	Questionnaire number	
2	1. Name of travel agency	1. Sure Boland Travel (Paarl) 2. SAA City Centers Traveller's Joy (Cape Town) 3. Momentum Travel Worldchoice (Cape Town) 4. Harvey World Travel (Hermanus) 5. Sure Maties In-House (Corporate) (Stellenbosch) 6. Sure Link Travel (Cape Town) 7. Phileas Fogg Travel Worldchoice (Claremont) 8. Sure Triumph Travel (Cape Town) 9. Harvey World Travel (Paarl) 10. Rosenbluth International (Cape Town) 11. Sure Flywell Travel (Wynberg) 12. Sure Boland Tours(Worcester) 13. Confinitive Travel (Cape Town) 14. Sure Indojet Travel (Cape Town) 15. Sure Millway Travel (Cape Town) 16. Maties Travel (Stellenbosch) 17. Sure Travel Ways (Cape Town) 18. Hylton Ross Travel (Cape Town) 19. Sure Stellenbosch Travel 20. Sure Millenium Travel (Goodwood) 21. High Constantia Travel (Cape Town) 22. Rennies Travel (Stellenbosch) 23. Rufaro Travel Services (Cape Town) 24. Titch Travel Worldchoice (Cape Town) 25. Pentravel Tygervalley 26. ERM Travels (Cape Town) 27. SAA City Center Terra Travel (Cape Town) 28. Udomo Worldchoice Travel (Cape Town) 29. Sure Rondebosch Travel (Cape Town) 30. Sure Triumph Travel (Cape Town) 31. Trend Travel (Cape Town) 32. Sure Fish Hoek Travel (Cape Town) 33. Rennies Travel (Cape Town) 34. Sure Tripos Travel (Cape Town)
3	2. How long	1 (a) 2 (b) 3 (c)
4	3. Have you attended seminars?	1= Yes 2= No
5	4. Home language	1= Afrikaans 2 = English 3 = Other
6	5. Focus of Travel agency: a. Leisure market	1= Yes 2 = No
7	5. b. corporate market	1= Yes

		2 = No
8	5.c. Tour market	1 = Yes 2 = No
9	5.d. All of the above	1 = Yes 2 = No
10	6. Travel agency consist of a. Leisure division	1 = Yes 2 = No
11	6.b. Corporate division	1 = Yes 2 = No
12	6.c. Tours division	1 = Yes 2 = No
13	6.d. Marketing division	1 = Yes 2 = No
14	6.e. Other	1 = Yes 2 = No
15	7. Important marketing principles for Travel agency: a. Service deliverance	1 = Yes 2 = No
16	b. Customer care	1 = Yes 2 = No
17.	c. Handling of customer complaints	1 = Yes 2 = No
18.	d. Personal attention	1 = Yes 2 = No
19.	e. Relationship marketing	1 = Yes 2 = No
20.	8.1 Profit is important in decision making	1 = True 2 = False
21.	8.2 Division goals are in line with company goals	1 = True 2 = False
22.	8.3 Manager partake in every business decision	1 = True 2 = False
23.	8.4 Organisational structure allows for co-ordination between divisions	1 = True 2 = False
24.	8.5 Divisions must co-ordinate activities towards company goals	1 = True 2 = False
25.	8.6 Every division – concerned with customer's product needs	1 = True 2 = False
26	8.7 Every division – concerned with service needs	1 = True 2 = False
27	8.8 Price right – customer buy	1 = True 2 = False
28	8.9 Managers' planning – he must rely feedback customer's needs	1 = True 2 = False
29	8.10 Managers' policy making - must rely on feedback – how satisfy customer need	1 = True 2 = False
30	8.11 Manager – responsible – Acceptance of customer orientation by staff	1 = True 2 = False
31	8.12 T.A. organised – different divisions co-operate satisfy Customer needs	1 = True 2 = False
32	8.13 Sales force good – customer accepts products	1 = True 2 = False

33	8.14 Experienced T.A. manager- no need for MR on customer needs.	1= True 2= False
34	8.15 Sales force of T.A. – partake - marketing decision making	1= True 2= False
35	8.16 No difference – duties performed by marketing and sales staff	1= True 2= False
36	8.17 Designing an ad – customer's buying motives are researched.	1= True 2= False
37	8.18 Most successful new products – come from what the customer wants	1= True 2= False
38	8.19 Function – sales staff more important than mark. Staff	1= True 2= False
39	8.20 Update of product range will improve T.A. profit margin	1= True 2= False
40	9.1 Tell employees – customer orientation – way of life	1= Very Important 2= Important 3= Not important 4= Unsure
41	9.2 Every part of T.A. – concerned with product needs of customers	1= Very Important 2= Important 3= Not important 4= Unsure
42	9.3 Concerned with service needs of customers	1= Very Important 2= Important 3= Not important 4= Unsure
43	9.4 Profit important – make decisions about new products	1= Very Important 2= Important 3= Not important 4= Unsure
44	9.5 Make decisions about new prices for products sold	1= Very Important 2= Important 3= Not important 4= Unsure
45	9.6 Divisional goals tie up with company goals	1= Very Important 2= Important 3= Not important 4= Unsure
46	9.7 Customer needs – find out through market research	1= Very Important 2= Important 3= Not important 4= Unsure
47	9.8 Manager, sales and marketing staff – make policy decisions	1= Very Important 2= Important 3= Not important 4= Unsure
48	9.9 Person in charge of marketing – have senior status on company chart	1= Very Important 2= Important 3= Not important 4= Unsure
49	9.10 All divisions – co-ordinate activities to achieve company goals	1= Very Important 2= Important 3= Not important 4= Unsure

50	9.11 Innovation – encouraged in T.A.	1= Very Important 2= Important 3= Not important 4= Unsure
51	9.12 Company expansion – related to marketing forecasts	1= Very Important 2= Important 3= Not important 4= Unsure
52	9.13 Organisation chart – allow co-ordination between divisions	1= Very Important 2= Important 3= Not important 4= Unsure
53	9.14 Allow full co-operation between divisions	1= Very Important 2= Important 3= Not important 4= Unsure
54	9.15 Advertising – based on research into customer buying motives	1= Very Important 2= Important 3= Not important 4= Unsure
55	9.16 Customer satisfaction – important when management do planning	1= Very Important 2= Important 3= Not important 4= Unsure
56	Marketing orientated traits: 10.1 Service deliverance	1= Very important 2= Important 3= Not important 4= Unsure
57	10.2 Customer care	1= Very important 2= Important 3= Not important 4= Unsure
58	10.3 Handling of customer complaints/ queries	1= Very important 2= Important 3= Not important 4= Unsure
59	10.4 Personal attention	1= Very important 2= Important 3= Not important 4= Unsure
60	10.5 Providing products = value for money	1= Very important 2= Important 3= Not important 4= Unsure
61	10.6 Building customer loyalty	1= Very important 2= Important 3= Not important 4= Unsure
62	10.7 Establishing – policy of relationship marketing	1= Very important 2= Important 3= Not important 4= Unsure
63	10.8 Create – culture: mutual trust and drive	1= Very important 2= Important 3= Not important 4= Unsure

64	10.9 Work to prevent problems before they happen	1= Very important 2= Important 3= Not important 4= Unsure
65	10.10 Implement effective staff development on job	1= Very important 2= Important 3= Not important 4= Unsure
66	10.11 Base improvement effort – well established principles, tools & best practices	1= Very important 2= Important 3= Not important 4= Unsure
67	10.12 Customer interaction	1= Very important 2= Important 3= Not important 4= Unsure
68	10.13 Customer satisfaction	1= Very important 2= Important 3= Not important 4= Unsure
69	10.14 Knowing your customer personally	1= Very important 2= Important 3= Not important 4= Unsure
70	10.15 Warm and friendly personality	1= Very important 2= Important 3= Not important 4= Unsure
71	10.16 Creating trade –the internet	1= Very important 2= Important 3= Not important 4= Unsure
72	Involvement in community development.	1= Yes 2= No
73	Bursary programs for tertiary studies	1= Yes 2= No
74	Sport sponsorships	1= Yes 2= No
75	Literacy program sponsorships	1= Yes 2= No
76	Staff development programs	1= Yes 2= No
77	Donations to welfare organisations	1= Yes 2= No
78	Other	1= Yes 2= No