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# The Journal of Business and Retail Management Research

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# Determining which metrics matter in social media marketing

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## Keywords

Social Media Marketing, Social Media Metrics, Social Media Strategy

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## Abstract

*This article surveys the available academic literature on using the proper metrics to measure the effectiveness of a social media marketing campaign. The academic literature is sadly outdated and incomplete when compared to the trade literature. There is no consensus on which metrics matter, but research points to the importance of developing social media objectives at the very beginning of the process. This lays the foundation for choosing a platform with the target audience in mind and then analysing the metrics that measure whether those objectives were ultimately achieved. This paper first compares the metrics offered for each of the five most commonly used social media platforms. A conceptual framework is then proposed to determine which metrics to use in evaluating the effectiveness of a social media campaign. This proposed four-step process must begin at the same place a social media campaign must start, by determining the campaign's marketing objectives. Only then can the proper metrics be determined.*

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## Introduction

Social media is available for all businesses, large and small, to promote their products and create brand awareness. It is beneficial for small business owners who do not have the capital to promote their business using traditional media. Developing a social media marketing strategy is easy to implement and financially accessible to small businesses or startups. While implementing such a strategy may be easy, the challenge is in doing it effectively. This is where analytic tools can help but can also hinder an understanding of the effectiveness of a marketing campaign if the suitable measures are not being considered. Since small businesses typically have limited resources, the goal is to use these resources as effectively as possible (Abubakar, 2011, pp. 45-59). To achieve this goal, small businesses can use social media more cost-effectively than traditional media (Kaplan & Haenlein, 2010, pp. 59-68).

Analytics software has progressed to deliver a wide assortment of analytics, but not all of those are useful, and some are only useful in a specific context. The purpose of this paper is to provide a conceptual framework for determining which key metrics small business owners should focus on. The metrics used by B2B are in some cases different from those used in B2C marketing. Likewise, social media analytics differ from web marketing analytics. This paper will focus on B2C social media marketing and can be applied to B2B and website marketing as well.

## Literature Review

The challenge was to find recent studies measuring the effectiveness of social media marketing consistently. Many of the scholarly articles cited in recent publications are studies done in the early days of social media marketing. Some of these studies cited are from the early 2000s. Worse yet, a review of the literature found no cohesive structure for measuring the effectiveness of a social media campaign. There was wide divergence on which measures to use as well as the definition of those metrics. Uyar et al. (2018) used three metrics to measure the relationship between social media usage and a Turkish firm's value: establishing a social media account, the breadth of social media engagement, and the depth of that engagement. Another study by Alhaimer (2019) used the subjective responses from 160 managers and their perceived usefulness for social media as a marketing tool for Kuwaiti firms. The study concluded

that there is no clarity on how managers measure return on investment (R.O.I.) when using social media. Omolloh (2020) used a qualitative case study approach to examine the perceptions of 23 marketing managers about the effective use of social media. All of these studies cited articles from at least a decade ago as the underpinnings for their study, in the world of social media that might as well be from a century ago.

One metric that business owners often mention to highlight the effectiveness of their social media presence is the number of followers a Facebook page has. A study by Dholakia and Durham (2010) found that Facebook followers for a café they studied visited the café more often than the customer who was not Facebook followers. Many recent articles cited this study, but Facebook in 2010 is not the same as Facebook in 2021. Moreover, consumers have matured in their Usage of social media so that the way they use Facebook today is not the same as it was a decade ago. The number of followers on Facebook in the year 2021 most likely does not mean the same thing it did when the study was written and is not necessarily measuring the same level of customer engagement as it did in 2010. Osokin (2019) measured engagement using three metrics from Facebook; likes, shares and comments. A sample of 2450 posts by football associations was used to identify which posts were most effective. These metrics were then used to determine which design elements were most helpful for a post to generate engagement. Lai (2020) found that while the number of likes a post helped build content likeability, user engagement was also meaningful. This highlights the inconsistencies found in a review of the literature. While one researcher, Osokin, measures engagement by the number of likes, Lai distinguishes between the two and explains that engagement is more critical than likes. They are not using the exact definition of engagement, although engagement is a critical metric in determining effectiveness.

The term "engagement" often appears as a metric for measuring the effectiveness of social media marketing. Lee et al. (2018) measure consumer engagement by the number of likes and comments. Bai et al. (2020) measures engagement through the number of retweets, comments and likes and found that the content of social media marketing is what drives consumer engagement. This disparity in measuring engagement also relates to the platform being used. As shown in Figure 1, Facebook engagement is currently measured using likes, comments, shares, and clicks on posts. Twitter uses retweets, favourites, and mentions. Pinterest measures engagement with pins, repins, top pins, top boards, and clicks. Instagram measures engagement in terms of posts, followers, views, and comments. Since the language and measurements differ between platforms, coming up with a standard definition for "engagement" may not be possible. YouTube is another platform with its language using channel subscribers instead of followers, views, comments, and community tabs and playlists.

Figure 1 was constructed by the author to illustrate the five most used social media platforms consumers visit and the metrics that can be obtained from each. LinkedIn is not included here since it is targeted towards professionals and therefore considered B2B primarily. Figure 1 is not meant to be a comprehensive list but rather to illustrate the various language and metrics used across the platforms. It is also a template that can be used by small business owners when evaluating the platforms to use for social media marketing. The options on each platform have changed over the years, and there is no guarantee that they are the same today as they were when this was written, but the platforms do have fundamental differences between them. They also differ in terms of the users' demographic profile, which should be weighed when matching the target market with the platform.

Facebook	Twitter	Instagram	Pinterest	YouTube
<ul style="list-style-type: none"> <li>• Engagement: likes, comments, shares, clicks, views</li> <li>• Followers</li> <li>• Reach</li> <li>• Impressions</li> <li>• Traffic Sources</li> <li>• Page Likes</li> <li>• Video Retention</li> <li>• ad CTR</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement: tweets, impressions, clicks, retweets, mentions</li> <li>likes, comments, replied</li> <li>• Followers</li> <li>• branded hashtag performance</li> <li>• clicks on links</li> <li>• Favorites your page</li> <li>• Links back to you</li> <li>• Video Completion Rate</li> </ul>	<ul style="list-style-type: none"> <li>• Engagements: Likes, shares, comments, saves, mentions</li> <li>• Followers</li> <li>• Reach</li> <li>• Most engaged hashtags</li> <li>• Referral traffic</li> <li>• Instagram Stories metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Engagements: likes, views, comments, shares, repins</li> <li>• Followers</li> <li>• Following</li> <li>• Monthly Viewers</li> <li>• Impressions</li> <li>• Closeups</li> <li>• Clicks</li> <li>• Top Pins</li> <li>• Top Boards</li> <li>• All-time stats</li> </ul>	<ul style="list-style-type: none"> <li>• Engagements: Likes, dislikes, comments, shares</li> <li>• Subscribers</li> <li>• Traffic sources</li> <li>• impressions</li> <li>• click through rate</li> <li>• video retention</li> <li>• playlist stats</li> <li>• watch time</li> <li>• card clicks</li> </ul>

Figure1: Sample Language for Five Major Social Media Platforms (derived from each platform's website)  
Methodology

The proposed framework in this paper is conceptual. After an in-depth literature review and an analysis of the five major social media platforms, the author presents a four-step process for measuring the effectiveness of a social media campaign. This conceptual framework is a reference for social media planners to determine if their past campaigns were effective.

### Proposed Framework

After reviewing the literature, it is apparent that the lowest level of engagement measured is the number of views a post, a pin, or a video has, depending on the platform. This is different from the metric of impressions: the number of times the post appears in a user's feed. A view requires the viewer to actively click on a thumbnail or link to see the content. There are various levels of engagement after viewing the content; arguably the next level would be to like, share, repost, retweet or repin the content. Each successive level of engagement requires more effort, both physically and emotionally, representing a higher level of engagement. An even higher level of engagement would be to comment. Taking the time to write something about the content shows a deeper effort both physically and emotionally. A successively higher level of commitment would be to subscribe or follow; this cements the relationship between the two parties for a longer-lasting relationship. This level can be achieved without commenting or liking but usually occurs after viewing the content. On some platforms, the followers or subscribers are public so that other users can see who a follower or subscriber is.

Although an important metric, engagement is not sufficient for understanding the effectiveness of a social media strategy. To be effective, there must also be conversions, where the arrangement is translated into some action. The action can be buying a product, donating money or signing up for a newsletter. It does not matter what the step is but rather how many of the viewers can be converted to that action. Measuring that conversion rate will point to the success or failure of a campaign.

After a disappointing review of the academic literature, a quick survey of the trade literature shows that many more articles that are relevant were written about using social media metrics and which metrics mattered the most. Before considering which metrics should be measured, the consensus is to establish marketing objectives and to develop a strategic plan to meet those objectives Geier(2020). Heberger (2020) suggests that to measure the success of a social media campaign, a company should measure key performance indicators, or KPI's, which correlate closely with the company's marketing objectives. Therefore, to determine which metrics matter, a company first needs to establish its marketing objectives.

### The Metrics that Matters Most

To determine the key metrics small business owners should use to measure the effectiveness of their social media marketing, and it is useful to first discuss the objectives of using social media. In an analysis of using social media in sports marketing, Newman et al. (2013) found these objectives included generating awareness and exposure, enhancing customer service, driving website traffic, improving research and feedback, and generating leads/sales. It can be argued that these same objectives hold true for any B2C business although it is up to the individual business to determine what their objectives are.

Once the objectives are understood, the next step is implementing a social media strategy to meet those objectives. That strategy includes which platforms to use (Facebook, Twitter, Instagram, Pinterest, etc.) and the content that will be uploaded.

Perhaps it is so difficult to find a definitive answer about which metrics matter most because it is not a one size fits all scenario, even when we are focusing on just small businesses. The foundation to defining which social media metrics to use to determine the marketing objectives is where a social media campaign must begin. Marketing objectives differ from company to company, but some typical objectives are to: increase brand awareness, generate leads, increase sales, improve customer service, enhance public relations and create suggestions from consumers.

### Conclusion and Recommendations

Once the marketing objectives have been determined, the next step is to decide which social media platform(s) to use (keeping in mind the target audience) and to develop appropriate content. The content is then created and uploaded, and afterwards the company can look back at the metrics to see if those objectives have been met. Figure 2 illustrates the conceptual framework that follows this four-step process.

If the objective is to create brand awareness, then a proper metric would be to track the change in followers, likes, retweets, shares, etc. If the objective is to generate leads, then the appropriate metric would be to track the shift in leads. A sales objective can be followed in multiple ways, for example, the change in sales. Other metrics would be increased web traffic to the company's web site and click through rates from the post to any links in the post and follow-ups on any calls to action (C.T.A.'s).

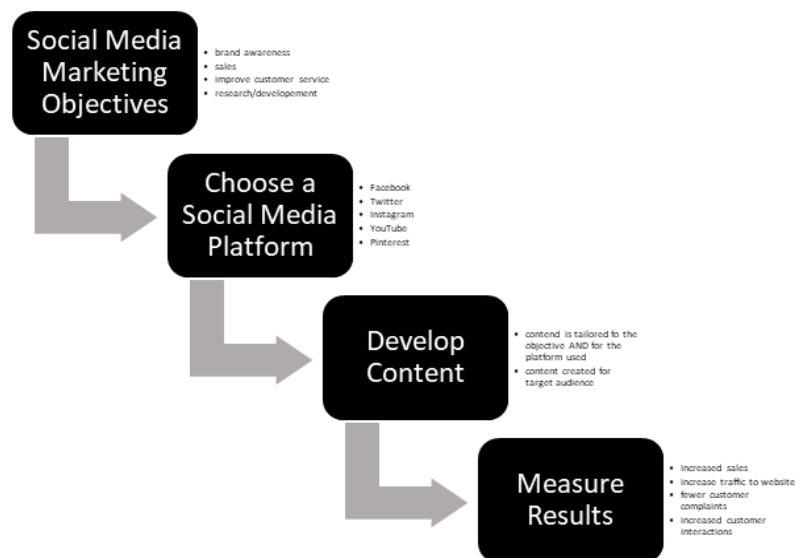


Figure 2: Proposed Process for Evaluating the Effectiveness of a Social Media Campaign

The process for evaluating the effectiveness of a social media campaign must establish the campaign's objectives. Then, with the target market/audience in mind, the proper platform(s) can be chosen, and the appropriate content created. Only then can the metrics be measured, and the metrics that matter are the ones that measure if the objectives were attained. Determining which metrics matter most only happens after the entire process is complete. The nature of social media allows multiple metrics to be tracked continuously, even before its determined which metrics are most relevant. Engagement can be measured in many ways, and it is an important metric, but the most important metric is the one that determines if the objectives were met. The end of the process is therefore determined at the beginning, with establishing the marketing objectives.

### Limitations and Direction for Future Research

The focus of this paper limited to B2C social media marketing. LinkedIn is not addressed in this paper as it is targeted more to the B2B realm. There needs to be more current research in social media marketing that is published in scholarly journals, not just in trade journals. The proposed framework in this paper is a starting point for a discussion on measuring metrics and determining the effectiveness of a social media marketing campaign. Further research needs to be conducted on how to measure engagement and how engagement translates into meeting the marketer's objectives.

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# Leadership influence on the relationship between communication satisfaction and job satisfaction in computer-mediated communication environments

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## Keywords

Computer-mediated communication; leadership; job satisfaction; communication satisfaction, level 5 leadership.

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## Abstract

*The growth of computer-mediated communication (CMC) has influenced the communication process channels and the possible effects of the interaction between job satisfaction, communication satisfaction, and leadership. The aim of the current research is to test how transactional, transformational, and level 5 leadership styles influence the relationship between communication satisfaction and job satisfaction in CMC environments. The sample included 103 participants from Colombian small and medium-sized enterprises (SMEs) in the tertiary sector. Cronbach's alpha coefficient, SPSS was used to determine the relationships between variables and test the moderating effects. Results show that 65.4% of organisational communication is performed via the Internet. Findings also demonstrate that level 5 leadership is the only style that influences the relationship. Results also indicate that the influence of level 5 leadership increases the relationship between communication satisfaction and job satisfaction.*

*Implications are particularly relevant during the current global COVID19 pandemic when people have been required to move to a virtual work environment. In this scenario, the findings are valuable for scholars and managers as contributions for literature, research, evaluation, decision-making, and policy creation that help to understand and improve communication satisfaction, job satisfaction, and leadership practices in CMC environments. Outcomes offer new insights in the literature about leadership styles on SMEs in CMC environments. Level 5 is a recent leadership approach which has not been widely studied by researchers and scholars. The moderating effect of level 5 in relation to transactional and transformational leadership styles is an important theoretical input for literature.*

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## 1. Introduction

The expansion of internet networks, together with the increase in the use of mobile communication devices and the rise in interactions through computed-mediated communication, has changed the way people share information. On this issue, Derks, D. and Bakker, A. (2010), agree that computer-mediated communication (CMC) has turned to be a common exercise in work life, and a preferred channel of communication by employees (Stevens, *et al.*, 2000). Eurofound and the International Labour Office (2017) asserted that the new information and communications technologies (ICT) have changed people's lives and work environment dramatically in the 21st century.

The incorporation of ICT technologies in organisations has increased over the last 50 years. The development of new applications has shown benefits that are evidenced in restructuring processes inside and outside the organisation, improvements in the quality of products, support for innovation, and improvement of salary quotas. It is also expected an increase in new technology developed by the industries, and the subsequent extensive offer of possibilities and solutions it may provide (Bresnahan and Yin, 2017).

The growth in the supply and use of Internet-based applications have led organisations to identify what social networks to use according to their characteristics; for example, a study carried out in 317 organisations found that if the purpose is communication with their clients, organisations recourse to the use of an application. When Pursuing visualisation, virtualisation, or collaboration functions, they use multiple social media applications (Go and You, 2016). The use of different social network applications helps to enhance organisational purposes, allows leaders to understand their uses more clearly, and increases organisational benefits. As shown in a study carried out in 567 Malaysian organisations, firms benefit from the use of social networks in different ways: possible pressures for competitors, two-way communication with the public that could help to gain new customers quickly, positive impact on organisations that may cause a cost reduction, customer relation enhancement, and improvement of information accessibility (Tajudeen, et al., 2018).

In addition, when referring to accurate sense of communication, current research supports an increase in the study of internet-based communication and its relationship with organisations for different purposes and with different tools. After analysing 6678 tweets, a study conducted in profit and non-profit organisations found that dialogic organisational communication impacted the relationship with customers. It means that a direct communication among the organisation and the customer influences the customer's engagement (Wang and Yang, 2020).

On the other hand, new technology greatly affects the existing organisational environment and influences the networks of the communication process. Although the positive relationship between the manager's communication satisfaction and job satisfaction is statistically demonstrated, electronic communication has had a negative effect on employees (Stich, et al., 2017), (Stich, et al., 2018). Internet-based technology in organisations has become a technical resource to increase the likelihood of communication, but it may also be inconvenient due to an increase in workload and unexpected and continuous commands, as well as the ambiguity, inaccuracy, and irrelevancy of task instructions, together with a huge number of daily emails employees must reply (Robbins and Judge, 2019), making employees work even during their time off (Barley, et al., 2011).

Finally, the increasing use and effect of ICT on job satisfaction poses enormous challenges for modern leaders to effectively convey orders, suggestions, and ideas.

## **2. Literature Review**

### **2.1. Job satisfaction**

Finding a single definition of job satisfaction is not an easy task because of the taxonomic impact from different areas and literature approach. To a large degree, one of the causes of complexity responds to the fusion of positions from the multidisciplinary theoretical intervention about determinants affecting job satisfaction, as shown in the following studies, e.g. (Lakhani, 1989; Clark and Oswald, 1996). The situation widely displays the spectrum of significance that strengthens literature but hinders theoretical framework delimitations to obtain a precise definition of the phenomenon. Schaffer (1953) agrees that employee's job satisfaction or dissatisfaction in the work environment is related to the same psychological mechanisms that causes them within and outside work; therefore, job satisfaction is the possibility of individual's needs, that can be satisfied in the work environment, to be truly satisfied. He also contemplates dissatisfaction as a state of tension to reach those needs, or the perception about the degree of tension to use the opportunities to achieve that satisfaction. In other words, job satisfaction is the perception that work fulfils important values of work, or allows the fulfilment (Locke, 1976). Paul Spector agrees on the duality of the concepts of satisfaction and dissatisfaction for the understanding of the phenomenon. He explains job satisfaction as "the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs" (Spector, 1997).

### **2.2. Leadership: From transactional and transformational to level 5 leadership**

Leadership is an individual or social process deliberately exercised by one person over others to perform organisational and relational activities in a group (Yukl, 2013). This influential act leads to real changes to echo a mutual aim (Rost, 1993). To understand the socio-political context, Burns managed to establish the basic conceptual differences between transactional and transformational leaderships (Burns, 1978). Bass interprets the transactional leadership no longer as an exchange of mutual benefits between

the leader and the follower, but as a delimitation of awards and punishments to generate results from managerial tasks. He suggests that the function of the transactional leader is limited to making the followers perform tasks, preserving their performance, and seeking solutions to possible conflicts (Bass, 1985). He assumes that rewards and punishments are tightly related to the adequacy of the follower's performance; on the other hand, real transformational leaders manage to inject a dose of motivation to followers so that they reach goals beyond what they could have ever imagined, accompanying the process of empowering followers for satisfaction and commitment; thus, followers may overcome their individual needs and develop potential levels of leadership as well (Bass and Riggio, 2006; Bass and Avolio, 1990; Bass, 1990, 1985). Mixing motivating and managerial features, level 5 leadership emerged. The identification of characteristics of level 5 leaders resulted of a study conducted between 1996 and 2000 by a group of 220 researchers led by Collins, (2001). On a sample of 1435 companies from all fields of industry and of all sizes, for 30 years (1965 to 1995), researchers identified the most successful organisations that turned from being good companies to positioning as excellent and enduring in the market. Researchers applied mixed techniques to collect data that included interviews, analysis of internal reports and analysis of the company, analysis of financial indicators, information on executive turnover, and behaviour of the firms' actions.

The empirical findings showed some unique characteristics of an unknown style of leadership that they called level 5 leadership; subsequently, researchers established a 5-level hierarchical table. At the top level, they located leaders who were able to lead organisations to excellence and endure the excellence over time. Collins classifies leaders as ambitious. From this perspective, "ambitious" does not represent greed and selfishness, but an ambition that translates into a collective purpose for the common good of the organisation, an ambition that results from the blending of three main behaviours: fanatical discipline, empirical creativity, and productive paranoia (Collins and Hansen, 2011). For researchers, the key to level 5 leaders' success lies in an equation expressed by the duality of humility and will (Humility + Will = level 5).

### **2.3. Communication Satisfaction and disruption of computer-mediated communication**

For Redding (1978), employees perceive a positive or negative communication satisfaction when they are in contact with their leaders, customers, and colleagues in the entire working environment. He describes the communication satisfaction as a general degree of satisfaction related to the employee's perception over the whole communication atmosphere. Thayer (1968) argues that communication satisfaction emerges out of a successful communication fulfilment. Regarding work environment, Putti, Aryee, and Phua (1990), agree on suggesting that communication satisfaction is the "available information that fulfils the individual's requests for information pertaining to the task-role or for simply being about organisational activities". The idea is reinforced by Steele and Plenty (2015), who define employee communication satisfaction as communication that satisfactorily fulfils tasks and meets relational needs of employees at work. Downs and Hazen (1977) also state that communication satisfaction is a multidimensional construct related to job satisfaction; as a result, researchers claim that the communication satisfaction construct is composed of 7 dimensions, namely: satisfaction with communication climate, satisfaction with supervisors, satisfaction with organisational integration, satisfaction with media quality, satisfaction with informal horizontal communication, satisfaction with general organisational perspective, and satisfaction with communication with subordinates (Downs and Hazen, 1977).

The disruption of computer-mediated communication takes place through all kinds of electronic media that people use to exchange, individually or in groups, synchronous or asynchronous messages (Martins and Ferro, 2008). The use of Internet-based communication is considered a true and undeniable useful resource (Stanko and Sena, 2019), that may affect all industries and motivate researchers to focus on investigating the effects that computer mediated technology use, or disuse, have on communication satisfaction (Siljanovska, 2015; Lalic, et al., 2012).

Evidence of the relationship between leadership, communication satisfaction, and job satisfaction have resulted from different studies.

A study testing the moderation effect of Confucian work dynamism on the relationship between communication satisfaction and job satisfaction, conducted on 408 full time employees from 53 five-star



hotels in Hainan both domestic and franchised international hotels, showed a significant relationship between communication satisfaction and job satisfaction. The moderating effect of Confucian work dynamism on the relationship was weak (Hua and Omar, 2016). Research to identify the factors influencing job satisfaction, carried out on 145 ICU nurses from 2 Korean hospitals, found a significant correlation between job satisfaction and communication satisfaction. The study also concluded the impact communication satisfaction had on job satisfaction for participants working at a surgery ICU and dissatisfaction on employees working with nursing (Park and Lee, 2018). One more study conducted at the healthcare sector on a sample of 303 intensive care nurses from three different hospitals in Belgium, aiming at understanding the relationship between communication and job satisfaction and the relationship with intention to leave, evidenced a moderate relationship between all dimensions of communication satisfaction and job satisfaction. It also demonstrated high levels of communication and job satisfaction (Vermeir, et al., 2018). A study, conducted on 334 Indian managers from public and private sectors, aiming at determining the relationship between generational category and job satisfaction and satisfaction with organisational communication, showed a positive relationship between communication and job satisfaction, as well as a moderating effect of the generational category on the relationship between organisational communication and job satisfaction (Mehra and Nickerson, 2019).

Regarding the communication and job satisfaction relationship on Internet-based work environments, teleworking is defined as the use of ICT tools, namely, smartphones, tablets, laptops, and desktop computers to perform any job outside the employer's premises (Eurofound and the International Labour Office, 2017, p. 7). Teleworking is performed by utilizing ICT tools out of the employer's place (Belzunegui-Eraso and Erro-Garces, 2020). In this line, teleworking is partially performed on CMC. Smith, Patmos, and Pitts conducted a study on 384 full time American teleworkers, aiming at exploring how personality traits and communication channel satisfaction of e-mail, instant messaging, phone, and video communication could affect job satisfaction. Among the findings, researchers could find a strong correlation between job satisfaction and communication channel satisfaction for e-mail, instant messaging, phone, and video (Smith, et al., 2018).

Consequently, the following hypothesis is proposed:

*H1. Communication satisfaction has a positive and significant relationship with Job Satisfaction in CMC environments*

Studies have also tested the multivariable relationship between leadership, communication, and job satisfaction. A study conducted on 225 people from Turkish deposit banks showed that interactive leadership style and communication competency have a stronger relationship with job satisfaction (Çetin, et al., 2012). A study focused on gender side opportunities in organisations on 200 employees at Indonesian universities, aiming at understanding the relationship between leadership styles, communication skills, and employee satisfaction, revealed that either communication skills, or task and relationship-oriented leadership styles are especially influential in determining employees' satisfaction with communication relationships with leaders, and their satisfaction with work (Wikaningrum, et al., 2018). Research carried out on 826 non-managerial employees at an international airport from a Turkish Private Security Company in Turkey tested the mediation effect of transformational leadership and communication competence on job satisfaction by considering the mediating role of communication satisfaction. Findings showed that when analysing individually, communication satisfaction and transformational leadership demonstrated significant positive relationships with job satisfaction; also, the SEM model tested a partial mediation effect of transformational leadership on the relationship between communication satisfaction and job satisfaction (Ulutürk and Tayfun, 2019).

Nowadays, technological advances and its implementation demand new scenarios for researchers. The present study explores the influence of leadership styles as moderators on the relationship between communication satisfaction and job satisfaction in CMC environments. As the current study involves CMC and unexplored leadership styles with moderating effects in internet-based environments, no literature reviewed has been found; nevertheless, literature reviewed for the current study seems to support that leadership styles influence the relationship between communication satisfaction and job satisfaction. Then, the following hypotheses are proposed:

H2. Transactional leadership influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.

H3. Transformational leadership influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.

H4. Level 5 leadership influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.

Consequently, a research question is drawn:

What moderation effects do transactional, transformational, and level 5 leadership have on the relationship between communication satisfaction and job satisfaction in CMC environments?

In conclusion, the research allows the construction of a joint relationship of the variables to test the central hypothesis and understand if some contemporary leadership styles influence the relationship between communication satisfaction and job satisfaction. It also demonstrates how the relationship occurs, and which leadership styles impact it.

### 3. Research Methodology

#### 3.1. Sample

For the current study, the probability sampling technique was used, since it is a reliable technique to apply when highly precise information is required to understand a phenomenon (Malhotra, 2010, p. 359).

The selection of organisations was based on three basic characteristics:

- First, operating in the tertiary sector of the economy.
- Second, being small and medium-sized enterprises.
- Third, being in the same country.

After that, a proportional stratified sampling was designed to make sure divisions of the subgroups were accurate (Strata / Stratum) (Gay, et al., 2012, p. 133).

Each organisation represented a subgroup, subsequently, for each candidate to have an equal probability of selection to participate, the simple random sampling technique was utilized in every stratum. It guaranteed every participant to be selected independently from the other participants. It also guaranteed a reliable procedure of a proportional stratified sampling (Malhotra, 2010, p. 350); consequently, an equal representation in proportion for every stratum of the population was assured (Gay, et al., 2012, p. 133). The questionnaires were administered on 103 participants.

To select the participants and avoid self-selection bias, the author used alphabetical databases from the organisations. As the purpose of the study is to understand all the communication satisfaction environment, the researcher selected both leaders and followers as potential sampling candidates; finally, for each stratum, the software (CalculatorSoup, LLC, 2019) generated random numbers.

The questionnaires were later typed on Microsoft Excel and analysed on IBM SPSS Statistics 22.

#### 3.2. Questionnaires

Two criteria were followed to select the questionnaires: accurate theoretical approach related to the purpose of the study and consistent reliability measures.

Together with reliability tests from previous research, all questionnaires were measured during the current study; therefore, 5 questionnaires were utilised. At the beginning a series of socio-demographic questions were asked to participants. The socio-demographic section included questions related to the use of CMC tools and average use at the organisations. Job Satisfaction Survey instrument (JSS) (1985) was administered to measure job satisfaction. The 36-item JSS has been widely administered (Mesarosova, 2016), (Ofei-Doodoo, et al., 2018; Alharbi, et al., 2016; Malik and Yukun, 2019), and translated into several languages (Spector, 2018). The items were measured on a 6-point Likert-type scale ranging from 1 (Disagree very much) to 5 (Agree very much). The questionnaire had an original internal consistency reliability of .91. The current research tested a consistent Cronbach's Alpha coefficient of .87 (M=69.17; SD=12.09).

Communication satisfaction was measured by Communication Satisfaction Questionnaire developed by (Downs and Hazen, 1977). The instrument was designed on a Likert scale ranging from 1 (Very dissatisfied) to 7 (very satisfied). The original questionnaire consisted of 8 dimensions; however, as

the dimension relationship with subordinates was directed to participants who had people in charge, just a few questions were answered; therefore, the dimension was eliminated. Items number 36, 37, 38, 39, and 40 were removed. The final questionnaire for the current research consisted of 7 dimensions and 35 questions. Authors' original coefficient of reliability resulted in .94. The reliability test for the current research was .98 ( $M=179.78$ ;  $SD=40.55$ ).

For leadership, 2 questionnaires were administered.

MLQ 5X was used to measure transactional and transformational leadership styles, and L5LS instrument was administered to measure level 5 leadership.

45-item MLQ 5X has been widely used by researchers and scholars (Curtis, *et al.*, 2017; Choi, *et al.*, 2017; Yaghoubipour, *et al.*, 2013; Salter, *et al.*, 2010; López-Zafra, *et al.*, 2008). Previous research showed a reliability coefficient of .94. The questionnaire was designed on a Likert scale ranging from 0 (Not at all) to 4 (Frequently, if not always).

For the current research, just transactional and transformational leadership styles were analysed; consequently, section passive/avoidant leadership styles, consisted of factors Management -by-Exception (Passive) (Item numbers 3, 12, 17, 20) and Laissez-faire (Item numbers 5, 7, 28, 33) and the section other outcomes consisted of factors extra effort (Item numbers 39, 42, 44), satisfaction (Item numbers 38, 41), and effective (Item numbers 37, 40, 43, 45) were eliminated. The final questionnaire included 28 items. The current general Cronbach's Alpha was .94 ( $M=81.93$ ;  $DS=19.24$ ).

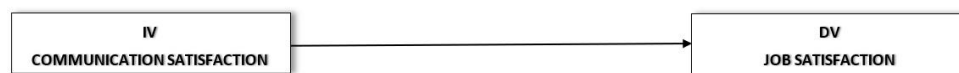
Level 5 leadership was measured by the 2-dimension L5LS instrument. The questionnaire was designed on a scale from 1 (The characteristic does not describe this person at all) to 10 (The characteristic describes him/her exactly). The 10-item questionnaire was originally assessed by testing dimensions separately. The Cronbach's alpha equalled .83 for personal humility and .83 for professional (Reid, *et al.*, 2014). For the current research, the coefficient of reliability resulted in .94 ( $M = 79.49$ ;  $SD = 18.02$ ). A reliability test was performed to the dimensions independently. Personal humility presented a Cronbach's Alpha of .92 ( $M = 38.33$ ;  $SD = 10.49$ ) and Professional Will tested a Cronbach's Alpha coefficient of .91 ( $M = 41.16$ ;  $SD = 8.52$ ).

For the translation of the questionnaires into Spanish, the forward-backward translation method was applied for all questionnaires. It is a method of translating scientific measurement questionnaires widely used (Guillemin, *et al.*, 1993; Yu, *et al.*, 2004; Tsang, *et al.*, 2017). The JSS questionnaire had a Spanish version suggested by the authors of the instrument. Conrado Marion-Landais carried out the questionnaire translation (Spector, 2018). It was later contrasted with the Spanish draft.

### 3.3. Procedure

To test the hypotheses a Pearson coefficient correlation analysis was performed; subsequently, the size of the effect of the independent variable on the dependent variable was determined.

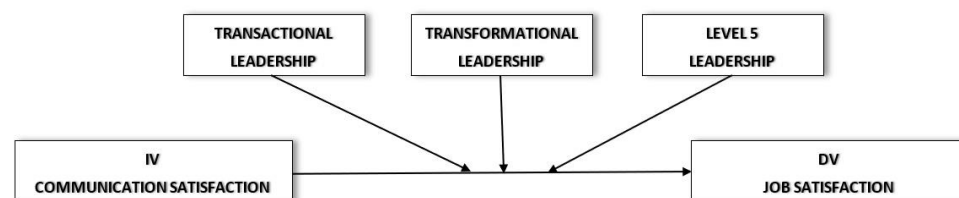
Figure 1. Model



Source: Author

Once the relationship and the effect size of communication satisfaction with job satisfaction was found, it was tested if the effect of this relationship could be influenced by the three leadership styles. Pearson's correlation coefficient was used; subsequently, a moderated multiple regression model was used.

Figure 2. Moderation model



Source: Author

The hypotheses were tested by using IBM SPSS Statistics 22; CODE: PROCESS version 3.4 (Hayes, 2018,2019).

#### 4. Results

##### 4.1. Sociodemographic data

Regarding the gender, out of the participants who answered the questionnaires (n=103), 46.6% of respondents (n=48) were male and 53.4% (n=55) were female. Job tenure ranged from 1 to 38 years (M=6.83, SD=7.0), and the time in charge of the same position ranged from 1 to 38 years (M= 4.90, SD=5.99). 49.5% (n=51) belong to the middle level at the chain of command in the organisation, 13.6 (n=14) to the top level, 10.7% (n=11) to the low level of command, and 26.2 % (n=27) do not belong to any level of command.

To this study, employees responded that they spent an average of 5.4 hours a day using the internet to carry out their work activities. They also said that 65.4% of the organisational communication was done through the CMCs. The information allows us to infer that ICTs have been sufficiently used by organisations. The fact that 65.4% of Internet-based communication channels are used for organisational communication is relevant information to understand that Internet-based channels is the predominant communication way in these organisations.

##### 4.2. Hypothesis Tests

H1. *Communication satisfaction has a positive and significant relationship with Job Satisfaction in CMC environments*

Table 1. Pearson's correlation coefficient

Variable		
JS	-	-
CS	.725**	-

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Author

Pearson's correlation coefficient shows that there is a strong and significant relationship between the dependent variable job satisfaction and the independent variable communication satisfaction  $r = .725$ ,  $p < 0.01$ . After that, the effect size and direction were determined.

Table 2. Coefficients H1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	68.121	8.141		8.368	.000
CS	16.178	1.546	.721	10.461	.000

a. Dependent Variable: JOB SATISFACTION

Source: Author

Both the constant coefficient (b=68.121, t=8.368) and the CS coefficient (b=16.178, t=10.461) are significant at  $p < .001$ . The coefficient of the independent variable (b=16.178,  $p < .001$ ) indicates a positive relationship between job satisfaction and communication satisfaction. It means that the level of job satisfaction is expected to increase 16.178 units when communication satisfaction increases by one; as a result, the hypothesis is not rejected.

Subsequently, the moderation effect of leadership styles on the relationship between communication satisfaction and job satisfaction was tested.

Table 3. Pearson's correlation coefficient moderation H

Variable	1	2	3	4	5
1. JS	-	-	-	-	-
2. CS	.721**	-	-	-	-
3. TRN	.391**	.596**	-	-	-
4. TRF	.537**	.690**	.796**	-	-
5. L5LS	.521**	.725**	.672**	.794**	-

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Author

Pearson's correlation indicated a significant and strong relationship between the criterion variable job satisfaction and the predictor variable communication satisfaction ( $r=.721, p<0.01$ ). Between the job satisfaction dependent variable and the transactional leadership moderating variable, a significant and moderate relationship has been demonstrated ( $r=.391, p<0.01$ ). A significant and moderate correlation was also observed between the dependent variable job satisfaction and the moderator variable transformational leadership ( $r=.537, p<0.01$ ). Pearson's coefficient indicated a significant and moderate correlation between the criterion variable job satisfaction and the moderator variable level 5 leadership ( $r=.521, p<0.01$ ).

*H2. Transactional leadership influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.*

Table 4. Model H2

Variable	coeff	se	t	p	LLCI	ULCI
constant	150.3129	2.0943	71.7713	.0000	146.1573	154.4685
CS	17.8400	2.1866	8.1590	.0000	13.5014	22.1786
TRN	-2.4581	3.2581	-.7545	.4524	-8.9229	4.0067
Int_1	1.9103	2.3057	.8285	.4094	-2.6647	6.4854

Product terms key: Int\_1: CS x TRN

Source: Author

The interaction term coefficient was not significant ( $b=1.91, t=0.829, 95\% \text{ CI. } [-2.6647, 6.4854], p>.05$ ). It means that the relationship between job satisfaction and communication satisfaction was not moderated by transactional leadership; as a result, the hypothesis was rejected.

*H3. Transformational leadership influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.*

Table 5. Model H3.

Variable	coeff	se	t	p	LLCI	ULCI
constant	150.9317	2.1870	69.0133	.0000	146.5922	155.2711
CS	15.2023	2.2876	6.6454	.0000	10.6631	19.7415
TRF	2.9159	3.6287	.8036	.4236	-4.2841	10.1160
Int_1	.5077	2.2500	.2256	.8220	-3.9568	4.9721

Product terms key: Int\_1: CS x TRF

Source: Author

The interaction term coefficient was not significant ( $b=0.508, t=0.226, 95\% \text{ CI. } [-3.9568, 4.9721], p>.05$ ). It means that the relationship between job satisfaction and communication satisfaction was not moderated by transformational leadership; as a result, the hypothesis was rejected.

*H4. Level 5 leadership influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.*

Table 6. Model H4

	coeff	se	t	p	LLCI	ULCI
constant	148.7497	2.0702	71.8530	.0000	144.6419	152.8574
CS	17.7114	2.3063	7.6794	.4107	13.1351	22.2877
L5LS	.7669	1.4682	.5223	.6026	-2.1464	3.6802
Int_1	1.6449	.7315	2.2488	.0267	.1935	3.0962

Product terms key: Int\_1: CS x L5LS

Source: Author

Test(s) of highest order unconditional interaction(s):

Table 7. Moderator

	R <sup>2</sup> -chng	F	df1	df2	p
X*W	.0233	5.0570	1.0000	99.0000	.0267

Focal predict: CS (X) Mod var: L5LS (W)

Source: Author

The relationship between the interaction term and the dependent variable (JS) was significant ( $b=1.645, t=2.249, 95\% \text{ CI } [.1935, 3.0962], p<.05$ ); also, when the moderator term was added, the change in  $r^2$  was significant ( $r^2=0.23, p< 0.05$ ). It indicates that the relationship between job satisfaction and communication satisfaction was moderated by level 5 leadership.

As a result, the hypothesis was supported.

#### 4.3. Conditional effects

Table 8. Descriptive Statistics H4

	N	Minimum	Maximum	Mean	Std. Deviation
CS	103	1	7	5.14	1.158
L5LS	103	1	10	7.95	1.801
Valid (listwise)	N 103				

Source: Author

Table 9. Conditional effects

L5LS	Effect	se	t	p	LLCI	ULCI
-2.0845	14.2825	2.3764	6.0102	.0000	9.5673	18.9978
.5515	18.6184	2.4516	7.5945	.0000	13.7540	23.4829
1.7875	20.6515	2.9565	6.9851	.0000	14.7851	26.5179

Source: Author

The table 14 contains the values of three regressions.

Regression 1: Regression of the relationship between job satisfaction (DV) and communication satisfaction (IV) when the relationship is influenced by the low value (-2.0845) of the level 5 leadership (Mod.).

Regression 2: Regression of the relationship between job satisfaction (DV) and communication satisfaction (IV) when the relationship is influenced by the moderate value (.5515) of level 5 leadership (Mod.).

Regression 3: Regression of the relationship between job satisfaction (DV) and communication satisfaction (IV) when the relationship is influenced by the high value (1.7875) of level 5 leadership (Mod.).

According to the data, the results are interpreted as follows:

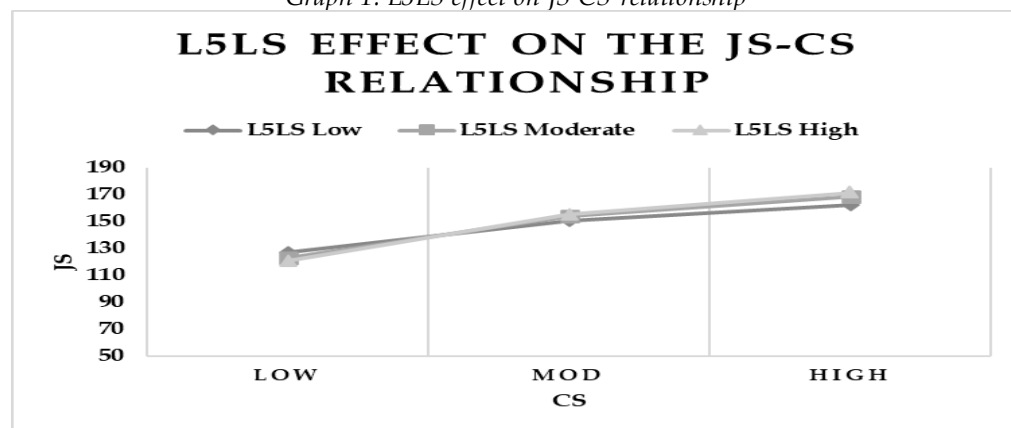
Regression 1: When the influence of L5LS was low, there was a significant positive relationship between job satisfaction and communication satisfaction  $b=14.283$ , 95% CI [9.5673, 18.9978],  $t=6.010$ ,  $p<.001$ .

Regression 2: When the influence of L5LS was moderate, there was a significant positive relationship between job satisfaction and communication satisfaction  $b=18.618$ , 95% CI [13.754, 23.483],  $t=7.595$ ,  $p<.001$ .

Regression 3: When the influence of L5LS was high, there was a significant positive relationship between job satisfaction and communication satisfaction  $b=20.652$ , 95% CI [14.785, 26.518],  $t=6.985$ ,  $p<.001$ .

Data for visualizing the conditional effect of the focal predictor (table 15) were used to make the plot:

Graph 1. L5LS effect on JS-CS relationship



Source: Author

The plot shows the significant influence of level 5 leadership on the relationship between job satisfaction and communication satisfaction.

The influence of level 5 leadership was significant at all values (low, moderate and high); nevertheless, when the value was high ( $b = 20.652$ , 95% CI [14.785, 26.518],  $t = 6.985$ ,  $p < .001$ ) the conditional effect of L5LS was higher than at low value ( $b=14.283$ , 95% CI [9.5673, 18.9978],  $t=6.010$ ,  $p<.001$ ) or at moderate value ( $b=18.618$ , 95% CI [13.754, 23.483],  $t=7.595$ ,  $p<.001$ ).

Therefore, the hypothesis H.c. was supported; level 5 leadership influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.

#### 4.4. Testing the research question

What moderation effects do transactional, transformational, and level 5 leadership have on the relationship between communication satisfaction and job satisfaction in CMC environments?

It was observed that transactional leadership ( $b=1.91$ ,  $t=0.829$ , 95% CI. [-2.6647, 6.4854],  $p > .05$ ) and transformational leadership ( $b=0.508$ ,  $t=0.226$ , 95% CI. [-3.9568, 4.9721],  $p > .05$ ) had no moderating effect on the relationship between communication satisfaction and job satisfaction.

On the contrary, level 5 leadership had a significant and positive moderating effect on the relationship. The higher the value of the moderator ( $b=20.652$ , 95% CI [14,785, 26,518],  $t=6,985$ ,  $p < .001$ ), the greater the effect on the job satisfaction and communication satisfaction relationship.

#### 5. Discussion

Results tested a positive relationship between communication satisfaction and job satisfaction. Results validate previous findings by (Hua and Omar, 2016; Park and Lee, 2018; Vermeir, *et al.*, 2018; Mehra and Nickerson, 2019). The current study is also in line with previous results that have found communication satisfaction to have a moderate effect on job satisfaction (Vermeir *et al.*, 2018). (Vermeir, *et al.*, 2018). From the Internet-based work environments, results validate the findings presented by (Smith, *et al.*, 2018) who found a strong relationship between communication and job satisfaction in CMC. Regarding the influence communication satisfaction has on job satisfaction, the results imply that the previous findings supporting the positive relationship between these two variables can be extended to SMEs using internet-based communication channels. It also allows to conclude that traditional organisational communication and communication based on the Internet have a similar impact when they are related to job satisfaction.

After finding the positive relationship between Internet-based communication and job satisfaction, Pearson's correlation coefficient analysis was used. The results showed a positive relationship between the criterion variable and the predictor variables; hence, the result validates previous findings (Çetin, *et al.*, 2012; Wikaningrum, *et al.*, 2018). This finding is conclusive, it demonstrates that when using both traditional communication and Internet-based communication, the relationships between communication satisfaction, job satisfaction, and the leadership styles are positive.

In the context of SMEs when leadership styles act as moderators of the relationship between job satisfaction and communication satisfaction, results demonstrated that transactional and transformational leadership styles have no effect on the relationship. It may occur because the current context of organisational communication is Internet-based, which could imply that SMEs should invest greater resources in employees and transactional and transformational leaders in training on modern high-tech resources.

On the contrary, regarding the results of the regression and the moderating effect, the findings tested that level 5 leader influences the relationship between communication satisfaction and employees' job satisfaction in CMC environments.

Consequently, an important insight in the literature is based in the fact that among the three leadership styles, level 5 is the only one affecting the relationship. It implies that the combination of professionalism and humility meets the modern demands to improve organisational tensions from the relationship between communication satisfaction and job satisfaction in internet-based communication environments.

Another unique finding proves that level 5 leadership impacts the relationship when the effect is low, medium, and high. The empirical exercise tested that when the effect is greater, the influence of leadership on the relationship between communication satisfaction and job satisfaction grows progressively higher than the low and moderate effects. It was also observed that the influence of level 5

leadership increased the relationship between communication satisfaction and job satisfaction. It indicates that the better the perception employees have of level 5 leaders, the greater the impact employees have on the relationship. It means that potential tensions in the relationship between communication satisfaction and job satisfaction in a CMC environment decreases when level 5 leadership intervenes.

Finally, the outcomes allow to answer the research question by concluding that transactional and transformational leadership styles do not have influence on the relationship. Again, level 5 leadership is the only style that affects the relationship between communication satisfaction and job satisfaction in CMC environments. The fact that Level 5 leadership positively influences the relationship is a sign that staff members from SMEs respond to motivational elements other than rewards or empowerment. In this way, the result of the equation between Humility + Will is the answer for employees to feel more satisfied when modern communicational interactions occur in the work environment.

## 6. Conclusions and managerial implication

The results show that there is a positive relationship between communication satisfaction and job satisfaction in CMC environments. This implies that there are flaws in the way organisations are using social media tools to guarantee correct organisational communication. It is suggested that organisational communication experts and CEOs establish interaction mechanisms with members of the organisation to constantly assess the weaknesses of the communication process and the use of CMC channels.

Likewise, findings from this study show that level 5 is the only leadership style that influences the relationship between communication satisfaction and job satisfaction. Level 5 leadership style shows characteristics that are summarized in professional will and humility. It is recommended that SME managers identify level 5 leaders in organisations and allow them to participate actively in the modelling of organisational communication processes, listen to staff members, and accompany followers in task performance.

Finally, the current study shed new light on the progressive growth of CMC and its connection to organisational communication. As CMC has become a necessary medium of communication that uses emails and network tools, CEOs and communication experts should consider communication strategies together with training for all members of the organisation on the use and implementation of social networks tools to achieve a better scope of organisational communication to tell directions and give feedback.

## 7. Direction for future research

The study of level 5 leadership is still very recent in the leadership field. After observing the results and its influence on the relationship between communication satisfaction and job satisfaction in CMC environments, it is recommended to perform a multidimensional study to analyse authority characteristics of level 5 leaders and the relationships they may have with the professional Will and Humility dimensions. It is also recommended to carry out a study involving organisations worldwide to compare the results with those obtained in this research.

## 8. Limitations

Regarding the job satisfaction questionnaire, the facet operation procedure had a low Cronbach's alpha coefficient (.460), as the design of the questionnaire suggests scoring the overall facets, it was followed the questionnaire constructor's recommendation to keep it.

Regarding the conceptual argument exposed by Collins (2001), level 5 leaders lead the firms from good to great and can be found in highly performing organisations. The current study was conducted in SMEs in Colombia, so it can be a limitation. It is also important to underscore that when referring to SMEs, the categorisation of a successful SME needs to be redefined, since in emerging economy environments the success of SMEs should not always be observed in terms of financial growing, but in the way they sufficiently struggle to compete and create jobs.

As the study was carried out in Colombia, cultural differences may affect the replication of the study in European countries, then it is a suggestion to analyse the local context before.

The study was conducted on SEMs from the service sector, applications in other sectors or enterprise size may generate different results.



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# Effect of value-added services on transactional behaviour

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## Keywords

Value Added Services, redemptions, utilisation, qualifying, customer base, South African banking industry

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## Abstract

*Traditional banking methods evolved and included services as a method of differentiation, reducing operating costs, and providing additional benefits to the customer. Banks re-invented themselves and provide innovative solutions to remain competitive. This research explores whether using value added services contributed to changes in transactional banking behaviour and was done in one of the largest banks in South Africa over a period of four months. Two banking products in the youth customer segment were selected. The control group received one treatment at the beginning of the four-month period, and the experimental group received a further three treatments at different times of each month. Two data sets (1) VAS usage and (2) bank transactions were analysed. The results showed that the intervention had a positive effect on transactional banking behaviour. Additional causative factors were identified that increased the usage of value-added services and increased transactional banking behaviour.*

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## 1. The Introduction

The research focused on Value Added Services, as a marketing tool used by banks with the objective of increasing banking products' usage by the targeted customer. Highlighting the collective names given to similar programmes such as loyalty and reward programmes, companies aimed to meet the consumers' needs and objectives and the company or brand's objectives, to increase usage of products and increase sales and profits. A distinction between two types of VASA where it was a prerequisite that a customer performed a specific behaviour, such as performing a transaction before qualifying to receive an incentive, and where an incentive is made available to the customer with no conditions or prerequisite behaviour attached, was drawn. Three aims of VAS programmes, being, programmes that disbursed rewards to customers merely for establishing a relationship with the bank (for example, opening a bank account), programmes that awarded points to customers, rewarding their transactional behaviour, and lastly product-specific rewards, were highlighted. These incentive-based programmes needed to become tailored to target specific customer segments and provide a variety of choices to customers, including personalised services and communication to customers (Perkins, 2018:74). It is against this backdrop that the research focused on VAS as it relates to the transactional behaviour of a specific customer segment, the youth customer. Through research literature on incentive-based programmes and young customers, and quantitative data analysis of the research experiment case study, the study aimed to determine whether VAS had an impact on transactional banking.

## 2. Literature Review

Rewarding or enticing the customers using something that appeals to them, is a widely used strategy to drive usage and encourage brand loyalty that has been practised among a number of disciplines and industries (Nevskaya & Albuquerque, 2019:380). Different names have been used to describe these programmes and all have different objectives. The most common names that are used are loyalty and reward programmes. Chaudhuri et al. (2019:640) describe it as a "marketing investment designed to foster behavioural loyalty, and enhance services, in the form of non-core services". These

programmes are also referred to as “servitisation” which is the “bundling of products with related services” (Zhang et al., 2015:26).

### **2.1 Bank Z as a VAS provider case study experiment**

Bank Z, one of the largest banks in South Africa providing financial products and services, was used for the research study. The study focused on Bank Z’s product Y and Students, a bank account targeting customers under the age of 18, and students registered at an institution of higher learning, respectively. The rationale for choosing the youth customer was driven by data analytics from Bank Z’s data warehouse extracted by De Jager (2015), which showed that the average income of a customer joining the bank before the age of 20 brings in three times the average income of a customer that joins the bank after the age of 20. Furthermore, price sensitivity was a motivation for choosing these specific products as the banks did not charge monthly fees for these products. The VAS offered by Bank Z included discount vouchers at popular retailers and given that these are not banking products, they were provided by a third party.

### **2.2 Summary of the literature**

Literature shows limited sources and research on VAS specifically, and a significant number of sources and studies were only conducted on other incentive-based programmes. Given the similarities between VAS and these programmes, the recommendations in the literature reviewed were practically applied to VAS. The studies highlighted the characteristics of successful programmes which included a simple construct that is easily understood by the customer, a personalisation, low running costs, a high usage, high customer value, acquisition, and retention (Nastassoiu & Vandenbosch, 2019:208; Perkins, 2018:75). In measuring programme success, Chaudhuri et al. (2019:640) showed a correlation between the introduction of a loyalty programmes and an increase in sales and gross profits (albeit as a short-term benefit) within the first year of such an intervention.

The most relevant to this particular study was repeated usage of the product, measured by customers’ increased motivation to pay for a product, repetitive purchasing behaviour, increased usage and consumption, and willingness to refer other customers to use the products (Watson et al., 2015:791). The study also discussed literature recommendations for promoting usage. For instance, a recommendation by Bazargan et al. (2017:353) and Nevskaya and Albuquerque (2019:379) included explicit instructions on how to reach the next level, creating scarcity by setting an expiry date to the redemption of the incentive (for example, vouchers) as a measure to avoid devaluating the value of the rewards. These methods seem to be particularly useful to the young customer (Buszko et al., 2019:156; Wijland et al., 2016:56). Another recommendation made included scarcity messaging such as “available for a limited time only” or “on sale now, subject to availability” to promote purchases. Literature also encourages the aspect of allowing customers flexibility when it comes to methods of redemption (for example cash points) and variety of vouchers being offered to customers as a way of encouraging usage (Dorotic et al., 2014:340).

Creating value for both the customer and the firm, should be a key objective of banks (Nevskaya & Albuquerque, 2019:398). The research discussed studies on customer perceptions of VAS in the banking sector, where findings recommended that banks should provide a network of services that are technologically advanced, accessible on mobile phones, and are targeting a specific customer segment as a way of enhancing the bank’s offering (Mahalakshmi & Saravanaraj, 2013:2845). The research further highlighted the importance of understanding the customer when developing products and services that would attract the customer and promote repeated use of the products and services (Roberts-Lombard & Paramasur, 2015:2). The need for banks to focus on what is relevant to the youth customer at this stage of their lives, the necessity of designing solutions that meet those needs and communicating these solutions in simple, easily understood language was also emphasised in the research. In highlighting the need to understand the youth customer, the study focused on the youth banking aspects that were of relevance to the customer including the use of mobile phones, technology, and digitalisation (Salem et al., 2019:426). This customer segment is cited as having a proclivity for using banking mobile apps with a preference for functionalities like the ability to open multiple accounts, transfer between accounts, add personalised

images, and at the same providing convenience (Wijland et al., 2016:56). Furthermore, the use of the branch was unflavoured and inconvenient (Chan et al., 2017:282).

Another key aspect further discussed was the customers' social environment, specifically highlighting the fact that the people closest to them influenced usage decisions (Hefner et al., 2019:82). The literature postulated the differences in age of young people and the contrasting influence that the young customer has on convincing a parent to make a purchase, and how organisations can use this to their advantage. This implicated a rebellious influence among teenagers and children, pestering the parent until a purchase was made (Chan et al., 2017).

The importance of engagement between the youth customer and the brand utilising the advancement in technology and use of smartphones and social media which facilitate easy and regular engagement, was indicated by Kumar and Reinartz (2016:36). In engaging the customer, the bank ensures that a continuous flow of information takes place between the customer and the brand. A challenge would be communicating financial information in an emotive and relational manner (Al-Rabayah et al., 2017:60).

### 3. Research methodology

The study used the quantitative research methods, data mining collection techniques and descriptive statistics. The observation data collection method was used in the research where the control group (with subjects receiving only one SMS advising them about the VAS), and the experimental group (with subjects receiving repeated SMSs advising them about the VAS at the beginning of the month, in the middle of the month and at the end of the month) were observed between November 2018 and February 2019. Data was collected from two secondary data sets, from the bank's enterprise data and the redemption data from the vouchering system using SQL. For the research experiment, the relevant transactional behaviours that were included were deposits, transfers, purchases and prepaid purchases. The research was done using positivist and post-positivist paradigms associated with the quantitative research method, with the latter responding to the shortcomings of the positivist approach (Yin, 2018:62).

The population sample of the research consisted of Bank Z's youth banking in the Gauteng Province, selected on the basis that the researcher resided and was employed in the province. Additionally, the accounts were selected from those customers who provided marketing consent upon opening the accounts, thereby eliminating a burden of requesting customer consent for the experimental and control group for the research. For the experiment group, the research targeted a sample total of 1 500 Y accounts and a total of 4 000 Students accounts, with 1 083 from the Y account and 3 533 from the student's accounts (a total of 83.92% of the sample size) making up the experimental group and matching the control group.

The research also detailed the treatment given to the control group and the experimental group, wherein the control group was only exposed to a welcome SMS advising the customer of the VAS in the beginning of month 1, with no other treatment or communication made afterwards; and the experimental group being exposed to three treatments, at the beginning of the month, the middle and the end of the month. Data was collected at the beginning and the end of the four-month period (pre-test and post-test) to allow for the full implementation of the interventions.

### 4. Findings

The aim of the research was to determine the effectiveness of using VAS on the youth customer's transactional behaviour by analysing the usage of these services as its primary objective. The study further sought to achieve the secondary objectives of:

- determining whether there is a difference in transactional behaviour between VAS users and non-VAS users.
- determining whether the customers' knowledge of the VAS has an effect on customers' transactional behaviour; and
- determining whether there are any demographic factors that influence the usage of VAS, and the research question.

#### 4.1 Analysis of research results

Only youth customers in the Gauteng Province were targeted as a population, the total targeted sample consisted of 11 000 customers, with 3 000 customers being Y account holders and 8 000 customers

being Student’s account holders. The account holders were then divided into two groups (1:1), the experiment and the control group. Of these groups, a further 1 083 out of 1 500 customers were selected from the Y account holders, and 3 533 out of 4 000, from Student’s account holders, making up the experiment group. The experiment group, constituting 83.92% of the targeted sample was exposed to the intervention, and the control group was not exposed to the intervention. The intervention received by the experimental group, included the introduction, modification and communication of VAS to customers at level 1 to 3, three times in one month over a period of four months (where level 1 included the provision of information about the type of VAS, customers’ ability to choose a type of VAS, and the conditions under which customers had to perform a transaction; level 2 where customers received reminders about the VAS, and the SMSs were not blanket SMSs, but were personalised with each customer’s SMS bearing the customer’s name; and level 3 where each communication or SMS was personalised with each customer’s name and was adapted to the customer’s previous usage where there was history of usage).

The results of the quantitative research are shown in Table 1. The effect size was calculated by subtracting the mean transactions per cluster at the end of the 4<sup>th</sup> month, from the mean of the clusters at the end of the 1<sup>st</sup> month and further expressed as a percentage delta.

Table 1: Mean analysis of Y- Experimental group

1	Month	1										4										DELTA	
		1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5	6	7	8	9		10
2	CLUSTERS																						
3	#ACCOUNT	586	312	69	56	21	18	9	5	4	2	1	686	294	51	24	11	8	4	2	2	1	
4	System_Debit Orders In	0	0	1	1	1	0	1	0	1	1	0	0	0	0	1	0	1	1	0	3	0	521%
5	Internet_Prepaid Airtime	0	0	1	0	1	0	1	2	0	0	0	4	0	0	1	0	0	0	8	2	0	1359%
6	Bank Merchants_Point of Sale	2	3	0	1	2	1	8	2	4	3	1	2	0	0	7	4	6	8	6	3	0	3493%
7	Internet_Transfers In	1	0	2	1	2	1	3	1	4	1	1	2	0	1	2	1	4	2	2	3	3	1744%
8	Bank Merchants_Purchase and Cash Withdrawal POS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	30%
9	Bank ATM_Cash Withdrawals	0	0	0	0	0	0	2	1	1	1	0	2	0	0	1	0	1	1	4	0	0	776%
10	Cash Acceptor ATM_Cash Withdrawals	0	0	0	0	1	0	1	0	0	0	0	2	0	0	1	0	1	1	0	0	0	429%
11	Bank APP_Own Defined Payments	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	-108%
12	Non Bank Merchants_Point of Sale	0	0	0	0	0	0	1	8	0	0	0	0	0	0	0	0	0	0	1	0	0	-652%
13	Cash Acceptor ATM_ATM Cash Deposit	1	0	0	0	0	0	0	0	0	0	0	4	2	0	0	0	0	0	0	0	0	616%
14	Teller_Cash Deposits	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	-255%
15	Non Bank ATM_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	70%
16	Internet_Transfers Out	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	19%
17	Cash Acceptor ATM_Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	50%
18	Bank Merchants_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	55%
19	Cash Acceptor ATM_Cash Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	86%
	Card Swipe																						
	Money-in																						
	Prepaid purchase/airtime/data																						
	Money-out																						

Source: Bank Z internal

The research selected a multivariable analysis using an unsupervised cluster analysis as the programme allowed cluster without instruction from the researcher. The information generated by the programme showed the results for the first month (November 2018) and the final month of the research (February 2019) and showed the changes and differences brought about by the intervention to the experimental group over the four-month period. Row 2 in Table 1 comprises the number of clusters, with Row 3 indicating the number of accounts in each cluster. The sum of number of accounts adds up to 1 083 account holders or customers in the Y account section (the experimental group).

**Internet prepaid airtime**

Row 5 in Table 1 shows the mean Internet prepaid airtime transactions carried out by customers over the four-month period across product Y accounts. The results show that only a mean of 5 transactions were made in the month of November 2018, and there was an upsurge to 15 transactions by February 2019, an increase of up to 1 359% according to the Delta results shown. By contrast, row 5 in the control group in Table 2 shows a decline in the number of transactions between the months of November 2018 and February 2019, where a 450% decrease was recorded in four months, as shown in the delta column. This upsurge in the experimental group may be attributed to the modification and repeated

communication about the VAS by the bank, which led to the increase in the customers' transactional behaviour in this specific category of transactions. Prepaid airtime and data purchase by customers is a prominent purchase, given the wide use of cell phones and the need to stay connected. The results show a positive correlation between customers increased transactional behaviour and the introduction, modification and communication of VAS. The results recorded over the four-month period confirm the findings by Chaudhuri et al. (2019:640) that the introduction of a VAS programme has a short-term benefit of increasing sales within the first year. In this case, the bank is a reseller of prepaid airtime and commission income received from the sales thereof.

#### **4.1.2. Bank Merchants Point of Sale (POS)**

Row 6 in Table 1 shows the Bank's experiment group's merchants point of sale (POS) records during the period. At the end of month 1, only 27 POS transactions were recorded, compared to a mean of 36 POS transactions recorded at the end of month 4. The delta column provides the difference between the 2 periods calculated as a percentage change. The delta column shows that the number of POS transactions increased by 3 493% in four months. In comparison, row 6 in Table 2 shows the control group's results for the same transaction. In month 1, a mean of 8 POS transactions was recorded, compared to only 2 transactions performed in month 4, showing a marked decrease of up 200% as shown in the delta column. This increase in the experiment group can be attributed to the effects of VAS, and the interventions provided to this particular group over the four-month period. The results affirm Kumar and Reinartz's (2016:36) assertions that engagement or communication with the customer is important for the success of a marketing strategy, which in this case is the VAS. As results show, the opposite, that is, the absence of communication and modification of VAS can lead to a decrease in the number of transactions performed by customers. The increase on the POS transactions over the four months recorded in the experimental group, also confirms Al-Rabayah et al.'s (2017:162) recognition that customer engagement is a key factor in customer retention, although their study focused on the use of social media.

Furthermore, when looking at the Y customers' transactional behaviour for POS transactions, in month 1, the largest cluster of account holders, cluster 1, each account holder performed a mean average of 1 transaction, compared to month 4, where a mean average of 2 transactions were performed per account holder. This shows a marked increase which can be attributed to the interventions.

#### **4.1.3. Internet transfers in (EFT)**

Row 7 on Table 1 indicates the results of the experimental group, the results for Internet transfers (EFT) into the accounts in month 1, a mean of only 17 transactions was recorded, and by the end of month 4, the number of transactions had increased to 20, showing an increase on the delta column of up to 1 744%. By contrast, showing results of the control group, highlight a decrease in the number of transactions from 11 in the same period, a total decrease of 125%. The increase in experiment group transactions can also potentially be attributable to the interventions. Given that this transaction is Internet-based, the results are in line with Wijland et al.'s (2016:52) observations that the youth banking customer experience is associated with mobile and Internet banking. The ease of use, speed and overall convenience of transacting using Internet banking, the increase in this type of transaction by the youthful customer also supports Chan et al.'s (2017: 282) findings. It is therefore not surprising that Internet banking transactions increased in the four-month period of the research.

#### **4.1.4. Non-teller deposits**

Row 13 in Table 1 of the experiment group indicate the results of ATM cash deposits over the four-month period. Results show that in November 2018, only one transaction was performed from the youth customers in Gauteng, and after the four-month period, 6 non-teller deposit transactions were performed, signalling an upsurge of 616% as the delta column. In comparison, the same row 13 in the control group column shows a significant decrease in the same transaction recording a higher number of 10 transactions, and in the last month, recording 4 transactions, a decrease of 150%. Although, the messaging did not specify the channel to be used when making the deposits, the customer still chose to make use of an alternative physical channel to make these deposits. These results also attest to the findings of Chan et al. (2017:282), stating that a segment of youth is not inclined to go inside the branch.



#### 4.1.5. Teller cash deposits

Row 14 in Table 1 exhibits the results of the teller cash deposit transactions performed within the four-month period. Interestingly, this is the only money in transaction that did not show an increase during the research experiment. In the first month of the experiment, only 1 teller cash deposit was performed, and by the last month of the experiment, only 1 cash teller transaction was observed, marking a decrease of up to -255% according to the delta column showing the shifts during the experiment. Row 14 in Table 11 also shows a decrease in teller deposits for the control group where 19 transactions were recorded and in the fourth month, only 4 transactions were recorded, showing a 75% decrease. The results show that other factors may be at play in influencing this particular type of transaction that may not be mitigated by the interventions.

1	1																			4													DELTA			
2	CLUSTERS																																			
3	10_10_	10_11_	10_11_12_	10_2_	10_6_	10_8_10_	10_8_11_	10_8_12_	10_8_3_	10_8_3_9	10_8_5_	10_8_7_	10_8_8_11	10_8_8_2	10_8_8_7	10_8_8_8	10_8_8_9	5_	...	11_3_	11_4_10_	11_4_11	11_4_11_11	11_4_11_12	11_4_11_2	11_4_11_4	11_4_11_5	11_4_11_9	11_4_12_	11_4_4_	11_4_7_	11_4_8_	11_5_	11_6_		
4	1	5	223	1	16	4	12	185	80	660	1	5	57	1,277	4	5	118	875	3	6	2	5	57	2	3	15	1,086	1,819	52	16	455	1	1	13		
4	Bank ATM_Cash Withdrawals	1	2	0	2	0	1	1	1	0	2	1	1	1	0	1	1	0	0	3	4	1	0	1	0	2	1	2	1	2	1	2	1	0	3	39%
5	ATMSolutions_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-26%
6	Non Bank Merchants_Point of Sale	10	2	0	3	0	0	0	1	1	7	3	2	1	0	0	1	1	0	15	4	1	2	8	2	1	1	3	4	2	1	8	3	71%		
8	Internet_Transfers In	1	2	0	2	0	1	9	0	2	0	0	1	0	1	0	1	1	1	3	4	1	0	1	2	2	1	3	1	2	0	7	1	17%		
9	Internet_Prepaid Airtime	2	6	0	7	4	4	0	3	5	1	2	6	3	3	4	3	4	3	8	3	3	0	1	2	5	4	5	7	7	6	2	6	1%		
10	Internet_Internal Transfers In	0	3	0	1	0	0	1	0	2	0	0	0	0	1	0	0	1	3	0	0	0	0	0	0	1	0	4	0	2	0	7	4	57%		
11	Internet_Prepaid Electricity	0	0	5	0	1	0	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	-72%	
12	Cash Acceptor ATM_Cash Deposits	0	0	1	1	1	0	0	0	0	0	2	0	1	3	0	0	1	0	0	0	0	6	2	0	0	0	0	0	0	0	0	0	1	-5%	
13	Cash Acceptor ATM_Cash Withdrawals	0	1	0	2	0	1	1	1	2	2	1	1	1	1	0	1	0	0	0	1	1	0	0	2	1	1	1	0	1	6	0	1	3%		
14	Cash Acceptor ATM_Prepaid Airtime	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-100%		
15	Cash Acceptor ATM_ATM Cash Deposit	0	0	0	0	0	0	0	0	0	0	0	1	0	1	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	-50%		
16	Non Bank ATM_Cash Withdrawals	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	1	30%		
17	Bank Merchants_Cash Withdrawals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-10%		
18	Bank Merchants_Point of Sale	8	19	21	15	12	8	26	12	17	16	7	18	4	5	1	7	10	5	32	20	13	0	16	13	18	8	21	18	24	25	32	20	22%		
19	Bank APP_Internet Real-Time Debit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	1	26%		
20	Bank APP_Cash Send Transactions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0%		
21	Bank APP_Own Defined Payments	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	1	14%		
22	System_Cash Focus In	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7%		
23	System_Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	2	143%		
24	System_Debit Orders In	0	2	3	2	1	1	1	1	2	4	0	1	0	0	1	1	0	1	1	2	1	0	1	1	2	1	4	2	3	1	2	3	16%		
25	System_Debit Orders Out	0	1	0	1	0	1	0	0	1	0	0	0	0	2	0	0	0	3	1	0	1	1	5	0	1	0	2	1	1	0	3	2	63%		
26	System_Unpaid Debit Orders	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	1	0	0	23%		
27	Teller_Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%		
28	Teller_Cash Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0%		
29	Teller_Transfers Out	0	0	0	0	-1	0	0	0	0	0	0	0	0	0	1	0	0	0															-100%		
30	Teller_Internet Real-Time Debit	0	0	0	0	0	0	0	0	3	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	-48%		
31	Teller_Internal Transfers In	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0															-100%		
32	Teller_Internal Transfers Out	0	0	0	0	2	0	0	0	0	1	0	0	0	0	0	0	0	0															-100%		

Table 2: Mean analysis: Experimental group for the student's account  
Source: Bank Z internal

Table 2 shows the results for experiment group for Student's account holders. The students account has more features than the Y account, as such there is a longer list of transactions recorded. For the purposes of comparing like-for-like, the same transactions are analysed, the Internet Prepaid airtime, the Point of Sale (POS), Internet transfers and non-teller deposits and teller deposits. The POS transactions for the experiment group in Table 2, row 18 show an increase of up to 22%, while row 20, between month 1 and month 4.

For the Internet prepaid airtime transactions, the experiment group shows a marked increase in the delta shift column, of 1% between month 1 and month 4, an interestingly insignificant increase. This may be due to the timing of the year, but the intervention had showed no sign of a noticeable impact. The control group results show an increase of 100% between the period of November 2018 and February 2019. This is a sharp contrast between the Product Y results and Student results for this specific transaction. No known explanation can be given for these results.

When it comes to Internet transfers-in (EFT) transactions, the experimental group results in Table 2 show an increase over four months in the number of transactions of up to 57% as indicated in the delta shift column. This increase in the experimental group result can be attributed to the intervention or the fact that the transfer may have been done by a family member with a Bank Z account.

For the non-teller deposits (cash acceptor ATM cash deposits), the experimental group shows a decrease in the number of transactions, of up to 5%, compared to the control group's results in Table 2 which shows a significant decrease in the number of transactions over a four-month period, by 84%. Lastly, the teller deposits for the experiment group in Table 2 show no movement, compared to the 7% increase for the control group over the same period. This non-increase in the experimental group may concur with Chan et al.'s (2017:285) findings that the youth banking customer is not fond of banking in the branch.

#### **4.1.6. Effectiveness of using VAS on the youth customer's transactional behaviour**

From the research results, it is evident that using the VAS for youth customers to influence their transactional behaviour is effective, more so in the younger group of customers, product Y. Given the age demographic of the research, including students and children, the results indicate marked changes of the youth customers' transactional behaviour due to the VAS intervention. The positive results, mostly showing increases in the youth customers' transactional behaviour across transactions such as Internet prepaid airtime, EFTs and deposits, give a good indication of the effectiveness of using VAS on the youth customers' transactional behaviour.

The decrease or rather the non-increase in the use of teller cash deposits transactions signals amongst other things, that this type of transaction may not be seen as valuable or convenient to a youthful customer (Chan et al., 2017:282). As Wijland et al, (2016:56) highlight, the youth customer is more in tune with much faster, more convenient, and effortless types of transactions.

The effectiveness of VAS on the youth customers' transactional behaviour can also be attributed to the use of products and services that appeal to youth customers, in line with Hoffman's (2019:118) assertions. The results of the research experiment also analysed the redemptions made by these customers. These results show marked inclination towards smartphone, Internet, and app banking. Table 19 further shows VAS products in the Y product that are popular with the customer that were redeemed, including connectivity (through data and airtime) food vouchers, activity, and travel vouchers. The results show that 67.35% of redemptions were made by the experiment group, highlighting that the majority of the users of VAS were those who performed more transactions. By contrast, the redemption rate for the control group, which was only exposed to one treatment in the first month, was a mere 32.65%. The results also show that the connectivity (redemption of data vouchers) tops the VAS redemption vouchers redeemed by the youth customers at 57.61%. This is followed by food voucher redemptions at 29.04%, with activity and travel vouchers being the least redeemed vouchers, respectively. This information is crucial for modifying the VAS and giving the youth customer choices of the types of redemptions that they value the most (in this case, connectivity).

#### 4.1.7. Analysis of transactional behaviour between VAS users and non-VAS users

The research also sought to analyse whether there is any difference in the transactional behaviour of VAS users and non-VAS users. The analysis shows the results of the entire youth banking customer base and was further categorised between VAS and non-VAS users across Bank Z's product Y and Students accounts, with further disaggregated data showing the experiment group. The total number of transactions for the experiment group for product Y users is also shown. Furthermore, Table 2 indicates the average number of transactions per customer each month of the four months to highlight changes, if any, on transactional behaviour between non-VAS and VAS-users. Three types of categories of transactions were used to make this analysis, namely, deposits/transfers-in, POS purchases and prepaid purchases (airtime and data). Categorisation was then made between the total transactions in each type of transaction between VAS users and non-VAS users.

The numbers in the columns indicate results over a period of 4 months. For each group, the results showed an average number of transactions performed by the customer. In the non-users' category, the average transaction per customer in the month of November 2018 was 0.6 compared to the VAS users' average transaction per customer of 2.1 in the same month. For the experiment group in the first month of the intervention (November), the results showed a higher average of transactions per customer, when compared to customers who made use of the VAS, but were not part of the experiment, 3.2 as compared to 2.1. These averages are both above the 0.5 average of non-users in the entire youth banking customer base in the same period. In December 2018, the overall non-users' average transaction per customer was 0.6 compared to the overall VAS users at 2 average transactions per month. For the experiment group, a significant increase of an average of 6.7 transactions was recorded in the month of December. In January, the third month of the experiment, the overall non-VAS users' average transaction per customer was 1.1 compared to the VAS users' group of 1.8 transactions in the same month. For the experimental group, the increase recorded in the month of January was quite significant, at an average of 8 (7.9) transactions. In February, the last month of the experiment, the overall non-VAS average transactions per customer was 0.9 compared to the overall VAS user transactions per customer which was recorded at 1.8 for the same month. The VAS-users recorded yet another significant average increase to 9 (8.7) transactions.

The results show a consistent higher than average transaction per customer for VAS users as compared to non-VAS users for the same period. Although some months show an increase in the number of average transactions per customer, the results still show the average VAS users' transactions per customer to be higher than the non-VAS users' transactions for the same period. In the experiment, the experimental group has consistently shown a significant increase in the average number of transactions, showing a correlation between VAS and transactional behaviour of customers, wherein the introduction of VAS promotes an increase in customers' transactional behaviour. Table 3 summarises the results of the comparison of transactional behavior between VAS users and non-VAS users.

Table 11: Results of the analysis of transactional behaviour between VAS users and non-VAS users

	Gauteng							
	Nov '18	Dec '18	Jan '19	Feb '19	Nov '18	Dec '18	Jan '19	Feb '19
<b>Total Customers (users+non-users)</b>	350,546	349,607	351,459	352,532	32,642	32,142	32,966	44,680
<b>Users only</b>	158,056	157,981	119,744	121,156				
Deposits/Transfers-in	192,624	154,654	98,990	105,259				
POS purchases	182,567	122,764	124,336	186,544				
Prepaid purchases	403,453	483,563	435,214	380,743				
Total	778,644	760,981	658,540	672,546				
Average Transaction/customer	2.221232021	2.176675524	1.873732071	1.907758728				
<b>Non-users</b>	83,002	85,134	153,926	124,809				
Deposits/Transfers-in	46,327	36,400	36,521	32,441				
POS purchases	4,451	4,171	3,796	2,336				
Prepaid purchases	37,764	36,752	51,402	40,879				
Total	88,542	77,323	91,719	75,656				
Average Transaction/customer	0.575224459	0.619530643	1.105021566	0.888669627				
<b>Users</b>	10,977	10,515	10,047	10,949	1,083	1,083	1,083	1,082
Deposits/Transfers-in	8,349	7,986	7,631	8,415	998	1,114	1,367	1,594
POS purchases	6,875	6,544	4,521	4,792	1,366	1,933	2,413	3,088
Prepaid purchases	7,981	7,121	5,974	6,671	1,144	4,256	4,853	4,711
Total	23,205	21,651	18,126	19,878	3,508	7,303	8,633	9,393
Average Transaction/customer	2.113966	2.059058	1.804121	1.815508	3.239150508	6.74330563	7.97137581	8.68114603

Source: Extract from the results of VAS users and non-VAS users in Sheet 1, and the author's research results

## 5. Conclusions

In conclusion, the research sought to respond to the problem statement, whether the introduction, modification and communication of VAS had an effect on customers' transactional behaviour. This was done within the purview of the context and purpose of VAS in the South African banking sector, through conducting a case study at Bank Z where the researcher was employed at the time. An experiment was carried out on Bank Z's products, namely Product Y and Students account targeting the youth customer, using the Gauteng-based youth customers as a research sample. Out of the sample, an experiment group and a control group were selected wherein the control group received a single level of treatment and the experimental group received three more treatment levels. The data was compared to the period at the beginning and end of the intervention. The results confirmed the literature review findings on VAS, that amongst other things, the introduction of VAS alone did not lead to an increase or repeated customers' transactional behaviour, but customer engagement and awareness (through repeated communication and modification of the VAS) was what led to this increase (Bruneau et al., 2018:145). This in turn, resulted in increased usage of the account (Chauduri et al., 2019:640).

Furthermore, the research results were expected to reveal insights on VAS usage and trends which could be used to set targets and measure success, as well as enhancing personalisation and targeted marketing. Youth products were previously launched and introduced by Bank Z into the banking market without VAS, which saw the product sales remaining low, with more than half of the bank accounts remaining inactive. In response, the study highlighted how Bank Z responded to these observations by bundling VAS to the youth accounts and relaunching them, with an expectation that this would increase usage of the accounts by 50%. The youth customers did not use the VAS or the accounts, and it is against this backdrop that the research was conducted, to determine whether the introduction, modification and communication of VAS had an effect on transactional behaviour.

Factors that contribute to the use of VAS by young customers, were driving their desired transactional behaviour. Such factors as customer engagement, customer experience, customers' social environment, consumer behaviour and value creation were emphasised as key to promoting the usage of VAS by the youth customer. The inclination to the use of mobile and Internet banking channels by the youth customers, also highlighted the need for placing priority on advertising, communication, relevance and value as considerations for success in encouraging VAS usage, as well as the bank's ability to understand the customer and continue providing solutions for them.

Section three of the research comprised of the research methodology wherein the procedure that was followed in collecting data and processing it, including the description of the methodology, the population sampled, the sample size and analysis of the collected data, were explained. The concerns regarding experimental error and validity were expressed. With the research question at the centre of the research procedure, method and approach, a quantitative positivist research approach was used to collect data in order to reach findings that would answer the research question.

The findings of the study showed a direct correlation between the introduction, modification and communication of VAS on the youth customers' transactional behaviour. The findings also showed that merely bundling VAS with the product, did not lead to the usage of the product. However, modifying the VAS, frequently communicating it to the youth customer (including how it is communicated by means of personalised messaging and modifying communication to the customers' transactional history) and creating rules (such as putting an expiry date for redemption of rewards), were what increased VAS usage.

## 6. Managerial Implications

To remain relevant or gain a competitive advantage, banks have to ensure that their products and services are not only attractive or appealing to the youth customer but are in fact also used by the customer. The banks may have achieved brand success by attracting the customer, however, the success of this customer segment lies in the frequent utilisation of its products and services. Therefore, in order to promote VAS and bank account or product usage, the bank must continue to meet the customers' needs.

## 7. Limitations and recommendations for future research

Although the research used actual transactional data, strengthening the freedom from bias, it paid little attention to the motivations behind the selection of bank and bank products. Future research could explore the youth's perceptions of banking services, and factors that drive the selection and usage of a particular bank.

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## Staff motivators in organised retail sector

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### Keywords

Cash benefit structures, career growth opportunities, incentive structure, organised retail sector, reward and recognition structure, staff motivation.

### Abstract

**Purpose of Research:** The present paper studies the effectiveness of the factors in motivating the employees working in the retail industry. It also analyses the perception of the employees about the effectiveness of the factors influencing staff motivation and the difficulties faced by them in their workplace and their opinions on being better off. This study is very crucial in present day context as competition in retailing is getting steeper. Particularly after the economic slowdown in a highly volatile economic environment, retailers must analyse the factors affecting their employee motivation.

**Methodology:** In this study, the researchers have tended to highlight the positivist philosophical approach. The research has been carried through the survey done on the staffs of operations and sales team of some top organised retailers in Kolkata by a standardised questionnaire, blended with open ended and close ended questions. It also delves into the effect of demographics and psychology of the staffs and their perception about the factors influences their motivation level in the workplace, by using various statistical tools like Chi-Square Test, Cronbach's Alpha and Factor Analysis in the study.

**Findings:** Reward and Recognition structure and Cash Benefit structures are the most influential factors in motivating the staffs to work in retail sector, closely followed by Career growth opportunities. Again, the Incentive structure influences the staff motivation to perform better in sales.

**Practical Implications and Conclusions:** The components give an unadulterated and fulfilling experience to the staffs which makes them feel good about their work and also make them feel hopeful in order to make betterment in their career. These leads to positively influencing the motivation level of the staffs in the retail industry. This leads to better performance from the staffs in both quality and quantity. This also reduces employee turnover. This helps in maintaining a healthy environment work balance with a healthy relationship between the staffs and the management, in the retail sector. This in turn helps the retail sector to grow and prosper.

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### 1. Introduction

Quality of service is a leading criterion of excellence for most retailers and the quality of service is wholly dependent on employee service providers. Disgruntled, detached, and slothful employees can damage a retailer's bottom line as much as a big-box store locating across the street. Thus, employee motivation is one of the hottest, yet confusing, topics in the retail industry. Everybody wants the Rosetta stone to unlock the secrets of retail employee motivation.

Retail is a fast-paced and competitive environment, so it is no surprise that setting attainable goals is a huge motivating factor for employees. An easy way to motivate retail employees and work toward the company's goals is to create competitions encouraging employees to strive for those goals. To make sure these goals are attainable, otherwise those targets will just exhaust employees who already struggle with burnout. Offering more responsibility to the employees, the company can demonstrate that they are invested in their professional growth and see them as more than just an "asset" for the business. The monotony of a retail job can quickly make employees disengage, and so rewarding the employees with

more responsibility and recognizing retail employees for their effort is the true key to motivating them. Recognition can come in many forms: verbal, peer-to-peer, manager-to-peer, and more. Employees, especially those who work in retail thrive on recognition for a job well-done. It is to be also made sure that the employees are empowered to voice their opinions about what the company could do better. The employees should be encouraged to share their opinions. Again, providing a clear path forward is an easy way to motivate retail employees. Sometimes the best way to motivate retail employees is to break out of the monotony of a day with a nice surprise for the employees. A surprise as simple as pizza for lunch or cookies in the break room can change an employee's entire attitude at work. There are plenty more ways to surprise employees.

### **Problem statement and motivation for the research**

An amazing 100% of workers concur that yes inspiration is a significant factor by the way they perform; consequently, the requirement for inspiration in the retail business is as yet an enormously important factor today. Highly motivated employee will give more commitment and generate higher levels of productivity for the company. Earlier studies revealed that employees are motivated with factors like Good Wages, Job Security, Promotion & growth within the organization, good working conditions, Interesting Work, Full Appreciation of labour done, Personal loyalty to employees, feeling of being "in on things", Tactful Discipline, Sympathetic help with personal problems and many more. Studies also state that the most important motivators used by retail stores are working conditions, skill development, recognition, role clarity, career growth and support from management. In excess of 60% of any retail association comprises of new ability. These are entry level positions uniquely the sales personnels. In the face of the growing competition in organised retail in Kolkata, it is extremely important to have the right set of employees and keep them motivated so that customers are satisfied and retained. It says that only satisfied employees can create satisfied customers. Under these present circumstances, the researchers felt that it is extremely important to identify the factors that influence employee's performance and employee satisfaction. This is extremely crucial for the survival, growth and enhancement of business in the organised retail segment in Kolkata.

### **2. Literature Review**

Employee Motivation is widely exercised now across all corporate sectors including retail. The concept of motivation comes from a Latin word "movere" which suggests "to move" and motivation is what moves the staff from weariness to attention (Mohsan et al., 2004). Another definition is an activity that animates a worker to require a game-plan, which can cause accomplish some objective or to fulfill certain mental necessities of employee (George and Sabapathy, 2011). There are two styles of inspiration, Intrinsic or characteristic inspiration, and Extrinsic or extraneous motivation (Thomas & Velthouse, 1990, Mohsan et al., 2004, Gagne, 2005, Dwivedula et al., 2011, George and Sabapathy, 2011). (Thomas and Velthouse, 1990) defined intrinsic motivation as "a positively valued experiences that a personal employee gets directly from their work tasks", stems from an instantaneous relationship between the practitioner and furthermore the undertaking (George and Sabapathy, 2011), depend upon worker's volition to foresee her conduct (Dwivedula et al., 2011). They are self-roused on the grounds that they appreciate playing out the specific errands or appreciate the test of effectively finishing the undertakings (Mohsan et al., 2004). Some created heading factors that influence individuals to act in an extremely specific manner or to move during a specific heading incorporates obligation, opportunity to act, degree to utilize and develop skills and skills, interesting and challenging work, and opportunities for advancement. Employee motivation cannot be separate from demand of meaningful work. It is the duty of managers to make work meaningful for their employees so that they can be motivated with their job and due to this, employees will show a positive response in the organization. Achievement, accomplishment and status are remembered for the important work encounters (Yaseen, 2013).

Skill variety is the extent to which a particular job requires a variety of employee competencies to carry it out (Jackson, 2011). Feelings of feat, accomplishment and competence-derived from performing one's job are samples of intrinsic motivator and it is associated with 'psychological' rewards (George and Sabapathy, 2011). Extraneous inspiration comes from the outer workplace to the errand and is normally applied by somebody beside the individual being roused (George and Sabapathy, 2011), the outside



motivation maintains that the link between individual's motives and therefore the behaviour is moderated by the individual's affection, and cognition of the outcomes (Dwivedula et al., 2011). Extraneous inspiration is explained to 'substantial' prizes in (George and Sabapathy, 2011). Employees who are by and large abhor the undertakings however are inspired to perform well by some prize, pay, advancement, applause, or avoid any negative results (Mohsan et al., 2004). The conversation on the inward and outside premise of inspiration infers that work inspiration could be a multi-dimensional idea (Dwivedula et al., 2011). Employee level of inspiration is likewise impacted by the nature of the workplace the two its actual credits and how much it gives significant work. While an agreeable actual climate is connected with worker inspiration, the relationship is not only just about as solid as the connection among inspiration and administrative conduct (Yazdani et al 2011).

Tella et al. (2007) stated, Strategies of motivating Workers as follow:- Salary, Wages and Conditions of Service: personnel managers must consider four major components of a salary structures these are the duty rate, which identifies with the significance the association joins to each work; payment, which motivates employees or gatherings by remunerating them reliable with their presentation; individual or unique stipends, identified with factors like shortage of specific abilities or certain classes of information experts or administrators, or with long help; and incidental advantages like occasions with pay, benefits, etc. Money: this is frequently done through the strategy for remunerating representatives for higher efficiency by imparting apprehension of loss of work (e.g., untimely retirement on account of lack luster showing). Nobody works free of charge, nor should they. Workers need to acquire sensible compensation/payments and representatives want their managers to feel that is the thing that they are getting. Cash is the key incitement no other motivator or persuasive strategy comes really near it as for its compelling worth. It has the matchless quality to polarize, hold and inspire people towards better. Frederick Taylor and his scientific management associate described money as the most fundamental factor in motivating the industrial workers to attain greater productivity (Abadi, et al., 2011). Research has proposed that award causes inspiration of the worker which straightforwardly impacts execution of the representative (Kalimullah, et al., 2010). The need to be promoted and earn enhanced pay might also motivate workers. Staff Training: Staff preparing is a considerable procedure for spurring representatives. Some research says that trained workers are more motivated with their job as compared to untrained employees. Training and Development Training provides chances to employees' growth and enhances their knowledge and skills for effective development. These training programs positively raise employees' advancement that is good for competencies (Hunjra et al., 2010).

Today associations from all round the world battle to persuade its workers to endure and contend in unique professional workplace effectively as inspiration places HR into action, improves level of efficiency of employees, enables the organizations to achieve sustainable competitive advantage and ultimately ends up in attain organizational goals . Reviewing the earlier literature, the following Hypothesis are formulated:

### **Hypothesis Formulation**

Hypothesis building directs the researcher to the concepts that should be studied in order to get answers to the research questions (Ghauri and Gronhaug, 2002). According to the research questions listed above the hypotheses will be formulated as follows:

Ho1: There is a relationship between the influence of staff motivation factors and the staff performance.

Ha1: There is no relationship between the influence of staff motivation factors and the staff performance.

In the first hypothesis, the independent variables consist of the influence of staff motivation factors and the dependent variable is the staff performance.

Ho2: There is a relationship between the influence of staff motivation factors and the level of staff satisfaction at work.

Ha2: There is no relationship between the influence of staff motivation factors and the level of staff satisfaction at work.

In the second hypothesis, the independent variables are the influence of staff motivation factors, and the dependent variable is the level of staff satisfaction at work.

### 3. Research Methodology

In this research, the researchers have tended to highlight the positivist philosophical approach. As the data collected is also influenced by its external environments and does not exist without individual bias of respondents.

#### 3.1. Research Technique

The type of research technique used in this case is that of survey. The information gathered from the secondary sources / literature review has helped in the formation of the questionnaire. The survey questionnaire had primarily three sections. The first section was designed primarily to collect the demographic data of the respondents. The second part of the questionnaire contains a number of statements. It aims to identify the factors influencing the motivation of the employees. The third section had few open-ended questions, where the respondents were free to express their opinions according to the asked question. The sample size for the survey was 90. Convenient random sampling technique was followed during the research. The researcher tried to target both male and female respondents across different age groups, who are a part of the operations and sales department of the retail stores. The questionnaire in google forms were sent to numerous employees of retail industry who are involved in sales and operation department and only 90 responses came back. Before administering the final questionnaire, the questionnaire was tested in a pilot study.

### 4. Results

#### 4.1. Results of Chi-Square Test

Table 1: Relationship of career growth opportunities with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
Retail industry provides enough opportunities to grow in career	Educational Qualification	0.001	Significant
	Present Designation	0.000	Significant

From Table 1, the relationship between the availability of career growth opportunities in retail industry and the educational qualifications of the employees is strongly significant. The availability of career growth opportunities in retail industry is highly significant depending on the present designation of the employees.

Table 2: Relationship of satisfaction level on career growth opportunities with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/ Not Significant
How satisfied are the employees about the career growth opportunities in retail industry?	Educational Qualification	0.001	Significant
	Present Designation	0.000	Significant
	Next Target Designation	0.004	Significant
	Initial Designation	0.000	Significant
	Total Years Working in Retail Industry	0.000	Significant
	Years working in the present Designation	0.002	Significant

From Table 2, the satisfaction of the employees about the career growth opportunities available in the retail industry is significantly related with the educational qualifications, next target designation and no. of years of working in the present designation of the employees. It is also strongly significant depending on the present designation, total years of working in the retail industry and the initial designation of the employees.

Table 3: Relationship of satisfaction level on leave structure with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Value	Significant/Not Significant
How satisfied are the employees with the leave structure?	Age	0.031		Significant
	Marital Status	0.043		Significant
	Educational Qualifications	0.039		Significant
	Next Target Designation	0.034		Significant
	Total Years Working in Retail Industry	0.000		Significant
	Years Working in Present Designation	0.010		Significant

From Table 3, the satisfaction of the employees about the leave structure is significantly related to age, marital status, educational qualifications, next target designation and no. of years of working in the present designation of the employees. It has a strong significant relationship with the total years of working experience in the retail industry of the employees.

Table 4: Relationship of satisfaction level on reward and recognition structure with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Value	Significant/Not Significant
How satisfied are the employees about the reward and recognition structure in retail industry?	Educational Qualifications	0.000		Significant
	Present Designation	0.008		Significant
	Next Target Designation	0.036		Significant
	Initial Designation	0.025		Significant
	Total Years Working in Retail Industry	0.000		Significant
	Years Working in Present Designation	0.000		Significant

From Table 4, the satisfaction of the employees about the reward and recognition structure is significantly related with the present designation, next target designation and initial designation of the employees. It possesses strong significant relationship with the educational qualifications, total years of working experience in the retail industry and the years of working in the present designation of the employees.

Table 5: Relationship of satisfaction level on cash benefit structure with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Value	Significant/Not Significant
How satisfied are the employees with the cash benefit structure?	Educational Qualifications	0.000		Significant
	Initial Designation	0.011		Significant
	Total Years Working in Retail Industry	0.038		Significant
	Years Working in Present Designation	0.009		Significant

From Table 5, the satisfaction of the employees about the cash benefit structure is significantly related with the educational qualifications, initial designation, total years of working experience in the retail industry and years of working experience in the present designation of the employees.

Table 6: Relationship of satisfaction level on incentive structure with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Value	Significant/Not Significant
How satisfied are the employees with the incentive structure?	Present Designation	0.000		Significant
	Next Target Designation	0.005		Significant
	Initial Designation	0.007		Significant
	Total Years Working in Retail Industry	0.000		Significant
	Years Working in Present Designation	0.018		Significant

From Table 6, the satisfaction of the employees on incentive structure is significantly related to the present designation, next target designation and the initial designation of the employees. It has a

significant relationship with the total years of work in retail industry and also years of working in the present designation of the employees.

Table 7: Relationship of requirement of changes in incentive structure with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/Not Significant
Requirement of changes in the incentive structure felt by the retail employees.	Age	0.021	Significant
	Marital Status	0.015	Significant
	Educational Qualifications	0.017	Significant
	Present Designation	0.000	Significant
	Initial Designation	0.003	Significant
	Total Years Working in Retail Industry	0.000	Significant
	Years Working in Present Designation	0.005	Significant

From Table 7, the feeling of the requirement of changes in the incentive structure in the employees is significantly related with the age, marital status, educational qualifications, initial designation, and years of working experience in the present designation of the employees. It is strongly significant depending on the present designation and the total years of working experience in the retail industry of the employees.

Table 8: Relationship of requirement of trainings with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/Not Significant
Requirement of trainings for the retail employees.	Age	0.010	Significant
	Marital Status	0.002	Significant
	Educational Qualifications	0.003	Significant
	Total Years Working in Retail Industry	0.000	Significant
	Years Working in Present Designation	0.000	Significant

From Table 8, the relationship the requirement of trainings by the employees is significant with the age, marital status, and the educational qualifications of the employees. Total years of working experience in the retail industry and years of working experience in the present designation of the employees have strong significance on the requirement of the trainings by the employees.

Table 9: Relationship of motivation level of the employees to work in retail industry with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/Not Significant
Motivation level of the employees to work in retail industry.	Educational Qualifications	0.002	Significant
	Total Years Working in Retail Industry	0.043	Significant
	Years Working in Present Designation	0.023	Significant

From Table 9, the motivation of the employees to continue working in the retail industry is significantly related with the educational qualifications, total years of working experience in the retail industry and the years of work experience in the present designation of the employees.

Table 10: Relationship of achieved rewards with its significant variables

Statement/Question	Variables	Pearson Chi-Square Value	Significant/Not Significant
Achievement of rewards by the retail employees	Age	0.010	Significant
	Marital Status	0.007	Significant
	Educational Qualifications	0.007	Significant
	Present Designation	0.001	Significant
	Initial Designation	0.002	Significant
	Total Years Working in Retail Industry	0.001	Significant
	Years working in the present Designation	0.000	Significant

From Table 10, the achievement of rewards is significantly related with the age, marital status, and educational qualifications of the employees. It is also having significant influences on the present

designation, initial designation, total years of working in retail industry and years of working experience in the present designation of the employees.

Table 11: Relationship of perception of the employees about the best factor about working in retail industry with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Value	Significant/Not Significant
Best factor about working in retail industry	Age	0.004		Significant
	Marital Status	0.000		Significant
	Educational Qualifications	0.008		Significant
	Present Designation	0.012		Significant
	Initial Designation	0.014		Significant
	Total Years Working in Retail Industry	0.000		Significant
	Years Working in Present Designation	0.000		Significant

From Table 11, the perception of the employees on the best factor about working in the retail industry is significantly related with age, educational qualifications, present designation, and initial designation of the employees. It is also having strong and significant relationship with the marital status, total years of working experience in the retail industry and years of working experience in the present designation of the employees.

Table 12: Relationship of the employees referring people to work in retail industry with its significant variables

Statement/Question	Variables	Pearson Square Value	Chi-Value	Significant/Not Significant
Retail employees referring people to join the retail industry.	Educational Qualifications	0.002		Significant
	Total Years Working in Retail Industry	0.043		Significant
	Years Working in Present Designation	0.023		Significant

From Table 12, the employees referring people to join the retail industry is significantly depending on the educational qualifications, total years of work experience in the retail industry and the years of working experience in the present designation of the employees.

#### 4.2. Testing of Reliability of the Data

Table 13: Reliability Statistics

Cronbach's Alpha	N of Items
0.743	5

According to the Reliability Statistics in Table 13, the value of Cronbach's Alpha is equal to 0.743, which means that the data is approximately 74% reliable. The general thumb rule is that, for primary data with reliability statistics of 60% is accepted. Therefore, the survey data can be accepted.

#### 4.3. Results of Factor Analysis

Factor Analysis has been carried out for reduction of variables, influencing the staff motivation in the retail industry.

Table 14: Rotated Component Matrix

	Component	
	1	2
How satisfied are you about the career growth opportunities in retail industry	0.822	-0.278
How satisfied are you with the incentive structure	-0.050	0.959
How satisfied are you with the leave structure	0.730	0.491
How satisfied are you about the reward and recognition structure in retail industry	0.839	0.197
How satisfied are you with the cash benefit structure	0.851	-0.072

The statements are grouped in the following factors: -

Factor 1: 1, 3, 4, 5 – Overall Benefits in Retail

Factor 2: 2 – Benefits on Performance in Sales

The outcome of Factor Analysis revealed two factors, which mostly influence the staff motivation in organised retail industry. The first factor, consisting of four statements (1, 3, 4, 5) has been named as Overall Benefits in Retail. The second factor, comprising of one statement (2) has been named as Benefits on Performance in Sales. Career growth opportunities, leave structure, reward and recognition structure and cash benefit structure are the overall benefits provided in the retail industry to keep up the motivation of their staffs. Incentive structure is the benefit provided to the staffs depending on the performance in sales which motivate them to perform better.

## 5. Discussion & Conclusion

The results of the Chi-Square Test indicate that, there exists significant relationship between the availability of career growth opportunities with the educational qualifications and the present designations of the employees. Moreover, the satisfaction level of the staffs on the career growth opportunities is more significantly related to the present designation, initial designation, and total years of work in the retail industry of the employees. The appropriate availability of the opportunities gives the staffs the hope of making them better off while still working which motivates them to work in the retail industry. The most significant variable in relation with the satisfaction level of the employees on the leave structure is the total working years in the retail industry of the employees. The benefits of proper leave structure help the staffs to relax rest and reflect on their work, which in turn motivates the staffs to perform better with more motivation to work better. The educational qualifications, total working years in the retail industry and years of working experience in the present designation of the employees have the most significance on the satisfaction level of the employees on the reward and recognition structure. The reward and recognition structure makes the staffs feel good about hard work they put in; the appreciative gestures make them feel good about the work they do which motivates them to work better the next time. The satisfaction level of the employees on cash benefit structure depends most significantly depends on the educational qualification and the years of work experience in the present designation of the employees. The cash benefit structures motivate the staffs to work for their company as they get congratulated and appreciated for having a special event in their personal life like, cash benefits/ gift vouchers provided after getting married, or for having a baby, etc. The satisfaction level of the employees on the incentive structure is most significantly related with present designation and the total years of working in the retail industry of the employees. This sets a target in the minds of the staffs so that they can earn more than usual which encourages them to work better and as they get appreciated with incentives; it also motivates them to work better in future too.

The staffs feel the need to have changes in the incentive structure depending strongly on the significant variables like present designation, total years of working in the retail industry of the employees. The most significant relationship of the perception of the employees for the requirement of trainings is with educational qualifications, total years of working in the retail industry and also years of work in the present designation of the employees. The educational qualification, total work experience in retail industry and also work experience in the present designation significantly influences the motivation level of the employees. The achievement of rewards is most significantly influenced by years working in the present designation of the employees. The perception of the staffs about the best factor of working in retail is significantly related to the age, marital status, present designation, initial designation, work experiences in the retail industry of the employees. The educational qualifications and the work experiences in years significantly influence the decision of the staffs about referring people to work in retail industry.

The result of Factor Analysis uncovered two factors, which for the most part impact the attire buys from sorted out retail outlets. The first, comprising of four articulations (1, 3, 4, 5) has been named as Overall Benefits in Retail. The second factor, involving one explanation (2) has been named as Benefits on Performance in Sales. Career growth opportunities, leave structure, reward and recognition structure and cash benefit structure have a great impact on staff motivation in the retail industry. Among these, the

career growth opportunities, the reward and recognition structure and the cash benefit structure have a neck-to-neck impact on the employees in motivating them to work better. Incentive structure of the second component named Benefits on Performance in Sales, helps in encouraging the staffs to work better in quality as well as in quantity so that they can hit above the minimum assigned targets which will lead them to earn more than usual. This is highly motivating for the staffs to work better in the retail industry.

The components give an unadulterated and fulfilling experience to the staffs which makes them feel good about their work and also make them feel hopeful in order to make betterment in their career through training and development which creates interest among workers to work for the employers in the retail industry. These leads to positively influencing the motivation level of the staffs in the retail industry. This leads to better performance from the staffs in both quality and quantity. This also reduces employee turnover. This helps in maintaining a healthy environment work balance with a healthy relationship between the staffs and the management, in the retail sector. This in turn helps the retail sector to grow and prosper.

## 6. Limitations & Future Scope

The present study has been conducted in the city of Kolkata, India. However, future studies may be extended to other parts of the country. Furthermore, the present study involved a sample size of 70. The sample size is small. Future studies can be conducted by using more sample size, to identify any variation in results. Time constraint has been another drawback of the study, and future research can be done in a larger time frame. Moreover, the pandemic of Covid-19 has made psychological changes in the minds of the staffs about the hygiene factors because they come in direct contact with several customers. So, future study can be extended with focus on the post-pandemic era.

## 7. Appendix

Gender: i) Male ii) Female

Age: i) 18- 23 years ii) 23- 28 years iii) 28- 35 years iv) Above 35 years

Marital Status: i) Single ii) Married

Educational Qualification: i) Secondary ii) Higher Secondary iii) Graduate iv) Postgraduate & above

Your present designation: i) CCA ii) Fashion Consultant iii) Personal Shopper iv) Department Manager

Your next target designation: i) Fashion Consultant ii) Personal Shopper iii) Department Manager iv) Retail Operations Manager

Your initial designation: i) CCA ii) Fashion Consultant iii) Personal Shopper iv) Department Manager

Total years working in retail industry: i) 0-2 year ii) 2-5 years iii) 5-8 years iv) 8-10 years v) Above 10 years

No. of years working in the present designation: i) 0-1 year ii) 1-2 years iii) 2-3 years iv) 3-5 years v) Above 5 years

Retail industry provided enough opportunities to grow in career: i) Yes ii) No

How satisfied are you about the career growth opportunities in retail industry?

i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied

Achieved rewards: i) 0 ii) 1 iii) 2 iv) 3 v) 4 vi) More than 4 times

Best Groomed Employee: i) Never ii) 1-2 times iii) 3-4 times iv) 5 times v) More than 5 times

Best Customer Care Associate: i) Never ii) Once iii) Twice iv) Thrice v) More than Thrice

Best Department Manager: i) Never ii) Once iii) Twice iv) Thrice v) More than Thrice

How satisfied are you with the incentive structure: i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied?

How satisfied are you with the leave structure: i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied?

How satisfied are you about the reward and recognition structure in retail industry?

i) Extremely Satisfied ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied

No. of trainings offered to you:

Any training that you require but have not received: i) Yes ii) No

Areas you need to improve yourself.

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Your plan on how you want to improve yourself:

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How satisfied are you with the cash benefit structure: i) Extremely Satisfied?

ii) Satisfied iii) Neither Satisfied nor Dissatisfied iv) Dissatisfied v) Extremely Dissatisfied

Do you feel any changes are required in the incentive structure: i) Yes ii) No?

Do you feel motivated to work in retail industry? i) Yes ii) No  
 What is the best factor about working in retail industry? i) Timely salary ii) Good growth opportunity iii) Work culture iv) Supportiveness of the management  
 Do you refer people to join the retail industry? i) Yes ii) No  
 Reasons for referring people in retail industry

Where do you see yourself in next 2-3 years?

Your place of interest to work other than operation department

Your experience of working in retail industry (in your own words):

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# Competitive factors between local and foreign national small business retailers in South Africa: The case of Cape Town's Townships

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## Keywords

Small business retailers; township retailing; migrant small business; migrant entrepreneurship; small business challenges.

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## Abstract

*This paper is based on the study that sought to identify the core competitive factors that differentiate foreign national small business retailers from local South African small business retailers in the way they operate their small retailing businesses. Primary research was conducted in two of Cape Town's (South Africa) townships, Delft and Eindhoven. The population of the study comprised two groups, namely, South African and foreign national small business retailers operating grocery retailer stores. The first group consisted of 55 South African small business retailers while the second group consisted of 75 migrant small business retailers. A random sample was targeted from each group and the quantitative research methodology was used in this study using a structured questionnaire with close-ended questions.*

*The results showed growth of foreign national retailers and decline in the number of the local retailers in the two townships. The study showed that migrant retailers have a competitive edge over local retailers. The study also revealed that most local traders have a lower level of education compared to their migrant trader counterparts. Furthermore, the study revealed that most of local small business retailers have never had a business finance mentor in their entire trading life. The study revealed that there is a need for a targeted funding model for potential and current local small business retailers. The study proposes a three-stage business intervention model to assist South African small business retailers to become more competitive in township retailing environments.*

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## Introduction

Since the dawn of democracy in 1994, South Africa has attracted foreign nationals from various countries in Africa as well as other parts of the globe. Some foreign nationals have found residence in the South African townships. The dawn of democracy also meant that people from the rural provinces of South Africa migrated to the big cities such as Johannesburg, Pretoria, Durban and Cape Town. This resulted in the development of informal settlements and informal stores (here in South Africa known as "spaza shops") for trading.

Informal settlements consist mainly of shacks (built of corrugated iron), and spaza shops are typically also shack-like structures. Spaza shops have sprung up in formal townships as well, as "convenience stores" saving people the long walk to general dealer stores in the town or city.

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Currently in South African townships, there is a perceived decline in the number of South African owners of spaza shops and a growing predominance of foreign national traders (Charman, Petersen & Piper, 2012).

Charman, Peterson, and Piper (2012:66) noted that “in financial terms, the majority of Spaza’s owned by foreign nationals equate to small size enterprises rather than micro-enterprises, as the scale of their operation and turnover is significantly greater than that of the average South African spaza”. These authors argue that local small business retailers can be classified as survivalist entrepreneurs as they run their small businesses in their individual capacity without collaborating with each other. This assertion suggests that any business initiative aimed at entrepreneurial activity ought to be appreciated and encouraged, yet in the spaza shop sector this seems not to be the case.

In South Africa, the rate of unemployment is reported to be around 40% of the adult population; despite this, the number of people starting businesses due to having no other option for work (necessity entrepreneurship) is low, yet when foreign nationals start trading in township environments South Africans tend to have a problem with them operating in their townships (Singer, Amoros, & Moska, 2014).

The aim of the study was to evaluate the trading capabilities of local South African traders and compare their competitive factors with those of migrant traders in the South African township retailing environments, then propose recommendations for South African traders to improve their trading capabilities in order to become more competitive in the township small business retailing sector.

The objectives of this study were as follows:

1. To identify the core competitive factors that differentiate foreign national small business retailers from South African small business retailers.
2. To propose recommendation for local traders to improve using the competitive factors of foreign national traders as guidelines to assist local retailers.

## Literature Review

### Global challenges of small business retailing

According to Erskine and Yong (2020), 80% of small businesses established between 2005 and 2017 in the United States survived past their first anniversary and only about half of these businesses will see their fifth anniversary while one in three small businesses typically get to the 10-year mark. The authors further noted that SMEs represent over 90% of the business population, 60-70% of the employment base, and 55% of Gross Domestic Product (GDP) in developed economies. Additionally, the authors stated that SME’s can contribute as much as 45% of total employment and 33% of GDP in emerging economies.

Karadag (2015) noted that in Turkey, the significance of SMEs is relatively higher, and this is caused by their resilience to the shocks in turbulent Turkish macro economy. Furthermore, the author noted that Turkish SMEs were faced with serious challenges during and after the severe economic crises that hit the Turkish economy within the last three decades. The authors also stated that during that restructuring period, SMEs became one of the key elements of the macroeconomic improvements in Turkey, due to their significant role in the growth of overall GDP, new job creation and exports.

Aurick, Munalula, Mundia, Mwale and Vincent (2017) also stated that SMEs are key to the livelihood of people in the urban areas of Zambia. However, the authors further stated that SME owners in Zambia are faced with various challenges that constrain them to grow their businesses, to contribute towards the reduction of poverty as well as overall economic development. Qamruzzaman and Jianguo (2019) further stated that in Bangladesh the government should play a bigger by creating conducive conditions for financing innovation for SMEs in the financial system with integration of both formal and informal financial institutions. Moving a further step ahead, Nandonde and Kuada (2016) argued that the internationalisation process of firms is usually driven by both internal and external motives.

In developing countries, the lack of institutional capital is a major challenge for small businesses and most such enterprises are started with personal funds (Adisa, Abdulraheem and Mordi, 2014). The authors also noted that institutional finance requires collateral security, which small business owners do not have in developing countries. Erskine and Yong (2020) suggested that while there are a variety of reasons why SMEs ultimately fail, financial management skills and performance are two of the most

often-cited explanations. Small and medium-sized practices (SMPs) can play a critical role in helping these SMEs to navigate an increasingly volatile operating environment (Erskine and Yong, 2020). In addition, the authors also noted some of the factors affecting small enterprise businesses such as:

- Factors driving SMEs' demand for business advice from SMPs, among others, include company-related factors (i.e., size, debt, age, growth, and available resources) and environment-related factors (i.e., economic conditions, including regulations, and competition).
- Market segmentation (e.g., start-ups, growth ambitions etc.) will impact the demand and type of advice provided.
- SMEs seeking business advice tend to be larger and younger and carry higher levels of debt or have greater aspirations to obtain new funding.

### **Challenges and constraints facing small business retailers**

Badenhorst-Weiss and Cilliers (2014) observed that small business retailers face tough competition, more especially when it comes to pricing their products, because competitors can offer a number of substitutes, and this has a huge impact on the selling price of a product. The authors further argued that the proximity of competitors inflates this challenge because it means that the consumer has ease of access to alternatives, and small business owners must therefore strive to offer unique value to the consumer. Groenewald, Prinsloo and Pelser (2014) stated that entrepreneurs struggle to build a brand around their small businesses because they are usually not trained in brand management strategies.

According to Groenewald et al. (2014), it is important for the small business retailer to have a good understanding of innovative marketing strategies and not rely solely on outdated in-store visual merchandising as a marketing strategy, but also use social media marketing and branding tools to enhance their position. In addition to a lack of proper business and management skills/knowledge, small business face problems arising from poor record keeping and information management, an inability to separate personal funds from business funds, lack of adequate funding, and a lack of crucial infrastructural facilities (Adisa et al., 2014). The authors further stated that small business owners do not find it necessary to keep business transaction records such as invoices, bank statements (if they bank at all), purchase orders and stock-take records. However, the authors argued that in order to manage any business successfully, the business owner needs to keep up-to-date records of the business, including all finance records.

South Africa's rate of unemployment continues to rise, especially among the youth. It is evident from the data published by statistics South Africa that the South African government is not creating jobs for its economy. This has been further exacerbated by the Covid-19 global pandemic that started in China and had a very negative economic impact on South Africa economy. In order to revive the economy, the South African government has promised to support small businesses that have suffered greatly and in doing so the economy will be able to grow and create jobs.

Badenhorst-Weiss and Cilliers (2014) observed that small businesses close to malls have to compete by following survival strategies, such as selling cheaper products and adjusting their pricing strategy. The authors also stated that small businesses focussing on price differentiation as a strategy tend to survive and grow notwithstanding the increased competition. Furthermore, this appears to indicate that differentiation based on price (low prices and best value prices) may be a successful survival strategy in certain circumstances.

Makhitha (2017) noted that for independent retailers to remain competitive and survive, they need to select their suppliers carefully to be able to offer consumers what they want. Small business retailing has a large number of consumers but a low basket price, while the formal retail sector has a lower number of consumers with a higher basket price (Makhitha, 2017). Moreover, the author further argued that it is also important that small retailers meet customer specifications by providing appropriate products and services. Foreign national traders sell their goods at relatively low mark-ups for both cultural and commercial reasons (Gastrow and Amit, 2013). Moreover, the authors stated that because of their cheaper prices, foreign national traders turn over their stock quite quickly, and that is crucial for their survival in the informal retailing sector. The authors further suggested that the foreign national traders, Somali traders in particular, have a saying that "early loss is better than late profit"; in other words, slow trade turnover is worse than immediate losses.

Charman and Piper (2012) argued that the South African government has over the years increased national spending on the development of informal settlements. The author also suggested that an increased spending by the government in the township should be of benefit to informal small business retailers as they need the infrastructure to develop and grow their businesses. Furthermore, South African small business retailers have very little choice but to make use of public transport to move their goods from the wholesalers to their own stores. In order to eliminate these transportation costs there is a need for them to collaborate with each other (Eicker and Cilliers, 2017). Moreover, the author suggested that the savings made from collaboration should be passed to the consumer in order for the South African retailer to gain some competitive edge over the foreign national trader. However, the author cautioned that the transportation system in South Africa is inadequate, and small business retailers need to take advantage of the times when traffic is moving freely, such as the late morning. They should use available public transport, such as taxis or trains (Eicker and Cilliers, 2017).

According to Ahmad and Alaskari (2014), small business needs to learn to market themselves better in order to improve their competitiveness. The authors also observed that if small business retailers could market themselves better, they would be able to increase their sales, but to do this they might have to rely on the word-of-mouth strategy or use social media as a marketing tool. Ahmad and Alaskari (2014) also claimed that the real challenge facing small business retailers is in part their culture of not assessing and projecting the sales growth, which leads to a lack of measurement and analysis of business progress.

#### **Foreign national trader competitiveness**

Chimucheka, Dodd and Chinyamurindi (2019) argued that the South African government should also show support for immigrant entrepreneurship in order to eliminate negative perceptions from other people in communities where immigrants operate businesses. The authors further argued that this can be done by developing policies that create an enabling environment for entrepreneurship by immigrants. In addition, the authors also suggested that financial institutions should also develop products for immigrant entrepreneurs in South Africa as they are a growing and promising market.

The success of foreign national small business retailers in South Africa is attributed to their social networking support for each other's enterprises and their entrepreneurial culture (Ntema and Marais, 2010). The authors also observed that that foreign national small business retailers are known for their work ethic, which is seen to be stronger than that of the South African small business retailer as they go to great lengths to create convenience for their customers. Additionally, the authors stated that the non-South African traders are significantly better educated than their South African counterparts and therefore have a sounder base from which to operate as businesspeople. Strydom (2015) suggested that South Africa is also ranked very low in terms of entrepreneurial culture, as entrepreneurship or business management does not form part of South Africa's early school curriculum. The author further observed that informal businesses that keep track of business activities such as financial records, do budgeting, prepare cash flow statements and have procurement documentation have a higher proclivity for survival.

It must be noted that competitors in any business are a very important element. The presence of foreign national trader usually conduces to business strategies like price cutting, advertising promotions, enhanced customer services – and not violent disruption (Chimucheka, 2013). Furthermore, the author noted that in an industry such as small business retailing where barriers to entry are very low, competition is usually fierce and can be increased by the bargaining power of customers and suppliers.

Wang (2016) argued that even though access to finance has been identified as the major obstacle for most small business entrepreneurs, infrastructure such as power connection and competition have also been identified as factors hindering the growth of small businesses. The author also added that there are also various external factors that hinder the growth of small businesses, such as the political climate of a country, and unfortunately there is nothing a small business can do to bypass these factors. Erskine and Yong (2020) also noted that access to finance can be a challenge for SMEs and this this can be due to their limited capital base and lack of a track record or due to the current economic climate of that region. However, the authors argued that with a credible forecast and projection coupled with good documentation and a compelling business plan, SMEs can have an easier access to finance from the credit provider.

According to Charman, Petersen & Piper (2012) South African Spaza shops are less competitive than foreign national run *spazas*. The authors further added that the majority of South African Spaza's are home based businesses, whereas foreign run Spaza's operate from a semi-detached room, or more commonly, from rented premises. Furthermore, the authors said that most South Africans operate their own shops or draw on family labour, whilst up to two-thirds of foreign shop keepers are employees. Some of these employees work under conditions akin to bonded labour. In contrast, the authors further suggested that the South African Spaza's owners are unable to match the collective purchasing power and labour advantages of the foreign businesses and have opted to either close their shops and/or focus on commodities in which they can sustain a competitive advantage, notably take-away food and liquor retailing.

### **Competition and competitiveness among local small business retailers**

According to Eicker and Cilliers (2017), small business entrepreneurs always need to find a way of differentiating their businesses from their competitors. The authors added that when they differentiate themselves from competitors, they need to keep their customers in mind. Furthermore, the authors said that if the small business differentiates itself by improving customer care, it is likely to improve sales. Eicker and Cilliers (2017) concluded that customer service is the best way to differentiate a business from competitors; however, small businesses struggle with inventory management systems, and without the appropriate stock it is hard to serve customers. Furthermore, the authors also noted that small business retailers need extra storage facilities in order to back up any plan to serve customers better with available stock and products.

In order to be competitive, small business retailers need to be in close proximity to their customers and create the convenience that the customers need. Foreign national small business retailers collaborate with each other to use a centralised inventory management system, while local South African traders use a decentralised system in which each trader orders their own stock individually (Eicker and Cilliers, 2017). The authors also stated that collaboration or partnership would seem the way to go for South African traders to go in order to match this competitive advantage. Furthermore, the authors added that building and maintaining stock levels for a small business brings the cost of carrying stock, so greater storage capacity would make it easier for a small business to be responsive to customer needs as well reduce the risks of stock-out.

Competition and competitiveness in township retailing environments is about customers' buying power and their preferences, and therefore about understanding the consumer behaviour of the poor township dweller; it is also about the retailing skills of the small business retailer (Ntema and Marais, 2010). However, Eicker and Cilliers (2017) stated that local small business retailers usually focus on saving on the costs of managing inventory, but this detracts from their competitiveness due to being regularly out of stock of certain products.

Spremo and Mičić (2015) noted that small businesses are more capable of surviving a business crisis than large companies, partly because they have fewer employees. In the period 2008-2014, these authors further stated, having observed both developed and developing or transitional economies, they found that small enterprises have made a greater contribution to resolving the global problems of economic growth and employment. Furthermore, the authors noted that despite the obvious difficulties that small enterprises have faced during the global crisis in the period observed, there was a smaller decline in the number of small enterprises, value added and employment, than in large enterprises.

According to Elhennawi (2016), although the exact size of the informal economy is difficult to determine, it is clear that it represents a substantial proportion of African economies. The author also added that informal enterprises have several benefits from the social perspective, such as absorbing large numbers of unemployed people and providing products and services at lower prices. While the debate regarding the pros and cons of informal enterprises is ongoing, several benefits devolve from studying informal economy and its formalisation (Elhennawi, 2016).

Salimov (2018) argued that South African small business entrepreneurs need to focus on creating wholesale and manufacturing markets that are controlled by them in order to make sure that they are participating in the entire value chain of retailing. Moreover, the author added that in order to do that they need to partner with larger private enterprise through small enterprise development programmes

and South African government development agencies. Salimov (2018) further claimed that government agencies can offer support in the provision of land and equipment, so that small business entrepreneurs can build the wholesales depots close to where they trade in the townships.

Regarding the Cape Town Metropolitan by-laws controlling informal small business retailers, some small business associations in the city view these by-laws as being biased against small business retailers and favourable to national retailers entering the township market (Battersby, Marshak, and Mngqibisa, 2017). The authors also added that these associations view the by-laws as unrealistic for spaza shops and unhelpful for the growth and development of small business retail entities in townships, where shopping malls with national chain retailers are now thriving.

### **Research design and methodology**

In this study the research design used was an exploratory cross-sectional design. A quantitative research methodology was employed in the study and a survey research strategy was used employing the questionnaire as the research instrument

### **Location of the study**

The study was conducted in Cape Town, South Africa in two specific townships, namely, Delft and Eindhoven. These two townships were chosen because they have a large population of both local and foreign trader retailers.

### **Population of the Study**

The population of a research study is defined by Sekaran and Bougie (2016:236) as “the entire group of people, events, or things of interest that the researcher wishes to investigate”. According to the information provided by the Livelihoods Organisation (2016), there were 89 small business retail stores owned by South Africans and 90 owned by foreign nationals in the two Cape Town townships of Delft and Eindhoven where the study was conducted, and these formed the population of this study.

### **Sampling technique**

As indicated above the population of the study comprised two groups, namely, South African (local) and foreign national small business retailers operating grocery retailer stores, therefore each group had to be represented in the sample of the study. The first group consisted of 55 South African small business retailers while the second group consisted of 75 migrant small business retailers. The sample was selected using simple random sampling.

### **Data collection instruments**

A structured questionnaire was used as the research instrument in this study and comprised of close-ended questions written in English.

### **Data Analysis**

In this study the researcher analysed quantitative data using the Statistical Package for Social Sciences (SPSS). The data was arranged and presented in the form of frequency tables.

### **Validity and Reliability**

In this study a sampling frame was carefully chosen, and a representative sample selected to make sure that the study was valid, reliable and generalisable. Strategies to secure validity and reliability for the quantitative research component included applied sampling processes, reports on the number of respondents and non-respondents, descriptive analysis of all data, and reports on statistical significance testing (Creswell, 2015).

### **Ethical Considerations**

In this study all participants signed an informed consent form which was explained to them by the researcher. The recorded interviews did not include any personal details of the participants in order to ensure their anonymity. Data was collected at participant's place of business to ensure the participant's safety and convenience. All the data was coded, and the raw data is kept safe in line with the University of KwaZulu-Natal (UKZN) policy of data preservation. Furthermore, this study was cleared by UKZN's Research Ethics Committee, and an ethical clearance certificate was duly issued.

## Findings and analysis

### Response rate

The response rate was 100% for the foreign national small business retailers and 75% for the South African small business retailers.

### 4.1. Comparative factors analysis (Descriptive)

#### 4.1.1 Gender

Figure 4.1 (a) and Figure 4.1 (b) outline the gender disparity among local and foreign national traders in relation to the ownership of small business retail stores.

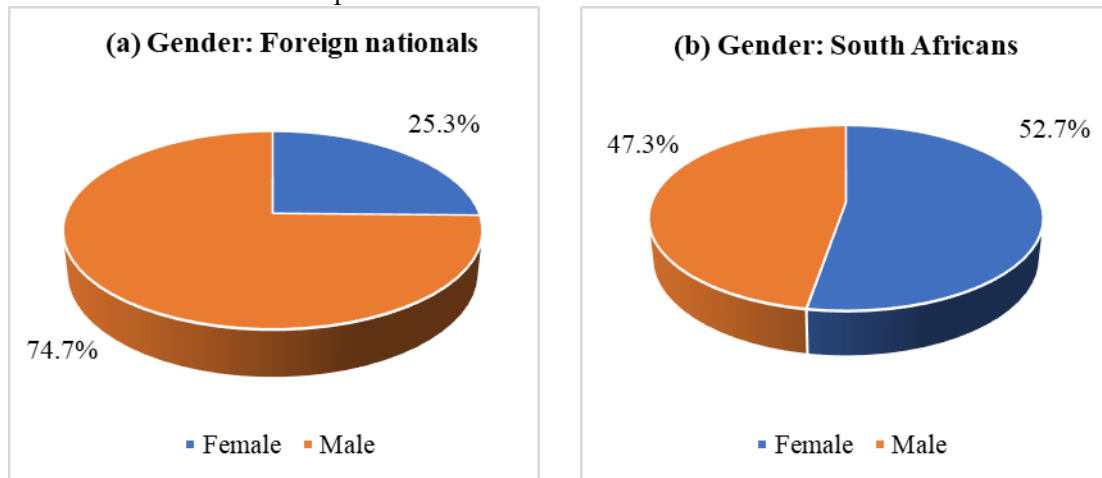


Figure 4.1 (a) and Figure 4.1 (b) depicting the gender of traders (respondents)

With regard to South African traders, Figure 4.1 (b) indicates that female traders are the dominant group, accounting for 52.7% of the respondents. Figure 4.1 (a) indicates that with foreign national traders the opposite is true, as male traders account for 74.7% of the total. Figure 4.1 (a) confirms a study conducted among African countries which showed that at least 37% of women (of working age) have start-up businesses, though this figure is 3% lower than that of their male counterparts in those same economies (Kelley, Singer & Herrington, 2016). In sum, the issue of gender in the informal retailing sector is very important because women experience discrimination in this sector: they are viewed as workers rather than business owners (Crush, Skinner & Chikanda, 2015).

#### 4.1.2 Length of time operating business

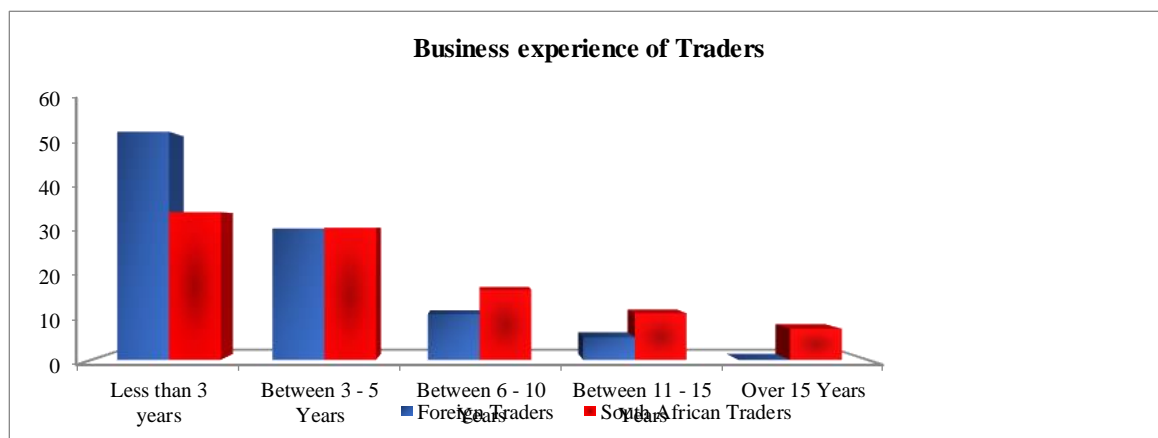


Figure 4.2 Number of years the businesses of traders had been in operation

Figure 4.2 above indicates that 34.5% of South African traders had less than 3 years of trading in the area, while 30.9% had between 3 and 5 years of trading in the area. This means that the 65.4% (34.5%+30.9%) of South African traders had less than 6 years' experience of trading. With regard to

foreign traders, as presented in Figure 4.2, 53.3% had less than 3 years of trading in the area, and 30.7% had between 3 and 5 years of trading in the area. The means that a large 84% (30.7%+53.3%) of foreign traders had less than 6 years' experience of trading. Entrepreneurs who have been in business for longer have the advantage of guaranteed and regular customers, while location remains the means-to-the-end of street food enterprises (Otoo, Ibro, Fulton, & Lowenberg-Deboer, 2012). Thus, vendors who have been in the business for a long period are able to secure a stable and fixed location to operate their businesses, unlike newer vendors, who lack permanent market locations and are obliged to change business locations regularly, affecting their accessibility to potential regular customers (Otto et al., 2012). Mrasi, Mason and Jere (2018: 32) also stated that in some areas retailers and consumers operating in the townships are continuously faced with the challenge of crime, as they are frequent targets of criminal activities

#### 4.1.3 Additional services

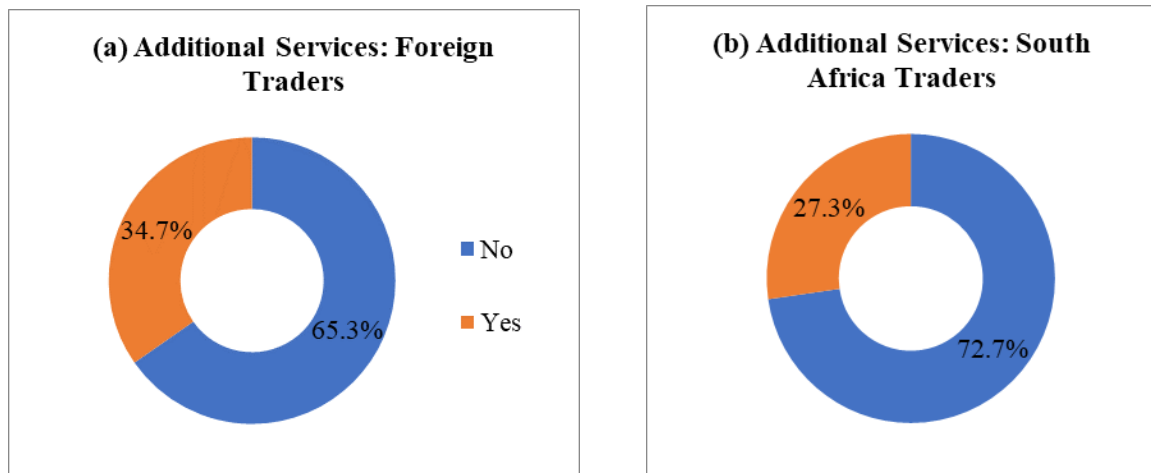


Figure 4.3 (a) and (b) depicts whether or not traders offer additional services

Figure 4.3 (b) above indicates that among South African traders, 72.7%, a substantial majority, do not offer additional services (such as use of a telephone, airtime or photocopying) that are not part of their core business. In the case of foreign traders, as depicted in Figure 4.3 (a), 65.3% do not offer additional services, while as many as 34.7% do. Gastrow and Amit (2013) comment that these service offerings make foreign national trader spaza shops owners popular among township customers. Furthermore, the author noted that foreign national small business retailers offer month-end specials to the consumers so that they can stretch the value of the money they spend on groceries. The author further noted that foreign national small business retailers offer additional services in their stores such as photocopying and selling other goods such as airtime to attract consumers.



4.2 Financial management and control analysis (descriptive)

4.2.1 Funding method

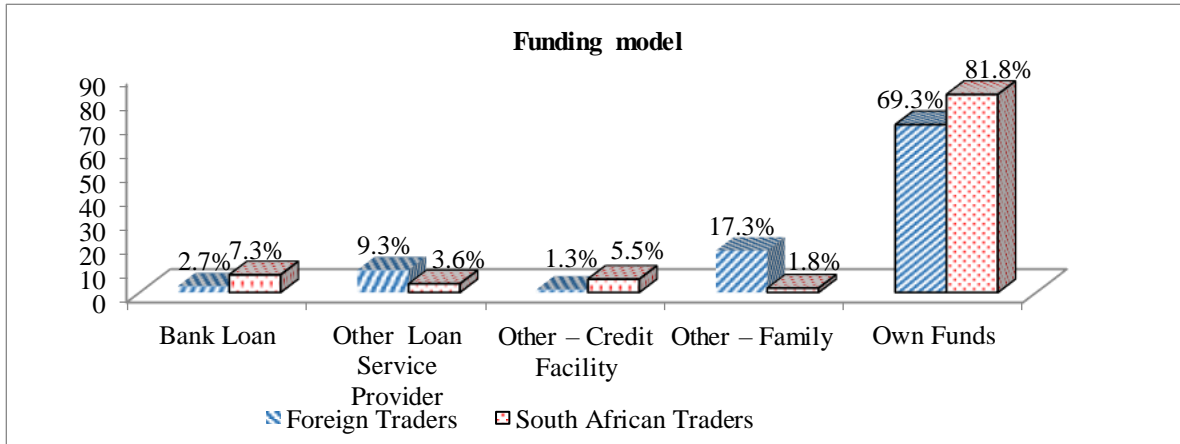


Figure 4.4 Funding method of foreign national and South African traders’ businesses

Figure 4.4, above, indicates that among South African traders, a large majority of 81.8% preferred to use their own funds to start their retail business, or were forced by circumstances to do so. A smaller proportion (though still a clear majority) of foreign traders (see Figure 4.4) 69.3% also used their own funds to start their small retail business. The figures indicate that it is a relatively small percentage of both local and foreign traders who use other forms of start-up capital, such as bank loans or family loans. Funding is often viewed as a stumbling block for small business start-ups, and potential new entrants, either local or foreign national, might be discouraged from starting a small business retail because of a dearth of funding options.

4.2.2 Amount spent on rent

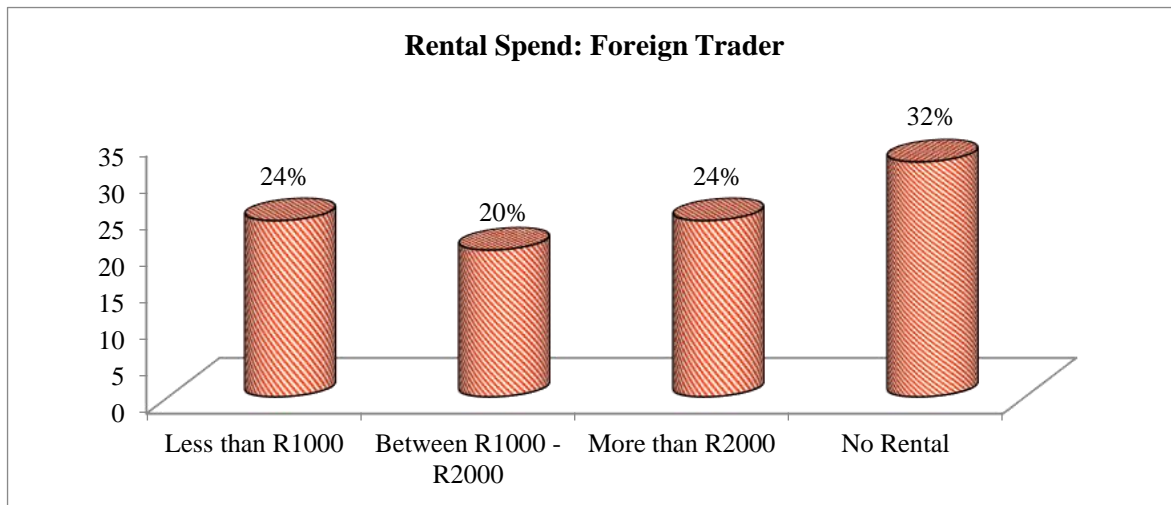


Figure 4.5 (a) depicting the amount spent on rent by foreign national traders

Figure 4.5 (b) below indicates that, among South African traders, 63.6% pay no rent at all for their business premises, while 27.3% pay a relatively low rental of less than R1000 per month. In respect of foreign traders (Figure 4.5 [a]), only 32.0% pay no rental for their business premises, 34.7% pay a rental of between R1000 and R2000, while 24% pay a rental of less than R1000. This means that a majority of 58.7% pay a rental of less than R2000.

In order to save on dual rentals (renting space for the shop and renting a house to live in) foreign national traders usually just sleep at the store, meaning that their store doubles up as a home, which also helps to protect the store from criminal elements. However, the failed South African retailer usually

accepts economic defeat and probably leases out their business to the foreign national small business retailer for a monthly rental income (Charman & Piper, 2012).

#### 4.2.3 Rental Spend: South African Trader

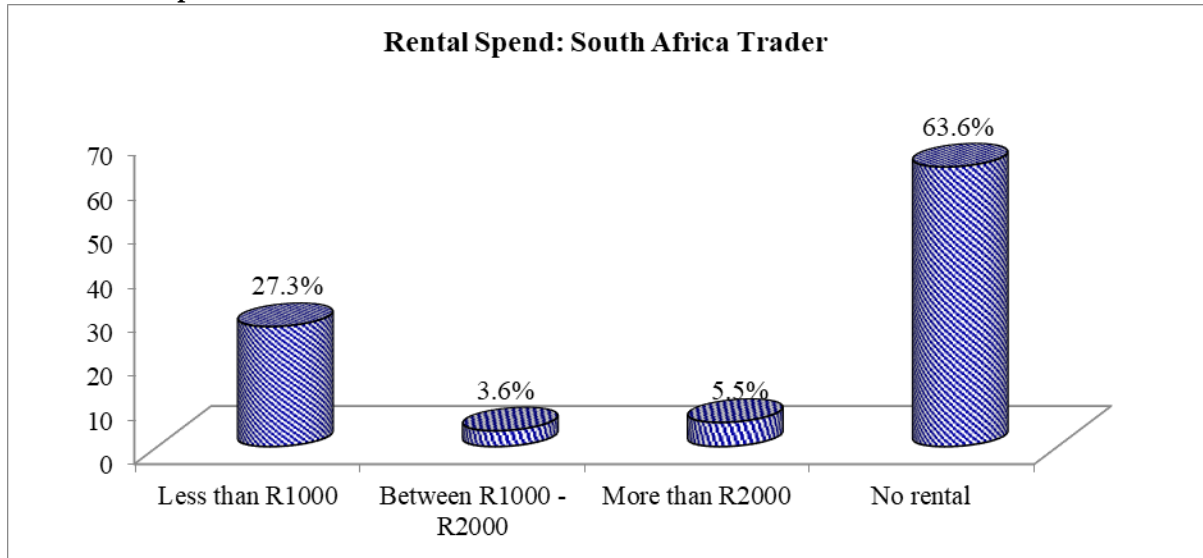


Figure 4.5 (b) depicting the amount spent on rent by South African traders

Figure 4.5 (b) indicates that a relatively small percentage (9.1%) of South African traders that pay a rental of more than R1000, while this figure for foreign nationals is 44%. Thus, the South African traders have some form of advantage when it comes to rental as the majority either own their stores or rent more cheaply.

#### 4.2.4 Trader has a bank account or not

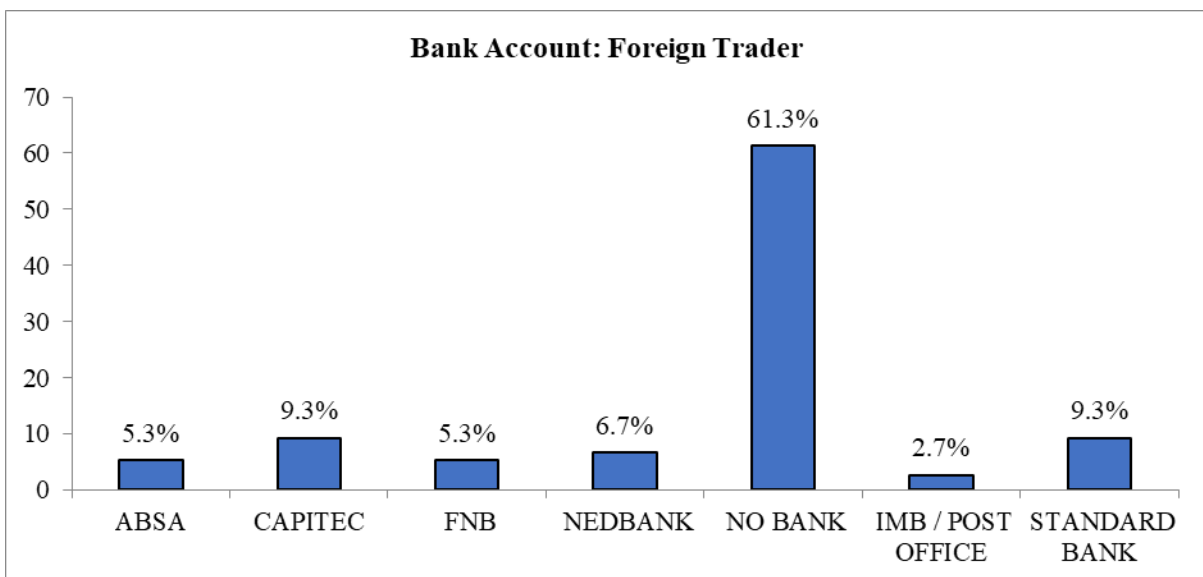


Figure 4.6 (a) depicting the bank where foreign national trader has an account

Figure 4.6 (b), below, indicates that 36.3% of South African traders do not use any form of banking, meaning that a majority (63.7%) of South African traders use some form of banking for their business. Figure 4.6 (b) also revealed that 27.3% of South African traders prefer to use Capitec bank In South Africa Capitec is known as a bank that targets lower income earners. Among foreign national traders (Figure 4.6 [a] above), 61.3% do not use any form of banking for their businesses.

#### Bank Account: South African Trader

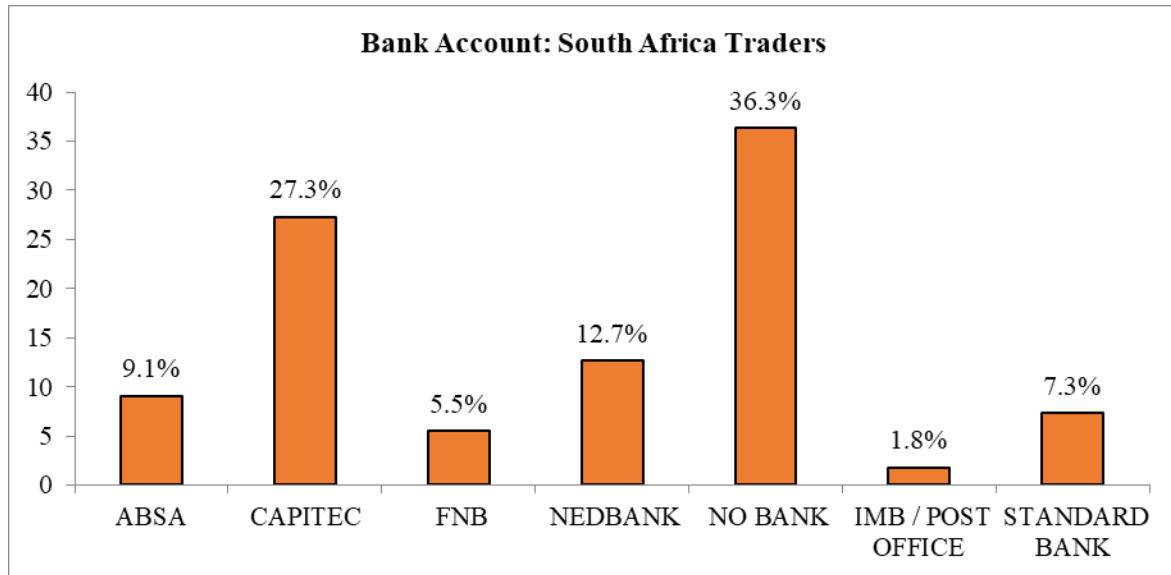


Figure 4.6 (b) depicting the bank where the South African trader has an account

South African traders who are not in the banking system miss the opportunity to be part of the formalised small business sector, which has certain benefits in the form of possible assistance from the government small business development agencies. Adisa et al. (2014) noted that small business owners do not find it necessary to keep business transaction records such as invoices, banking statements (if they bank at all), purchase orders and stock take records. Adisa et al. (2014) argued that in order to manage any business successfully, the business owner needs to keep up-to-date records, including records of all financial transactions. Furthermore, it must be noted that economic challenges for small business entrepreneurs in the informal sector in South Africa affect both local African small business retailers and migrant retailers. They alike lack access to finance, but for different reasons: for the migrant retailer, the reasons relate to being a foreigner (at times an asylum seeker), and for the South African retailer the reasons relate to the absence of audited financial and banking records because they do not even have banking records. Despite this shared handicap, migrant retailers seem to thrive compared to their South African counterparts (Crush et al., 2015).

**4.2.6 Monthly turnover**

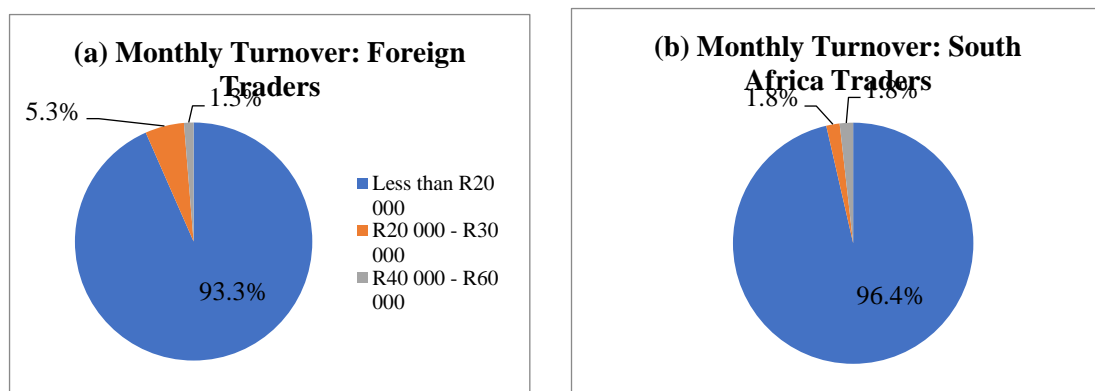


Figure 4.7 (a) and (b) depicting the monthly turnover of South African traders

Figure 4.7 (b), above, indicates that 96.4% of South African traders have a turnover of less than R20 000 per month. Among foreign traders (Figure 4.7 [a]), the figure is similar, with 93.3% also recording a turnover of less than R20 000 per month. Therefore, even if these small businesses were to be formalised, they would be exempted from paying any taxes as they are below the tax threshold in South Africa.

#### 4.2.7 Financial Advisor

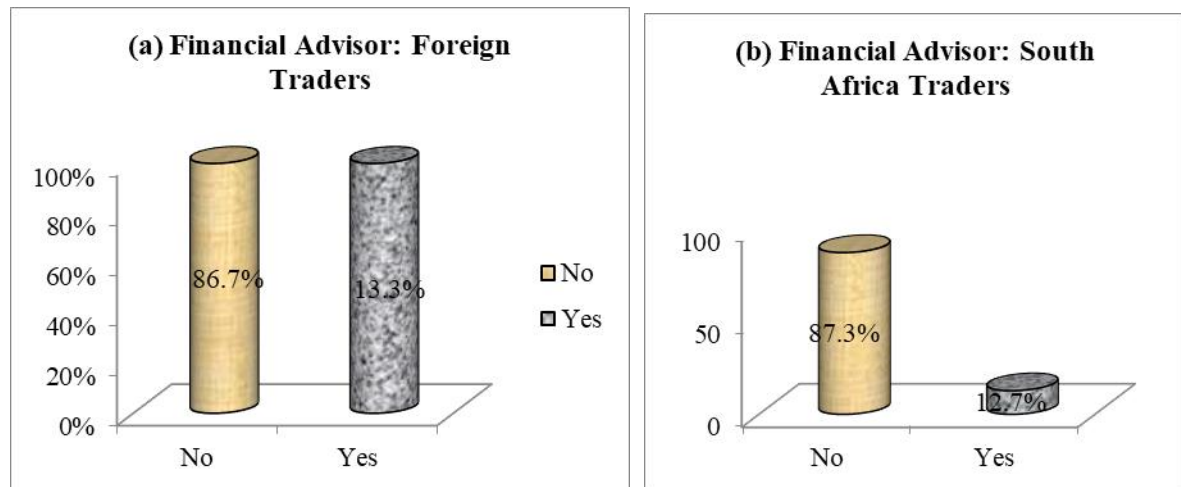


Figure 4.8 (a) and (b) depicting whether or not the South African trader has a financial advisor

Figure 4.8 (b) above indicates that among South African traders a significant majority of 87.3% have no-one to provide them with business advice or financial expertise. The figure is similar for foreign traders (Figure 4.8 [a]): 86.7% have no financial advisor. The figures indicate that few traders, whether local and foreign, have anyone to offer them business financial advice. Business finance requires special skills and formal business have highly qualified accountants to help manage the finances of the business. But small business cannot afford to pay for financial management skills and usually have to acquire these themselves.

#### 4.2.8 Financial management training

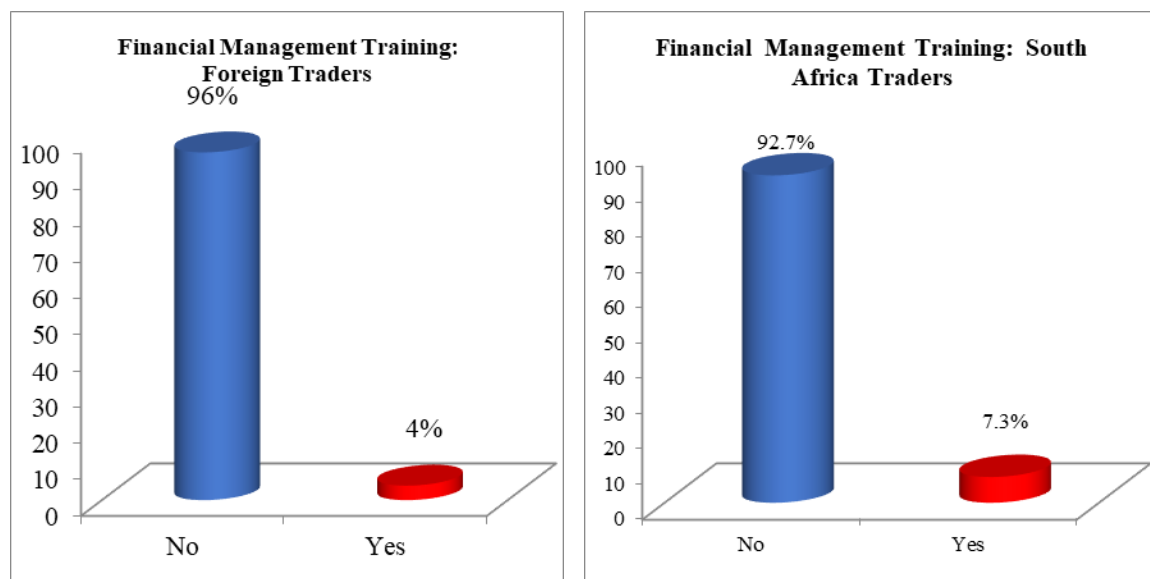


Figure 4.9 (a) and (b) depicting financial management training

Figure 4.9 (b) above indicates that a preponderance of 92.7% of South African traders have had no formal business financial training. An even higher percentage of foreign national traders (96%) have had no formal business financial training. This is an area requiring urgent attention. This is in line with research conducted in Turkey and it depicts that ineffective use of financial statements by SMEs and inadequate training and use of these has resulted in a high degree of failure in SMEs (Karadag, 2015). In

Support, Erskine and Young (2020:1) stated that “While there are a variety of reasons why SMEs ultimately fail, financial management skills and performance are two of the most often-cited explanations. Small- and medium-sized practices (SMPs) can play a critical role in helping these SMEs to navigate an increasingly volatile operating environment”.

Furthermore, Brijlal, Enow and Isaacs (2014) observed that financial management education and training of SMEs is vital for success of their businesses and called upon financial institutions to take a leading role in spearheading training and skills development. When business owners have no personal training in financial management, they typically make use of external financial management consultants, which unfortunately, small business retailers cannot afford, as cited by Brijlal et al. (2014). The fact that research results in financial management training for both South Africa and Foreign Traders indicated deficiency in financial management training, this calls for attention if traders are to survive in this volatile business environments (Thompson, Piteref, Gamble, and Thompson 2016).

**4.2.9 Credit facility**

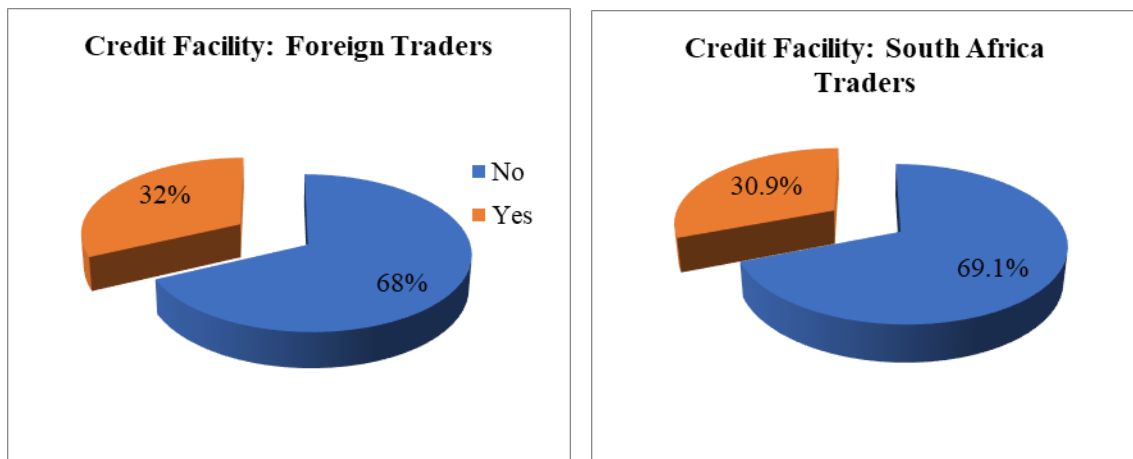


Figure 4.10 (a) and (b) depicting whether or not South African traders offer credit

Figure 4.10 (b) above indicates that 69.1% of South African traders do not sell on credit to their customers. As far as foreign traders are concerned, Figure 4.10 (b) indicates that a slightly lower proportion (68%) do not provide credit to their customers. Credit can help traders to sell more to their customers, but it can also destroy the business if debts owing is not paid. If credit is provided by small businesses, it needs to be managed very carefully.

**4.2.10 Number of years trading in the area**

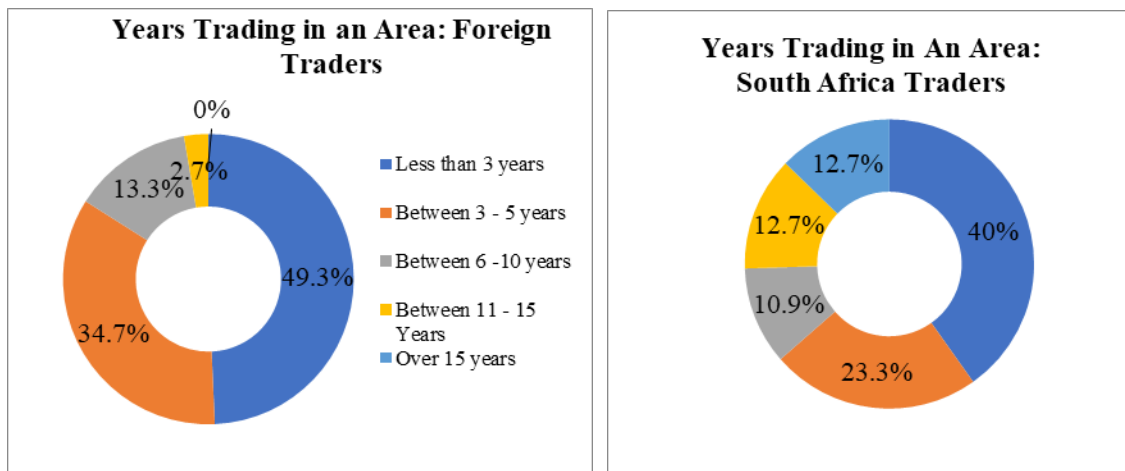


Figure 4.11 (a) and (b) depicting the number of years trading in the area

Figure 4.11 (b) above indicates that among South African traders, 40% have been trading in the area for less than three years, with 23.3% reporting 3-5 years of trading in the area. This means that the majority (63.3%) of South African traders have less 5 years' experience of trading in the area. For foreign national traders, Figure 4.11 (a) indicates that 49.3% of foreign national traders have less than 3 years' experience of trading in the area and 34.7% have between 3 and 5 years.

### Discussion of findings

What is the core competitive factors that differentiate foreign national small business retailers from South African small business retailers in the way they run their small retailing businesses?

The first competitive advantage of foreign national traders is that they have more new start-up small business retail stores compared to local traders which means they are on the rise while local traders are on the decline. The threat of new entrants is one of the key factors identified by Porter (1988) as a factor to competitive advantage.

The second competitive advantage of foreign national traders is that they offer additional services in their business such as renting out a telephone, sell airtime and offering of photocopying services and these are not part of their core business. Gastrow and Amit (2013) commented that these service offerings make foreign national trader spaza shops owners popular among township customers.

The third competitive advantage for foreign national traders is that they are able to secure funding comparable to local traders. Funding is often viewed as a stumbling block for small business start-ups, and potential new entrants, either local or foreign national, might be discouraged from starting a small business retail because of a dearth of funding options.

The only area where local traders have an advantage is when it comes to rental because local traders do not pay any rent while local traders pay rent to those local traders who can no longer compete with foreign national traders. However, in order to save on dual rentals (renting space for the shop and renting a house to live in) foreign national traders usually just sleep at the store, meaning that their store doubles up as a home, which also helps to protect the store from criminal elements. However, Charman & Piper, (2012) noted that the failed South African retailer usually accepts economic defeat and probably leases out their business to the foreign national small business retailer for a monthly rental income.

The study also revealed that the majority foreign national traders do use local South African banks probably because they send their profits to their countries of origin. However, there is also a significant amount of South African traders who are not in the banking system. This disadvantages local traders as they miss the opportunity to be part of the formalised small business sector which has certain benefits in the form of possible assistance from the government small business development agencies. Adisa et al. (2014) argued that in order to manage any business successfully, the business owner needs to keep up-to-date records, including records of all financial transactions. Despite this shared handicap (not banking), migrant retailers seem to thrive compared to their South African counterparts (Crush et al., 2015). The study revealed that both foreign and local traders have a turnover less than the required threshold therefore even if they were banking and assessed for tax they would be exempted.

Another disadvantage of local traders is that they do not have any form of business advisory even though businesses require special skills and formal business have highly qualified accountants to help manage the finances of the business. In Support, Erskine and Young (2020:1) stated that "While there are a variety of reasons why SMEs ultimately fail, financial management skills and performance are two of the most often-cited explanations". When business owners have no personal training in financial management, they typically make use of external financial management consultants, which unfortunately, small business retailers cannot afford, as cited by Brijlal et al. (2014).

The fourth competitive advantage of foreign trader is that they offer credit to the consumers. Credit can help traders to sell more to their customers, but it can also destroy the business if debts owing is not paid. This also means that consumers probably view foreign national traders as people who understand their condition of being poor.

It must be noted that in South Africa during the Covid-19 (from March 2020) lockdown period the Department of Small Business Development announced an agreement with Nedbank to support spaza shops and general dealers on the back of the Credit Guarantee Scheme of Small Enterprise Finance Agency (SEFA). The scheme was only targeted to South African owned spaza shops as a relief for them to

survive the lockdown period during which all businesses closed as mandated by the South African government. During the lockdown period small business from different sectors of the economy suffered greatly and had to close down. However, small businesses in small retailing sector were reported to facing challenges of accessing the support programme because of the following reasons:

Small business owners mentioned that it is difficult to take many hours away from a business to search for the information and apply for the support programme.

Some spaza shops are just frightened by a mere mention of mention of UIF and SARS as parts of the qualifying criteria for the support programme. One example is that of an extremely excited spaza shop owner in Delft who runs two successful spaza shops, one in Leiden and the other in Delft South, who got frightened away when a reporter explained the qualifying criteria and who never showed any further interest. Some weeks since the programme was announced most shop owners were still not familiar about the programme which therefore suggest an intense outreach is needed if the programme is to be successful

(<https://www.iol.co.za/business-report/economy/bbc-starts-its-facilitation-activities-in-small-business-development-programme-49561000>).

Battersby (2020:1) argued that the South African government's lockdown (as a result of Covid-19) regulations have demonstrated considerable bias towards the large-scale formal actors and pushed towards formalization of the informal sector through the conditions about who is able to operate, and the conditions placed on relief measures.

### **Recommendations**

The main purpose of the paper was to identify the core competitive factors that differentiate foreign national small business retailers from South African small business retailers and use these to fashion some guidelines to assist local retailers.

### **Recommended Intervention for local Traders**

It is recommended that local traders should be trained in small business retailing through the Wholesale & Retail Sector Education Training Agency (W&R SETA). W&R SETA is the custodian of the training needs of small business retailers as it in their mandate to train business retailers. The training must be specifically targeted at small business retailers and cover various aspects of managing a small retail business. The training programme will afford traders an opportunity to undergo a period of incubation. On completion of the incubation programme, the trader should also undergo mentorship, in terms of which the trader will benefit by getting new business knowledge and capacity from a mentor, and perhaps benefit from being introduced to new business suppliers and networks known to the mentor. Following on the training model the study proposes the formation of formal business networks for local small business retailers, to be initiated by the South African government's Department of Small Business Development. The network should be responsible for information sharing and exploration of further business opportunities among the small business retail community.

### **Conclusion**

The above discussion has indicated that the problems faced by South African traders are not necessarily different from those faced by foreign national traders. However, foreign national traders seem to deal with the challenges differently compared to local traders in relation to factors such as lack of funding, lack of business networks and professional cooperation. Foreign national traders use their networks (social capital) to overcome the challenges while local traders are fragmented and operating in silos. South African traders are mainly faced with the challenge relating to funding and a lack of collaboration among themselves. In order to mitigate against this challenge local traders, need to work together through various government agencies as recommended above.

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### **Competing interests**

*The author declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.*

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# A means end approach to domestic lead tourism marketing in emerging tourism destinations

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## Keywords

Domestic tourism; Laddering; Market segmentation; Means End Chain theory; Positioning; Targeting

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## Abstract

*This research paper suggests the Means-End Chain theory, has relevant and potential application in domestic tourism research and, as such, should receive wider debate in emerging tourism destinations. It is argued that the theory is particularly useful for understanding personal values as the basis of tourist behavior. This paper argues a personal values approach is a more potent way to understanding domestic tourist participation in contrast to previous survey research findings. A dominant narrative in most developing nations is to target domestic tourist with amenities envisioned for global tourists as a result of failure to generate international tourist demand. The review of literature method was used in this research paper as methodological approach. The study shows the effectiveness of Means End Chain analysis in understanding travel markets and demonstrated the use of motivation chains as a basis for segmenting, positioning, and targeting domestic tourist; The study deduces that means end chain analysis has advantages over quantitative research methods in cross-cultural research given the ability of the approach to reveal unique insights.*

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## Introduction

Over the last decade renewed interest in domestic tourism participation as a mechanism to foster robust tourism in developing countries can be seen from the numerous books, articles, and dissertations on the subject, contrary to the dominant narrative of the tourism industry propelled by Western tourists. Early experts in tourism management and marketing have linked domestic participation to a number of factors, such as economic growth, enhanced tourism amenities and resource-based approaches. In addition, the direct application of marketing and management principles to domestic tourism participation is evident. For instance, Cohen et al, (2014) argue individual studies replicating one or a few consumer behaviour concepts borrowed from marketing and general management fields and applying them to tourism and many studies investigate the same effect (e.g., satisfaction loyalty), but the results cannot be compared due to differences in the research contexts based on tourist types or destinations, thereby hindering generalisation. As a result, the consumer attitude survey research has dominated tourism marketing with product attributes emerging as a focal point or putting it in other words the reason why superior performance of an attribute matters to the consumer of the tourism product.

## Conceptual Framework

A conceptual framework is evolved that shows the relationship between possible exploitation of tourism potentials of emerging tourism markets, opportunities for domestic tourism to generate greater participation would depend upon embracing a marketing-oriented approach based on a values concept or Means End Chain theory (MEC). The conceptual framework thus shows the linkage between promotion of domestic tourism by the identification of domestic tourist market segmentation, positioning and targeting using the means end chain approach as an alternative to the profiling segmentation and product attribute approaches.

## Literature review

The means end approach assumes that consumers decide which products and services to buy based on the anticipated consequences (expected outcomes, need satisfied, goal or value achievement associated with each considered alternative. Means end chain theory additionally claims product attributes are less important in consumer decision making in comparison to anticipated consequences and personal values. (Olson and Reynolds, 2001). The Means End Chain can be used most effectively in understanding the two main issues in consumer decision making: i) what choice criteria consumers use to evaluate the choice alternatives and choose among them; and ii) why consumers find these particular choice criteria to be personally relevant (i. e. salient or important) (Olson and Reynolds 2001). Consumer involvement grows when marketers bring out personally relevant psychological and sociological reasons for consuming their products, and consequently, involvement can be manipulated by marketing programmes (Peter and Olson, 2005). Traditional attitude research focuses on determining the relative importance of attributes and measuring perceptions about how well products perform with respect to important attributes, whilst means-end research focuses on determining the key choice criteria underlying a purchase decision, identifying how the choice criteria relate to product attributes, and understanding the reasons why the product attributes and related choice criteria are important or personally relevant to consumers (Whitlark et al., 2001; Cohen and Warlop, 2011).

## Domestic tourism

The growing attention for quality from the consumer perspectives is an important development in the tourism industry (Jeng and Yeh, 2016). The World Tourism Organisation (WTO) also endorses this advantage and includes this as a major thrust in its "Tourism Vision 2020" which is a strategic thinking on priorities needed for countries seeking tourism development.

Quinn (2010) defines domestic tourism as the travel by residents of a country within the country, which can be same day or overnight within or outside the same state and territory but excluding travelling for work or school. The term residents in tourism literature refers to host community (Yang, 2012); local communities (Dadvar-Khani, 2012); rural communities (Eusébio and Carneiro, 2012); hosting communities (Lima and d'Hauteserre, 2011); community (Lepp, 2008).

In this research paper the broad definition of domestic tourism proposed by Hall and Lew (2009) is adopted. According to Hall and Lew (2009) the domestic tourism is the tourism of residents within the economic territory of the country of reference (Hall and Lew, 2009). Calls for many developing countries to develop and market their tourism potential is evident with significant gains recorded and emphasis placed on international and global arrivals (Mbaiwa et al., 2007). Despite consistent apathy within the developing world in developing domestic tourism, the sector has demonstrated its importance especially when used as a complementary segment, to the volatile international market. Domestic tourism has been noted to foster national pride among citizens, bridge the seasonality gap, increase employment and investment opportunities as well as increase benefits to SMEs (Bui and Jolliffe, 2011). However, the adoption of domestic tourism for sustainable tourism development is lagging in developing countries (Rogerson and Lisa, 2005; Scheyvens, 2007). Sindiga (1996) argues the heavily reliant on international clients by most developing countries is unsustainable. Ritchie and Crouch, (1993) suggest the continued neglect of domestic tourism by developing countries will continue to render their tourism industries unstable.

## The pros and cons of domestic tourism

According to World Travel and Tourism Council (WTTC) report, domestic tourism accounts for 73% of total Travel and Tourism spending globally in 2018; Domestic tourism seems to be a key driver of the tourism sector. Countries rely on domestic tourism as a tool to reduce poverty, improve infrastructure, generate employment and most importantly to drive economic growth.

The activities of domestic tourists create economic importance as the money spent on domestic tourism feeds back into that particular country's economy, providing itself with a more viable and prosperous economy. Domestic tourism is considered as a development factor, domestic tourism brings about an intermingling of people from diverse social and cultural backgrounds and also a considerable redistribution of spending power (Archer, 1978). Finally considering that the domestic tourism does not

regard exchange of tourists with cultural differences from hosts, so its impact is not obviously harmful as of international tourism and its impact on international cultures. However, besides the positive aspects there are also negative ones such a) economic (e.g landprice inflation, seasonal variations, dependence on a single industry) b) environmental and physical (overcrowding, congestion, noise, water, and air pollution in some areas) and c) social (e.g increases in crime, changes in mode of living, feelings of inferiority (Pizam, 1977 as stated in Archer, 1978) which of course can take place of any kind of tourists' mobility.

### **Domestic tourism an African perspective**

The African countries are presented with numerous opportunities and challenges in marketing their tourism industries the vast tourism potentials are to a great extent limited to how Africa has been perceived and branded over many decades. The problem here is Africa's distorted destination image may pose significant implication in the realisation of international and global tourists as African countries are generally confronted with a negative brand identity which may pose challenges in attracting international arrivals (Lepp et al., 2011), a risky continent (Lepp, 2008; Carter, 1998) and a wild jungle (Brown, 2000; Carter, 1998). The image of a destination is an important factor taken into account by tourists when choosing a place to visit (Gallarza, Saura, and Garcia, 2002; Pike, 2005); due to its importance in enhancing tourist satisfaction and affecting the intention of tourists to repeat their visit (Pike, 2005; Prayag, 2008; Tasci and Gartner, 2007). In a recent study on domestic tourism in Southern Africa, Morupisi and Mokgalo (2017) reported an increasing outbound movement by local residents, for leisure purposes of which they suggest, illustrated a higher propensity to travel which is a precursor to tourism engagement. However, domestic tourism consumption failed to match the good outbound leisure travel behaviour. Kwenye (2015) shares similar views, pointing out, a common belief that Zambian citizens would prefer to vacation in other countries rather than visiting their own natural tourist settings. Such low domestic tourism observations however are not only unique to Zambia. Similar observations have been made in the developing world though with some noted improvements in South Africa - especially among the black African population (Butler and Richardson, 2013).

The literature dedicated to domestic tourism is relatively limited as most of the tourism literature focuses on international tourism. Notwithstanding its growth and potential to contribute to economic development, academic journals receive relatively few submissions based on research on domestic tourism in developing countries (Morupisi and Mokgalo, 2017). "Scholars investigating local residents' attitudes toward tourism have often used different types of measurement procedures based on positivistic paradigms" (Nunkoo and Ramkissoon, 2009.p.1). while very few researchers have based their studies on purely qualitative approaches. The neglect of domestic tourism by the wider literature has been identified by Cortes-Jimenez (2008), who describes tourism research as usually restricted to international tourism: "Most studies only analyse international tourism either because of unavailability of data or because of undervaluing domestic tourism" (p. 127). This bias against domestic tourism seems to be closely associated with the preoccupation of many governments to move tourism upscale and to maximize foreign exchange earnings (Cortes-Jimenez, 2008).

In conclusion to the above the following key point is deduced. The tourism product of developing nations is developed purely on attributes that appeal to international tourists whereby disregarding personal values and consequences of domestic tourists.

### **Methodology**

The review of literature method was used in this research paper given that causal inference was possible using documentary evidence in attaining the key objective of the study; a values approach to understanding domestic tourism based on means end chain approach been a more potent way in understanding domestic tourist decision making in emerging tourism markets. Hence, a more practical method to achieve the study objective was to critically evaluate peer reviewed studies based on web searches, journals, and textbooks. However, as this paper is a part of a research work in process, to note that an empirical survey has been designed to take place where interviews have been scheduled through the distribution of a questionnaire to a purposeful selected research sample.

## Findings/Results

Some empirical studies have been reported using Means End Chain theory for market segmentation, positioning and target marketing within different emerging tourism destination contexts.

Pezeshk et al. (2019) using Means End Theory identified revealed 12 attributes, 11 consequences, and five values that domestic Iranian senior tourists wished to achieve. The study constructed a hierarchical value map (HVM) which specified how Iranian senior tourists linked various attributes of domestic tourism destinations to definite consequences, and how such consequences helped them to satisfy their individual values. The study used the laddering technique and in-depth interviews with 30 Iranian senior citizens. A hierarchical value map of Iranian senior tourists was constructed, which identified seven key means end chains (MECs). They recommended key basis for the segmentation of the domestic senior tourism market and the formulation of destination positioning strategies within Iran; Li and Cai (2012) identify six key Means End Chains examines the travel motivation of Chinese outbound tourists at the levels of attribute, consequence and values based on Means End Chain (MEC) theory and laddering method. Two major travel motivation chains were identified (1) respondents visit destinations that are 'famous' or have a 'good environment' because they value 'the beauty of nature' and 'pleasure' and (2) respondents want to visit 'different' destinations, because they value experiences and knowledge.

The study showed the effectiveness means end chain analysis in understanding travel market and demonstrate the use of motivation chains as the basis for segmenting the Chinese market; Watkins and Gnoth (2011) concluded that means end chain analysis has advantages over quantitative research methods in cross-cultural research. Their study revealed unique insights into Japanese travel experiences. They further argue that meaningful values research must consider not only those values that are commonly understood across cultures but also those that are particular to the culture in question, in order to understand what drives perception and satisfaction relevant for destination management and marketing. The findings of the study recommended on how to address a number of practical issues facing tourism practitioners, such as segmenting and positioning the domestic Japanese market; Nunkoo and Ramkissoon (2009) Found that the prevalence of socially oriented values (being with friends and family), whereas traditionally a museum visit has been linked to more individualistic values, such as education and knowledge.

This study recommended a key basis to reposition the Otago Museum in New Zealand. They deployed an exploratory study based on Means End Chain theory; In a study that examines the complexity and hierarchical nature of tourists' experiences at indigenous sites in Taiwan by Wua et al, (2019). Figure 1 below deconstructs experience patterns using a Means End Chain approach.

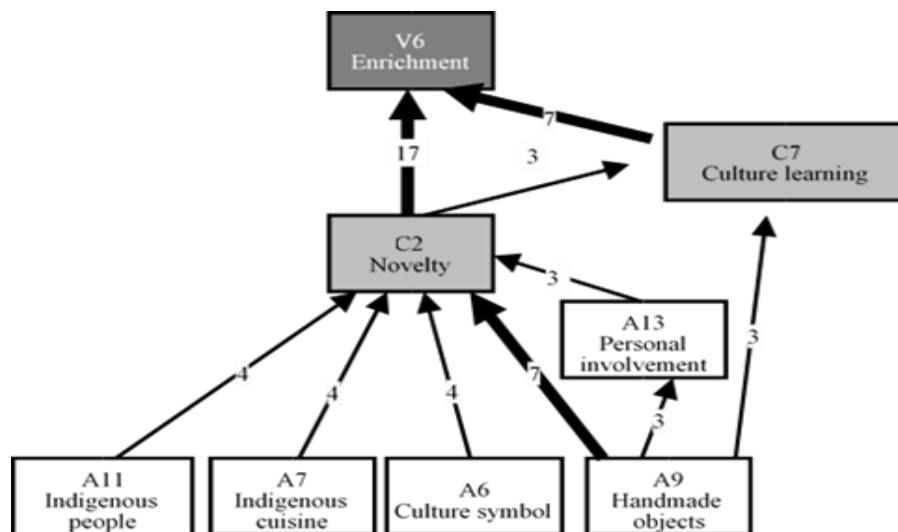


Figure 1 – Source: (Wua et al, 2019).

Their study found two value-led gains i) happiness and ii) enrichment. An experience spectrum was proposed from self-oriented, through self and others, to others-oriented, reflecting different

orientations of pursuits that are expressed through experiencing indigenous tourism in various ways. Based on fifty-eight in-depth interviews hierarchical value maps were constructed. Three sets of indigenous tourism experiences were identified i) enjoying nature and a simple lifestyle ii) participating in indigenous activities, and iii) experiencing ethnic culture (see figure 2 below)

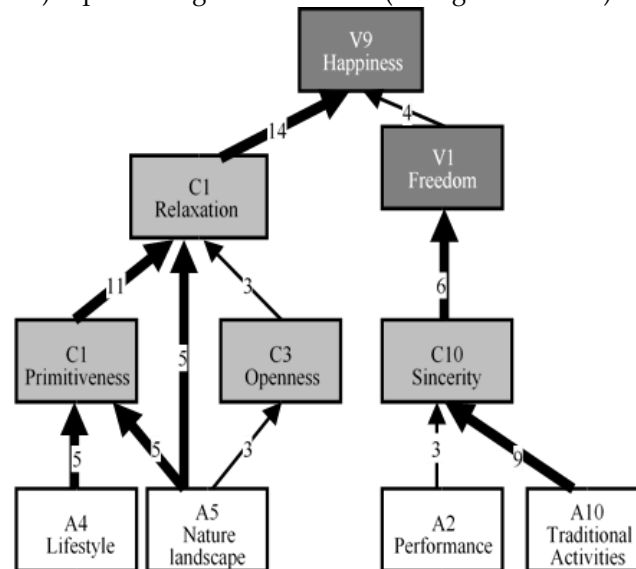


Figure 2 – Source: (Wua et al, 2019).

In a comparative study of Australian international tourists and Japanese domestic tourists Prozano, Kumi and Cheer (2020) using Means End Chain theory at the Nakahechi trail of Kumano Kodo, an ancient pilgrimage site located in Tanabe city (Japan) developed for international tourism. Australian tourists were selected because they were the most numerous international visitors to the site. In order to bridge the research gap, their study objective was to examine visitor diversification in pilgrimage tourism through a study of similarities and differences of values among domestic and international visitors. Results showed a variety of similarities and differences between the sampled nationalities, demonstrating a growing diversification in sacred sites which incorporates a complex range of elements related to leisure, sports, intercultural exchange, nostalgia, escapism, and relaxation, beyond a continuum of contemporary spirituality and traditional religion. Prozano, Kumi and Cheer (2020) concluded nationality is a fundamental factor for studying pilgrimage tourism in contemporary society. As pilgrimage sites continue to develop into international destinations, nationality is an important factor that requires further attention from academics. Results also have practical implications for local administrations aiming to develop their pilgrimage resources for domestic and international visitors.

### Conclusion and Discussions

The empirical studies being reviewed have illustrated the Means end Chain approach could be employed as a standard consideration in market analysis and as a tool to achieve greater precision and effectiveness in market segmentation, positioning and target marketing. Careful assessment of values of domestic tourists and emerging value trends have allowed the identification of new product opportunities and the repositioning of existing products together with a more effective promotional strategy to create and reinforce a preference by appealing to centrally held values of the domestic tourists. Contrary, to an inability to provide accurate information for strategic marketing management is apparent the dominant positivism survey research approaches in tourism marketing, given a lack of homogeneity within members of a segment in terms of motivation, wants, needs, and behavioural patterns. Concomitantly, a general low level of correspondence between background variables and behaviour. Finally, the studies have shown that the Means End Chain approach when applied to domestic tourism has the ability to overcome the various challenges identified in the literature that impede maximum realization of the potential in domestic tourism at various levels, philosophical and methodological (Scott and Le, 2017), etic versus emic approaches (Toa, 2006; Maoz and Bekerman, 2010), policy and marketing related issues at

destination management level (Mbaiwa et al., 2007; Michaud and Turner, 2006; Wu and Cai, 2006), others are more to do with socio-cultural and socio-economic aspects within destinations (Alipour et al., 2013; Cochrane, 2009).

#### Limitations and directions for further research

The critics to the Means End Chain Theory approach may represent the major limitation. For example, Bagozzi and Dabholkar (2000) point out two drawbacks to the means end chain approach. First, it presumes that people's reasons are organized from concrete, physical criteria to abstract, intangible criteria, where people are needed to conform to this a priori ordering in using the laddering procedure. Second, as a consequence of this assumption, the procedure works best for physical products and is less well adapted to the marketing of ideas, people, or services, which are contexts not readily described by physical properties. Although laddering has been applied to services, it appears to work best for services when physical attributes are clear they further argue perceptions of product attributes, psychosocial consequences, and values are taken as units of knowledge, and the ordered connections between these units are interpreted as inference-based judgments.

#### Recommendations for further research

Explore ways to make means end approach more appealing to Destination Marketing Organisations (DMO) and tourism organisations in emerging nations. This follows claims by Olson and Reynolds (2001) findings of Means End Chain studies are subject to consultative in-house studies by large organisations, hence, most studies are not made available and subject to copy right restrictions.

#### Managerial and policy implications

From a management perspective, domestic tourism must be supported financially by local governments since it adds value to local communities. Via new infrastructures, marketing policies of products and services being offered, financial support the value of domestic tourism and the importance of local societies will be promoted, strengthening local economies. Investment on training programs should take place developing specific skills, competencies and knowledge needed leading to improvement of services and product driven by actual needs of domestic tourists.

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- Conventional defense and security, including the seas as a platform for the deployment of Weapons of Mass Destruction and a conduit for weapons proliferation.
- Marine insurance and maritime law
- Maritime crime and the organised criminal business model, including piracy and armed robbery at sea, smuggling of all kinds, people trafficking and illegal migration and stowaways.
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