

INAUGURAL LECTURE

of

Prof Danie Petzer

Insights into the ever-changing relationship between marketer and consumer – A services marketing perspective



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Inaugural lecture

Insights into the ever-changing relationship between marketer and consumer - A services marketing perspective

Prof Daniël J Petzer (18 April 2013)

1. Introduction

South Africa is characterised by a large developing economy (Kuepper, 2013) and has since 2010 been recognised as part of a group of leading emerging markets in the world (Herskovitz, 2010). The country's economy is set to grow and will play an important part in the world economy in years to come (South African Government Information, 2013). Furthermore, as the economy of a country becomes more developed, the more economic output is generated by service-related industries (Berndt, Saunders & Petzer, 2010; Palmer, 2011). These industries contribute approximately 62% towards South Africa's GDP (Statistics South Africa, 2012). Growth in service-related activities therefore presents many opportunities for marketers of services in the banking, telecommunications, tourism and hospitality, insurance and healthcare industries, to name only a few.

According to Du Plessis (2012) and Strydom (2012), in order to make the most of opportunities presented in the marketing environment, marketers should anticipate the needs and wants of customers who remain ever-dynamic and tailor their offerings accordingly. It is furthermore critical to build relationships that will last over the long-run with customers so as to endure and thrive in a dynamic marketing environment (Du Plessis, 2012; Strydom, 2012).

This paper aims at providing insights into the ever-changing relationship between a marketer of services and a customer in response to the changing marketing environment. The paper is structured to first of all set the stage by being mindful of the nature of services and services marketing. Secondly, the paper presents an overview of a number of key forces in the changing marketing environment and thirdly, it addresses the key aspects involved in building, maintaining and restoring a relationship with a customer. Throughout the paper relevant findings from the author's published research are highlighted.

2. Services and services marketing in context

A service refers to an intangible deed or process or performance executed by a service provider (by a person or through equipment) for a customer without transfer of ownership taking place (Grönroos, 2000). It is propounded by Wilson, Zeithaml, Bitner and Gremler (2012) that marketers of services should offer more than mere services to their customers, instead they should offer solutions for their customers'. It is further contended that services marketing focuses on producing value for customers through market offerings such as ideas, goods and services (Du Plessis, 2012).

Services exhibit several characteristics that bring about challenges in marketing services to customers. These characteristics include the fact that a service is intangible since it cannot be touched, perishable since it cannot be stored for later use, variable since its quality depends on the service provider offering the service, and inseparable since it cannot be separated from the provider of the service (Bateson & Hoffman, 2008; Moeller, 2010). In many instances the market offering presented to a customer is neither purely a physical good nor purely a service (Palmer, 2011). Several examples of the combination of physical goods and services are evident. A bank for instance offers mainly a service, although the actual bank card is the tangible representation of the service. A sit-down restaurant offers a meal augmented with services from a waiter and other staff. A grocery retailer offers groceries in combination with check-out services and the packing of items into bags.

When marketing physical goods, it typically involves the application of the customary marketing mix (product, promotion, place and price) when developing a marketing strategy (Hakansson & Waluszewski, 2005; Rootman, 2010). Due to the particular nature of services, services marketing have evolved to include three additional marketing mix elements namely processes or the steps involved in delivering a service, people or those who provide the service, and physical evidence or the surroundings within which the service is delivered (Hughes, D'Alessandro, & Chitty, 2012; Palmer, 2011).

Over time, and usually with considerable effort, a relationship is established between marketer and consumer (Baron, Conway & Warnaby, 2010). This claim is further considered once a number of key forces related to the changing marketing environment within which marketers of services operate, have been highlighted.

3 The changing marketing environment

Tait (2010) defines the marketing environment as a composite of forces that influence the marketer's ability to successfully establish, grow and sustain a relationship with a customer. De Burca, Fletcher and Brown (2004) contend that these forces originate both domestically and internationally and are difficult to control.

3.1 Globalisation

Due to globalisation, marketers of services have access to an array of country markets (Petzer, 2012a) and subsequently marketers of services are shifting their focus from traditionally developed markets to new emerging markets. These emerging marketers originate from unexpected corners of the world (Peng, 2011).

Globalisation results furthermore in consumers being exposed to a greater choice of more efficient and innovative services. This exposure typically increases consumer expectation and also makes the marketing environment evermore competitive (Petzer, 2012a). Since globalisation has changed the competitive dynamics in countries across the world, a marketer of services should put marketing strategies in place to retain customers (Petzer, Steyn & Mostert, 2008). A study conducted in the hotel industry in South Africa confirmed that marketers of services should produce and maintain unique value for customers (Petzer *et al.*, 2008). Furthermore, marketers of services should develop and execute a positioning strategy that is matchless and they should focus on managing service demand and supply as it changes over time (Petzer *et al.*, 2008). Doing so will assist marketers of services to build and maintain relationships with customers.

3.2 Emerging markets

Emerging markets are newly industrialised countries (Kuepper, 2013) with fast-growing economies (South African Government Information, 2013). In many of these markets, particularly the BRICS (Brazil, Russia, India, China and South Africa) countries, incomes of consumers are rising, consumer living standards are improving, more foreign direct investment is attracted, and political environments are more stable (Czinkota & Ronkainen, 2007). This together with economic woes and the saturation in developed markets have brought about a situation where emerging markets present great opportunity for marketers of services (Petzer & De Meyer, 2013). It should, however, be noted that consumers in these markets live under different conditions and exhibit different

characteristics and consumer behaviour than what marketers of services are used to in developed markets (Ghauri & Cateora, 2006).

A study conducted on the banking industry in emerging markets confirms that a number of challenges are innate to emerging markets such as dual economies, varying levels of infrastructure development and a lack of adequate data on consumers who can be considered reliable (Botha & Petzer, 2010). Botha and Petzer (2010) present several suggestions for marketers of services to deal with challenges impacting the building and maintaining of relationships with customers in emerging markets with specific reference to the banking industry. It is suggested that marketers of services enter the market with a proper value offer to capture a share of the business-to-business market. Once established in this market, the marketer of services should focus on the affluent consumer market and when successful, the focus should shift to the lower end of the market (Botha & Petzer, 2010). Building one's own infrastructure and cooperating closely with local and national governments are furthermore suggested as strategic options in overcoming infrastructure problems in emerging markets (Botha & Petzer, 2010). It is furthermore suggested that a marketer of services should utilise both primary and secondary data sources from international and local research suppliers, co-operate and utilise networks of marketers in the emerging market, and co-opt government to obtain information (Botha & Petzer, 2010). By putting the suggested strategies in place, marketers of services can facilitate new and enduring relationships with consumers in emerging markets.

3.3 Rapid technological advancement

Consumers are constantly exposed to new technologies implemented by marketers of services in the production of services (Wang, Harris & Patterson, 2012). Technologies such as self-service technologies (SSTs), the Internet, email and social media are shaping the interaction and relationships between marketers of services and customers on an on-going basis (Hughes *et al.*, 2012). Through these technologies marketers of services have been able to overcome many challenges innate to services (Bateson & Hoffman, 2008; Wilson *et al.*, 2012).

It should, however, be noted that a marketer of services cannot simply introduce new technologies as they become available and affordable without fathoming the readiness of customers to accept such technologies (Berndt *et al.*, 2010). Berndt *et al.* (2010) suggest that new technologies can be used to build and maintain relationships with customers by discovering technologies that are user-friendly, guarding against introducing technologies customers are not ready for, and by not creating

a situation where there is an overreliance on technology thus limiting direct customer contact, especially where service failure and recovery are concerned. Furthermore, a study on the acceptance of mobile marketing messages amongst cell phone users in Gauteng suggests that marketers should use mobile marketing messages to target younger customers rather than older customers (Petzer, 2011). Older customers should instead be targeted through more traditional marketing communication vehicles, more palatable for them (Petzer, 2011).

3.4 Strict regulatory environment

The relationship between marketer and consumer is dictated by an increasing level of government and industry self-regulation. The National Credit Act 34 in 2005 (National Credit Regulator, 2013), the Consumer Protection Act 68 in 2008 (SAICA, 2013) and the draft bill on Protection of Personal Information (Cliffe Dekker Hofmeyr, 2013) are just some examples of regulatory measures and tools present in this environment. The marketing industry is furthermore influenced by the judgements of the Broadcasting Complaints Commission of South Africa (BCCSA) (BCCSA, 2013) regarding broadcasting-related complaints received from the public. With respect to industry self-regulation, marketers subscribe to the code of conduct of the Advertising Standards Authority of South Africa (ASASA) (ASASA, 2013). Consequently, government and industry self-regulation have brought about a dispensation in which consumer rights are protected to a much greater extent than in the past; limiting the marketer of services to offer and market services to customers before a number of requirements are met.

Contrary to what many believe, consumers in South Africa are not positive to freedom of commercial speech (Petzer, 2012b). A study conducted amongst consumers in Gauteng found that consumers believe that several advertising practices should be strictly regulated, especially advertising specifically aimed at children, advertising that makes overstated claims, advertising that is odious in nature, and advertising of products that are not widely acceptable in society (Petzer, 2012b).

In building and maintaining a relationship with a customer, the services marketer should take cognisance of the regulations in place when planning any strategy to engage with customers. Furthermore, due to overexposure of consumers to media messages, many consumers are opting to limit their exposure to fewer messages and are changing their attitudes towards media messages (Petzer, 2012b). It is therefore important for the marketer of services to take the views of the

customer of what is acceptable and appropriate into account when attempting to establish the boundaries of the relationship with the customer.

3.5 Increased emphasis on not-for-profit marketing

Non-profit organisations (NPOs) such as charities compete for a limited share of the funding and support available in the market (Ranganathan & Henley, 2008). In order to survive, NPOs are becoming ever more sophisticated in putting marketing strategies in place to attract support (Nichols, 2004). Charities actively engage potential donors to build relationships with them to ensure this support over the long-term (Balabanis, Stables & Phillips, 1997).

In addition, the growth of not-for-profit marketing is also evident within the South African education environment (Lubbe & Petzer, 2013). South African universities are competing fiercely for students and for funding from the public and private sector sources. Universities are actively engaging with their target market in order to attract the best quality students locally and from abroad (Lubbe & Petzer, 2013).

Since the market forces traditionally associated with profitable businesses are becoming ever more relevant within the non-profit sector, Du Plessis and Petzer (2011a & 2011b) suggest a number of strategies these marketers should undertake to establish a relationship with donors. It is important to illustrate to current and potential donors how goods and money they donate will be utilised and how the NPO adds value to the community in which they are operating (Du Plessis & Petzer, 2011a & 2011b). It is furthermore important to encourage potential donors to commit to donating (Du Plessis & Petzer, 2011a & 2011b).

3.6 Changing consumer demographics

Another force at play in the marketing environment that influences services marketers' relationships with customers is the changing demographic characteristics of consumers. This section firstly addresses the emergence of new generations and particularly the black middle class within the South African context. It also focuses on the influence urbanisation and increased heterogeneity of consumers on customer relationship dynamics.

3.6.1 Generations exhibit diverse consumer behaviour

Generational theory propounds that new generations of consumers emerge over time that differ from previous generations with respect to their values, norms, outlook on life and subsequent consumer behaviour (Schiffman, Kanuk & Hansen, 2008). In response, a marketer of services has to ensure that its marketing strategies are continually modified to keep these strategies relevant to its customers and build and retain relationships with customers from a targeted generation over time.

3.6.2 The black middle class is growing

South Africa has seen the emergence of a new affluent black middle class since the mid-1990s (TNS Research Surveys, 2006). These consumers are upwardly mobile and present an ever-growing share of the buying power amongst South African consumers (TNS Research Surveys, 2013). A marketer of services should pay special attention at tailoring services to their needs and to build relationship since this is a cohort who has unique ideals and priorities and which is growing fast (Naidu, 2008).

3.6.3 Increased differences between consumers

The South African market can by no means be considered as homogenous (Strydom, 2012). There are many different languages and cultures present in South Africa and these typically translate into differences in consumer behaviour. This fragmented market requires from a marketer of services to carefully consider whom to target and furthermore, how to tailor a service for the unique needs and wants of a particular segment in the market.

3.6.4 Migration of consumers to urban areas

The migration of people to cities is another force to consider (Ovanessooff & Purdy, 2011). People migrate to urban areas to find better lives, better paying jobs, improved infrastructure and housing. The resultant urbanisation creates opportunities for marketers of services since they now have access to consumers concentrated into smaller geographical areas with more buying power who exhibit needs and wants that accompany urban lifestyles.

Table 1 provides insights into the research findings related to demographic differences between consumers as uncovered in studies conducted within a South African context.

Table 1: Research findings related to demographic differences between consumers

Authors	Findings
Du Plessis and Petzer (2011b)	A study of NPOs uncovered significant associations between the respective generations and particular supporting behaviour
Petzer (2011)	Older consumers are significantly less willing to engage and accept marketing-related mobile messages than younger consumers
Petzer and De Meyer (2011)	Significant differences exist between generations with respect to their evaluations of service quality, their customer satisfaction and their behavioural intentions towards their cellphone network service provider
Vercueil, Petzer and De Meyer (2011)	In a study focussing on generation Y cell phone users, it was found that females are significantly less demanding than males when it comes to complaining behaviour
Petzer (2012b)	Consumers with different levels of education and genders hold significantly different beliefs towards advertising and advertising regulation
Petzer and Mostert (2012b)	Significant differences exist between consumers with respect to their overall attitude to complain based upon educational level, gender and how regularly the service is used in three different service industries

Changing consumer demographics influence the relationship between the marketer and consumer in a number of different ways. These developments require from the marketer of services to craft new and innovative marketing strategies to build and maintain relationships with the different generations, cohorts and groupings of consumers that the marketer of services wishes to target.

4 Managing a relationship with a customer in a service setting

Managing relationships with customers in a service environment firstly involves building and maintaining relationships with customers. In this section, relationship marketing, service quality, customer satisfaction, loyalty and customer retention are addressed. The connection between these constructs is also highlighted. The management of relationships secondly entails the restoring of relationships once service failures have occurred. This section therefore also addresses service failure, complaining behaviour and service recovery.

4.1 Building and maintaining a relationship with a customer

4.1.1 Relationship marketing

Relationship marketing involves the relationships, networks and interaction between the marketer of services and its different stakeholders (Godson, 2009). More specifically it involves the actions of a marketer of services to build a relationship with a customer by taking full advantage of the value a customer brings to a service business throughout his or her lifetime (Christopher, Payne & Ballantyne, 2002). According to Christopher *et al.* (2002), relationship marketing involves a number of activities that include establishing a unique value offer for the customer, pinpointing appropriate

market segments, devising ways to deliver the service, ensuring customers are satisfied, and focusing on retaining profitable customers. A cornerstone of building relationships with customers that will endure over the long-run is the delivery of quality services to customers.

4.1.2 Service quality

Service quality refers to a state where the expectations of a customer are unfailingly being met or exceeded (Lovelock & Wirtz, 2011). Customers typically evaluate service quality based upon five key dimension and they include, the tangible cues customers experience in and around the servicescape, the empathy service staff display towards customers, assurance service staff inspire in customers, responsiveness or willingness of service staff to assist customers, and the reliability of service staff when delivering a service (Kitapci, Dortyol, Yaman & Gulmez, 2013).

It is important for a marketer of a service business to manage service quality by managing customer expectations and ensuring realistic customer expectations are set and also met. The reason for this is that positive relationships have been proven to exist between service quality and customer satisfaction in a number of service industries (Shanka, 2012). Saunders and Petzer (2010) profess that marketers should not emphasise all the dimensions of service quality equally; they rather need to determine what customers value, especially during different stages of their relationship and by improving service quality, customer satisfaction is improved.

4.1.3 Customer satisfaction

Customer satisfaction is an outcome of an evaluation of a service experience by a customer in relation to what the customer expected before the service took place (Hughes *et al.*, 2012). In the event of exceeding a customer's expectations, the customer is typically delighted, when expectations are met, the customer experiences satisfaction and finally, when expectations are not met, the customer experiences dissatisfaction (Mostert, 2012). Shanka (2012) professes that by increasing customer satisfaction, marketers of services are able to increase loyalty.

4.1.4 Loyalty

Loyalty entails the extent to which a customer engages in repeat purchases, exhibits a positive attitude to the service business, and contemplates using the service business exclusively when the need arises (Gremler & Brown, 1996). A loyal customer returns to the service business, does not defect to competitors, and this leads to long-term profitability for the service business (Bove & Johnson, 2009). Loyal customers result in customer retention (Shanka, 2012).

A study conducted by Vercueil, Petzer and De Meyer (2011) amongst Generation Y cell phone users indicates that marketers can ensconce loyalty towards a cell phone network service provider with programmes that offer rewards such as airtime, SMS and data bundles at a reduced cost or even for free. Doing this could also prevent those who are predisposed to switch to competitors from doing so (Vercueil *et al.*, 2011).

4.1.5 Customer retention

Marketers of services constantly strive to retain customers since acquiring new customers has proven to be a much more costly exercise than retaining existing ones (Godson, 2009). A retained customer becomes more valuable over his or her lifetime since a customer typically increases the frequency with which services are made use of, and also tends to use other services that the service business offers (Godson, 2009). It is also important that a marketer of services measures customer retention rates as this provides the marketer with an indication of whether customers are remaining with the service business or whether they are defecting to another service business (Godson, 2009). In addition, Petzer, Steyn and Mostert (2009) found that marketers of services in the hotel industry in Gauteng consider all elements of customer retention important, but building relationships with customers and recovering from service failures are considered especially important in retaining customers.

4.2 Restoring a relationship with a customer

4.2.1 Service failure

With every interaction between a service provider and a customer, the customer gauges the service quality delivered; if it is below expectations, the customer is dissatisfied and a service failure occurs (Palmer, 2011). The service failure's severity hinges on the customer's perception of the service failure experienced, and how important the service was to the customer at the time the service failure occurred (Palmer, 2011). A service failure could have dire consequences for a service business since the relationship with a customer can be damaged or destroyed. Table 2 provides a number of suggestions of what marketers of services can do to address service failures when they occur within a South African service setting.

Table 2: Suggestions to deal with service failures

Authors	Findings
Vercueil, Petzer and De Meyer (2011), Mostert, Petzer and De Meyer (2012), Petzer and Mostert (2012c); De Meyer and Petzer (2012)	• Swiftly acknowledge a service failure that has occurred and keep a response ready • Correct a service failure as soon as possible • Dealing with a service failure is not always costly; a simple deed can rectify the failure • Do not overlook negative word-of-mouth; it should be tracked and responded to • Determine the root causes of service failures • Be familiar with the expectations of customers before entering a new market and adjust service operations accordingly in order to pre-empt many service failures

4.2.2 Complaining behaviour

Many customers who have experienced a service failure do not take any complaining action, but often merely defect to competitors (Hansen, Wilke & Zaichowsky, 2010). Those who do complain typically complain to the service business, to a third party and/or spread negative word-of mouth (Wilson *et al.*, 2012). It is critical that marketers of services encourage customers to voice complaints directly to them instead of following any of the other avenues mentioned above (Lovelock & Wirtz, 2011). Doing this affords the marketer of services the opportunity to recover from the service failure (Chelminski & Coulter, 2011). It also limits potential damage to the reputation of the service business through the spread of negative word-of-mouth communication (Chelminski & Coulter, 2011). Table 3 provides a number of suggestions of how a marketer of services can deal with customers' complaining behaviour taking a South African context into account.

Table 3: Suggestions to deal with customers' complaining behaviour

Authors	Findings
Petzer and Mostert (2011a); Petzer and Mostert (2011b); Vercueil, Petzer and De Meyer (2011); Petzer and Mostert (2012a); Petzer and Mostert (2012b); Petzer and Mostert (2012c)	• Be familiar with the customers who are most likely to complain and develop a demographic profile of them • Engage in regular communication with customers to uncover possible service-related problems • Ensure several convenient and suitable channels are in place to allow customers to complain • Put proper complaint procedures in place and communicate this to customers • Conduct a thorough analysis of the complaints the service business receives from customers • From this analysis, determine whether complaints are from one-off or loyal customers as this will play a role in service recovery • Know customers' attitude towards complaining since it allows the marketer of services to design suitable strategies to encourage customers to complain • Ensure frontline staff are approachable at all times • Train frontline staff to deal with complaints

4.2.3 Service recovery

It is critical that effective service recovery is instituted through a well-planned, proactive approach where employees are trained and empowered to put strategies in place to recover from service failures (Lovelock & Wirtz, 2011). It is important to ensure that a service recovery strategy which the customer deems suitable is implemented (Lovelock & Wirtz, 2011), since it presents an additional opportunity to meet customer expectations (Boshoff, 2007). According to Anupam, Dangayach and Rakesh (2011) a marketer of services should admit to a service failure, explain what went wrong, apologise and provide reparation to the affected customer. A marketer of services can also offer a service guarantee as a way of dealing with service failures (Lovelock & Wirtz, 2011). Furthermore, a service failure that is correctly handled may lead to an increase in customer satisfaction, customer loyalty and could even lead to the generation of positive word-of-mouth by the affected customer (Wilson *et al.*, 2012). A service failure that is appropriately handled will lead to a sense of perceived justice for the customer (De Meyer, Petzer, Svavi & Svensson, 2012). A service failure that is not correctly handled may lead to a decrease in customer satisfaction, a decrease in customer loyalty, the spread of damaging word-of-mouth and in many instances the defection of the affected customer (Wilson *et al.*, 2012). Table 4 provides a number of suggestions suitable for service recovery within a South African service environment.

Table 4: Suggestions to deal with service recovery

Authors	Findings
Vercueil, Petzer and De Meyer (2011); De Meyer and Petzer (2012); Petzer and Mostert (2012a)	• Offer a service guarantee to customers in order to inform customers how the marketer will deal with a service failure even before a service failure has taken place • Focus first on loyal customers when implementing service recovery strategies • Do not follow a generic approach when implementing service recovery strategies; • Determine the service recovery strategies customers really prefer through marketing research • Select a suitable service recovery strategy from a range of different service recovery strategies that have been documented in literature • The approach to service recovery should be well planned with trained and empowered employees

5 Conclusion

Based on the discussion above, it can be concluded that marketers of services who want to successfully manage relationships with customers over time in an ever-changing landscape, should ensure that they respond rapidly to marketing environment changes and they keep up or even anticipate dynamic customer expectations. Due to government and industry self-regulation it is

important for marketers of services to play within the rules of the game when managing relationships with customers.

It should also be remembered that technology will become ever more important in managing relationships with customers. Marketers of services should, however, carefully select technology that is appropriate for managing these relationships. Managing relationships is furthermore not only important in the profit sector, but building relationships with donors and potential supporters has become increasingly important for NPOs as well.

In attempting to build relationships with customers, it is important to offer solutions and not only services. These solutions should also be simple and not complicate the lives of customers even more. Offering value is an important motivator in building and maintaining relationships with customers. Finally, marketers of services should guard and restore relationships with loyal customers whenever possible.

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