

# **The Impact of Communication on Customer Relationship Marketing among Cellular Service Providers**

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## **Abstract**

This article examines how communication is currently being employed in the cellular industry to improve service to customers in an attempt to establish a long-term relationship with them. It does so by analyzing the communication process and the communication mix that cellular service providers utilize to engage with their customers.

The primary goal of a business is sustained superior performance to ensure consistent growth. The cellular industry is no different. One method that can ensure this superior performance and differentiate a business from its competitors will always be the quality of its relationship with customers. Whilst research has been conducted on a general aspect of relationship marketing, there appears to be no significant study on how communication efforts can promote relationship marketing in the cellular industry. Hence this study investigates the extent to which communication impacts on relationship marketing and whether improved communication can result in sustainable long-term relationships.

This was a quantitative cross sectional study where the survey method was employed using a simple random sample. The target population consisted of existing cellular phone users, both contract and prepaid. Structured Interviews were used to assist the researcher in

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obtaining information from an intended sample of 300 cellular phone users. At the end of six weeks, 251 responses were received reflecting an overall response rate of 83.7%.

The findings indicate that the majority of cellular phone users were satisfied with the communication efforts of their service provider and that the communication tools used by the service providers were effective in promoting relationship marketing. Moreover, existing customers indicated that they would become advocates of their service provider, as they did not regret their choice of service provider particularly because service providers tailor make packages for their customers.

In addition, customers indicated that they would like to be informed of long and medium term plans, new developments and any fundamental changes that are going to take place. If service providers are to maintain sustainable relationships, they need to conduct regular satisfaction surveys to get feedback from customers and monitor their attitudes towards them.

### **Introduction**

Relationship marketing is defined as the process of establishing and maintaining mutually beneficial long-term relationships among organisations and their customers, employees and stakeholders. This shift to building relationships is offered as a solution to organisations in promoting sustainable relationships in this era of ever-increasing competition (Rensburg & Cant, 2003:119).

Members of organizations, at all levels, communicate with business colleagues, customers, shareholders, the media and members of the public on a daily basis. No organization can function properly or reach its goals without a good system of communication. Van Staden *et al.*, (2002) cite the following advantages of communicating effectively with customers:

- Better customer relationships
- Saving time and money
- More effective decision-making
- Successful problem-solving

Van Staden *et al.*, (2002) define communication as a two-way process whereby information (the message) is sent from one person (the sender) through a channel to another person (the receiver) who in turn reacts by providing feedback.

According to Rouse and Rouse (2002), effective communication means that the information is received accurately in terms of content and meaning as intended by the sender. According to Duncan (2002:8), marketing communication is a process for managing the customer relationships that drive brand value.

Communication is believed to directly affect the building of long-term relationships with the stakeholders of an organization. It is therefore, necessary to acknowledge the role of communication in building relationships between the various activities in the organization and between the organization and its stakeholders (Rensburg & Cant, 2003:120). Schultz *et al.* (1995:85) are of the opinion that it is the rapport, the empathy, the dialogue, the relationship and the communication that the marketer establishes with the prospect that makes the difference.

The cellular industry in South Africa has burgeoned into a massive, multi-billion rand business since 1994 when the first two cellular networks were introduced. Few predicted the heights to which the industry would rise, or the vast potential that still exists.

Vodacom has a 58% share of the South African market, Africa's largest and most profitable cellular market. Vodacom's South African GSM network consists of nearly 6400 base stations and covers more than 6% of the total landmass of South Africa and 97.1% of the population. The total number of customers increased by 15.3% to 23.3 million (September 30, 2006: 20.2 million) for the six months ended September 30, 2007. The number of prepaid customers increased by 13.5% to 19.8 million, while the number of contract customers increased by 27.4% to 3.4 million. (<http://www.vodacom.co.za>).

South Africa is rather unique in its motivation for embracing cellular technology. Although there is an obvious need for cell phones to cater to the ever-changing needs of business, cellular service means a lot more to many South Africans than simply being connected. With the high crime figures in the country, the safety that cell phones provide in

the form of a readily available means of contact to emergency services, has become a major motivating factor behind the decision to purchase a cell phone. The cellular industry has greatly assisted customers by making it possible for an emergency number to be at a mere click away even if there is no airtime available. Many have described this connectivity as the most important factor in their decision to own a cell phone.

Since this is still a fledgling industry and since there have been murmurings of dissatisfaction among its customers, it was felt that it would be expedient to evaluate its strategies to improve customer relations, which is the precursor to a sustainable long-term relationship.

The primary goal of a business is sustained superior performance to ensure consistent growth. The cellular industry is no different. One method that can ensure this superior performance and differentiate a business from its competitors will always be the quality of its relationship with customers. It is very difficult to secure a client but a strategy that provides the level of quality, value and satisfaction necessary to retain customers over the long-term insulate a firm from the rapid pace of change in the environment and it represents an essential strategy to make customers feel good, supported and cared for.

## **Statement of the Problem**

Whilst research has been conducted on general aspects of relationship marketing, there appears to be no significant study on how communication efforts can promote relationship marketing in the cellular industry. It is the intention of this study to examine whether the communication efforts of cellular providers result in a satisfying long-term relationship with their customers.

The subsidiary problems relate to:

- Whether the communication efforts of the cellular companies result in satisfied customers over the long-term
- Whether the communication tools used by the companies are effective in promoting relationship marketing
- Whether existing customers will become advocates of the company and

- How customer grievances are handled by the various service providers

## **Objectives of the Study**

The objectives of this study were to:

- Establish whether the communication efforts of the cellular companies result in satisfied customers over the long-term
- Establish if the communication tools used by the companies are effective in promoting relationship marketing
- Explore whether existing customers will become advocates of the company
- To investigate how the various service providers handle customer grievances

## **Research Questions to be Answered**

The key questions the study intended to answer were:

- Do the communication efforts of the cellular companies result in satisfied customers over the long-term?
- Are the communication tools implemented by cellular companies effective in promoting relationship marketing?
- Will existing customers become advocates of the cellular companies?
- How do the various service providers handle customer grievances?

## **Literature Survey**

### ***The Origins of Relationship Marketing***

Relationships have been at the heart of marketing in an informal way since

the first stirrings of commerce; however as a formal approach to marketing, relationship marketing is more recent.

Marketing today is heavily influenced by the shift away from transactions towards relationships, since relationship marketing offers a

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more holistic approach to understanding marketing dynamics and to developing and implementing marketing strategies. It further emphasizes the creation of greater value for customers and organizations through fostering co-operative and collaborative partnerships. Hart, (2003:125-126) further maintains that relationship marketing emerged in the latter part of the 1970s and early 1980s as an alternative approach to understanding markets than that which had dominated in the previous 30 years i.e. the mix management paradigm. In the early years, relationship marketing enjoyed parallel development within services and industrial marketing. Nowadays, relationship marketing seeks to build a chain of relationships within the organization to create the value customers want, between the organization and its main stakeholders (Brink & Berndt, 2004:7).

The unique characteristics of services: that is, its inseparability, intangibility, heterogeneity and perishability, demanded that service marketers develop a different approach. The dominant mix management paradigm was criticised for offering ‘no guidance, no terminology, or no practical rules for services’. Initially, services marketers attempted to enhance the dominant paradigm through the incorporation of additional elements – people, processes and physical evidence.

Increasingly, the term relationship marketing is applied to any marketing situation where relationships are deemed important.

### ***Definitions and Explanation of Relationship Marketing***

One of the first definitions of relationship marketing is attracting, maintaining and enhancing customer relationships (Berry, 1983:25-28). Other definitions of relationship marketing include one by Porter (1993: 14), which states that relationship marketing is the process whereby both parties – the buyer and the provider – establish an effective, efficient, enjoyable, enthusiastic and ethical relationship: one that is personally, professionally

and profitably rewarding to both parties.

According to Kotler (2001:7), relationship marketing aims at building long-term mutually satisfying relations with key parties such as

customers, suppliers, distributors – in order to earn and retain their long-term preference and business.

However, the most comprehensive definition of relationship marketing was proposed by Gronroos (2000: 42-3) who submits that the objectives of relationship marketing are to identify and establish, maintain and enhance, and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. This is done by mutual exchange and fulfilment of promises.

From the above definitions, it is clear that relationship marketing is influenced by contributions from diverse relational schools. It incorporates the purpose, process, focus and key elements of relationship marketing as explained by Evans, O'Malley and Patterson (2004:210):

- The purpose is to satisfy the objectives and enhance the experience of the parties involved
- The focus is on key customers and other parties
- The process involves the identification, specification, initiation, maintenance and dissolution of relationships
- The key elements include mutual exchange, fulfilment of promise and adherence to relationship norms

Further, one of the main principles of relationship marketing is to identify the most profitable customers so that the business can focus on customers appropriate to its strategy. Wood (2000:15) supports this definition and maintains that the main idea behind relationship marketing is to build relationships with customers in order to retain them instead of concentrating efforts on recruiting new ones.

Evans, O'Malley and Patterson (2004:210), maintain that as a result of participating in a number of different relationships, certain benefits accrue to the organisation:

- Supplier relationships improve value or reduce costs through more efficient ordering systems
- Relationships with distributors accommodate new product introductions

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- The network of relationships in which the organisation is involved will enhance its competitive position. Therefore, all of these relationships in some way contribute to adding value, reducing costs and increasing innovation
- This combination of relationships ultimately helps the organisation to enhance its relationships with its own customers

For customers in the cellular industry, relationship marketing can be very satisfying, in that:

- They feel an affinity with the service provider beyond mere purchase
- They feel an acquaintance with the organisation and are not just anonymous customers
- They often receive special treatment and extra pampering by the service provider
- They are likely to receive timely and relevant communications of offers that would be of interest to them from their service provider

The benefits of relationship marketing for the service provider as explained by Lucas (2005:323), are as follows:

- There is less need to obtain new customers through marketing since current customers are aware of offerings and take advantage of them.
- Marketing costs are reduced since direct mail, follow-up and other customer recruitment activities are reduced.
- There is an increased return on investment (ROI) since marketing can target specific customer needs.
- It enhances customer loyalty due to pricing and product service offerings that meet current customer needs.
- There is elevated profitability due to increased sales, customer referrals and longer customer retention during its life cycle.

Thus, relationship marketing builds strong economic, technical and social ties among the parties and cuts down on transaction costs and time. The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. A marketing network consists of the company and its supporting stakeholders (customers,

employees, suppliers, distributors, and others) with whom it has built mutually profitable business relationships.

Hart (2003:144), outlines a number of organisational attributes of service providers that may help foster sustainable customer relationships:

- An organisational culture that focuses on customer service.
- Employees that have good interpersonal communication skills since this influences how service providers interact with customers.
- Employee motivation and training which is very important especially in services that involve high employee/customer contact, where social benefits are valued and where technology plays a significant role in building and maintaining relationships, for e.g. service providers contacting customers via sms.
- Developing an ability to calculate relationship performance and to assess the impact of marketing strategies on customer satisfaction, trust, commitment and loyalty.

Implicit in the above definitions is that relationship marketing involves activities aimed at developing long-term cost effective links between an organization and its customers for their mutual benefit.

Organizations can maintain and enhance relationships by treating customers fairly and offering service augmentations. For the service provider, a valued relationship is one that is financially profitable in the long run. According to Lovelock and Wright (2002:102-103), customers define a valued relationship as one in which the benefits received from service delivery significantly exceed the associated costs of obtaining them.

Customer loyalty means that customers are committed to purchasing products and services from a specific service provider and will resist the actions of competitors attempting to usurp their patronage. The contract serves as a bond with the service provider especially since they were not able to retain their phone number. However, with number portability that was introduced on 11 November 2006, the likelihood of swapping among operators would be more real. Egan (2001:42-43) encapsulates the term loyalty as the biased behavioural response,

expressed over time by customers with respect to one supplier out of a set of suppliers which is a function of decision making and evaluative processes resulting in brand or store commitment. Peppers and Rogers (2004:56), approach customer loyalty from two different directions: attitudinal and behavioural. The attitudinal definition of loyalty implies that loyalty is a state of mind. Customers are loyal to a brand or company if they have a positive, preferential attitude toward it. They like the company, its products, or its brands, and they prefer to buy from it, rather than from the company's competitors. It is assumed that the majority of customers are loyal to their chosen service provider and they have a positive ongoing relationship that is satisfying and enduring. Any company wanting to increase loyalty in attitudinal terms will concentrate on improving its product, its image or other elements of the customer experience. In the behavioural definition, loyalty is not the cause, but the result of brand preference. A company wanting to increase customer loyalty will focus on whatever tactics will increase the amount of repurchase behaviour.

Loyalty must be seen as a biased repeat purchase behaviour, or repeat patronage accompanied by a favourable attitude. Many companies tend to concentrate on seeking new customers after securing a customer's order. They do not understand the importance of maintaining and enhancing the relationships with their current customers i.e. too little emphasis is placed on generating repeat business. Thus, the objective of relationship marketing is to turn new customers into regularly purchasing customers, and to progressively move them to being strong supporters of the organization. The statistics indicate that the three service providers in South Africa have been very successful in creating, enhancing and maintaining relationships with their customers.

Developing customer loyalty is about ensuring that current customers remain loyal by giving them more reasons to stay loyal. Foss and Stone (2001:484), maintain that most loyalty experts would agree that loyalty is best defined as a state of mind, a set of attitudes, beliefs, desires, etc. They further explain that there are degrees of loyalty. Some customers are very loyal, some less so. Therefore, loyalty is developed by approaches that reinforce and develop a positive state of mind. The aim is not to make all customers loyal, but rather to improve the loyalty of those customers most likely to respond.

Evans, O'Malley and Patterson (2004:213), consider trust to be the basis of relationships and the glue that holds it together. Unless there is a minimum level of trust between the parties, it is unlikely that a relationship will be initiated at all. If trust breaks down, the relationship is likely to be dissolved. In order for customers to trust in their service provider, they must have confidence in their service provider's ability and willingness to keep their promises. Trust is particularly important for services, which by their nature are highly intangible. The trust that a customer places with the service provider is mainly based upon their own experience with that provider or with similar organisations. Trust in a relationship brings harmony and stability.

Commitment is connected with the notion of trust. This implies that both parties will be loyal, reliable and show stability in their relationship. According to Peppers and Rogers (2004:45), commitment is the belief that the importance of a relationship with another is so significant as to warrant maximum effort at maintaining it. Like trust, commitment is viewed as extremely important in the formation of customer relationships. Morgan and Hunt (1994) submitted that, 'the presence of relationship commitment and relationship trust is central to successful relationship marketing... Commitment and trust lead directly to cooperative behaviours that are conducive to relationship marketing success.'

## **Research Methodology**

A quantitative cross sectional approach was taken for this study. The survey method was employed, using simple random sampling. The target population consisted of existing cellular phone users from whom the researcher attempted to draw conclusions and make generalizations.

Structured Interviews were used to assist the researcher in obtaining information. The interviews helped the researcher to identify pertinent issues related to communication and relationship marketing in the cellular industry. It was decided that the questionnaire be administered to 300 cellular phone users. At the end of six weeks, 251 responses were received out of a sample of 300. The overall response rate was 83.7%.

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Once the questionnaires were received, they were coded, and responses were captured on computer. The Statistical Programme for Social Sciences (SPSS) version 11 for Windows was used to conduct the statistical tests, which included descriptive statistics such as frequencies and cross tabulations to measure whether an association exists between variables and the contingency coefficient measured the strength of the relationship between nominal variables.

### **Data Collection**

A sample of 251 cellular phone users provided their opinions, attitudes and perceptions towards service providers in the cellular industry. At the time of the study, there were only three service providers, but a fourth, Virgin Mobile, has since entered the industry. Meaningful results were analysed, interpreted and discussed within this study. The research findings are depicted in the form of tables and graphs.

### **Data Analysis**

Table 1: *Biographical data of respondents*

<b>Number Of Cellular Phone Users = 251</b>	<b>Percentage</b>
Age: 18 – 25	27
26 – 35	29
36 – 45	25
46 – 55	10
older than 55	5
Gender: Male	38
Female	56
Race: Black	25
White	14
Asian	50
Colored	5
Other	0,4
Home Language: English	
Afrikaans	65
Zulu	9
Other	22
	6

Table 1 indicates that 56% of cellular phone users are female. The reasons for this are thought to be as follows:

- They serve as personal communication tools, for e.g. mums can check in on their children/family
- They are used for safety, since one can call for help immediately during emergencies and breakdowns
- They are used for work purposes, especially in the case of flexible work roles and out-of-office work.
- Immediate accessibility since they can be easily reached, given the various responsibilities that they have.

**Table 2: *Data of cellular phone users***

<b>Number Of Cellular Phone Users = 251</b>	<b>Percentage</b>
Years of being a cellular phone user:	
0 – 3	20
4 – 6	53
7 – 9	18
more than 9	8
Type of customer:	
Contract	53
Prepaid	36
Both	2
Service Provider:	
Cell C	24
MTN	39
Vodacom	27
Cell C and MTN	2
Cell C and Vodacom	2
MTN and Vodacom	1

Table 2 shows that 53% of cellular phone users are on contract while 36% are prepaid and 2% fall into both categories. The appeal of prepaid mobile seems to be affordability for low-income users since they are able to control their expenditure, use the service to receive calls only in times of economic difficulty. Pre-paid services also mean that credit checks are avoided, there is no need for a bank account and a binding

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long-term service contract. This means that people who already have bad debt and no steady income can therefore use it.

The findings from this study concur with the results from the year-long Mobility 2005 research project undertaken by independent research organisation World Wide Worx which indicates the following:

- Age was found to be a major differentiator of the way South Africans use their cellular phones, particularly in the choice of contract versus pre-paid accounts.
- Of the 2400 sample population nationally, 33% were on contract while 64% on prepaid.
- 17% on contract are in the age category 20-24 with 78% on prepaid.
- Contract use rises steadily through the age groups until it peaks in the 46 - 49 age group, at 40%, and then begins to decline again (<http://www.theworx.biz/mobile05e.htm>).

The majority of contract subscribers (64%) fall within the age group 26 -55 years since it is believed that:

- They earn a steady income and can afford a contract
- They have credit references which are essential for service providers to assess their financial risk profiles
- They have cellular phones primarily for work-related issues.

On the other hand a fairly large proportion of prepaid customers, (47%), fall within the age group of 18-25. Their characteristics are that:

- They consist mainly of students, school leavers, first time workers, contract workers and unemployed young people.
- They do not have a steady income or good credit references that are necessary to enter into a contract.

### *Choice of Service Provider*

The majority of respondents (85%) did not regret their choice of service provider. This could be attributed to the fact that service providers

tailor-make packages for customers. The three service providers in South Africa provide variety and choice for cellular phone users. As a result, customers can make informed choices that fulfil their specific needs and requirements.

The loyalty accounting matrix combines the attractiveness of a service provider (brain appeal) and the strength of the relationship (heart appeal). The most satisfied customers are called ambassadors. They find the service provider highly attractive, have a strong relationship with the service provider and will recommend the service provider to others. The next group consists of loyal customers who are slightly less enthusiastic than the ambassadors. The last two groups represent those who are actively searching for a new service provider and those who are already lost customers. The diagonal represents risk customers who are easy prey for competitors.

*Strength of Relationships*

Risk	Loyal	Ambassador
Searching	Risk	Loyal
Lost	Searching	Risk

*Attractiveness*

The thirteen percent of respondents who regretted their choice of service provider stated the following reasons:

- 32% inefficient service
- 37% too costly
- 28% poor communication
- 4% cited other reasons

Results from the yearlong Mobility 2005 research project undertaken by independent research organisation World Wide Worx shows that more than half of the respondents cited free phones or cheap phones as the reason for choosing their form of contract (<http://www.theworx.biz/mobile05e.htm>).

*Change of Service Provider in the Last Three Years*

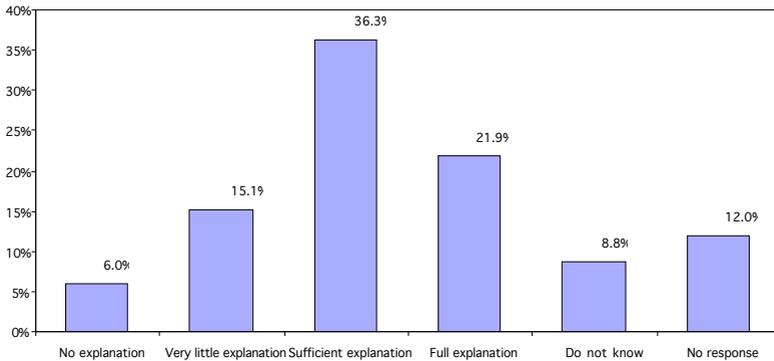
Eighteen percent of respondents indicated that they did change service providers whilst 81% did not change. Reasons for changing were cited as the following:

- 21% inefficient service
- 42% high cost
- 17% poor communication
- 21% other reasons

*Cellular Phone Contracts*

According to Figure 1, 36% of cellular phone users were given a sufficient explanation of their contract. This reflects well on the staff of the service providers. It shows that they are knowledgeable and well trained. Only 6% of customers got no explanation.

Figure 1: *Explanation of Contract*



With regards to their cellular phone contract that they had entered into, respondents' indicated the following:

- 14% did not read the contract at all
- 53% browsed through it
- 18% read it thoroughly
- 16% understood it fully

Fifty seven percent of respondents indicated that they understood the terms of their contract, 6% did not understand while 18% were not sure. Unilaterally drawn contracts usually favour the interests of the organization that draws the contract and it is certainly not acceptable that the majority are not fully conversant with the terms of the contract.

Their reasons for not understanding the terms of their contract are as follows:

- 10% stated that the fine print is illegible
- 47% believed that there was too much legal jargon
- 31% did not have enough time to read through the contract
- 12% stated other reasons for not understanding

Understanding the terms of the contract seems to be an issue that needs to be addressed by the service providers if they want to improve their relationship with their customers.

### *Service Provider Staff*

A reasonable number of respondents (49.8%) indicated that the staff of their service providers always responds to their requests and queries. This illustrates the importance of well-trained staff in creating and maintaining relationships with customers. Since staff create the first impression of the organization, it is vital that they are well trained and have the necessary communication skills to deal with customers in an effective and efficient manner.

Forty six percent of respondents indicated that their service provider staff has considerable professional technical knowledge to advise them, 33% indicated limited knowledge, 6% extensive knowledge and 2% indicated no knowledge.

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At least 69% of respondents stated that their service providers' staff gave them individual attention, while a small proportion (8%) either got no attention at all or not the kind that they preferred.

Brink and Berndt, (2004:12) identify excellent customer service as an integral part of relationship marketing. No business can consider implementing relationship marketing if it does not offer excellent customer services. Excellent customer services can be achieved by training all staff, even those who do not have direct contact with customers. Staff must understand that their own job satisfaction rests on the success of the organisation. Staff must be supported by technologies and processes to make them more effective. Front line staff must have the ability to communicate with customers by being able to recognize them, remember their contact history, understand their current issues, predict anticipated behaviour and suggest appropriate solutions. Front line staff are actually consultants who work with customers to add value to their company. The interaction between staff and customers is referred to as the service encounter i.e. the actual service the customer receives either face-to-face, by telephone, e-mail, or by mail. This service encounter is very important for all types of business.

MTN believes that the key to their success and growth is their employees. Therefore, they invest substantially in skills development: on average, 6% of their payroll is on training and this far exceeds the international industry average of 3.2% (<http://www.mtn.co.za/?pid=10053>).

### *Convenience of Operating Hours*

Sixty four percent of respondents agree that their service provider's operating hours are convenient, 9% disagree while 22% are uncertain.

### *Attempts by Service Provider to Understand the Individual Needs of Customers*

Forty percent of customers indicated that the staff of their service provider usually gives them individual attention while 1.2% said they get no attention at all. The majority of the respondents (69.3%) indicated that they usually always received individual attention. This enhances the relationship with customers and ensures that they are satisfied and stay with their service provider.

One of the key aspects of relationship marketing in the cellular industry is to focus on individual customers. Individual customers play a key role, thus, the most profitable customers need to be identified so that the business can focus on customers appropriate to its strategy.

Business today, is supported by information, which has the ability to differentiate, customize and personalize, and which enables it to gather information about individual customers. Thus, it is possible to be more flexible and it has the ability to individualise the market offerings, the messages and the media to focus on individual customers.

Not all customers are the same. Different customers should be treated differently. The key is to know who the best customers are and to treat them accordingly. It is impossible for an organization with one million customers to cost effectively communicate one-on-one with all of them, therefore, customers need to be segmented or categorized, based on what is known about them. These segments can be described and quantified in terms of their value and potential value to the organization, and appropriate communication strategies can be designed for each segment.

#### *Service Provider Offerings to Suit Individual Needs*

Thirty one percent (31%) respondents indicated that their service provider adapts offerings to suit their individual needs to some extent, 21% to a considerable extent, 16% to a great extent, 15% do not know and 13% to no extent. This is important in establishing and maintaining a relationship between the service provider and the customer.

The findings from this study concur with the results from the year-long Mobility 2005 research project undertaken by independent research organisation World Wide Worx which indicates the following:

- Expenditure is lowest in the 16 – 19 age group, rising steadily to peak in the 35 - 44 age group, and then dropping steadily as age increases – confirming the old stereotype that ‘yuppies’ are the most enthusiastic cell phone users.
- Adoption and planned adoption of non-voice applications, like picture messaging, cell phone banking and 3G, are strongest among younger people <http://www.theworx.biz/mobile05e.htm>.
- This is not surprising since the younger users are more conversant with the intricacies of the digital age.

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Individual interaction leads to a better learning relationship between a customer and an organization. The more customers teach the organization, the better it becomes at providing exactly what they want. According to Brink and Berndt, (2004:25) in order to have knowledge of customers, it is necessary to obtain information. This information is then used to create a database for the customer, which becomes the foundation for relationship marketing. The database contains information about transactions, customer contacts, customer preferences, descriptive information and responses to marketing activities.

Thirty-five percent (35%) of respondents also indicated that their service provider is usually prompt to help them with problems.

Thirty-two (32%) of respondents indicated that their service provider helped them from the beginning of their contracts.

All of the above show the reliability of the service provider which is vital in establishing a relationship with customers. The first impression created by the service provider will set the tone for the rest of the relationship to ensure that it endures over time.

### *Communication by the Service Provider*

Marketing entails much more than developing a good product, pricing it attractively and making it readily available to the target customers. Organisations need to communicate with their current and potential customers. They have to fulfil the role of communicator and promoter (Kotler, 2000:550). Therefore, communication is vital in the marketing process. The interaction between customers and sales personnel and the exchange of information between buyer and seller is an indispensable part of marketing and relationship building.

Organisations have to establish, maintain and manage complex marketing communications systems with their customers, distributors, suppliers, and various other publics. Each group communicates with the organisation and also provides feedback to each other. Thus, for most companies the issue is not whether to communicate but rather what to say, to whom, how and when and where to say it.

According to Duncan (2002:8), marketing communication is a process for managing the customer relationships that drive brand value.

More specifically, it is a cross-functional process for creating and nurturing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging data-driven, purposeful dialogue with them.

Schultz *et al.* (1995:85) are of the opinion that it is impossible for a marketer to establish effective communication with the target customers using only mass techniques like advertising, sponsorship, and publicity. It is the rapport, the empathy, the dialogue, the relationship and the communication that the marketer establishes with the prospect that makes the difference that separates him/her from the rest

Seventy five percent (75%) males and 79% females reported that their service provider communicates with them via sms. This confirms the results which revealed that sms is the preferred method used by service providers for communication with their customers although some did so via email as well.

E-mail is the only communications medium that links directly to another medium, the Web. It is also the most inexpensive medium for global communication.

E-mail can:

- Deliver personalised information to customers (for e.g. service providers can communicate with current and potential customers through invoices, statements and transaction confirmations)
- Drive transactions and Website traffic (for e.g. service providers communicate with cellular phone users through news alerts, promotions and competitions)
- Build relationships with customers
- Compliment and support other channels
- Be a value-added service (service providers can offer news and information to attract and retain customers)

Thirty four percent (34%) of respondents agreed that service providers usually communicate with them regularly regarding contract options, sms bundles, and improvements in technology. 22% indicated always, 22% indicated very little, 11% did not know while 5% said they were never contacted.

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For the cellular companies, advertising in newspapers has the following strengths:

- Customers and potential customers can look at the pictures and read the print
- Customers can get immediate information about different offerings, prices, geographic location of stores and contact numbers

### *Recommendation of the Service Provider*

Sixty six percent (66%) of cellular phone users will recommend their service provider to their friends or relatives. This could be because they were very satisfied with the service experience and formed a relationship with their service provider.

There is a considerable overlap between trust and satisfaction, since both represent an overall evaluation, feeling or attitude about the other party in a relationship. Satisfaction may be developed directly through personal experience or less directly through opinion and the experience of others. Satisfaction involves the perceived standard of delivery and depends on the duration of the relationship. Thus high levels of service need to be present throughout the delivery process. Satisfaction over time reinforces the perceived reliability of the organization and contributes to trust. Therefore, trust is a belief in a person's or an organization's competence to perform a specific task under specific circumstances.

Only 38.2% of respondents will renew their contract with the same service provider. This could be attributed to the following:

- Excellent customer services
- Friendly staff
- Good communication
- Tailor made cellular phone packages
- Convenient operating hours
- Good reputation
- Creative advertising
- Cheaper rates

Respondents indicated the following reasons for not renewing their contract with the same service provider:

- 27% inefficient service
- 33% high costs
- 31% poor communication
- 8% other reasons

### *Procedure to be Followed on Termination of Contract*

A small proportion of respondents (38%) know the procedure to follow when their current contract ends. This can be attributed to the fact that service providers do not communicate regularly and timely with customers. 14% do not know the procedure to follow, 22% have some idea while 4% prefer to be advised before the contract ends.

When asked if their service provider informs them when their contract is going to end, 48% indicated yes, 14% no and 20% have some idea.

Kotler (2001:20) suggests that customers will buy from the firm that they perceive offers the highest customer delivered value. Customer delivered value is the difference between total customer value and total customer cost. Total customer value is the bundle of benefits that customers expect from a given product or service. Total customer cost is the bundle of costs that customers expect to incur in evaluating, obtaining, using and disposing of the product or service.

Thirty-four percent (34%) of respondents agree that to some extent their service provider allows them to specify what accessories they would like with their cellular phone. 28% indicated that this did not happen at all.

Forty two percent (42%) of respondents rated their relationship with their service provider as good. 36% rated it as average, 10% poor and 8% excellent.

Fifty percent (50%) of respondents are seldom contacted by their service provider to acquire new information, whilst 26% are not contacted at all and 18% are contacted regularly.

Interacting with a customer or obtaining information about the customer's needs is a way to learn how satisfied the customer is or

whether the customer has an unspoken complaint. The organization needs to know how to make the service better for that customer at the next opportunity. Knowing how to treat a specific customer better the next time helps in understanding the customer's learning relationship with the organization. If the repeat interaction with the organization is better than the initial interaction, and this continues, a learning relationship is created and the customer will become very loyal. When interacting with customers, ensure that your interactions are always welcomed, protect the customer's privacy, invite dialogue by making contact numbers and web addresses available, ensure that the customer can see value from each interaction and be sensitive to the customer's time. Technology has made interactions increasingly less costly; therefore it is affordable for businesses to interact with a wider range of customers economically. Organizations are able to streamline and automate many of their manual interactions required in serving customers. This reduces cost and saves time.

### *Privacy and Trust*

#### **Protection of Customers' Privacy**

According to the study, only 41% of respondents agree that their service provider protects their privacy. However, the majority of respondents (49%) were not sure that their privacy was protected. This might be attributed to the fact that cellular phone users are constantly inundated with calls and sms from different company representatives selling various products and services, it would seem that they are provided with subscribers lists from the various service providers. Therefore, cellular companies can improve their levels of customer privacy by instituting stricter measures that ensure that their customer details are not shared with other companies.

According to Peppers and Rogers (2004:235), if a service provider wants to establish a long-term relationship with a customer based on individual information, it should recognise that customer data is its most valuable asset, should secure and protect that data, and also share the policy for that protection in writing with its customers, partners and vendors, in the form of a privacy pledge.

This privacy pledge will include:

- the kind of information generally needed from customers
- Any benefits customers will enjoy from the service provider's use of individual information
- An individual's options for directing the service provider not to use or disclose certain kinds of information
- Any events that might precipitate a notification to the customer by the service provider

A company can jeopardise its relationship with its customers by engaging in unethical practices that compromise customer privacy. Instituting a privacy policy serves to reassure customers of a company's intentions. For example, the three cellular service providers in South Africa believe that customer loyalty depends on trust and protection of privacy. Therefore, they do not send sms and e-mail promotions to customers without their permission.

### **Level of Trust of Service Provider**

Fifty one percent of respondents trust their service provider. This figure needs to increase in light of trust being an essential element in any relationship. Service providers can achieve this by improving the quality and frequency of communication with their customers. This will then bode well for the relationship between the customer and the service provider and ensure that the customer is now in an established relationship that he/she will maintain into the future.

### **Rating of the Service Provider**

Fifty five percent (55%) of respondents indicated that their service providers' response time in emergencies is average, 14% each for fast and slow while 4% indicated there was no response.

The majority of respondents (52%) indicated that their service providers' response time for technical problems is average, 19% indicated slow, 16% fast and 4% no response. These findings should be of great concern to the cell phone service providers as the majority of

respondents have rated the response time for both emergencies and technical problems as average.

## **Answers to Research Questions**

*Do the communication efforts of the cellular companies result in satisfied customers over the long-term?*

- The majority of cellular phone users were satisfied with the communication efforts of their service provider. The majority of respondents indicated that their service provider's promotional materials were appealing and their service provider communicated with them regularly.
- The literature study also yielded the same results: emphasising Kotler's (2001:21) definition of satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Thus, satisfaction as a function of perceived performance and expectations will result in customer dissatisfaction if performance falls short of the expectations and in customer satisfaction if it exceeds expectations.
- Many companies aim for high customer satisfaction since this creates an emotional bond with the brand and results in high customer loyalty. Clearly, the key to generating high customer loyalty is to deliver high customer value. According to Peppers and Rogers (2004:46), the overall role that customer satisfaction plays in the formation of relationships is intuitive since a dissatisfied customer will generally seek to replace the service provider. This threat has increased since the advent of cell phone number portability.

*Are the communication tools implemented by cellular companies effective in promoting relationship marketing?*

- Results from the study show that the communication tools used by the service providers were effective in promoting relationship marketing. The most used method of communication was sms, followed by post, e-mail and face-to-face contact. When asked about their preferred method of communication, the majority of customers indicated sms, followed by post, face-to-face contact and e-mail.

- The results of this study clearly indicate that the majority of respondents (60%) indicated that their service provider communicates with them via sms. Seventy five percent (75%) of males and 79% of females agree that their service provider communicates with them via sms. The preferred method of communication from their service providers though, revealed a different picture, where 43% of respondents indicated that sms was their preferred method of communication. 19% wanted communication via post while 18% preferred face-to-face communication. A further 16% showed a preference for communication by e-mail.

*Will existing customers become advocates of the cellular companies?*

- Existing customers will definitely become advocates of their service provider. This is evident since the majority were satisfied with their choice of service provider. Furthermore, the majority also indicated that they would renew their contract with the same service provider. Lastly, since most of the customers were satisfied with their service experience, they stated that they would recommend their service provider to their friends, family and relatives.
- The majority of respondents (85%) did not regret their choice of service provider and this could be attributed to the fact that service providers tailor-make packages for customers. The three service providers together with the recent fourth entrant in the industry in South Africa provide variety and choice for cellular phone users which are consistent with their needs.
- As a result, customers can make informed choices that fulfill their specific needs and requirements. While only 36% of cellular phone users were given a sufficient explanation of their contract, a further 21,9% of the respondents received full explanation. The onus it appears is on the customers to familiarize themselves with the terms of the contract. An adequate explanation by the staff of the contract reflects well on the staff of the service providers. It shows that they are knowledgeable and well trained. Only 6% of customers did not get an explanation.
  - As with many contracts, customers tend not to accord them the importance that they deserve at the time of entering into

## *The Impact of Communication on Customer Relationship Marketing*

the contract. It only tends to become important when they experience a problem, complain about it and then find that they are referred to the terms when it is a little too late.

- These results suggest that cellular service providers need to adopt a greater educational role when signing contracts with their customers since slightly under half of them, 43%, of respondents, indicated that they were not entirely sure about the terms of their contracts.

### *How do the various service providers handle customer grievances?*

- Service provider staff were found to be friendly, efficient, effective and well trained in responding to customer requests and queries. Staff also provided individual attention to customers. As indicated in the literature review, interacting with a customer or obtaining information about the customer's needs is a way to learn how satisfied the customer is or whether the customer has an unspoken complaint. The organization needs to know how to make the service better for that customer at the next opportunity. Knowing how to treat a specific customer better the next time, helps in understanding the customer's learning relationship with the organization. If the repeat interaction with the organization is better than the initial interaction, and this continues, an enduring relationship is created and the customer will become very loyal. When interacting with customers, it is suggested that the company ensures that interactions are always welcomed, that the customer's privacy is protected, that dialogue is encouraged by making contact numbers and web addresses available and that the customer can see value from each interaction and will thus be appreciative of the consideration accorded to him/her.
- Fifty five percent (55%) of respondents indicated that their service providers' response time in emergencies is average, 14% each for fast and slow while 4% indicated there was no response.
- The majority of respondents (52%) indicated that their service providers' response time for technical problems is average, 19% indicated slow, 16% fast and 4% no response. There is clearly a

need for improvement in responding to emergencies and technical problems which will contribute towards customer loyalty.

- Cellular service providers should be concerned about the privacy and trust perceived by their customers. A large number of respondents (49%) were not sure that their privacy was protected.
- According to Peppers and Rogers (2004:235), if a service provider wants to establish a long-term relationship with a customer, based on individual information, it will recognise that customer data is its most valuable asset, hence it will secure and protect that data, and will share the policy for that protection in writing with its customers, partners and vendors, in the form of a privacy pledge as indicated above.

According to this study only 41% of respondents agree that their service provider protects their privacy. There is sufficient scope to increase the level of customer privacy, as this will enhance the relationship between the service providers and their customers.

What would be encouraging to service providers is that 51% of respondents trust their service providers. Trust is an essential element in any relationship. This bodes well for the relationship between the customer and the service provider. The customer is now in an established relationship that he/she will maintain into the future. Clearly though, there is an opportunity for the service providers to substantially increase the level of trust of their customers.

## **Limitations and assumptions of the Study**

- This study was unable to explore the impact of relationship marketing on the fourth cellular service provider, Virgin Mobile, which was introduced in South Africa in June 2006, since the fieldwork had been conducted between December 2005 and March 2006.

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- Since Mobile Number Portability (MNP) was introduced on 10 November 2006 in South Africa, its use and impact on cellular phone users could not be investigated in this study either.
- The use and impact of Mxit, a fairly recent innovation with cellular phones, was not researched since most users of Mxit are under 18 years of age and the sample for this study excluded respondents under 18 years of age.
- This study was unable to investigate the use of 3G technology since most cellular phone users surveyed were not in possession of 3G and EDGE enabled cellular phones at the time.
- The most recent phenomenon of Facebook via cellular phones was also not investigated since it was not in existence at the time of the fieldwork.

## **Recommendations**

- It is important that customers understand the future direction that their service provider will take. Customers must be informed of long and medium term plans, new developments and any fundamental changes that are going to take place.
- Service providers should conduct regular satisfaction surveys to get feedback from customers and monitor their attitudes towards them and their performance. This may also be to inform customers about developments with the organisation.
- As well as measuring customer satisfaction, service providers must be prepared to review their performance with key customers and discuss measures for improving performance. By taking this proactive attitude to performance measurement, service providers will demonstrate high levels of customer care.
- Service providers need to improve their communication process – they need to communicate with customers on an on-going basis about information, policies and updates on technology.
- Since service is the nerve centre of any organization, service providers must improve on their service to customers in the following respects:
  - They need to improve on their response time for emergencies and technical queries. They could accomplish this by providing more in-depth staff training, especially on

technical aspects and increase the number of staff at the call centres.

- Service providers must update customer records regularly since this will ensure that they provide timely, effective and efficient service to their customers.
- Service provider staff should take more time and effort to explain the contract to customers so that they fully understand the terms and conditions
- Ensure that customers feel inclined to recommend their service provider to family and friends. Hence, service providers need to impress customers with their quality of service. Sixty six percent (66%) of cellular phone users will recommend their service provider to their friends or relatives as indicated. This could be because they were very satisfied with the service experience and formed a relationship with their service provider.

## **Conclusion**

Relationship marketing is a shift away from market share to customer share. The sale should be viewed as the beginning of an ongoing relationship. While this study concludes that service providers' communication efforts result in satisfied customers, they should, nevertheless, strive to solidify relationships by transforming indifferent customers into loyal advocates of the company by using suitable communication.

Service providers need to make greater efforts to understand the specific needs of customers. They can achieve this through intensive marketing research. This will enable them to adapt their offerings to suit the individual needs of their customers.

Service providers need to honour their promises in respect of time schedules and they need to be prompt in helping their customers. This needs to start from the beginning of the relationship. They must develop a proactive approach to relationship marketing. This will help to create a better understanding of their customers and improve and enhance their image. Service providers need to amend their systems and operating procedures to ensure improvements in both the level of

customer privacy and the degree of trust of their customers with a view to ensuring sustained long-term relationships.

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