PROFILING THE CUSTOMERS OF THE E-COMMERCE COMPANY KALAHARI.NET.

by

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ABSTRACT

Profiling the customers of the e-commerce company Kalahari.net.

The purpose of the study was to profile the customers of the e-commerce company, Kalahari.net which sells books, music CDs, DVDs, videos, computer software and hardware amongst others.

The literature study includes a discussion of marketing management and e-commerce in South Africa. Customer profiling is discussed to indicate the need and importance of knowing the customer. The quantitative research was done amongst the customers of Kalahari.net by means of an online questionnaire in 2003.

The findings concluded that the customers browse the Internet between one and five hours per week. The customers are aged between 21 and 25, mostly female, predominantly English-speaking, married, two to three people per household, have a monthly household income of more than R18 000, are well-educated and are residing predominantly in Gauteng.

The study was concluded with the limitations experienced by the researcher and a short discussion of the general usability of the study.

KEY TERMS

Customer profiling; Internet; e-commerce; consumer behavior; marketing; Kalahari.net;

online questionnaire; Internet research; e-loyalty; technology.

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Chapter 1: Orientation

1.1 Introduction

In the visionary appraisal of new directions facing marketing in the new century, Day and Montgomery (1999:3) in Franzak, Pitta & Fritsche (2001:631) described a fundamental change in the way markets are perceived. It changed from looking at individual transactions to focusing on relationships. While the mass marketing emphasis on selling a large number of standardised products will never go away entirely, recent developments suggest that the perspective is shifting to 'molecular markets', which is the smallest possible compilation of elements that still has meaning and value. Practices such as interactive marketing, one-to-one marketing, mass customisation, and customer relationship management models (CRM) feature products and services designed to fit individual needs and tastes. A long-term relationship is the objective of each of these practices.

Performance of a company is dependent on providing a variation of the product that is configured and delivered to individual customers on the basis of continuously updated customer knowledge. Information guiding these decisions must be collected, stored and analysed at the individual customer level. Customer profile information provides an advantage in a competitive marketplace, where knowledge about the target customer needs to be more detailed, more personal and increasingly timeously. Therefore, data collection techniques that probe below normal identifiers, replacing demographic and geographic characteristics that describe markets with shopping preferences and purchase histories of individuals, have grown in importance. In relationship marketing, descriptions of personal behaviour that indicates wants, needs and the best way to

satisfy them, are more valuable than estimates of characteristics based on large samples (Franzak *et al.* 2001:1-2).

Since it has been widely recognised in the field of marketing that it is less costly and much more profitable to keep existing customers than to win new ones, customer retention has also become an important goal for most companies (Reichheld & Sasser 1990:105).

This research will focus on the need for compiling a customer profile of the e-commerce customer of Kalahari.net within the South African e-commerce environment. A background sketch will be made about the state of e-commerce companies in South Africa and Internet usage of the South African public. The problem statement and objectives for this research study will be set.

1.2   Background Sketch

To give a background sketch on the need for this research study, the origin of the Internet will be discussed as well as the current status of the Internet globally, the status of the Internet in South Africa and where Kalahari.net fits into the South African Internet market.

1.2.1 The beginning of the Internet

The Internet is an international network of networks. It started out as a United States Department of Defence network that linked research scientists and academics around the world (Laudon, Traver & Laudon 1996:199). The Internet is said to be the fastest growing phenomenon in modern history. While the birth of the Internet can be traced

back to 1969, it is only after the creation of the World Wide Web in 1989 that the growth of the Internet really took off. The unique and easy-to-use multimedia nature of the World Wide Web, combined with its web-like global reach, was quickly put to use for commercial gain and from the early nineties the Internet entered a period of exponential growth. The Internet was therefore defined as a world-wide interconnected network of computer networks (Bothma 2000:2-3).

1.2.2 The Internet usage globally

Since the advent of the Internet in 1994, the web of information has led to a rapid growth of consumer access, usage and content online. The Internet user base has similarly grown rapidly. Although difficult to measure precisely, the number of world-wide Internet users was estimated at 407 million in November 2000 of which 1.82 million users were then based in South Africa and has grown to 2.89 million users by the end of 2001 as referred to in Section 1.2.3. The 2000 figure represents approximately 4.19% of the total South African population. The 2001 figure represents approximately 6.4% of the South African population. When comparing this figure to the estimated 700 000 users in February 1997, the growth that has taken place is evident (www.nua.ie). Since 2000, the number of people online world-wide has risen to 544.2 million people in February 2002 with 4.15 million living in Africa (www.nua.com). This represents a growth of almost 34% world-wide and 228% in Africa.

A recent study showed that the number of dial-up Internet access subscribers rose by 20% from 2001 to 2002 in Africa. However, when the more developed northern Africa and South Africa are excluded, only one in 250 Africans use the Internet, compared to one out of every two in North America and Europe (Reuters 2002 on www.nua.com).

One of the first major e-commerce companies, namely Amazon.com started in 1997 and from there on many followed. E-commerce (electronic commerce or EC) developed from the Internet and is the buying and selling of goods and services on the Internet, especially the World Wide Web (Bothma 2000:35).

The e-commerce phenomena will be discussed extensively in Chapter 3. This discussion will include how an e-commerce company operates through the web site and how all the functions in the company take part in the product offering and delivering thereof to the online customer.

The company Ernst & Young conducted research in October and November 2000 in 12 countries, including South Africa. A total of 7222 consumers in the 12 countries completed online questionnaires. An additional 74 telephone interviews with company executives were conducted. Discussions with a number of analysts and consulting experts were held to garner their insight and suggestions regarding current and future trends in e-commerce (Kalahari.net presentation 2001). The main findings of the research were as follows:

- By 2005, online sales will represent 10-12% of sales in some product categories. Books, CDs, and computer equipment are still the top selling products online. By 2005, it could represent 20-25% of online sales. Books are the top sellers in 9 out of the 12 countries researched while CDs are the top sellers in 2 of the 12 researched countries.

- According to the research, the demographic profile of the online customer/shopper is looking more like that of a typical traditional shopper. A lack of credit cards is still

inhibiting consumers from purchasing online. Even though consumers are expecting to be able to purchase the same merchandise assortments online and offline they are however expecting to find lower prices online. Most respondents were displeased with shipping costs and wanted to be able to return online-bought items without any hassle.

- An interesting outcome of the research study was that the average age of the online consumer is 34 years in South Africa.

These were some of the findings of the research done. The research clearly shows that the e-commerce company, Kalahari.net, is selling the right products to attract consumers and that online shopping will grow to justify their existence.

Being a developing country, South Africa is understandably not yet on the level of Internet usage as developed countries such as the United States and European countries, but is well on its way as Internet and e-commerce usage grow in this country.

1.2.3 Internet usage in South Africa

The number of users in South Africa using a dial-up modem (a modem which should be connected to a telephone link every time the user wants to connect to the Internet) to access the Internet increased by 194 000 in 1999 to 560 000 in 2000 (www.nua.ie). This represents an increase of 288% over a period of one year.

According to a study done by World Wide Worx in 2002, approximately 2.89 million South Africans were online by the end of 2001. This number was expected to reach 3.1 million by the end of 2002. The study also indicated that while the number of South

Africans with access to the Internet is continuing to grow, the growth rate has slowed down considerably and will be less than 10% in 2002. The slow growth rate is attributed to delays in licensing a second network operator, an uncompromising attitude towards Internet Service Providers (ISPs) from the leading South African operator, Telkom, and market ignorance about the value of the Internet (www.nua.com).

Corporate Internet penetration (Internet access from the workplace) continued to grow but less rapidly than in the past, indicating a certain level of market saturation. There were almost one million corporate users in South Africa in 2000, up from 700 000 at the end of 1998 (www.nua.ie). These numbers show that popular fascination and consumer access from home to the Internet still show growth in South Africa.

A 2002 report from Webchek indicated that 26% of South African Internet users have shopped online, with the average spend per user totalling R2450 per annum. Around 338 000 South Africans have purchased products from the Internet and Webchek estimates that the total spend on online shopping in South Africa amounts to R28.8 million per year. Around 53% of these online shoppers have purchased books online, while 41% have purchased CDs. Just over 20% of South Africans have purchased software online and 16% have purchased games. Other popular products that South Africans have purchased from the Internet include gifts (13%), flowers (12%), groceries (11%) and technology (10%) (www.nua.com).

Online consumer sales in South Africa are expected to reach R65 million over the holiday period of 2002, according to allAfrica.com. This is a 50% increase on the same period in 2001 according to the South African research company, World Wide Worx.

Overall business-to-consumer (B2C) sales for 2002 are expected to total R270 million, up from R162 million in 2001 (www.nua.com).

A study conducted in 1999, by Webchek (1999:53), states that South African Internet users have identified a number of aspects regarding online shopping that they consider important. The eight most important aspects in order of importance are:

- Security of personal details

- Reliability of the online retailer

- Convenience

- The ease of finding the product online

- Speed of Internet access

- Price of the item

- Ability to make a more informed purchase

- No pressure from a salesperson.

South African e-commerce companies should keep these aspects in mind and develop their online retailing strategies accordingly.

South African companies have grown dramatically in terms of e-commerce over the past few years. Research conducted by BMI-TechKnowledge predicted that 38% of large companies, 31% of medium companies and 28% of small companies in South Africa would be conducting at least some commerce over one or more electronic network by 2002 (McLeod 1999: 50).

The large number of web sites of South African companies mentioned above and overseas web sites, of which the Internet consists, results in the Internet user to be bombarded with information and offers from companies all over the world. This, together with the intangibility of the retailers, makes it difficult for an Internet shopper/surfer to choose a web site from which information and/or products and services will be bought.

According to Whitney (2000:26) a decline in the number of Internet shoppers will force online businesses to battle for empowered consumers using 'quality of experience' strategies. The quality of the experience of the customer should be of such a standard that it would retain the customer. The higher the standard or the better the experience with the company, the more likely the customer will be retained. This is why retention of e-customers replaces acquisition as the key infrastructure investment for the immediate future. This is supported by the research done by Reichheld and Sasser (1990:107) that proved that by increasing customer retention by 5%, profits increase by 25% to 95%.

The benefit of a loyal customer not only lies in the fact that it might increase sales but these customers also serve as referrals, by means of word-of-mouth advertising. Many people are still wary of the Internet and doing business on the Web but referrals greatly contribute to the breaking down of barriers in this regard. Referrals are lucrative in traditional commerce as well but, again, the Internet amplifies the effect, since 'word of mouse' spreads even faster than word-of-mouth. 'Word of mouse' refers to on-line customers using e-mail, chat groups or bulletin boards to broadcast a recommendation for a favourite web site or a warning of bad customer service on a specific web site to dozens of friends and family members (Reichheld & Schefter 2000:107).

Lastly, Kalahari.net as part of the South African online market and the reasons why this company was selected will be addressed.

1.2.4 Kalahari.net in the South African online market

Kalahari.net is a South African e-commerce company introduced to the Internet in October 1998. Since then, it has grown immensely to be considered as the South African Amazon.com. The product range of this company includes books, music CDs, DVDs, videos, software, hardware, games, Verimark products and wine, all which can be purchased over the Internet.

Kalahari.net is South Africa's largest Internet retailer at present. It reported a 102% increase in turnover to R17, 2 million for the year at the end of March 2002. Despite the high growth of online retail in South Africa it still represented less than 0.1% of South Africa's R188 billion retail market, compared to the United States where online retail represents 1% of the total market (www.bday.co.za).

Because of the size and success of Kalahari.net compared to other online retailers in South Africa, the researcher approached it for this research study. The company agreed on having research done on their customers in order to profile a sample of their current customers.

1.3   Definition of terms

Since e-commerce has been discussed in the background sketch and will also be discussed in more detail in Chapter 3, only customer profiling and e-loyalty are

discussed in the next section. Both these terms play a significant role in this research study and the compiling of the questionnaire.

1.3.1 Customer profiling

Nykamp (2001:80) defines customer profiling as the core knowledge discovery process that serves as the basis for all subsequent customer-focused analytical efforts. Profiling typically involves summarising customer characteristics, such as demographics, geography, purchase recency and frequency, channel and media usage, and service usage. Profiling can provide the company with strategic insights into the most fundamental issues of customer relationship management (discussed in Section 4.6) by giving an overview of who the company's customers are.

Customer profiling is respected as a means of fine-tuning the targeting of a customer. The more data that is linked into a coherent picture, the clearer that picture becomes. Such a portrait is the foundation of effective marketing (Franzak *et al.* 2001:4).

Information about customers helps companies overcome barriers to transactions by guiding allocation of resources to strategic marketing variables. Consumer disinterest in a product, for example, can be overcome by appealing to a customer's lifestyle-based interests. In a departure from traditional data analysis, the ability to sense what customers will want next, knowing what they will ask for before they actually request it, gains importance. The attention turns from information to knowledge. Private information, with its restricted distribution, can produce the type of knowledge that provides a competitive advantage (Franzak *et al.* 2001:3). The end result of customer profiling makes e-loyalty to an e-commerce company possible and will therefore be discussed briefly.

1.3.2 E-loyalty

The reason for including e-loyalty (electronic loyalty) into this discussion is to point out the importance of the profiling of customers of a company with the intention to create loyalty towards the company by presenting the customers with what they want and need.

Relationship marketing is an extremely important element of e-loyalty, but e-loyalty is not solely about relationship marketing. E-loyalty is about humanising digital loyalty which Reid Smith (2000:21) describes as the process of making the customer feel liked, enriched, smarter and respected which can differ in the time it takes to build the relationship and the intensity of the relationship. Before an e-commerce company can even begin an e-loyalty strategy, it must first perfect the product, their Web execution and their distribution system. A bad first experience on the site can negate the money spent on e-loyalty. The best e-loyalty program in the world will not overcome a bad web site design, poor product quality or unreliable distribution.

Creating real relationships with prospects and customers online is the key to success in e-commerce. The reason is clear; real customer relationships that build e-loyalty insulate e-businesses from the competition because customers do not think they need to consider the competition's offers. Loyal customers not only want to return to the company's web site, they want to be associated with that web site and tell others about it. E-loyalty increases retention and boosts revenue per customer, which means getting a much bigger piece of each customer's lifetime value (www.e-loyaltyresource.com). This lifetime value of a customer refers to the profit contribution a customer will deliver to a service company over an average customer life (Swartz & Iacobucci 2000:206).

Reichheld & Schefter (2000:112) have identified the five determinants of loyalty to web sites. The first is compelling product presentations on the site, which is of great importance when the customer visits the web site. Secondly, clear and trustworthy privacy policies should be explained to the customer so that he/she feels that the transaction would be secure. Thirdly, is the convenience and reasonable pricing of shipping and handling of the products bought, which should be efficient. On time delivery of the product is the fourth determinant, which is of utmost importance to customers and should be managed effectively. The fifth determinant is quality customer support, especially after sales service to the customer (returns and queries) which should be handled in such a way that the customer would want to repurchase from the site.

These determinants will be used in Chapter 2 to describe the procedures and techniques used by Kalahari.net and how loyalty to the site (and therefore the company) can be developed by compiling the customer profile of those customers buying from Kalahari.net. By knowing who the customer is, what is important to him, what his needs are and which products he prefers, the business of e-commerce can be done more effectively and targeted towards the target market.

1.4 Problem formulation

It is of great importance to research the ways that an e-commerce company like Kalahari.net manages the web site and service delivery to fit in with its customers' profile. By determining what the Internet customers' wants and needs are, the services to their consumers can be improved.

The company might have all the basic demographic information of the customers in a database, but do not necessarily track what the customer buys and why they buy it. It is of utmost importance to use the information in the database to the benefit of the company and to add to that other relevant information, which the company can use to alter the product and service offering to the customer to suit him/her. To do this, questions relating to their online habits, online shopping habits, attitude towards Kalahari.net and demographic information will be collected by means of an online questionnaire.

From the background sketch it can be deducted that e-commerce companies, similar to old-economy companies, battle to retain their customers, which affects profitability in the long run. There is a need to study the profile of the customers of e-commerce companies for the company to better manage their web site and services in such a way to serve their customers more effectively. This study will focus on the profiles of the customers of the South African based e-commerce company, Kalahari.net.

1.5   Objectives of the study

1.5.1 Primary objective

The primary objective of the study is to develop a profile of the customers of Kalahari.net, a South African based e-commerce company.

1.5.2 Secondary objectives

The secondary objectives of the study are:

- To determine the demographic, geographic and psychographic information of the customers of Kalahari.net;

- To determine online shopping habits of the customers of Kalahari.net;

- To determine which products are bought the most from Kalahari.net; and

- Identify new areas of research on the future of e-commerce.

1.6   Research methodology

This research study will be a formal study, beginning with a research question and involves precise procedures and data source specifications. The communication mode will be done through self-administered instruments transmitted electronically to the respondents. This cross-sectional study will be carried out once and will represent a snapshot at one given point in time. The research is concerned with finding out what the profile of the Kalahari.net customer is and is thus a descriptive study. The sampling frame for this study is the database of Kalahari.net customers, which consists of information of all the people that have bought products from Kalahari.net. The proposed sampling size for the study was 1 000 respondents which were randomly selected from the 40 000 customers of Kalahari.net. The questionnaire was sent by e-mail to the chosen 1 000 Kalahari.net customers by the company itself.

1.6.1 Primary research

A questionnaire has been designed in Macromedia Dreamweaver UltraDev 4 to compile a profile of the customers of Kalahari.net. This questionnaire has been sent via e-mail to

the respondents (the Kalahari.net customers). On completion of the questionnaire, the data is sent to a Microsoft Access database from where the analysis will be done and the respondent will be eligible to win a prize in a lucky draw as an incentive to complete the questionnaire.

Collection of primary information over the Internet is still in its incubation stage. Although there exists some promising starts, the Internet is being used in mainstream marketing research with caution. One such start is the use of electronic mail for survey research. This technique uses e-mail for the entire process of receiving, completing and returning questionnaires. This type of survey has a number of advantages according to Aaker, Kumar & Day (1998:168) of which the following are relevant:

- Greater speed of delivering electronic mail over regular postal mail. Questionnaires are delivered in a matter of seconds.

- Higher speed of delivering responses and feedback.

- Cost-savings benefits over regular mail surveys.

- No intermediaries (E-mail messages are usually read only by the recipient).

- Asynchronous communication. Unlike telephone surveys, messages can be sent, read and replied to at the convenience of the user.

1.6.2 Secondary research

Research done by Kalahari.net has been collected to identify online trends and needs of the customers previously identified. The bibliographical sources have also been used.

1.7 Chapter outline

The proposed chapter outline of the study is as follows:

Chapter 1: Introduction (including problem statement, objectives and background study)

Chapter 2: Overview of Kalahari.net, the e-commerce company in question

Chapter 2 is a description of the e-commerce company, Kalahari.net. The history of the company as well as other company information and the current customer base as described by them is discussed. The web site is described and this is linked to the determinants of site loyalty as defined by Reichheld and Schefter (2000:112).

Chapter 3: The marketing theory and e-commerce

Chapter 3 entails the first part of the theoretical background starting with the concept of marketing and the orientations and environments it operates in. Technology and the Internet's influence on marketing are discussed, followed by the traditional marketing mix (4 Ps). From there the focus is shifted to e-commerce and the marketing mix of the online store.

Chapter 4: Customer profiling, market segmentation, customer decision-making

Chapter 4 discusses the concept of customer profiling which includes market segmentation and customer decision-making.

Chapter 5: Research methodology

Chapter 5 entails the research methodology and the development of the questionnaire, which were given to the respondents. The research process will be followed to cover all the aspects of the empirical study.

Chapter 6: Data analysis and findings

This chapter presents the findings from the empirical research ranging from general research findings to more specific results. The results are reported on a question-to-question format for the total sample.

Chapter 7: Conclusion and recommendations

The final chapter presents all the major findings. The chapter is concluded by a discussion on the limitations of the study and will be enhanced by recommendations for future research.

Chapter 2: Kalahari.net

2.1   Introduction

In this chapter the focus is on the selected e-commerce company, Kalahari.net. The company's history, functioning and processes will be discussed to give a clear picture of the company and its customers. It will become evident why customer profiling is important in any company, but especially e-commerce companies, since a clear understanding of the customer is needed to aim the marketing strategy and other functional areas on the needs and wants of the target market.

2.2   The history of Kalahari.net

Kalahari.net is a South African based e-commerce company selling books, music CDs (compact disks), DVDs (digital video disks), videos, software, hardware, games, Verimark products and wine over the Internet. It was founded in October 1998 with the head office in Cape Town, South Africa. The name Kalahari.net was selected to link it to Africa by means of its association with the Kalahari Desert, a well-known African landmark. A major advantage is that there is an immediate association with Africa, should the company market themselves overseas. The name also depicts them as an African e-commerce retailer.

Since its inception in October 1998, Kalahari.net has grown to a total customer base of 32 700 in 2001, of which 21 000 were active shoppers (customers), to about 40 000 active customers in 2003. An active purchaser is seen as a customer who has made at least one purchase from Kalahari.net in the past 12 months. The company has been tracking the purchasing habits of those customers who have purchased from

Kalahari.net in the period of October 2000 to October 2001. This is done to develop a reading on frequency of purchases. The main objective of Kalahari.net is to keep 60% of the customer base active by having better marketing strategies in place and updating the product catalogue to suit customer needs.

An analysis of available information indicates that so far 60% of the customer base of Kalahari.net has purchased once, 20% have purchased twice and only 9% of the customer base has purchased goods three times or more from Kalahari.net. This implies that a retention strategy is of the utmost importance to encourage customers to do repeat shopping at Kalahari.net. The marketing strategy of Kalahari.net is currently based on achieving their turnover target of R20 million per year. From this figure the company calculates how many user sessions they need on the site per year, month and week. The company also calculates how many web site users have to be drawn to the site to convert 6.5% of the users into purchasing customers.

Despite a worldwide decline of 25% in e-commerce in the second quarter of 2001, Kalahari.net's sales increased by 365% compared to the same period in 2000. Hein Pretorius, the CEO of Kalahari.net, claims that this success is due to their focus on customer relationships (Duvenhage 2001:7). The company adds value to the customer relationship by adding more products to the product mix. Pretorius attributes this to the investment that has been made in the infrastructure of Kalahari.net. The company is in direct electronic connection (via Internet) with suppliers at all times, which allows Kalahari.net to manage inventory successfully.

Kalahari.net's philosophy is:

- To offer their customers cost-effective and efficient delivery of products. The delivery of products must be fast, reliable and secure and have track and trace capabilities; and

- To offer their customers exceptional customer service.

To live up to the standards set in the philosophy, Kalahari.net has established the following company goals:

- To deliver products from South African suppliers locally within 5 days;

- To deliver products from international suppliers to local customers within 15 days;

- To maintain a 99% success rate of the delivery of parcels; and

- To reply to all customer e-mails within 8 hours.

These goals are measurable and offer the company the opportunity to determine whether service quality goals are met, improved on or not. To further describe the company and its past and future, a closer look will be taken at basic business components and the functioning of the company.

2.3   Company information

Kalahari.net is a subsidiary of the well-known Naspers group as can be seen in Figure 2.1 below. Naspers is an integrated, multinational media business focusing on the development of the electronic media, digital technology and the Internet and the renewal of the newspaper, magazine, book, publishing and education businesses (Naspers Annual Report 1999:2). As can be seen in Figure 2.1, it consists of a variety of

media industries basically controlling most of the well-known media companies in South Africa.

Figure 2. 1: The Naspers body of companies
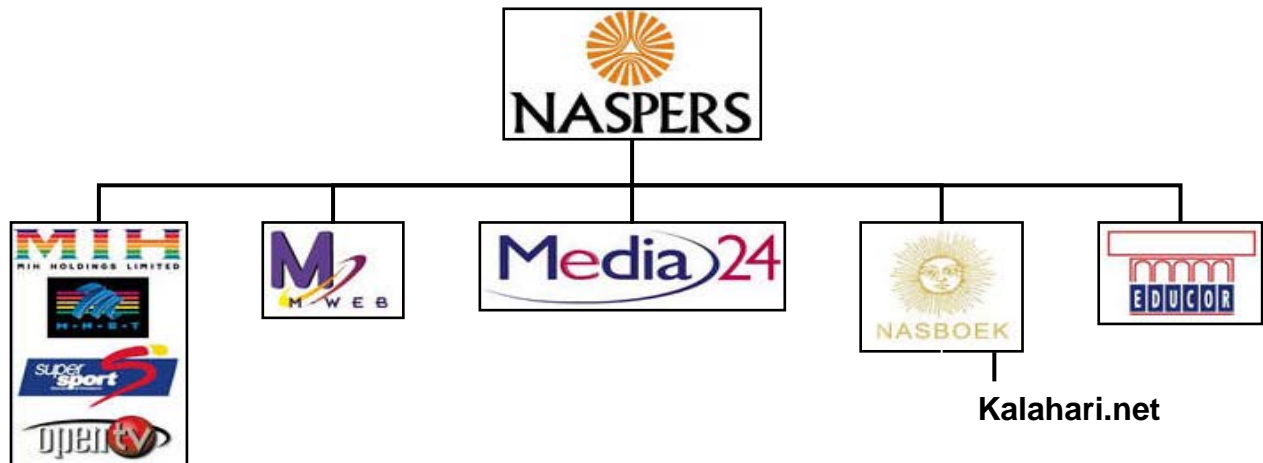
(Source: Kalahari.net presentation slides: Presentation to Suffolk University students 2001)

As seen in the figure, Kalahari.net subsides under Nasboek, the book publishing division of Naspers. Since Nasboek controls mainly publishers and retail bookstores, Kalahari.net is another distribution channel available to them while having the advantage of easy availability of books from the retail bookshop, On-the-dot. The connection between these two companies is discussed in Section 2.5.4. Being part of Naspers is a great advantage to Kalahari.net, since the backbone of Naspers provides financial stability and good management knowledge. The following figure, Figure 2.2 more accurately illustrates where Kalahari.net fits into Nasboek:

Figure 2. 2: Companies residing under Nasboek
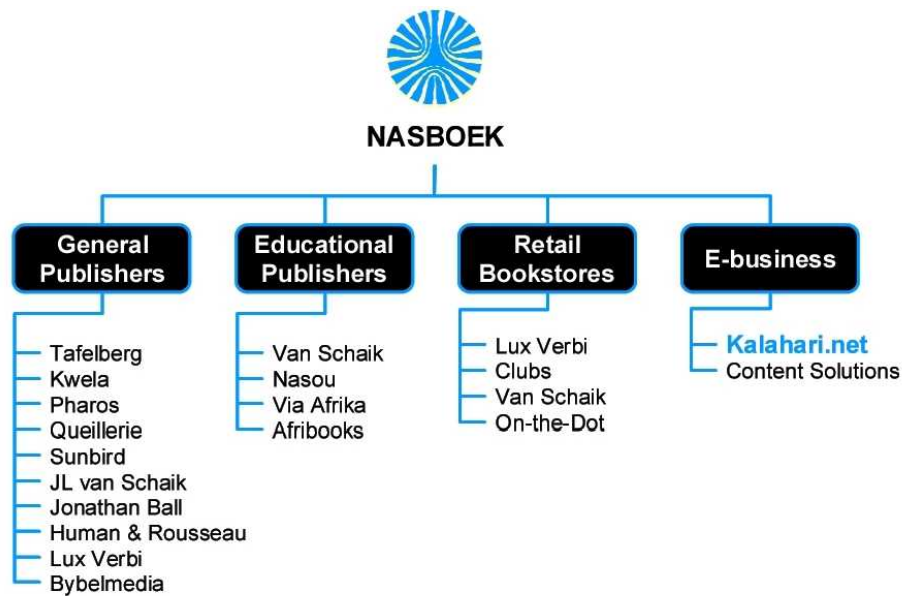
 (Source: Kalahari.net presentation slides: E-tail lessons learnt 2001)

Kalahari.net has a functionally focused organisational structure. The company consists of five departments with the operations, product and information technology departments being the largest departments. Overall the company employs between 70 and 80 employees. Kalahari.net can thus be seen as a company with a reasonably low staff count since many operations are outsourced to other companies and no production of products are necessary internally.

The product range of Kalahari.net, as mentioned earlier, includes books, CDs DVDs, videos, soft- and hardware, and wine. Since May 2002, games, such as computer games, Playstation games and Gameboy games were added as well as Verimark products which had previously been sold on television and certain stores. No comparative sales figures have been released up to date for these new product lines. Comparing the product categories, as a percentage of items sold on Kalahari.net, it is

evident that books (68.6%) are the biggest product category of Kalahari.net, followed by DVDs (15.5%) and music CDs (5.7%). Wine (0.40%) and flowers (0.90%) are still struggling to establish a substantial share of product sales. This can be attributed to the possibility that flowers, in particular, are generally bought on impulse and therefore rather bought in traditional stores than online. Figure 2.3 indicates the exact percentage each product category has of the total product sales of Kalahari.net:

Figure 2. 3: Product category as a percentage of items sold of Kalahari.net in 2000
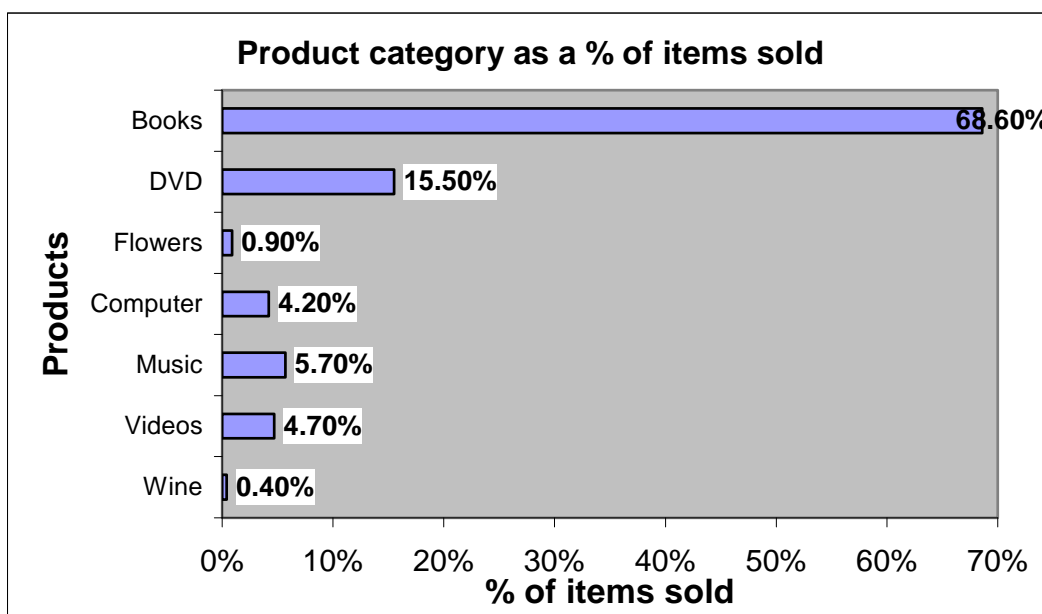
(Source: Kalahari.net presentation slides Presentation to Suffolk University students 2001)

Figure 2.4 indicates the projected turnover of every product category as a percentage of the total turnover of Kalahari.net. The book category constitutes the biggest share in the turnover but will start to decrease in the next 5 years according to the projected figures set up by Kalahari.net.

Figure 2. 4: Product category as a percentage of turnover of Kalahari.net in 2000
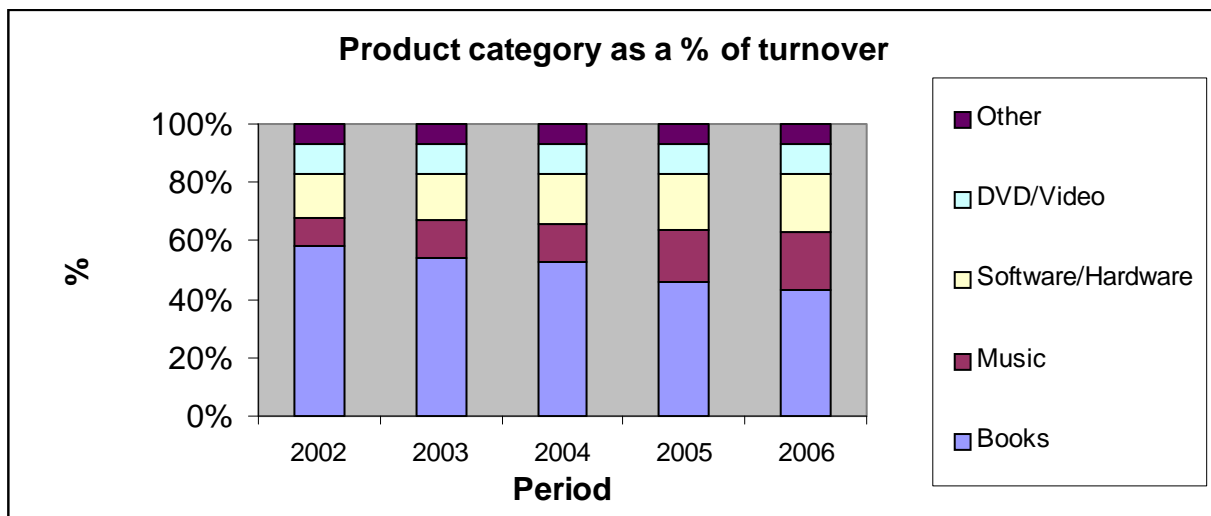
(Source: Kalahari.net presentation slides Presentation to Suffolk University students 2001)

As seen in Figure 2.4, music and soft/hardware will obtain a bigger share of the turnover of Kalahari.net in the years to follow. This means that Kalahari.net will eventually focus more on these categories of the company in future as customers' shopping habits change. Advertising of the different product categories will also influence sales figures.

- **Advertising**

Kalahari.net currently advertises on radio, newspapers and the Internet. The company uses Khoi-San boesman people in their radio and television advertisements and the distinctive clicking sounds of these people can be heard advertising the latest offers. The company also advertises on iafrica.com, bluebean.com, sawubona.co.za and msn.co.za amongst others and does extensive database marketing to existing customers. Customers regularly receive e-mail messages from Kalahari.net containing the latest offers and specials. If a customer makes a purchase from the site, he/she will

receive a discount voucher (usually R50 vouchers redeemable on the next purchase from Kalahari.net) some time after the purchase to induce more future purchases.

- **Competitors**

Kalahari.net has South African and international competitors. They monitor their competitors' online and offline actions constantly. Offline actions include advertising on television, radio, the press, public relations and outdoor advertising. Online actions include products being promoted on the Internet, pricing strategies, promotions, newsletters and site changes. Kalahari.net reacts only to areas, which they believe, could be an opportunity or threat to them. The main competitor sites, which they monitor, are the following:

Table 2. 1: Online competitors of Kalahari.net

Product category	Competitor/s
Books	Amazon.com, Barnes & Noble, Exclusive Books, Wordsworth Books.
Music	Amazon.com, Musica, Look & Listen, The Shopping Matrix, Digital Mall
DVDs	The Shopping Matrix, Digital Mall
Computerware	Amazon.com, Digital Mall
Wine	Cybercellar
Games	Hypermarkets and game shops
Verimark	Television, Pick 'n Pay, Game etc.

All bricks and mortar companies selling similar products, such as CNA, Incredible Connection and hypermarkets are also seen as competitors of Kalahari.net. The web sites of E-Bucks, Blue Bean and IntheBag of Woolworths are also monitored. Kalahari.net frequently does spot checks on selected sites where they check the site's product lines (prices, ranges and depth), discounts given, navigation (time to register, add products to basket and check out), search engine hits, site layout, payment process, customer service, help provided, delivery times and packaging of products.

With the large amount of competitors in the marketplace, Kalahari.net will have to have adequate marketing strategies in place to build market share.

Company results made available in May 2002 indicated that Kalahari.net's 102% increase in turnover for the year to end-March 2002 confirms that it has surpassed Amazon.com as South Africa's leading online retailer. Kalahari.net's turnover growth to R17.2 million for the year 2001-2002 marks the second successive year it has recorded triple-digit growth figures (100% and more). The customer base has increased by 123% and it services 72 255 customers by the end of the financial year (www.itweb.co.za).

Figure 2.5 indicates Kalahari.net's projected share of the total book market from 2002 to 2006. It is evident from Figure 2.5 that although the market share is still small, a large increase will take place in the total market share in the next few years.

Figure 2. 5: Kalahari.net's projected market share of the total book market
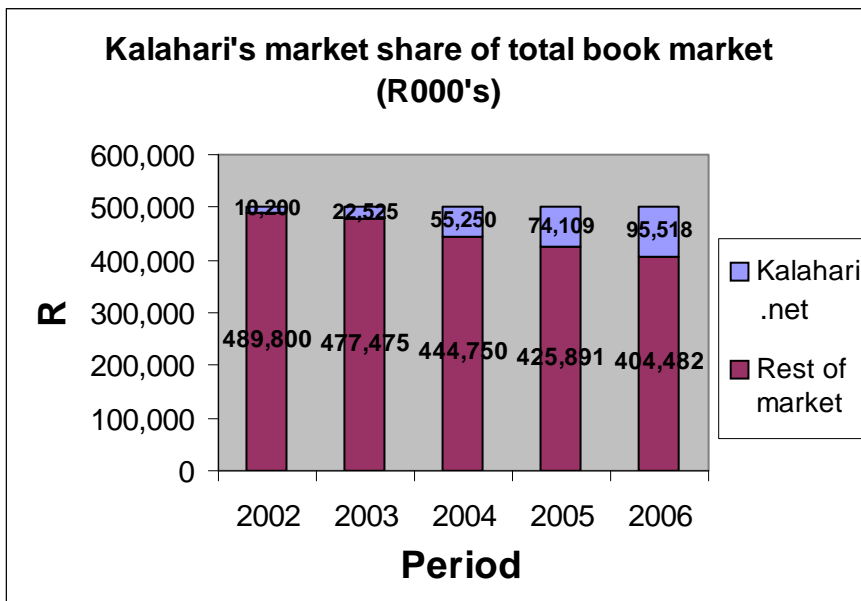
Kalahari's market share of total book market (R000's)

Period	Kalahari.net	Rest of market
2002	10,200	489,800
2003	22,525	477,475
2004	55,250	444,750
2005	74,109	425,891
2006	95,518	404,482

(Source: Kalahari.net presentation slides: Presentation to Suffolk University students 2001)

- **VS Online**

The academic textbook supplier, Van Schaik Bookstores has made its online presence, VS Online, available exclusively through Kalahari.net in January 2002. The company chose Kalahari.net since they offer debit-based payment options through Icanonline and other convenient payment mechanisms for students who generally do not have credit cards. Prescribed books for tertiary institutions, such as RAU, UPE, US, UCT, UNISA and WITS are therefore now also available through Kalahari.net, which increases its product depth (www.itweb.co.za). The student can either search as usual or browse by category (law, commerce, psychology, medicine etc.).

Since the first quarter of 2003, customers are able to buy prescribed school books on the web site. Kalahari.net has joined forces with Afri Books Ltd and offers school books

for all categories or subjects in the curriculum. The customer can choose between books in all languages or only English books when searching for a school book.

- **Added services**

Customers of Kalahari.net can send an "e-voucher" to a friend anywhere in the world for any amount with a personal message added. The recipient can then use the voucher on the site. If the customer wants to send a product from the site as a gift to a friend, it can simply be added to the shopping basket as per normal. Clear site instructions will then direct the customer to enter the recipient's address and type a message in the provided space. Payment is done as usual and the recipient will receive delivery notification of the parcel.

The latest addition to Kalahari.net's product range is the service of buying cellular phone airtime from Kalahari.net via Icanonline and to subscribe to magazines through the service "subscribe24@kalahari.net". This indicates that Kalahari.net wants to position itself as a web site offering products and services of a wide variety from one site.

The most important factor when studying the market share of a company is the customer base of the company. The customer base of Kalahari.net will now be discussed based on in-house research done by the company.

2.4 Current customer base of Kalahari.net

The current total customer base of Kalahari.net's can be described by means of demographics, activity and language amongst others. Currently Kalahari.net's

customers can be divided into two main language categories namely English and Afrikaans. English customers represent 60% of the customer base and Afrikaans-speaking customers, 40%. Figure 2.6 indicates that more customers of Kalahari.net are steadily becoming more active shoppers than inactive shoppers in the period October 2000 to February 2001.

Figure 2. 6: Kalahari.net's registered customers
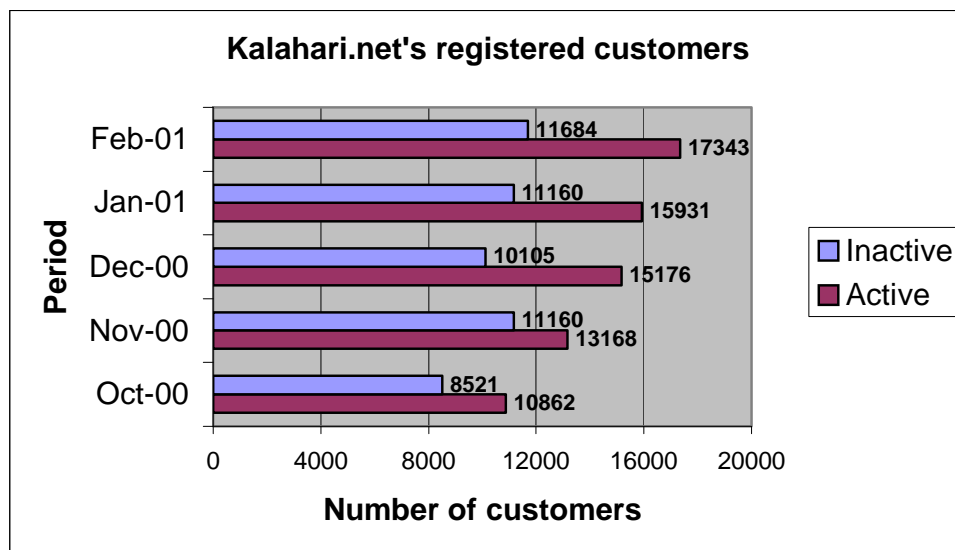
(Source: Kalahari.net presentation slides: Presentation to Suffolk University students 2001)

As mentioned previously, an active shopper can be defined as a customer who has made at least one purchase from Kalahari.net in the past 12 months. A larger base of active shoppers increases income and must therefore lead to a more focused marketing strategy on these profitable customers.

Comparing the customers of Kalahari with other online customers of South African e-commerce companies and those abroad as seen in Figure 2.7, it can be deducted that the ratio between male and female customers are about the same as South African e-customers (male: 70%, female 30%). This is however not the case in the United States where female customers dominate online shopping with 60% while male customers represent 40% of the online shoppers. It will be interesting to compare the results of the study with these statistics.

Figure 2. 7: Demographics of online customers locally and abroad
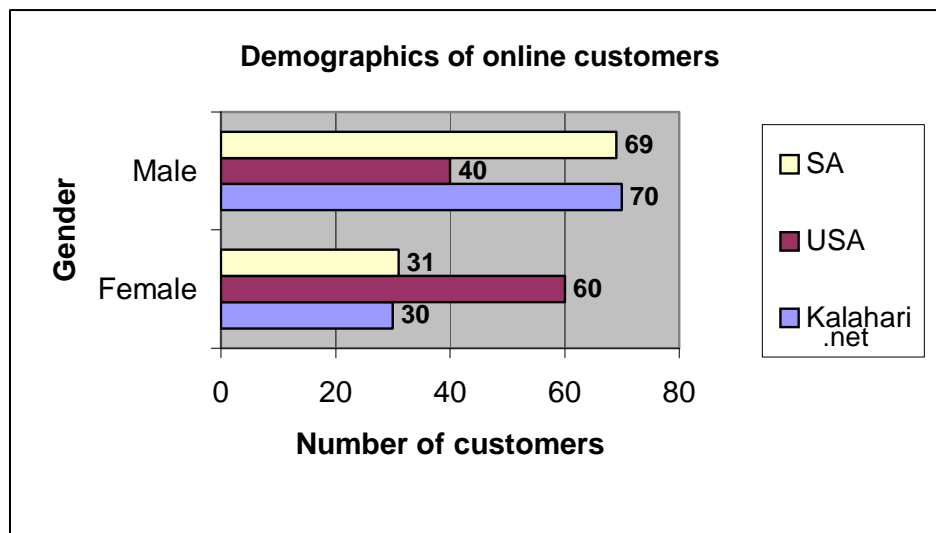
(Source: Kalahari.net presentation slides: Presentation to Suffolk University students 2001)

These statistics and tables give a basic profile of the customers of Kalahari.net at present. There is however a need to develop a more precise profile of the customers of online customers and more specifically Kalahari.net, which will determine their demographic profile, preferences and online behaviour. To develop this, an in-depth

study of the principles of marketing, e-commerce and customer profiling is discussed in Chapters 3 and 4.

To illustrate how Kalahari.net presents its products and services to its customers, an overview of the company's web site's functioning will now be given.

2.5   The web site of Kalahari.net

The web site of Kalahari.net (www.kalahari.net) was designed by the in-house designers of Kalahari.net in two dominating colours, namely orange and blue, which are maintained throughout the site. The content development studio of Kalahari.net is responsible for updating the site on a daily basis. The welcome page is updated once a week and other pages are updated daily, weekly or fortnightly depending on new products or upcoming events. Entire site redesigning will take place when the look or navigation of the site is stale or outdated. The Information Technology department of Kalahari is responsible for further maintenance of the web site. This department consists of 15-20 employees, which includes managers for the different organisational functions, namely marketing, operations, products and database with their developers working under them.

A description of the web site will now be done which will point out how the designing of the site was aimed at delivering quality customer support throughout. Focus points will be site design, layout, navigation, product availability, after sale service and methods of payment offered to the customer.

2.5.1 The homepage

The homepage of Kalahari.net introduces the customer to the company and boasts with easy navigation. The different product lines of the company are placed at the top of the page. The customer can select from a wide selection of religious, children, business, educational, travel and computer books by scrolling over the 'books' button. 'Computerware' options include Hewlett Packard and Microsoft software, Sony Playstation software, computer books and Palmtop computers. The 'videos' and 'DVDs' button can be selected which produces a selection of both old and new videos and DVDs. Local and international music CDs can be browsed through and selected to buy. A wide selection of wine as well as books on wine is available while the focus is placed on South African wine.

The more recent additions to the product range, namely games, Verimark products, Travel and "more shops" were added to the row of buttons on the homepage. The games button provides a link to the games page where the customer can select computer games, Playstation, Game Boy, Simsville etc. The Verimark product range is divided into automotive products, cookware, DIY products, exercise & fitness, general domestic, health & beauty, home cleaning, kitchenware and recreational products. All products available at Verimark kiosks in retail stores can be bought from this page.

The travel product line was introduced in May 2003. It gives the customer a new online service with information on hotel, guesthouse, game lodge, train and car hire needs. The customer can click on information regarding local hotels, hotels abroad, holidays abroad, local fly or drive packages and car hire. By partnering with Europe's largest online travel company, lastminute.com, Kalahari.net is offering huge discounts on last

minute hotel and game lodge bookings locally and internationally. The customer, however, has to register with lastminute.com as well to take advantage of these offers.

The 'more shops' link gives the customer a view of all the product groups of Kalahari.net as well as airtime and magazine subscriptions, which can be bought from the site.

An addition has been made to the homepage namely the Kalahari.net 'Help Tutorial', which takes the online customer through the online shopping process. It is available by clicking on a link presenting a 'step-by-step tutorial on Kalahari's shopping process'. This is especially helpful for first time Kalahari customers or customers who has forgotten how to order. The tutorial is divided into 11 steps, taking the customer step-by-step on how to browse, order and pay on this particular site by indicating the process with screen cuts of the site. The tutorial can be printed for future referencing.

A site map has also been added to the homepage of Kalahari.net. Instead of clicking on the links at the top of the page, the customer can click directly on the link of the site map. All buttons and links are thus available on the left-hand side and at the top of the screen.

The biggest advantage of the homepage is the search function near the top of the page, where it is easily visible. The customer can select from five search classifiers namely keyword, title, author, publisher and ISBN number. This gives the customer the option to search for a book, CD or any other product available on Kalahari.net without having to know a lot of detail about the product. After locating the product, it can be added to the virtual shopping basket of the customer. First time customers have to fill in their personal details and payment option to identify themselves as Kalahari.net customers.

Second time customers can check their details and alter it if a different payment method or delivery address is preferred. Order confirmations via e-mail are sent to the customer shortly after the purchase is done on the Internet. Any mistakes or alterations to the purchase should be corrected and done by the customer shortly after this e-mail message has been received. The customer also receives an order number in this e-mail, which should be used in future correspondence with Kalahari.net if necessary.

Kalahari.net also gives the online customer the ability to check what is in his/her shopping basket by clicking on the 'my basket' button. This allows the customer to look at the products chosen and remove products if necessary. The 'my profile' button shows the customer's name, address, password and language. Once a product is added to the customer's basket, Kalahari.net's navigation system will prompt the customer automatically to submit the details for delivery purposes. These details will then be stored under 'my profile' to speed up future purchases. Afrikaans can be selected as the language preferred since almost all Kalahari.net's navigation systems are also available in Afrikaans, or are bilingual. This is important since 40% of Kalahari.net's current customers are Afrikaans-speaking.

The customer can view all previous and current orders by clicking on the 'my order status' button. The new screen specifies exactly in which phase of the process the parcel is and the relevant dates of the order. The product will either be 'on order' which means that the order has been placed and Kalahari.net is awaiting stock or 'dispatched' meaning that it either has been posted or sent with the courier service (depending on the customer's delivery option).

Kalahari.net makes use of cookies to welcome a second time visitor to the site. The customer's name is placed at the top of the web site screen to personalise the experience of visiting Kalahari.net for the second time. Cookies are a marketing tool used by Internet marketers to track visitors' navigation on a web site. It involves a server-side script that tracks a visitor's login information and navigation through a particular web site. This information (which is considered to be a reflection of the user's interests and preferences in what is available on the site) is then stored in a small passive file, which is saved on the hard drive of the user's computer. The next time the user visits the web site, the program uses the relevant cookie file to see what the user was interested in the last time he or she visited the site (Bothma 2000:59). The customer can sign in on the homepage when he/she is not at the usual computer. This option is provided especially for customers connecting to Kalahari.net from Internet cafés where the usual cookie files will not be active.

2.5.2 Product catalogue

The product catalogue is the crux of any e-commerce company. The site can render all sorts of extra services, but if the product catalogue does not offer the customer a wide range of quality products, it will not be able to survive as a successful e-commerce company. Kalahari.net has adopted a 'headshop' strategy: they believe that their product range should be of such a nature that the customers are able to see the products, hear it, taste it and smell it. This points directly to the product range being DVDs, books and videos, CDs, wine, games, Verimark products and computerware. All their products are therefore non-perishable, low return items that are easily distributed with pre-determined sizes and costs.

The book product line consists of a very wide variety of books. Kalahari strives to offer books to appeal to as many customers as possible. This strategy does not target any specific market but is very diversified. They do however have policies regarding pornographic titles, which they refuse to sell. The most popular book category is the business titles. Afrikaans fiction also sells well to the Afrikaans-speaking customer segment.

The Kalahari.net customer is able to easily arrange for payment of the chosen products by checking out the shopping basket/cart. A more detailed discussion will now explain the payment processes of Kalahari.net.

2.5.3 Payment options

Besides ease of use of the web site, payment of products bought can be the differentiating factor of an e-commerce site. Kalahari.net offers their customers the following five methods of payment:

- Firstly credit cards like Visa, American Express, MasterCard and Diners Club International are accepted.

- Bank deposits can also be made by the customer at the nearest ABSA branch.

- Thirdly, the customer can make use of Standard Bank's Autopay facility.

- Fourthly, electronic bank transfers can be made to Kalahari.net's account at ABSA bank.

- The last method is to register with the sister company in the Naspers group, 'Icanonline'. 'Icanonline' is an online banking company, which now offers Kalahari's customers the option to pay for their products through them.

'Icanonline' receives commission for rendering this service to Kalahari.net customers.

These methods of payment therefore make it possible for anybody to buy products online from Kalahari.net by using the payment method most suitable to them. It offers the benefit of limiting the objection of people not able to do online transactions since they do not have a credit card. The payment methods have also been structured to minimise the risk in terms of debtors, as full payment has to be received by Kalahari.net before delivery takes place.

After the customer has chosen the payment option, the purchase is processed and delivery of the merchandise must take place. Since Kalahari.net is an online retailer, delivery of merchandise differs from traditional retailing. A closer look will now be given to the distribution of Kalahari.net products.

2.5.4 Distribution of products

Kalahari.net has a vast number of suppliers for the various products available on the site. Their only criteria are that the supplier must be able to transfer all information electronically and that the products must be delivered within a specified time.

Pelton, Strutton & Lumpkin (1997:24) define outsourcing as a practice that occurs when companies hire outside providers to assist them in any of a variety of business practices. In the case of Kalahari.net, the customer places an order electronically on the site. Kalahari.net then forwards the order to the relevant supplier who sends the product to the 'On-the-dot' distribution centre in Cape Town. 'On-the-dot' is Kalahari.net's distribution company, which handles the product deliveries and

dispatching thereof. 'On-the-dot' makes up the parcel and dispatches it to the customer in the desired manner as soon as possible.

Kalahari.net orders most of the business books in their product catalogue from the USA and UK, which has an influence on the delivery time. It is then delivered to the customer in South Africa. Products available locally will reach the customer faster. To give the customer a choice in the speed of the parcel being sent, Kalahari.net offers three delivery options to the online customer:

The first option is the overnight counter-to-counter delivery of the parcel. The customer will be able to collect it from the post office counter the day after dispatch from the post office in Cape Town. The cost of this delivery method is R35 for parcels up to 5kg. It was increased for the first time from R29 to R35 in July 2002. The South African postal service is used for the delivery of these parcels. This method is however unreliable as only 90% of deliveries are on time and can take up to three weeks for a parcel to be delivered if problems are experienced within this service. This can lead to poor customer service and a reluctant, negative attitude towards Kalahari.net. The company can consider outsourcing parcel delivery to a private company if the South African Postal Service's service levels do not improve.

The second option is the overnight door-to-door delivery of the parcel with a courier service countrywide. This is a very fast and reliable delivery method on condition that the customer must be at his/her residential address to receive the parcel. The cost for this delivery method is also R35 up to 5-kilogram.

The last option is the next day door-to-door delivery of the parcel with a courier service. Heavy items above 5-kilogram (e.g. scanners, printers etc.) cost a minimum of R55 for one product or a combination of products. The cost is automatically calculated as the customer adds more items. Delivery of these heavy items applies to door-to-door deliveries only.

Comparing the postage fees to those of the South African postal service, Kalahari.net tends to be cheaper than the postal service. The postal service charges R19-80 for the first kilogram and R2-60 for each additional kilogram or part thereof for a parcel (www.sapo.co.za). This means that a 5-kilogram parcel will cost R32-80 at the post office and R35 with Kalahari.net.

Deliveries of local products to customers in South Africa usually take five working days to be completed. Books ordered from either the United Kingdom or United States can take up to 15 working days to be delivered. This is clearly indicated to the customer on the site where the book's information is given so that the customer is fully aware of the waiting period. International deliveries (outside South Africa's borders) cost R80 per order. International customers represent 30% of the current customer base, which is surprisingly big seeing that Kalahari.net sells a lot of local and Afrikaans books and CDs.

Figure 2.3 illustrates the business activities generated by Kalahari.net. The five parties involved in the process link together to form a distribution channel. Service excellence by the parties involved is crucial for the image of Kalahari.net.

Figure 2. 8: Distribution network of Kalahari.net.
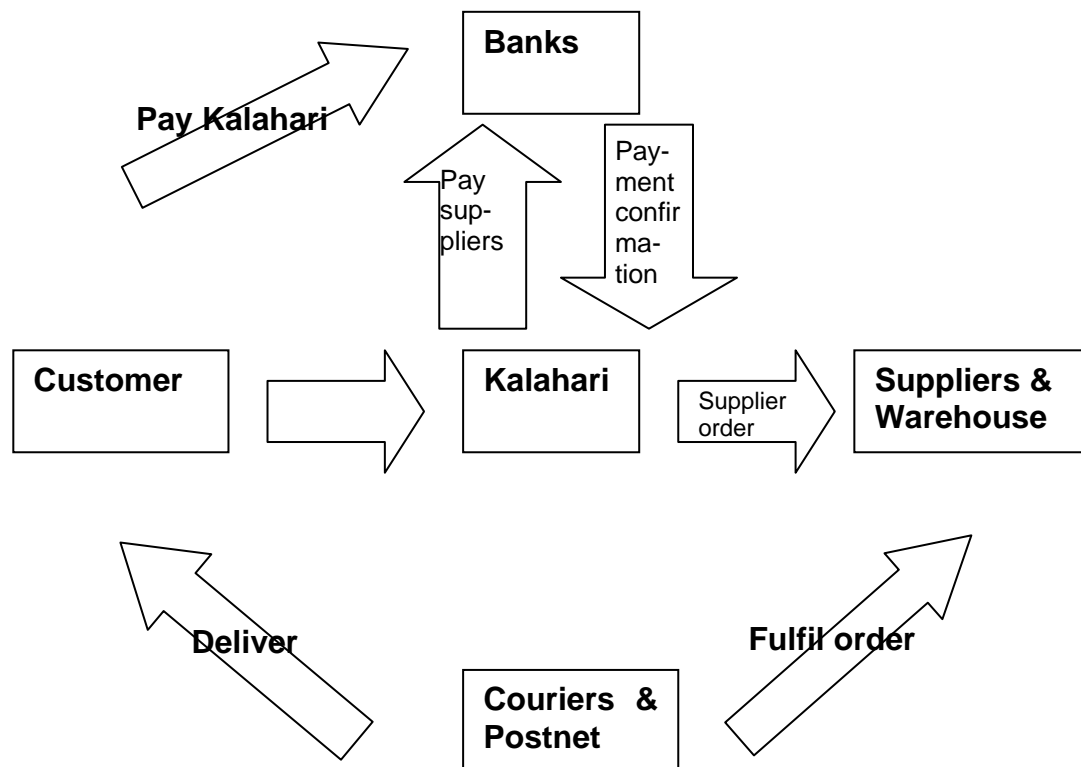
(Source: Kalahari.net presentation slides: Presentation to Suffolk University students 2001)

Payment information, product delivery and customer information are all factors of e-commerce, which customers are wary of disclosing to anyone. E-commerce companies therefore have security procedures intact to give customers peace of mind. Kalahari.net has the following security procedures and policies to keep their customers satisfied.

2.5.5 Site security

Security remains the primary concern of on-line consumers. The web site of Kalahari.net (www.kalahari.net) is a Trust Online Site. The Trust Online Site Program allows the customer to learn more about the web sites he/she is visiting before

submitting any confidential information on the site. The Trust Online Site Program uses Thawte SSL Web Server Certificates to offer secure communications by encrypting all data to and from the site. Thawte has checked and verified the company registration documents and the site's registered domain name. Kalahari.net makes use of Secure Socket Layers (SSL). The customer is given peace of mind by having the Trust Online logo on the homepage. This ensures the customer that the SSL system is used to secure all information on the Internet. The customer can view the validity status, showing the period for which the Trust Online security approval is valid. The company's name, location and other important information are supplied to the customer.

When the customer enters his/her credit card number, name and address on Kalahari.net, the details are encrypted as a secret code (Secure Socket Layers) for its virtual journey between Kalahari.net and ABSA. The actual transferring of money is administered by ABSA bank - not by Kalahari.net. ABSA bank reserves the money for Kalahari.net's use - which means that they receive payment long after the customer's order has been placed. Kalahari.net operates in the same way as any other speed-point or credit card machine holder. In order to facilitate this process, Kalahari.net has to comply with all security requirements prescribed by ABSA to accredited speed-point holders. Because Kalahari.net is an esteemed and approved credit card operator for ABSA, their credit card transactions are protected by the same system used for ATM machines and for prominent national retailers. It is guaranteed against unauthorised entry from hackers. An encrypted code is virtually illegible and indecipherable as it travels from destination to destination. Kalahari.net has had attempts of credit card fraud, but all attempts have been averted.

The most important facet of Trust Online is the 128-bit encryption key that allows Kalahari.net to encrypt information on pages where the customer types in confidential information. This level of encryption is the highest available to electronic commerce, including banks. This makes credit card transactions guaranteed to be safe on Kalahari.net.

Kalahari.net also guarantees safe credit card purchases by adding that, in the unlikely event of any unauthorised charges on the customer's credit card as a result of online card transactions with Kalahari.net, they will reimburse the customer for an amount up to R500 if their credit card company holds the customer liable for the purchase.

It is the aim of Kalahari.net to create a safe and secure web site for its customers. They want the customer to understand and trust their online shopping experience. Kalahari.net therefore ensures customers on the site that the company is entirely committed to protecting all transactions and information. To accentuate the transparency of the company, the terms and conditions of the company may be read by clicking on the link available on the home page of Kalahari.net.

To determine how successfully Kalahari.net has designed the site to engender site loyalty, the site will shortly be measured to the determinants of site loyalty of Reichheld & Schefter (2000:112) as discussed in Chapter 1.

2.6   The determinants of site loyalty applied to Kalahari.net

Reichheld and Schefter (2000:112) found that the primary determinants of web site loyalty do not only consist of technological advances, but rather customer service

basics. According to them, the following five determinants will keep an e-commerce company on track to deliver outstanding customer service and retain customers, if adhered to.

2.6.1 Quality customer support

Quality online customer support provides the customer with ways to navigate the site by means of a site map and buttons with links, search the site with a search function, e-mail the webmaster and company with questions or suggestions. Another support service that the Internet provides is that a web server gives the online company the ability to answer customer questions using a web browser. Questions that are often asked may be included in a separate file. Such a list might be added to the web site for online customers to read (Shim, Qureshi, Siegel & Siegel 2000:45-46). Knowing how to navigate the site will ease the process of searching for a product. If any problems occur, the customer can e-mail the company to ask for help and support.

Customer support in the case of Kalahari.net can be described as a combination of web site navigation and after sale service to the customer. The site offers the online customer more than one way of help and contact. Customers can e-mail the company with questions or compliments when clicking on the 'e-mail us' button. This service should be very visible to the customer when a problem occurs since it is very frustrating if the customer wants to contact the company but is unable to get the contact information quickly. Kalahari.net also offers help to customers by providing frequently asked questions (FAQs) to the customer. These questions include company, navigation, language, ordering, passwords and transaction information. The customer can also get information on how to order, delivery times and costs, payment methods, account details, credit card security and cookies. The help tutorial mentioned earlier in the

chapter also provides excellent customer support. The wide array of information and help provided, limit problems and complaints and increases trust in the site.

Kalahari.net is able to provide such customer support, since they have a sophisticated Information Technology department as mentioned earlier. They have the expertise to develop customer support techniques in conjunction with the marketing department, who is in touch with the customer's needs.

The second determinant of web site loyalty namely the on-time delivery of products is a factor, which determines in the end if a customer will frequent the site again to purchase a product. If a customer originally had a bad experience with a parcel being undelivered or very late, the chances of buying from the company a second time are significantly reduced.

2.6.2 On-time delivery

On-time delivery is simply delivering the product/s bought by the customer from the site in reasonable time and in perfect condition. Customers should also be able to track the process to see when the order was processed and the parcel sent.

Kalahari.net adheres to this determinant of site loyalty by giving the customer the ability to check the order on the web site. When the order is placed, an approximate delivery time is given so that the customer knows when to expect the parcel. As soon as Kalahari.net receives the product, it will reach the customer within two days. The speed of delivery is, however, still dependent on the South African postal service, which they do not have control over. The third determinant refers to the products available on the site and the presentation thereof.

2.6.3 Compelling product presentations

The presentation of the products on the web site offered by the company influences the image of the company, since this is one of the few ways the company has to impress its customers and build a brand image. The product presentation links with the ease of use of the search function and the effectiveness thereof. The customer should be able to search for a certain product with the search function and receive an accurate outcome on the screen. Also, if the customer only wants to browse the product catalogue, it should provide the customer with a good description of the product and preferably a picture thereof. The price of the product should also be clearly indicated.

Kalahari.net has an organised product catalogue, divided into different product categories (books, CDs, DVDs, software and hardware, Verimark products and wine etc.). Each of these categories has subcategories through which the customer can browse. The search function, once again, is effective when the customer knows exactly what he/she is looking for, or when he/she is in a hurry. The repetitive use of colours (mainly blue and orange) is aesthetically pleasing.

Numerous sites have great product catalogues, but the customer is reluctant to buy from the company because of outrageously high shipping and handling costs. These costs will now be discussed as one of the determinants of site loyalty.

2.6.4 Convenient and reasonably priced shipping and handling

Reasonably priced shipping and handling should be a priority of any e-commerce company. It determines, together with the comfort of online shopping, if customers are

willing to purchase goods online, seeing that postage and handling fees are additional to the cost of the product.

As discussed earlier in the chapter, Kalahari.net charges R35 for all parcels up to 5 kilograms. This is a reasonable price if compared to the South African postal service. The customer is also informed of the postage fee on the homepage and all advertisements. Kalahari.net has regular promotions where no postage is charged. During this promotion, the customer pays when purchasing merchandise, only the price of the merchandise. The prices of the products can then be compared to traditional retail prices.

Apart from good customer service in the distribution channel of an e-commerce company, privacy policies can be a differentiating factor, which will either attract or drive away customers.

2.6.5 Clear and trustworthy privacy policies

To engender trust, web sites should be up front about how the registration information is to be used. This means putting the intention of obtaining the information from the customer at the top of the registration form rather than at the bottom. A privacy policy typically contains a promise that the web site will not sell or give away customer data without permission from the customer. The policy should be easy to understand by the customer (Reid Smith 2000:55).

As indicated earlier, Trust Online approves Kalahari.net's site security and it has clear privacy policies. The policy can be read by clicking on the link, which is available on

every page of the site. This gives the customer the peace of mind to do transactions with the company.

2.7 Summary

Having a clear understanding of the functioning of Kalahari.net as the company and the web site being the product to the online customer, the theory behind marketing management and e-commerce will be discussed in detail in Chapter 3. This will enable the development of a profile of the customers of Kalahari.net with the ultimate goal of designing the site according to the needs of the customer.

Chapter 3: Marketing and e-commerce

3.1 Introduction

There are numerous aspects which form part of marketing, and new concepts are continuously being added to the field of marketing. The aim of this chapter is to show where e-commerce and customer profiling fits into the field of marketing. Firstly the concept of marketing will be discussed, followed by the marketing orientations, the marketing environments, technology as part of the macro-environment, the Internet, e-commerce and the marketing mix of the offline and online retailer. All of these issues will be examined from an e-commerce viewpoint, illustrating the impact of e-commerce on traditional marketing trends.

3.2 The concept of marketing

To understand the concept of marketing, a closer look has to be taken at the different definitions of marketing, the marketing orientations and also the marketing environments, which have been adopted by companies over the years.

3.2.1 Marketing defined

Marketing can be defined as a combination of management tasks and decisions aimed at meeting opportunities and threats in a dynamic environment in such a way that its market offerings lead to the satisfaction of consumers' needs and wants in such a way that the objectives of the enterprise, the consumer and society are achieved (Strydom, Jooste & Cant 2000:20).

Kotler (2000:8), on the other hand, defines marketing as a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. Drucker in Kotler (2000:8) adds to this that the aim of marketing is to know the customer so well that the product or service fits him/her and sells itself. This implies an understanding of customers and points directly to the importance of customer profiling in any company.

Lamb, Hair and McDaniel (1994:6) define marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational objectives.

From these definitions it can be concluded that an organisation's outputs have to satisfy the customer's needs and wants and that the product/services rendered are based on satisfying their needs and wants.

To understand how the concept of marketing has been adapted over time, the marketing orientations are discussed in the next section.

3.2.2 The marketing orientations

Five competing marketing orientations have strongly influenced companies' marketing activities over the years. These orientations are commonly referred to by Kotler (2000:17-25) as production, product, sales, marketing, and societal marketing orientations. Each of these will be briefly discussed below.

- **The production orientation**

The production orientation focuses on the internal capabilities of the company rather that on the desires and needs of the marketplace. The major shortfall of this orientation is that it does not consider whether the goods and services that the company produces also meet the needs of the marketplace (Cant, Strydom & Jooste 1999:10). The production orientation holds that consumers will prefer products that are widely available and inexpensive. Managers of production-orientated companies concentrate on achieving high production efficiency, low costs, and mass distribution. They assume that consumers are primarily interested in product availability, and low prices. From this orientation, companies move to the product orientation (Kotler 2000:17).

- **The product orientation**

The product orientation holds that consumers will favour those products that offer the most quality, performance, or innovative features. Managers in these companies focus on making superior products and improving them over time. They assume that buyers admire well-made products and can enhance quality and performance. Product-oriented companies often design their products with little or no customer input. They trust their engineers to develop superior products without listening to the market's needs (Kotler 2000:17). The major pitfall of this orientation was that it did not lead to customer satisfaction. This pitfall made companies move towards the selling orientation.

- **The selling orientation**

The selling orientation holds that consumers and businesses will ordinarily not buy enough of the company's products. The company must therefore undertake an aggressive selling and promotion effort. The orientation also believes that consumers

typically show buying inertia or resistance and must be coaxed into buying. It also assumes that the company has a variety of effective selling and promotion tools to stimulate more buying. Most companies practise the selling concept when they have overcapacity. As competition increases and buyers become more affluent, management finds it necessary to become more aggressive in these efforts to persuade the market to purchase is products. Market intermediaries such as retailers, wholesalers, and distributors are recognised as important in the selling effort. As a result, advertising and personal selling efforts are directed at these intermediaries as well as the final consumer or buyer of the product (Busch & Houston 1985:34). Their aim is to sell what they make rather than make what the market needs (Kotler 2000:18). From this orientation the aim moved more to the customer and therefore the marketing orientation emerged.

- **The marketing orientation**

The marketing orientation, which emerged in the 1950s, is a business philosophy that challenges the previous three business orientations. The marketing orientation supports the belief that the key to achieving the company's goals consists of the company being more effective than competitors in creating, delivering and communicating customer value to its chosen target market. This orientation rests on four pillars namely the *target market* first, followed by *customer needs*, which determines the *integrated marketing* used to deliver *profit* (Kotler 2000:19). A change from sales-oriented management to marketing-oriented management resulted in an emphasis not only on the sales message and the price, but also on the quality of products, packaging, methods of distribution and the necessity of providing information by means of advertising. Consumers developed more sophisticated needs and were financially in a better position to satisfy these needs (Cant *et al*. 1999:11). Even though

this orientation worked well, the question arose whether companies that satisfy customer wants are really acting in the best interest of the customers and the society. These concerns gave impetus to the development of the societal marketing orientation.

- **The societal marketing orientation**

The societal marketing orientation holds that the company's task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being. The societal marketing orientation calls upon marketers to build social and ethical considerations into their marketing practices. They must balance the often-conflicting criteria of company profits, consumer want satisfaction and public interest (Kotler 2000:25). The societal marketing orientation thus requires marketers to balance three considerations in setting their marketing policies: company profits, consumer wants and society's interests (Cant *et al.* 1999:15).

From these orientations, marketers are moving towards developing long-term relationships with certain groups (customers, shareholders etc.). These efforts can be defined as customer relationship management and will be discussed in Section 4.6. The philosophy of the customer continually becoming the focus of the companies' decisions and strategies is emerging more strongly and this is why customer profiling is becoming more crucial to any company in the future.

All of the above marketing orientations operate in the marketing environment, which includes all the internal and external changes that can occur. The marketing environment consists of the micro-, market and macro-environment. The composition of these environments is discussed next.

3.2.3 The composition of the marketing environment

All companies operate in an environment that is constantly changing. Some of these changes can be controlled and others not. This environment is called the marketing environment. The marketing environment consists of three principle components namely the micro-environment, the market environment and the macro-environment. Figure 3.1 illustrates the composition of the marketing environment, which will be discussed thereafter.

Figure 3. 1: Composition of the marketing environment
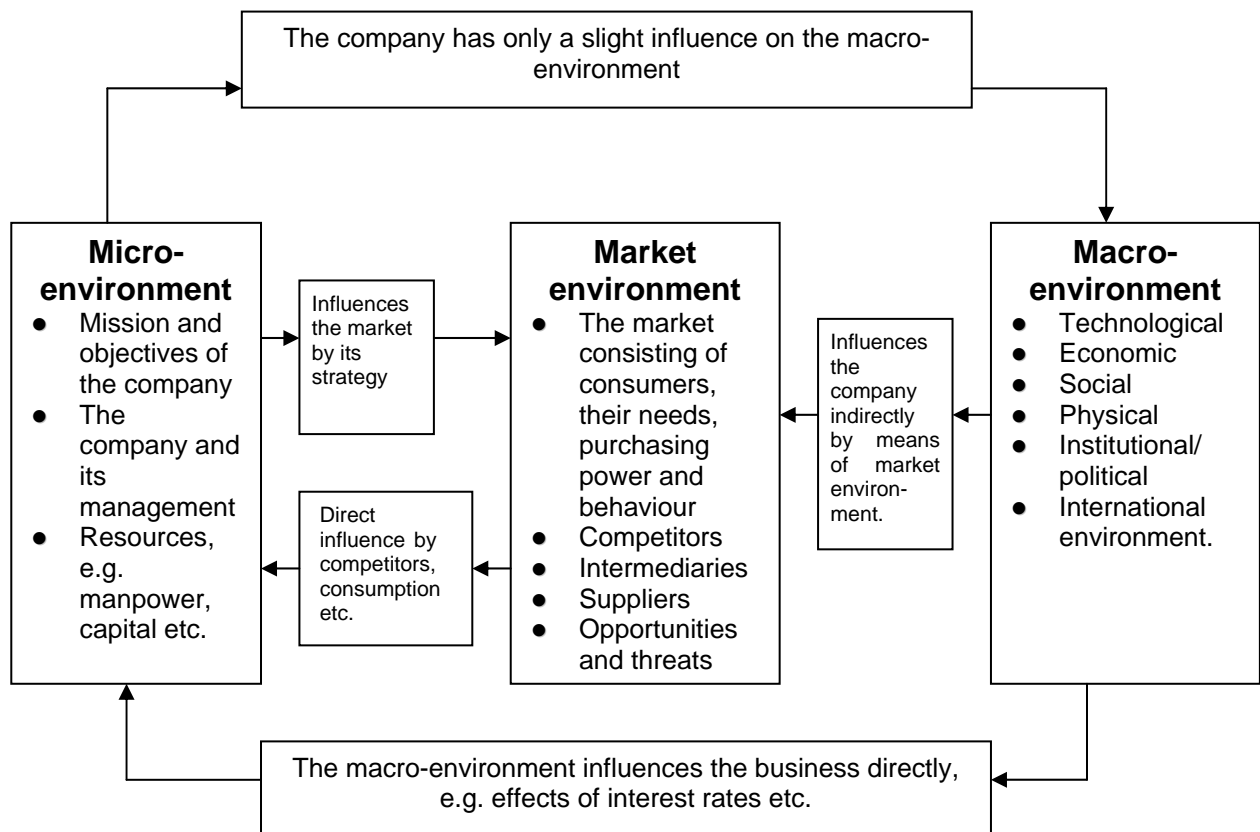
(Source: Strydom *et al.* (2000:40))

It is clear from Figure 3.1 that these environments influence each other. Each of the environments is briefly discussed next.

3.2.3.1 The micro-environment

The first component of the marketing environment is the micro-environment or the internal environment, which comprises of the company itself. This includes the mission and objectives of the company, the company and its management and its resources, for example, the manpower and capital available to the company (Strydom *et al.* 2000:39-43). Although top management mainly focuses its decision-making on the company's mission, objectives and overall strategies, there are four basic top management decisions which are of particular importance for marketing management: the basic line of business, the overall goals of the business, the role of marketing management in the above goals and the role of the other management functions in reaching the overall goals of the company. The decisions controlled by top management ultimately reflect the mission and overall goals of the company (Cant *et al.* 1999:42). Management decisions influence the market environment by extending or curtailing the strategies employed to maintain the company's market share.

3.2.3.2 The market environment

The second component of the marketing environment is the market environment, which is found just outside the company (Cant *et al.* 1999:45). The key variables in this environment are the consumers, competitors, intermediaries and suppliers:

- **Consumers**

A consumer is generally thought of as a person who identifies a need or desire, makes a purchase, and then disposes of the product during the consumption process (Solomon 1999:6). The market consists of people with specific needs that have to be satisfied and who have the financial ability to satisfy them. This explains why consumers with their particular needs, buying power and behaviour are the chief components of the

market environment. The market, or the consumers in the market environment, is the ultimate target at which marketing management aims the company's market offering. This is why knowledge of the market's needs and wants are of utmost importance and pivotal to the success of the market offerings. Market research is usually required to determine information on the customer such as the language, age structure, gender distribution, marital status, family size and literacy of the consumers (Cant *et al.* 1999:46). A more detailed discussion of these issues will be given in Section 4.3. The theory in that section will be used in the questionnaire to determine the profile of Kalahari.net's customers and what their attitude towards Kalahari.net is.

- **Competitors**

As a variable in the market environment, competition can be defined as a situation in the market environment in which several companies with more or less the same products or services compete for the support of the same consumers. The result of this competition is that the market mechanism keeps excessive profits in check, acts as an incentive to higher productivity and encourages technological innovation. In its assessment of the competition, the company must bear in mind that the nature and intensity of competition in a particular market environment are determined by five factors, as identified by Porter (1997:229). These factors are the possibility/threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the availability or lack of substitute products or services and the number of existing competitors. Continuous scanning of the competition by the company provides the basis for the development of the marketing strategy. It emphasises the critical strengths and weaknesses of the company, gives an indication of the positioning decisions which must be taken, singles out the areas where strategic changes can contribute the highest returns, and focuses on industry trends in terms of opportunities and threats (Cant *et al.*

1999:50). As mentioned in Chapter 2, Kalahari.net's customers are both online and offline retailers selling books, music, wine, videos, games, Verimark products and DVDs. They include Musica, CNA, Exclusive Books, and Cybercellar just to name a few.

- **Intermediaries**

Besides consumers and competitors in the market environment, intermediaries also play a vital role in bridging the gap between the manufacturer and the consumer. Intermediaries are wholesalers and retailers, commercial agents and brokers. The number of intermediaries also determines the distribution intensity of the product, namely exclusive distribution, selective distribution and intensive distribution. Decisions about intermediaries mean the formation of long-term alliances. This may have certain implications for the marketing strategy, such as pricing, advertising decisions and product diversification (Cant *et al*. 1999:51).

- **Suppliers**

A company is also concerned with the input from the market environment. These inputs are primarily raw materials, equipment, energy, capital and labour, which are provided by suppliers. In the case of materials, practically every company, whether it is in manufacturing, trading or contracting, depends on regular supplies (Cant *et al.* 1999:51). The selection of the suppliers is a very important process and includes assessment attributes like price, reputation, product reliability, service reliability and flexibility, which are assessed by different weights (Kotler 2000: 206).

Apart from the market environment, which has a direct effect on the fortunes of the company, a wider macro-environment exists, containing variables that directly or indirectly exert an influence on the company and its market environment.

3.2.3.3   The macro-environment

The uncontrollable external variables, which exert an influence on the company and its market environment, are known as the macro-environment. It is divided into six main variables by Strydom *et al.* (2000:51) and is briefly discussed below:

- **Economic environment**

The economical environment involves factors such as inflation, exchange, rates, fiscal policies and the overall financial status of the country. Markets require purchasing power as well as people. The available purchasing power in an economy depends on current income, prices, savings, debt, and credit availability. Marketers and companies must therefore pay close attention to major trends in income and consumer spending patterns (Kotler 2000:145). Technology, politics, and the social and international environments influence the economy of a country and at the same time the economy exerts some influence on these variables. These cross-influences cause ongoing change in the economic growth rate, levels of employment, consumer income, the inflation rate and the general state of the economy, which is indicated by either prosperity or adversity. The main interfaces between the economic environment and the company are the economic growth rate, consumer income, inflation, monetary and fiscal policy and fluctuations in these magnitudes (Strydom *et al.* 2000:55).

- **Social environment**

The environmental variable probably most subject to the influence of other variables, especially technology and the economy, is social change. People are the products of their community and as members of a particular community they accept and assimilate its language, its values, faith, expectations, laws and customs. This culture - the sum total of the way of life of a group of people - influences the individual's way of life. Thus consumption cannot be explained solely in economic terms, but the effects of culture and social change must also be considered (Strydom *et al.* 2000:59). The cultural and social environment affects how and why people live and behave as they do, which affects customer buying behaviour and eventually the economic, political and legal environment (McCarthy & Perreault 1991:95). Demographic trends such as the changing population composition, urbanisation, the increasing power of women in the marketplace and the increase in the number of households (as a result of divorces) influence the purchase of products and services and should be kept in mind for strategic purposes.

- **Physical environment**

The physical environment embraces the limited resources from which the company obtains its raw materials, as well as the environment into which it discharges its waste. This has bearing on various forms of pollution. Marketers need to be aware of the threats and opportunities associated with the trends in the physical environment. These are the shortage of raw materials (oil etc.), the increased cost of energy, increased pollution levels, and the changing role of governments towards a greener environment (Kotler 2000:148). Management should respond timeously to them by taking steps to limit any harmful effects on the community as far as possible. If the management of a

company does not show a decent sense of responsibility, they should expect hostile attitudes from the outside (Strydom *et al.* 2000:64).

- **Institutional environment**

Management decisions are continually affected by a country's politics, especially the political pressures exerted by the government and its institutions in the business environment. As a component of the macro-environment, government affects the business environment and the company primarily as a regulating institution. By promulgating and enforcing legislation, it creates order by means of political measures, steering agricultural and economic policy in a particular direction. The policy of the South African government is based on maintaining the free-market system, private ownership, and public condemnation of inequality, while the democratisation of the economy and public service are in full swing. To an increasing extent, it is the task of management to study the numerous and often complex activities, legislation and measures of government as well as political trends to determine in good time their influence on the profitable survival of the company (Strydom *et al.* 2000:66).

- **International environment**

Companies that operate internationally find themselves in a far more complex business environment because every country has its own unique environmental factors, with its own technology, culture, laws, politics, markets and competitiveness, which are different from those of other countries. The new economic order, which is taking shape throughout the world, is the increasing globalisation of the world economy. The influence of international economic and political developments on local companies is multiple and managers should be aware of the extent to which international influences are exacerbated by South Africa's domestic political problems (Strydom *et al.* 2000:67).

• **Technological environment**

Technological innovation originates in research and development by companies and results not only in new machinery or products, but also new processes, methods, and even new approaches to management that bring about change in the environment. Even the social and institutional progress in a country and the structures it possesses relate to technology. This can be seen in African countries where the lack of technological progress hinders the development of the country and its people. Marketing has a threefold involvement in the process of technological innovation and change. Firstly, it promotes technological innovation when it identifies new consumer needs and when it influences technology in such a way that it leads to the satisfaction of those consumer needs. Secondly, it distributes technological innovation through society when marketing tracks down new inventions and then develops and commercialises them. Thirdly, marketing is involved in scanning technological progress and the opportunities and threats that it poses for the company (Strydom *et al.* 2000:52-54). As new technological developments come along, marketers should be alert to possible uses of those technologies as profitable opportunities (McCarthy & Perreault 1991:91).

With the focus of this study falling on technology, more specifically the Internet and e-commerce in this study, and how it has influenced marketing efforts of companies, a closer look will be taken at technology and marketing.

3.3 Technology and marketing

Technology has undeniably been the main medium of all marketing actions over the years. Before television was introduced to the world, the radio was the main medium of marketing products, services and disseminating information (De Beer 1998:209). As

early as 1920, radio emerged in the United States of America and in 1923 it was introduced in South Africa. Before 1950, it was a family entertainer and listening to the radio was regarded as a group activity.

The years between 1952 and 1960 were the golden years of television during which it developed into a mass medium. Television news first became important during the 1960s and for a while it rivalled newspapers in the area of public credibility and acceptance. The technological developments of the 1960s and 1970s produced a new era in programme delivery systems that involved satellites, cable television and video cassette players (De Beer 1998:209). The television brought pictures to the messages and expanded the marketing message to be more interesting and catching. Print advertising has developed over the years with the use of technology to a colourful and well-designed advertising medium. With the increased use of the computer in the 1980s to the early 1990s, the Internet has evolved to become one of the most influential and wide-reaching marketing mediums in the history. The development of the Internet will now be discussed in more detail, pointing out the first use of the World Wide Web up to the use of e-commerce for shopping.

3.4   The Internet and marketing

Bothma (2000:30) defines the Internet as a world-wide-interconnected network of computer networks. Clark in Richardson (2001:67) elaborates on the definition of the Internet by viewing the Net as a decentralised network of computers that communicate over a variety of phone and data lines provided by the government, phone companies and private organisations.

Theoretical work on the Internet started in the early 1960s in the USA. The first implementation of the Internet occurred in 1969, hooking the University of California to the Stanford Research Institute. From 1969 to 1974, many of the procedures in use today were developed. These included e-mail and the "@" symbol in addresses (developed in 1971), remote accessing of computers through telnet (1972), multiple-person chat sessions (1973) and the downloading of files through FTP (File Transfer Protocol) in 1973 which is a standard for transmitting files over the Internet (Hanson 2000:4).

The early Internet served two purposes in the United States. Firstly, it was a robust emergency military communication network and, secondly, an experimental communications system within the academic community where researchers shared information to comply with research grants from the government. The main long-distance backbone of the Internet was maintained by the US National Science Foundation (NSF). The NSF had an acceptable-use policy that explicitly prohibited all but the most indirect commerce online. It was considered acceptable for private researchers to send files and e-mail messages to academic members in their own research areas, but commercial information and transactions were prohibited (Hanson 2000:4).

Despite these restrictions, the Internet grew rapidly because universities found it easier to communicate via e-mail. The cost and difficulty of joining the network, however, limited access to the academic and military communities, which were still the only parties using it at that time. By the 1990s this was about to change when policies changed and commercial operations became acceptable in 1994. The World Wide Web (WWW) was developed and this provided innovation in ease of use and the use of

multimedia. It was then possible to mix pictures, sound and video clips. Companies found that they could use the Web to communicate very effectively with each other. This new Web, combined with the power of earlier e-mail technology, created an entirely new and effective mechanism for relating to customers. Marketing material could be created at a very low cost while reaching consumers globally. Small companies could communicate on a much more even footing with the largest companies in the world. Customers could find a product and company information at the "click of a mouse" and the customer and the company could engage in dialogue where necessary. From here, the Internet has grown to an enormous marketing channel with lots of opportunities to use in marketing (Hanson 2000:5).

Marketing on the Internet is defined by Janal (1998:39) as online marketing, which is in turn a system for selling products and services to target audiences who use the Internet and commercial online services. Online tools, like site design and e-mail communication and services are employed in a strategic manner consistent with the company's overall marketing program.

The most striking difference between online marketing and other forms of marketing is the interactivity of the technology used. Communicating messages on computers replaces paper with on-screen displays of information, text, art and sound. Principles of layout, design, typography and art need to be reconsidered in this context. Also, computers allow communication to become an interactive, two-way process unlike print and television advertisements, which are one-way processes (Janal 1998:27).

When a new product or innovative technology such as the Internet and e-commerce are introduced in the market, consumers learn about it, decide whether to use it and

whether to continue using it in the future. This implies adoption of the innovation. Adoption implies that consumers have accepted the (product or technology) innovation and use it on a regular basis. Innovations are diffused or used in the market as individual consumers make the decisions to adopt them at different intervals. The consumers in a market adopt the same innovation at different times. Based on the time of adoption, five categories of consumers can be distinguished, namely innovators, early adopters, early majority, late majority and laggards (Vrechopoulos, Siomkos & Doukidis 2001:143). Some consumers would not easily adopt electronic commerce since their lifestyle reflects conservatism.

Innovators are those consumers who first adopt the new products or the innovation. They are few in numbers and are eager to try new ideas and products, are well-educated and can afford any financial risk involved in adoption. They are very well-informed about new products by other innovators as well as by impersonal and scientific sources of information. The innovators would have been the first people to adopt the Internet and e-commerce.

Early adopters are more socially integrated in their local communities than innovators, and are more likely to be opinion leaders. They are typically younger, more educated, belong to a higher social class, and read much more specialised magazines about new products and innovations than the average consumer. They frequently get in contact with salespeople of new products and play a crucial role as opinion leaders who influence other consumers.

Early majority consumers adopt the innovation right before the average consumer in the market does. Their characteristics include larger age, higher education level, and a

higher socio-economic status than the average member of society. They rely heavily on opinion leaders.

Late majority consumers delay adoption of the innovation mainly because they are distrustful about new ideas. They decide to adopt after they feel a strong social pressure. They mostly rely on opinions expressed informally by people they know well. They watch electronic media less frequently than others. These would be South Africans who are only now starting to use the Internet.

When **laggards** decide on the adoption of a "new" product/innovation, it is most likely close to its withdrawal from the market or its substitution from another new product. Laggards are especially distrustful about innovations and are socially isolated. They are older consumers of lower socio-economic levels. Laggards constitute a consumer category of no interest to marketers (Vrechopoulos *et al.* 2001:144).

The diffusion of innovation process of the Internet and e-commerce are seen in the number of years it took to grow to the current state and will still grow since many South Africans still have not experienced the Internet, let alone do online shopping. The current online shoppers should mostly fall in the early adopters and early majority consumer groups. Some can also be in the late majority consumer group, which are only now beginning to surf and shop on the Internet.

Before the focus can fall on e-commerce and marketing, the traditional marketing mix of the 4 Ps has to be discussed briefly. This is necessary to position e-commerce and marketing in the context of the marketing mix.

3.5   The traditional marketing mix

Lamb *et al.* (1994:15) defined the marketing mix as a unique blend of product, distribution, promotion and pricing strategies designed to produce mutually satisfying exchanges between the company and the target market. Kotler (2000:15-16) defines the marketing mix as the set of marketing tools that a company uses to pursue its marketing objectives in the target market. These tools are classified into four broad groups, which are called the 4 Ps of marketing: product, price, place and promotion. A company prepares a mix of products, services and prices, as well as a combination of promotional components such as sales promotion, advertising, sales force, public relations, direct mail, telemarketing and, more recently, the Internet to reach the trade channels and the target customers.

McCarthy & Perreault (1991:33) added that the customer is the target of all marketing efforts and can thus be placed in the middle of the 4 Ps although it is not part of the mix. Each of the 4 Ps will now be discussed briefly.

3.5.1 Product

Products are the means by which companies seek to satisfy consumer needs. A product can be defined as anything that the company offers to potential customers, whether it is tangible or intangible, a physical good, a service or a blend of both (Palmer 1998:8). The product strategy is concerned with developing the right product for the target market. Specific product strategies must be established: whether the product mix will be extended through product diversification; whether it will be reduced for more specialisations; whether to standardise the product range; and how to differentiate the product from other competitive products. Although the product is usually the first

component of the marketing mix addressed by the marketing department, the development and design of the product offering and package is totally dependant on the input from the environmental analysis and customer analyses (Cant *et al.* 1999:211). New product and product lines are being developed constantly to improve the offering to the customer. Distribution of the product offering is also of utmost importance and will be discussed.

3.5.2 Distribution

Distribution or 'place' is the marketing instrument, which presents the product to the consumer. In this process a whole range of institutions and activities is used to bring the product, service or idea to the consumer. There is usually a geographical gap between the manufacturer of the product or the provider of the service and the consumer who requires it. The main function of distribution is therefore to bridge the gap between the manufacturer/service provider and the consumer (Strydom *et al.* 2000:271). This channel may be short if the product goes directly from the producer to the consumer or it might be more complex, involving many different kinds of middlemen and specialists. The channel of distribution will vary according to the product; i.e. bigger products usually have shorter distribution channels to limit costs and transportation. The company will also have to establish the intensity of distribution needed to meet the market's needs and expectations. This could be intensive, selective or exclusive distribution intensity (Cant *et al.* 1999:213).

There are various channels available to move products and services to the consumer. The four traditional marketing channels are depicted in Figure 3.2:

Figure 3. 2: Marketing channels for consumer products

Direct channel	Retailer channel	Wholesaler channel	Agent channel

Producer	Producer	Producer	Producer
			↓
			Agent
		↓	↓
		Wholesalers	Wholesalers
	↓	↓	↓
	Retailers	Retailers	Retailers
↓	↓	↓	↓
Consumers	Consumers	Consumers	Consumers
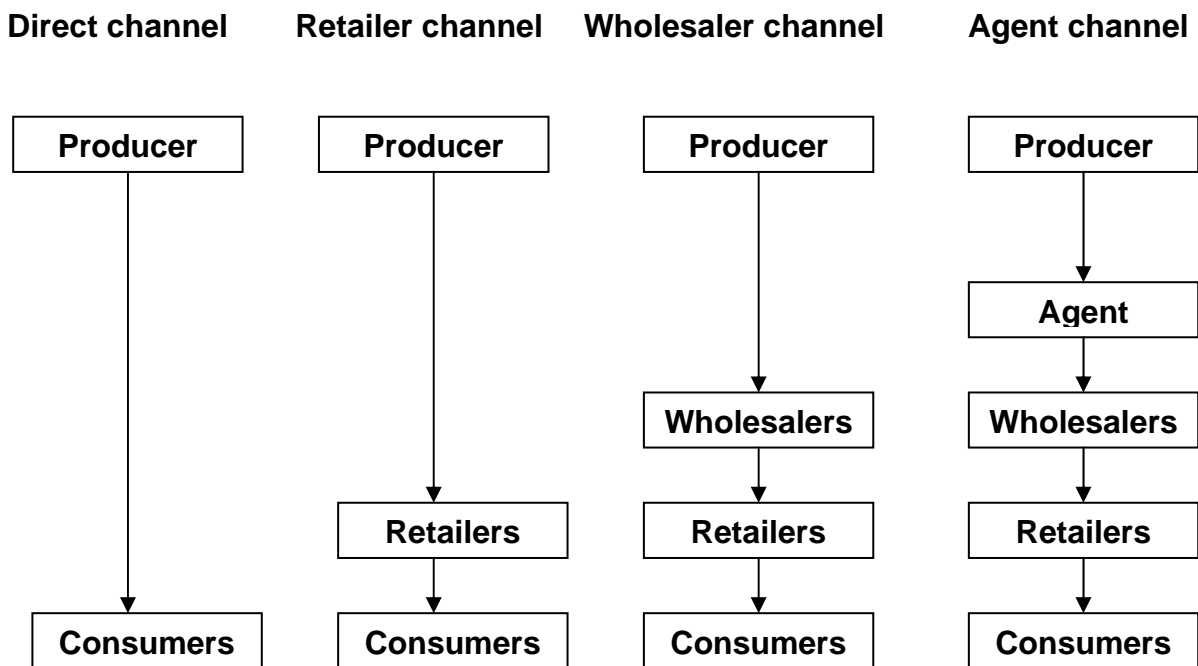
(Source: Strydom *et al*. 2000: 278)

- The direct channel is normally used when the producer/manufacturer sells directly to the final consumer (also called a one-link chain). Verimark and telemarketing companies are examples of direct channels.

- The second channel, using only a retailer, is widely used in South Africa and involves the large retailers such as CheckersHyper and Pick 'n Pay, which sell groceries and other products to the final consumer. This is called a two-link chain because a manufacturer and retailer are involved in distributing the product, i.e. the producer produces the product and the retailer buys it from the producer to sell to the customer directly.

- The third channel includes a wholesaler and retailer, and is also used extensively in South Africa. Smaller businesses like 'Spar', cafes and spaza shops (who buy from Makro & Metro Cash) buy the products from wholesalers and then sell it to the final

consumer. This is called a three-link chain because a manufacturer, a wholesaler and retailer are involved in the distribution process.

- The fourth channel (four-link chain) occurs when an agent is added to the channel. This agent could be an import agent, who imports products from overseas and then sells it to wholesalers in South Africa, e.g. agents for Elizabeth Arden products or Daniel Hechter clothing (Strydom *et al.* 2000:278).

These traditional channels have been used extensively in the past, but are now making way for e-commerce as a new marketing and distribution channel.

- The most recent addition to distribution channels is e-commerce. E-commerce companies have developed this new channel where products are bought directly from the online retailer.

Figure 3.3 illustrates how e-commerce offers many variations of cost and value to the distribution channel and how it changes the structure of the supply chain. In the case of disintermediation, layers of the distribution channel, namely through brokers, representatives, retailers etc. are eliminated as can be seen in the figure. Disintermediation means that the product or service is delivered directly to the market/buyer by the producer or seller. Some supply chain costs, like transport and advertising costs of the wholesalers and retailers, are cut out and value is added to the customer offering. Kalahari.net's channel differs from sites like Pick 'n Pay online shopping in the sense that products are ordered from the web site, then collected from the manufacturer and lastly delivered to the customer.

Figure 3. 3: E-commerce distribution

Disintermediation

The e-commerce route
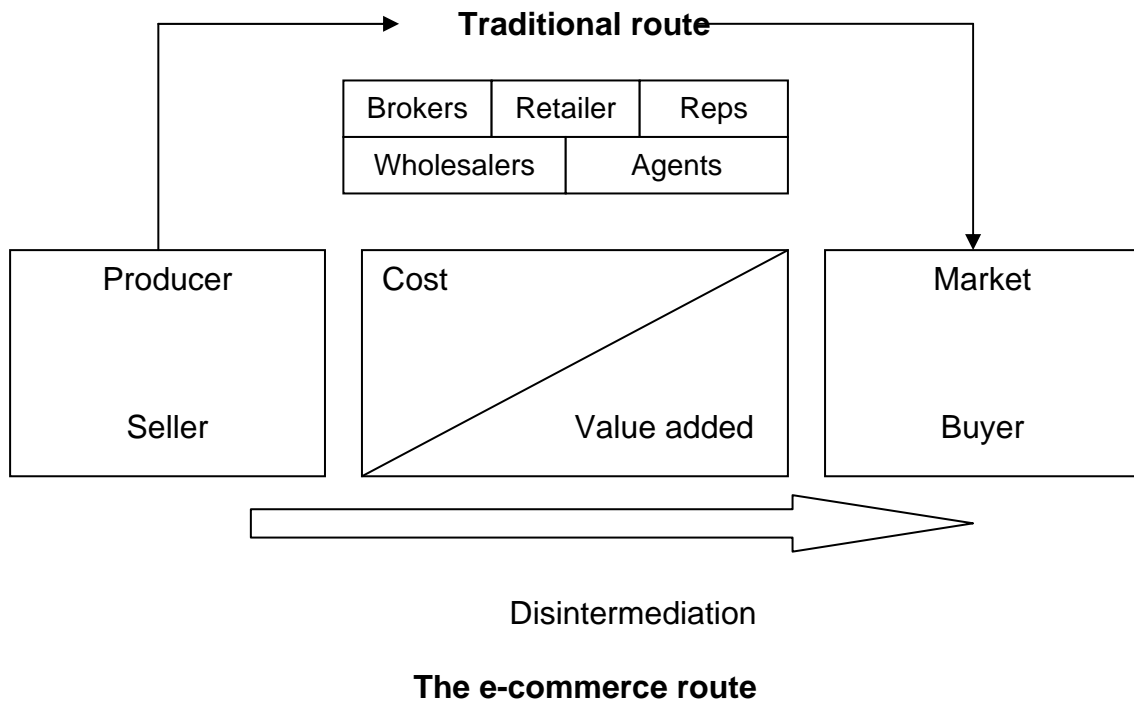
Source: Trialogue (2000:156)

Customers, however, need to be informed of the product/service and where to get it. For this, the next 'P', promotion, is used.

3.5.3 Promotion

The third 'P' of the marketing mix is the promotional mix or promotional strategy. It is essential for marketers to inform current and potential customers in the marketplace about their products and marketing activities. This communication can be done by using marketing communication tools such as advertising, sales promotion, personal selling and publicity. The main form of paid mass selling is advertising and publicity is the main unpaid form of mass selling. Sales promotion refers to promotion activities other than above-mentioned that stimulates interest, trial and purchase. Examples of sales promotion are coupons, point-of-purchase materials, samples, catalogues etc

(McCarthy & Perreault 1991:35). Personal selling involves direct spoken communication between sellers and potential customers and is usually face-to-face communication. For the past few years, the Internet has been used as simply a communication medium, giving customers company and product information, or recently more extensively as a retail medium. All these promotional tools as well as direct marketing, sponsorship and product packaging can be used to communicate the company's products/services to the customers. Promotion of a product or service is very important, since it is the only way of communicating the benefits of the product to the target market. New ways of promoting products are continuously developed to attract customers and this has led to the development of e-commerce as a retailing and promotional medium in the marketplace.

3.5.4 Pricing

In addition to the development of the right product, place and promotion, companies must also decide on the right price of the product or service. Price mix decisions include strategic and tactical decisions about the average level of prices to be charged, discount structures, terms of payment and the extent to which price discrimination between different groups of customers is to take place (Palmer 1998:9).

Price is important because it is the only element in the marketing mix that generates revenue for the company. It is also important because it affects the company's profitability. The company needs to establish the price sensitivity of the target market and will then establish the basic price. The company must also establish flexibility in the pricing structure through the use of price adjustments. These factors could include different types of discounts.

The price of a product plays two major roles in marketing. Price firstly influences how much of a product consumers or buyers purchase. Potential consumers look for a price that reflects the benefits they think they will receive from the product. They also consider the price of the product relative to that of competitive offerings. Price secondly influences whether selling the product will be profitable for the marketer. These two roles make setting the price of a product/service one of the most important marketing decisions a marketer has to make (Strydom *et al.* 2000:428).

Having discussed the marketing mix, it is evident that the strategic mix of the 4 Ps will help the company to reach its objectives aimed at the target market. It is evident from the discussion above that the processes of the traditional marketing mix are aimed at delivering the product or service to the customer in a physical store with isles, price tags, discounts, samples, salespeople and checkout queues. Alternatively if an online company designs its marketing mix, the traditional mix is adapted to fit the markets of online retailers, which will be discussed as part of electronic commerce. It can be said that electronic commerce is a further extension of the 4 Ps as it offers new avenues of marketing to the company.

3.6 Electronic Commerce

Electronic commerce, better known as e-commerce, will firstly be defined and discussed followed by a discussion of the adapted online marketing mix.

3.6.1 Defining e-commerce

A formal definition by Watson, Berthon, Pitt & Zinkhan (2000:1) suggests that e-commerce involves the use of information technology to enhance communications and

transactions with all of a company's stakeholders (including customers, suppliers, government regulators, financial institutions, managers, employees and the public at large). Greenstein & Feinman (2000:2) add to the above definition by including the selling and buying of products and services that require transport, physically or digitally, from location to location.

E-commerce is changing the way businesses communicate internally, with their partners, and externally with their customers. Common electronic commerce formats include electronic data interchange (EDI), electronic funds transfer (EFT), online buying (sites like Amazon.com, Kalahari.net and Bluebean.com), and electronic transmission of business documents between business partners. Reasons for implementing e-commerce include lower costs, increased revenues, faster time to market, more accurate communication with business partners both locally and internationally, wider access to larger markets, and the ability to target markets more narrowly (Trepper 2000:22).

E-commerce, whether in information, goods and services, or online payment with electronic money, has changed the way companies do business. A transaction occurs when a product or service is transferred over an interface linking the manufacturer and the customer. When sales transactions take place electronically, there are different ways to access the information, arrange it and use it. E-commerce uses computer technology to enhance business processes, data exchange and customer interaction. It includes transactions that support revenue generation, including generating demand for a product or service, providing sales support and customer service, and aiding communications between the parties of interest (Shim *et al.* 2000:31).

Just as traditional marketing can be focused at different market segments, so does e-commerce have different categories for different markets. According to Bothma (2000:40) e-commerce comprises of three broad categories or different types of business groupings on the Internet, namely Business-to-Consumer (B2C) e-commerce, Business-to-Business (B2B) e-commerce and Consumer-to-Consumer (C2C) e-commerce.

The first category, namely business-to-consumer e-commerce (Bothma 2000:131) refers to the marketing and selling to individual consumers online by the online company. This is also the focus of this study. The second category, business-to-business e-commerce refers to businesses conducting business transactions with other businesses online. The last category, consumer-to-consumer e-commerce refers to consumers conducting business or interacting with other consumers online usually facilitated by an independent third party.

Kalakota & Whinston (1997:3) have added another viewpoint to electronic commerce by defining it in terms of perspectives. From a communications perspective, electronic commerce is the delivery of information, products/ services or payments via telephone lines, computer networks or any other means. From a business process perspective, electronic commerce is the application of technology toward the automation of business transactions and workflow. From a service perspective, electronic commerce is a tool that addresses the desire of companies, consumers and management to cut service costs while improving the quality of goods and increasing the speed of service delivery. From an online perspective, electronic commerce provides the capability of buying and selling products and information on the Internet.

Since this study is focusing on Kalahari.net, a business-to-consumer e-commerce company selling their product range to individual customers, a brief discussion is given of B2C e-commerce.

3.6.2 Business-to-Consumer e-commerce

Business-to-Consumer (B2C) e-commerce implies that e-commerce is conducted between the online business and the online consumer as previously discussed. Business-to-Consumer e-commerce differs from business-to-business consumer in the sense that customers have more differences in behaviour and needs than businesses. While Business-to-Business (B2B) e-commerce mostly involves the buying and selling of resources needed to produce products, Business-to-Consumer (B2C) e-commerce involves the online retailing of consumer goods. The decision to sell products online opens a lot more questions like the types of goods appropriate for online retailing and the prices customers are willing to pay. These prices are based on quantity, quality, features, packaging and convenience.

Other important factors regarding Business-to-Consumer e-commerce are the steps the buyer must take to shop, how customers will pay for online purchases, inventory management of the goods available on the web site, image enhancement of the company amongst the customers, pricing; and the quality of customer service (Shim *et al.* 2000:40).

These factors encompass the full spectrum of trading online and guide the B2C e-commerce company to formulate the online marketing strategy in accordance with the traditional marketing mix. The following section indicates how the traditional marketing mix is adapted to fit the sphere of e-commerce.

3.6.3 The marketing mix of the online store

Just as traditional retailers use the 4 Ps as part of their marketing mix, online retailers adapt and add to these tools to fit the requirements of e-commerce. To present the products to consumers online, e-commerce companies make use of an online store or virtual storefront. Similar to the traditional retailing store, an online store must emulate the same design principles and accomplish the same strategic tasks of attracting customers, fixing their attention, and moving them to buying action. Effective web design is the cornerstone of effective e-commerce, and neglecting the key details of storefront development can mean disaster for the e-commerce company. The storefront of an e-commerce company is the content and interface of the web site, which the customer uses and experiences. How the storefront is set up, how the product catalogue is displayed and how online shopping carts and payment options are integrated are important and intricate decisions that need to be made by the e-commerce company (www.ecomresourcecenter.com).

Comparing the online store with traditional marketing, similar steps are followed to conduct business. Potential customers are attracted to the store via other marketing channels, the potential customer enters the store (physically or going online) and browses through the store (either through physical aisles or through a search function or other navigational methods). After browsing through the products the customer is encouraged to buy because of various reasons such as a range of products and finally closes the deal by paying (with some method of payment or online transaction).

Perhaps the most important principle of storefront design is to build a site that conforms to the expectations, questions, and demands of the customers. This means anticipating what the customers need, predicting what questions will be asked, and providing the

answers in a fast and navigable format that keeps the customer oriented and engaged. This is where customer behaviour and the research thereof becomes an important aspect of e-commerce. The only way to determine what the customer needs and wants is to develop a profile of the company's current and potential customers and from that make the necessary adaptations to the web site (www.ecomresourcecenter.com).

Instead of focusing primarily on the 4 Ps of marketing, Welz in Rowley (1996:35) stresses that online marketing must be seen in terms of five components namely promotion, one-to-one contact, closing, transaction and fulfilment. These components will be integrated in the traditional 4 Ps.

- **Product**

The Internet offers both a challenge to the existing line of products and services of a company, and a tool to enhance the product line. Every aspect of the goods the company offers the market should be reviewed in the light of quality, features, styling, branding, packaging, the ranges of products in the line and the service the company offers. The Internet can also be a powerful tool for new product development since the customer can be involved in the process and virtual teams from different markets can be used (Bickerton, Bickerton & Pardesi 2000:132).

- **Promotion**

Using the Internet as a promotional medium has the advantage of the Internet being interactive. This implies that banner advertisements, as an example, will tell the consumer very little unless he/she chooses to click on the banner advertisement to find out more about the advertisement. Promotion on the Internet includes advertising and creating product awareness. The Internet allows the marketer to post information on a

server where many users can see it. Nevertheless, to succeed in promotion, a marketer must understand the demographics of the audience (market), which is not the same as the audience that would be reached in print or electronic media. Information must be presented in a way that will hold the users' interest (Welz in Rowley 1996:35). The Internet does not operate in real time and this gives users the choice to look at info more than once and also request extra information about a product or service by contacting the e-commerce company. Companies, which operate both offline and online should include their web site address on all promotional and advertising copy. This will make it easier for customers to find the company online, rather than to search for it on a search engine etc. Links on other sites, which are accessed by the target market, can be used to advertise the company's site. Lastly, the online company can be listed on online directories, like the online yellow pages (www.yellowpages.co.za) and EasyInfo (www.easyinfo.co.za), and search engines, like Ananzi (www.ananzi.co.za) and Altavista (www.altavista.com) (Bickerton *et al.* 2000:161-219).

- **Distribution/ Place**

The Internet has radically affected distribution of products. Offline goods can be enhanced by support made available online, while some primary products can be distributed online. The impact of the Internet on offline distribution is significant in the sense that:

➢ Distribution retail outlets will become less important for some types of products. Their primary purpose was to achieve sales, which are now done online.

➢ Central warehousing will replace stockholding in retail stores, saving overhead costs and reducing inventory. If the best or only selling location of the company is online, the best stockholding location will be near national and global transport hubs, to achieve efficiency in distribution.

➤ Transport systems will shift form bulk distribution to shops, to fragmented distribution to individual buyers. These orders might be in different currencies and languages (Bickerton *et al.* 2000:155-159).

Distribution of the product to the customer is also different in terms of the contact that the company has with the customer. Unlike a brick-and-mortar store, the Internet does not offer marketers opportunities of synchronous one-to-one contact with customers. It does however allow for asynchronous contact via e-mail, and this can be used to develop a relationship with a customer. Quick response to e-mail enquiries is of great value and electronic mailing lists can be used to e-mail reminders about promotions to customers.

The fulfilment component of Welz (in Rowley 1996:35) involves the delivery of goods. Instant online delivery is restricted to digital products such as electronic books and software, where the customer can buy an electronic version of a book and download it onto the computer. Fulfilment includes not only shipping, but also effective electronic order processing. This can be achieved much more efficiently than in systems where people are required to take and enter orders, because data entered by the customer go directly to all relevant parties. Electronic Data Interchange (EDI) is particularly useful for checking inventory in real time, to alleviate back-order problems and enhance customer service.

- **Pricing**

The pricing policy is one of the key marketing tools and must be established in the context of the company's overall marketing strategy. The rational process of setting prices online involves:

- ➢ Having a clearly defined target market for the product;

- ➢ Establishing clear pricing objectives in relation to company objectives;

- ➢ Having a clearly defined business model within which to locate prices; and

- ➢ Analysing price elasticity, competition and the product's profitability, taking pricing constraints into account.

Once a method of setting prices has been fixed, the overall objectives set, a clear view established of the value offered to the customers and the nature of the competition, the e-commerce company is in a position to set prices for the products and services (Bickerton *et al.* 2000:147).

Business observers insist that the Internet will drive the prices of products down to the lowest level possible, and that consumers will take advantage of the Web's transparency by opting exclusively for the lowest prices (Baker, Marn & Zawada 2001:123). It is argued that, in the end, price will be the most important factor differentiating products and services for online consumers, outweighing quality, service and reputation. This is indeed the case when online consumers are asked about their shopping behaviour, but their actual recorded behaviour tells another story. A study of consumer click-through behaviour done at McKinsey & Company in 2000 has found that most online customers actually shop around very little: 89% of online book buyers purchase from the first site they visit; so do 84% of those buying toys; 81% buying music and 76% buying electronic products (Baker *et al.* 2001:123). It is thus important to investigate what the case will be with the customers of Kalahari.net.

The closing component of Welz (in Rowley 1996:35) can be seen as part of the pricing element of the 4 Ps. It involves setting the price and closing the deal. The customer

selects the products that he/she would like to buy and places the electronic order through the shopping cart. After the customer has added all the products into the shopping cart, payment has to take place. This is the transaction component discussed by Welz. Payment of goods is typically made by means of electronic payment or credit card. Digital forms of currency are being introduced to the market, which simplifies payment (e.g. E-bucks).

It is thus clear that the traditional 4 Ps of marketing are still used in online marketing but the mix is adapted to fit the new sphere of e-commerce.

To illustrate the operational working procedures of an online store, the components/procedures will each be discussed.

3.6.4 The components of an online store

The components of the online store are the product catalogue, pricing, information support, shopping cart, billing system and payment system and delivery of the products bought. These components will be discussed and explained in terms of the way that Kalahari.net operates it.

3.6.4.1   Catalogue/ hyperlog

The product catalogue of a web site is a promotional tool through which the company displays all its available products. It is not the traditional home-shopping catalogue as customers know catalogues, but rather a list of products divided into product lines. Web site designers develop a supercatalogue or hyperlog of product items with pictures, elaborate descriptions of products and easy ordering methods (Zemke & Connellan 2000:113). The hyperlog of items is the product assortment database through which the

customer can browse or search for a specific item, as in the case of Kalahari.net. The catalogue of the online store is the shop aisle of the traditional store where the customer walks through and selects items from the shelves after comparing different brand names, products and prices with each other. It is important to give the online customer the same options as the offline customer to improve the chances of making a sale. Navigation though the hyperlog should be simple and effective to the customer as a negative experience with the hyperlog can drive away a potential customer, which may never return again.

3.6.4.2 Information support

Information support is part of the product/service offering that an e-commerce web site provides its customers. Just as the offline customer is constantly looking for information on products in store by asking the salespeople for help and support, the online customer also needs some information or help while browsing a web site. Information support on an e-commerce web site is very important since the customer will easily leave the site if he/she does not know how to navigate the site or find it difficult to purchase a desired product or find out more about the company. The site should have clearly indicated help links and contact information for the customer to retrieve. A search function and list of frequently asked questions (FAQs) are crucial components of a good information support system on an e-commerce web site to make it customer-friendly. Kalahari.net provides the Help Tutorial, FAQs and contact details to customers having problems during the shopping process.

Good customer support also includes customer service, both during the transaction and after. The customers' view of the service levels of Kalahari.net will be part of the development of customer profiles. In e-commerce, the interaction between a customer

and the company will for the most part take place with a computer as the interface. There is no human element as such in a service delivered over the Internet, apart from customer service efforts, such as e-mails or telephone calls, if that option exists. The quality of the web site thus becomes the "moment of truth" (Cox & Dale 2001:122). The moment of truth is the time and place when the service provider has the opportunity to demonstrate to the customer the quality of its services (Grönroos 2000:72). Another difference between the physical service environment and the web site interface is that companies are able to customise their service to individuals, particularly when they interact directly with the customer. In a service context, there are always relationships between the customer and the service provider, which can be used as a basis for marketing (Grönroos 2000:22).

Despite the fact that the objective of e-commerce is to complete product purchase transactions, all e-commerce transactions are service transactions. There are very few pure "goods transactions" or pure "services transactions". In both goods and services transactions, consumers generally receive some tangible elements (goods) and some intangible elements (service). However, e-commerce exhibits more of the characteristics of a service transaction than a goods transaction. These characteristics are intangibility, inseparability of productions and consumption, and heterogeneity in delivering quality. Although the consumer may receive a tangible good at the end of the e-commerce transaction, the benefits to the consumer are not in the purchased good, but also more uniquely in the performance of the e-commerce transaction itself, namely saved time, increased convenience and reduced risk of dissatisfaction (Kolesar & Galbraith 2000:428-429).

Services marketing has been thoroughly examined by the likes of Parasuraman, Zeithaml & Berry (1985), Lovelock (1996), Zeithaml & Bitner (1996) and Grönroos (2000). The literature discusses the aspects of services, the customer and services, demand, service quality, service encounters and service recovery and the 4 Ps applied to services marketing amongst others. To discuss all the factors of services marketing with reference to e-commerce thoroughly can be a study on its own and will not be discussed within the scope of this study. The dimensions on which customers evaluate services (form their perceptions of the total service experience) are well-known in the services marketing literature. Parasuraman, Zeithaml & Berry (1985:47) developed five dimensions/determinants of service quality after intense studies and research. It is important to identify which determinants of service quality are important to the online customer and what effect it will have if on the customer if the determinant is neglected. Each of the five determinants will now be discussed in terms of service quality on the Internet.

Tangibility

Tangibility applies more to traditional service companies, since it is related to the appeal of the facilities of the company, the equipment and material used by the service company, as well as the appearance of service employees (Grönroos 2000:74). If applied to service on the Internet, the search properties are the only tangibles presented by the web site that customers have to evaluate the quality of service. This requires the web site to not only satisfy the customer's search and evaluation requirements, and to be congruent with the customer's self-image and values, but also to do it in such a way that is easy to use and technically flawless. Physical evidence found in such fundamentals as the speed of response and ease of navigation in the web site will influence customers' perceptions of the overall experience, their assessment of service

quality and their feelings about the potential risk in completing a purchase. The impact of physical, tangible evidence on consumer perceptions presents significant design challenges, because customers do not visit the site with equivalent access speeds, hardware or software (Kolesar & Galbraith 2000:434).

Reliability

Reliability involves providing the customers with accurate service the first time without making any mistakes and delivering what it has promised to do by the time that has been agreed upon (Grönroos 2000:74). Consistency of performance and dependability is especially important in e-service, since the service rendered is the only measurement that the customer can use to determine if the company is reliable or not. These factors bring about trust between the customer and the e-commerce company (Section 3.6.5). Accuracy in billing and record keeping is additional factors which customers measure quality of service with.

Responsiveness

Responsiveness means that the employees of a service company are willing to help customers and respond to their requests as well as to inform customers when service will be provided, followed by prompt service (Grönroos 2000:74). E-mail based service elements can be effective in achieving the desired consumer perception of responsiveness, if the e-mail response is immediate and the content is receptive to the customer's unique needs. Virtual immediacy can be achieved through automated e-mail responses that inform the customer that a personalised response will be forthcoming within a given period. In addition, some web sites provide toll-free access numbers to allow customers to contact a service or sales representative directly if necessary (Kolesar & Galbraith 2000:435).

Assurance

The company's employees' behaviour will give customers confidence in the company and it will make customers feel safe doing business with them. The employees are also always courteous and have the necessary knowledge to respond to customers' questions (Grönroos 2000:74). These factors are used mostly in traditional service companies, since online customers are seldom in contact with the employees of the e-commerce company. Instead, assurance on the Internet is measured by means of the physical evidence of the web site (layout and navigation). Facilities provided will also positively influence customer risk perceptions that may be inhibiting purchases. These include secure communication channels for credit card transactions (Trust Online), alternatives to online ordering and payment (ABSA facility of Kalahari.net), product guarantees, unequivocal product return policies, easy-to-use return mechanisms, guaranteed product delivery times and online tracking of customer orders (Kolesar & Galbraith 2000:436).

Empathy

A service company shows empathy when it understands the customers' problems and performs in their best interest as well as giving customers individual personal attention (Grönroos 2000:76). Showing empathy online makes the customer feel important. It is however difficult to show empathy over the Internet, but it is possible. A customer can tell when an employee is sincerely concerned about an error made by the e-commerce company. It is then when the company should really put in an effort to do effective service recovery and to retain the customer (Zemke & Connellan 2001:231).

Each of these determinants will in some way be questioned, in this case, to Kalahari.net in order to determine the service quality rendered by the company. Customers should

give their opinions in terms of navigation and site layout, trust in timely delivery, responsiveness to needs, trustworthiness in terms of payment, product return and service recovery to name a few.

3.6.4.3   Shopping cart/basket

The virtual shopping basket or cart is a term, which has been developed with the growth of e-commerce as part of the service offering of the site. It allows the online customer to combine their purchases from a site similar to the way an offline customer would add desired items to his/her shopping cart in the retail store. The virtual or online shopping cart can hold items bought from different merchants in a single electronic shopping mall, which may even contain merchants from different countries (Shim *et al.* 2000:26). In the case of Kalahari.net, products available on the site can be added to the cart even though it is from different suppliers since Kalahari.net has developed the database as their product range.

3.6.4.4   Billing system and payment/check out

Billing on an e-commerce site consists of the total value of the products in the shopping cart, which has been selected by the customer during the browsing process, including shipping and handling costs. Shipping and handling costs dramatically changes the cost of a product and without that information customers cannot make informed decisions about their total purchases. A link to shipping and handling costs on the navigation bar will give them peace of mind and increase sales (Zemke & Connellan 2001:65). Kalahari.net has overcome this problem by charging a standard fee (R35) for all transactions (except postage of heavy items like computers etc.). Once the customer has done his/her shopping, the check out process should be fast and efficient. The customer is usually able to click on a 'check out' button of some sort where after the

customer will view the statement or account. Being satisfied with the items on it, the customer proceeds with the check out process. Should a customer be new to the site, he/she has to register as a customer. This process of getting personal information and contact details should be short and simple. The registered customer will then select the appropriate payment method and check that all his/her personal details and postal address is correct. The payment procedure will then be completed after the customer has verified all information supplied and agreed by the terms and conditions of the online company. These terms and conditions should be available for reading at all times by means of a link. As soon as the payment and check out process have been completed, the online company gets challenged with the aim to deliver the product/s as soon as possible.

3.6.4.5   Delivery (logistics)

More e-commerce companies are adopting the process of electronic order confirmation. This means that as soon as an order is entered on the site, an e-mail message is sent to the customer within minutes. This e-mail consists of thanking the customer for doing business with the company, detailing the items purchased, quantity, costs, shipping fees, status (notifying if on backorder) and sometimes a transaction number to be used in correspondence. Some companies take the confirmation process another step by sending an e-mail to customers when an item has been sent and include the expected arrival date (Zemke & Connellan 2001:151). Kalahari.net makes the customer part of the delivery process by also sending an electronic order confirmation with a transaction number. When returning to the web site any time after the order has been placed, the customer is able to see where in the process of delivery the parcel currently is by clicking on the 'My order status' button on the homepage as discussed in Chapter 2.

These techniques are used by e-commerce companies to shorten the waiting period for the customer since the postal system is usually the weak link in the delivery process.

The processes of billing, payment and delivery encompass the issue of trust. It is important for the e-commerce company to understand the importance of trust in online retailing and therefore it will be discussed shortly.

3.6.5 Trust and e-commerce

Trust is the foundation of e-commerce according to Keen, Balance, Chan & Schrump (1999:1). Their view of trust focuses on reliability, rather than on honesty and sincerity. Trust in another party is described by Grönroos (2000:37) as one party's expectation that the other party will behave in a certain predictable way in a given situation. If the party does not behave in the expected way, the trusting partner (for example the customer) will experience more negative outcomes than they otherwise would. Trust can also be defined as a willingness to rely on a business partner in whom one has confidence.

Furnell & Karweni (1999:373) state that in order for the Internet to be accepted as a viable platform for e-commerce it is necessary to establish a foundation of trust among the participants. Trust is also important in the context of traditional commerce and has developed over time through the formation of appropriate policies, procedures and practices to safeguard transactions. Because of the global nature of the Internet as a public network, the issue of trust has even greater importance than in traditional commerce. It is necessary to facilitate a complete trustworthy relationship among the partners of the online transaction. In order to achieve this, the following requirements must be satisfied:

- Data need to be secured at all stages;

- Common rules need to be established or, failing that, a known and acceptable legal environment.

It is important for an e-commerce company to know how their customers feel about security issues, like credit card security and privacy policies for personal information. One of the exit barriers that the e-commerce company should create in order to retain customers is to reduce risk and increase trust (Sindell 2000:60). The online customer needs to be assured about online privacy and informed that his credit card information will not be used for purposes other than the specific transaction.

All the elements of site design, namely branding, easy content navigation, fulfilment of promises, distinctive uncluttered presentation of products, up-to-date technology, and proof of security, lead to a perception of trustworthiness. Convincing the online customer that the site (the e-commerce company) is trustworthy is the first and largest hurdle the company faces to secure the first and most crucial sale (Zemke & Connellan 2001:107). They have identified the following six fundamental forms which communicates trustworthiness to e-commerce customers and prospects (Zemke & Connellan 2001:110-111):

- Brand identity: Being known by the customer and having a positive reputation and broad product offering.

- Navigation: Having a site that is easy to access, browse around, and understand.

- Fulfilment: Reliable in delivering the goods and services as promised.

- Presentation: Presenting the product range to the customer in a presentable way.

- Seal of approval: The site should bear a seal of approval and a technology security seal such as Trust Online or VeriSeal.

- Technology: Having the attributes of employing the latest or best technology, page speed, imagery, and smooth operation.

The online customer should be asked to indicate which of these forms of trustworthiness is important to him and what would discourage him to buy online, especially from the online retailer in question, Kalahari.net.

As in traditional marketing, online marketers have developed exit barriers for online customers, which will decrease the chances of the customer not returning to a site for whatever the reasons may be. These barriers should be used by the site developers to the advantage of the online company.

3.6.6 Exit barriers in e-commerce

With the advent of e-commerce, customers have started to demand higher quality, lower prices and higher levels of service. Sindell (2000:58) has established a way to keep online customers from leaving a site or not returning in the future by creating exit barriers. A brief description will be given of a few exit barriers available in e-commerce.

- **Enhance the e-customer learning curve**

Customers may be familiar with the e-commerce company's products, but need an easy-to-use web site to develop expertise and confidence. A practical example is a help button or the 'help tutorial' of Kalahari.net.

- **Integrate processes**

Customers want a seamless customer experience that is quick and of a high quality. If the e-commerce company makes use of third-party intermediaries as with Kalahari.net, the processes must be integrated and without glitches.

- **Personalise the online experience**

E-commerce companies should use all the information gathered through questionnaires, buyer behaviour and customer preferences in order to segment the customer base and cross-sell products to customers. Some e-commerce companies make use of software applications that use collaborative filtering to make individualised recommendations. These recommendations allow the company to cross-sell their products. Collaborative filtering uses algorithmic techniques to infer what may be of interest to a customer based on a comparison of their preference.

- **Provide online mass customisation and product selection**

The online company can reduce or prevent the numbers of customers exiting by offering a vast variety of products or services through partnerships, mass customisation and price incentives.

- **Reduce risk and increase trust**

Internet users, new and experienced, need to be assured about online privacy and informed that their credit card information will not be used for other purposes as discussed earlier in Section 3.6.5.

- **Institute online loyalty programs**

Customers often expect to receive something for free for certain amounts spent with a company as with some offline retailers. The strategy should be carefully planned to optimise the company's goals and objectives. Kalahari.net usually offers their customers discount vouchers of R50 when the order exceeds R150.

- **Establish an online brand identity**

Customers should be able to link certain products to the online company and feel that the company offers quality products and good service. They will develop a sense of belonging to a certain online store and customer retention will be easier.

The e-commerce company should capitalise on these exit barriers to develop a profitable and loyal customer base.

The main reason for doing research on the design and functioning of the site and improving the web site's effectiveness is to better comply with the needs of the customer who visits the site with the intention to buy online. It is thus very important to the company to know who its customers are, as only then will the company be able to satisfy their needs. The marketing plan for the online company should consider customer demographics, customer background, segmentation and customer profiling in order to achieve the marketing applications offered by e-commerce strategies.

3.7 Summary

Chapter 3 gave a detailed discussion of the field of marketing, discussing the concept of marketing and the marketing environments. Technology, as an important influence on the marketing of products and services, was discussed, which led to a further discussion on the influence of the Internet on marketing. The origin and growth of the Internet were amongst the issues discussed. Thereafter, the traditional marketing mix, consisting of the 4 Ps (product, place, promotion and price) was discussed to indicate how marketing has been done in the offline environment.

The next important marketing medium of this study, namely e-commerce was discussed by defining it, indicating how the marketing mix of the online store works and how the components of an online store operate. Trust has been highlighted as an important issue for customers in e-commerce and online shopping. The exit barriers as discussed by Sindell (2000:58) indicated how online companies could prevent customer churn by developing exit barriers.

In Chapter 4 the online customer will for the first time be discussed as the main influencer of online marketing strategies. The importance of knowing the customer is increasingly crucial for online companies, since this knowledge and information about the customer will be the main drivers of strategies. Customer profiling, market segmentation, customer decision-making and relationship marketing will therefore be discussed.

Chapter 4: Customer profiling

4.1 Introduction

Chapter 4 focuses on the customer, customer profiling, customer decision-making and relationship marketing. Before customer profiling can be defined and discussed, it is important to define exactly who the online/Internet customer is. Lawrence, Corbitt, Fisher & Tidwell (2000:167) argue that the Internet customer is more than just a person who engages in a transaction with an online vendor or a consumer of goods and services, regardless of the type of financial transaction on the Internet. It should rather be seen as a broad category of readers of company web pages, recipients of company e-mails, online subscribers to newsletters, direct purchasers of goods (e.g. software and graphic art) and also indirect purchasers of goods (e.g. books and CDs). With this view in mind, there are many Internet customers, only some of whom are involved in traditional transactions with the online company (vendor). This type of Internet customer will be the focus of this study.

Now that the categories of the Internet customer have been identified, profiling of the online customer should be done to co-ordinate the web site and products with its customers.

4.2 Defining customer profiling

Brown (1999:33) describes a customer profile as a structured representation of the company's customers. Faced with the differences of the Internet as a marketing medium, company executives believed that it is so different from other media that they do not have to know anything about traditional marketing. This is however not the case,

since all classic business and marketing theory still apply to the Internet. Technology is no substitute for a good understanding of the basic principles of marketing and knowledge of the customer. What it can provide is the ability to reach the customer in more interesting and sophisticated ways. Sindell (2000:329) defines customer profiling as the process of assembling a comprehensive database about customer shopping behaviour, motivations, and product or service preferences. Information is captured from online and offline transactions to be used for target marketing. Treese & Stewart (1998:23) identified the following questions to be of utmost importance for the Internet retailer to use the Internet as a retail medium:

- Who is the customer?

- What does the customer need?

- What does the customer want?

- What message does the company want the customer to remember?

- How can information be presented to the customer most effectively?

By asking questions like these, the company is provided with useful information on the customer base. Trepper (2000:152) extends the process of customer profiling to include the following key data in a data warehouse, which is a large database of historical data:

- Where a customer browses on the site.

- Where a customer has been before coming to the site.

- What a customer buys on the site.

- A customer's purchase history on the site.

- All available demographics regarding the customer.

E-commerce companies can use this data to personalise a customer's shopping experience. It can also use the data for targeted promotions, if a customer chooses to receive occasional e-mails announcing sales that the customer would most likely be interested in. Companies can also use purchase data for pricing analyses. Large volumes of data stored in a warehouse provide marketing and pricing analysts with the ability to analyse reactions to price variations by age, income, location and other demographic segments (Trepper 2000:153).

The opportunity to collect detailed, personal information about the customer is one of the most powerful aspects of the Internet as a sales channel. Customers of a traditional retail store do not leave any information to the retailer when browsing or buying with cash and only leave some information when purchasing on credit. Loyalty programme cards do however collect information of the customer and indicate shopping patterns. On the other hand, online customers provide the online retailer with information about them such as how long they browsed, what they bought, which additional facilities they used etc. This information can be collected by means of cookie files (as discussed in Section 2.5.1), and analysed to improve the web site, determine extensions to the product range and devise targeted marketing (Reichheld, Markey & Hopton 2000:177).

To indicate how customer profiling can be done, a closer look will be taken at the bases of segmentation used for Internet customers.

4.3 Market segmentation

Market segmentation can be defined as an effort to increase a company's precision marketing efforts aimed at certain market segments (Kotler 2000:256). Instead of mass

marketing the product/service the process of market segmentation identifies groups of consumers who are similar to one another in one or more ways and then devises marketing strategies that appeal to one or more groups even at the expense of excluding other segments from the companies target market (Solomon 1999:8). Bickerton *et al.* (2000:81) define market segmentation as the breaking down of supposedly uniform markets into sub-groupings by reference to the different needs and characteristics of the customers.

Market segmentation can be done by classifying the various consumer characteristics and patterns of behaviour into the four main groups (bases), namely geographic, demographic, psychographic and behaviour segmentation (Bickerton *et al.* 2000:86-101).

4.3.1 Geographic segmentation

Segmenting the customers into geographic areas only gives the company a snapshot of a dynamic process since people move around on a fairly regular basis. The company can however establish whether the customers are grouped regionally, nationally or globally in the case of an international e-commerce company. Geographic location of the customers of an e-commerce company can give the company an indication of the concentration of customers in specific areas and the effect of that on delivery costs incurred by the company although there might be a standardised fee. Delivery of the products to foreign countries will in most cases mean extra postage fees. Geographic segmentation also helps to identify the type of areas e.g. affluent areas, middle-income areas and lower income areas.

4.3.2 Demographic segmentation

Demographic segmentation involves analysing the observable and measurable features of the population. Such features or variables include age, gender, family size, stage of the family cycle, income, occupation, education, religion, race and nationality (Bickerton *et al.* 2000:87). Segmentation by reference to demographic variables is used most extensively because customers' needs, preferences and usage rates are directly related to these variables. Demographic variables are also easier to measure. The main demographic variables are expanded on below:

- **Income**

Income is arguably the most important factor determining the likelihood of owning a computer or having access to the Internet. The distribution of wealth is of great importance to marketers, as it determines which groups have the greatest buying power and market potential. Occupation and education, which are acquired by means of income, directly influence preference for products, media and activities. Thus income is generally more effective as a segmentation variable when used in conjunction with other demographic variables (Hawkins, Best & Coney 1998:113). A project done by Webchek, the Project SA Web User 2001, which is conducted annually showed that the South African online shopper tend to have a household income of R20 000 plus per month and that business owners and professionals tend to purchase more from the Internet than other occupation groups (www.webchek.co.za).

- **Family life-cycle stages and age**

Consumer markets can be segmented by reference to age groups. Different needs are developed as the family changes from young children to teenagers and young adults.

Identifying these needs and targeting specific groups should be kept in mind when developing product strategies. Family life cycle refers to the progress of life through its various stages, which can be classified and used as a useful method of segmenting markets for products like domestic appliances and cars (Solomon 1999:380). Life-cycle stages can be grouped as follows (Bickerton *et al.* 2000:88):

> ➢ Young and single

> ➢ Young and married

> ➢ Young, married with child under 6 years

> ➢ Young, married with youngest child 6 or over

> ➢ Older, married with children

> ➢ Older, married with no children under 18

> ➢ Older, married with grandchildren.

Recognising that family needs and expenditure change over time, the concept of the family life cycle has been widely used by marketers. The family life cycle combines trends in income and family composition with the changes in demands placed upon the income. As customers age, their preferences and needs for products tend to change. A life-cycle approach to the study of the family assumes that pivotal events alter role relationships in the family and trigger new stages of life that alter priorities. Movement through the life stages is accompanied by significant changes in expenditures in leisure, food, durables and services (Solomon 1999:380).

There is a significant amount of data describing the diffusion of Internet technology and online shopping among these groups. The age breakdown of online shoppers normally does not reflect the age breakdown of the population, but is biased towards under 40s, with the under 30s age group being most likely to buy (Bickerton *et al.* 2000:89). This

indicates that a greater proportion of younger buyers are using the Internet as a shopping medium. There is also a significant link between ownership of a personal computer (PC) and family status. Computer ownership is highest in households in which children and teenagers are most likely to be present, since they are the most avid domestic computer users. This research study will point out what the family cycles of the Kalahari.net customer base are (Bickerton *et al.* 2000:89).

- **Gender**

Segmentation by gender of consumers is most common in marketing of fashion goods, cosmetics and jewellery. Since the Internet has become a successful marketing tool, difference in usage rates of men and women are studied closely and web site design is done accordingly. Studies have found that South African men spend significantly more time surfing the Internet, buying online and banking online than women do (www.itweb.co.za: 31 January 2002).

A study done by Webchek in the second quarter of 2001 has echoed trends in the US, where it has been found that women spend less time using the Internet than men do. Webchek's annual Project SA Web User study of 2001 indicated that 49% of South African Internet users are female. This is in line with the population average of South Africa. Despite the fact that nearly half the users are women, women spend considerably less time online than men do. The study found that on average, women tend to access the Web less often than men, with women going online 14.6 times a month, compared with the men's average of 17.3 times a month. Some 39% of men and 34% of women access the Web every day at home. Women are also less inclined to carry out transactions online, with significantly more men than women shopping and banking online. While 30% of men have shopped online, only 22% of women have.

Among those who have shopped online, 14% of women and 2% of men said their most recent purchase was groceries. Some 16% of men and only 2% of women said their most recent online purchase was software (www.itweb.co.za).

- **Education**

Another important factor determining PC (personal computer) ownership and Internet access is education. There is a strong correlation between the levels of education and the likelihood of having Internet access. The Internet has strong roots in academia, and people with a good educational background are more likely to fall into the higher income brackets that also indicate a tendency to own PCs, be early adopters of technological development and have Internet access (Bickerton *et al.* 2000:90). The Project SA Web user 2001 study mentioned also indicated that the South African online shopper tend to be people with university degrees (www.webchek.co.za).

- **Living standards measurement**

In 1993, the South African Advertising Research Foundation (SAARF) published the first Living Standards Measure report, using sixteen variables such as degree of urbanisation and ownership of cars and major appliances. Since then, the SAARF LSM has become the most widely used marketing research tool in South Africa. The most recent LSM classification divides the population into ten LSM groups, 10 (highest) to 1 (lowest) (Strydom, Jooste & Cant 2000:108). Table 4.1 indicates the average monthly income per household for each of the 10 LSM categories, total income for each LSM category and the size of each LSM category as a percentage of total income for all LSM categories.

Table 4. 1: LSM categories and household income (2001)

LSM	Average monthly household income	Total income per LSM category per month ('000)	As a percentage of total income
LSM 1	R 748	R 150 348	0.4%
LSM 2	R 895	R 873 520	2.3%
LSM 3	R 1 113	R 1 531 488	4%
LSM 4	R 1 595	R 2 261 710	5.9%
LSM 5	R 2 289	R 3 110 751	8.1%
LSM 6	R 3 731	R 5 227 131	13.6%
LSM 7	R 5 495	R 4 412 485	11.5%
LSM 8	R 7 407	R 4 362 723	11.4%
LSM 9	R 9 743	R 6 849 329	17.8%
LSM 10	R 13 406	R 9 598 696	25%
Total		**R 38 378 181**	**100%**

(Source: Mostert 2002:23)

Table 4.1 and Table 4.2 provide details of the South African population by means of LSM categories according to income and the number of households per LSM category. Table 4.2 indicates the number of households for each of the 10 LSM categories, together with the percentage of each LSM category as a percentage of the total number of households. These tables indicate that the higher the LSM group, the higher the income but the lower the percentage of the total population of South Africa.

Table 4. 2: Number of households by LSM category

LSM category	Number of households	Percentage of total number of households
LSM 1	201 000	2.1%
LSM 2	976 000	10.2%
LSM 3	1 376 000	14.4%
LSM 4	1 418 000	14.9%
LSM 5	1 359 000	14.2%
LSM 6	1 401 000	14.7%
LSM 7	803 000	8.4%
LSM 8	589 000	6.2%
LSM 9	703 000	7.4%
LSM 10	716 000	7.5%
Total	**9 542 000**	**100%**

(Source: Mostert 2002:24)

Information retrieved from SAARF indicates that the LSM category 10 represents 5% of South Africa's population according to the SAARF AMPS 2002A research studies. The average income for LSM 10 in 2002 is R15 076 per month. The LSM 10 category uses media sources like SABC 2 & 3, E-TV, M-Net, DSTV and daily & weekly newspapers. They also access the Internet on a regular basis and they have full ownership of durables, including a personal computer and satellite dish (www.saarf.co.za). If Kalahari.net and other companies as well, establish in which LSM group their customers mainly fall in, they can use the information from the SAARF to advertise and reach their customers in the most effective way.

Figure 4.1 provides details of Internet access per LSM category. Information could only be obtained for 1999, where eight LSM categories as opposed to the current ten categories were identified. From Figure 4.1, it can be concluded that 34% of LSM category 8 has Internet access, which means that they are more likely to use the Internet for online shopping as well than people in lower LSM categories. The Internet access penetration drops significantly to 13% for LSM 7 and even further to 3% for LSM 6.

Figure 4. 1: Percentage of households with Internet access in S.A.

Percentage of households with Internet access in S.A
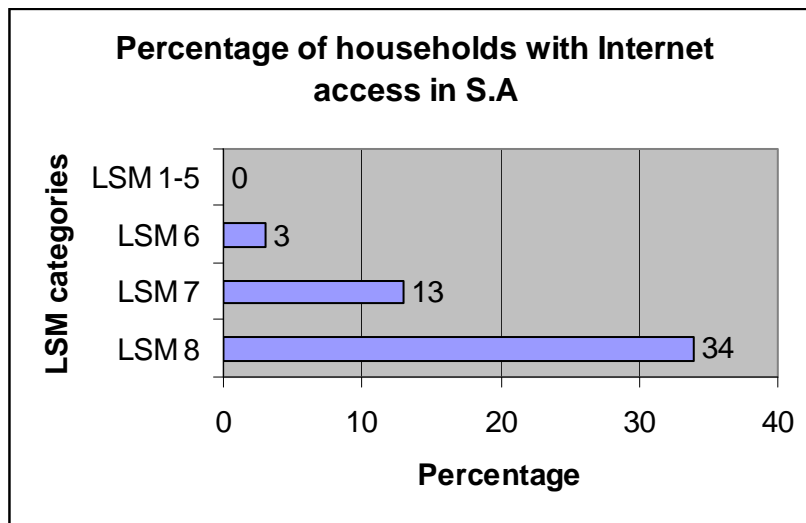
(Source: Mostert 2002:25)

The graphical presentation of Internet access per LSM group portrayed in Figure 4.1 highlights the influence of the economic dichotomy of South Africa, where there is no Internet penetration for LSM groups 1 to 5 as yet. This might well change, as Internet access will be improved in the future by social upliftment projects and as it becomes more affordable.

By obtaining demographic customer information by means of the questionnaire in the research study, an indication of the LSM groups that mostly buy from Kalahari.net, will be obtained.

The third base of segmentation is psychographic segmentation. Psychographics or lifestyle segmentation includes obtaining information regarding customer's attitudes, values, activities and interests and media patterns. This is discussed in the next section:

4.3.3 Psychographic segmentation

Segmentation by reference to customers' psychographics involves sub-dividing the market on the basis of how they live rather than on how much they earn. Psychographic research initially only focused on customers' activities, interests and opinions (AIO) until the following factors were added (Hawkins *et al.* 1998:435):

- Attitudes: evaluative statements about other people, places, ideas and products.

- Values: widely-held beliefs about what is acceptable and/or desirable.

- Activities and interests: non-occupational behaviours to which consumers devote time and effort, such as work, shopping, media, hobbies, sports etc.

- Media patterns: which specific media the customer utilises, like print media, television and radio.

- Usage rates: measurements of consumption within a specified product category. Consumers can be categorised as heavy, medium, light or non-users.

Social class, lifestyle and personality were added by Bickerton *et al.* (2000:90) to determine the maintenance of quality or standards of living also associated with psychographic/lifestyle segmentation:

- **Social class**

The social class of a person is based on the person's occupation or the head of the household's occupation. The head of the household is that member of the household who assumes the financial responsibility for the welfare of the family and for the maintenance of the household. Social class can be used in conjunction with income and age to provide a strong base for targeting products like cars, entertainment or leisure activities. Consumers in similar social classes tend to have similar tastes in music,

clothing, art etc. They also tend to share ideas and values regarding life. The social class of consumers can be linked to their income and age and from there a profile can be developed of the social class of the customer.

- **Lifestyle**

Lifestyle is the manifestation of the self-concept - the total image a person has of himself as a result of the culture he lives in and the individual situations and experiences that comprise his daily existence (Hawkins *et al.* 1998:28). Lifestyle aspirations influence individual choices regarding consumption and buying. Lifestyle refers to the patterns and modes of living that have been adopted by people as their approach to life (Bickerton *et al.* 2000:91). Target segments are formed on the basis of differences in which products and brands are used to facilitate and improve the lifestyle. In order to identify lifestyle segments, companies have to measure consumers' interests, activities and opinions. By determining the interests and hobbies of their customers, Kalahari.net can focus more on the products, which relates to these interests.

- **Personality**

Segmentation by personality types is usually used in the marketing of luxury products and services. The analysis of personalities of end-users is employed to design features into the products and the way in which they are advertised. Personality characteristics such as extrovert, introvert, risk taking, sense of adventure and self-confidence help to build the products' personality and help with the messages that go into advertising. As the Internet becomes increasingly pervasive, it is becoming harder to suggest that any one personality type dominates. Instead, different products (like books and DVDs) and/or sites can attract communities of like-minded people, amongst whom personality

traits can be identified and targeted (Bickerton *et al.* 2000:92). This links with the type of customer that is attracted to the web site of Kalahari.net, which provides them with a wide array of books to choose from as well as other products in their product range.

The last segmentation base is behaviour segmentation, which includes user status, usage rates, buying habits and motivation factors.

4.3.4 Behaviour segmentation

Behaviour segmentation involves dividing the market into subgroups on the basis of their knowledge, attitudes and use of a product or service. These behavioural characteristics can be used to analyse customers according to their user status, usage rate, buying habits and motivation factors. The benefit of this base of segmentation of customers is to get information on why and how often they purchase online. By understanding this, the online company might increase the likelihood of online purchasing.

- **User status**

The user status of customers makes a big difference to the way a company approaches them. The traditional way of classifying user status is as Internet non-users, ex-users and potential users. In the case of Internet users, Bickerton *et al.* (2000:93) divides the Internet users into global villagers, global beachcombers or global workers. Global villagers use the Internet primarily for networking, communication and information sharing with others. Global beachcombers use the Internet to search, abstract and order but mostly only if it is free of charge. Global workers use the Internet as part of their everyday process of working. They also see the Internet as a critical information base to draw knowledge from and will remain loyal to sites, which enhance their knowledge.

Time is usually a more important factor to global workers than price. A fourth category that can be added to this classification is one of non-users of the Internet.

- **Usage rates**

Markets can be segmented into light, medium and heavy usage groups. Similar principles apply to online retail as to offline retail. The heavy Internet user is more likely to return to the site than the light user. This implies that the acquisition cost incurred by the online company to attract him as a customer is justified by the fact that he returns time and again. Usage rates however depend greatly on where the customer is connected from (e.g. work or home) (Bickerton *et al.* 2000:95).

An analysis of the frequency of Internet access from home in South Africa shows that more than 60% of Internet users access the Internet at least daily. A further 20% make use of the Internet two to three times a week and 2% access the Internet monthly (Mostert 2002:27). By only focusing on how often the Internet is accessed, may be misleading. In order to determine buying patterns and usage rates, it is also important to consider time spent online by users at home. According to a study done by BMI in 2000, 30% of South African Internet users spend five hours per week on the Internet, 25% spend two to five hours per week and another 25% spend one to two hours per week on the Internet from home (Mostert 2002:28). From this information it can be concluded that the Internet is becoming an integral part of the family's routine of accessing the Internet from home. As this trend increases in the future, it will increase the likelihood of doing online shopping from home.

- **Buying habits**

Buying habits refer to the way customers decide to buy a product and when and how they do the actual purchase. Buying habits vary by product, and within products. Some products require regular repeat purchasing, while others are bought infrequently. Understanding the customer's decision to purchase the product will help the company tailor the process to suit the customer's needs. Determining the customer decision-making process will shed some light on this issue. Kalahari.net must try to determine how often their average customer buys books or CDs etc. This might give them an indication on how often promotions should be held.

- **Motivation factors**

Customers' actions reveal something about what motivates them. If a company can determine what motivates the potential customers, it can attract attention and enhance buying action. The mass market online are looking for an easy way to do shopping which saves them time and money and exactly this should be provided by the Internet and more specifically e-commerce companies.

After segmenting the market and developing a customer profile of the customers of the company, the data should be converted into usable information for web site design. Because a web site is accessible to any online customer at any time and place, many companies are tempted to attract as many potential customers as possible. A lack of focus and segmentation makes building a strong customer base very difficult. The broader the array of customers a company attempts to serve the more complex its site inevitably becomes. If the customer does not feel addressed by the site, the relationship will not be as strong as it should be. Moreover the value added to the customer decreases by addressing a larger and broader target market (Reichheld & Schefter

2000:109). Because of this, the site should be designed for the company's Most Valuable Customers (MVC).

4.4 Designing the web site for the Most Valuable Customers

Designing the web site for the Most Valuable Customers (MVCs) means thinking through each process in the web site – the content, advertisers, products sold and tone – with the MVCs' preferences and needs in mind. Whether the company's web offering is exclusive to the most valuable customers or merely more appreciated by them, the key is to design the web offering so that the company's MVCs get the experience they desire (Reid Smith 2000:91). To achieve this, the company has to collect personal information from the MVCs in a series of short data questionnaires. These questionnaires should not irritate the customers, but just to ask enough questions at a time to provide a customised or personalised experience. This will make the interactive experience compelling enough that customers will return to the web site. If the web site is correctly targeted at your MVCs, these customers should recognise their preferences in the site and should feel that they are comfortable browsing the site. To achieve this requires designing the graphics and content (products and services rendered) to match the style and tone of the MVCs. This requires, as previously said, a full understanding of the MVCs' preferred style and tone of retailing.

The customer's web experience level should also drive design decisions. Inexperienced web surfers may not understand embedded links or navigational shortcuts and therefore links should be overt and user-friendly (Reid Smith 2000:96). If a customer exits a web site when the price of the product is seen, it indicates price sensitivity, but if the customer jumps from page to page without ever initiating a transaction, he/she is

probably frustrated at being unable to find what he/she is looking for or can not navigate the site as desired (Reichheld & Schefter 2000:111).

Fredericks, Hurd & Salter (2001:29) also indicated that by segmenting customers and building loyalty amongst the desired customers, customer and financial profitability would be greater. They also stated that by examining customer priorities of the segments, companies could better identify key drivers that differentiate segments from one another. Combined with company performance on these needs or drivers, this information determines how well the company is positioned to meet specific customer needs, relative to the competition.

As part of the research process, e-commerce companies should also determine the rationale behind online purchasing. Customer decision-making and customer behaviour should thus be investigated and analysed to inform the company of its customers' behaviour, especially the Most Valuable Customers (MVCs). The customer decision-making process is hence discussed and applied to the Internet customer in the next section.

4.5 Customer decision-making and behaviour

Consumer behaviour theory and more specifically consumer decision-making theory focuses on more "traditional", non-Internet based consumer decision-making. The need is therefore highlighted for marketers to understand consumer behaviour and consumer decision-making in an Internet environment to be successful in this ever-growing and popular medium. Sultan & Henrichs (2000:386-402) supports the view that as more advanced technologies enter the market, it becomes increasingly important to

understand consumer response to these new technologies. To satisfy the consumer's needs, the e-commerce company needs to have an understanding of the processes of decision-making, which the customer goes through with every purchase made. The ability to create a product or service and to persuade the market to buy it, instead of buying competitors' offerings requires insight into the consumer purchase process and decision-making. Knowledge of consumer behaviour reduces uncertainty when creating the marketing mix of the company (Lamb *et al.* 1994:102). This is true for online retailers as well since the decisions made and the influence of the online retailer on it, influence the probability of returning to the specific site considerably.

Hawkins *et al.* (1998:500-501) have identified three types of consumer decisions, namely:

- **Habitual/routine decision-making**

Once the need for a product is recognised, internal search provides a single preferred solution. After the brand is purchased an evaluation occurs only if the brand fails to perform.

- **Limited decision-making**

Limited decision-making involves recognising a problem for which there are several possible solutions. There is internal and a limited amount of external search. A few alternatives are evaluated on a few dimensions using simple selection rules. The purchase and use of the product are given very little evaluation afterwards, unless there is a service problem or product failure.

- **Extended decision-making**

Extended decision-making is the response to a high level of purchase involvement. An extensive internal and external information search is followed by a complex evaluation of multiple alternatives. After the purchase, doubt about the correctness is likely and a

thorough evaluation of the purchase takes place. This type of decision-making will mostly be done by consumers who are still wary of online shopping, but as they get accustomed to the process and trust the online retailers, the decision-making process might be more limited and eventually even habitual.

Typically, consumers engaged in extended decision-making go through all the steps in the decision-making process, but those engaged in limited decision-making and routine decision-making may skip some of the steps (Lamb *et al.* 1994:103). It will be interesting to determine which kind of consumer decisions are mainly drivers of purchasing online. The stages in the consumer decision-making process will now be discussed.

4.5.1 Stages in the consumer decision-making process

The customer decision-making process is a process used by consumers when buying goods or services. The purchase process begins when the consumer becomes aware of a difference between an actual and ideal state of affairs and subsequently identifies needs. The act of buying the product is only one step in the process. Not all consumer decision-making leads to an actual purchase; the consumer can end the process at any time. All purchase decisions proceed through all the steps of the process, but might differ in duration and importance (Lamb *et al.* 1994:103).

The classical model of the consumer purchase decision process is well researched and has become generally accepted in the study of marketing and consumer behaviour. This model maintains that consumers exhibit a predictable sequence of behaviours in making purchases, aimed at solving a perceived problem or satisfying a recognised need. Throughout the purchase process, external stimuli as well as internal physical

and psychological drivers influence consumers (Kolesar & Galbraith 2000:425). Figure 4.2 indicates the stages in the consumer decision-making process after which a discussion of each stage will follow with special reference to the online consumer:

Figure 4. 2: The consumer decision-making process

```
        ┌──────────────────────┐
        │ Problem recognition  │
        └──────────┬───────────┘
                   │
                   ▼
        ┌──────────────────────┐
        │  Information search   │
        └──────────┬───────────┘
                   │
                   ▼
        ┌──────────────────────┐
        │ Alternative  evaluation │
        └──────────┬───────────┘
                   │
                   ▼
        ┌──────────────────────┐
        │   Purchase and use    │
        └──────────┬───────────┘
                   │
                   ▼
        ┌──────────────────────┐
        │    Post-purchase      │
        │     evaluation        │
        └──────────────────────┘
```
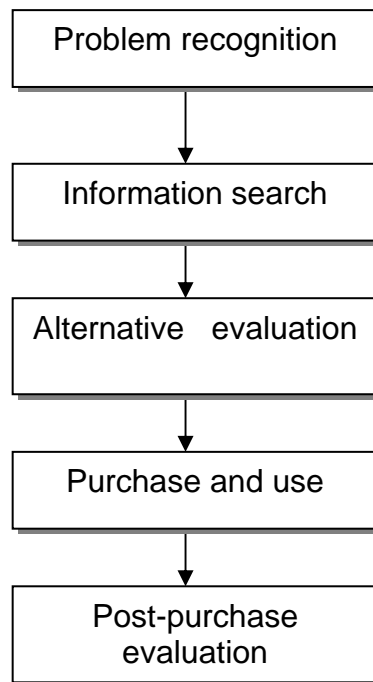
(Source: Hawkins *et al.* 1998:3)

4.5.1.1   Problem recognition

Problem recognition occurs whenever the consumer sees a significant difference between his or her current state of affairs and some desired or ideal state (Solomon 1999:273). Consumers' lifestyles are a major determinant of their actual state since that is how they choose to live, given the constraints imposed by their resources (Hawkins *et al.* 1998:504). While problem recognition occurs naturally, this process is often spurred by marketing efforts. The online consumer may develop a need to buy a certain book from an online store, e.g. Kalahari.net. This recognition could have been spurred by

promotional discount on books or reduced delivery costs, or simply the need arising to buy it as a gift, etc.

4.5.1.2   Information search

Once a problem has been recognised, consumers need adequate information to resolve it. Information search is the process by which the consumer surveys his or her environment for appropriate data to make a reasonable decision (Solomon 1999:274).

Depending on how much experience a buyer has in meeting a particular need, the buyer will seek information from the following sources, according to Strydom *et al.* (2000:75):

- ➢ Internal sources lodged in the person's memory;
- ➢ Group sources like friends and family;
- ➢ Marketing sources like sales personnel, advertisements, product displays and packaging;
- ➢ Public sources like media reports and ratings by independent organisations; and
- ➢ Experimental sources while shopping, like handling it, tasting it, smelling it or trying it out in the shop.

Hawkins *et al.* (1998:525) note that all brands within a product category can be categorised in either an awareness set or an unawareness set. The awareness set comprises all the brands the consumer is aware of, whereas the unawareness set represents those brands the consumer does not know about. The awareness set comprises three subcategories, namely the evoked, inert and inept sets. Figure 4.3 depicts the evoked, inept and inert sets as subsets of all the brands in a product category.

Figure 4. 3: Categories of decision alternatives
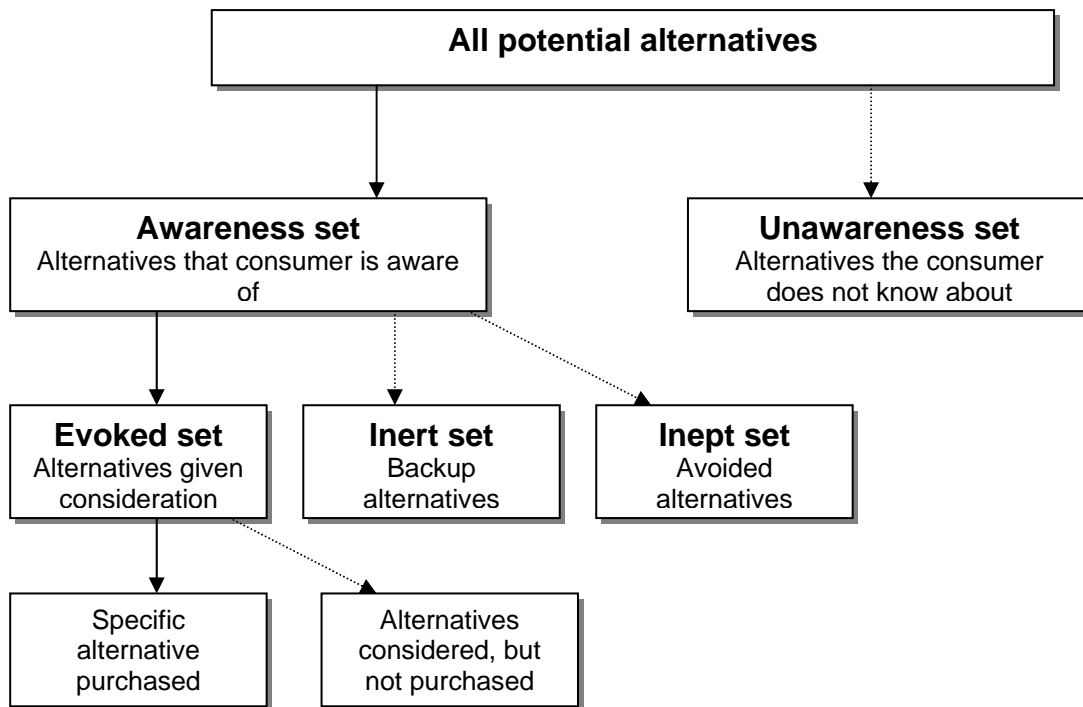
(Source: Hawkins *et al.* 1998:526)

From all the alternatives available on the market, some are in the awareness set of the customer and the others in the unawareness set. The awareness set is composed of three subcategories of considerable importance to marketers. The **evoked set** of a customer is those brands/stores that the consumer will evaluate for the solution of a particular consumer problem (Hawkins *et al.* 1998:525). Schiffman & Kanuk (1997:570) define the evoked set as the specific brands a consumer considers in making a purchase within a particular product category. If the customer is initially satisfied with the evoked set, information search will be focused on the performance of the brands in the evoked set on the evaluative criteria/desired characteristics. From this set of alternatives, a specific alternative will be purchased. The **inept set** refers to all the brands the consumer excludes from purchase because they are considered to be unacceptable. Brands in the inept set are actively disliked or avoided by the consumer.

Positive information about these brands is not likely to be processed, even if it is readily available (Solomon 1999:282). The **inert set** represents the brands to which the consumer is indifferent towards due to it being perceived as offering little value (Schiffman & Kanuk 1997:570). Consumers will generally accept favourable information about brands in the inert set, although they do not seek out such information. Brands in this set are generally acceptable when preferred brands are not available. Since e-commerce is still a new concept for many consumers, a company like Kalahari.net, may not yet be in the evoked set of a consumer when the need to buy a book or CD arises. It should, therefore, be the aim of an e-commerce company, like Kalahari.net, to position itself in the evoked set of its target market.

4.5.1.3 Alternative evaluation and selection

Much of the effort that goes into a purchase decision occurs at the stage in which a choice must be made from the available alternatives. After the consumer has identified a few possibilities through information search, these alternatives are evaluated based on speed, convenience and other possibilities and then one is chosen from the set of alternatives. The evaluative criteria are the various features or benefits a consumer looks for in response to a particular type of problem. The type of evaluative criteria a consumer uses in a decision varies from tangible cost and performance features to intangible factors such as style, taste, prestige and brand image (Hawkins *et al.* 1998:551). This has always been the case in traditional retailing. It would therefore be interesting to test if the online consumer uses the same evaluative criteria when evaluating an online retailer. After thoroughly evaluation the alternatives, the consumer chooses the best option for the given case. In the case of the customers of Kalahari.net, they will typically speak to friends/relatives who have done online shopping to evaluate if it is a viable option. The consumer can also surf on the Internet and compare different

online retailers with each other as well as comparing them with traditional retailers in terms of prices, product variety and service.

4.5.1.4   Action and use

Once the product and retailer have been selected, the consumer must complete the transaction. With traditional (offline) retailing the customer goes to the store and selects the products from the shelves, pays for them and consumes them afterwards. The online customer will in this case select the item to be placed in the virtual shopping basket. The shopping basket is then processed for check out. The product is paid for with one of several means of payment in traditional retailing and online retailing. The consumer will take ownership of the product once it has been received via post. The online and offline customers will then use/consume the product in the same manner.

4.5.1.5   Post-purchase evaluation

Doubt or anxiety experienced by a customer after a purchase has been made, is referred to as post-purchase dissonance. The probability of a consumer experiencing post-purchase dissonance, as well as the magnitude of such dissonance, is a function of the degree of commitment of the decision; the importance of the decision; the difficulty of choosing among the alternatives and the individual's tendency to experience anxiety. It is important to test which of these factors play a role in the post-purchase behaviour of online consumers (Hawkins *et al.* 1998:609). If the customer is not happy with the purchase, he/she has three possible courses of action:

➢ Voice response (appeal to the retailer for a refund);

➢ Private response (express dissatisfaction about the retailer or product to friends – word-of-mouth); or

➢ Third-party response (consumer can take legal action against the retailer).

Retailers should encourage customers to rather complain to them than to spread negative word-of-mouth amongst friends and family (Solomon 1999: 324-325).

During the post-purchase evaluation phase, the consumer compares the promise of the product with its actual performance. The consumer's degree of satisfaction or dissatisfaction with the product choice will determine the likelihood that the consumer will purchase the product again or shop at the particular online or offline store, or, if unsatisfied, engage in a renewed search for alternatives. Satisfaction occurs when the product/company meets or exceeds the consumer's expectations, while dissatisfaction results when expectations are not met. The consumer's perception leads the consumer to formulate opinions and attitudes towards the product/retailer. Feelings and perceptions about the product/retailer and its performance have as great an impact on the consumer's assessment of satisfaction as the actual performance of the product/retailer. Consequently, it is essential for marketers to manage consumer expectations and to manage their perceptions (Kolesar & Galbraith 2000:426).

Post-purchase dissonance might be even higher in e-commerce transactions, since the product could not physically be seen before the transaction. E-commerce companies should capitalise on both cases by giving the customer the ability to inform the company about good or bad experiences. This will enable them to rectify problems and weaknesses and thrive on strengths. Successful reaction to consumer complaints or compliments will also enable them to increase the number of active purchasers, as in the case of Kalahari.net.

Turban, Lee, King & Chung (2000:74) have applied consumer behaviour to e-commerce, which is depicted in Figure 4.4.

Figure 4. 4: Electronic commerce consumer behaviour model

Personal characteristics	Environmental characteristics
Age, gender, ethnicity, education, lifestyle, psychological, knowledge, values, personality.	Social, family, communities

Stimuli			
Marketing	**Others**
Price Promotion Product Quality	Economical Technology Political Cultural

Decision-making process

Buyers' decisions
Buy or not? What to buy? Where to buy? When to buy? How much to spend? Repeat purchases

Vendors' controlled systems		
Logistic support	**Technical support**	**Customer service**
Payments Delivery	Web design Intelligent agents	FAQs E-mail Call centres One-to-one

Source: Turban *et al.* (2000:74)

As can be seen from Figure 4.4, the customer decision-making process is basically a customer's reaction to stimuli, which include the 4 Ps of marketing and other stimuli such as economical, technological, political and cultural influences in the external environment. The process is also influenced by the customer's characteristics (age, gender, lifestyle, values etc.) and the environment (social community and family). The decisions made by the customer about where, when and what to buy also influences the decision-making process. Lastly, the online retailer provides logistic support, which can

make a difference in the choice of retailer, as well as the web site design and the customer service rendered by the online retailer. The major difference between the traditional consumer behaviour model and the e-commerce consumer behaviour model is mostly the additional influences in the vendor's controlled systems, which are unique to e-commerce.

Having discussed the consumer decision-making process and applying it to e-commerce, it is evident that the e-commerce company should get information from its customers on the kind of information needed in their processes of decision-making and buying.

With this in mind, the importance of having a relationship with the customer emerges. Having a good relationship with the customer eases the information quest for the e-commerce company. Customers are more likely to provide the company with information if the customer trusts the company and a relationship has been developed. Furthermore, relationship marketing is the base from which the company develops repeat purchasing which in turns points towards customer loyalty. The discussion of customer relationship marketing therefore points out why customer profiling is done by most companies.

4.6   Relationship marketing

The last two decades have witnessed a paradigm shift from transactional marketing to relationship marketing. The focus of transactional marketing is on increasing market share, whereas the focus of relationship marketing is on improving customer retention. The Internet, as an effective communication medium and distribution channel, has been

facilitating the development of relationship marketing (Wang, Head & Archer 2000:374). This is because communication and data collection constraints are substantially reduced in the Web marketplace. Using network, database, data warehouse and data mining technologies, the Internet can facilitate consumer interaction, information collection and analysis processes. Consumers may be easier to identify and track in a Web environment. The success of relationship marketing, however, depends largely on the collection and analysis of customer information (Wang *et al.* 2000:376).

4.6.1 Defining relationship marketing

Relationship marketing (or relationship management) can be defined as a philosophy of doing business, a strategic orientation, which focuses on keeping and improving current customers, rather than on acquiring new customers. This philosophy assumes that customers prefer to have an ongoing relationship with one company than to switch continually among providers in search for value (Zeithaml & Bitner 1996:171). Morgan and Hunt (1994:22) refer to relationship marketing as those activities directed towards establishing, developing and maintaining successful relational exchanges. They highlight the importance of trust, co-operation and shared values in maintaining a successful relationship.

Payne in the SCN Education B.V (2001:24) sees relationship marketing to be about maximising customer value for the company, by creating, building and lengthening customer relationships with a view to selling more, cross-selling and keeping customers longer. He also identifies several key characteristics of the relationship marketing approach, such as:

- The movement from a transaction-driven to a relationship-driven approach where relationship marketing look at a continuing series of transactions, rather than an individual transaction.

- The movement from a functional to a cross-functional approach recognising that markets other than the customer market also need to be addressed.

- A holistic customer-centric view, rather than a product-driven view, recognising that customer service, marketing and quality need to be brought together and approached in a coherent way, rather than managed in a disparate way.

Just as relationship marketing has played an integral part in traditional marketing over the last few years, so is electronic customer relationship management (eCRM) coming to the forefront. eCRM offers companies the means to conduct interactive, personalised and relevant communications with customers across electronic and traditional channels. Sindell (2000:330) also defines eCRM as a set of decisions that assist the e-commerce company in developing relationships with customers. Customer buying profiles, targeted online campaigns, and personalised Web content are examples of activities that can significantly affect the value of relationships between customers and a company.

The Gartner Group proposed a 'New Marketing Cycle of Relationship Building'. A short discussion will follow Figure 4.5.

Figure 4. 5: The New Marketing Cycle of Relationship Building

New media chosen to best reach customer	Customer receives marketing exposure	Customer decides on marketing medium for response
4 Ps updated uniquely to customer	**Relationship building**	Customer makes purchase decision
Customer profiled based on behaviour	Database update	Customer makes purchase decision
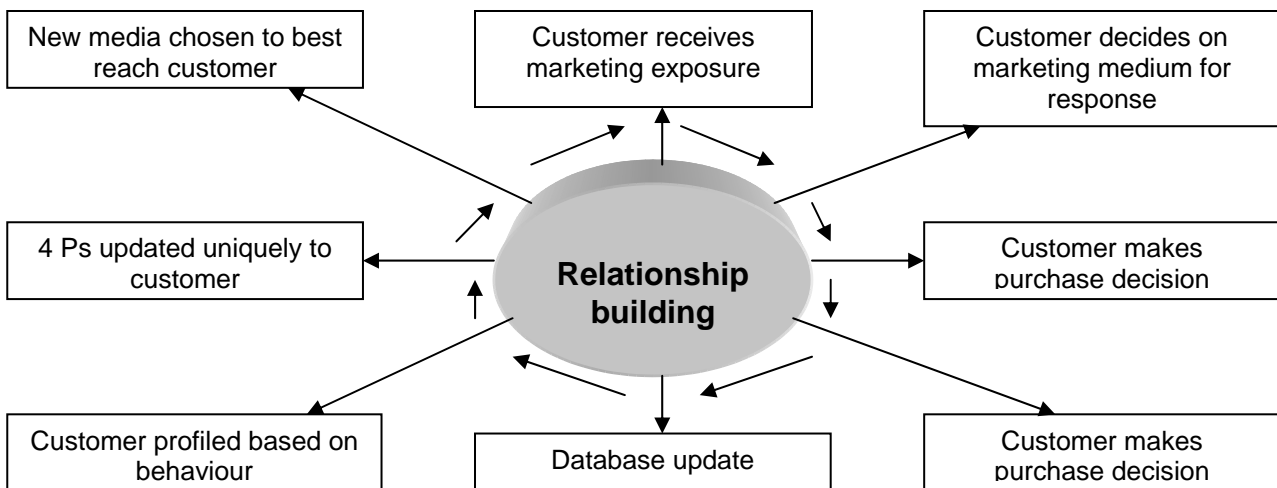
(Source: Turban *et al*. 2000:85)

The proposal views relationships as a two-way street in which customer information is collected and placed in a database. A customer profile is then developed and the 4 Ps of marketing (Product, Place, Price and Promotion) are updated on a one-to-one basis to uniquely fit the customer's profile. Based on the revised marketing mix, appropriate advertisement and promotion are prepared, possibly leading to a purchase by the customer. The detailed transaction is then added to the database and the cycle repeats itself (Turban *et al*. 2000:84-85). In the case of Kalahari.net, the company can have projects such as customer questionnaires to deliberately collect information on their customers or monitor purchasing habits on the site with product orders and different payment options.

There is a universal, underlying cycle of activity that should drive all CRM initiatives of a company. As a cycle, the stages are interdependent and continuous as indicated below:

• Customisation of products and services for customers requires an **understanding** of who the **customers** are;

- **Interaction and delivery** of increased value to customers require **development and customisation** of products and services to meet their needs; and

- **Retention** of customers requires this delivery of increased value.

Customer relationship management is thus a repetitive cycle that has to be followed by the company. Nykamp (2001:7-10) identified four stages in the CRM process. Each of the stages of this CRM process is briefly described below:

- **Understand and differentiate between customers**

  Customer understanding involves customer profiling (demographic, geographic characteristics as described in Section 4.3), customer segmentation, doing primary research on customer needs and also customer valuation, where a customer group's contribution to the company's profitability is quantified. This understanding of the customer should become increasingly useful as the company interacts with the customers.

- **Develop and customise**

  Product and channel development has to follow the customer's lead. This is the primary basis for differentiation. Companies are therefore increasingly developing products and services and customising communications media and delivery channels (e-commerce) based on customer needs and service expectations.

- **Interact and deliver**

  Customers interact in many different ways with many different areas of the company, ranging from marketing and sales channels, distribution and shipping, to customer service, to the company web site. All areas of the organisation should have easy access to relevant customer information and should be trained on how to use this information in order to tailor their interactions with customers based on both customer needs and potential customer value.

- **Acquire and retain**

  The above-mentioned information about the customer will make acquisition efforts easier, since the company will target the most valuable customers (discussed in Section 4.4) by using the right channel, right media, right products, right offer, right timing and the most relevant message. Beyond acquisition, successful customer retention involves continuing with the right marketing mix. The company should maintain interaction with customers, continue to deliver on the customer's definition of value, and remember that customers change as they move through different life stages. The service and value proposition should be adapted accordingly.

In keeping with these principles, the CRM cycle continues. As the company moves from one stage to the next, it gains insight and understanding that enhances subsequent efforts of the company. As these initiatives become increasingly sophisticated, the company will be differentiated from others in the market place (Nykamp 2001:10). This clearly highlights the importance of customer profiling in the company. The most recent addition to the web site of Kalahari.net was the option for the customer to personalise the web site according to the customer's needs. The 'personalisation wizard' is a user-friendly online form that the customer can use to tell Kalahari.net what his/her favourite products are. The customer can go to the 'My profile' page and tick the favourite shops, shop categories, sub-categories and newsletters. After completing this, the customer will enjoy the personal product recommendations when surfing www.kalahari.net. If this addition becomes popular, it will constantly give Kalahari.net information regarding their customers' preferences.

Relationship marketing also has a range of benefits for companies, which will now be discussed.

4.6.2 Benefits and importance of relationship marketing

Zeithaml & Bitner (1996:172) described the primary goal of relationship marketing to be a way to build and maintain a base of committed customers who are profitable for the company. To achieve this goal, the company will focus on the attraction, retention and enhancement of customer relationships. First, the company will seek to attract customers who are likely to become long-term relationship customers. Through market segmentation, the company selects the best target markets for building lasting customer relationships. This also refers to identifying the Most Valuable Customers (MVCs) as discussed earlier in Section 4.4. As the number of these relationships grows, the loyal customers will frequently help to attract new customers with similar relationship potential through word-of-mouth.

According to Christopher, Payne & Ballantyne (1991:9) relationship marketing will assist a company to:

- Focus on customer retention;

- Offer superior product/service benefits;

- Pursue long-term vision;

- Emphasise exemplary customer service;

- Engender customer commitment; and

- Ensure that quality is the concern of all in the company.

A detailed knowledge of the customer can thus be considered an important asset in a company's quest for market leadership and excellence. The company has to focus on the customer and get to know the customer to a great extent (customer profiling) in

order to develop a relationship with the customer, which will in turn have the following benefits for the company, as identified by Zeithaml & Bitner (1996:174-176):

- Increased purchases;

- Reduced costs;

- Free advertisement through word-of-mouth; and

- Employee retention.

Gaining these benefits will in turn allow the company to focus efforts on improving the product/service to the customer as well as strengthening the relationship because of loyalty towards the company. This circle effect always has the customer as the centre of importance surrounded by the efforts of the marketing mix again pointing to the theory of McCarthy & Perreault (1991:33) as described earlier in Section 3.5.

4.7 Summary

Chapter 4 discussed the essence of the research study, being the customer profile and segmentation according to the bases of segmentation applied to online customers by Bickerton *et al.* (2000:81-219). Designing the site for the company's most valuable customers (MVCs) showed to be beneficial and profitable for the online company.

The customer decision-making process were applied to the online customer and it proved that knowing how and why the online customer decides to do online shopping is crucial information to have and understand. Lastly, relationship marketing was discussed as this combines the need and importance of knowing your customer and building a lasting relationship with him.

Chapter 5 will provide the research methodology followed to gather the data needed to compile the profile of the customers of Kalahari.net based on the literature study done in Chapter 2, 3 and 4.

Chapter 5: Research methodology

5.1   Introduction

Research is usually undertaken to discover facts, which may be used to describe and evaluate actions. To attain these overall objectives it is essential that the facts revealed by the research should be accurate and have a precision that is measurable in statistical terms (Herbst 2001:140).

This chapter deals with the fundamental concept in the theory of research methodology and describes the practical execution of the research conducted for this study. Detail will be provided on the information sources, data collection methods, sampling process and questionnaire design. The chapter's discussion will also include statistical procedures and techniques that will be used in the study. Kalahari.net was selected as the focus for this study from the group of online retailers in South Africa, and a sample from their customer base will be studied to compile a profile of the customers.

The Internet is becoming increasingly popular as a survey research tool as companies and researchers begin to realise the huge potential of the Internet for collecting information about consumers. The interactivity of this new medium, along with the general public's rapid adaptation to the technology, makes the Internet an important part of primary data gathering tools. At the same time, the decline in the effectiveness of traditional survey methods, such as mail and telephone surveys, has created much optimism in Internet surveys as a fresh way for consumers to disclose information about themselves (Forrest 1999:135).

Both primary and secondary research was used for the literature study, which will be identified and discussed below:

5.2   Secondary research

A distinction is made between two sources of data, namely primary and secondary data (Sudman & Blair 1998:74). Secondary data refers to information that has already been collected for some other purpose, while primary data refers to information that has been gathered to address the specific research objectives at hand (Burns & Bush 1998:66).

Sources of secondary information include libraries, Internet searches and online services, while primary information is gathered by means of observation, survey interviews, group discussions or experiments (Sudman & Blair 1998:74).

An extensive investigation of published information has provided the necessary background for this formal survey. The information gathered in this process is presented in Chapters 2, 3 and 4. Theoretical issues and terms were discussed in these chapters, which are influencing customer profiles. The theoretical background revealed the need for primary data.

The review of secondary research included published literature on a number of relevant topics. Published works, reference articles and Internet sources on the following topics were consulted:

Marketing: Strydom, Jooste & Cant, 2000; McCarthy & Perreault, 1991; Kotler, 2000; Lamb, Hair and McDaniel 1994; Cant, Strydom & Jooste, 1999.

Services marketing: Parasuraman, Zeithaml & Berry, 1985; Lovelock, 1996; Zeithaml & Bitner, 1996; Grönroos, 2000; Kolesar & Galbraith, 2000; Zemke & Connellan, 2001.

The Internet: Hanson, 2000; Bothma, 2000; Janal, 1998.

E-commerce: Watson, Berthon, Pitt & Zinkhan, 2000; Greenstein & Feinman, 2000; Shim, Qureshi, Siegel & Siegel, 2000, Baker, Marn & Zawada, 2001; Zemke & Connellan, 2000; Grönroos, 2000; Sindell, 2000. Bothma, 2000.

Customer profiling: Brown, 1999; Treese & Stewart, 1998, Trepper, 2000.

Market segmentation: Kotler, 2000; Solomon, 1999; Bickerton, Bickerton & Pardesi, 2000; Hawkins, Best & Coney, 1998.

Customer decision-making: Hawkins, Best & Coney, 1998; Lamb, Hair & McDaniel, 1994; Solomon, 1999.

Relationship marketing: Zeithaml & Bitner, 1996; Nykamp, 2001

Since more information was needed other than what could be derived from the secondary research, primary research was required to determine the profile of the customers of Kalahari.net. Therefore, the research process will be discussed followed by a discussion on the primary research done in this study.

5.3 The research process

A research design that is free from bias and that is based on a sample size large enough to provide the level of precision required is the ideal all researchers aspire to. The process to achieve this ideal comprises a number of steps, which begins with a clarification of the research objectives. The research objectives of this study were given in Chapter 1. The primary research objective has been identified as being to develop a profile of the customers of Kalahari.net, a South African based e-commerce company.

Following the acceptance of the objectives, the researcher examines the information that is already available in the form of secondary data. If the available information is insufficient or not appropriate to meet the objectives of the research, the researcher proceeds to obtain primary data.

The research process requires the researcher to define the universe or population to be surveyed precisely and to select the most appropriate sampling method to obtain accurate and precise information. Furthermore, the information gathered must be recorded in a suitable manner. Therefore, much time is devoted to the development of a questionnaire. This is a complex undertaking, influenced largely by the nature of the survey, the sampling method and the form of the questions. The questionnaire must also be tested to establish its effectiveness to gather and record the information desired by the researcher (Cant 1991:202-204).

The application of research techniques invariably imposes limitations on the research design. These limitations arise from the nature of the technique itself or from the application required of that technique.

Data collection during the research process can be classified into three broad categories: quantitative, qualitative and pluralistic research (Burns & Bush 1998:209).

Quantitative research can be defined as research involving the use of structured questions with predetermined response options, with a large number of respondents involved. In contrast, qualitative research involves the collection of data and the analysis and interpretation thereof through observing what people say or do (Burns & Bush 1998:209).

Pluralistic research can be defined as a combination of qualitative and quantitative research methods in an attempt to gain the advantages of the two methods. The researcher will typically begin with exploratory qualitative techniques (for example, focus groups). The qualitative phase of the research project will then serve as a foundation for the quantitative phase.

Since this research study will be performed with quantitative research, the quantitative data collection methods will be discussed in the next section.

5.3.1 Quantitative data collection methods

Quantitative research is a term used for research designs, which seek structured and quantifiable responses. The approach is descriptive in nature and usually presents the findings in numbers, figures or statistical parameters. Demographic profiling of a specific market segment can thus be classified as quantitative research as in this case (Strydom *et al.* 2000:153). Information derived from quantitative data collection methods, such as surveys, are frequently about the customer's attitude towards a product/service in terms of awareness, knowledge, perceptions, features, pricing and other marketing efforts

(Aaker *et al.* 1998:217). Quantitative data collection methods include face-to-face and telephone interviewing, questionnaire-based methods, direct observations, scanner-based data collection and computer-based methods (Chakrapani 2000:111-122). Each of these methods is briefly discussed after which the focus will shift to electronic mail surveys.

- **Face-to-face and telephone interviews**

  Face-to-face and telephone interviews are modes of data collection in which an interviewer administers a structured set of questions to a respondent and the respondent is requested to provide response information within a specified time period. It is a two-way conversation initiated by an interviewer to obtain information from a respondent. In the case of face-to-face interviewing, both individuals are at the same physical location, whereas for telephone interviewing the interviewer may be using a telephone facility, like CATI (Computer-assisted telephone interviewing). To have a successful interview, the respondent needs to be able to give the needed information to the interviewer; the respondent should understand his or her role and have adequate motivation to co-operate (Cooper & Schindler 1998:292). These interviews are usually costly and need trained interviewers but will increase the return rate and quality of completed responses (Cooper & Schindler 1998:304).

- **Questionnaire-based methods**

  Questionnaires can be used in mail surveys, mall intercepts and diary surveys. Mail surveys are self-completed surveys that involve sending a questionnaire to a sample of respondents. The survey organisation requests the respondents to complete the questionnaire and mail it back to the survey organisation. Mall intercept, as a method of data collection requires that the interviewer approach a shopper in a

shopping mall and ask the individual to participate in the research study. A diary survey is a self-completed questionnaire form on which a respondent is asked to write information at a regular interval as events occur. This can be information such as the radio station to which they are listening or the shopping centre they visit. These methods are usually the lowest cost option, requires minimal staff, allows respondents to think about the questions, but can not be too long or complex to complete because it will cause lower response rates (Cooper & Schindler 1998:304).

- **Observational methods**

  Observation methods include both non-behavioural observation and behavioural observation. Non-behavioural observation consists of record analysis, physical condition analysis and process analysis. Behavioural observation on the other hand, consists of non-verbal analysis, linguistic analysis and spatial analysis. Of these, non-verbal analysis is the most prevalent. Observation as a systematic method for data collection involves recording events or a time sequence and measurements by an observer. Observation may either be overt (researcher's identity is publicly known) or covert (researcher's identity is not revealed). Scanner data are collected by stores and typically contain detailed product descriptions of price, package size, flavour and brand name bought by the customers of that store (Chakrapani 2000:119).

- **Computer-assisted data collection methods**

  There are at least three distinct approaches to gather survey information from respondents by using computer-assisted survey information collection methods (CASIC). Firstly, each respondent can receive a questionnaire by e-mail. Respondents then would have a choice of responding either by e-mail or printing out

the questionnaire and post it. The second approach is to use hypertext mark-up language (html). This method requires that the respondent have access to an electronic browser and e-mail technology. With an electronic browser, the respondent uses screens to respond to prepared questions. The third approach uses the World Wide Web to create an interface between the respondent and the researcher. The Web enables the researcher to include audio and visual inputs and gather information electronically. Web-based survey respondents would need to have access to e-mail, as well as a browser capable of data entry (Chakrapani 2000:122).

Since this research study used the web-based survey method as one of the online quantitative survey methods, a more detailed discussion of this method will be given.

5.3.2 Web-based surveys

Web-based surveys include all surveys distributed through the Internet to the respondents. With web-based surveys respondents are invited (by e-mail, fax or telephone) to visit a specific URL (Uniform Reference Locator) where the web site survey is located. Questionnaire design can be done on commercial web-authoring software, such as Front Page Explorer and specific software that will aid in the page design as well as the database support used for data collection (Chakrapani 2000:126).

Web-based surveys offer new ways to collect customer information and there is a growing recognition of this within the market research community. Web-based surveys are returned approximately one week faster to the researcher than normal mail surveys. There are, however, various technological and instrumentation difficulties associated with e-mail or other web-based surveys as a data collection method. Firstly, it is

impossible to know about those who refuse to participate in the survey and those who do not use e-mail for the purpose of communication. Secondly, it is difficult to ensure that all respondents receive the identical survey instrument when conducting e-mail surveys. This is partly due to the variety of software tools that respondents may use in their work environment. Thirdly, inclusion of graphics and other methods of improving response rate are difficult to implement, given that the graphic standards used by respondents may vary (Chakrapani 2000:126-127). This difficulty is reduced or nullified in this research study since only the link to the web site with the questionnaire will be e-mailed to the respondents.

Forrest (1999:136-141) has identified advantages and disadvantages of web-based surveys, which are listed below.

Advantages of web-based surveys include the following:

> ➢ Higher response rate than traditional methods because respondents are contacted directly through their e-mail.

> ➢ Greater response accuracy in terms of reduced response error, reduced human error, reduced interviewer bias and reduced sampling distribution problems.

> ➢ More enjoyable for respondents than traditional pencil and paper methods.

> ➢ More aesthetically pleasing by means of graphics, colour and video/audio aids.

> ➢ Less expensive since no interviewers need to be trained or no data capturing needs to be done as with traditional surveys.

> ➢ Faster turnaround than normal post surveys.

> ➢ Instantaneous global reach if needed.

➢ Customised surveys in different languages, for example.

➢ Finding highly-specific research targets easier than other methods.

Disadvantages of web-based surveys include the following:

➢ The Internet user population is not representative of the general population except when the study is focused on the Internet population.

➢ Anonymity of Internet users.

➢ Multicultural considerations where differences in culture, language and terms may lead to misinterpretation.

➢ Anxiety in disclosing information.

➢ Shorter attention span online.

➢ Lack of interpersonal nuances gained from focus groups etc.

➢ Truthfulness of respondents/multiple entries.

➢ Participant attrition (not as binding as face-to-face surveys).

➢ Possible lower response rates in the long run.

➢ Possibility of sabotage by hackers who break into and modify web sites.

The researcher using web-based surveys should therefore capitalise on the advantages and try to limit the disadvantages. This could be done by linking the e-mail address to the response, not including terms/words which could confuse respondents, create trust with the questionnaire format and approach and create a login for the questionnaire web site to hinder unauthorised persons from completing the questionnaire.

It is evident that the various methods of conducting surveys on the Internet all have advantages and disadvantages. The best way to construct an online survey and implement it on the Internet is a major area of concern to researchers. Forrest

(1999:144) has identified several points that should be considered when conducting surveys over the Internet.

- Proper netiquette by being forthright, non-intrusive and respectful of the Internet user.

- Respect the privacy of individuals by disclosing the reason for conducting the research and assuring respondents of the privacy of their information.

- Conduct short surveys to generate high levels of response.

- Liven it up with the use of colour and graphic, but keep downloading time in mind.

- Provide incentives if necessary.

- Set time-limits for returning the completed questionnaire.

- Use suitable e-mail headings to elicit participation in the online survey.

- Select the best sampling method for the study.

Other than these critical points to keep in mind when doing research on the Internet, the researcher also has ethical guidelines to adhere to.

5.3.3 Ethical issues in Internet research

Ethical issues related to Internet research include voluntary participation, informed consent, monitoring participants for harm, privacy and debriefing (Whitley 2002:418-422). Each of these issues is briefly highlighted below:

- **Voluntary participation**

Recipients of e-mail surveys are free to choose whether to return the survey and visitors to research web sites are free to choose whether to take part in the study and can terminate their participation at any time simply by closing the browser window.

- **Informed consent**

The principle of informed consent requires that potential research participants have all information relevant to deciding whether to take part in the research study.

- **Privacy**

Internet users are likely to see confidentiality as part of the issue of privacy. Privacy is of special interest to Internet users because web servers can be programmed to collect data about visitors to a web site, such as the Internet identification number (IP address) of the visitor's computer. It is therefore extremely important to inform potential research participants about the procedures used to protect the anonymity or confidentiality of the information they provide.

- **Debriefing**

After participants submit their data, they can be sent a page that thanks them for their participation and explains the purpose of the research. It can also solicit comments on the research and provide the researcher's e-mail address.

Concerning validity of web-based data, numerous studies administered over the Internet concluded that data collected in well-designed Internet research is as valid as data collected by traditional means (Whitley 2002:418).

To ensure that this data collection method succeeds in collecting the correct data, certain research issues have to be decided on and determined as indicated in the next few sections.

5.4   Primary research

Primary research in the form of a questionnaire was conducted in this study to obtain the necessary information from the respondents. To reach the point of actual data collecting, a few components have to be decided on, such as the sample, sample size, data collection method and questions to be used.

5.4.1 Drawing the sample

Quantitative survey research involves the collection and analysis of data using appropriate and valid methods. In most cases, a census of any population is both prohibitively expensive and statistically unnecessary. Therefore, samples are normally used to represent the population that is of interest to the researcher (Chakrapani 2000:156).

The basic principle of sampling is that by selecting some of the elements in a population, a researcher may draw conclusions about the entire population (Malhorta 1996:359).

Primary research is undertaken when the information available from secondary sources is inadequate or inappropriate to solve the problem at hand. Primary research is the process of obtaining information directly from the primary source of information. In most cases, this involves drawing a probability or non-probability sample from a defined universe since the carrying out of such a census of the universe would be impractical and costly. A sample is a representative cross-section of the universe from which it is drawn. Research can therefore only begin once the universe has been carefully defined (Cant 1991:208).

5.4.2 The universe and sample

Before any survey can take place, the target survey universe must be defined. The survey design must be consistent in providing statistical inferences about the survey universe. Who provides the information or from where the information is obtained is an operational and design issue and should not be confused with the universe definition. The universe or population can be defined as the aggregate of all elements. In this research study the universe would be the entire customer base of the South Africa online retailer, Kalahari.net, which is all the customers who have bought products from the web site. Since the research started, it was estimated that the customer base is 40 000 customers according to Kalahari.net itself.

There are many different ways by which a sample can be selected. Two major categories of sampling can be distinguished, namely probability sampling and non-probability sampling. A probability sample is one where each of the units in the universe had a known or equal chance of being included in the sample. The sampling is done by mathematical decision rules that leave no discretion to the researcher. In non-probability sampling, the selection of a population element to be part of the sample is based partly on the judgement of the researcher. There is no known chance of any particular element in the population being selected (Cant 1991:209-210). A comparison will be made between the different probability sampling designs after which the sampling method for this study will be discussed.

Table 5. 1: Comparison of probability sampling designs

Type	Description
Simple random	Each population element has an equal chance of being selected into the sample. Sample drawn using random number table.
Systematic	Selects an element of the population at a beginning with a random start and following the sampling fraction selects every k^{th} element.
Stratified	Divide the population into subpopulations or strata and use simple random on each strata. Results may be weighted and combined.
Cluster	Population is divided into internally heterogeneous subgroups. Some are randomly selected for further study.
Double (multiphase)	Process includes collecting data from a sample using a previously defined technique; based on the information found, selecting a subsample for further study.

(Source: Cooper & Schindler 1998:243)

For this study systematic sampling was used. In this approach every k^{th} element in the population is sampled, beginning with a random start of an element in the range of 1 to k. The major advantage of systematic sampling is its simplicity and flexibility. It is easy to determine the sampling distribution of mean or proportion and also less expensive than simple random sampling. The major disadvantages are periodicity within the population, which may skew the sample and results. Also if the population has a monotonic trend, a biased estimation will result based on the start point. These disadvantages will therefore not be a factor in this study since the sample was drawn

from the customer base of Kalahari.net on a certain date and it will not change (Cooper & Schindler 1998:237). The sample had to be drawn from the universe.

5.4.3 Sample size

A sample size can be determined through the use of statistical procedures. Four factors can influence the determination of a sample size according to Herbst (2001:146):

- The value of the information in the study and the degree of reliability that is to be placed on the results;

- The number of groups or subgroups to be analysed within the sample;

- The cost of the sample; and

- The variability of the population – as variability increases, so does the sample size.

The following is the general formula for estimating minimum sample size for any desired level of precision (Chakrapani 2000:159):

$$n = \frac{V}{\dfrac{A^2}{Z^2} + \dfrac{V}{N}}$$

Where

n = minimum sample size

N = population size

V = variance of target variable in the population

A = accuracy desired expressed in decimal

Z = number of standard deviation units of the sampling distribution corresponding to the desired confidence level.

For this study, the significance level is 0.05 with a 95% level of confidence. The significance level is the probability of committing a Type I error (rejecting the nil hypotheses when it is true). The survey error, which is the expected difference from the true value, is conditioned by the level of uncertainty the researcher is willing to accept. This level of uncertainty is called the confidence level and is usually 90% or 95% (Chakrapani 2000:158). The maximum variance is therefore 0.25 and the Z value for 95% is 1.96. N = 40 000.

Thus:

$$n = \frac{0.25}{\frac{0.05^2}{1.96^2} + \frac{0.25}{40\,000}}$$

$$= 380.5$$

$$\approx 381$$

The aim will be to get responses from 381 respondents for the purpose of the study. With the sample size known, the focus will shift to the online questionnaire, which was used in the study.

5.4.4 Data collection method

A questionnaire was designed for the unique needs and objectives of the study. Every construct and term discussed in the theoretical literature study had to be tested in the questionnaire in order to get a full picture of the profile of the customers of Kalahari.net. This included testing for the primary and secondary objectives as indicated in Section 1.5. The process of designing the measurement instrument, namely the online questionnaire, had to be in accordance with the primary and secondary objectives.

All the measurement aspects as discussed in Sections 5.5 and 5.6 (measurement and scale types) were considered during the process of designing the questionnaire to be used in the empirical execution of this study. Questionnaire design will be explained in terms of four interrelated activities – preliminary considerations, asking of questions, construction of the questionnaire and pre-testing of the questionnaire (Dillon, Madden & Firtle 1994:302).

- **Preliminary considerations**

According to Dillon *et al.* (1994:302) a researcher should translate the research problem into a set of research questions before he/she starts with the formulation of the questions. The research questions should identify:

> ➢ What information is required?

> ➢ Who the appropriate target respondents are?

> ➢ What data collection method to use?

These three aspects were covered throughout the chapters, pointing out what questions should be posed to the customers of Kalahari.net in the online questionnaire.

- **Asking of questions**

Dillon *et al.* (1994:303) provide three general guidelines to help in devising an effective questionnaire:

> ➢ A researcher should write specific questions only after he/she has thoroughly thought through the research objectives.

> ➢ When a researcher is designing a questionnaire, he/she should constantly refer to the research objectives.

> ➢ For each question a researcher sets up, he/she should consider how the information obtained from the respondents would help in answering the research objectives. This would limit 'nice to know' questions to 'need to know' questions.

There are a number of specific considerations to keep in mind when developing questions. Dillon *et al.* (1994:304) provide the following basic principles:

Principle 1:   Be clear and concise

Principle 2:   Response choices should not overlap

Principle 3:   Use natural and familiar language

Principle 4:   Do not use words or phrases that show a bias

Principle 5:   Avoid double-barrelled questions

Principle 6:   State explicit alternatives

Principle 7:   Questions should meet the criteria of validity and reliability

These principles were adhered to when the questionnaire was constructed.

- **Constructing the questionnaire**

The GVU Center of the GTRC (Georgia Tech Research Corporation) developed the GVU (Graphic, Visualisation & Usability) survey, which has been used in 1994, 1995, 1996, 1997 and 1998 in the US. The survey has been updated and revised every time it has been conducted on the Internet. Since its beginning in 1994, the GVU World Wide Web user survey has accumulated a unique store of historic and up-to-date information on the growth and trends in Internet usage. It is valued as an independent, objective view of developing web demographics, culture, user attributes and usage patterns. In recent years the focus of the survey has been expanded to include commercial uses of

the Web, including advertising, electronic commerce, intranet web usage and business-to-business transactions. The basic sections included in the survey are:

- General demographics

- Technology demographics

- Online privacy and security

- Web and Internet usage

- Software filters and content rating

- Everyday life

- Purchasing on the Internet

- Finding product information and purchasing

The 10th GVU user survey was used as a question framework for this research study's questionnaire. Added to that were questions relating to the theoretical terms discussed earlier in Chapters 2, 3 and 4. This was done to make the GVU user survey more applicable to this study and to the South African Internet user. The questionnaire was divided into five distinct sections as can be observed in the final questionnaire in Appendix A.

- Introduction page and login.

- Section A: Internet usage patterns of the respondents. This section covered the respondent's basic usage patterns of all Internet sites such as frequency of using the Internet.

- Section B: Online shopping patterns of the respondents. This section focused on the shopping patterns like which kind of products are purchased and how often.

- Section C: Likert scale of 12 statements to indicate the level of agreement. In this section the respondent had to indicate the level of agreement of

statements of service rendered by the company and also their relationship with Kalahari.net.

➢ Section D: The respondent's view of and relationship with Kalahari.net specifically.

➢ Section E: Demographic questions to the respondents ranging from age, income, education, hobbies etc.

➢ Thank you page and conclusion.

The total number of questions in the questionnaire was 46.

Once the questionnaire (containing the above mentioned introduction page, questionnaire and log-out page) was developed, it was placed on a web site hosted by Brinkster.com (www.brinkster.com), an online hosting company at www10.brinkster.com/kalahari/. The web site was developed in Macromedia Dreamweaver UltraDev 4. The questionnaire on the web site was linked to a Microsoft Access database, which had the advantage that once a question was answered on the web site, the data was sent to the database. This database could be downloaded as often as needed and the data was ready to be analysed.

- **Pre-testing the questionnaire**

According to Cooper & Schindler (1998:349), pre-testing is the final step toward ultimately improving survey results. The pilot test phase involved the pre-testing of the questionnaire and the tabulation of replies. This was essential, mainly in order to ascertain that:

I. The designed questionnaire would perform the anticipated functions in the research environment;

II. The data collection would be as relevant and accurate as possible;

III.   The target respondents would participate and co-operate as fully as possible; and

IV.   The collection and analysis of data would proceed as smoothly as possible.

Errors have been reduced to the minimum as far as possible by testing the questionnaire amongst twenty randomly selected academic personnel of the University of South Africa (Department of Business Management) and twenty customers of Kalahari.net, randomly chosen by the company. These respondents were contacted to verify some responses and to provide feedback on possible confusing questions. The questionnaire was also reviewed by the Bureau of Market Research of UNISA to minimise wording biases and overlapping of options.

- **Questions in the questionnaire**

Each question will now be discussed with reference to the theoretical discussion in Section 5.4.

a)   Questions in Section A

Question 1 will determine how long the respondents have been using the Internet. It is a multiple-choice single response scale question. Question 2 determines from where the respondents mostly access the Internet (multiple-choice, single response scale). Question 3 determines how often the respondent accesses the Internet from the location in Question 2 (multiple-choice, single response scale). Question 4 determines what the respondents primarily use the Internet for (multiple-choice, multiple-response scale). Question 5 asks the respondent how many hours per week he/she spends browsing on the Internet and then in Question 6 how many hours per week he/she spends shopping on the Internet. Both are multiple-choice, single response scales. The

last question of the section gives the respondents 15 options/scenarios of problems experienced when using the Internet. The respondent can choose all that applies to him/her (multiple-choice, multiple-response scale).

b)   Questions in Section B

Question 1 asks the respondent how often online purchases are made (multiple-choice, single response scale). Question 2 is the opposite of Section A, Question 7 since the respondent should choose which features are important to him when considering shopping online. Nineteen options are given (multiple-choice, multiple-response scale). Question 3 determines which products/services the respondent has purchased online in the past 6 months. 21 product/service options are given from which the respondent should check all that apply (multiple-choice, multiple-response). Question 4 links to the previous question, but in this case the respondent should indicate which products/services he has browsed online for, without buying it. Question 5 asks which products the respondent has bought from Kalahari.net in the past 6 months. Only the products available on the site are given as options (multiple-choice, multiple-response scale). Question 6 determines how often the respondent browses on the Internet for products without the immediate intent to buy it (multiple-choice, single response scale). Question 7 addresses the issue of buying online with a credit card (dichotomous scale). Question 8 deals with how often the respondent decides to buy a product based on information collected on the Internet; whether or not he/she uses the Internet to make the purchase (multiple-choice, single response). The last question of the section determines if and why the respondent has had a bad experience with a web site in the past (multiple-choice, single response).

c)   Questions in Section C

Question 1 to 12 of this section is statements aimed to determine the respondent's attitude towards Kalahari.net. It includes statements about service quality, switching cost, the evoked set, word-of-mouth, appeal of the web site, customer relationships and the product offering of Kalahari.net. The 5-point Likert scale gives the respondent the option to strongly disagree, disagree, neither agree nor disagree, agree or strongly agree.

d)   Questions in Section D

Question 1 determines how often the respondent transacted with Kalahari.net in the past year (multiple-choice, single response). Question 2 asks which of the 7 given factors increase the trustworthiness of an online retailer (multiple-choice, multiple-response). Question 3 determines which product the respondent mostly buys from Kalahari.net out of the total product offering of the online retailer (multiple-choice, single response). Question 4 determines if the respondent has used the Kalahari.net help tutorial available on the home page of the site and also how it helped the respondent (dichotomous scale). Question 5 gives the respondent the chance to indicate in what Kalahari.net should improve on in future (multiple-choice, multiple-response). The last question determines which method of payment the respondent mostly uses to buy products from Kalahari.net (multiple-choice, single response).

e)   Questions in Section E

Section E is a collection of the demographic information of the respondents to end with. All the questions are multiple-choice, single response scales except Question 2. In Question 1 the respondent should indicate his/her age group and in Question 2 the gender. In Question 3 the respondent should indicate the primary household language.

The eleven official languages are given as options and also the option to specify another language if needed. Question 4 determines the marital status of the respondent. Question 5 determines the number of people in the household and Question 6 the number of children in the household. Question 7 determines where in South Africa the respondents live. Respondents living outside the borders of South Africa were also catered for. Question 8 determines the highest level of education completed by the respondent. Question 9 determines the role of the respondent in the industry. This varies from student to top management. Question 10 indicates the hobbies or activities of interest to the respondent (psychographic information). Question 11 determines the household income per month including all income sources before tax. The respondent also has the option not to answer the question by adding the option "rather not say". The last question of the questionnaire refers to the information sources used by the respondent when gathering information to buy a product.

The following table (Table 5.2) indicates the literature constructs used the most in the questionnaire to profile the customers of Kalahari.net. The construct column indicates the constructs identified in the literature study as important instruments, which can be used to profile the customers. The section column indicates which section in the survey it appears, followed by the specific question number in the survey.

Table 5. 2: Constructs used in the questionnaire

Construct	Section	Question
Frequency of Internet browsing	A	2, 3, 5
Trust	A	4
	B	8, 10, 12, 13
	C	7
	D	2
Buying habits	A	7
	B	2, 5, 9
	D	1
Service quality	B	8, 15
	C	1, 4, 7, 8, 9
	D	4
Decision-making	C	2, 3, 6, 13, 15
Demographics	E	All questions
Lifestyle	B	11
	C	11
	E	10

These constructs link to the research questions in Chapter 1 namely the profile of the customers, the buying habits, products mostly bought and demographics of the customers of Kalahari.net.

5.4.5 Responses achieved

As contractually agreed, Kalahari.net sent out an e-mail message containing the link to the online questionnaire to 1 000 systematically selected customers on 31 January 2003. The researcher was not allowed to send out the questionnaires herself because of the confidentiality clause of Kalahari.net. This stipulates that the company will not disclose any personal information, such as an e-mail address, to a third party. This prohibited the researcher to send reminder e-mails to the customers to complete the questionnaire. The outcome was that only one hundred of the customers completed the online questionnaire making the response rate 10%. All the responses could have been used since the questionnaire did not allow the respondent to continue with the questionnaire if all questions were not answered. There were therefore no missing values in the data which were used. A full discussion of the responses received will be given in Chapter 6 as well as comments on the response rate received in this study and other online research studies.

The following section aims to discuss the different measurement scales that could be used in a questionnaire.

5.5   Measurement and measurement scales

It is necessary to provide information on the possible measurement scales at the disposal of the researcher when designing a questionnaire.

5.5.1 Measurement

Measurement is a process of assigning numbers to objects to represent quantities of attributes (Dillon *et al.* 1994: 302). Many characteristics that are investigated in

marketing research studies can be measured in a variety of ways. Particular attention must be given to the objectives of the study and the precise definition of the characteristics to be measured.

5.5.2 Levels of measurement

Measurement can be undertaken at different levels. The levels reflect the correspondence of numbers assigned to the characteristics in question and the meaningfulness of performing mathematical operations on the numbers assigned. The most accepted basis for scaling has three characteristics (Cooper & Schindler 1998:161):

- Numbers are ordered. One number is greater than, less than, or equal to another number (order).
- Differences between numbers are ordered. The difference between any pair of numbers is greater than, less than, or equal to the difference between any other pair of numbers (distance).
- The number series has a unique origin indicated by the number zero (origin).

Combinations of these characteristics of order, distance and origin provide the following widely used classification of measurement scales:

- **Nominal measurement**

  Nominal measurement is measurement where the numbers assigned allow the researcher to place an object in one and only one of a set of mutually exclusive and collectively exclusive classes with no implied ordering (Dillon *et al*. 1994:273).

- **Ordinal measurement**

  Ordinal measurement is measurement in which the response alternatives define an ordered sequence so that the choice listed first, is less (or greater) than the second, the second less (or greater) than the first, and so forth (Dillon *et al.* 1994:274).

- **Interval measurement**

  Interval measurement allows the researcher to indicate how far apart two or more objects are with respect to the attribute and consequently to compare the differences between the numbers assigned (Dillon *et al.* 1994:275). Because the interval lacks natural or absolute origin, the absolute magnitude of the numbers cannot be compared.

- **Ratio measurement**

  Ratio measurement has the same properties as interval scales, but also has a natural and absolute origin. Ratio data represents the actual amounts of a variable like weight, distance and height (Dillon *et al.* 1994:277).

The different appropriate statistical options available to the researcher are illustrated in Table 5.3.

Table 5. 3: Appropriate statistics for nominal, ordinal, interval and ratio data

Scale	Range	Central tendency	Dispersion
Nominal	Number of categories	Mode	Frequency in each category
Ordinal	Number of scalar positions	Median	Percentage or interquartile range
Interval and ratio	Top score minus bottom score plus 1	Mean	Standard deviation

Adapted from Dillon *et al.* (1994:275)

Having discussed the different measurement types, attitude scales are used to research the properties of the study.

5.6 Scale types

Scaling is a procedure for the assignment of numbers (or other symbols) to a property of objects in order to impart some of the characteristics of numbers to the properties in question (Cooper & Schindler 1998:184). Scales are either rating or ranking. **Rating** scales have multiple-response categories and are also known as category scales. It is used when respondents score an object or attitude without making a direct comparison to another object or attitude. **Ranking** scales make comparisons among two or more attitudes or objects. The different rating and ranking scales will be discussed using Cooper & Schindler (1998:186-194).

Rating scales:

- **Simple category scale**

  This scale has only two response choices, like yes or no, agree or disagree etc. This scale is particularly useful for demographic questions or where a dichotomous response is adequate. It produces nominal data.

- **Multiple-choice, single response scale**

  When there are multiple options for the respondent and only one answer is sought, the multiple-choice, single response scale is appropriate. It produces nominal data.

- **Multiple-choice, multiple-response scale**

  The respondent has the option to select more than one option from the list of choices. It produces nominal data.

- **Likert scale**

  Summated scales consist of statements that express either a favourable or unfavourable attitude toward the object of interest. The respondent is given a numerical score to reflect its degree of attitude favourableness and the scores may be totalled. It produces interval data.

- **Semantic differential scale**

  It measures the psychological meanings of an attitude. The meanings are located in multidimensional property space, called semantic space. The method consists of a set of bipolar rating scales, usually with seven points. It produces interval data.

- **Numerical scales**

  This scale has equal intervals that separate their numeric scale points. The verbal anchors serve as the labels for the extreme points. It might be five or seven or ten point scales. It produces interval data.

- **Multiple-rating list**

  It is similar to numerical scales but differs in two ways: it accepts a circled response from the respondent and it allows visualisation of the results. It produces interval data.

- **Fixed sum scale**

  Categories are presented and the respondent must sum them to 100 in order of importance or preference.

- **Staple scale**

  The staple scale is used as an alternative to the semantic differential, especially when it is difficult to find bipolar adjectives that match the investigative question. It produces interval data.

- **Graphic rating scale**

  The respondent checks his or her response at any point along a continuum. Usually the score is a measure of length from either point. It produces interval data.

Ranking scales:

- **Paired-comparison scale**

  The respondent expresses attitudes unambiguously by choosing between two objects. Up to ten stimuli might be tested for in paired comparisons. It produces ordinal data.

- **Forced ranking scales**

  Attributes are listed which should be ranked relatively to each other. Five objects can be ranked easily without tiring the respondent. It produces ordinal data since the distance between preferences is unknown.

- **Comparative scale**

  With this scale two objects (brands, companies etc.) can be compared. The comparative scale is ideal for such comparisons if the respondent is familiar with both. It produces ordinal data.

In this questionnaire, only a number of rating scales were used since the topic required information to be collected to develop a profile of the customers. Therefore the questions were simple category scales, multiple-choice single response, multiple-choice multiple-response and lastly the Likert scale. The following table (Table 5.4) will indicate the different measurement levels and scale types in the various sections.

Table 5. 4: Measurement levels and scale types used

Section	Question	Measurement	Scale type
A	1	Ordinal	Multiple-choice, single response (MCSR)
	2	Nominal	MCSR
	3	Nominal	MCSR
	4	Nominal	Multiple-choice, multiple-response (MCMR)
	5	Ordinal	MCSR
	6	Ordinal	MCSR
	7	Nominal	MCMR
B	1	Nominal	MCSR
	2	Nominal	MCMR
	3	Nominal	MCMR
	4	Nominal	MCMR
	5	Nominal	MCSR

	6	Ordinal	MCSR
	7	Nominal	Dichotomous
	8	Ordinal	MCSR
	9	Nominal	MCMR
C	1-9	Ordinal	5-point Likert scale
D	1	Ordinal	MCSR
	2	Nominal	MCMR
	3	Nominal	MCSR
	4	Nominal	Dichotomous
	5	Nominal	MCMR
	6	Nominal	MCSR
E	1	Interval	MCSR
	2	Nominal	Dichotomous
	3	Nominal	MCSR
	4	Nominal	MCSR
	5	Nominal	MCSR
	6	Ratio	MCSR
	7	Ratio	MCSR
	8	Ordinal	MCSR
	9	Nominal	MCSR
	10	Nominal	MCSR
	11	Interval	MCSR
	12	Nominal	MCMR

5.7 Errors and biases

Since only a random subset of the universe was included and measured in a research study, the survey estimate will likely vary from the true value in the universe, and therefore some amount of error can be expected. Malhorta (1996:100) defines an error

as the total variation between the true mean in the population of the variable of interest and the observed mean value obtain in the research study. An error can be divided into random sampling errors and non-sampling errors.

- **Random sampling errors**

  A random sampling error occurs when a particular selected sample is an imperfect representation of the population of interest. A random sampling error may be defined as the variation between the true mean value for the sample and the true mean value of the population (Malhorta 1996:102). This is referred to as the confidence level and 90% or 95% is commonly used.

- **Non-sampling errors**

  The non-sampling error cannot be as easily quantified. It encompasses a wide range of measurement errors due to misinterpretation by respondents, wording bias in the questionnaire and also the inability to interview all members of the selected sample (Chakrapani 2000:159). Non-sampling errors can be broadly classified into four groups namely design errors (e.g. selection, sampling frame, measurement and data analysis errors), administering errors (e.g. questioning and recording errors), response errors and non-response errors (Aaker *et al.* 1998:92).

The researcher attempted to limit errors in the questionnaire by pre-testing it for wording biases, drawing the sample by means of systematic sampling, testing all the relevant constructs identified in the literature study getting the data directly into an Access database to exclude manual recording errors and verifying the questionnaire (wording and applicability) with the Bureau of Market Research at the University of South Africa.

Accurate statistical tests were done in SPSS 11.0 for Windows and Excel and reviewed by the Bureau of Market Research as well.

5.8 Summary

In this chapter the research process was discussed to indicate how the primary research was done to answer the research objectives. The general quantitative research methods were discussed after which the method for this study, namely web-based research was discussed.

Secondary and primary research used in this study were explained and elaborated on by discussing the sample and sample size, data collection and responses received. Thereafter, a detailed discussion was given on measurement scales and scale types. Errors and biases were briefly touched upon by also indicating how it affected this study and what was done to limit it.

The next chapter (Chapter 6) will provide a discussion on the results and interpretation thereof along with the outcomes of the different research objectives as formulated in the introductory chapter.

Chapter 6: Data analysis and findings

6.1 Introduction

This chapter is an exposition of the results on a question-by-question basis. The result of each individual question will start with a repetition of the question as formulated in the final questionnaire (Appendix A). The results will be presented in either table or figure format and discussed afterwards.

Each question's results will be described by a statistical analysis of frequencies, including highest and lowest frequencies where possible. Thereafter cross-tabulations will be done between a few questions to indicate more clearly the similarities or differences between different groups of customers.

The reporting will be concluded with a summary of the major findings and possible outcomes for the research questions.

6.2 Realisation rate

The company, Kalahari.net's, marketing section compiled an e-mail which was sent to the customers containing the link to the web site which hosted the online questionnaire. This e-mail was sent to 1 000 active Kalahari.net customers, selected by means of systematic sampling on the 31st of January 2003. An incentive, to increase the response rate, was used. Kalahari.net donated five vouchers of R50 each to customers who completed the questionnaire. These vouchers are redeemable when buying products from Kalahari.net.

A total of 112 respondents started with the questionnaire on the web site, but only 100 completed the entire questionnaire. The 12 respondents who did not complete the questionnaire closed their Internet browser during the questionnaire that resulted in them not completing all five sections. The 100 completed questionnaires did not have any incomplete sections, since the respondent was forced to answer all questions before being able to proceed to the next section. This was done by means of validation rules built into the web site, which disable the respondent to continue to the next page before responding to all questions in that section. An omitted question was indicated with an orange cross next to the question.

The final realisation rate is therefore:

Questionnaires sent to customers: 1 000

Completed questionnaires: 100

Realisation rate: 10%

Table 6.1 indicates the response time of the 100 responses received:

Table 6. 1: Response times of questionnaire

Date	Responses received	% of total
31 January 2003	31	31
1 February 2003	6	6
2 February 2003	14	14
3 February 2003	21	21
4 February 2003	4	4
5 February 2003	2	2
6 February 2003	5	5
7 – 13 February 2003	17	17
Total	**100**	**100**

Table 6.1 illustrates that 51% of the responses were received within 3 days of sending the e-mail to the respondents, which is an indication that online collection method is faster than postal data collection.

The reasons for the low realisation rate of 10% as indicated above may be explained in the following way:

Disadvantages pointed out by research done by Wilson & Laskey (2003:80), shows that in general response rates from e-mail surveys tend to be lower than those of traditional postal surveys. The concern is that as the population becomes more accustomed to e-mail they may become more reluctant to respond to surveys, which is not work-related. Essentially as the novelty of the Internet wears off there is the potential that online research may suffer as the Internet users become more apathetic towards these studies.

The volume of e-mails has increased substantially in the past few years to the point that the phrase "e-mail burnout" has been created. Due to the poor return rates researched by Wilson & Laskey (2003:80) there has been some investigation into using an Internet survey response as an option in a mixed mode methodology. This means that the respondent has the option to print out the online questionnaire and send it back by more conventional mailing systems.

A study done by McDonald & Adam (2003:89) indicated that the postal data collection method resulted in a response level of more than twice that of the online data collection method in the specific study (46% versus 21%). Both of these studies show a lower response rate although the response rate is rapid, compared to the response time of a postal questionnaire returned.

Although these disadvantages were experienced, the study had advantages such as ease of use completing the questionnaire online and lower costs sending and returning the responses to the researcher.

Although a response from 381 respondents were expected, the lower than expected realisation rate was still approved by the Bureau of Market Research since the quality of the data is on a high level and all responses could be used in the study. All data were therefore used in the process of profiling the customers by means of frequency tabulations and cross-tabulations for maximum usage.

A discussion and analysis of the responses received will be based on the 100 responses of the study.

6.3   Results on a question-by-question basis

Microsoft Excel and SPSS for Windows 11.0 were used to do the statistical calculations for this research study. Since there were 100 responses, the statistical calculations can be given in either frequencies or percentages. Each question of each section will be given where after the statistical analysis will follow:

6.3.1 Section A: Usage patterns of the Internet

Section A was aimed at determining the usage patterns of the Internet by the respondents of Kalahari.net.

Question 1

How long have you been using the Internet?

Out of the 100 responses received, 53% of the respondents indicated that they have been using the Internet for more than 5 years. This indicates that more than half of the respondents are familiar with the Internet and how it works. This may lead to a higher inclination amongst them to purchase products from the Internet as well. Table 6.2 indicates the responses received in full.

Table 6. 2: Time period using the Internet

Period	Frequency	Percentage (%)
Less than 6 months	4	4,0
Less than 1 year	2	2,0
Less than 4 years	28	28,0
Less than 5 years	13	13,0
More than 5 years	53	53,0
Total	**100**	**100,0**

Question 2

From where do you mostly access the Internet?

The majority of the respondents (63%) access the Internet from their workplace and a further 33% from home. This influences the time spent on the Internet since the dial-up process accessing from home usually takes longer and costs more. Accessing the Internet from work can usually be done more freely and whenever needed unless the company places time restrictions on Internet access for employees. Only 3% of respondents primarily access the Internet from Internet cafés as seen in Figure 6.1.

Figure 6. 1: Location from where the Internet is accessed
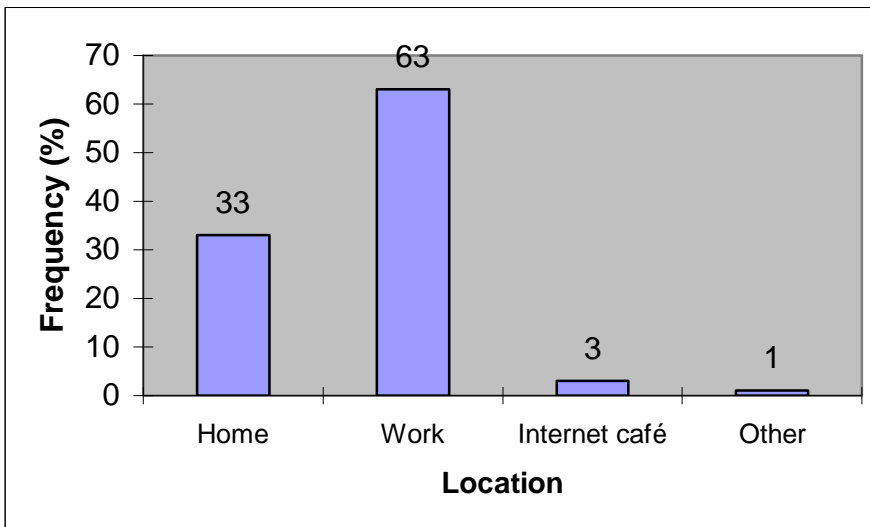
Question 3

How frequently do you access the Internet from the above location?

A total of 66 of the respondents (66%) access the Internet on a daily basis and 27% on a weekly basis. The remainder of the respondents (7%) access the Internet on either a bi-monthly, monthly or less than monthly basis, which indicates that they are not keen Internet surfers and do not really browse the Internet regularly. Figure 6.2 indicates the dispersion of the responses.

The responses to this question were compared to the question regarding the role of the respondent in the industry (Section 6.4) by means of a cross-tabulation which, in short, indicates that it is mostly the respondents working in middle management and the trained professionals who access the Internet on a daily basis. The fact that some respondents access the Internet daily does not necessarily imply that they have ample time to do online shopping, but more likely that they use the Internet as a source of business information to use in decision-making.

Figure 6. 2: Frequency of accessing the Internet
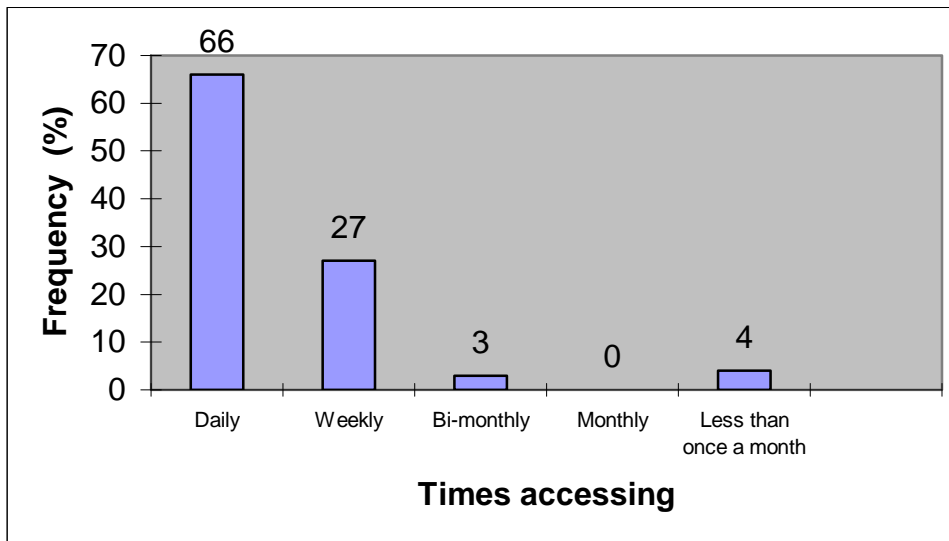
This incidence of high daily access rates creates opportunities for companies such as Kalahari.net to reach their target market more easily.

Question 4

What do you primarily use the Internet for?

A range of options were given to the respondents, from which they had to make their selection from options such as work purposes, shopping and entertainment as depicted in Table 6.3. The respondents could choose as many options as which applied to them. The responses are shown in Table 6.3.

Table 6. 3: Primary uses for the Internet

Options	Frequency *	Percentage (%)
Work/business	72	72,0
Gathering information for personal needs	59	59,0
Research	54	54,0
Shopping	50	50,0
Education	43	43,0
Entertainment	43	43,0
Gathering product info	40	40,0
Communicating with others	12	12,0

(chat rooms)		
Other specified	Banking: 4 E-mails 3 Medical aid 1	4,0 3,0 1,0

* More than 100 due to multiple-responses.

The primary uses for the Internet according to the respondents are therefore using the Internet for business purposes (72%), gathering information for personal needs (59%), doing research using the vast amount of information available on the Internet (54%), doing shopping using online retailers (50%) and education (43%). The Internet is therefore mostly used for work-related purposes but the respondents also use it for personal needs such as shopping and browsing for products. Of these popular uses for the Internet, Kalahari.net can be included in online shopping and education since it offers books and other products to the online customer. Kalahari.net offers educational books from Van Schaik as well as school books on the web site. Both of these uses were fairly popular amongst the respondents. Other uses specified in the open-ended column included Internet banking, e-mails and medical aid administration.

The implication for Kalahari.net concerning the primary uses of the Internet by their customers is that they can investigate the use of adding links to search engines like Ananzi and research databases for their customers.

Question 5

How many hours per week did you spend browsing on the Internet during the past month?

It is interesting to note that a large number of respondents (57%) are heavy users of the Internet by browsing between 5 an 40 hours per week (Figure 6.3). Twenty six per cent of the respondents browse the Internet between 1 and 5 hours per week, meaning

about 1 hour per day on weekdays. Seventeen per cent of the respondents browse the Internet less than one hour per week. This correlates with the findings of Mostert (2002:28) in Section 4.3.2.

This question was cross-tabulated with question 9 of Section E dealing with the role of the respondent in the industry. Middle management customers tend to mainly browse between 1 and 5 hours per week. The trained professionals amongst the respondents browse on the Internet mainly between 1 and 5 hours, while the self-employed customers tend to browse between 11 and 20 hours per week. The other categories are mostly spread evenly between the options given.

Figure 6. 3: Hours per week browsing the Internet
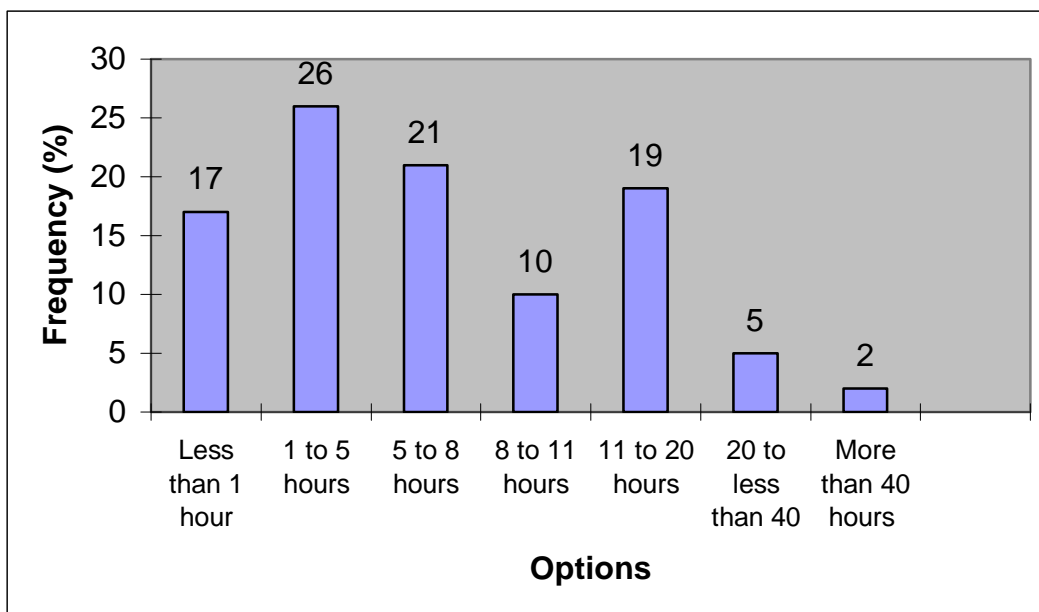
When grouped together, 43% of the respondents browse the Internet between less than 1 hour and 5 hours per week, 31% of the respondents browse between 5 and 11 hours and 26% of the respondents browse the Internet between 11 and more than 40 hours per week. The majority of responses therefore lie between 1 hour and 8 hours per week

(47%). The implication for Kalahari.net is that the web site should be in the evoked set of the target market (Section 4.5.1.2) to ensure that when they browse the Internet, they will also visit the web site of Kalahari.net. To be in the evoked set of the target market, the company should have effective marketing efforts to reach their target market. This again highlights the importance of customer profiling, which will ensure that they reach their target market by advertising in the correct and most effective media channels.

Question 6

How many hours per week did you spend shopping on the Internet during the past month?

As indicated in Figure 6.4, it is interesting to note that 78% of the respondents only do online shopping for less than one hour per week and a further 19% of the respondents spend 1 to 5 hours per week shopping on the Internet. This information, in conjunction with Question 5, shows that the respondents browse for long periods on the Internet but do not necessarily use that time periods for the actual online shopping. Online shopping would seem to be a quick process after the more lengthy process of information search and decision-making. The actual time it takes to do the online shopping transaction should take a fraction of the time it takes to get the point of purchase. Two per cent of the respondents indicated that they do online shopping 11-20 hours per week (2-3 hours daily).

Figure 6. 4: Hours per week shopping on the Internet
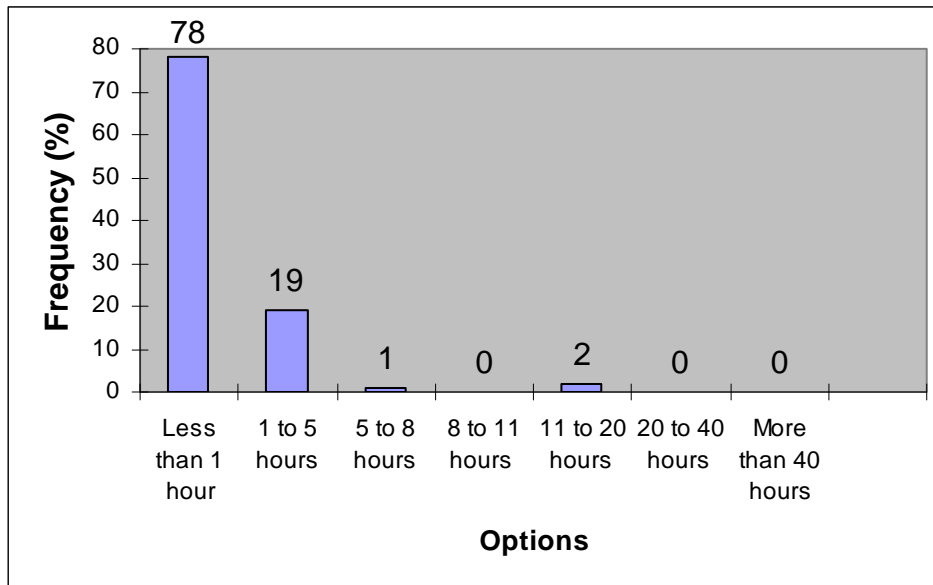
The implication for Kalahari.net is that the time efficiency of using the web site should be optimal by reducing the effort and time it takes to search for a product. The customer should not feel that it is impossible to find a product on the web site in a reasonable time.

Question 7

What do you find to be the biggest problems in using the Internet?

Table 6.4 indicates the responses received for this question in descending order. The respondents could have ticked all the options applicable to them. The biggest problems seem to be the slow downloading of pages (68%), too many junk sites (59%), not being able to find information (47%), advertising banners that take too long to load (46%), registration required when visiting a site (45%) and also links which are not working (40%).

Table 6. 4: Problems using the Internet

Problems	Frequency (%)*
It takes too long to view/download pages	68
Too many "junk" sites	59
Not being able to find the information I am looking for	47
Advertising banners that take too long to load	46
Sites that require me to register with them	45
Encountering links that do not work	40
Encountering sites that want me to pay to access information	31
It costs too much	30
Having problems with my browser (e.g. freezing up, poor interface, getting disconnected, timing out)	28
Sites with too many graphics or useless graphics	25
Not being able to find a page I know is out there	24
Sites that are not compatible with all browsers	14
Not being able to return to a page I once visited	13
Not being able to efficiently organize the information I gather	9
Not being able to determine where I am (i.e. 'lost in cyberspace' problem)	5
Other specified	Telkom lines too slow/expensive Too many "Pop up screens"

*More than 100 due to multiple-responses.

Kalahari.net can try to minimise these problems on their web site by having fast downloading sites with working links and a structured method to have information of the products on offer easily accessible.

Section A covered aspects relating to the usage patterns on the Internet of their customers, while Section B focuses more on online shopping as such.

6.3.2 Section B: Customers' online shopping patterns

The questions in this section were asked to determine the respondents' online shopping patterns.

Question 1

How frequently do you make online purchases from Internet retailers like Kalahari.net?

It is evident from Figure 6.5 that 70% of the respondents make online purchases less than once a month in spite of Kalahari.net having regular promotions such as 20% off all books or CDs and DVDs every second month and regularly gives customers discount vouchers to spend on the site. Twenty five per cent of the respondents make online purchases once a month and a mere 5% do online shopping several times a month. The products sold by Kalahari.net are of such a nature that it can be bought on a regular basis for the customer himself or as gifts.

Figure 6. 5: Online purchases per month
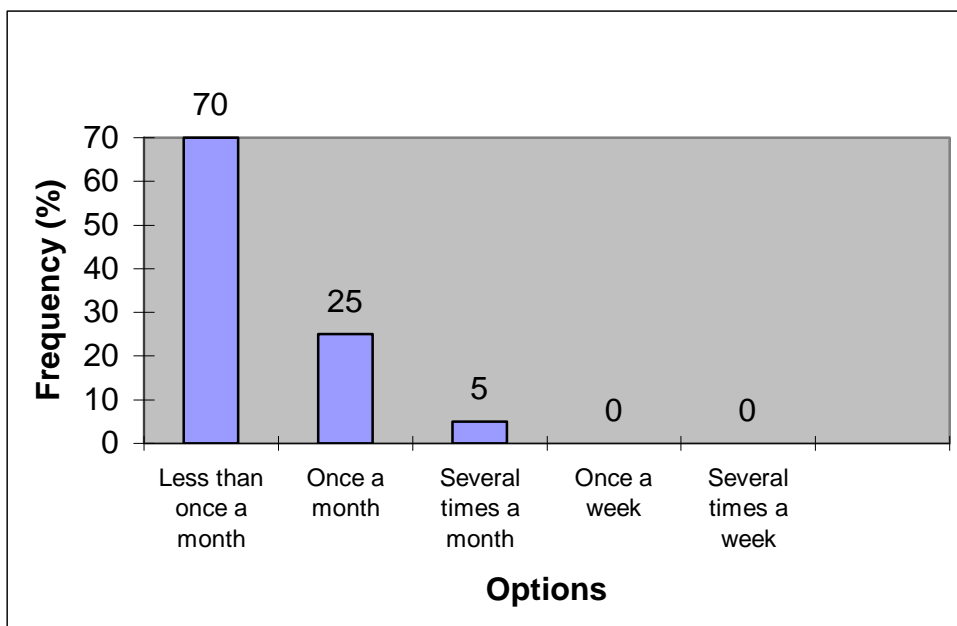
The implication for Kalahari.net concerning the frequency of online purchases per month is that the company should increase the purchases per month of the customers.

Question 2

Please indicate which of the following features are important to you personally, when shopping or considering shopping online.

The respondents had the option to choose as many features of online shopping as are applicable to them. The popular or mostly chosen options for this question are lower prices (79%), ease of placing orders (75%), variety of choices (72%), security of payment (72%), and convenience (71%) as indicated in Table 6.5 (sorted in descending order). It is interesting to note that the time-saving benefit was seen as important by only 58% of the respondents. Easy handling of returns or refunds (47%), ease of contacting the retailer (34%), product reviews (26%) and personalised information on the site (18%) seemed to be less important to the respondents.

Table 6. 5: Features influencing online shopping

Options/Features	Frequencies*
Lower prices	79
Ease of placing orders	75
Variety of choices	72
Security of payment	72
Convenience	71
Security of sensitive information	69
Easy payment procedures	68
Speed of delivery	67
Internet retailer's reliability	64
Availability of product information	61
Getting orders/services in a timely manner	59
Saving time	58
Ease of cancelling orders	57
No pressure from sales people	55
Customer service and after-sales support	50
Easy handling of returns or refunds	47
Ease of contacting the retailer	34
Reviews and recommendations from experts or other customers	26
Personalised information based on customer profile	18
Other specified	Especially price competitiveness

*More than 100 due to multiple-responses.

The implication for Kalahari.net is that the company should ensure that their prices are competitive in terms of other online retailers as well as traditional retailers, as well as that the ease of placing orders must be high, the variety on offer must meet customer needs and that the payment methods are secure.

Question 3

Indicate the products/services that you have purchased online during the past twelve months.

The respondents had to indicate all the products/services purchased online during the past 12 months. As seen in Table 6.6 books, CDs, banking services, videos and travel arrangements were the most popular items bought/used by the respondents online. The least popular items were real estate, automobiles, legal services, jewellery and clothing. These items seem to be less popular because of the inability of the Internet to present the product well enough to the customer. The products, which respondents bought and which are offered by Kalahari.net, are indicated in Table 6.6 namely books (65%), music CDs (53%), videos (41%), computer software/games (18%), computer hardware (10%) and wine (3%).

Table 6. 6: Products bought online in the past year

Options	Frequency* as %
Books	65
Music CDs/Tapes/Albums	53
Banking/Financial Services	50
Video/Movies	41
Travel Arrangements	22
Computer software/games	18
Concerts/Plays	15
Magazines/newspapers	14
Grocery items	13
Flowers	12
Computer hardware	10

Investment Choices (e.g. stocks)	8
Home electronics/appliances	7
Insurance services	6
None	5
Recreational equipment (e.g. skis, bikes)	4
Wine	3
Clothing/Shoes	2
Jewellery	2
Legal services	1
Autos/Motorcycle	1
Real estate	0
Other specified	Cellular items – Airtime Craft supplies Journal subscriptions Photographic products Education (registering for a course and payment)

* More than 100 due to multiple-responses

The most popular item that has been bought is books, CDs and videos, all items that Kalahari.net currently offers. It may however seem that Kalahari.net may have to consider new/alternative products which are more popular amongst the online community and focus on the well-performing product lines. It is imperative that research and testing should be done on a regular basis to determine which products are popular and if a product line did not perform well in the specific time period. The reasons for this must be unearthed and the appropriate steps must be taken to either discontinue or expand the product line.

Question 4

Indicate the products/services that you have browsed for online without the intent to buy during the past twelve months.

This question differed from the previous question (Section B question 3) as respondents were asked to only indicate those products, which the respondents browsed for online but not necessarily bought. Table 6.7 tabulates the responses in descending order. The

responses were notably different from the previous question. The popular options chosen were computer software (43%), CDs (40%), travel arrangements (35%), computer hardware (33%), books (33%), real estate (32%) and videos (30%). The less popular options were banking services (12%), flowers (11%), insurance services (7%) and legal services (4%). Since browsing are mostly used to gather information about products (price and product specifications), the responses differed in terms of product lines from Question 3, but the information should be used to decide the total product offering since it indicates where the interest of the respondents lies. As seen in this question's responses, the respondents indicated that they browsed for travel arrangements (35%) more than they have shopped for travel arrangements online (22%). It is also interesting to note that 43% of the respondents have browsed for computer software/games, but only 18% have bought it from the Internet in the past year as indicated in Question 3.

Table 6. 7: Products browsed for on the Internet

Options	Frequencies*
Computer software/games	43
Music CDs/Tapes/Albums	40
Travel Arrangements	35
Computer hardware	33
Books	33
Real estate	32
Video/Movies	30
Grocery items	26
Magazines/newspapers	25
Clothing/Shoes	22
Home electronics/appliances	20
Jewellery	16
Autos/Motorcycle	16
Investment Choices (e.g. stocks)	16
Wine	14
Recreational equipment (e.g. skis, bikes)	14
Concerts/Plays	14
Banking/Financial Services	12
Flowers	11

None	9
Insurance services	7
Legal services	4
Other	Recruitment

*More than 100 due to multiple-responses.

Kalahari.net should capitalise on this interest indicated by their respondents. If they were to adapt their product offering, they need to adhere to these needs and interests of their target market in terms of products. It is for this reason that a profile on the customers of Kalahari.net should be determined for it to be used in the company strategy.

Question 5

Please indicate the product category/ies you have purchased online from www.kalahari.net during the past 6 months.

This question holds valuable information for Kalahari.net since it indicates the products bought from them in the past 6 months and it will help to formulate the profile of their customers. The respondents had a list of all products on offer from Kalahari.net and could indicate all the products applicable to them. Table 6.8 indicates in descending order that books (45%) remain the most popular item for online shopping with Kalahari.net, followed by CDs (31%), airtime (27%), DVDs/videos (25%) and games (12%). It is interesting to note that computer software and hardware (0%) and the Verimark product range (1%) were not popular amongst the respondents. This may indicate that the respondents either feel that these products are risky or that they need more information on these products that cannot be given on the Internet. They might also need to physically see the product before they can decide to buy it.

Table 6. 8: Products bought from Kalahari.net in the past 6 months

Products	Frequency as %*
Books	45
CDs	31
Airtime	27
DVDs / Videos	25
Games	12
Verimark products	1
Computer software and hardware	0
None	0

*More than 100 due to multiple-responses.

Question 6

How often do you casually browse the product/service offerings of online retailers, but without an immediate intent to buy?

Figure 6.6 illustrates that the majority of respondents (42%) browse the Internet less than once a month without the immediate intent to buy. A total of 31% of the respondents browse about once a month, 16% browse several times a month, 4% browse once a week and only 7% of the respondents browse without the intent to buy several times a week.

Figure 6. 6: Browsing without intent to buy
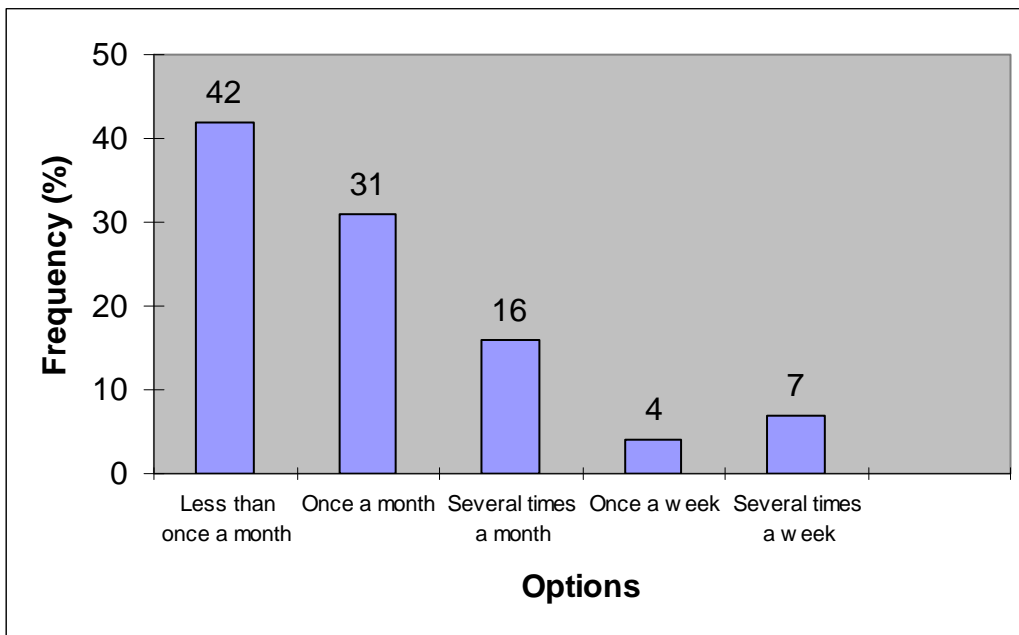
This information is significant in the fact that it implies that an Internet retailer such as Kalahari.net may have to consider a more focused advertising campaign that may lead to more people browsing with the intent to buy at a later stage.

Question 7

Are you willing to use a credit card for online purchases? Please supply a reason if you select No.

It is interesting to note that 87% of the respondents indicated that they are willing to use their credit cards for online purchases (refer to Figure 6.7), while 13% indicated that they are not willing. The reasons offered for this unwillingness are as follow:

> ➢ Most expensive money to have is a credit card.

> ➢ Do not have a credit card.

> ➢ Not sure that my number would be secure.

> ➢ Weary of people accessing the card info.

> ➢ I always panic when giving my details online.

As can be seen from the reasons given above, the respondents who do not use a credit card online primarily feel that the procedure is not secure or that their details may be abused online. The fact that a large number of respondents (87%) are willing to use their credit card for online purchases is a positive aspect for Kalahari.net. This is further enhanced by the fact that Kalahari.net has the Trust Online Site Program. Credit card payment is the most effortless method of payment offered by the company since the customer only needs to type in the credit card details and proceed with the payment.

Figure 6. 7: Willingness to use credit card online
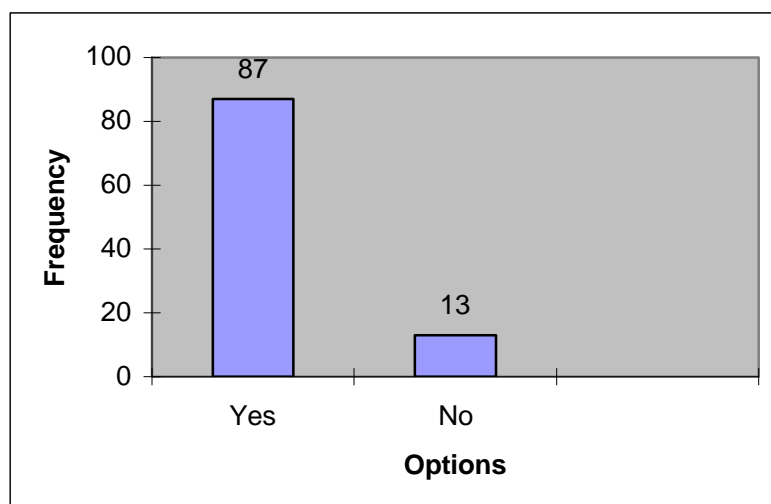
Question 8

How often do you purchase a product/service based on information that you have gathered on the Internet, whether or not you use the Internet to make the actual purchase?

Figure 6.8 indicates that 62% of the respondents sometimes purchase a product/service based on the information retrieved from the Internet. Twenty five per cent regularly do so, 11% never do so and 2% always buy a product based on information retrieved from the Internet. It can therefore be concluded that 89% of the respondents use the Internet

for making purchasing decisions some time or another even if it is not on a regular basis.

Figure 6. 8: Using the Internet for product information
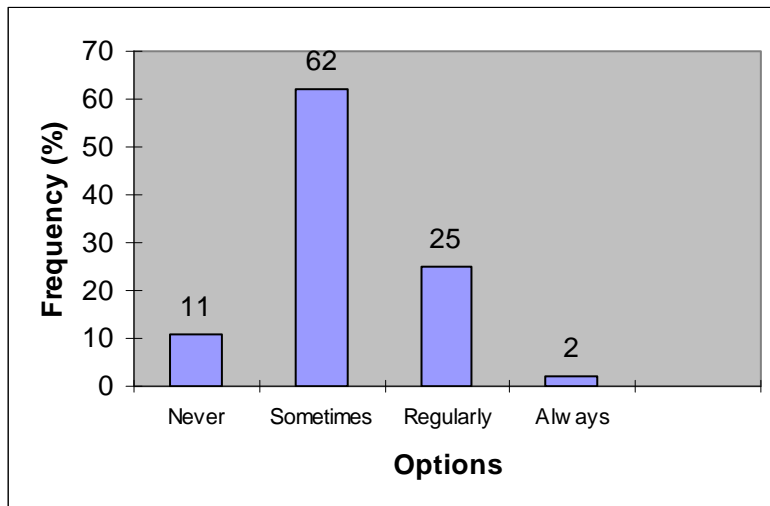
The fact that such a large percentage of respondents use the information retrieved from the Internet to decide to buy a product, is a clear indication for a company such as Kalahari.net to convert possible customers into buying customers by offering the right product at the right price. This can only be done if the company has a clear understanding of who their customers are and what their needs are.

Question 9

Have you had a dissatisfying experience with a web site that caused you to leave the site and visit another online retailer's site instead?

The respondents had the opportunity to indicate the options that were applicable to them regarding unsatisfactory web sites. It is interesting to note that a total of 61% of the respondents said that they have not had a dissatisfying experience on a web site causing them to leave the site. The remaining 39% of the respondents chose the

options as indicated in Table 6.9. Slow downloading sites (19%) seem to be the biggest

problem that respondents experience, followed by the inability to find information on the

site (17%). Disorganised or confusing sites also seem to be a problem (12%) amongst

respondents. From the responses received, it seems that poor site design (4%) is not of

utmost importance to the respondents but rather speed and effectiveness.

Table 6. 9: Reasons for leaving a dissatisfying web site

Options	Frequency as %*
No, this hasn't happened to me	61
Yes, the pages were too slow to download	19
Yes, I could not find what I was looking for	17
Yes, the site was disorganised/confusing	12
Yes, for other reasons	9
Yes, the site was annoying	6
Yes, the individual pages were poorly designed	4

*More than 100 due to multiple-responses.

The implications for Kalahari.net are that they should ensure that the site does not

annoy customers or possible customers with slow downloading pages, confusing

information and ineffectiveness of the search function. These are issues of importance

to customers, and may even mean the difference between loyalty or not.

Section B covered aspects regarding online shopping patterns while Section C will

focus on the attitudes towards the company, Kalahari.net.

6.3.3 Section C: Attitudes towards Kalahari.net

This section contained a series of statements relating to the customers' attitudes

towards Kalahari.net and online shopping on the web site. The respondents had the

following options as part of the 5-point Likert scale:

- Strongly disagree

- Disagree

- Neither agree nor disagree

- Agree

- Strongly agree

Each statement will now be discussed by means of figures, statistical explanations and the implications for Kalahari.net.

Statement 1

I expect Kalahari.net to be responsive to my needs.

A total of 88% of the respondents agreed or strongly agreed that Kalahari.net should be responsive to their needs, while 3% either disagreed or strongly disagreed with the statement (Figure 6.9). This high percentage of responses is a clear indication as to the expectations of the customers. It can therefore be inferred that the customers of Kalahari.net feel that the company should build its strategy around the needs and wants of the customers and alter it as needs change. This can only be done if the company does regular research projects on its customers that indicate interest regarding their products as well as new product lines.

Figure 6. 9: Kalahari.net's responsiveness to needs
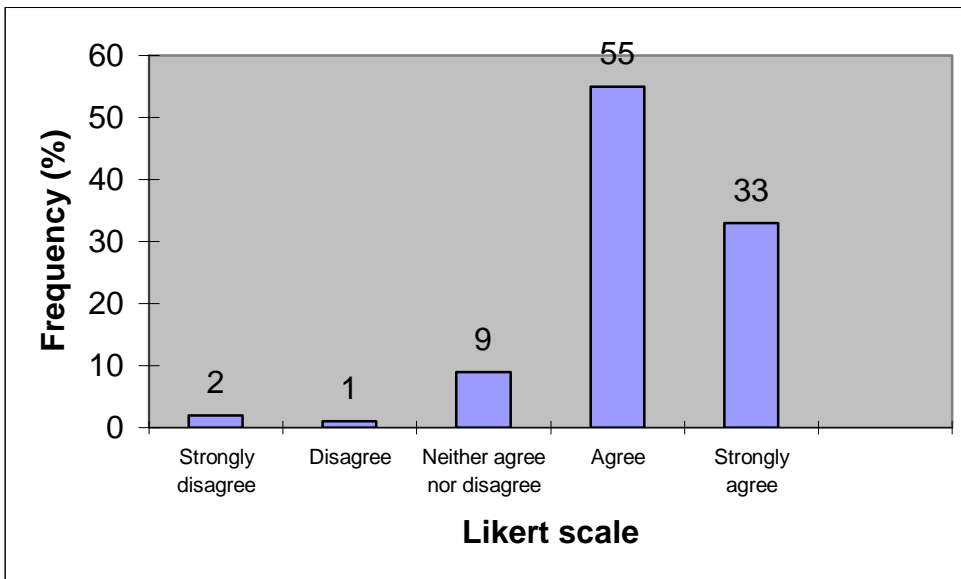
Statement 2

For me, the cost in time, money, effort and grief to switch from Kalahari.net to another online retailer is high.

A total of 31% of the respondents indicated indifference about the statement that the switching cost to switch to another online retailer is high. It is disturbing to note that 40% of the respondents disagreed or strongly disagreed with this statement, showing that they are willing to switch to another retailer without much effort. On the other hand, 29% of the respondents responded that they are not very willing to switch to another online retailer (see Figure 6.10). It would therefore seem that customers do not experience switching cost as a hindrance and will more easily change to another online retailer if the current one is not satisfying.

Figure 6. 10: Switching cost is high
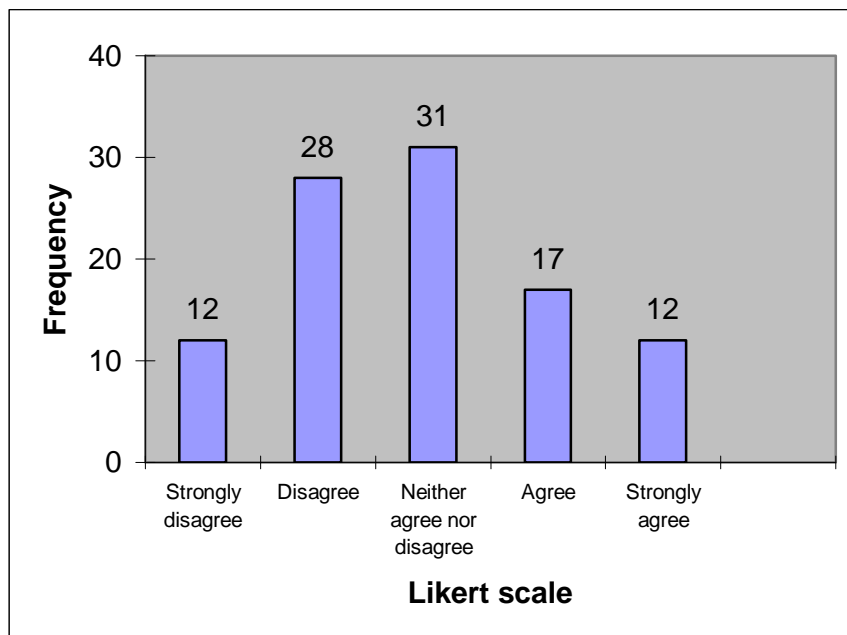
The implication for Kalahari.net is that their customers will switch to another online retailer, if another company offers better service or prices. Kalahari.net should therefore aim to be the leading online retailer in South Africa in terms of service, product offering and price.

A recent effort by Kalahari.net was to introduce the Kickbackclub in June 2003. The Kickbackclub is an online book club within the Kalahari.net environment. Kickbackclub members get exclusive discounts on a large selection of books, access to alternate 'book club only' editions, plus a discount on a selected number of CDs and DVDs. Products bought through Kickbackclub are delivered within 24 hours. To be able to join, the customer has to purchase at least one Kickbackclub book and commit to buying one more book offered in Kickbackclub within six months of completing the signup order and then continue to buy a book at least once every six months. This club was therefore started to boost the popular book line of Kalahari.net. All procedures of the Kickbackclub are exactly the same as those of Kalahari.net. The Kickbackclub will have

the effect of a loyalty programme and once it has been fully established, it will probably be extended to other product lines as well. This club may well prevent switching in future if customers are satisfied with the service and product range.

Statement 3

When it comes to making an online purchase (books, music, games etc.), Kalahari.net is my first preference.

It is reassuring to note that currently the customers of Kalahari.net feel that the company is their first preference in online shopping. A total of 40% of the respondents agreed with the statement and 39% of the respondents strongly agreed. This implies that 79% of the respondents regard Kalahari.net as their first preference. Only 16% did not agree nor disagree with the statement and a mere 5 % responded that Kalahari.net is not their first preference when making an online purchase (refer to Figure 6.11).

Figure 6. 11: Kalahari.net as first preference
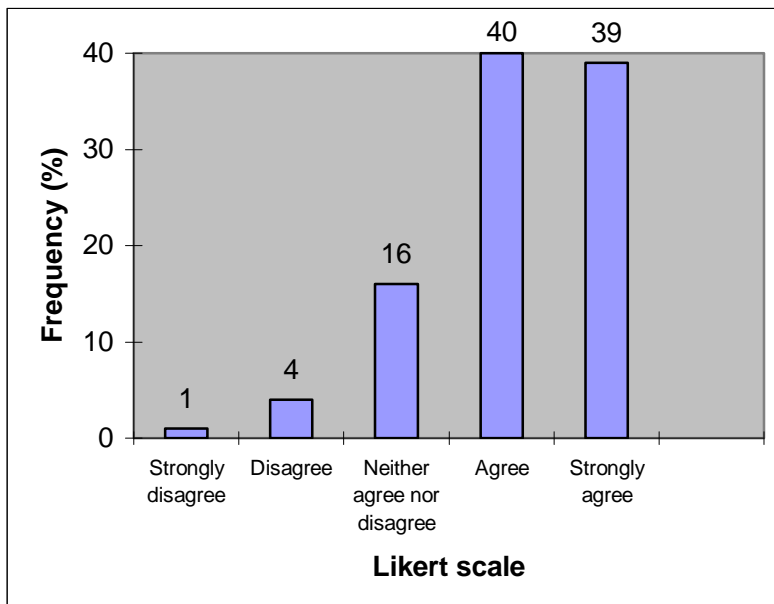
It would seem from the responses that Kalahari.net is currently meeting the expectations of their customers and should therefore build on its current strategy to retain the customer base for the future. In order to maintain this, it is clear that they need to know who their customers are and what their preferences are.

Statement 4

I am satisfied with the level of customer service provided by Kalahari.net.

A total of 49% of the respondents agreed that they are satisfied with the customer service of Kalahari.net. A further 37% were even more satisfied with the customer service by indicating that they strongly agreed with this statement. Only 10% of the respondents were indifferent and 4% of the respondents disagreed with the statement as indicated in Figure 6.12. This statement can be seen as a link with some of the statements in Section C (delivery times and the product range of the company), which can be grouped, as aspects of customer service.

Figure 6. 12: Satisfied with customer service of Kalahari.net
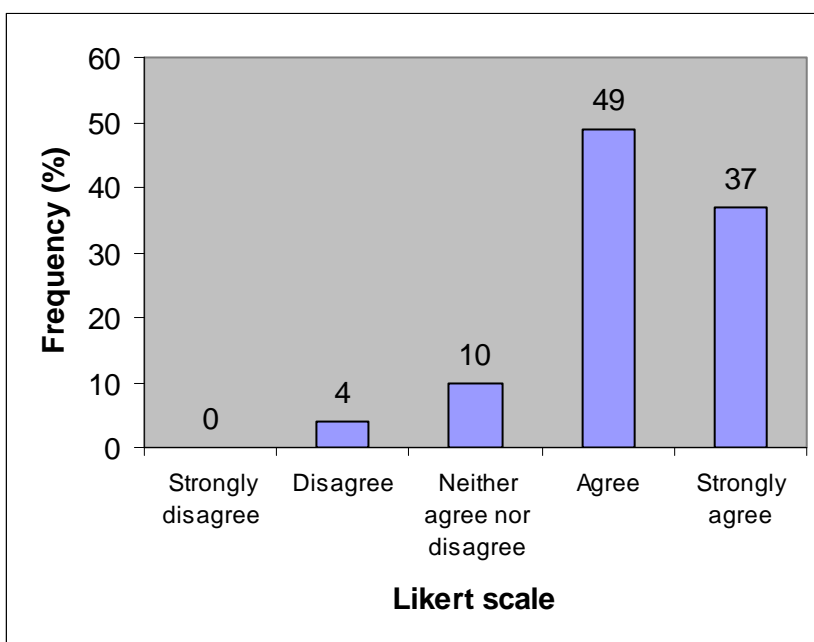
The overall positive response to this statement is reassuring for Kalahari.net. This does not, however, mean they can become complacent, as they need to improve on the 49% "agree" to become "strongly agree".

Statement 5

I say positive things about Kalahari.net to other people.

From the responses received, it can be inferred that the respondents of Kalahari.net are positive about Kalahari.net and positive word-of-mouth is disseminated. In total, 84% of the respondents agreed and strongly agreed with this statement, which implies a positive word-of-mouth. Only 9% of the respondents were indifferent and 7% of the respondents disagreed which implies that they do not say positive things to other people regarding Kalahari.net (see Figure 6.13).

Figure 6. 13: Positive word-of-mouth about Kalahari.net
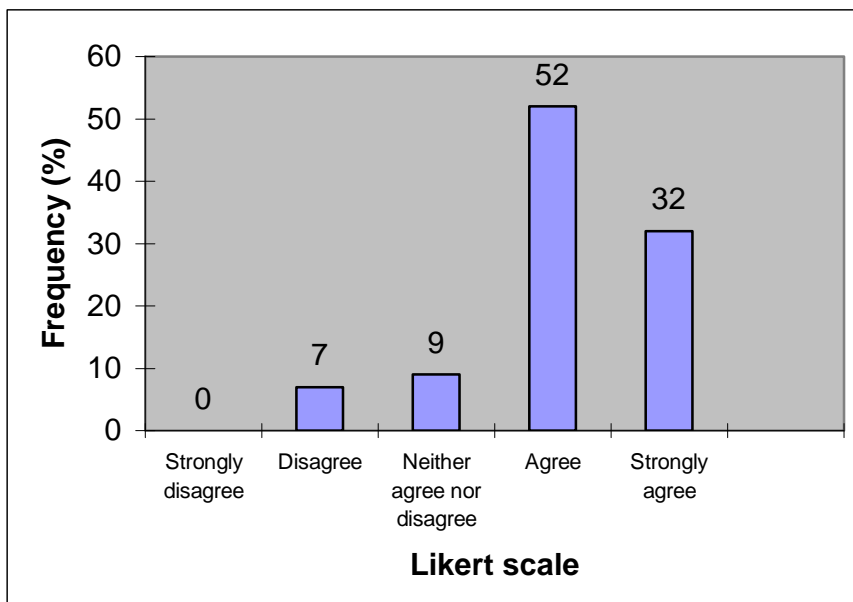
Kalahari.net should realise the value of word-of-mouth advertising in their industry since non-customers can be weary to try a new and different company to do shopping with.

Satisfied customers can more easily introduce the company to their friends and family, but negative comments about the company can be just as powerful and destroy the reputation of the company.

Statement 6

Kalahari.net's web site is aesthetically pleasing.

Figure 6.14 illustrates that 57% of the respondents agree that the web site of Kalahari.net is aesthetically pleasing and 21% strongly agree with this statement, which implies that 78% of the respondents regard it as aesthetically pleasing. A total of 18% of the respondents indicated that they neither agree nor disagree that it is pleasing or unpleasing while only 4% of the respondents disagreed with the statement. It can be concluded that from the responses, 78% of the respondents are positive about the web site's look. This figure is fairly positive, but it also implies that more should or can be done to improve its appearance.

Figure 6. 14: www.kalahari.net is aesthetically pleasing
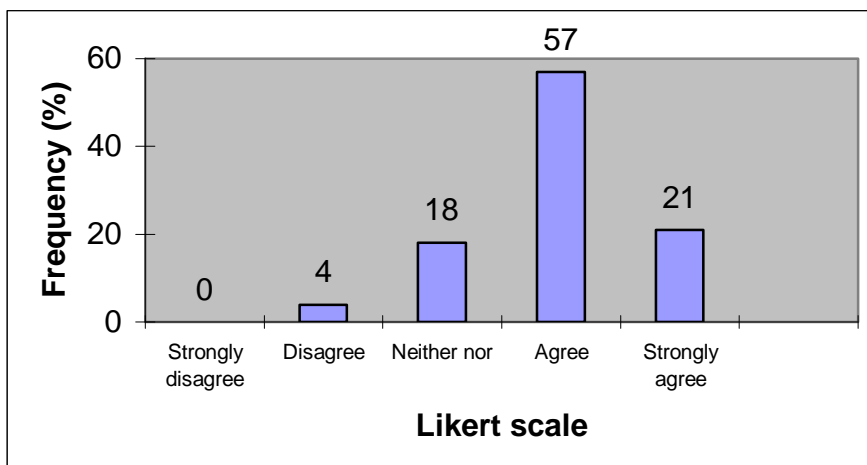
The implication for Kalahari.net is that they should retain and improve on the current look and feel of the web site since it pleases their customers. The company should

refrain from cluttering the pages with too much information and to keep it simple and easy to use and read from. Font sizes and colour should be utilised for optimal readability.

Statement 7

The prices of the products I have purchased from Kalahari.net are at the right level, given the quality.

Nearly half of the respondents (44%) agreed that the prices of the products of Kalahari.net correspond with the quality of the products. A further 18% strongly agreed with the statement, 24% were indifferent, 13% disagreed and one respondent strongly disagreed as seen in Figure 6.15. Since the quality of the products sold on Kalahari.net is consistent amongst all retailers, the responses indicate that most respondents feel that Kalahari.net's prices are competitive with other retailers. It is, however, worrying that only 62% of respondents felt that price and quality correspond. This implies that more can be done to improve the perceptions of customers regarding the price and quality of their products.

Figure 6. 15: Price corresponds with quality
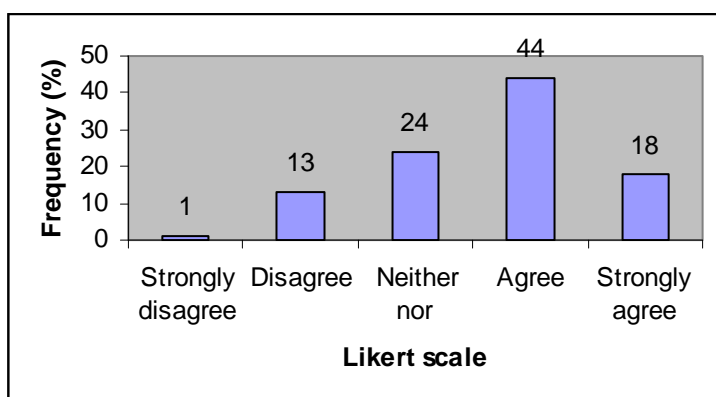
The implication for Kalahari.net is that customers compare prices between different retailers and settle for the best price compared with quality and service. This refers to a trait of the customers, which forms part of the profile of the customer base.

Statement 8

Making a purchase from Kalahari.net is very convenient.

This statement can be seen as the crux of online retailing since the convenience of buying online can be regarded as the biggest selling point of online retailers such as Kalahari.net. The responses received in this statement will therefore indicate the current success of the company. An overwhelming 49% of the respondents agreed that purchasing from Kalahari.net is very convenient and 39% strongly agreed with the statement – giving a total of 88%. A mere 11% of the respondents were indifferent and only 1% strongly disagreed (refer to Figure 6.16).

Figure 6. 16: Purchasing from Kalahari.net is convenient
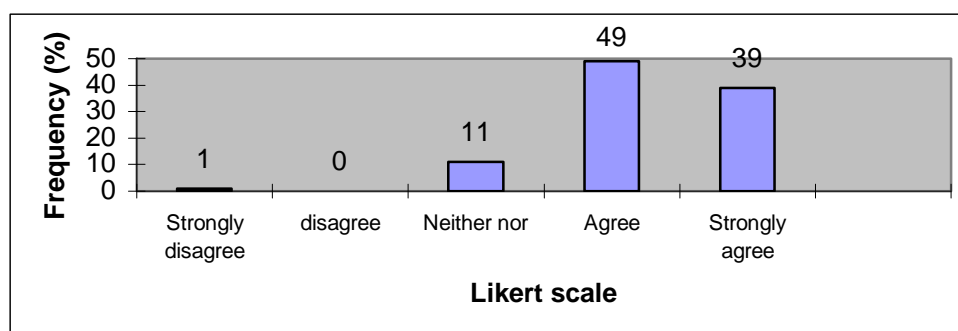
As seen in Section B question 2 the respondents indicated that ease of placing orders (75%) and convenience (71%) are important factors influencing the decision to do online shopping. It is, therefore, reassuring that 88% of the respondents feel that purchasing from Kalahari.net is convenient. This trait should, therefore, be regarded as an important factor when designing the web site and processes.

Statement 9

It is important for me to have a good relationship with Kalahari.net.

As seen in Figure 6.17, a total of 37% of the respondents agreed that it is important for them to have a good relationship with Kalahari.net. A quarter of the respondents (25%) strongly agreed with the statement while 35% were indifferent. The indifferent respondents probably do not feel that it is necessary to have a relationship with an online retailer since the relationship is not personal but conducted over the World Wide Web. Three respondents responded that it is not important for them to have a good relationship with Kalahari.net.

Figure 6. 17: Relationship with Kalahari.net is important
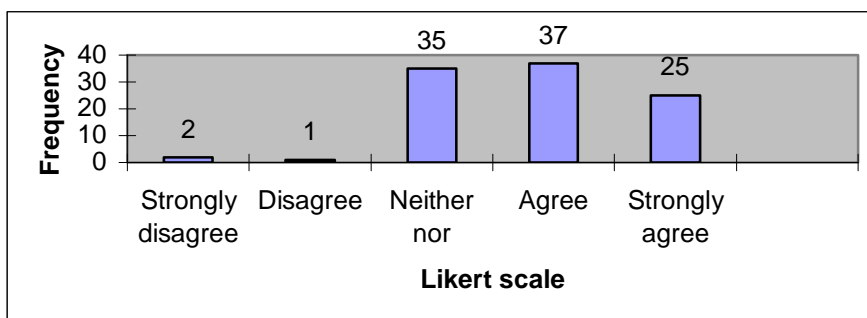
Since the majority of the respondents (62%) feel that a relationship with the company is important, it accentuates the importance of knowing your customer by means of profiling even more. Kalahari.net should therefore aim to capitalise on the current relationships with customers, which should keep their customer base profitable.

Statement 10

When Kalahari.net promises to deliver by a certain time, they do so.

It is reassuring to note that 73% of the respondents agreed and strongly agreed that Kalahari.net delivered as promised when products were purchased from the company. It

is interesting to note that 23% of the respondents were indifferent to this statement which might imply that they can not recall if the delivery was as promised or it did not matter to them. Only 3% disagreed and one respondent strongly disagreed as seen in Figure 6.18. This is an important aspect with regards to the profile of the customers of Kalahari.net that is determined.

Figure 6. 18: Delivering as promised
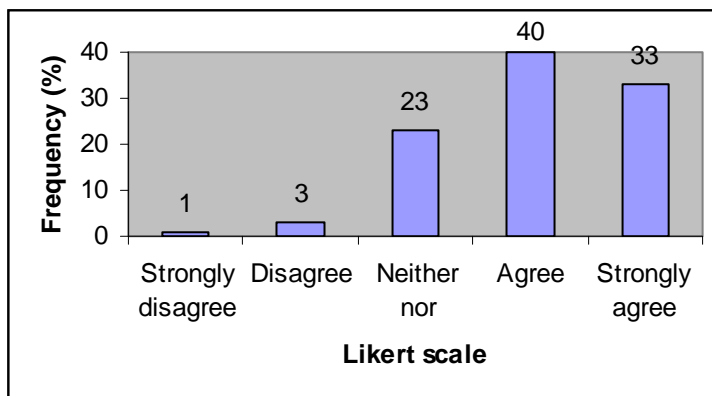
The first time that the customer physically receives something from Kalahari.net is when the parcel is picked up at the local post office. They should ensure that the parcel is in perfect condition when it reaches the customer and also reach the customer as promised on the web site and e-mails, which are sent after the actual purchase. They have to measure up to the expectations of their customers or even improve on them. This may also mean that punctuality is important to the customers of Kalahari.net.

Statement 11

The wide selection of merchandise that Kalahari.net offers, meets my needs.

Almost half of the respondents (48%) agreed that the product range of Kalahari.net meets their needs. Another 22% strongly agreed with the statement, 21% were indifferent and 9% disagreed to some extent. It can be deduced that 70% of the

respondents are positive about the product range of the company. The fact that the selection is acceptable means that a wide product range is important to the customers.

Figure 6. 19: Wide selection of merchandise
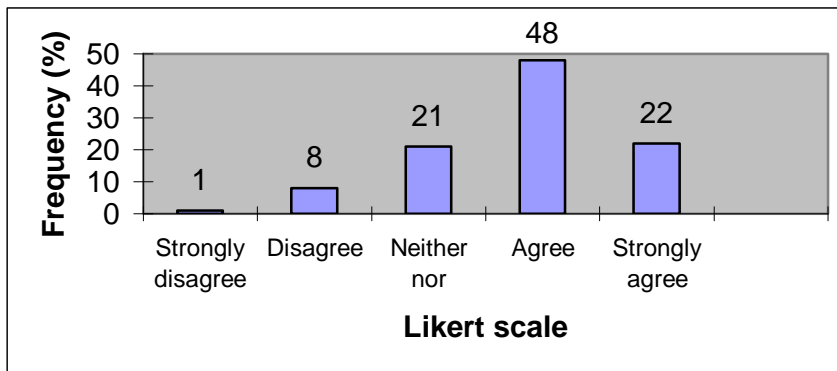
The implication for Kalahari.net is that they should regularly investigate new product lines and review current product lines in terms of sales figures. This is needed to keep the customers satisfied. As technology develops, their customers might develop new and different needs in terms of products and services, which Kalahari.net can offer. This can once again only be determined if the company constantly maintains the profiles of their customers.

Statement 12

When I recognise the need to buy a product, I accept the Internet (e-commerce) as an option to make my purchase.

This statement refers to the adoption of innovation amongst consumers. The current customers have all done online shopping in the past and have therefore accepted the Internet as an option for those transactions. More than half of the respondents (56%) agreed that they accept the Internet when they intend to buy products, while 27% of them strongly agreed. Only 14% were indifferent towards the statement and a mere 3%

felt that they do not accept the Internet as an option to make a purchase, as seen in Figure 6.20.

Figure 6. 20: Adopted e-commerce as purchasing medium
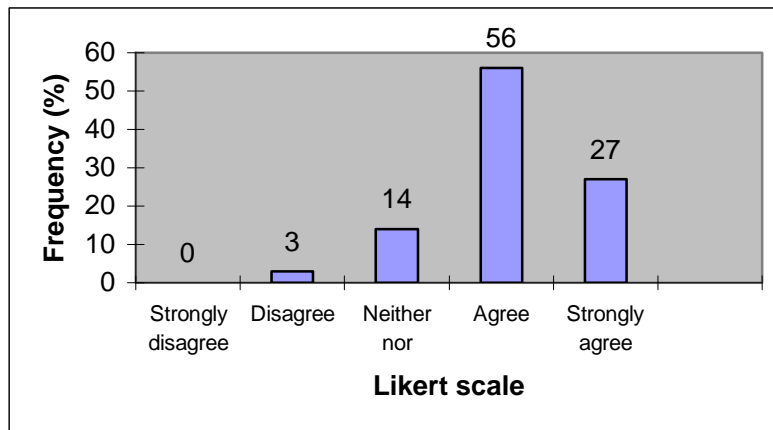
As current customers of Kalahari.net, the respondents to this questionnaire have made online purchases in the past. This might be the reason for the positive attitude towards the Internet as a purchase medium. There is, however, still doubt in the mind of some of the respondents regarding the use of the Internet to buy products. The fact that 83% of respondents have adopted e-commerce shows an inclination to technology – another trait on the profile of their customers.

Section C covered aspects regarding the attitudes of the customers towards Kalahari.net. Section D will give more information regarding the type of products purchased and the frequency of purchases amongst others.

6.3.4 Section D: Shopping patterns with Kalahari.net

These questions were aimed specifically at Kalahari.net and the shopping patterns of the customers with the specific company.

Question 1

How often have you transacted with Kalahari.net in the past twelve months?

It is disturbing to note that half of the respondents (50%) have transacted only once or twice with Kalahari.net in the past year. A further 34% have transacted 3 to 4 times, 6% have done so 5 to 6 times and a mere 10% have transacted more than 6 times in the past year as seen in Figure 6.21. This indicates that the current customer base of Kalahari.net are not regular purchasers since only half of them purchase 3 or more times a year from the company. Kalahari.net, however, perceives all of the respondents as active purchasers since they have transacted with Kalahari.net at least once in the previous 12 months as discussed in Section 2.2.

Figure 6. 21: Transacted with Kalahari.net in past year
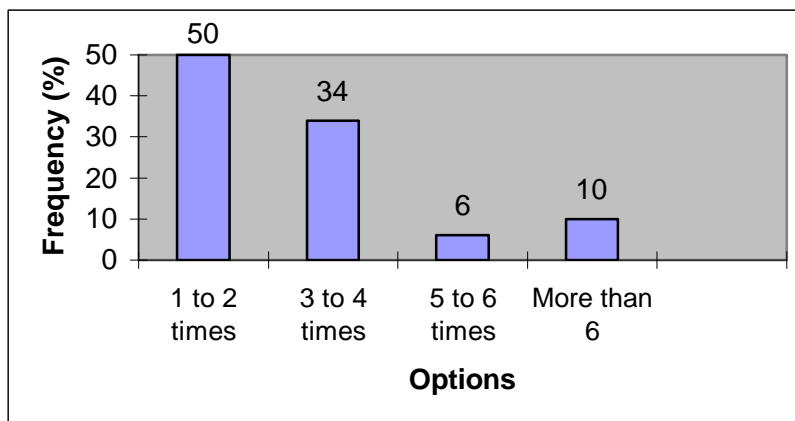
Kalahari.net should aim to improve the number of purchases of the group of 50% of the respondents who buy once or twice a year or they can concentrate on the loyal customer base that buys 5 times or more from the specific web site by giving them some kind of incentive to stay loyal to the company.

Question 2

Which of the following factors increases trustworthiness of an online retailer, like Kalahari.net?

This question was included in the questionnaire to test the fundamental forms of trustworthiness identified by Zemke & Connellan (2001:110-111) in Section 3.6.5. The respondents could select the factors that increase trustworthiness of an online retailer with them. Table 6.10 indicates these factors in descending order. The factors with the highest responses were security of payment (78 responses), well-known brand names (75), timely fulfilment of orders (68) and ease of navigation (62). It is interesting to note that having a seal of approval visible on the homepage was regarded as an important trust feature by only half (49) of the respondents. It is evident from Table 6.10 that all the factors were regarded as important to some extent and that only the ability to exchange products (36 responses) does not increase trustworthiness to a large extent according to the respondents. The fundamental factors of trustworthiness can therefore be regarded as brand identity, navigation, fulfilment, presentation, seal of approval and technology as Zemke & Connellan (2001:110-111) indicated.

Table 6. 10: Factors of trustworthiness

Options	Frequency as %*
Security of payment	78
Well-known brand names	75
Timely fulfilment of the order	68
Ease of navigation	62
Seal of approval (e.g. Verisign)	49
Presentation (web site layout and design)	47
Exchange of products	36
Other	0

* More than 100 due to multiple-responses.

Kalahari.net should focus on the security of their payment procedures (especially credit card transactions) since this proved to be a very important trust factor. The customers of Kalahari.net regard trustworthiness of the web site highly and the company should maintain all trust factors. They should also aim to offer products with well-known brand names and deliver the products as fast as possible to the customers.

Question 3

Which product do you mostly buy from Kalahari.net?

This question linked with Question 5 of Section B which referred to all the products bought from Kalahari.net in the past, by asking the respondents to indicate only one product mostly bought from Kalahari.net. Corresponding to general research results indicated in the literature study regarding online shopping, half of the respondents (50%) indicated that they mostly buy books from Kalahari.net. A further 25% of the respondents indicated that they mostly buy DVDs and 17% indicated CDs. Verimark products (3%), games (2%) and airtime (3%) were less popular and no responses were received for wine and computerware as illustrated in Figure 6.22.

Figure 6. 22: Products mostly bought from Kalahari.net
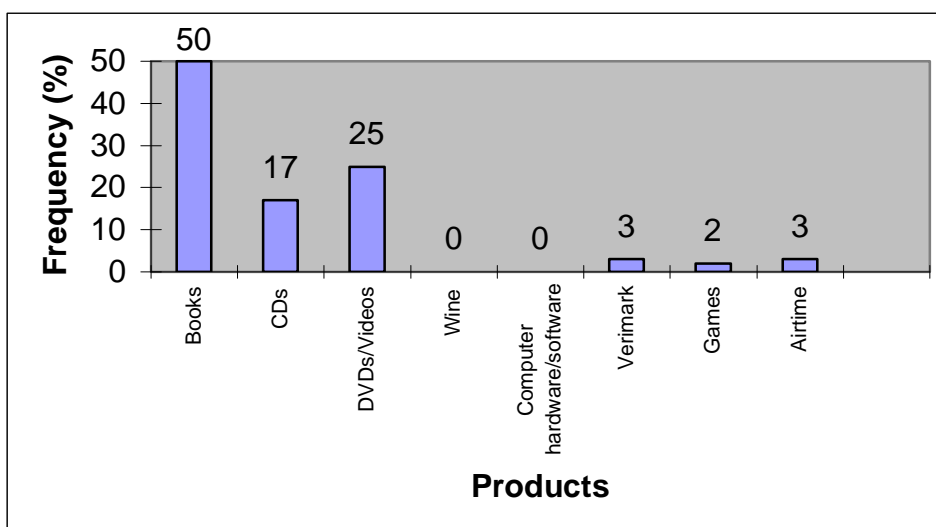
Kalahari.net should continue to expand their range of books and aim to stay the online retailer providing the widest selection of books in South Africa. Being an online retailer also gives them the advantage of giving the customer the information and time to search for a specific book without the hassle of salespersons or having to drive from shop to shop.

Question 4

Have you used the Kalahari.net Help Tutorial in the past? If yes, please explain how it helped you.

As discussed in the literature study Kalahari.net provides a help tutorial, which explains the purchasing process and other important information to the potential or current customer. Of the 100 responses received, none of the respondents have used the help tutorial in the past. It can be deduced that the respondents either never had problems understanding the processes or do not see the value of this tool, should they experience difficulties. Kalahari.net should, however, consider having the tool available for potential customers in future, since it might be the deciding factor to be a Kalahari.net customer in the event of registration difficulties.

Question 5

In which categories would you like to see Kalahari.net improve?

This question required from the respondents to indicate the categories of online retailing in which Kalahari.net should improve on and could also add other categories in the "other" option block. Table 6.11 indicates these categories in descending order. A total of 49 respondents chose price as an important category to improve on, followed by 39 respondents indicating that the product offering needs revision. Twenty-five respondents regard delivery costs as too expensive. Only 15 respondents felt that the

web site layout should be improved on, while seven respondents regarded delivery times and six advertising as areas of improvement. A valuable input from one respondent was that Kalahari.net should have more detailed descriptions of the books on offer.

Table 6. 11: Categories to improve on

Options	Frequency as %*
Price	49
Product offering	39
Delivery costs	25
Web site layout and design	15
Delivery times	7
Advertising	6
Other	Descriptions in more detail for books Some of the books are really expensive

*More than 100 due to multiple-responses.

In general, the customers of Kalahari.net regard their prices as too high. Even though they have improved their product range significantly over the past three years, their customers feel that it should still be improved on. The company should refer to the customer profile and needs when selecting new product lines for the company.

Question 6

Which method of payment do you mostly use to buy products from Kalahari.net?

In the last question of Section D, the respondents had to indicate which payment method they mostly use on this site. As seen in Figure 6.23, an overwhelming number of the respondents (72%) primarily use credit cards to pay for the products bought. The second most popular method was Icanonline with 10% of the respondents selecting it, ABSA deposits (8%), followed by Standard Bank Autopay (5%) and electronic transfers (5%). This corresponds with the results received in Section B, question 7 where 87% of

the respondents said that they were willing to pay by credit card when shopping online. It can therefore be concluded that the majority of customers are willing to use their credit cards for online shopping in future, although they do not do so currently.

Figure 6. 23: Payment method used on Kalahari.net
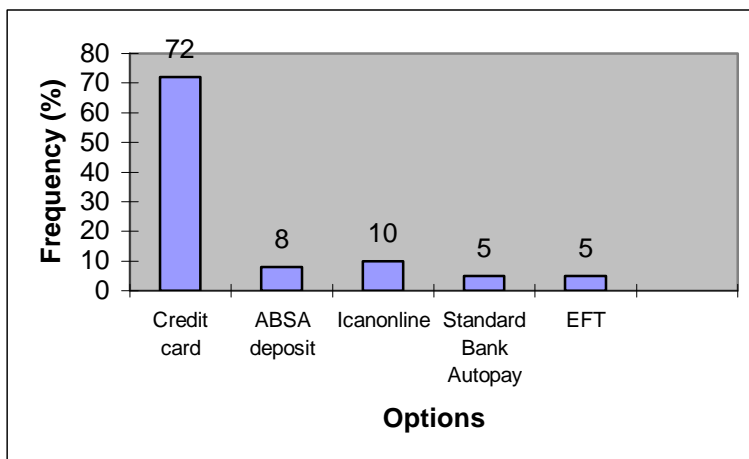
This indicates that Kalahari.net offers a wide variety of payment methods to its customers, which satisfy their current payment preferences. All payment methods should be explained on the site to give potential customers the option to select the best payment method for them. Safety of the payment methods should be a high priority to all online retailers and especially Kalahari.net because of the recent scares of online credit card fraud in South Africa.

Section D covered aspects such as the shopping patterns of the respondents with Kalahari.net. Section E, the final section of the questionnaire, will help to compile demographic information of the respondents such as age, gender, income and education.

6.3.5 Section E: Demographic information

These questions were aimed at the customers' demographic details and the best indication of the profile of the customers can be deduced from this section.

Question 1

Please indicate your age group.

From Figure 6.24 it is clear that 24% of the respondents are aged between 21 and 25 years. The second largest age group consist of people aged between 26 and 30 years (21%). The majority of Kalahari.net's customers are therefore in the age brackets according to previous figures indicated by Bickerton *et al.* (2000:89). Two respondents were aged above 56 years and only one respondent was under 20 years of age.

Figure 6. 24: Age categories
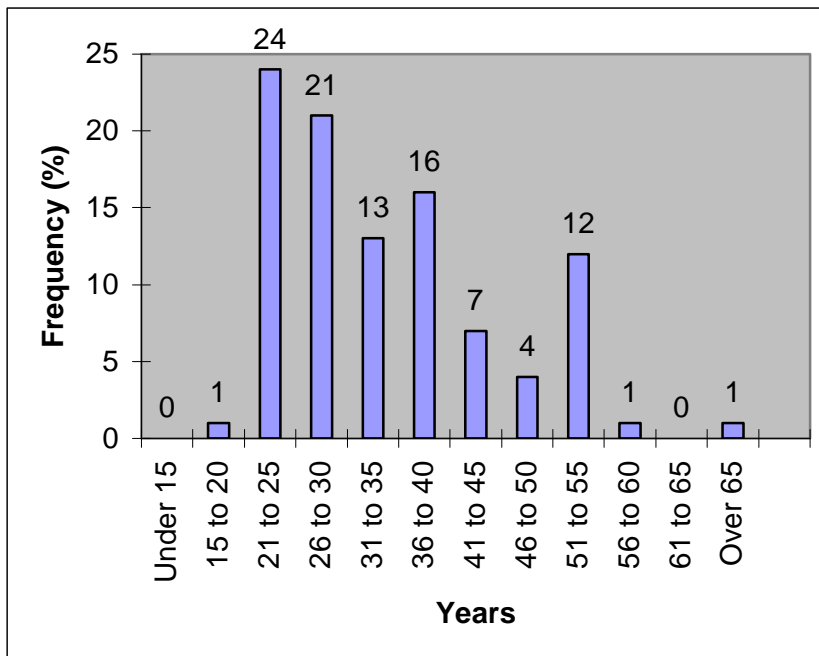
The importance of this age distribution to Kalahari.net is that their customer base is predominantly young adults with 59% younger than 35 years. They might therefore

have different needs than older customers because of the stages of the family life cycle discussed in the literature (Section 4.3.2) and also Question 4 of this section. This once again points out the importance of knowing the customer to be able to offer the products most suitable to them.

Question 2

Gender

It is interesting to note in Figure 6.25 that 54% of the respondents of this study were female and 46% were male. Studies done in the past in South Africa tend to show that men are more likely to be online shoppers (Section 4.3.2). This is however in contrast to the national statistics where 51% of the population are males and 49% are females. With follow-up studies in the future, Kalahari.net will be able to see if women are beginning to dominate the online shopping channel as an addition to traditional shopping channels. They might also consider having additional offers specially aimed at women if this pattern prevails.

Figure 6. 25: Gender
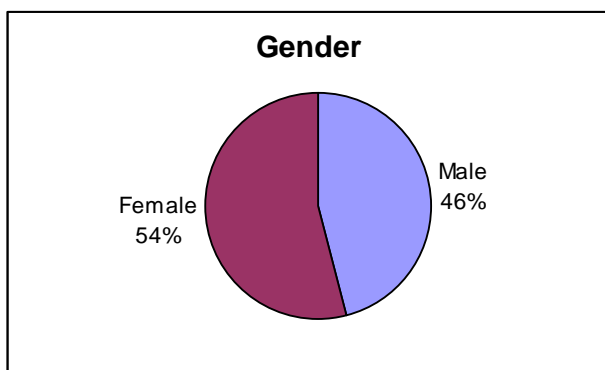
Question 3

Primary language in household

Table 6.12 illustrates that 52% of the respondents were English-speaking and 46% were Afrikaans-speaking. From all eleven official languages of South Africa given as options to the respondents, only one respondent speaks IsiXhosa and one respondent SeSotho.

The fact that the division is so clear implies that Kalahari.net should continue to provide the options of either English or Afrikaans as the language of the site. Customers can currently click on the link "Seil in Afrikaans" meaning "Surf in Afrikaans" to change the language of the site to Afrikaans.

Table 6. 12: Primary household language

Language	Frequency	%
English	52	52,0
Afrikaans	46	46,0
IsiXhosa	1	1,0
SeSotho	1	1,0
Total	**100**	**100,0**

Question 4

Marital status

Of the 100 responses, a total of 35% of the respondents indicated that they are single, 45% are married with no children, 4% divorced, 10% married with children, 5% living together and only 1% widowed (see Figure 6.26). With the majority of the customers being either single or married with no children, their product needs and shopping habits might differ from those respondents having children or being widowed or divorced.

Figure 6. 26: Marital status
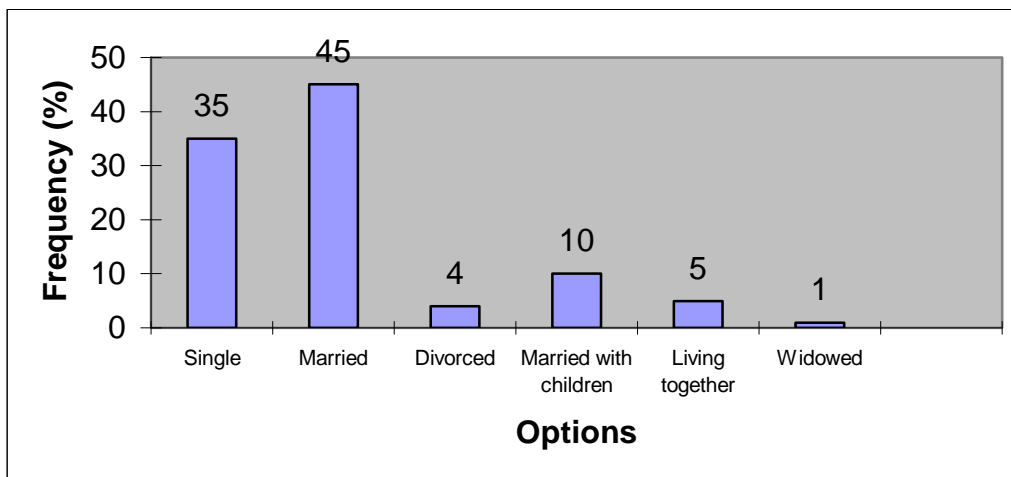
Kalahari.net should ensure that they understand the different stages in the family cycle, as it will have an impact on their choice of products. Having a profile of their customer base will enable them to identify those products, which are popular with the majority of customer segments (currently single and married people). They should also keep in mind that their customers will move to the next stage in the family cycle in the future.

Question 5

Number of people in your household?

From the responses seen in Figure 6.27, 29% of the respondents have a two-person household. The same number of respondents indicated that they are three people in their household, while a further 23% of the respondents have four people living together as a household and 15% of the respondents are living alone. It is interesting to note that the average household size is not very large, with 73% of the respondents having three or less members. Only 1% of the respondents have 6 people in their household. The customer base of Kalahari.net is therefore people from smaller households of one to three persons per household. The number of people in the household might have an

influence on the number of transactions per year as needs might be greater as the size of the household increases.

Figure 6. 27: Number of people in household
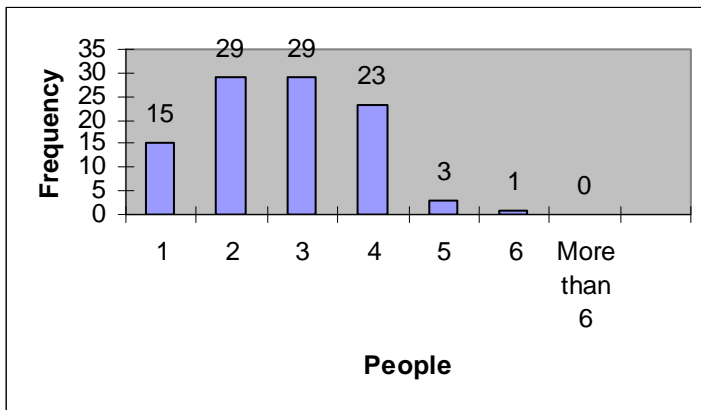
Question 6

Number of children living with you?

The number of children in the households of the respondents is surprisingly small, but corresponds with the age of the customers. Figure 6.28 indicates that 60% of the respondents do not have any children living with them currently, while 19% of the respondents have one child in the household. Eighteen per cent have two children living with them, 2% have three children and only 1% has four children living with them at home. This corresponds with the number of people per household in Question 5. The customer base is therefore predominantly people without children or younger people. Having children in the household will influence the product lines bought and have an impact on the variety, which the company should offer. Having children in the household might require buying books for education and school projects as well as products for children's entertainment such as videos and DVDs.

Figure 6. 28: Number of children in household
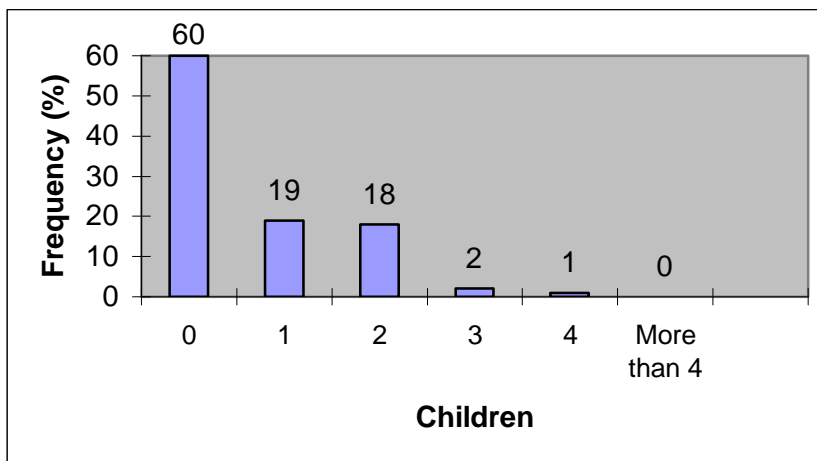
It will be interesting to note in future if these customers will remain loyal to Kalahari.net and if their shopping patterns will change once they start with families. Kalahari.net should therefore do customer surveys every 3-4 years testing specifically for the household demographic information.

Question 7

In which province do you live?

Table 6.13 illustrates the current spread of the customers in South Africa's provinces. Exactly half (50%) of the respondents live in Gauteng, 29% of the respondents live in the Western Cape and 9% live in the Eastern Cape. This is an interesting finding since Kalahari.net is based in the Western Cape. Having such a large number of customers in Gauteng, can be the result of the possibility that the inhabitants of Gauteng are keener users of technology and the Internet (early adopters of innovation) than those of other provinces. The other provinces of South Africa are represented by a small group of respondents. There was also one respondent living in the Netherlands. The spread of the customers in the country highlights the busy metropolitans where people are more

likely to adopt online shopping than those living in rural areas where technology is not a major issue in their every day lives.

Table 6. 13: Province or country residing in

Province/country	Frequency	%
Gauteng	50	50,0
Western Cape	29	29,0
Eastern Cape	9	9,0
Free State	4	4,0
KwaZulu-Natal	2	2,0
Mpumalanga	2	2,0
North West	2	2,0
Northern Cape	1	1,0
Other country (Netherlands)	1	1,0
Limpopo	0	0,0
Total	**100**	**100,0**

The areas in which the customers of Kalahari.net are residing, influence the delivery times and delivery methods of the company. If the company observes that their customer base is mostly in Gauteng, they should consider having a product depot, like OntheDot in Cape Town, in the Gauteng area as well. This will reduce delivery times and problems that might arise during the delivery process. It will also have an influence on the marketing projects of the company, i.e. where to have marketing projects.

Question 8

Please indicate your highest level of education completed.

The results of the education of the respondents correspond with previous results specified in the literature study. Figure 6.29 illustrates that 26% of the respondents have honours/masters degrees, 25% have attended college/Technikon, 22% have a Senior Certificate as their highest qualification and 19% of the respondents have Bachelor's degrees. It is also interesting to note that 7% of the respondents have obtained a

professional degree and the one respondent under the age of 20 as seen in Section E question 1 is still in secondary school. This indicated that the respondents are therefore primarily highly educated.

Figure 6. 29: Education obtained
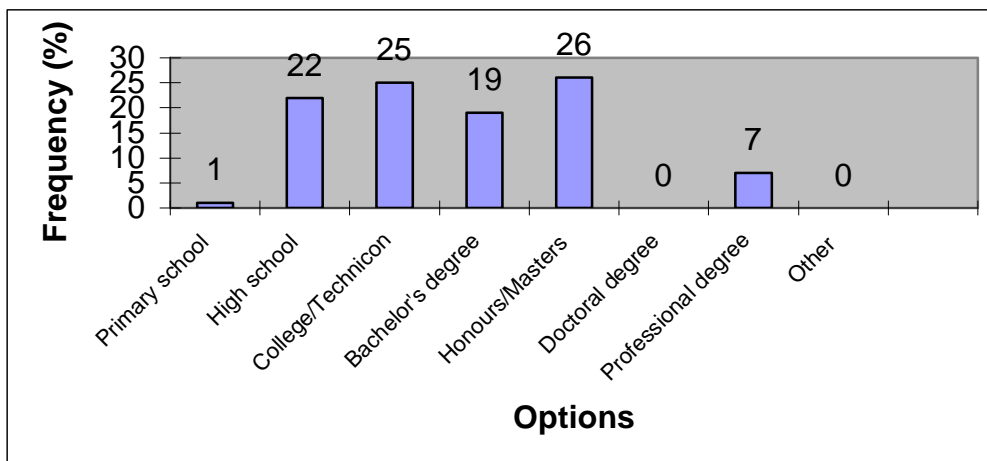
The implication for Kalahari.net is that the educational level of the customer influences the types of books and other products, which the customer prefers. Further research should, however, be done on the types of books sold to determine how the educational levels influence their interest (e.g. academic and lifestyle books). The image of the company should also portray a more sophisticated look with which the customers can identify.

Question 9

Which of the following best describes your role in the industry?

Figure 6.30 indicates that 28% of the respondents regard themselves as trained professionals in their field. A further 15% of the respondents are in middle management and 13% are self-employed. The remainder of the respondents are currently in top management (6%), administrative staff (8%), consultants (9%) and junior management

(7%). The customer profile is, therefore, employed people who are primarily in the higher ranks of their companies. This might influence the type of books bought, for example, business-related books. This question should have been supplemented by a question on the industry, which the customer is working in, such as retailing, finance, education and so forth. This would have given Kalahari.net a better indication on the types of books, for example, on which they should focus.

Figure 6. 30: Role in industry
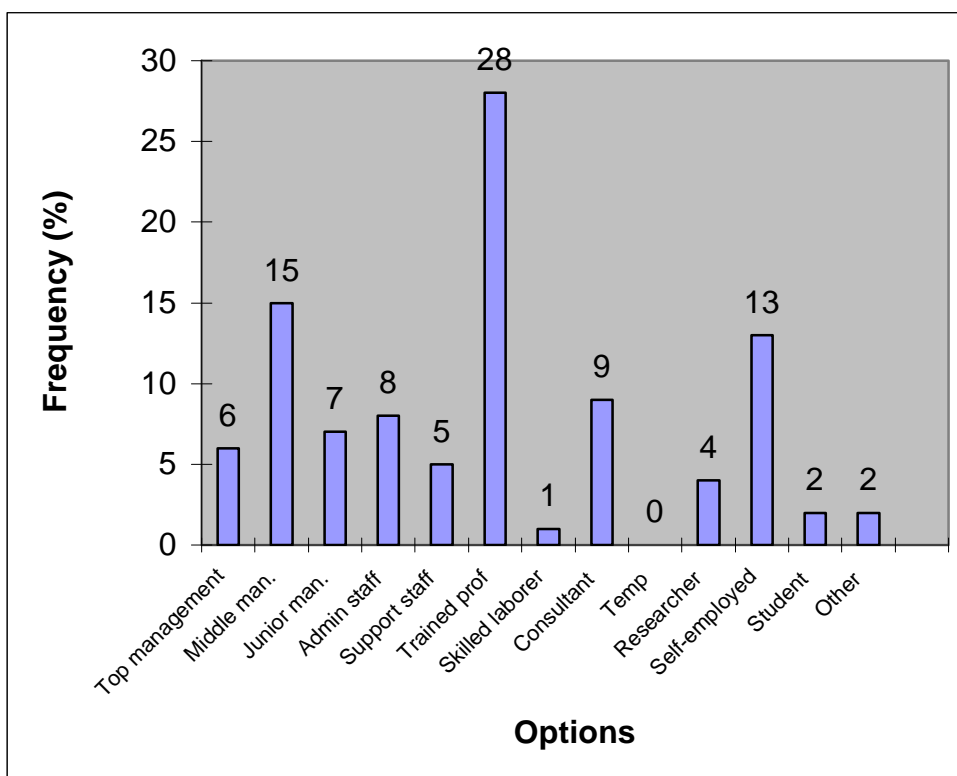
Question 10

What are your hobbies/activities of interest?

This question refers to the psychographic information of the customers, more specifically the lifestyle information, which can be researched by means of interests and activities. The respondents could have ticked all the hobbies or activities of interest applicable to them. Table 6.14 indicates the frequencies of the hobbies in descending

order. It is not surprising that 75% of the respondents chose reading as a hobby since the majority buy books regularly (Section B Question 5). A total of 63% of the respondents indicated that they like watching movies, while watching television was selected by 43% of the respondents. The least favourite hobby was adventure sports, which were only selected by 18% of the respondents.

Table 6. 14: Hobbies of customers

Options	Frequency as %*
Reading	75
Movies	63
Television	43
Sport	38
Shopping	32
Gardening	28
Craft work	28
Adventure sports	18

* More than 100 due to multiple-responses.

The profile of the respondents tends to indicate that they are more indoor people, since the popular hobbies are all conducted indoors. The hobbies and interests of the customers influence the products bought. This means that books, DVDs and videos should remain popular product lines of Kalahari.net and that they should aim to improve on these product lines.

Question 11

What is your household income per month including all income sources before tax?

Since revealing household income is usually a sensitive issue in research questionnaires, the respondents were given the option not to reveal the income in this

questionnaire. Seventeen per cent of the respondents selected this option. Almost a third of the respondents (32%) indicated that they earn more than R18 000 per month. Another 32% of the respondents earn between R9 000 and R18 000 per month, and only 19%, in total, earn less than R9 000 per month as seen in Figure 6.31. It can, therefore, be concluded that the respondents are predominantly in the higher income brackets.

Figure 6. 31: Household incomer per month before tax
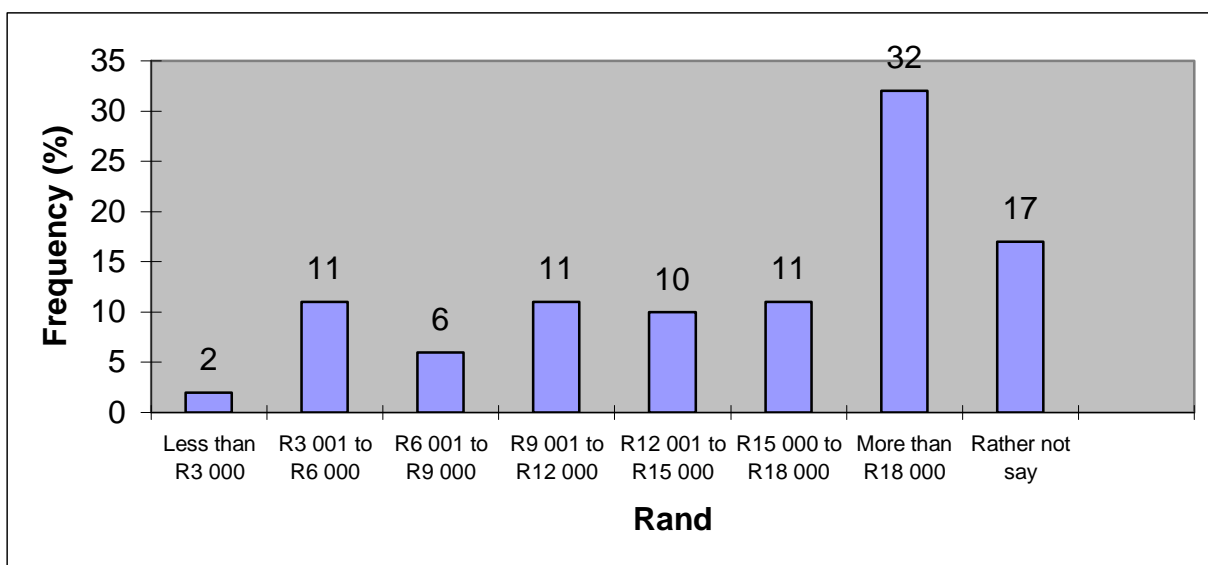
The majority of the customers of Kalahari.net can be included in the LSM 8, 9 and 10 brackets according to their income, which proves that Internet access is higher in the upper LSM categories than the lower categories (1 to 5). Knowing the LSM categories of their customers can give Kalahari.net an indication of the appropriate media to advertise in (television channels and print media).

Question 12

When deciding to purchase a product, which sources of information influence you to make your decision?

In the last question of the questionnaire the respondents were asked to indicate which sources of information influence them when making a decision to purchase a product. Table 6.15 indicates these sources of information in descending order. Seventy two per cent of the respondents indicated that they use their own previous experience when making purchasing decisions, 63% of the respondents ask friends and family for information and 51% of the respondents consult the media for product information. The Internet is used by 35% of the respondents as a source of information, 7% of the respondents ask a salesperson and only one respondent give notice to an opinion leader using a specific product. From these responses, it is clear that the respondents will rather consult trusted and known sources of information than people unknown to them, although they trust the information provided on the Internet. This question referred to the information search stage of the consumer decision-making process.

Table 6. 15: Sources of information influencing purchasing decisions

Options	Frequency as %*
Own previous experience	72
Friends & Family	63
Media (TV, newspapers & magazines)	51
Internet	35
Salesperson	7
Opinion leaders (famous person supporting a brand)	1

* More than 100 due to multiple-responses.

The implication for Kalahari.net regarding this issue is that since their customers use previous experience as a base for future purchases, processes should be streamlined so that each transaction is successful. The customers will then base their future

purchases on good previous experiences and also spread positive word-of-mouth about Kalahari.net to others.

Section E covered aspects regarding demographic customer information, which will be used to develop the actual customer profile of the respondents of this research study.

Having discussed each question by means of frequencies in tables and figures, some questions will be used to draw cross-tabulations between different profiling constructs.

6.4   Cross-tabulations

Cross-tabulations done by SPSS are tables displaying the number of cases falling into each combination of the categories of two or more categorical variables. In addition to counts, the table may display percentages, expected values, and residuals (SPSS 11.0 Help Tutorial). It is necessary to add this to the profiling process since it gives the researcher the ability to make interesting observations of the respondents by cross-tabulating two or more questions of the questionnaire. Several cross-tabulations were done and will be discussed below.

Household income (Section E question 11) and product bought mostly from Kalahari.net (Section D question 3)

Household income * Product bought from Kalahari.net Crosstabulation

Count

		Product bought from Kalahari.net						Total
		Books	CDs	DVDs and videos	Verimark products	Games	Airtime	
Household income	Less than R3000	1			1			2
	R3001-R6000	5	2	2	2			11
	R6001-R9000	3	2			1		6
	R9001-R12000	6	1	4				11
	R12001-R15000	5	2	3				10
	R15001-R18000	3	2	3			3	11
	More than R18000	18	2	11		1		32
	Rather not say	9	6	2				17
Total		50	17	25	3	2	3	100

This cross-tabulation indicates that books (18 of the 50 responses) and DVDs/Videos (11 of the 25 responses) are the products mostly bought by the group of customers with a household income of more than R18 000. Similar to them, the income bracket R9 001 – R12 000 buys books and DVDs/videos more than other products. CDs were popular throughout all the income brackets. The company can decide to market books and DVDs/videos by offering discounts that should appeal to the lower income brackets too.

Household income (Section E question 11) and level of education obtained (Section E question 8)

Household income * Education Crosstabulation

Count

		Education						Total
		Primary school	High school or equivalent	College or Technicon	Bachelors degree	Honours or Masters degree	Professional degree	
Household income	Less than R3000	1			1			2
	R3001-R6000		2	3	3	3		11
	R6001-R9000		3	1	2			6
	R9001-R12000		4	3		4		11
	R12001-R15000		3	2	2	3		10
	R15001-R18000		2	5	1	3		11
	More than R18000		6	6	4	13	3	32
	Rather not say		2	5	6		4	17
Total		1	22	25	19	26	7	100

This cross-tabulation indicated that the income bracket of more than R18 000 per month mostly obtained honours or masters degrees (13 of 32 responses). Almost 50% of the respondents (5 of 11 responses) who earns between R15 001 and R18 000 have a college or Technikon qualification. It seems to indicate that income rises as qualifications are obtained. The other income brackets are spread evenly between the other education levels.

Product bought mostly from Kalahari.net (Section D question 3) and education obtained (Section E question 8)

Product bought from Kalahari.net * Education Crosstabulation

Count

		Education						Total
		Primary school	High school or equivalent	College or Technicon	Bachelors degree	Honours or Masters degree	Professional degree	
Product bought from Kalahari.net	Books		6	12	8	20	4	50
	CDs		4	2	6	3	2	17
	DVDs and videos		10	9	2	3	1	25
	Verimark products	1			2			3
	Games		2					2
	Airtime			2	1			3
Total		1	22	25	19	26	7	100

It is evident from the table above that the customers with honours and masters degrees are the largest segment buying books from Kalahari.net (20 of 50 responses or 40%), followed by customers with College or Technikon qualifications (12 of 50 responses or 24%). DVDs and videos are popular amongst customers with high school or equivalent qualifications (10 of 25 responses or 40%).

Age (Section E question 1) and product bought mostly from Kalahari.net (Section D question 3)

Age * Product bought from Kalahari.net Crosstabulation

Count

		Product bought from Kalahari.net						Total
		Books	CDs	DVDs and videos	Verimark products	Games	Airtime	
Age	15-20				1			1
	21-25	12	7	3	2			24
	26-30	8	5	6		1	1	21
	31-35	5	2	6				13
	36-40	5	2	7			2	16
	41-45	4		3				7
	46-50	3	1					4
	51-55	11				1		12
	56-60	1						1
	Over 65	1						1
Total		50	17	25	3	2	3	100

The age group of 21-25 is the largest book-buying segment (12 of 50 responses) followed by those between 51 and 55 years of age (11 of 50 responses). The group aged 21-25 also buys CDs more than other age groups (7 of 17 responses). DVDs and videos are popular amongst the combined age group of 26-40 especially those between 36 and 40 years of age. The age group 26-30 prefers books above the other products available (8 of 21 responses) and it is interesting to note that 11 of the 12 respondents in the age group 51-55 mostly buy books from Kalahari.net.

Payment method (Section D question 6) and age (Section E question 1)

Age * Payment method Crosstabulation

Count

		Payment method					
		Credit card	ABSA deposit	Icanonline	Standard Bank Autopay	Electronic transfer	Total
Age	15-20			1			1
	21-25	20		2	2		24
	26-30	16		2	2	1	21
	31-35	11	1		1		13
	36-40	7	3	5		1	16
	41-45	5	2				7
	46-50	2	2				4
	51-55	9				3	12
	56-60	1					1
	Over 65	1					1
Total		72	8	10	5	5	100

A total of 65% of the respondents who use credit cards to make online purchases are aged between 21 and 35. This could mean that the younger adults find credit card payments safe and trustworthy while older adults are more sceptic of this method but still use it moderately. It is interesting to note that the respondent aged between 15 and 20 make use of Icanonline. It shows that this specific respondent is keen to use Internet facilities for shopping, banking and payment. The respondents aged between 31 and 50 were the only ones using the ABSA deposit method of payment.

Gender (Section E question 2) and product bought mostly from Kalahari.net (Section D question 3)

Product bought from Kalahari.net * Gender Crosstabulation

Count

		Gender		Total
		Male	Female	
Product bought from Kalahari.net	Books	16	34	50
	CDs	9	8	17
	DVDs and videos	16	9	25
	Verimark products	2	1	3
	Games	2		2
	Airtime	1	2	3
Total		46	54	100

Out of the 46 male customers, 16 of the 46 (35%) mostly buy books and the same number buy DVDs and videos. A total of 63% of the female customers mostly buy books and interestingly enough none have purchased games. DVDs and videos tend to be more popular amongst male customers and books more popular amongst female customers in general.

Marital status (Section E question 4) and product bought mostly from Kalahari.net (Section D question 3)

Marital status * Product bought from Kalahari.net Crosstabulation

Count

		Product bought from Kalahari.net						Total
		Books	CDs	DVDs and videos	Verimark products	Games	Airtime	
Marital status	Single	15	12	5	2		1	35
	Married	28	5	11		1		45
	Divorced	1		1			2	4
	Married, with children	3		6		1		10
	Living together	3		2				5
	Widowed				1			1
Total		50	17	25	3	2	3	100

The single customers tend to buy mostly books and CDs while the married customers tend to buy books, DVDs and videos from Kalahari.net. The married customers with

children mostly buy DVDs and videos, which might indicate that they buy these for family home entertainment. They are also the segment that buys computer and Playstation games for their children. As indicated earlier in the chapter, the majority of the respondents were either single or married. It can therefore be concluded that the popular products, which Kalahari.net should focus on, seem to be books, CDs, DVDs and videos.

Age (Section E question 1) and hobbies (Section E question 10)

Age * Reading Crosstabulation

Count

		Reading 1.00	Total
Age	21-25	17	17
	26-30	16	16
	31-35	8	8
	36-40	12	12
	41-45	7	7
	46-50	4	4
	51-55	9	9
	56-60	1	1
	Over 65	1	1
Total		75	75

Age * Movies Crosstabulation

Count

		Movies 1.00	Total
Age	15-20	1	1
	21-25	22	22
	26-30	16	16
	31-35	8	8
	36-40	7	7
	41-45	4	4
	46-50	1	1
	51-55	2	2
	56-60	1	1
	Over 65	1	1
Total		63	63

Age * Gardening Crosstabulation

Count

		Gardening 1.00	Total
Age	21-25	4	4
	26-30	4	4
	31-35	1	1
	36-40	7	7
	41-45	5	5
	51-55	6	6
	56-60	1	1
Total		28	28

Age * Sport Crosstabulation

Count

		Sport 1.00	Total
Age	21-25	14	14
	26-30	4	4
	31-35	9	9
	36-40	4	4
	41-45	2	2
	46-50	1	1
	51-55	3	3
	Over 65	1	1
Total		38	38

Age * Television Crosstabulation

Count

		Television 1.00	Total
Age	21-25	19	19
	26-30	5	5
	31-35	5	5
	36-40	5	5
	41-45	1	1
	46-50	1	1
	51-55	5	5
	56-60	1	1
	Over 65	1	1
Total		43	43

Age * Adventure sports Crosstabulation

Count

		Adventure sports 1.00	Total
Age	21-25	10	10
	26-30	3	3
	31-35	3	3
	36-40	1	1
	51-55	1	1
Total		18	18

Age * Shopping1 Crosstabulation

Count

		Shopping1 1.00	Total
Age	21-25	13	13
	26-30	9	9
	31-35	4	4
	36-40	3	3
	41-45	1	1
	51-55	2	2
Total		32	32

Age * Craft work Crosstabulation

Count

		Craft work 1.00	Total
Age	21-25	7	7
	26-30	7	7
	31-35	3	3
	36-40	6	6
	46-50	2	2
	51-55	3	3
Total		28	28

It is evident from the tables above that reading as a hobby (17 of 75 responses) as well as watching movies (22 of 63) is popular amongst the customers aged between 21 and 25. The customers aged between 36 and 55 mostly enjoy gardening. Customers between 21 and 35 also enjoy sport more than the older segments and adventure sports are popular amongst the young adults between 21 and 25. Watching television and doing shopping are also enjoyed by the segment 21-25 years while craft work is popular amongst all the age segments. From all the hobbies, reading is the hobby most enjoyed by the older age segments above 50 years of age. In general, the segment 21-25 enjoys all the hobbies given except gardening.

Education obtained (Section E question 8) and hobbies (Section E question 10)

Education * Reading Crosstabulation

Count

		Reading	
		1.00	Total
Education	High school or equivalent	15	15
	College or Technicon	18	18
	Bachelors degree	11	11
	Honours or Masters degree	24	24
	Professional degree	7	7
Total		75	75

Education * Movies Crosstabulation

Count

		Movies	
		1.00	Total
Education	Primary school	1	1
	High school or equivalent	14	14
	College or Technicon	13	13
	Bachelors degree	15	15
	Honours or Masters degree	16	16
	Professional degree	4	4
Total		63	63

Education * Gardening Crosstabulation

Count

		Gardening	
		1.00	Total
Education	High school or equivalent	4	4
	College or Technicon	8	8
	Bachelors degree	3	3
	Honours or Masters degree	11	11
	Professional degree	2	2
Total		28	28

Education * Craft work Crosstabulation

Count

		Craft work	
		1.00	Total
Education	High school or equivalent	6	6
	College or Technicon	14	14
	Bachelors degree	5	5
	Honours or Masters degree	2	2
	Professional degree	1	1
Total		28	28

Education * Television Crosstabulation

Count

		Television	
		1.00	Total
Education	High school or equivalent	9	9
	College or Technicon	7	7
	Bachelors degree	10	10
	Honours or Masters degree	13	13
	Professional degree	4	4
Total		43	43

Education * Shopping1 Crosstabulation

Count

		Shopping1	
		1.00	Total
Education	High school or equivalent	5	5
	College or Technicon	9	9
	Bachelors degree	4	4
	Honours or Masters degree	10	10
	Professional degree	4	4
Total		32	32

Education * Sport Crosstabulation

Count

		Sport	
		1.00	Total
Education	High school or equivalent	6	6
	College or Technicon	10	10
	Bachelors degree	12	12
	Honours or Masters degree	7	7
	Professional degree	3	3
Total		38	38

Education * Adventure sports Crosstabulation

Count

		Adventure sports	
		1.00	Total
Education	High school or equivalent	4	4
	College or Technicon	5	5
	Bachelors degree	8	8
	Honours or Masters degree	1	1
Total		18	18

The customers with honours or masters degrees prefer hobbies like reading, movies, gardening, television and shopping. Adventure sports and other sports types are popular amongst customers holding a bachelors degree. Customers with college or Technikon qualifications tend to like doing craftwork, sport, watching movies and

reading in their spare time. The customers with a professional degree prefer reading above all the other hobbies given to choose from. Products relating to these hobbies will therefore be popular amongst these segments.

Hours browsing the Internet (Section A question 5) and marital status (Section E question 4)

Hours browsing * Marital status Crosstabulation

Count

		Marital status						
		Single	Married	Divorced	Married, with children	Living together	Widowed	Total
Hours browsing	Less than 1 hour per week	6	8		2		1	17
	1 to less than 5 hours per week	10	13	3				26
	5 to less than 8 hours per week	12	4	1	1	3		21
	8 to less than 11 hours per week	1	7			2		10
	11 to less than 20 hours per week	3	11		5			19
	20 to less than 40 hours per week	3	2					5
	More than 40 hours per week				2			2
Total		35	45	4	10	5	1	100

It is interesting to note that single respondents mostly browse between 5 and 8 hours per week, married respondents between 1 and 5 hours and a substantial number of the same group (married respondents) browses the Internet between 11 and 20 hours per week. The married group of customers with children also mostly browses between 11 and 20 hours per week, which is reasonably high. This might be because there is a greater need for collecting information about products and other issues.

Household income (Section E question 11) and frequency of online purchases (Section B question 1)

Household income * Frequency of online purchases from Kalahari.net Crosstabulation

Count

		Frequency of online purchases from Kalahari.net			
		Less than once a month	About once a month	Several times a month	Total
Household income	Less than R3000	2			2
	R3001-R6000	8	3		11
	R6001-R9000	6			6
	R9001-R12000	9	2		11
	R12001-R15000	5	4	1	10
	R15001-R18000	9	2		11
	More than R18000	18	12	2	32
	Rather not say	13	2	2	17
Total		70	25	5	100

Although the high income bracket of more than R18 000 most frequently make online purchases from Kalahari.net, they still do it less than once a month (56%) and 38% (12 of 32 respondents) of this income bracket make online purchases about once a month. It is only the higher income brackets of those earning more than R12 000 per month that do online purchases from Kalahari.net several times a month as seen in the table. A total of 40% of the customers earning between R12 001 and R15 000 per month make online purchases about once a month in close comparison to the 50% of the same income bracket who purchases products from Kalahari.net less than once a month.

Role in industry * Frequency accessing the Internet Crosstabulation

Count

| | | Frequency accessing the Internet | | | | |
		1	2	3	5	Total
Role in industry	Top management	6				6
	Middle management	12	1		2	15
	Junior management	4	2	1		7
	Administrative	5	2	1		8
	Support staff	4	1			5
	Trained professional	16	9	1	2	28
	Skilled labourer		1			1
	Consultant	9				9
	Researcher	4				4
	Self-employed/ partner	6	7			13
	Student		2			2
	13		2			2
Total		66	27	3	4	100

Of the 66 respondents accessing the Internet on a daily basis, the majority of them are in middle management (12) or trained professionals (16). The self-employed respondents access the Internet more on a weekly basis (9 respondents). The respondents who indicated that they are consultants and those in top management access the Internet solely on a daily basis.

Role in the industry (Section E question 9) and hours per week browsing the Internet (Section A question 5)

Role in industry * Hours browsing Crosstabulation

Count

		Hours browsing							Total
		Less than 1 hour per week	1 to less than 5 hours per week	5 to less than 8 hours per week	8 to less than 11 hours per week	11 to less than 20 hours per week	20 to less than 40 hours per week	More than 40 hours per week	
Role in industry	Top management	1		2		2	1		6
	Middle management	1	9	2		2	1		15
	Junior management	1	1	3		1		1	7
	Administrative	3	2	2			1		8
	Support staff		1	1	2	1			5
	Trained professional	4	11	4	3	4	1	1	28
	Skilled labourer				1				1
	Consultant	1	1	3		3	1		9
	Researcher		1	2		1			4
	Self-employed/ partner	4		2	2	5			13
	Student				2				2
	13	2							2
Total		17	26	21	10	19	5	2	100

Of the 26 respondents who indicated that they browse the Internet between 1 and 5 hours per week, 11 of them are trained professionals and 9 are in middle management. The self-employed respondents mostly browse the Internet between 11 and 20 hours per week. The two respondents who indicated that they browse the Internet more than 40 hours per week are in junior management and trained professionals. Respondents browsing less than one hour per week and between 5 and 8 hours per week are spread more evenly between the different occupation groups.

6.5   Reliability testing

To test the reliability of the responses, SPSS's reliability analysis was done in conjunction with the BMR on Section C's statements. Reliability means that the numerical results produced by an indicator do not vary because of characteristics of the measurement process or measurement instrument itself (Neuman 2000: 165). The equivalence reliability as a type of reliability testing was used for this study; this implies that the statements in Section C were used as multiple indicators (several specific

measures are used to measure a construct). Both the Alpha test and the split-half method were determined to give the best indication of the reliability of the questions. The results were as follows:

Alpha test

Reliability Coefficients

N of Cases = 100.0   N of Items = 12

Alpha = 0.8786

Split-half method

Reliability Coefficients

N of Cases = 100.0	N of Items = 12
Correlation between forms = 0.7943	Equal-length Spearman-Brown= 0.8853
Guttman Split-half = 0.8853	Unequal-length Spearman-Brown = 0.8853
6 Items in part 1	6 Items in part 2
Alpha for part 1 = 0.7620	Alpha for part 2 = 0.7994

The results of 0.8786 and 0.8853 can be used to get the average of the two tests and this result in a score of 0.88195. The closer this score is to 1, the more reliable the measurement scale was. It can therefore be concluded that Section C was a reliable measurement scale to determine the attitude towards Kalahari.net.

6.6 Validity testing

Validity refers to the extent to which a test measures what the researcher actually wishes to measure. There are three types of validity namely content, criterion-related

and construct validity. Construct validity will be used for this study. Construct validity attempts to identify the underlying constructs being measured and determine how well the test represents them (Cooper & Schindler 1998:167). Construct validity can be tested by judgmental methods, correlation of the test with a previous test and also factor analysis. Since the questionnaire does not allow factor analysis to be conducted, the judgmental method was used. Section 5.4.4 indicated which constructs of customer profiling were tested for in the questionnaire. This will briefly be discussed again.

The literature study referred to the constructs of customer profiling for this study. The questionnaire covered the following constructs:

- Frequency of Internet browsing (Section 4.3.4).

- Buying habits on the Internet (Section 4.3.4).

- Attitudes towards service quality of Kalahari.net (Section 3.6.4.2).

- Trust between the customer and company (Section 3.6.5).

- Decision-making process of online customers (Section 4.5).

- Demographics, geographics and psychographics (Section 4.3).

- Lifestyles and attitudes of customers (Section 4.3.3).

This indicates that the questionnaire covered and tested for most of the literature discussed. Since the questionnaire was based on the 10th GVU (Graphic, Visualisation & Usability) user survey compiled by The GVU Center of the GTRC (Georgia Tech Research Corporation), it increases the validity of the questionnaire. The fact that the GVU user survey has been used 10 times and been tested and retested, it has been developed and enhanced to produce the best information about online shoppers.

Finally, the research objectives will be answered and discussed to complete the statistical analysis of the research study.

6.7 Testing for the research objectives

6.7.1 Primary research objective

The primary objective of the study was to develop a profile of the customers of Kalahari.net, a South African based e-commerce company. Therefore, the options with the highest scores of every question of the questionnaire completed by the respondents of this study will be brought together to develop the profile of the customers. The three highest scores will be used in questions where the respondent could have chosen all the applicable options.

Profile of the customers of Kalahari.net

The average customer of Kalahari.net has been using the Internet for more than 5 years and mostly accesses it from work on a daily basis. The Internet is used in these instances for work/business purposes and research as well as gathering information for personal needs. The average customer browses the Internet between 1 and 5 hours per week but only does online shopping for less than one hour per week. The biggest problems for the Kalahari.net customer concerning the use of the Internet are that pages take too long to download, there are too many junk sites and advertising banners take too long to load.

The customers of Kalahari.net agreed to the following statements:

- I expect Kalahari.net to be responsive to my needs.

- When it comes to making an online purchase (books, music, games etc.), Kalahari.net is my first preference.

- I am satisfied with the level of customer service provided by Kalahari.net.

- I say positive things about Kalahari.net to other people.

- Kalahari.net's web site is aesthetically pleasing.

- The prices of the products I have purchased from Kalahari.net are at the right level, given the quality.

- Making a purchase from Kalahari.net is very convenient.

- It is important for me to have a good relationship with Kalahari.net.

- When Kalahari.net promises to deliver by a certain time, they do so.

- The wide selection of merchandise that Kalahari.net offers, meets my needs.

- When I recognise the need to buy a product, I accept the Internet (e-commerce) as an option to make my purchase.

The customers neither agreed nor disagreed to the following statement:

- For me, the cost in time, money, effort and grief to switch from Kalahari.net to another online retailer is high.

On average the customers of Kalahari.net have transacted with the company 1-2 times in the past year. Factors, which increase trustworthiness of an online retailer, are well-known brand names, timely fulfilment of orders and security of payment methods. The customers mostly buy books from Kalahari.net. None of the respondents have used the Kalahari.net Help Tutorial yet. They indicated that the categories in which Kalahari.net can improve on are their product range, delivery costs and prices of the products.

6.7.2 Secondary research objectives

The first secondary research objective was to determine the demographic, geographic and psychographic information of the customers of Kalahari.net. To determine this, the information retrieved from Section E was used where the respondents answered questions on their personal information. The responses received indicate the following:

Customer demographic, geographic and psychographic information

Demographic

➤ Aged between 21 and 25.
➤ Mostly female.
➤ Predominantly English.
➤ Married.
➤ 2-3 people in the household.
➤ Mostly without children.
➤ Has a monthly household income of more than R18 000.
➤ Has an Honours/ Masters degree.
➤ Is a trained professional.

Geographic

➤ 50% of the respondents live in Gauteng and 29% in the Western Cape.

Psychographic

➤ Enjoys reading, watching movies and television.
➤ Is influenced by friends and family, the media and own previous experiences when making a purchasing decision.

The second secondary research objective was to determine the online shopping habits of the customers of Kalahari.net. The information relating to this question was retrieved from Section B.

The customers of Kalahari.net make online purchases less than once a month. Variety of choices, ease of placing orders, lower prices and security of payment are important features when shopping online according to the customers. They have purchased music CDs, books and done online banking mainly in the past year and have browsed for computer software, music CDs and travel information on a regular basis. In the past six months, they have purchased books, CDs and airtime from Kalahari.net. On average the customers of Kalahari.net casually browse the product offerings of online retailers less than once a month without the intent to buy something. Most customers are willing to use their credit cards for online purchases and this payment method is also the most popular method of paying for products bought online. The customers sometime purchase a product based on the information that they have gathered on the Internet, whether or not they use the Internet to make the actual purchase. Most of the customers have not had a dissatisfying experience on a web site and if they did it was because of slow downloading and the inability to find what they are looking for on the site.

The third secondary research objective was to determine which products are bought the most from Kalahari.net. This information was retrieved from Section D question 3 and is tabulated in Table 6.16. Research done by Kalahari.net itself, in previous studies, has also indicated that books are the most popular item bought from the company. The respondents had to choose one product from the range of products available from Kalahari.net. DVDs and CDs are also popular products bought from the site. The top three products indicated in Table 6.16 directly corresponds with the in-house data tabulated in Figure 2.3 of research done by the company in 2000. It therefore shows that the buying habits of the customers, in terms of products bought most, are constant.

Table 6. 16: Products bought from Kalahari.net

Product	Frequency as %
Books	50
DVDs/Videos	25
CDs	17
Verimark	3
Airtime	3
Games	2
Wine	0
Computer hardware/software	0
Total	**100**

Lastly, new areas of research on the future of e-commerce had to be identified. New areas can include doing a study similar to this study in two years time by Kalahari.net to be able to compare the results of the two periods. This follow-up study will give an indication of the changes in the profiles of the customers of Kalahari.net which will lead to a change in the product range and marketing efforts or not.

A comparative study can also be done between the customers of Kalahari.net and previous research done on the customers of international online retailers like Amazon.com. Local online retailers like Digital Mall (www.digitalmall.com) and Megashopper (www.megashopper.co.za) can also be used for comparative studies. This will give an indication if online shoppers have the same profile even if they do online shopping with different online retailers locally and abroad.

Another interesting research study can be a comparison between online shoppers and people who prefer only doing Internet banking and not buying products from the Internet. The profile in terms of trust, demographics, psychographics and Internet usage habits can be compared to those of online shoppers like customers of Kalahari.net.

6.8 Summary

In this chapter, the statistical analysis of the questionnaire was done with Microsoft Excel and SPSS 11.0 for Windows. The results were given on a question-by-question basis, which indicated the frequencies of the results. This was followed by cross-tabulations made between some of the questions to indicate interesting information about the different segments of the customer base.

Reliability and validity were also discussed and tested for by means of Alpha and judgmental methods. Lastly, the research objectives set in Chapter 1 were answered and discussed to conclude the statistical discussion of the research study.

To summarise the profile of the customers of Kalahari.net (the main objective of the study), it can be said that the customers are fairly affluent, are well-educated and tend to have small families. The average customer of Kalahari.net has been using the Internet for more than 5 years and mostly accesses it from work on a daily basis. The Internet is used in these instances for work/business purposes and research as well as gathering information for personal needs. The average customer browses the Internet between 1 and 5 hours per week but only does online shopping for less than one hour per week.

On average the customers of Kalahari.net have transacted with the company 1-2 times in the past year. Factors which increase trustworthiness of an online retailer are well-known brand names, timely fulfilment of orders and security of payment methods. The customers mostly buy books from Kalahari.net. They indicated that the categories in

which Kalahari.net can improve on are their product range, delivery costs and prices of the products.

Demographic information retrieved from the questionnaire shows that the customers are aged between 21 and 25, mostly female, predominantly English, married, 2-3 people in the household, mostly without children, has a monthly household income of more than R18 000, have an honours/ Masters degree and are trained professionals residing predominantly in the Gauteng area.

The last chapter, Chapter 7, will give recommendations and the conclusion for the study.

Chapter 7: Recommendations and conclusion

7.1 Introduction

The research results were discussed in Chapter 6. The final chapter, Chapter 7, gives the recommendations to the company, the limitations of the exploratory study and the main conclusions.

7.2 Recommendations

The recommendations will be given in no specific order and will be general recommendations regarding the implications of the results of the research study. Kalahari.net should take these recommendations into consideration during any future strategic decision-making processes.

- To reach Internet users more effectively and advertise the company, Kalahari.net must investigate the use of links to search engines like Ananzi and research databases for their customers. They must also advertise on these sites with banner advertisements or links. If an Internet surfer searches for a topic on a research database or search engine, it can give the option of browsing for a book or other product related to that topic. This will develop Kalahari.net into an information source to its customers, not only offering products to them, but also information services which they can use when looking for a product or information regarding a specific topic.

- To be and stay in the evoked set of the target market, Kalahari.net should advertise regularly in the media (television, radio and print media) and must also reach the

market by means of e-mail advertising, which the company currently does. The Gauteng area should be targeted. This will have the effect of the target market being aware of the product range of Kalahari.net and what they have to offer. The company should also advertise new product lines to their customer base to keep them informed and interested. Print media should include the *Financial Mail* and *Business Report*, which is popular amongst the trained professionals and people in management positions as identified in Section E of the questionnaire. They should use the profile information to target advertising campaigns to specific target segments.

- A research project must be conducted whereby Kalahari.net should investigate which media channels their customers prefer and use when collecting information for future purchases.

- Using the web site of Kalahari.net should be time-efficient. This can be obtained by reducing the effort and time it takes to search for a product, which will imply that the search facility offers optimal usability. The customer should not feel that it is impossible to find a product on the web site in a reasonable time. Kalahari.net should ensure that it is easy to find a specific product and that it is enjoyable to browse through the hyperlog.

- Although only one respondent indicated that Kalahari.net should improve on their product descriptions, it is not to say that it is an unimportant improvement. Detailed product descriptions should be given for all the products available on the site. This should include product name, author/musician, ISBN/product code/edition where possible. Pictures of the products will also help the customer to see if it is the

desired product. Using these tools effectively, can lead to a possible sale of that product or related products in the future. Verimark products should have three-dimensional pictures to minimise doubt and risk when buying the product.

- The web site master should ensure that all links work properly, navigation is easy, font sizes and colour are easy to read and aesthetically pleasing. The pages should be uncluttered and have a neat layout.

- To minimise the problem areas regarding Internet usage, Kalahari.net should regularly check that all the pages of the web site download quickly and correctly. Advertisement banners on the site itself should be limited or quick loading. Since Kalahari.net requires customer registration, which is inevitable, the process should be easy and not time-consuming. They should include a link on the site from which the customer can contact the web site master with problems identified by the users.

- The help tutorial available on the site currently is also a good tool to use in future too.

- Customers should be encouraged to buy the products available on the web site as a gift. Kalahari.net currently offers the customer the option to order the product as a gift to a third person and they will deliver it to that person (see Section 2.3). The gift service together with the e-voucher should also be more widely advertised which will give the recipient the option to choose any product on the site as a gift.

- Kalahari.net should ensure that their prices are competitive in terms of other online retailers as well as traditional retailers. Price competitiveness can be secured by

having the right suppliers and implementing cost-effective procedures such as deliveries between intermediaries. The savings earned by not having physical stores to maintain should be passed on to the consumer. The company should also retain the periodic discounts on products and savings on delivery costs, which are widely advertised. They should also introduce new discount methods, for instance, to buy a product and get the second product at a reduced price. To keep their prices competitive, they should do regular price comparisons between them and other local retailers. These price comparisons should be done on products and delivery costs.

- The web site should also promote easy ordering by having clear instructions on how to order a product. This can be done by instructions and steps to be followed in different fonts or colours until the procedure has been finished.

- Kalahari.net should continue to include more of the popular products on the web site and focus on the popular product lines. After the empirical research was done, Kalahari.net began to introduce a travel product line. By partnering with Europe's largest online travel company, lastminute.com, Kalahari.net is now offering huge discounts on last minute hotel and game lodge bookings. The customer can check which dates suit them and do online booking for a holiday. Research and testing should be done on a regular basis to determine which products are popular and if a product line did not perform well in the specific time period, it should rather be removed from the product offering.

- Kalahari.net should either decide to boost the Verimark and computer ware product lines by advertising it more intensively or remove it from the product range. Since

27 respondents bought airtime from Kalahari.net in the 6 months prior to the empirical research, the company must capitalise on this popular product and advertise it more intensively and in doing so enhance the sales potential.

- Kalahari.net should capitalise on their site security since they have the Trust Online Site Program. Customers should be well-informed about this and understand the advantages of the security program in the light of recent credit card fraud in South Africa. The company should ensure secure payment methods and indicate that all client information will be kept confidential.

- Kalahari.net should also keep on providing easy, alternative payment methods for their customers and improve on this as their customers' needs change. All payment methods should be explained on the site to give potential customers the option to choose the best payment method for them.

- Kalahari.net should have continuous efforts to determine customer needs and wants and according to this compile and change the marketing strategy and product range. Major profile testing should be done every one to two years to identify new needs and trends in the market and especially their target market.

- Customers should be encouraged to rather contact Kalahari.net itself in the event of a mistake or problem and not to spread negative word-of-mouth amongst friends and family. If customers air grievances with the company, Kalahari.net should respond to this in the proper manner and solve the situation to please the customer.

- Short surveys must be introduced in future where customers who had recently bought a product from the company receive a survey by e-mail. The survey must ask the customer's opinion regarding the price of the product bought, if delivery time was as promised, if the product was received in good condition and also give the customer the chance to add additional input regarding the purchase transaction or the company. If a customer had a bad experience during a recent purchase, the company will be able to identify the problem and implement a solution or service recovery procedure.

- Kalahari.net must consider adding a link into the site where customers can refer a friend or send a link of a product or the site to an e-mail address. The customer will then be able to tell a friend or family member about a product and in this manner introduce more people to the company and its products.

- Kalahari.net should ensure that the products, which are sent to customers via post, reach them in perfect condition. This should be done by safe packaging methods and good relationships with the South African Postal Service. Delivery should be done in time and as promised to the customer on the web site.

- Since the majority of the respondents felt that their relationship with Kalahari.net is important, the company should continue with personalised e-mail messages. When the customer logs in on the web site, his/her name should appear near the top of the homepage. E-mail messages sent to customers should also be personalised as far as possible.

- The current strategy of Kalahari.net is to indicate on the web site how long the product will take to reach the customer; send the customer an e-mail containing the transaction number and other important information and then send the customer an e-mail message when the parcel is ready to be collected from the post office. This keeps the customer informed about the progress of the transaction and should be continued in future.

- Kalahari.net should offer products that correspond with the needs and preferences of young adults (books, CDs and DVDs) and keep in mind that customers' needs change as they get older. The company must consider doing research on their customers aged 21-35 and retrieve specific information for that age group such as favourite book and CD categories, since those are the biggest market segments. They should select the product offering according to the customer profile.

- Product lines of Kalahari.net, such as books and CDs, should satisfy a wide array of interests. Books about gardening and home repairs will be more popular amongst older age brackets and married people whereas younger, single customers might prefer leisure reading material and have different music taste.

- The company should continue to translate the web site into Afrikaans since 46% of the respondents are Afrikaans-speaking. A tool should be built into the site, which indicates to the company how many users make use of the Afrikaans version of the web site.

- Depending on the outcomes of regular testing regarding the delivery areas, the company must consider having a product depot in the Gauteng area. They should, however, consider the cost implications first.

- The Kickbackclub of Kalahari.net should be developed into a loyalty club where customers get additional discount when they have purchased x amount of products through the club. Kalahari.net should keep the percentage discount instead of cash back vouchers of companies like Clicks (Clicks Clubcard) to reduce administration.

- The DVD, book and video product lines should be extended to provide in the needs of all stages in the family life cycle. Kalahari.net should aim to have the widest selection of books available in South Africa so that they would satisfy their customers, especially the age group of 21 to 45 which covers the biggest part of their current customer base. More in depth research on their preferences are needed for this though.

- Kalahari.net should implement special marketing efforts on the two customer groups namely males and females. Occasions such as Women's day, Fathers' day and Mothers' day should be celebrated with special offers on products which suit these customer groups.

- The web site of Kalahari.net should have a sophisticated look but at the same time be interesting and appealing to the younger age groups who are interested in technologically advanced marketing channels.

By considering and implementing these recommendations, Kalahari.net will be able to better serve their clients and supply products which will satisfy their needs and wants. The customer profile should be the main driver of all general management and marketing strategies.

7.3 Limitations of the study

The general limitations experienced by the researcher are the following:

- The researcher was not permitted to get the e-mail addresses of the customers to send out the questionnaire herself. Kalahari.net systematically selected the respondents to adhere to the confidentiality clause, which states that they will not disclose any customer information to third parties. This resulted in the inability to do follow-up e-mails to remind the respondents to complete the questionnaire.

- Some e-mail addresses were not active anymore and resulted in the questionnaire not getting to the respondent.

- Some respondents started completing the questionnaire but did not finish completing it for some reason.

- A question regarding the type of industry in which the customer is working should have been added (e.g. education, retailing, banking etc.).

- People tend to see e-mail from companies as spam (unwanted e-mails) and delete it without reading it because of limited time during working hours.

- A larger response rate would have given a better indication of the profile of the customers. Unfortunately the researcher did not have access to the e-mail addresses of the customers in order to re-send the questionnaire or send it to additional customers to improve the response rate.

7.4   Conclusion

This study proves to have valuable information to the company which was researched, namely Kalahari.net. The literature study done includes information about marketing in general, e-commerce, consumer behaviour, profiling and relationship marketing which were all used to compile the questionnaire given out to the chosen customers of the company.

By completing the online questionnaire, the customers provided valuable information to the researcher and Kalahari.net regarding their profile, needs, online purchasing behaviour and general view of Kalahari.net itself. These data were converted into useful information using SPSS and Microsoft Excel so that a profile of the customers could be developed.

Having the profile of the customer of Kalahari.net can be utilised by the company to alter and improve on the current offering and strategies to satisfy their customers more effectively. It was proven throughout the literature study that no company can be successful if they do not know and understand their customers completely.

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Appendices

APPENDIX A: Web-based questionnaire

APPENDIX B: Letter to Kalahari.net requesting support for the research study