A Study of the Phenomenon of Customer Disservice at the Amalgamated Beverage Industries

Research Report by

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Preface

As a member of the division of customer service at Amalgamated Beverage Industries, my interest in this study is both academic and commercial. Amalgamated Beverage Industries has a real need to become more customer centric as it has not changed its customer practices and processes even though customers needs have changed. The company needs to promote a customer centric solution throughout the value chain of the organisation and move away from the present sales and distribution emphasis that it is practicing throughout its entire operation. The question that I have been faced with as a customer service manager is: What should be done at Amalgamated Beverage Industries to promote a customer centric orientation that will help the company to sustain its market share and be more competitive in an industry that is rapidly changing.

The research conducted has, apart from fulfilling the academic requirements for the degree provided the writer and her colleagues with more insight into the reality of the customer disservice that has been ongoing for some time at Amalgamated Beverage Industries. The learning opportunities experienced during the study are appreciated and will go some way to transforming the company towards a more customer centric focus. This study would not have been a success had it not been for the assistance of a wide range of very helpful people whom I would like to acknowledge as follows:

- Professor Piet Nieuwenhuizen – for the guidance and insight he provided during the writing of this report. It was a great honour to have worked with him.
- Tuys Moshuge – My Manager at Amalgamated Beverage Industries. I appreciate the assistance that he gave me while doing the research
- Steven Cox – My Manager and mentor at Amalgamated Beverage Industries.
- Tindi Khaemba – My father. He has been my mentor and support throughout my studies.
- My family – for their encouragement and support

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Executive Summary

The objective of this research paper was to examine and evaluate the phenomenon of customer disservice at Amalgamated Beverage Industries, and to suggest a customer centric approach that would enable the company to address the deficiencies identified in the sales and distribution departments.

The report consists of seven chapters namely, the hypothesis and method of investigation, the literature review, the method of investigation and research methodology, the data analysis, the data findings , the recommendations and a brief summary chapter i.e. the conclusion.

The management dilemma was identified as follows:
Amalgamated Beverage Industries needs to promote a customer centric solution throughout the entire value chain of the organisation, For the purpose of this research, the problem identified and the solutions suggested concentrated on the sales and distribution aspects of the Southern Gauteng customer base as a sample representing the entire organisation. The objective is to move away from the present sales and distribution emphasis and adopt a more customer centric orientation. The management question at hand was therefore: What should be done at Amalgamated Beverage Industries with regards to sales and distribution, in order to promote a customer centric orientation and move away from a sales and distribution emphasis?

The research paper reviews the related literature with a view to determine what a customer centric orientation entails. This information was used to extrapolate customer service gaps from secondary data available in the company to establish customer expectations and to formulate sustainable recommendations that could be followed in order to adopt a customer focused service.

The hypothesis that was formulated in accordance with the management dilemma was that Amalgamated Beverage Industries needs to protect its future market strategy by adopting on a customer centric view in all its operations; to not only sustain current business but to safeguard its future position in the market which has become more competitive.

The research methodology used to investigate the customer service problems at Amalgamated Beverage Industries begins by exploring the employees' perceptions towards customer service in general. The sample used for the research was taken from the Benrose plant which is part of the Southern Gauteng region. The research methodology also uses case study of ongoing company surveys on customer service and careful examination of relevant literature. This discussion includes the research approach, data collection and strategies used to derive reliable and valid information. The aim was to evaluate the culture prevailing in the plant and its impact on customer service.

Secondary data from Synovate Consulting, a research company was used to get a general idea of the level of customer service at the plant and customers expectations. Information extracted from secondary data available from a survey known as the "Customer Value Drivers Survey" was used to establish various expectations by customers in various channel markets, serviced by the Benrose plant. The results of the information are useful in determining the gaps existing in customer service

The data analysis technique used availed itself of both quantitative and qualitative data. It was based on a detailed analysis and interpretation of findings of both primary and secondary data of customer satisfaction surveys and employees' perceptions at the Benrose plant. The survey-based secondary data from Synovate Consulting Company, and the Customer Value driver survey feedback, reflecting the current service levels, are summarised to show the trend and proportion of occurrences, by category. This survey establishes customer perceptions towards the services offered by the company in terms of value. The information gathered was used to obtain a general idea of the level of customer service at the Benrose plant, to establish customer expectations and to determine the gaps existing in customer service. The employee survey was based on a sample of 63 employees drawn from 303 employees at the Benrose plant in April 2005. A detailed questionnaire was sent out and the data collated in order to establish the employees' perception towards customer service.

The study shows a need for a changed mindset and a more customer centric culture of the employees. The customer value driver survey revealed what customers perceived as adding value to them. The customer satisfaction surveys indicated that customer expectations are not being met. These surveys were important in formulating the recommendations as they are based on customer perceptions and not the company's perception. The research confirmed that over the last few years, despite the market place changing and competition increasing, the company has not changed its culture and practices towards customer service. The employee survey revealed that employees believed that they were meeting customer needs, which is obviously not the case as indicated by the customer satisfaction surveys. The company thus needs to adopt a more customer centric culture in order to secure its market share and satisfy today's customer.

Recommendations are given as a guideline that the company can use in moving towards a more customer centric culture. The recommendations are derived from various conclusions reached in this study. In order to improve customer service the recommendations are as follows: The Company should embark on introducing service standards and behaviour that is specific to a department. In addition to this, a transformational focus group is recommended that would champion change in the entire group. Models for cultural change are recommended and a rigorous change process formulated that would assist the company in achieving a changed mindset towards customer service.

Additional recommendations given were that the on-going customer surveys should include competitors in the beverage industry in order to benchmark and be constantly aware of what is happening in the industry. A customer loyalty survey is recommended in order to establish the percentage of loyal customers that the company has. It was also recommended that the customer value driver survey that establishes customers' expectations be conducted annually in order to keep in touch with changing customer needs. To continually sustain a customer centric culture the recruitment process would need to change. Training and development for the entire employee group needs to be rolled out. Incentives should be linked to service. A sample of customers should be invited quarterly as a customer focus group to give feedback and suggestions of how the company can improve customer service. Finally a performance management human resource development system needs to be introduced in order that poor service to customers is addressed and the performance evaluations of employees include the results from the customer satisfaction measurements.

The research reveals that the company is not meeting customers needs, and lastly, that the company compared to other players in the beverage industry needs to improve its customer satisfaction measurements in order to sustain its market share. It is important to successfully implement the recommendations detailed above and continually keep abreast of changing customer needs. The company needs to emphasize the importance of the customer, to sustain its current and future market share as the customer is the lifeblood of all businesses.

1.1 Hypothesis

The objective of this research is to examine and evaluate the phenomenon of customer disservice at Amalgamated Beverage Industries, and to suggest a customer centric approach that would compel the company to address the deficiencies identified, especially in the sales and distribution departments.

The hypothesis is formulated with a view to firstly identify the company's management dilemma, secondly to define the management question and thirdly to define the research questions which form part of the hypothesis.

The management dilemma is identified as follows: Amalgamated Beverage Industries needs to promote a customer centric approach throughout the entire value chain of the organisation. For the purpose of this research, the problem identified and the solutions suggested concentrate on the sales and distribution aspects of the Southern Gauteng customer base as a sample representing the entire organisation. The objective of this research is to examine and evaluate the importance of a customer centric model for the company, not only to sustain its market position in the face of growing competition, but specifically for its survival in a globally dynamic and competitive market.

Examples of day to day service deficiencies according to the complaints book at the switchboard of the Benrose plant, which is part of the Southern Gauteng Region of the company, are shown in Table 1 below.

The complaints on a typical day are as follows:

Table 1: Summary of Customer Complaints on a typical day

Service Category	Nature of service	Inefficiency	Service error	Managements reaction
Sales complaints			Volume 40%	
Sales	New customers	-New customers wait a month before being able to trade with the company -New customers wait for three months before being equipped with a refrigerator to store their cold drinks.	In the face of competition this would be a big loss for the company should competitors be able to respond quicker to customers	New customers are advised to wait in line as there is a backlog
Sales	Order taking – should be done by sales people once a week.	Sales people do not visit the customers to take orders	Customers could turn to competitors products	Customers advised to phone the company if sales people do not visit
Distribution complaints			Volume 50%	
Distribution	Late deliveries –	Customer promised time of delivery is consistently not met	Company risks losing customers to competitors who can keep promises	The company will not commit to a specified delivery time as the service promise is between 8am-5pm.
Distribution	No deliveries – scheduled deliveries run from Monday – Friday, 8am-5pm	If drivers are running late beyond 5pm, deliveries will be carried forward to next day, without informing customers	Company risks losing customers to competitors who can keep promises	Customers advised to order early so that their deliveries are not scheduled to late afternoon
Distribution	Planning is based on availability of trucks and one delivery per week per area	Customers not consulted on which week day suits them.	Company risks losing customers to competitors who will consult them of their needs	Customers are advised to plan their schedules according to the companies distribution plans
Other complaints			Volume 10%	

Source: Amalgamated Beverage Industries Customer complaints book - (2005)

1.1.1 Company vision and values

Amalgamated Beverage Industries vision is to be a vibrant company where everyone believes that good enough is never good enough, where they challenge themselves to reach further knowing that together they achieve more' (http://www.abi.co.za)
The company values by which it is committed to in its operations are outlined below. The values printed on the company website are the following:

- Partnership: "Amalgamated Beverage Industries knows that their success is dependent on their customer's success. Together with customers they shape the future."
- Being Relentless: "Amalgamated Beverage Industries goes further to understand and meet the customers' needs. If there isn't a way - they find a way. They surpass expectations in fresh and unexpected ways."
- Being Connected: "Amalgamated Beverage Industries' deep local roots bring them closer to the people. These insights inspire them to develop preferred solutions."
- Being Aware: "They are a switched on group of people. Aligned in the knowledge of where they are going and how they are going to get there (http://www.abi.co.za)

From the above vision and values of the company it can be seen that Amalgamated Beverage's service promise to customers of partnering with them so that the companies success will be the customers success is being compromised by the company not following a customer centric orientation. By not doing so, the company is failing to be Relentless, stay connected and continuously be aware to customers as promised
The research seeks to find solutions for the company to follow a more customer centric orientation in order to meet its service promise'

1.1.2 The non- alcoholic beverage industry

The non- alcoholic beverage industry comprises of carbonated soft drinks and non carbonated soft drinks. In the nonalcoholic beverage industry, consumers spend more money on carbonated soft drinks than anything else. The sector is dominated by three major players, which together control nearly 90% of the global market. Coca-Cola is king of the soft drinkempire and boasts a global market share of around 36%, followed closely by Pepsi Cola at about 35%, and Cadbury Schweppes at 17%.

For years the story in the non-alcoholic sector has centered on the power struggle between Coca Cola and Pepsi Cola. The threat of substitute products has caught on as a new market emerges that prefers non carbonated beverages such as fruit juices, water and sports drinks. But as the pop fight has topped out, the industry's giants have now begun relying on new product flavors and non-carbonated beverages for growth. The cola giants have realized the need to work on a differentiation strategy in order to secure their market positions. There are as many competitive strategies as there are competitors; however, when one strips away the details to get to the substance, the most important differences among competitive strategies is the following:

- *Cost strategy (Thompson and Strickland, 2003: 150)*

A company can compete on being the best cost provider that provides customers more value for their money at a lower cost than rivals in that category. In this case a company competes on price

- *Differentiation strategy (Thompson and Strickland, 2003: 150)*

A company can seek to differentiate its product offering and services in ways that meet customers needs better than rival products or services. Both Coca Cola and Pepsi Cola offer similar products in the carbonated cola range. Both companies have for many years competed on price. But to achieve a sustainable competitive advantage, the companies need to seek different ways to differentiate either their product or services to customers, in this way they will be achieving a strong differentiation strategy. Pepsi Cola may no longer vie for Coca Cola's carbonated crown, but it has been winning battles on the new competitive front. The threat of rivalry intensified in 2001 when Pepsi Cola's mergers and acquisitions with non-carbonated beverage companies around the globe put Pepsi in the number one spot in the non-carbonated beverage category, a major challenge that Coca Cola had not anticipated. This threat has now spread to South Africa where Pepsi Cola has recently merged with the South African food giant The Pioneer Foods Company, giving Pepsi Cola a more differentiated product segment and access to the new market segment of non carbonated soft drinks. Coca Cola is a new entrant in the non-carbonated soft drink sector, and thus not a market leader in this segment of the market. Consumer demands have changed over the years and their preferences in the non-carbonated soft drink market are leaning towards substitute products and complimentary products. According to Thompson and Strickland, competition intensifies in an industry where there are substitutes or complimentary products. Producers of eyeglasses compete with the contact lens makers, the sugar industry competes with the artificial sweetener industry, and thus in the same breadth in the non-carbonated soft drink industry, juices, compete with water, or tea or cordials etc. Consumers today have a wider choice than before and have become more demanding than before. (Thompson and Strickland, 2003: 87)

Other beverage companies found success with fruit drinks, sports drinks, and bottled teas, where Coca Cola was lagging behind in and succeeding only in one sector i.e.: carbonated soft drinks. The fastest-growing product in the beverage sector is bottled water, with about $10 billion in annual sales. To date Coca Cola is lagging in this new market segment.

The key to success for all beverage companies is differentiation. Whatever the strategy, be it a new color, flavour, or formula, beverage companies strive to create the greatest brand awareness in the minds of the consumer (think Nike and gym shoes), hoping to crowd out competitors (http://biz.yahoo.com/ic/profile/348_1042.html)

Both Carbonated Soft drink or Cola Giants Coca Cola and Pepsi Cola do not have a substantial market share in the water and non-carbonated soft drink market, which is a more differentiated market. This poses a threat to their future industry position as consumers opt for other thirst quenching solutions other than the carbonated category.

Thus the Research paper seeks to examine and evaluate that although Coca Cola may be the current industry giant there is a looming threat of losing market share to the non-carbonated competitors, should the differentiation aspect not be exploited. The Research seeks to recommend that Coca Cola not only look to product differentiation as a solution, but rather strengthen its market position by service excellence.
(http://biz.yahoo.com/ic/profile/348_1042.html). Industry giants need to be constantly aware of competition and strive to stay on top of it.

The recent merger of Pepsi Cola in South Africa with the food and beverage giant- The Pioneer Foods Company poses a threat to Coca Cola's market share in South Africa. The point to be noted is that even industry leaders need to constantly guard their market share by looking after customer loyalty. The Research paper recommends that Coca Cola and its bottlers look beyond superior products as these can be easily imitated by competitors but rather built loyalty through superior customer service, which creates a more favourable experience with customers and thus loyalty.

An article in the Times website stated that: 'once upon a time, the Coca Cola brand stood alone at the top, the reality is that in the carbonated soft drinks category, coca cola in south Africa is now facing the threat of Pepsi Cola's re-entry into the market." In the Non-carbonated beverage section, Coca Cola lags behind other beverage companies, as it was slow to respond to the market need for non-carbonated soft drinks, and to date pays for the price of its slow reaction. (htttp://www.time.com Posted Saturday April 6 2004)

Times website continues to say ' when you call the world headquarters of Coca Cola in Atlanta and get put on hold, one of the jingles that play in your ear is the familiar ' it's the real thing' Coke loves paying homage to this ancient tag line. The problem is that Coca Cola hasn't had a catchy verse to crow about in years, and although in 2004 it spent nearly $2billion advertising around the globe, Coca Cola saw its share of the Cola market decline to Pepsi Cola. Meanwhile Pepsi Cola is riding a sizzling Britney Spears (famous teen celebrity) lead campaign to a bigger share. The cola fight is heating up and Pepsi is landing most of the punches. Yet if Wall Street is the judge of who's winning, there is no contest, Pepsi shares are trading near an all time high, and have doubled during Coca Cola's long malaise. Wall Street gives Pepsi far better marks for using visuals like Britney Spears to reinforce Pepsi's image for the younger generation, as image is everything. (htttp://www.time.com Posted Saturday April 6 2004)

After consideration of the above synopsis regarding the growing competition faced by the Coca Cola Company and its bottlers. The hypothesis of this paper is the following:
Amalgamated Beverage Industries needs to protect its future market strategy by taking on a customer centric view in all its operations; so as to not only sustain current business but also to safeguard the future position in the market.

The hypothesis can be classified as a causal hypothesis, based on the fact that a change in one variable (customer service) would have favourable offsets on the other variables (favourable market share). By adopting a customer centric orientation in its operations, (the independent

variable), Amalgamated Beverage industries would be able to better secure a sustainable future position of market leader in the industry.
The hypothesis having been stated and the variables having been identified, the hypothesis needs to be tested for validity and consistency. The criteria for a good hypothesis are the following (Van Jaarsveld: 2003:16)

The hypothesis outlines the original problem of the company, namely the need for a customer centric orientation- as stated earlier the management dilemma has been identified as follows: Amalgamated Beverage Industries needs to promote a customer centric solution throughout the entire value chain of the organisation.

For the purpose of this research, the problem identified and the solutions suggested do concentrate on the sales and distribution aspects of the Southern Gauteng customer base as a sample representing the entire organisation, with an objective to move away from the present sales and distribution emphasis and adopt a more customer centric orientation.

The hypothesis outlines the facts relevant, showing specifically customer orientation leads to sustainable market position, and thus sustainable competitive advantage. To achieve a sustainable competitive advantage, the company needs to seek ways to differentiate either products or services. Considering that the two strongest competitors in the carbonated soft drink industry , namely Coca-Cola (with Amalgamated Beverage Industries being a major distributor /bottler) and Pepsi Cola both offer similar products, Service has been identified as a more superior way of achieving a strong differentiation strategy as it is more difficult to imitate. Service depends on the unique characteristics of individuals working in a company thus harder to copy. (Thompson and Strickland, 2003: 150)

The hypothesis clearly describes the conditions surrounding the research problem, namely that Amalgamated Beverage industries service complaints are in the sales and distribution categories due to the company adopting a sales and distribution orientation as opposed to a customer centric orientation

1.2 Purpose of Research

Amalgamated Beverage Industries has a customer base of 47,035 customers. Table 2 below shows all 13 plants of the company by location: Due to the magnitude of the customer base this research is limited to the Southern Gauteng region's customers which incorporates three plants highlighted in yellow in table 2, namely: Benrose, Bedfordview and Devland.

Table 2: Amalgamated Beverage Industries Plants by Location

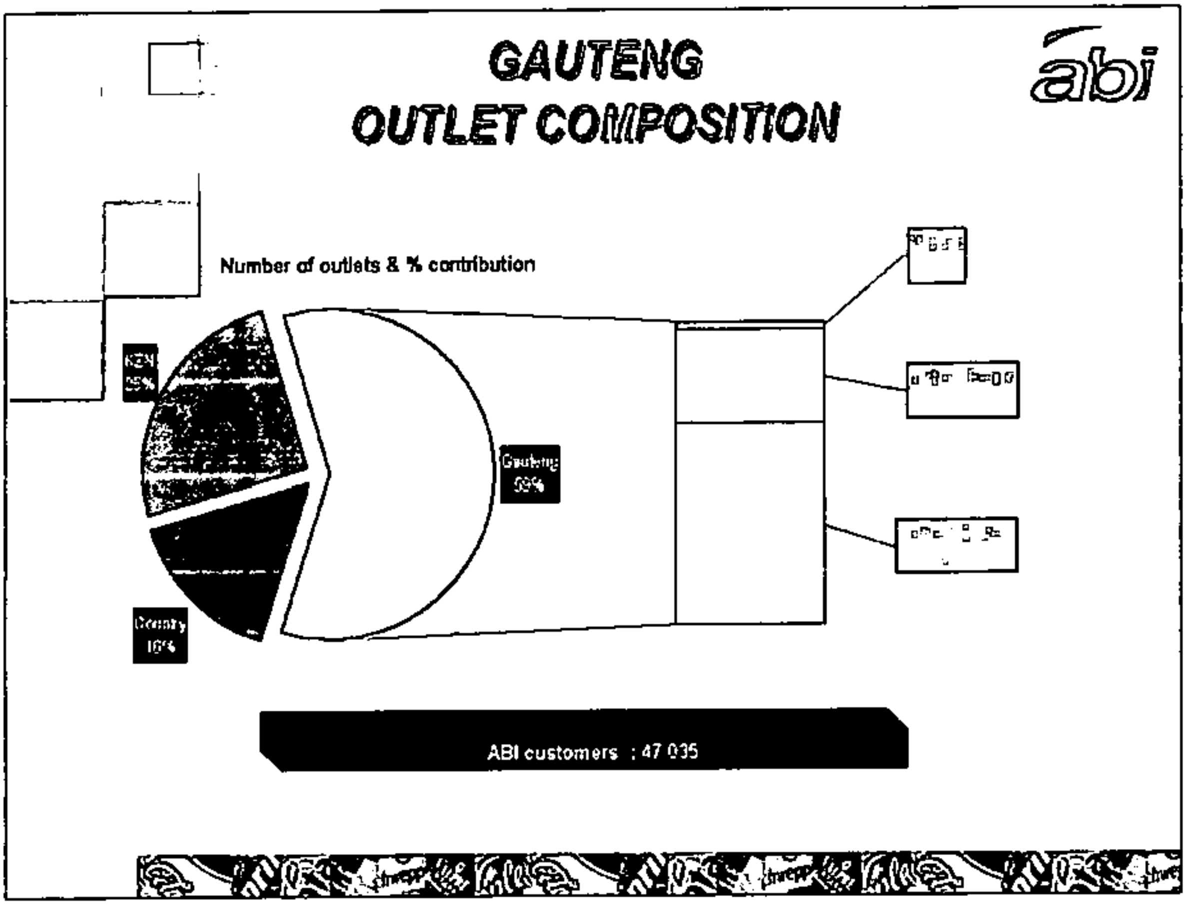
	Amalgamated Beverage Industries Plants By Location
1	Bedfordview
2	Benrose
3	Bethlehem
4	Devland
5	Durban (Phoenix)
6	Midrand
7	Head Office
8	Klerksdorp
9	Ladysmith
10	Welkom
11	Rustenburg
12	Vaal
13	Pretoria

Source: Amalgamated Beverage Industries company records (2005)

The scope of this research in this paper concentrates mainly on the Benrose plant and is narrowed down to examining two aspects of the plants value chain, namely: The Sales and Distribution functions, and the effect that it has on customers.

Outlined in Figure 1 below, is a depiction of the entire outlet or customer base for the Gauteng region. Figure 1 shows that Southern Gauteng region customers, on which the research paper is based, represent 39% of the company's customer base.

Figure 1: Amalgamated Beverage Industries Gauteng Outlet Composition



Source: Amalgamated Beverage Industries company records (2005)

Apart from seeking to formulate a more customer centric solution to the sales and distribution functions, the research also seeks to introduce a change management style that can be followed by focusing mainly on the customer so as to achieve a changed mindset in sales and distribution in relation to customer service.

1.3 Problem statement

As shown under the Hypothesis, the objective of this research paper is for Amalgamated Beverage Industries to protect its market share by taking on a customer centric view in all its operations; so as to not only sustain current business but also to safeguard the future position in a competitive market. The above Management problem can be translated into the following Management question: What should be done at Amalgamated Beverage Industries with regards to Sales and Distribution, in order to promote a customer centric orientation and move away from a sales and distribution orientation?

Amalgamated Beverage Industries is the leading bottler of Coca-Cola in South Africa. The company bottles and distributes the majority of the Coca-Cola brand soft drinks in South Africa, a total of 70% of the country's distribution .The Management problem is that, Amalgamated Beverage Industries benchmarked against other beverage companies in the industry, reveals that there is a gap in customer service .Amalgamated Beverage Industries traditionally has been sales and distribution oriented as opposed to customer oriented. There is a general resistance to changing sales and distribution policies that have been running effectively for a long time and thus a general problem with keeping up to pace with changing customer service requirements in the marketplace. Some symptoms of the problem were seen in Table 1 by observing the summary of customer complaints on a typical day from the customer complaints book.

The research paper hopes to formulate recommendations that can be adopted by the company in addressing the problems that have led to customer disservice. The research comprises of a case study method availing itself mainly of a study of the relevant literature followed by questionnaires and interviewing of people knowledgeable about customer service in the industry. Relevant literature is examined in chapter 2 followed by some more detail on research methodology in chapter 3. Chapter 4 examines and evaluates the data obtained by means of questionnaire and interviews. The findings of the research and recommendations follow in chapter 5 and 6. The final chapter 7 is the conclusion which is a detailed summary of the entire the research study.

Chapter 2: Literature Review

2.1 Introduction

The objective of this chapter is to review the literature available on the subject of customer service. In most of the literature the terminology 'customer orientation' is synonymous with the terminology 'customer service'. This information is used to extrapolate the customer service gaps from secondary data available at Amalgamated Beverage Industries Southern Gauteng region, relating to customer expectations and to formulate recommendations that the company could follow in order to adopt a more customer centric focus.

2.2 Background of Amalgamated Beverage Industries

South Africa's bottler Amalgamated Beverage Industries is the soft drink division of South African Breweries Limited. Amalgamated Beverage Industries distributes 70% of the country's Coca-Cola brand soft drinks in South Africa. Established in 1976 the company's manufacturing, sales and distributing services in South Africa covers the Gauteng and Kwazulu Natal regions, and parts of the North West province and the Free State. Refer to Table 2 for a list of all the plants by location around the country.

Amalgamated Beverage Industries operates as a franchise of Coca Cola Southern Africa. It is entirely responsible for the Coca Cola brand in terms of the manufacture, sales and distribution of the products to its retail customers, who in turn sell the product to end- user consumers. The research seeks to reveal that in the customers' minds Amalgamated Beverage Industries is synonymous to the company Coca Cola, as it is Amalgamated Beverage Industries which is physically involved with the customers. The main customer base includes the following outlets:

- Wholesalers and general dealers
- Convenience stores
- Supermarkets and Hypermarkets
- Immediate or On-premise consumption outlets (such as restaurants etc)
- Petroleum food marts
- Liquors
- Education channels

Amalgamated Beverage Industries is the largest of seven bottlers in South Africa with a 70% market share. The Company thus largely represents Coca Cola in the country and thus any reputation awarded to Coca Cola by implication refers to Amalgamated Beverage Industries and Vice versa. The role of Coca Cola in South Africa is to supply the ingredients and marketing strategy to the bottlers who in turn execute the strategy and distribution of the Coca Cola Products in the country.

2.2.1 Socio-political environment of the market place

The significant political change during the 1990's, saw the national boundaries dissolve, which resulted in intensified competition, as the South African economy became part of the Global Economic Village. As indicated by Slabbert, Prinsloo, Swanepoel & Barker, (1998: 13) that since the mid 1990's, the South African society has undergone a profound shift in socio-political governance. The transformation of socio-political institutions is now being driven by the principles of democracy. As these principles of democracy take root and steadily permeate society, it becomes increasingly difficult for organisations to resist embracing and designing their organisations to reflect and pay tribute to those principles of democracy.

To understand what has led up to superior customer service becoming today's key market differentiator, an examination of the history of the marketplace will shed light to this. The Second World War and its aftermath had an enormous impact on customers and their needs. Products and services were scarce and at the time customers were content with satisfying their basic needs. Customers were looking for products and services that provided them with food, clothing, living space, transportation and education for their children.

The late 1950's and early 1960's, the economy changed and customers needs changed with it. Goods and services were more plentiful and competition for market share increased. Customers now had a choice of what to buy and decisions were based on quality of goods.
Advances in technology, especially production technology meant that cost of producing goods decreased and product price and quality became the key market differentiators.

As technology developed the world got smaller due to globalisation. Competitors increased, companies could produce their goods in other countries and thus reduce production costs even more, this meant improved profit margins, exporting and importing into new markets became possible, and thus economies grew and the target population became wealthier. This meant the customer had evolved. Today's customer is the modem customer. The modem customer is willing to pay more for products of better quality or with more features and the key differentiator became being innovative in products and services. Competing on only the traditional differentiators of price, product range, product quality and basic service no longer had a sustainable effect on profitability. In fact it only led to an already saturated market having yet more similar goods and services, thus a vicious cycle. This is why in today's competitive global market; companies need to offer a unique customer experience.

Companies need to offer superior customer service. The modem customer is looking for more – they want to have a great and holistic experience when they conduct business with companies. The modem customer is aware that they have many options and will leave to find another supplier should they be unhappy with either your product or service. Thus in order to survive, companies must understand their customers needs and use unique service as a superior differentiator that is hard for competitors to imitate. (First national bank service conference: Gary Goodacre , 24 October 2006)

It is against this background that Amalgamated Beverage Industries was operating, having realised the rapid environmental change both internally and externally. For instance, in the 1990's the costs of material escalated since they had to acquire raw materials using American dollar currency versus the yester-years when they were trading in local currency.

The external competition, which now had freedom to enter the South African market, also impacted on the way they ran business (such as leadership, management style and culture). This is confirmed by Slabbert et al (1998: 3-5) when they maintain that the external environment comprises of influences or inputs from systems in the broader community, such as, political, economical, social, demographic, educational and technological etc., whilst internal environment comprises of influences of factors within the business company(such as vision, mission, leadership, management style, culture etc.).

Therefore, it is evident that Amalgamated Beverage Industries was driven by the external environment such as intense competition, technological advance which impacted on their management / leadership style, socio-political change in the country which impacted on the organisational culture. However, the research shows that Amalgamated Beverage Industries which was formed in 1976 did not evolve with the market place and their customers. This left a serious service gap as the company was not meeting the modern customers' needs

2.2.2 *Operating environment*

Although it appears that the positive economic conditions that have been experienced over the last two years are slightly slowing down. Consumer demand has remained buoyant throughout 2005. Oil prices have continued to put pressure on inflation levels which resulted in no further interest rate cuts. The impact of this operating environment on the industry is that consumers' still had spending power. Regarding Amalgamated Beverage Industries volumes, the weather between the periods of July and September 2005 has been favourable, as maximum temperatures increased compared to the previous year.

Being in the soft drink industry, increased temperatures would mean increased volume of sales. Competitor activity remained stable, although there is an increase expected with the announcement of the Pioneer foods company, Pepsi Cola merger in August 2005. (Board meeting: 20 October 2005-Section A: 2006, Quarter 2 Performance review – overview by Managing director: 3)

2.2.3 *Financial performance*

Revenue for the six months ending 30 September 2005 were 15.8% higher than the same period last year and ended up on 4.4% above budget. This was mainly due to increased sales volume and price effects. Cost of sales was up 13.3% on prior year.

Controllable fixed costs have increased by 2.2% versus budget, driven by pay costs and maintenance charges. Earnings before income and tax (EBITA) performance have recovered over the prior quarter and are 0.6% ahead of forecast for the previous six months and 28.9% prior year. (Board meeting: 20 October 2005-Section A: 2006, Quarter 2 Performance review – overview by Managing director: 3)

Below, Table 3 shows a summarised version depicting the sales performance of the Amalgamated Beverage Industries over the years between 2004 and 2005.

Table 3: Amalgamated Beverage Industry Financial performance of 2004-2005

Financial Summary	2005 US$m	2004 US$m	% change
Turnover	1,473	1,171	26
– Amalgamated Beverage Industries	1,151	912	26
EBITA*	250	186	34
– Amalgamated Beverage Industries	213	158	35
EBITA Margin (%)*	17.0	15.9	
– Amalgamated Beverage Industries Sales Volumes (Hectolitres in 000s)	18.5	17.3	
– Soft Drinks	14,301	13,227	8
– Amalgamated Beverage Industries	14,066	12,999	8

Source: Amalgamated Beverage Industries company records (2005)

Amalgamated Beverage Industries has benefited from the favourable economic conditions in South Africa, and from a favourable tropical weather. Soft drinks' sales volumes increased from 13,227 to 14,066 due to a growing black middle class that has increased national household spending, supporting increasing demand for Amalgamated Beverage Industries' products. Volume was buoyant, and the 8% growth was driven by effective national account promotional spend, the effects of the pricing strategy, and moderate price increases.

The final quarter showed strong growth, aided by the timing of Easter in March. The benefits of the two Easters during the year aided growth in volume by approximately 0.5%. This excellent performance resulted in share gains in the carbonated soft drink category, especially in the national accounts following repositioning of some brands and more effective promotional spending. Continued flavour and pack innovation further drove sales, as did focus on driving winter consumption. Carbonated soft drink volumes were up 8% for the year and overall, carbonated soft drinks contributed 94.6% of total Amalgamated Beverage Industries volume.

Turnover increased 26% (11% in constant currency) on the back of volume growth and selective price increases. Earnings Before Income and Tax (EBITA) increased by 35% for the year (19% in constant currency), driven by higher turnover, productivity improvements and procurement cost reductions, and delivered an improved EBITA margin of 18.5%.

2.2.4 Marketing and sales

For the six months ending 30 September 2005, sales volumes were up by 11.2% higher than the same period last year, and 1.6% on budget, driven by strong Carbonated Soft Drink sales performance in the channels. Gauteng region showed the strongest performance of 14.2%. Alternative beverage volumes increased by 36.8% in the second quarter and 30.7% for the six months ending September. Increase in water and juice categories helped the positive performance.

(Board meeting: 20 October 2005-Section A: F06, Q2 Performance review – overview by Managing director: 3)

2.3 History of Coca Cola

The Coca-Cola Company started more than a hundred years ago as a small, insignificant one man business. Since then, it has grown into one of the largest companies in the world. The first chairman of the company was Dr. John Pemberton. The demand for this product has made this company into a billion dollar business.

Coca-Cola was invented by Dr. John Pemberton, an Atlanta pharmacist. He concocted the formula in a three legged brass kettle on May 8, 1886 by mixing lime, cinnamon, coca leaves, and the seeds of a Brazilian shrub. Coca-Cola, as he called the beverage, made its debut in Atlanta's largest pharmacy, Jacob's Pharmacy, as a five cent non- carbonated drink. Later on, the carbonated water was added to the syrup to make the beverage that we know today.

Coca-Cola was originally used as a nerve and brain tonic and a medical elixir. Coca-Cola was named by Frank Robinson, one of Pemberton's close friends, and he also penned the famous Coca-Cola logo in unique script. Candler acquired the whole company for $2,300. Candler achieved a lot during his time as owner of the company. On January 31, 1893, the famous Coca-Cola formula was patented. He also opened the first syrup manufacturing plant in 1884. His great achievement was large scale bottling of Coca-Cola in 1899. In 1915, The Root Glass Company made the contour bottle for the Coca-Cola Company.

Candler aggressively advertised Coca-Cola in newspapers and on billboards. In the newspapers, he would give away coupons for a free Coke at any fountain. Coca-Cola was sold after the Prohibition Era to Ernest Woodruff for 25 million dollars. He gave Coca-Cola to his son, Robert Woodruff, who would be president for six decades

Robert Woodruff was an influential man in Atlanta because of his contributions to area colleges, universities, businesses and organisations. When he made a contribution, he would never leave his name and became known as "Mr. Anonymous." Woodruff introduced the six bottle carton in 1923. He also made Coca-Cola available through vending machine in 1929. That same year, the Coca- Cola bell glass was made available. He started advertising on the radio in the 1930s and on television in 1950.

Currently Coca-Cola is advertised on over five hundred TV channels around the world. In 1931, he introduced the Coke Santa as a Christmas promotion and it caught on. Candler also introduced the twelve ounce Coke can in 1960. The Coca-Cola contour bottle was patented in 1977. The two litre bottle was introduced in 1978, the same year that the company introduced plastic bottles (Coca-Cola Multiple Pages). Woodruff did have one dubious distinction; he raised the syrup prices for distributors. But he improved efficiency at every step of the manufacturing process. Woodruff also increased productivity by improving the sales department, emphasizing quality control, and beginning large-scale advertising and promotional campaigns. Woodruff made Coke available in every state of the Union through the soda fountain. For all of these achievements he earned the name, "The Boss". (http://www.cocacola.co.za)

In 1985, the Coca-Cola Company made what has been known as one of the biggest marketing blunders. The company developed a new formula in efforts to produce a diet Coke. They invested 4 million dollars into research to come up with the new formula. The decision to change their formula and pull the old Coke off the market came about because taste tests showed a distinct preference for the new formula. The new formula was a sweeter variation with less tang, it was also slightly smoother. (http://www.cocacola.co.za)

Robert Woodruff's death was a large contributor to the change because during his lifetime he had insisted on keeping the same formula. After he died, Coke's market shares fell 2.5 percent within the next four years. Each percentage point lost or gained meant 200 million dollars. A financial analyst said, "Coke's market share fell from 24.3 percent in 1980 to 21.8 percent in 1984".In hopes of boosting their earnings, the company decided to introduce the new flavor. This was the first change since the conception of the Coca- Cola Company. The change was announced April 23, 1985 at the Vivian Beaumont Theater at the Lincoln Center. Some two hundred TV and newspaper reporters attended this very glitzy affair. It included a question and answer session, a history of Coca-Cola, and many other events. The debut was accompanied by an advertising campaign that revived the Coca-Cola theme song of the early 1970s, "I'd like to buy the world A Coke" (http://www.cocacola.co.za)

2.3.1 Coca Cola South Africa

Coca Cola South Africa is a subsidiary of the Coca Cola Company based in Atlanta Georgia. However, it negotiates supply arrangements centrally on behalf of other firms in South Africa who are its bottlers. There are several Coca Cola bottlers in South Africa, but by far the largest is Amalgamated Beverage Industries. Coca Cola's global strategy is to narrow its business down to the single most profitable line, which is concentrate, "They sell to captive bottlers, who are often not independent from Mother Coca Cola's direction, but rather have to take direction from Atlanta. By following this strategy, Coca Cola have eliminated all the business risk that's associated with bottling, including the capital structures and the raw material costs.
(http://www.cocacola.co.za)

Amalgamated Beverage Industries' full incorporation into South African Breweries has gone well, giving Amalgamated Beverage Industries access to South African Breweries sophisticated support services, especially in people development and technical support. It was not intended as a cost-cutting exercise - there have been no retrenchments - and both Amalgamated Beverage Industries and South African Breweries can now take advantage of the combined scale of the two businesses. This offers a competitive advantage for Amalgamated Beverage Industries to leverage from the reputable people support and customer centric culture of the parent company South African Breweries.
Amalgamated Beverage Industries' has six modem manufacturing and distribution plants in the South Africa. Nigeria and South Africa combined contribute about 80% of the total Coca Cola product volumes in Africa.

South African Breweries international division known as SABMiller has had a long and profitable association with Coca Cola products. Today, SABMiller is the fifth-largest Coca Cola bottler in the world and is the largest independent Coca Cola bottler – Coca Cola does not have a stake in SABMiller, as it does in many of the other large global bottlers.

There are overlaps between beer and soft drinks, but "we're an impulse-based business," says Amalgamated Beverage Industries Managing Director Mark Bowman, "whereas beer is an occasion-orientated business".

Amalgamated Beverage Industries sells and distributes more than 180 stock keeping units, covering more than 30 brands and 14 pack sizes and has a customer base topping 40 000. More than 13million hectorlitres of soft drinks were sold in the 2005 financial year, which is about half the volume of beer that South African Breweries sold during the same period. Carbonated soft drink volumes are growing more strongly than beer volumes, mainly because they have a broader consumer base than beer and are thus more responsive to growth drivers in the economy. In the past financial year, Amalgamated Beverage Industries' volume growth was 8%, about double South African Breweries volume growth. Within Amalgamated Beverage Industries, non-Carbonated Soft Drinks - alternative beverages - are growing fastest at about 20%/year. Though this category constitutes only about 6% of total volumes, this figure should get to nearer 10% and beyond relatively quickly.

Many more growth drivers exist for Amalgamated Beverage Industries. Per capita consumption of Carbonated Soft Drinks in South Africa isn't especially high in world terms, particularly in rural areas. As economic growth in South Africa improves, per capita consumption should increase. Though there are many different brands and pack configurations in the market, packaging innovation offers further scope for future volume growth. "There are many more opportunities to innovate," says Mark Bowman, the Managing Director of the company.

Coca cola products through Amalgamated Beverage Industries have the largest share of the local soft drink market however the one thing that needs closer attention is the customer service culture at the company. (http://www.cocacola.co.za)

(Sunday Business Times August 18, 2005 -Coca-Cola set to pour hundreds of millions into SA) Sven Lunsche of the Sunday business times had this to say about Coca cola's growth in 2005.

The global giant wants to assert its leadership and double soft-drink sales, writes THE $20-billion-a-year Coca-Cola Company is set to announce new investments in South Africa totaling several hundred million rand. It is the latest move by Coca-Cola to assert its leadership in the R6-billion annual soft-drink market and double South Africa sales over the next five years.

The investment is one of the largest in post-apartheid South Africa. It caps a month of significant new interest in the country by US companies, including a mooted return by motor giant General Motors.

After years of managerial neglect - enforced by the group's disinvestment in the mid-1980s - and spurred by Pepsi's arrival, Coca Cola stepped into action early in 2004, deciding to pour resources and management into the local operation.
The results were almost immediate. Recently appointed president of the southern African operation, Charlie Frenette, confirms that sales by Coca Cola's bottlers were up 15% in the fourth quarter last year. Coca Cola president Doug Ivester said there was no reason why South Africa should not show double-digit volume growth over the next three years.

South Africa is Coca Cola's tenth earnings contributor out of 210 countries, sandwiched by the United Kingdom at ninth place and China at eleventh place. Turnover at retail level is estimated at R4.8-billion, accounting for over three-quarter of the soft-drink consumption in the country.

Since early last year Coca-Cola has spent significant amounts on upgrading key bottling facilities, the major aim of investment has been to develop the brand, infrastructure and the people running the business. All investments will be aimed at the emerging consumer segment. With Coca Cola's dedication to its South African operation, it becomes increasingly important that the company support the strategy by having a team of customer centric employees who buy into the long term vision of Coca Cola in the country.
The group is launching a major marketing initiative, including a multi-million rand local advertising campaign Key personnel have been brought out from Atlanta to identify and recruit South Africans to take over. All this is at a time when analysts speculate that rationalisation in the South African bottling industry is imminent. The three black-owned bottlers of Coca Cola, have been in discussions recently over merging their operations, although sources indicate that any alignment between the three is a long way off, should it come to pass, this would be a competitor to the Gauteng-based Amalgamated Beverage Industries in the long run. But for now

Amalgamated Beverage Industries remains by far the largest of the seven bottlers of Coca-Cola in South Africa.

Armed with a reputation as a straight-talking, no-nonsense executive, Ivester arrives willing to throw the necessary resources at opportunities that might arise in the region. He says Coca-Cola is a dedicated investor willing to look at long-term solutions, which is not difficult when your company is valued at $145-billion, more than twice South Africa's Gross Domestic Product.
"We are not focusing on market share in South Africa but on building up per capita consumption," says Ivester, who points out that at 174 drinks of Coca Cola per capita a year the country lags behind many developing countries, particularly in Eastern Europe and Latin America. The local operation has set itself a five-year target of lifting consumption to 250 drinks a year. To achieve Ivester's dream, it is important that Amalgamated Beverage Industries, being the main bottler of Coca Cola in South Africa focus on achieving customer loyalty so as to increase per capita consumption, as opposed to focusing on sales through market share. Customer orientation at the company becomes a central focal point for Coca Cola's strategies to be achieved in the long term.

The company's most potent weapon remains its brand. Coca-Cola is the most recognised brand in the world and Ivester estimates that 98% of South Africans know it. "This makes marketing the product a lot easier, but our challenge is to make it also more relevant," says Ivester, who recently pointed out that if the Atlanta company was burnt to the ground he could easily borrow $100-billion and rebuild the group on the strength of the brand.

Coca-Cola released its 1996 results in Atlanta on Friday, showing net income of $3,5-billion on a rise in global unit case sales of 8%. In Africa, case sales last year were up by 5% and 18% in the fourth quarter. Southern African sales rose by 17% in the December quarter over 1995 sales. (Sven Lunsche, Sunday Business Times August 18, 2005)
The brands Amalgamated Beverage Industries produces and/or distributes include Coca-Cola, Coca-Cola Lite, Coca-Cola Lite with Lemon, Vanilla Coca Cola, Tab, Fanta, Sprite, Lemon Twist and Granadilla Twist, the Sparletta brands (Crème Soda and Sparberry), the Schweppes brands (Soda and Tonic Water, Dry Lemon, Lemonade, Ginger Ale, Russchian Cranberry and Tomato Cocktail), Just Juice, Stoney Ginger Beer and Krest Ginger Ale, PowerPlay, Bibo, Minute Maid, Fruitopia, Bon Aqua, Valpré, Powerade, the Nestlé brands (Milo and Nestea) and the Appletiser brands (Appletiser and Grapetiser). (Http: //www.abi.co.za)

History of Relationship of Amalgamated Industries with Coca Cola

Due to this close relationship between Coca Cola and Amalgamated Beverage Industries, it is important to firstly understand Coca Cola's background as spelled out below.

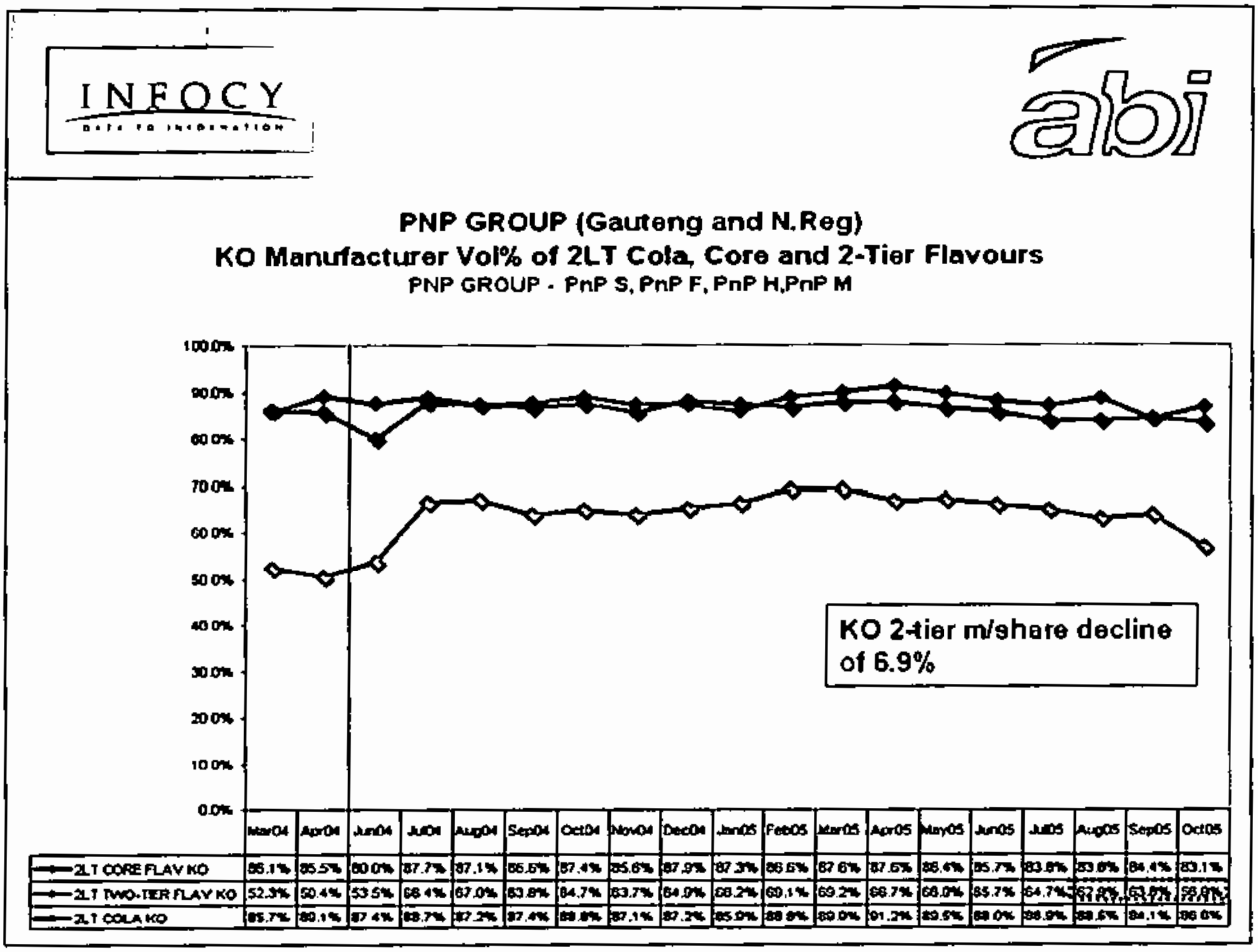
2.4 Competitor analysis

In the Carbonated soft drink category, Amalgamated Beverage industries is growing at a slightly lower rate than the market rate but still holds 83.5% of market share in South Africa.
Amalgamated Beverage Industries' performance is below the market performance in the categories of concentrates, cordials and squashes and fruit juices, as its main areas of success in the country are within the carbonated and cola market.

However as pointed out earlier, differentiation in the soft drink industry is a key success factor, and Amalgamated Beverage Industries needs to not only focus on product differentiation but on building a competitive advantage through service differentiation.

The beverage industry relies heavily on distributing its products through large retail stores and supermarket franchises such as pick and pay, shoprite checkers, spar and the like. In figure 3 below, it can be seen that by October 2005, Coca Cola's carbonated soft drink market share represented in red in the diagram, had declined by 6.9 % by losing ground to pick and pay's cola drinks -represented in black and blue, as they are cheaper in price than the coca cola soft drinks. The diagram is from a research company- Infomacy .PNP stands for pick and pay, while KO manufacturer represents the coca cola soft drinks. Coca cola needs to be aware that consumers are not just brand conscious and will switch to competitor products if the pricing is better. Coca Cola and its bottlers need more than a strong brand name to prevent it from losing market share.

Figure: 3: Market share of Pick and pay super group beverages compared to Coca cola



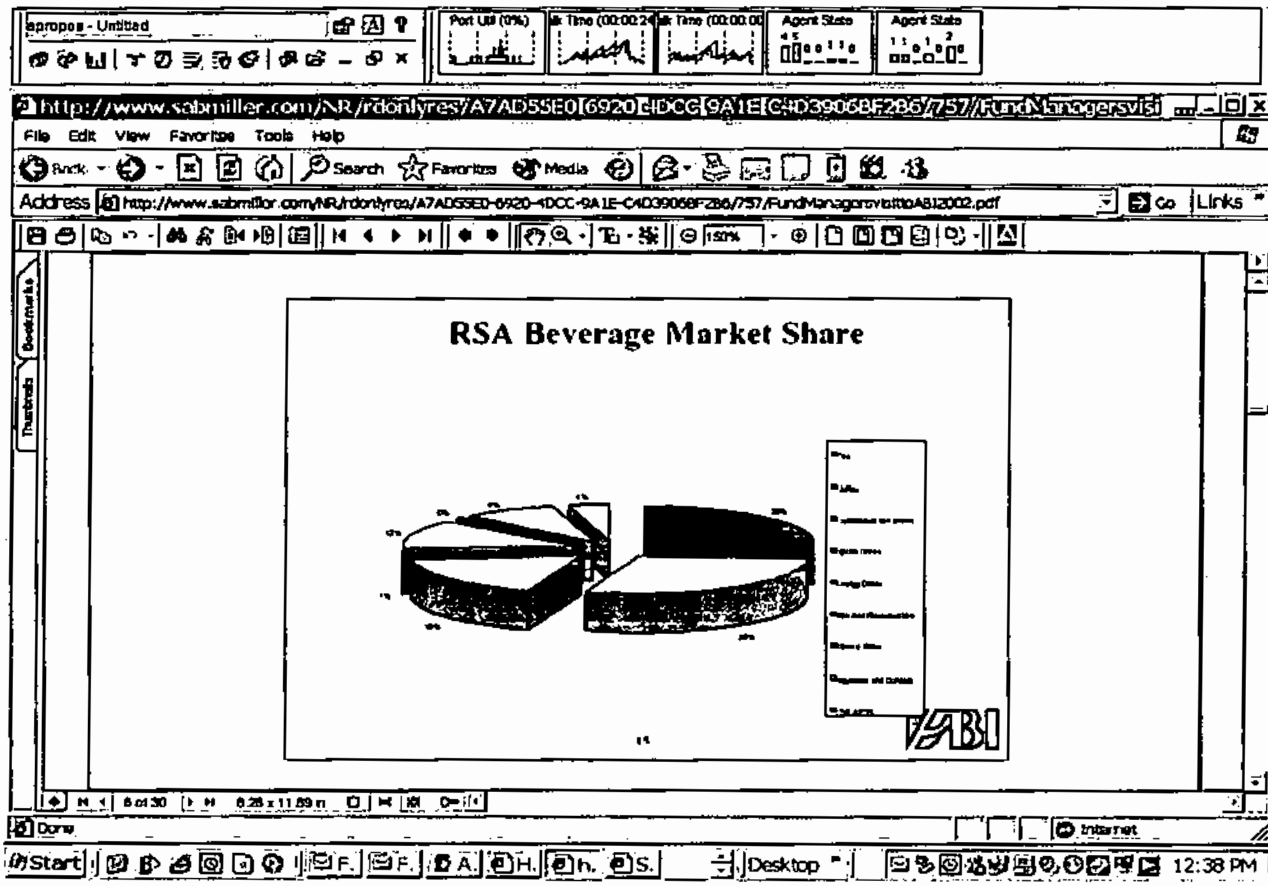
	Mar04	Apr04	Jun04	Jul04	Aug04	Sep04	Oct04	Nov04	Dec04	Jan05	Feb05	Mar05	Apr05	May05	Jun05	Jul05	Aug05	Sep05	Oct05
2LT CORE FLAV KO	86.1%	85.5%	80.0%	87.7%	87.1%	86.6%	87.4%	85.6%	87.9%	87.3%	86.6%	87.6%	87.6%	86.4%	85.7%	83.8%	83.8%	84.4%	83.1%
2LT TWO-TIER FLAV KO	52.3%	50.4%	53.5%	66.4%	67.0%	63.8%	64.7%	63.7%	64.0%	66.2%	60.1%	69.2%	66.7%	68.0%	65.7%	64.7%	[illegible]	[illegible]	[illegible]
2LT COLA KO	85.7%	89.1%	87.4%	88.7%	87.2%	87.4%	88.8%	87.1%	87.2%	85.9%	88.8%	89.0%	91.2%	89.6%	88.0%	86.9%	88.6%	84.1%	86.0%

Source: Infocy: data to information research company

2.5 The structure of the soft drinks-beverage Industry

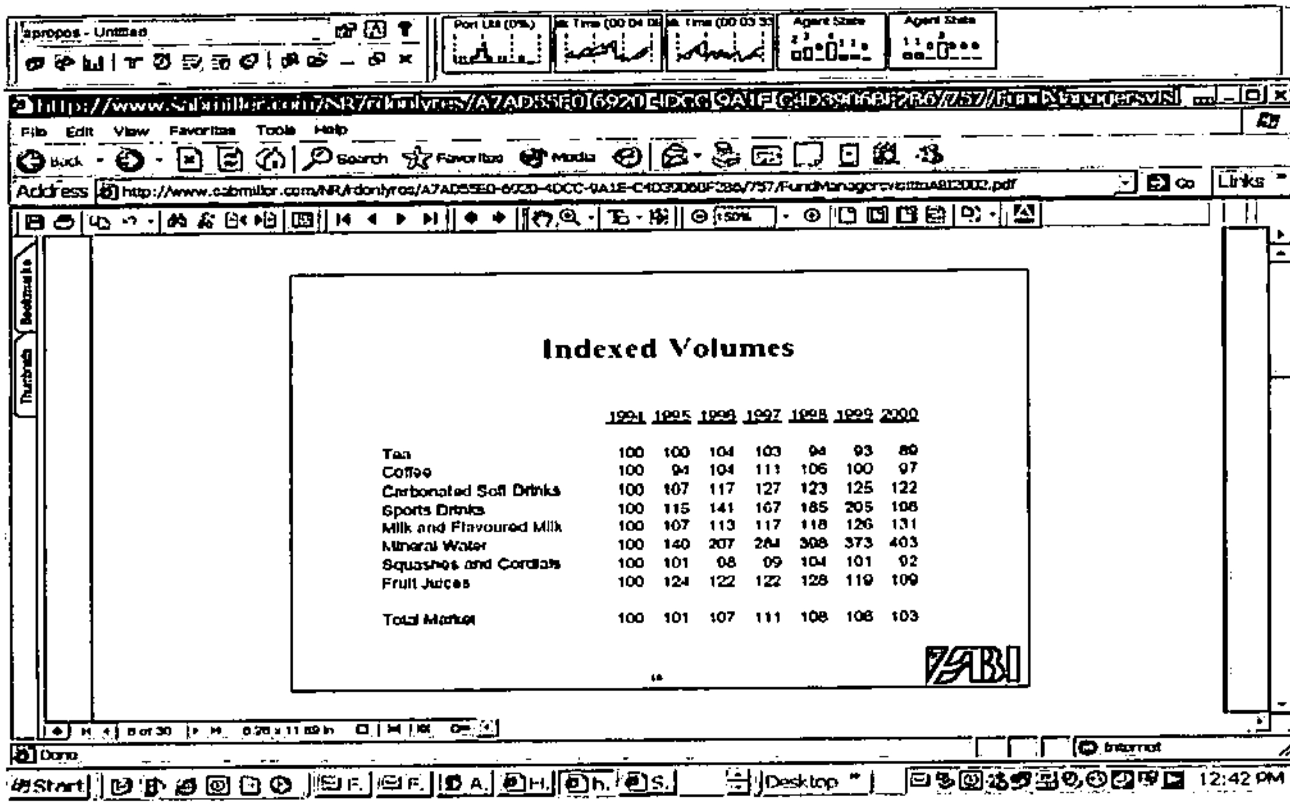
Amalgamated Beverage industries main market segment- carbonated soft drinks make up only 18 % of the Beverage industry's market share. In Figure 4 and 5 it can be seen that in descending order the top beverage in the industry is coffee at 30%, Tea at 26%, followed by carbonated soft drinks at 18%, milk and flavoured milk at 12%, squashes and cordials at 9%, fruit juices at 4%, mineral water 1% and sports drinks at 0.9%.

Figure 4: The structure of the soft drinks beverage industry



Source: http: //www.sabmiller.com

Figure 5: The soft drinks beverage industry indexed volumes



Indexed Volumes

	1994	1995	1996	1997	1998	1999	2000
Tea	100	100	104	103	94	93	89
Coffee	100	94	104	111	106	100	97
Carbonated Soft Drinks	100	107	117	127	123	125	122
Sports Drinks	100	115	141	167	185	205	196
Milk and Flavoured Milk	100	107	113	117	118	126	131
Mineral Water	100	140	207	264	308	373	403
Squashes and Cordials	100	101	98	99	104	101	92
Fruit Juices	100	124	122	122	128	119	109
Total Market	100	101	107	111	108	106	103

Source: http: //www.sabmiller.com

2.5.1 Worldwide rivalry of Coca Cola with its main competitor: The Pepsi Cola Company

The Pepsi Cola Company is the main archrival of the Coca Cola Company worldwide. The Pepsi Cola Company is the second world's largest carbonated soft drink maker. At present, rival Coca Cola Company sells three times more globally than the Pepsi Cola Company.

2.6 History of the Pepsi Cola Company in South Africa

Pepsi Cola International is the international division of the Pepsi Cola Company, and is one of the world's largest food and beverage companies operating outside the United States of America and Canada. Pepsi Cola operates in nearly two hundred countries and territories.

In 1985, Pepsi Cola left South Africa to protest against apartheid. In 1994, the company returned with great fanfare. The investors in the Pepsi's new South African bottling company, New Age Beverages in 1997 suffered heavy losses in a market dominated by Coca Cola, New Age Beverages folded.

In 1994, Pepsi Cola re-launched in South Africa again, after a ten year absence, but like its predecessors it failed to consolidate. Three years later, Pepsi Cola in South Africa conceded that the arch rival Coca cola had become 'overwhelming' and sought to wind up its operations for the second time in ten years.

In 1995, Pepsi Cola international signed a franchise agreement with the South African food giant known as the Pioneer foods Company, which would bottle and distribute the Pepsi range of products in the country. The Pioneer foods company was created in 1997 through the merger of Sasko and Bokomo, two established South African food manufacturers with heritage dating back to 1920. The Pioneer foods company is the third largest food manufacturer in South Africa

With a totally different strategy and a strong distribution system on the backbone of The Pioneer foods company, Pepsi Cola international, re-launched in South Africa yet again.

The Pioneer foods company is one of the most significant players in the southern Africa's food manufacturing industries. It is a company powered by a leading position in the staple food segment with trusted brands, high-margin consumer icons and an efficiently managed economy of scale and distribution system. Pepsi is now a part of Pioneers foods in South Africa and will thus jump on the bandwagon in living out Pioneers foods core values. The Pioneer foods company over the years has successfully operated its business with the following core brand values by which the company continues to live by: (www. Pioneerfoods.co.za August 21, 2005)

- Customer driven
- Respect for people
- Excellence in everything
- Development of the people
- Integrity and honesty

The Pioneer foods company growth strategy is to acquire brands that compliment their current business to increase market share and provide access to new markets and distribution channels.

Although Coca Cola frowns on the idea of any threat from Pepsi Cola, they conceded that Coca Cola was slow to respond to Pepsi Cola's re-entry. The Managing Director of Coca Cola Southern Africa had this to say ' Pepsi Cola has positioned itself as the 'same for less'. Pepsi Cola is represented in Kwa Zulu Natal and Gauteng, two major markets for the Coca Cola brand distributed through Amalgamated Beverage Industries.

Pepsi has started aggressively advertising in the country, using well known American celebrities such as Britney Spears, David Beckam, which is bound to give Coca Cola South Africa a run for their money. (Financial Mail, corporate report, December 3 2004: 95)

2.6.1 Pepsi Cola products

Pepsi cola soft drinks make up more than one quarter of its sales. Pepsi Cola, Frito-lay the world's number one maker of snacks such as Doritos, Fritos, Lays, Ruffles, Wow. It sales drinks such as Pepsi, Diet Pepsi, 7-up, Mirinda, Tropicana orange juice, Lipton, Aquafina, Mountain Dew, (http://Pepsico.com)

Pepsi Cola has launched into the South African Market where Coca Cola, mostly through its main distributor, Amalgamated Beverage Industries, has had things entirely its own way for many years. Its franchisee, The Pioneer foods company is a leading food and beverage company with well-known products such as Ceres Juice, Marmite, Weet-bix, Heinz, Bokomo, Sasko, Safari and Liqui Fruit juice , Fruit tree juice , Jabba, white star, and a joint venture with Heinz International foods .The Pioneer foods company has had a very successful track record in the local food and beverage industry especially in product development, distribution and marketing and corporate values (http://www. pioneerfoods.co.za)

The above scenario means that Pepsi Cola has an added advantage of entry into a market through well known brands and distribution systems. In addition to the brands offered by The Pioneer Foods Company as a competitive advantage, The Pioneer Foods Company also has a wide rang of non – carbonated soft drinks, a category of the market that coca cola is still lagging behind in to date. The Pioneer foods company has leading brands of coffee, tea, concentrates, cordials, squashes, pure fruit juices and syrups. As stated earlier, the non- carbonated market segment is the fastest growing in the world as customers have changed tastes from carbonated drinks to non – carbonated soft drinks. The main cause of this shift is that today's modern customer is becoming increasingly health conscious and looking for alternative soft drinks that have lower sugar content. (Extracted from conference held by Front end solutions – Master the dynamics of change: Paul Bornhutter, November 24, 2005)

This means that Coca Cola needs to be aware of the looming threat posed by Pepsi's re-entry into the South African market and seek alternative ways to differentiate its products and services. Pepsi's re-entry strategy also means that Pepsi Cola has a lower capital investment in South Africa as it is distributing through a leading established company. This means that Pepsi's general operational costs in South Africa are lower and they are competing with brands that are very similar to what Coca Cola is offering. Coca Cola and its distributors such as Amalgamated Beverage industry need to look for more sustainable ways of maintaining market share as opposed to product differentiation. Because service is harder to imitate as it is dependent on individual unique service providers, it is believed that superior customer service will go a long way in sustaining market share.

2.7 The concept of 'Customer Service'

There are various concepts around customer service that are absolutely pertinent in understanding how customers view your organisation. The various concepts will be discussed, as a base leading to the solution of improving any organisation's customer service.

There are various definitions of what customer service is and what it should be. Wellington (1995:17 to 18) believes that many customers are no longer seduced by the window dressing of some customer service programmes. Customers have become so aware of what has been done, apparently in their name, that their threshold of service expectation has been raised beyond being grateful for more surface display. Wellington summarises elements which contribute towards customer service excellence below: Wellington (1995:54)

The hypothesis formulated in Chapter 1 was the following: Amalgamated Beverage Industries needs to protect its future market share by taking on a customer centric view in all operations; to not only sustain current business but to safeguard its future position in the market.

Following the question of why a customer centric culture is important to Amalgamated Beverage Industries, the variables of the hypothesis have been identified as being:

- The Sales and Distribution orientation at the company is outdated and not sustainable as it does not focus on the customer. Due to growing competition, a company's customer orientation will determine whether it survives in the future.
- The future is trending towards customer satisfaction and loyalty.
- Even Monopolistic enterprises, just like any other enterprise, need to be conscious of looming threats to their position.

These three variables are explored in detail below:

2.7.1 The Sales and Distribution orientation at the company is outdated as it does not focus on the customer.

A distribution orientation is similar to a production orientation, whereby a company makes and distributes whatever products are easier to deliver to customers in the most efficient manner. It takes into consideration what the distribution department should do, as opposed to what the customer wants. (Perrault, McCarthy 2002:35). A Distribution orientation is thus not customer focused as it does not consider customers needs but focuses on distribution of the products made by the company. Similarly, a sales orientation has its shortcomings as it focuses on volumes sold as opposed to satisfied customers. Customer retention is not the main focus in sales orientation, as the physical cases sold is what counts.

The problem with a sales and distribution orientation is that it does not account for the customer needs. This is why it is not sustainable as customers remain dissatisfied. The solution is to focus on a customer orientation, which offers customers what they need and puts the customer at the centre of the organisation, by focusing on fulfilling customer needs.
To achieve customer orientation, the company would have to focus on thee basic ideas (Perrault, McCarthy 2002:35)

- Customer satisfaction
- Total company effort
- Profit and not sales as an objective

These three ideas of achieving a customer orientation are discussed in further detail below.

2.7.1.1 *Customer satisfaction as a focus leads to a customer orientation*

Customers are the lifeblood of organisations, yet few companies seem fully capable of matching their performances to the needs of their customers, either in quality, efficiency or personal service. It is advisable that manager recognise that improving quality to their customers is not a matter of choice as the health of the company depends on it." (Walker,(1990). Customer service or satisfaction, however, is not the sole function of Marketing or Customer Relations Department; it needs to be a responsibility of all employees throughout the value chain, and thus becomes part of the culture.

2.7.1.2 *Total company effort as a focus leads to a customer orientation*

Ideally, every department should work together as a team, because the output of one department may be the input to another. Every department impacts on customer satisfaction, whether directly or indirectly.

The problem that the Research findings reveal is that Amalgamated Beverage industries each department sees its own activities as the centre of the business. As a result departments operate in 'silos' with unhealthy division and rivalry between departments. The distribution department is not concerned with Sales and vice versa. Each department has goals that do not produce a synergistic whole. The issues amongst others that are discussed as the Research findings unfold are:

The Distribution department goals revolve around planning customer deliveries according to a 48-hour schedule and availability of transportation. The department's goals do not take into account customers preferred delivery days or times. The Manufacturing department produce those products that are most efficient to produce and not always according to customer demand. This results in frequent 'out of stock' situations as production does not meet demand. The Sales department is focused on increasing sales orders that cannot be accommodated with the current distribution or production schedule.

2.7.1.3 *Profit and not sales as a focus leads to a customer orientation*

The business exists to make a profit. To achieve this company is dependent on its customers. The customer should be the centre focus for the entire organisation, because without the customer, there would be no business.

To understand what it takes to please the customer, it is important for Amalgamated beverage industries to take the customers point of view, and therefore become customer oriented. The company should not exist to drive sales but rather to please the customer by providing the products and services that the customer desires. This will lead to retaining the customer and thus a long term and sustainable profitable business.

Due to growing competition a customer centric culture will determine which companies survive in the future. The future trend will be focused on customer orientation. The buzzword in today's market place is: "Customer Orientation'. Customers usually have choices about how they would satisfy their needs. If one company does not meet a customers needs, customers will look to satisfy their needs with alternative products.

2.7.2 The future is trending towards customer satisfaction and loyalty.

A company that offers superior customer value will win and keep customers. Often the best way to improve customer value and beat competition is to be the first to find and satisfy a need that others have not even considered. Customer value is what the customer perceives as the value they are getting from dealing with your company. Customer value thus will include the actual products, and more importantly the service rendered in getting these products and the after sales service after the products have been purchased.

The competition between Pepsi and Coca Cola around the world has been a head to head fight for the same cola customers. Both companies spend millions emphasizing cola promotions that they missed out on other opportunities for product differentiation that gave other companies selling non-carbonated soft drinks, fruit juices and water the chance to enter the market and steal away customers. For these customers, the desired benefit was a variety of drinks that quenched thirst.

According to Thompson and Strickland (Thompson, Strickland 2003: 165), a successful company needs to compete on two levels, price and differentiation. Pepsi Cola and Coca Cola have for a long time competed on price but ignored the most important aspect that leads to a sustainable competitive advantage, i.e. product differentiation. Both companies concentrated on carbonated cola products and forgot that their competitors could possibly compete with them using non-carbonated products. A successful differentiation strategy will be based on either a competitive product that creates buyer value in ways that is unmatched by rivals, or a competitive service that delivers this unique value. Pepsi Cola and Coca Cola's rivals have stolen market share of the non-carbonated market, that to date both companies lag behind in this market. Customers are looking to fulfill the same need- they are looking for a thirst quencher, and will be willing to try products in the market that quench thirst.

This was a lesson that both companies quickly learnt and they both expanded their product range to include non-carbonated beverages. However, to date these Coca Cola alternative beverages in South Africa, the products being a market follower have not managed to catch up with the industry leaders in non-carbonated alternative beverages. The need for Coca Cola to pay more attention to its customers is now heightened with the recent merger of The Pioneer Foods Company and Pepsi Cola international in South Africa. The Pioneer foods company gives Pepsi Cola international, the added advantage of a much wider scope of the market and a variety of leading non-carbonated alternative beverages, and everyday household foods. This means that although traditionally and to date Coca Cola is the market leader, a big threat is looming over them, and this calls for a wake up call to pay more attention to their customers, in order to retain them. (http://www.btimes.co.za/97/0504/news))

For Coca Cola, this means that it is imperative that their bottlers and distributors such as Amalgamated Beverage Industries, form strong customer loyalty in order to reduce the threat of customers switching. Existing Research has shown that the success of a company depends on how satisfied the customers are. Acquiring new customers is about ten times more expensive than servicing existing ones. Previous research has shown that loyal customers decrease acquisition costs and increase profitability. This indicates that retaining customers by ensuring that they are kept satisfied is important as opposed to making new products in order to acquire new customers. The company will grow through customer retention and not through new customer acquisition (Extracted from conference held by Front end solutions – Master the dynamics of change: Paul Bornhutter, November 24, 2005)

2.7.3 Even Monopolistic industries are faced with threats to their industry position

As stated in the previous paragraph, Even Monopolistic enterprises, just like any other enterprise, need to be conscious of looming threats to their position.

More often than not, companies that operate in an industry with few competitors tend to lag behind in their customer service strategies than companies in an industry with fierce competition. An industry leader is a company that has a majority market share in an industry with little or no competition. Industry leaders operate like monopolies.

According to Thompson and Strickland (Thompson and Strickland, 2003: 275), leaders are typically well known and usually have proven strategies that have worked for them over the years to secure a powerful position in the market. The main strategic concern for leaders is how to defend and strengthen the leadership position, and how to become the 'dominant' leader as opposed to just a leader. Both Cola giants, Coca Cola International and Pepsi Cola international, have been struggling over the years to secure the dominant leaders position in the cola market. Industry leaders in a market with little competition need to realize that every market is faced with threats that if ignored could challenge the leadership position.

Coca Cola operating through its bottler Amalgamated Beverage industries in South Africa is an industry leader by virtue of its market share. As a franchisee of an industry leader, Amalgamated Beverage industries (through Coca Cola and on its own) needs to ensure that it makes it harder for challengers to gain ground and for new firms to enter the market. Thompson and Strickland advice that an industry leader should try to hold on to the present market share by strengthening the current market position and protect whatever competitive advantage the company has. One way of achieving this is to offer superior customer service so as to boost customer loyalty and make it harder or even more costly for customers to switch to rival products. (Thompson and Strickland, 2003: 276)

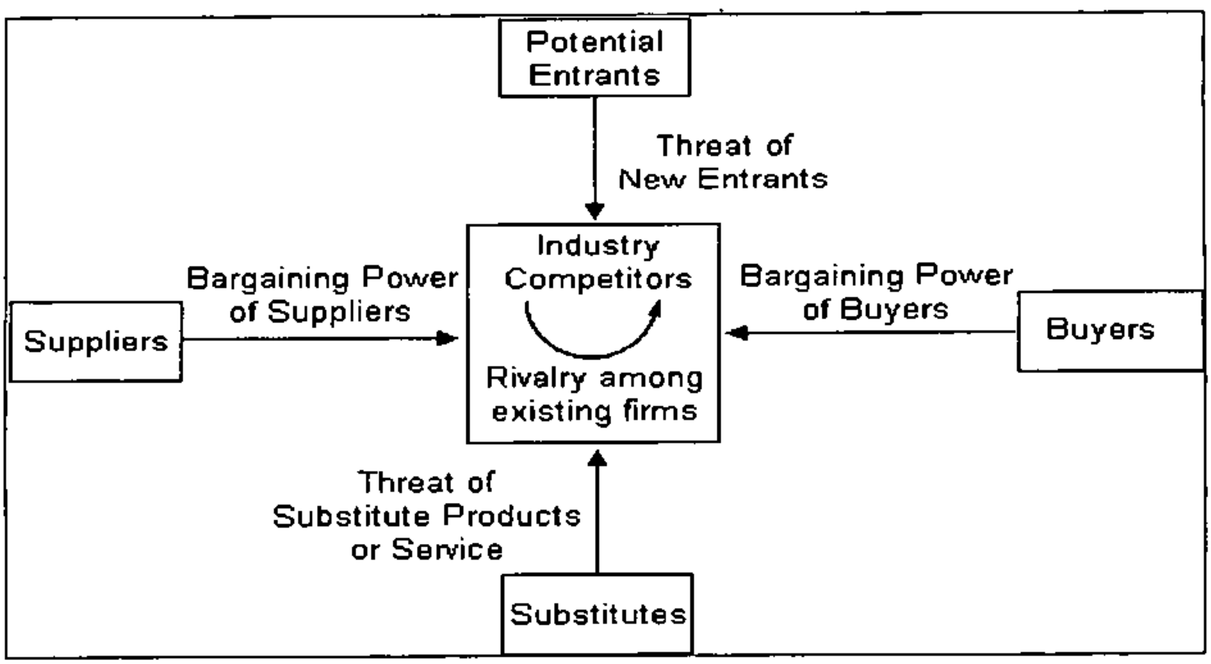
An industry leader just like any company needs to be aware of competitive forces and the impact this has on its business. Michael Porter (Porter, Michael, 1996:86) described a concept that has become known as the "five forces model". That identifies five generic industry forces that pose as a threat to a company. These five forces are the main sources of competition and a company needs to gauge how strong each force is in order to successfully stay on top of competition:

2.7.4.1 The five forces are as follows:

- Threat of rivalry among competing sellers
- Threat of new entrants
- Threat of substitutes
- Supplier power
- Buyer power

The model in Figure 2 shows how the first 3 threats that face a company can be applied to the situation with Coca Cola as an industry leader.

Figure 2: Five forces of competition



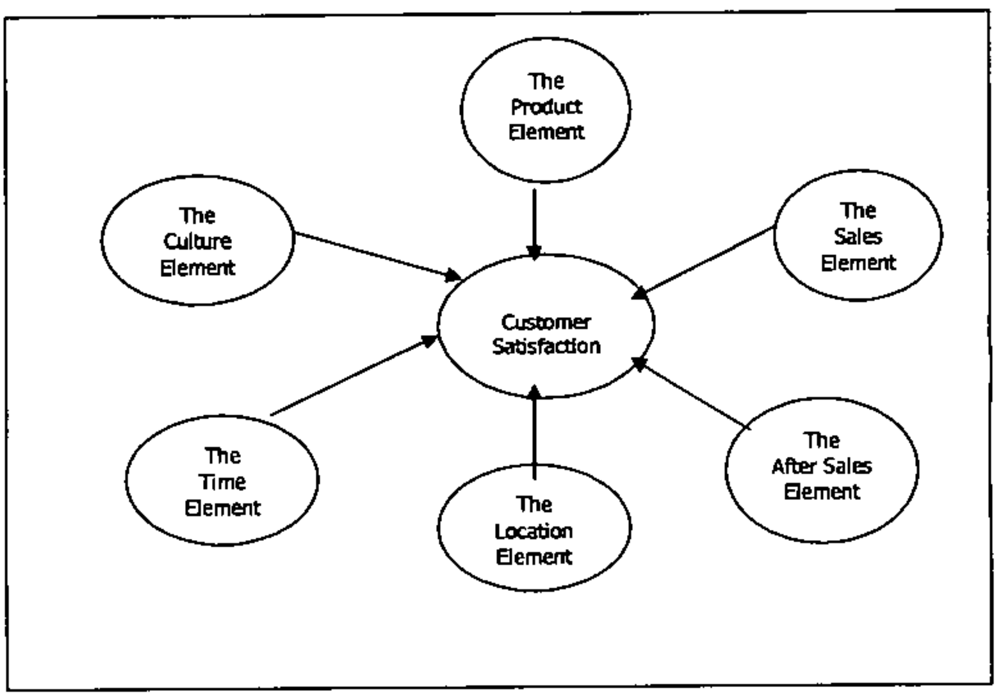
Source: Porter, Michael- On Competition, (1996: 86)

2.7.4.2 *Threat of rivalry, substitutes and new entrants*

The threat from rivalry or competing seller is the strongest of the five forces. Every company is challenged to craft a successful strategy for competing – one that produces a competitive edge over its rivals and strengthens its position with its customers. Rivalry tends to be stronger when customers switching cost from one product to another tend to be low. Rivalry is stronger when competitors dissatisfied with their market position launch moves to bolster its standing at the expense of rivals. Rivalry increases when strong companies increase their powerful positions by acquiring or partnering with other rivals in the industry. (Thompson and Strickland, 2003: 83)

2.7.5 Elements of customer satisfaction

Figure 6: The Elements of customer satisfaction



Source: Wellington, (1995:54)

Figure 6 above, depicts that a company's operations consists of individual elements, which collectively influence customer satisfaction. The individual elements represent every aspect in that impact on the customer. Therefore, this implies that it is not solely the traditional product quality, or sales person's responsibility to satisfy or service customers, the entire company is thus represented in those elements. It is similar to what Perrault says when he advocates for Total Company effort as a solution to customer orientation. Ideally, he says, every department should work together as a team, because the output of one department may be the input to another. Every department impacts on customer satisfaction, whether directly or indirectly. (Perrault, McCarthy 2002:35)

2.8 A winning service organisation

Schneider and Bowen in ' winning the service game' suggest that there are three tiers to a winning service organisation, that is contrary to the traditional functional way of viewing organisations as divided up into marketing, human resources and operations management. These three tiers they suggests are: (Schneider and Bowen: 1995:3)

- The customer tier
- The boundary tier
- The co-ordination tier

2.8.1 *The customer tier*

Customers are the foundation of any service organisation. Just like a sporting game, the customer is the panel of judges that the company is striving to impress. Managing the customer strategy should be based on meeting customer's needs and expectations. Customers are aware of what they expect, but generally unaware of their needs. Thus the minimum requirement would be for a service company to meet the customer's expectation.

- *Customer expectation*

The challenge for management is to define the business' strategic focus relative to customer's expectations (Schneider and Bowen: 1995:3)

- *Customer needs*

Once customer expectations have been met, respecting customer's subconscious needs becomes the differentiating factor in business. Meeting customer needs becomes an important competitive advantage, as it is not always easy to deduce. The most important customer needs should revolve around meeting the need for:

- Security: need to feel unthreatened by physical, psychological or economic harm
- Esteem: need to enhance self esteem
- Justice: need to feel fairly and justly treated

Understanding customer needs help us to understand why customers react in a certain way to service failure.

- Customer competencies

Having the best customers can be a source of competitive advantage as customers will help you redefine your human resources and service strategies to best meet the customer's expectations. In this way the company gains a competitive edge.

2.8.2 The boundary tier

This tier happens at the actual physical place where the customer meets the organisation. This is the 'moment of truth' that involves face-to-face interaction between the service provider and customers. The make it or break it role that service employees play here is that of linking the customer to the organisation. The boundary tier is the glue that binds the customer to the firm. The service employees play two crucial roles in this process:

The role of Impression managers: boundary employees behaviour, and the experience created by their behaviour is what customers judge as the service quality received. The role of Gatekeepers of information: boundary employees being in direct contact with the customers become a useful source providing insights into customer attitudes, information on competitors and ideas on how to enhance the service quality. However despite the boundary employees being important in ensuring service quality to customers, the importance of non-personal services like physical facilities, billing accuracy and timeliness to name a few contribute to the customer's perception of service quality.

2.8.3 The co-ordination tier

In a service firm, co-ordination is extremely important. The firm should ensure that clear strategic decisions are made on the target market. The internal functions should be co-coordinated to pursue this market.Co-ordination should ensure that the logistics and staff support meet customer's expectations and needs. The entire subsystem i.e.: operations, marketing, Human resources should act as one system dedicated to meet customers needs. This is the single most challenging objective to achieve.The needs and expectations of boundary employees should be met Successful co-ordination requires creating a service culture and climate of service excellence. The three-tier view of service organisations:

Figure 7: The Three Tier View of a winning service organisation

The co-ordination tier (Management)
Boundary tier (All points of customer contact)
Customer tier (Customers)

Source: Schneider and Bowen, (1995)

2.9 The Key to service quality

The three tiered view in Figure 7 is based on permeable tiers and not grounded in functions can yield seamlessness in service delivery. By seamless, we mean that the service in all of its dimensions and characteristics is delivered without a hitch.

The most important example of seamlessness from a customer's perspective concerns the links between sales and service. In the service edge we read this as:

The standard for state of the art sales today is that the flow of activity between sales and service efforts appear seamless to customers. The tactic many companies are using to end turf wars to make sure promises made can be kept and to focus everyone not only on acquiring new customers but finding way to work together to hold on to and satisfy customers for the long term –The idea is to create cross functional teams.

In the long run, the most important factor affecting business is the quality of its products and services, relative to those of competitors. (Schneider and Bowen: 1995:8)

2.10 The concept of Customer Relationship Management (CRM)

Customer relationship management (popularly known as CRM) is the methodology of creating and evolving your company in the market place and at the same time in the mind of each individual customer. (Petite, Anne: 1995: 20)

A company that takes Customer relationship management seriously will make the customer to be the central focus of all operations and decision-making. Research has shown that it costs five times more to attract a new customer than it does to retain an old one. Thus it makes sense to aim at repeat customers. A satisfied customer can bring you additional business; this is why CRM as a strategy is so compelling.
CRM recognizes that each customer is an individual and has a choice the three main elements of CRM are:

- *Customer retention*: most businesses lose business at a rate of 15-50 customers per annum. Losing customers is not only expensive, but demotivating to staff.
- *Customer potential*: turning that one infrequent casual customer into a higher spending more frequent referring advocate
- *De-selection of customers*: the company needs to identify the customers with the greatest potential and start to lose the customers that are not of long term future value.

2.11 The concept of Customer Lifetime Value

This is the revenue that a customer can spend directly over a nominal number of ten years. Customer loyalty builds as they purchase more frequently. Loyal customers are less likely to switch or be attracted by special promotions, as they would have built a lasting bond with your organisation. Customers attracted by special promotions will also be tempted by competitor's special promotions, and will thus not be loyal. The emotional link that a customer has with your organisation, its people and the brand are critical factors in understanding the customer lifetime value. Petite, Anne: 1995: 25)

2.12 The four steps to relationship management

Petite identified the four steps as follows: (Petite, Anne: 1995: 28)

- Segmentation: This allows the company to decide which customers you would like to foster relationships with, and which ones will not be identified for long term relationships.
- It is advisable to draw together into a central source, information that is held across the company about the customer. Customer information regarding payment, marketing promotions, buying pattern should be collated into a single database so that the customers behaviour can be analysed and thus segments drawn.
- Analyse current customer behaviour: The next step in segmentation is to compare the behaviour with existing buying patterns of loyal customers, and then contrasted with the ideal loyal customer. This would be segmentation by value, pattern and buying criteria
- Develop strategy to achieve target customer behaviors: The next stage would be to develop a series of plans to attribute the target behaviour to each segment or individual.
- Behaviour maintenance: Analyse the current technology or systems to allow you to better relationship management with your customers. The programme should run a trial run on a sample of target customers to ascertain whether it will work

2.13 The concept of Customer loyalty

Customers are lost for a number of reasons, a few outlined below. To lose a customer, you would need to: (Naumann, Earl: 2001, 58)

- Ignore them
- Lie to them
- Fail to return their calls or respond to letters or emails
- Fail to deliver on promises
- Miss expectations
- Be rude to them
- Stop all marketing activity
- Patronize them
- Fail to keep time, or be available when needed
- Not listen to them
- Poor follow up
- Incompetent staff

- Poor product quality
- Confusing pricing
- Treat the customer as if they were wrong
- Generally poor service

2.14 Relationship marketing

Thurau and Hansen define Relationship marketing as – gaining competitive advantage through customer satisfaction and customer retention (Thurau and Hansen 2000.65). Table 5 shows the key differences between Relationship marketing and Transactional marketing.

Table 4: Key Differences between Relationship Marketing and Transactional Marketing

Criterion	Relationship marketing	Transactional marketing
Primary object	Relationship	single transaction
General approach	interaction-based	action oriented
Perspective	evolutionary-dynamic	static
Basic orientation	implementation-orientation	decision-oriented
Long vs. short term	long term perspective	short term perspective
Fundamental strategy	maintenance of existing relationships	acquisition of new customers
Decision process	post sales and action	pre-sales activity
Intensity of contact	high	low
Degree of mutual dependence	high	low
Measurement of customer service (Direct approach)	managing customer base (Indirect approach)	monitoring market hare
Main quality dimension	quality of interaction	quality of output
Production of quality	the concern of all	productions is the primary concern
Role of internal marketing	of strategic importance	not/limited importance
Importance of employees'	high	low
Production focus	mass customization	mass production

Source: Thurau and Hansen, (2000)

Thurau and Hansen compare relationship marketing to Transactional marketing which is old fashioned and not sustainable. While Relationship marketing is based on relationships, stressed interactions, has a long term perspective and therefore sustainable and transactional marketing on the other hand is based on a single interaction with the customer, has a short term perspective and is thus not sustainable. Relationship marketing stresses on building relations with the customer and thus customizing products or services to meet customer needs. However the old fashioned transactional marketing focuses on mass production and in the long run does not meet the customers' needs. (Thurau and Hansen, 2000: 67)

Relationship marketing emphasizes the crucial role of customer retention for relationship marketing success

2.14.1 Key variables to relationship success

The 3 constructs of customer satisfaction proposed by Thurau and Hansen are: trust, commitment. Customer satisfaction is understood as the 'customers' emotional or empathic reaction to a perceived difference between performance appraisal and expectations. I.e. disconfirmed expectation leads to dissatisfaction, while the confirmation of expectations leads to satisfaction. (Thurau and Hansen, 2000: 67)

Trust exists if a customer believes the service provider to be reliable and to have a high degree of integrity. Trust is mutual construct, whereby if a firm asks customers to trust them, they in return should trust the customers as well.

2.14.2 Relationship marketing impact on the traditional 4 P's of marketing

The impact of relationship marketing on the traditional four P's of marketing namely: Products, Promotions, Pricing and placement is as follows:

- Product/Services:
  Relationship marketing takes into consideration customized elements in what were previously standardized products for mass markets. Companies can individualize their products according to the needs of their customers.

- Promotion / Communication

  Duncan and Moriarty (1998) have developed a communication-based model for managing relationships. Relationship marketing highlights two important aspects of communicating with customers: the need for integrated communication and the demand for interactive communication. An integrated communication approach stems from the assumption that everything a company does sends a positive or negative message to customers. Interactivity assumes that as well as talking to customers, you also need to listen to customers. A complaint management system is one of the most powerful tools for listening to customers. It leads to increased retention and positive word of mouth. (Duncan and Moriarty (1998: 9)

- Pricing:

  Relationship oriented pricing is centred on the application of price differentiation strategies. It has been proposed that pricing should correspond to customer lifetime values. This is an attempt to estimate the net present value of the current and future potential of various customer segments. In relationship marketing, pricing is used to promise customers immediate benefits e.g. by offering discounts there is a danger that such pricing strategy leads to 'cold loyalty' rather that true customer commitment.

- Placement/ distribution

  Relationship marketing uses distribution to get closer to the customer. The need for individualized information in relationship marketing means that distribution systems also need to be used for collecting data.

2.14.3 Relationship marketing is based on relationships

According to Thurau et al (Thurau and Hansen, 2000: 67) Relationship marketing is not limited to a firms relationships with its customers. It involves other stakeholders as necessary for economic profitability. Customer satisfaction does not exist in isolation. Before a company can generate satisfied and loyal customers through relationship management, it must firs ensure employee satisfaction and employee loyalty through managing internal relationships.

There are 3 kinds of reference object in relationship marketing:

- employees
- companies
- products or brands

2.15 The concept of Customer Experience Management (CEM)

In today's competitive world it is not enough to continue seeing the customer as 'the customer of 20 years ago' (Extracted from conference held by Front end solutions – Master the dynamics of change: Paul Bomhutter, November 24, 2005)

Concepts that may have worked for an organisation soon become outdated as customers are evolving every day, competition is rife and technology is introducing better and more feasible ways to improve customer service. It boils down to the experience that a customer has with your organisation. This is what determines loyalty, repeat purchases, and positive outlook towards your company's products and services. The concept being introduced here is Customer Experience Management.

According to Front Range solutions a South African Customer solutions organisation, Customer Experience Management is 'the process of strategically managing a customer's entire experience with a product or company. It is the process of managing all aspects of interaction a company has with its customers, including prospecting, sales and service.

There is a difference between Customer Relationship Management as introduced earlier and Customer Experience Management. This is the concept that is going to be proposed as solutions to any organisation's Customer service problems
(Extracted from conference held by Front end solutions – Master the dynamics of change: Paul Bomhutter, November 24, 2005)

Table 5: Comparison of Customer Relationship Management and Customer Experience management

Focus	CRM applications	Customer interaction
Executive involvement	Initial investment involvement	Ongoing active sponsorship
Operational processes	Ad hoc changes	Proactive change management
Organisational structure	Stand along CRM team	Enterprise customer focus
Technology infrastructure	he destination	A vehicle

Source: Extracted from conference held by Front end solutions – Master the dynamics of change: Paul Bornhutter, (November 24, 2005)

The solution to an organisation's customer focus is the integration of Relationship Management and Customer Experience management. The bottom line is that 'consumer preference and motivation is far less influenced by the tangible benefits of product and service, than the sub-conscious sensory and emotional elements derived by the total experience'
(Extracted from conference held by Front end solutions – Master the dynamics of change: Paul Bornhutter, (November 24, 2005)

It is less expensive to keep existing customers than to acquire new customers. The lifetime value of Customer Experience Management therefore advocates that grow the lifetime value of your customers via Customer Experience Management initiatives only if – the added initiative costs are less than the added profit. This is because, no matter how creative and fancy the idea of creating customer relationships, you will spend more money than you will get back.

It is advised to take a test sample of your customers, and roll out the Customer Experience Management plan with them. Losing customers, or customer attrition, is inevitable. However, it is worth investing in a Customer Experience Management and Customer Relationship Management strategy for the following reasons:

Research by front end solutions and other surveys has shown that customers don't buy products or services – they buy experiences. Their various surveys indicated the following:

- Every interaction creates an experience- good or bad
- In the absence of a defined experience, customers will resort to a pricing comparison
- Companies should design and create a defined experience for their customers.
- Companies should resort to achieving a unique experience
- The Same experience across all channels – Consistent experience
- Align the experience to the culture and value of the organisation

Thus to attain a sustainable customer experience, the entire organisation's value change needs to be involved in efforts that are ultimately aimed at creating a unique customer experience. The current experience needs to be measured and defined, and then a new strategy introduced to attain a new and unique positive and lasting experience for the customer.

Chapter 3: Research Methodology

3.1 Introduction

As indicated under the hypothesis, the primary objective of this research is to establish the need for Amalgamated Beverage Industries to adapt a customer centric orientation. The research paper seeks to recommend a customer centric solution which Amalgamated Beverage Industries management team could adopt and implement to achieve a customer first culture throughout all levels of the organisation.

This chapter is aimed at examining the research methodology used to investigate the customer service problems at Amalgamated Beverage Industries. It begins by exploring the employees' perceptions towards customer service in general at Benrose plant which is part of the Southern Gauteng region. The research methodology is based on a case study of ongoing company surveys on customer service and careful examination of the relevant literature. This discussion will include the research approach, data collection and strategies used to derive reliable and valid information. The aim is to examine and evaluate the culture prevailing within the plant and its impact on customer service.

Secondary data from Synovate Consulting is used to extrapolate a general idea of the level of customer service at the plant and customers expectations. Information extracted from secondary data available from a survey that establishes customers' expectations known as the "Customer value driver survey" also conducted by Synovate Consulting is used to establish various expectations by customers in various channel markets, serviced by this Branch. The information will be useful in determining the gaps existing in customer service

3.2 Objectives of research

The objective of the research is to investigate the perceptions of Amalgamated Beverage Industries Company's employees' towards customer service in general. A second objective is to formulate a focus group of management so as to formulate a customer centric strategy which incorporates integrated customer service systems and processes, and a suitable transformation path to introduce to all levels of employees at Amalgamated Beverage Industries.

3.2 Scope

The scope of this Research paper will be based on the beverage Industry, specifically non-alcoholic soft drinks. The population comprises of Amalgamated Beverage Industries Southern Gauteng plants namely: Benrose, Devland and Bedfordview. The focus however is primarily on the Benrose plant. The Data is based on own research and literature review sourced from Synovate Consulting , a Research company that conduct monthly surveys on customer satisfaction for Amalgamated Beverage Industries. Additional data is collected to determine some of the opinions and perceptions around customer service – internally and externally.

3.4 Value of the research

This research paper is a valuable tool for Amalgamated Beverage Industries, particularly in the Southern Gauteng region which is the sample customer base used. The southern Gauteng region has the worst customer service levels in the entire group of 13 plants.
In addition to this, the research is valuable as a tool that can be used for companies to keep abreast of competition and be aware that customer needs are constantly changing, and thus constantly revise their strategies to suit customers' needs. Companies need to continually make improvements in customer service. The research also emphasizes the importance of a company's employees in assisting to make improvements in customer service

3.5 Case study methodology

Saunders et al, (2000: 87-99) cover a wide range of methodologies to be adopted in research. The background on this topic, however, necessitates the utilization of a case study methodology. This is used to determine the perceptions of Amalgamated Beverage Industries employees towards customer service, an inductive approach, where data is collected, analysed and a theory developed is the approach employed.

A survey method strategy is used in the form of research questionnaires. According to Saunders et al (2000: 93), this strategy is usually associated with the deductive approach, where a concept of hypothesis is involved. However, in this regard, emphasis is on an inductive approach. All departments within Amalgamated Beverage Industries are surveyed. Secondary data available from Synovate Consulting is used to extrapolate some of the customer service level issues and expectations. The method used in the study is an Inductive approach whereby theory follows and data is analysed. Further survey (field study) information, secondary data available from a sample of the Southern Gauteng Customer base is used to establish various expectations by customers serviced by the company. The methodology adopts a case study strategy, using documentary analysis, in the form of company reports, journals, magazines, articles, and newspapers to explore the existing theories on customer expectations in the 21st Century, and also the key role of employees in customer satisfaction. The information is also used to extrapolate customer expectations in the 21st Century.

Focus groups are formulated that involve management at all levels at the Benrose plant. This is done in order to integrate concepts derived from the research. Finally, recommendations that are appropriate to amalgamated beverage industries achieving a Customer centric culture are formulated.

3.6 The research approach

The research is based on the qualitative method. Qualitative research technique is described by Leedy, (1997 : 105) as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting. In simpler terms, the researcher interprets qualitative research as a system which emphasizes process and meanings which are not evaluated or measured in terms of quantity, amount or frequency. The description of qualitative research from Kothari, (1990 : 4) also supports the above descriptions by defining qualitative research as a process concerned with qualitative phenomenon, interested in investigating the reasons for human behaviour.

The investigation of the perceptions of employees at the Benrose plant of the Southern Gauteng region of Amalgamated Beverage Industries, is directly related to human behaviour, and therefore makes qualitative approach relevant in this regard.

The quantitative approach in contrast according to Kothari, (1990 : 6), involves the generation of data in quantitative form which can be subjected to vigorous quantitative analysis, which can be further sub-classified into inferential, experimental and simulation approach to research.

In summary, detailed below in Table 6 are the distinguishing characteristics between the Quantitative and Qualitative Approaches which confirms the purpose, nature of research process, methods of data collection, data analysis methods and the methods used to communicate data by respective approach. This table forms the frame of reference as we proceed in this chapter.

Table 6: Distinguishing between Quantitative and Qualitative Approach.

Question	Quantitative	Qualitative
What is the purpose of research?	To explain and predict To confirm and validate To test theory Outcome oriented	To describe and explain To explore and interpret To build theory Process – oriented
What is the nature of research process?	Focused Known variables Established guidelines Static design Context – free Detached view	Holistic Unknown variables Flexible guidelines Emergent design Context – bound Personal view
What are the methods of data collection?	Representative, large sample Standardised instruments	Informative, small sample Observations, interviews
What is the form of reasoning used in analysis?	Deductive Analysis	Inductive analysis
How are the findings communicated?	Numbers Statistics, aggregated data Formal voice, scientific Style	Words Narrative, individual quotes Personal voice, literary style

Source Leedy, (1997: 106).

3.7 Sampling design

According to Wegner, (2001 : 4), the term 'population' refers to a collection of all the observations of a random variable, under study and about which one is trying to draw conclusions in practice. In this research paper, the employees at the Benrose plant are the population from which a sample is drawn to investigate the employees' perceptions on customer service. The population of the Benrose plant is 303 employees in April 2005 when this research was conducted. According to Kothari, (1990: 69), a source list, is known as the "sampling frame" which is a list from which the sample is to be drawn.

In Table 6 it is recommended that, an informative small sample size be used for qualitative research approach, as compared to a representative large sample for the quantitative approach. The research is therefore based on a sample size of > 20% of the population. This produces a sample size of 63 from a population of 303 employees in March – April 2005. According to Kothari (1990: 70), a researcher may be interested in estimating the proportion of persons with certain characteristics.

The most appropriate sampling technique selected for this research is the stratified random sampling. This technique applies a random sampling process in which the population is divided into two or more relevant or significant strata, based on one or two attributes, (Saunders et al 2000: 164). The departments below in this regard, can be referred to as strata or subsets. A sample of 20% of the total employees i.e. 63 employees, from various departments is used to answer a designed questionnaire. The sample and various departments at the Benrose plant are detailed below in Table 7:

Table 7: Departments and sample of Employees at the Benrose plant

No.	Department	Total Employees	Sample Size 20%
001	Distribution	117	23
002	Warehouse	66	13
003	Automotive	8	3
004	Finance	20	5
005	Human Resources	9	3
006	Marketing	83	16
100	Total	303	63

Source: Employee records –Benrose plant (2005).

The expected response rate is 100% as sample data is available from the Human Resource department. Management at Benrose plant is made up of 24 Managers categorised as follows:

Senior Management	=	4
Middle Management	=	12
Junior Management	=	8
Total	=	24

Two focus groups represented at all levels, are used to address the integration of the concepts derived from the research and finally develop the way forward with regards to a customer service solution for the plant. Using the stratified random sampling technique it is important to select a number of employees from each stratum / department and allocate the sample size to each department. Kothari (1990: 78) .The result would be calculated as follows:

Sample size required	n	=	63
Population	N	=	303
Departments	P	=	6

Formula n (N1 / P) = (N1 / P) = (n1; n2; n3; n4; n5; & n6)

Whereas N1 .... N6 = (Respective number of employees by Department)

Whereas n1 .... n6 = (Respective proportional sample size by Department)

Table 8: Proportional Allocation of Sample Size by Department

Department	Employees	Proportional Sample Size Allocated
Distribution	117	63 (117 / 303) = 24,3 or 24
Warehouse	66	63 (66 / 303) = 13,7 or 14
Automotive	8	63 (8 / 303) = 1,7 or 2
Finance	20	63 (20 / 303) = 4,2 or 4
Human Resources	9	63 (9 / 303) = 1,9 or 2
Marketing	83	63 (83 / 303) = 17,3 or 17
Total	303	63

Source: Formula copied from Kothari, (1990: 78)

According to Kothari, (1990: 78), proportional allocation of sample size by department is considered the most efficient and optional design, when primarily, scale or rating questions are used on the survey questionnaire. Saunders et al (2000: 295) refer to scale or rating questions as those often used to collect attitude and belief data – for instance "agree" or "disagree" responses.. A sampling fraction of 1/5 (one fifth) was selected based on respective departments and their proportional sample size. This means that every fifth employee on the list was selected to respond to the questionnaire in order to maintain the proportional sample size by department, and avoid bias. Each questionnaire was forwarded to the selected employee to explain the reasons for this request

To measure sample adequacy, Kaiser-Meyer-Olkin measurement was used. According to this measurement, data is related and adequate, if it is > 0.6. If it is < 0.6 then it is not related and adequate. The only questions found to be unrelated was question C11 of the questionnaire "Does the company sufficiently share information through the various media" and then dropped from the 15 questions during a reduction process to identify interrelated sets of variables. Data was reduced into three sets of interrelated variables as follows:

Table 9: Interrelated Factor Matrix (C1 to C16)

Factor	Questions	Relationship
1	C12, C14, C15, C13 And C7	Perceptions Around Customer Service
2	C8, C10, C4, C9, And C2	Perceived Customer Service Performance
3	C6, C1, C3 And C5	Perceived Management And Support System

Source: data analysis from employee questionnaire

Section D of the questionnaire, had two questions which were designed to establish the respondent's level of commitment to the company and the extent to which his / her department provides service to its customers.

Section E to F, were designed to establish whether respondents understood who their customers were. For instance, did they consider internal recipients of their services as internal customers? Or do they consider external customers purchasing commodities as the only customers that they serve?

Section F, asked for suggestions to improve customer service by respective departments, and the answers are analysed in the chapter that follows.

To test the reliability of the data, Cronbach Alpha measurement was used. This means that if the results are > 0.7, the data is reliable, and if < 0.7 is not reliable. The analysis shows that data was 0.8990 and therefore reliable. .

In the next chapter, primary and secondary data is analysed and interpreted to be able to extract issues which involve customer service, and particularly how these issues relate to the literature review covered in chapter two.

Chapter 4: Data Analysis

4.1 Introduction

The Data Analysis Technique used is both quantitative and qualitative data. As indicated by Wegner (2001: 5), descriptive statistics condenses large volumes of data into a few summary measures, to identify the essential characteristics of random variables, and produce a profile of their behaviour. Therefore, most of the data is condensed into a few summary measures.

The survey-based secondary data from Synovate Consulting, and the Customer value driver survey feedback, reflecting the current service levels are summarised to show the trend and proportion of occurrences, by category. This chapter focuses on a detailed analysis and interpretation of findings from both primary and secondary data customer service surveys and employees perceptions at the Benrose plant of the Southern Gauteng region of Amalgamated Beverage Industries. Recommendations on the way forward with regard a customer service solution for Amalgamated Beverage Industries is formulated in the chapter that follows.

4.2 Customer Satisfaction Measurement

Synovate consulting reports on Customer Satisfaction Measurement at Amalgamated Beverage Industries

By Dr. Jodie Monger

'Without the customer to validate your metrics, your decision making process is flawed. Therefore, before you set out to make big changes because of what the benchmark results told you, take some time and find out what your customers think and whether the desired changes would even improve their service experience with your company'

Amalgamated Beverage Industries works through a company known as Synovate consulting, to conduct quarterly customer service surveys. This has been on going since 1999 and initially was a monthly survey but later changed to a quarterly review. The purpose of this survey was to evaluate customer service levels against the company's 95% goal, which was perceived to be the acceptable goal in the beverage industry. The results to date have been dissatisfactory as many of the branches are far from achieving the service goal,. The highest score to date has been in the region of 70%, which is below the acceptable beverage industry standard of customer satisfaction. The data available for December 2001 reflect an overall group results of 67.6% (see Figure 8 of the bar chart below). Branch 13 on figure 8 with a rating of 63.3% is the Benrose plant which is what the Research is based on .As Wellington (1995: 5) indicates, "The question should be, what is a company doing that makes customers dissatisfied? Wellington suggests that a company keep asking this until they know the answer, not only to the immediate problem, but also the root of the problem".

The Customer Satisfaction Measure or CSM measure is an exercise measuring the following elements, as rated by the customer:

- Distribution measure
- Driver and crew measure
- Sales person measure
- Overall plant measure

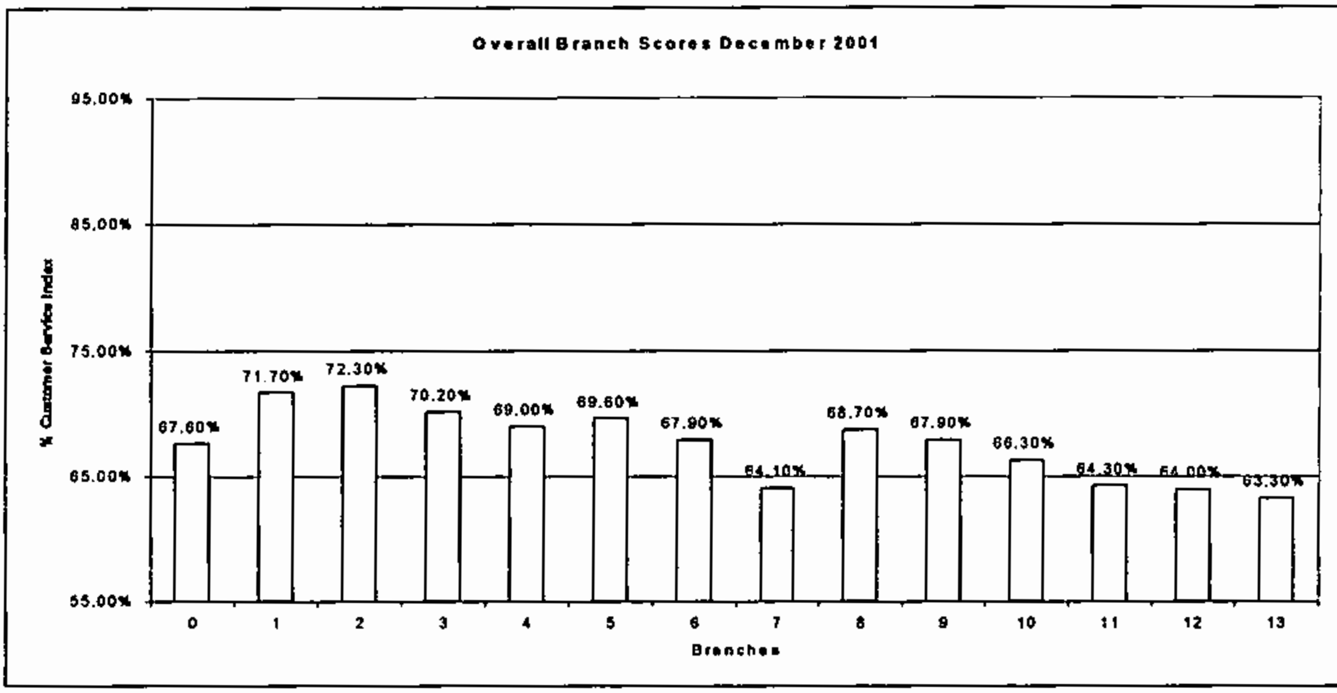
Over the last three years (2003-2005) the company has had only one significant aspect of change to improve their customer service measurement, i.e.: a re-segmentation process of the major customer segments to regroup them according to similar customer segments as opposed to the previous geographic segmentation which was not effective. The company called this re-segmentation process a re-routing exercise as shown in figure 10 on page 65.

Previously, one sales person would be allocated a geographic segment consisting of a myriad of dissimilar customers. This led to duplication of resources and inefficiencies, as the sales people were not able to specialize in any particular customer group.
The re-routing exercise to introduce new customer segments based on customer attribute type resulted in the following new customer segments being introduced:

- Main Market
- On-premise customers
- Nationals
- General trade

4.2.1 Summary of the Customer Satisfaction Measurement for the period April 2001

Figure 8: Customer Satisfaction Measurement of Branches in the year 2001



Source: Synovate Consulting reports, (2001)

The Customer Satisfaction Measurement (CSM) score at Amalgamated Beverage Industries is an independent telephonic and field Customer Service Measurement .Figure 8 above looks at the customer service measurement of five years ago (2001), in comparison with the measure to date it shows that the entire company is still struggling to achieve the 95% goal. The overall customer Satisfaction Measure of all the 13 branches was 68.7% in 200 and a decline to 67.6% in 2001. The plant number 13 is the Benrose plant on which the survey is based on. As can be seen it has been the worst in the customer Satisfaction Measurement in the group over the two years with a score of 62.5% in 200 and a slight improvement to 63.3% in 2001. This is not a good measure compared to the other plants and especially the Welkom plant which had the highest score of 72.3%. The Benrose plant has been performing below the overall group's average score of 67.6%.

Table 10 below uncovers these scores over the two years 2000 and 2001 by plant

Table 10: Customer Satisfaction Measurement of Branches: in the year 2001

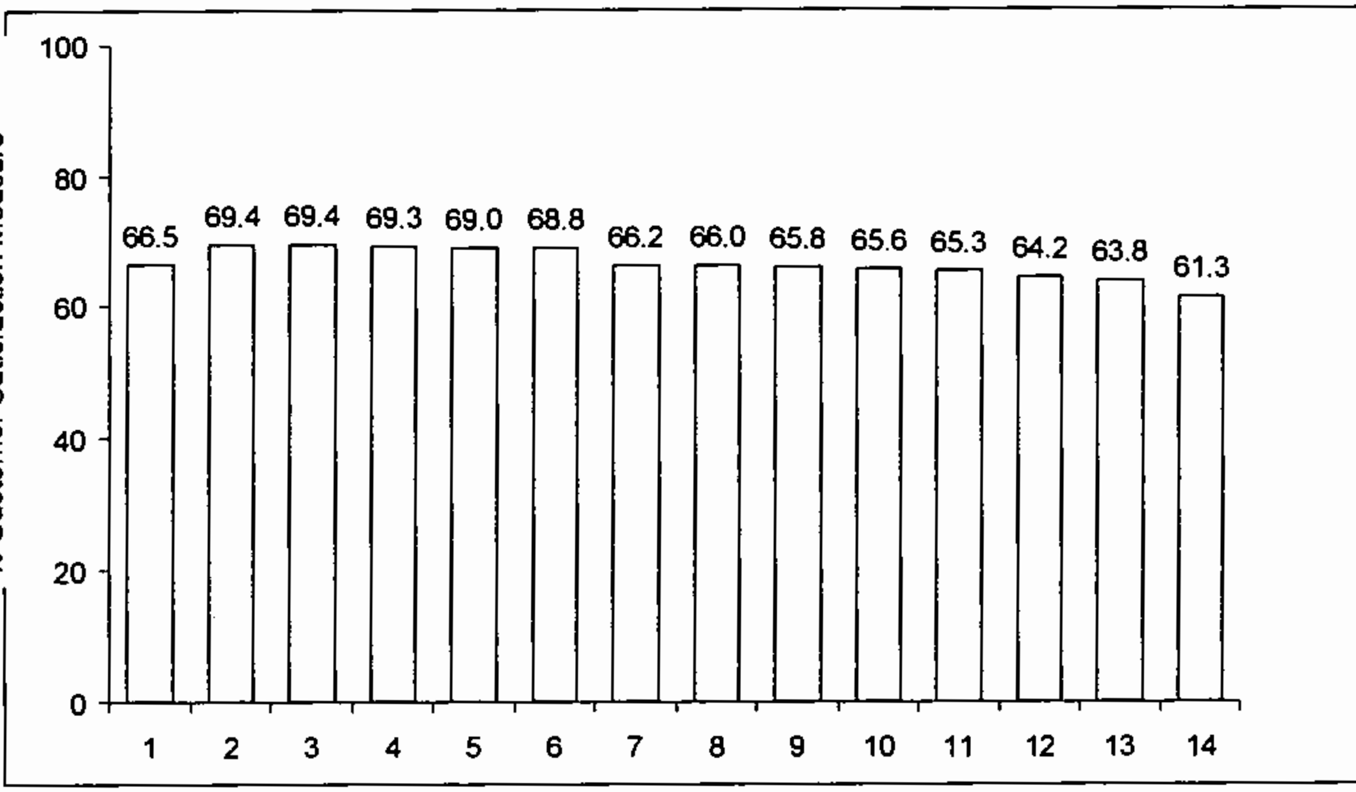
Plants	Number on graph	Year 2000	Year 2001
Overall CSM score	0	68.70%	67.60%
Klerksdorp	1	74.70%	71.70%
Welkom	2	73.80%	72.30%
Ladysmith	3	73.00%	70.20%
Durban	4	70.60%	69.00%
Rustenburg	5	68.80%	69.60%
Bedfordview	6	68.70%	67.90%
Pretoria	7	68.70%	64.10%
Devland	8	68.30%	68.70%
Pietermaritzburg	9	67.90%	67.90%
Richards Bay	10	66.40%	66.30%
Vaal	11	65.60%	64.30%
Midrand	12	62.60%	64.00%
Benrose	13	62.50%	63.30%

Source: Synovate Consulting reports , (2001)

4.2.2 Summary of the Customer Satisfaction Measurement for the period 2005

Figure 9 below continues to look at the Customer Satisfaction Measurement in 2005. The Benrose plant highlighted in yellow to date is still struggling below the other plants in the group. (Please note the plants are now 14 in total in 2005 compared to 13 plants in 2000)

Figure 9: Customer Service Measurement by Branch



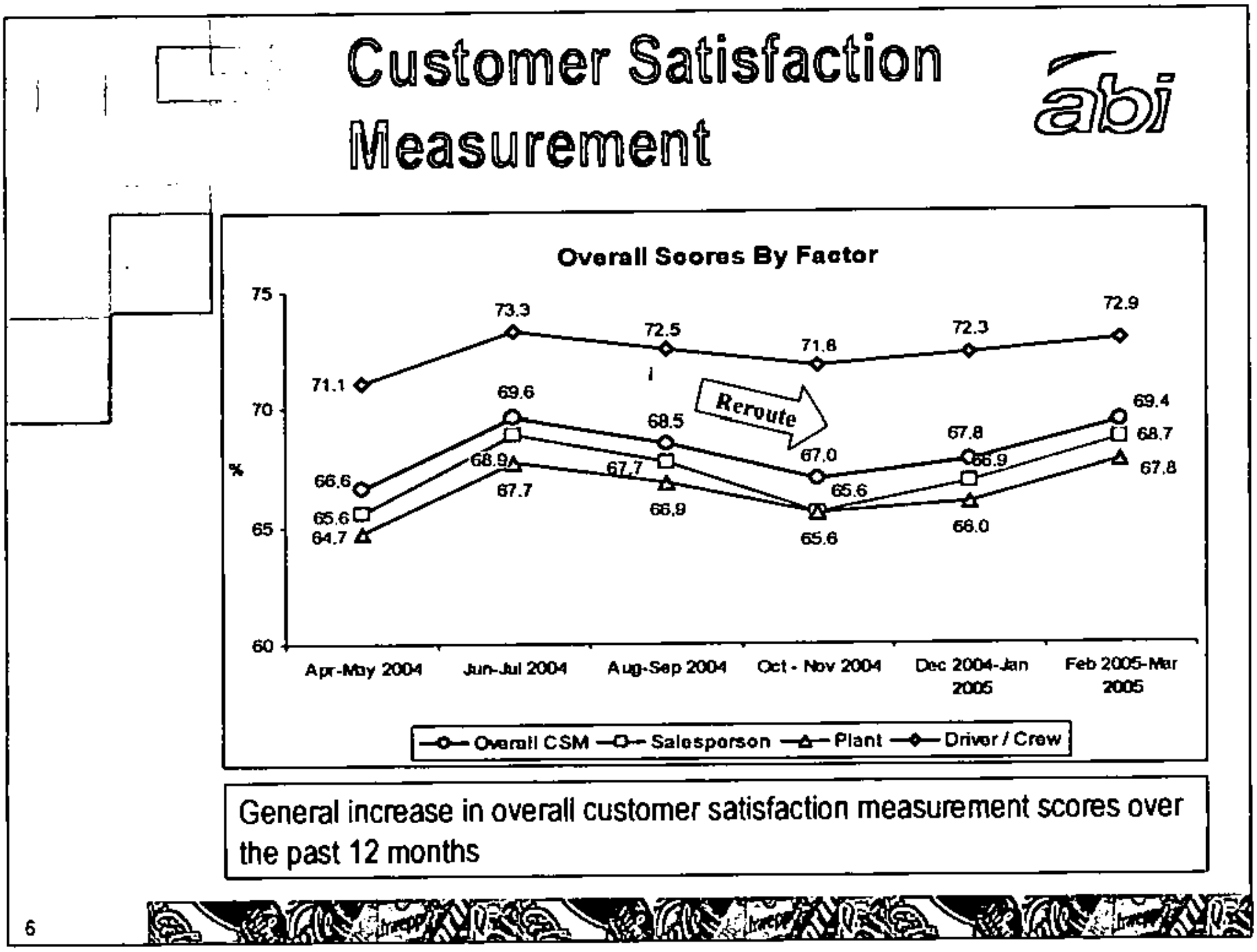
Source: Synovate Consulting, (2005)

The 2005 figures show that the overall group scores is still nowhere near the 95% industry goal.

4.2.3 Summary of the Customer Service Measurement for the period April 2004 – March 2005

As shown in the bar graph in Figure 10, the segmentation exercise' or re-routing exercise as it came to be known, had an initial effect of disrupting the customers comfort zones, and thus a negative effect to the Customer service measurement,. The customers were compelled to adjust to their new segments and new sales people, and this aspect of change negatively impacted the customer service measurement from 69.6% in the June –July 2004 period to 67% in the October-November 2004 period, when the re-routing exercise was done. Although the score improved slightly in the next measurement period to 67.8% in the December 2004 -January 2005 period, it went back to 69.4% in February-March 2005. Although this was a slight improvement, the score did not improve to a better rating despite the efforts of the re-routing exercise.

Figure 10: Overall group Customer satisfaction Measurement: April 2004 - March 2005



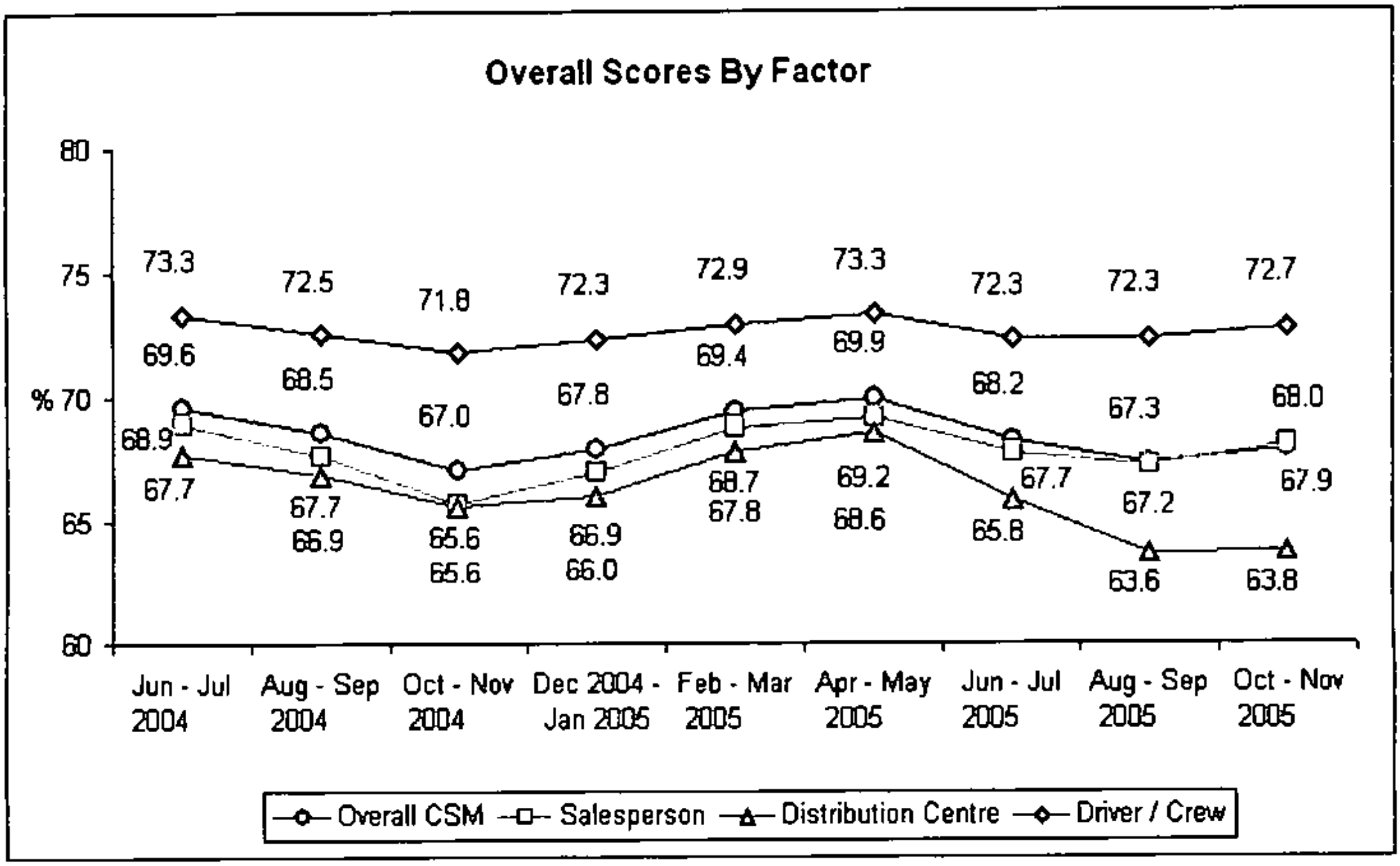
Source: Synovate Consulting reports, (2005)

The trend from April 2004 to March 2005 shows an overall improvement to the same level as before the re-routing exercise. The above statistics show that the re-segmentation exercise did not improve customer service. A comparison of the 2001 Customer Service Measurement of 72.9% to the 2005 measure of 69.4% in the February- March period shows that the entire group to date has declined in their customer service scores and is nowhere near their 95% industry goal, almost 5 years later. The Synovate Consulting Customer Service Measurement showed that the decrease in scores has been constant across all the factors namely: The distribution measure, the driver/crew measure, the sales person measure and the overall plant measure.

This indicates that over the 5 years, despite the different initiatives to improve customer service, customers do not perceive that there was an improvement of the service they were getting from the company. The company thus needs to find out what the customers needs are and devise solutions to meet these needs.

4.2.4 Summary of the Customer Service Measurement: June 2004 - November 2005

Figure 11: Customer Service Measurement: June 2004 - November 2005



Source: Synovate consulting reports, (2005)

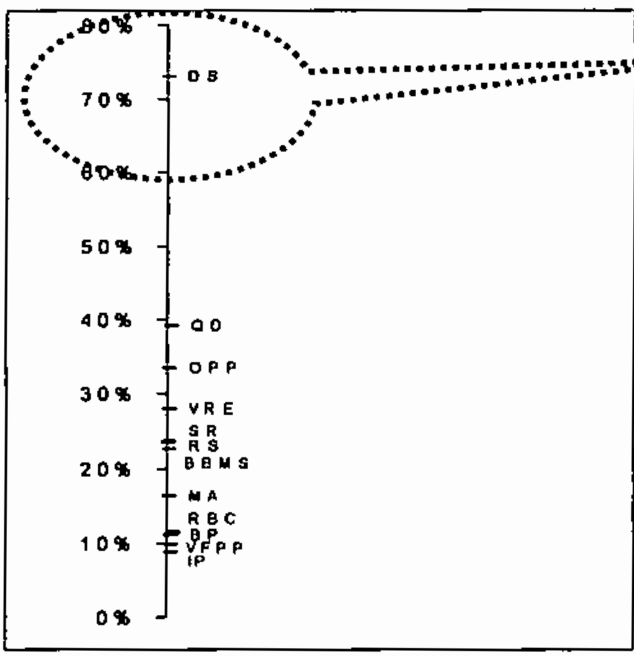
Figure 11 above continues to show the trend beyond March 2005 to November 2005. The scores of the overall customer satisfaction measure in red do not show a marked improvement for the remainder of the year. The sample has been constant with the previous year's sample, at approximately 1000 interviews per month. This means that from 2001 to 2005, the company had not improved beyond a 70% customer service measure, and was nowhere near the 95% beverage industry goal of having a good customer service measure.

4.3 The Customer value driver survey feedback

Since the Benrose plant has been performing poorly compared to the others in the group, the branch management appointed Synovate consulting to conduct an intensive survey, firstly to establish from customers, what services out of the current services offered are perceived as adding value to them. The services identified by the customers are referred to as value drivers for the purpose of this Research. Customers ranked the value drivers in order of importance. Secondly, the management wanted to know the level of performance per value driver. A questionnaire with 74 questions was designed to collect data. A sample of 400 customers out of a 4000 customer base, were interviewed. The results are reflected below.

4.3.1 Results: Value Adding Services to Customers

Figure 12:Customer value driver importance



DS	Delivery Service
QD	Quality of Drinks
OPP	Order Placing
VRE	Vending & Refrigeration Equipment
SR	Sales people
RS	Repair Service
BBMS	Business Building and Marketing Support
MA	Merchandising Activities
RBC	Relationship With Bottling Company
BP	Brands and Products
VFPP	Value for price paid
IP	Invoicing/Payment Service

Source: Customer value driver survey feedback, (Synovate Consulting, April – May 2005)

From the above customer value driver survey results in figure 12, the customers have clearly indicated what they believe to be value drivers in percentage terms. There are twelve services that have been singled out as being offered by the Company These services are: Delivery service, Quality of drinks, order placing, vending and refrigeration, sales people's visits, repair service of equipment, business building and marketing support, merchandising activities, Relationship with bottling company and brands and products.

For the purpose of this research, comments are made on the top 5 services as rated by customers, as these value drivers were perceived as being the most important. Customers ranked the delivery service as the most important value driver. It is the key value driver with a ranking of 70% - 80%.

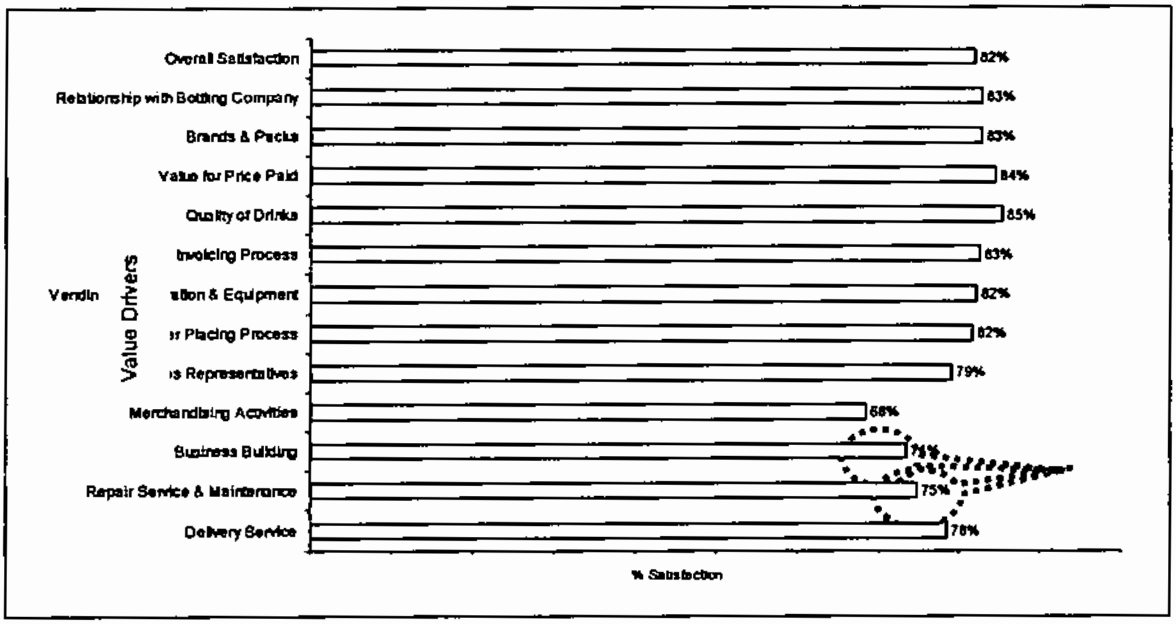
The second value driver was the Quality of Drinks, which was ranked at only 39% this shows that the customers perceive delivery of service as adding significantly more value to their business than the quality of the drinks.

Order placing as a value driver service ranked third at 35%, although in the researcher's view, this value driver compliments the highest rated one, Delivery Service. Placing of orders is part of delivering service, but the customer saw these two as separate value drivers.

The fourth value driver was vending and refrigeration at 28%. This equipment is crucial for the customer, to keep the soft drink products cold. The company provides the refrigeration equipment on loan to customers, and provides repair service to any equipment on loan should it be required.

The fifth value driver is the Sales Representative at about 25%. Sales representatives, provide a personal selling function by going out on weekly visits to customers. The services they provide generally include some of the value drivers, such as business building, Market support, Merchandising Services and building of customer relationships.

Figure 13: Value driver performance – Completely or very satisfied



Source: Customer value driver survey feedback (Synovate Consulting, April – May 2005)

The value driver survey went on further to include the level of performance customers believe they receive from Amalgamated Beverage Industries, Benrose plant in relation to the value drivers. (Refer to Figure 12 and 13 above) The overall satisfaction levels rated by the customers was 82%, this means that any value driver that was rated below 82% was perceived by customers as not meeting their expectations satisfactorily. The top five Value Drivers had been rated by customers as being: delivery service, quality of drinks, order placing, vending and refrigeration and sales people.

The concern, however, is that, out of the five value drivers that are below average in performance, two of them are ranked amongst the top five value drivers by customers. i.e. Delivery Service at 78%, ranked as the most important value driver, and Sales Representative at 79%, ranked the fifth most important value driver in the survey. Both value drivers are below the acceptable 82% rating of overall satisfaction. This implies that customers at Benrose plant are not satisfied with performance of the company on some of the most important value drivers. Table 11 below, is a summary of the Customer Value Driver Survey feedback:

Table11: Level of Importance v/s Level of Satisfaction

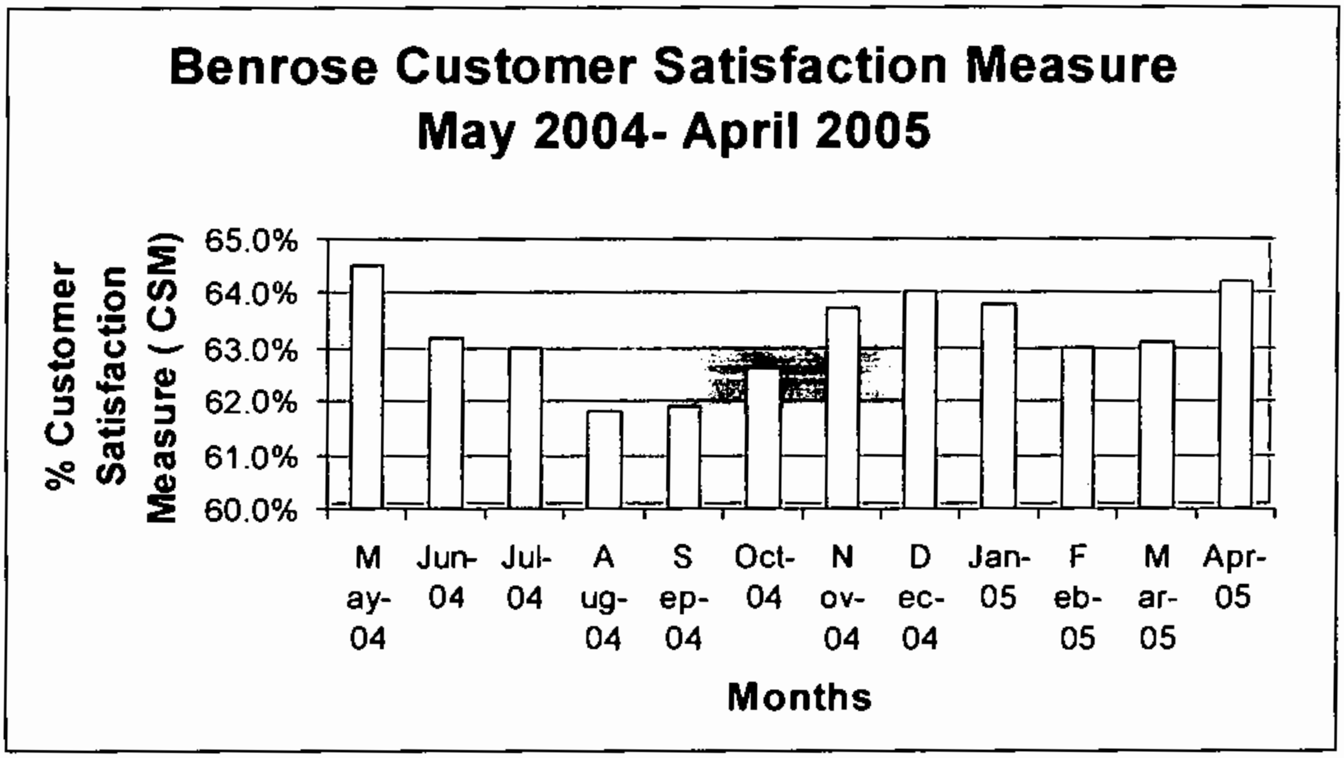
Value Driver	Level of Importance	Level of Satisfaction
Delivery Service	70% - 80%	78%
Quality of Drinks	39%	85%
Order Placing	35%	82%
Vending, Refrigeration Equip.	28%	82%
Sales Representative	24%	79%
Repair Service	24%	75%
Business Building	23%	74%
Merchandising Activities	18%	68%
Relationships	12%	83%
Brands and Products	11%	83%
Value of Price	10%	84%
Invoicing	9%	83%

Source: Customer Value driver survey feedback -Synovate consulting, (April – May 2005)

According to Table 11 assumptions may be made that, with the customer ranking of 82% overall satisfaction levels, any level of satisfaction below 82% needs attention, because it performs below the plant's average. This implies that the value drivers highlighted in yellow above are rated by customers as performing below average.

4.3.2 Summary of the Customer Service Measurement of the Benrose plant for the period May 2004 – April 2005

Figure 14: Customer Satisfaction Measurement -Benrose plant



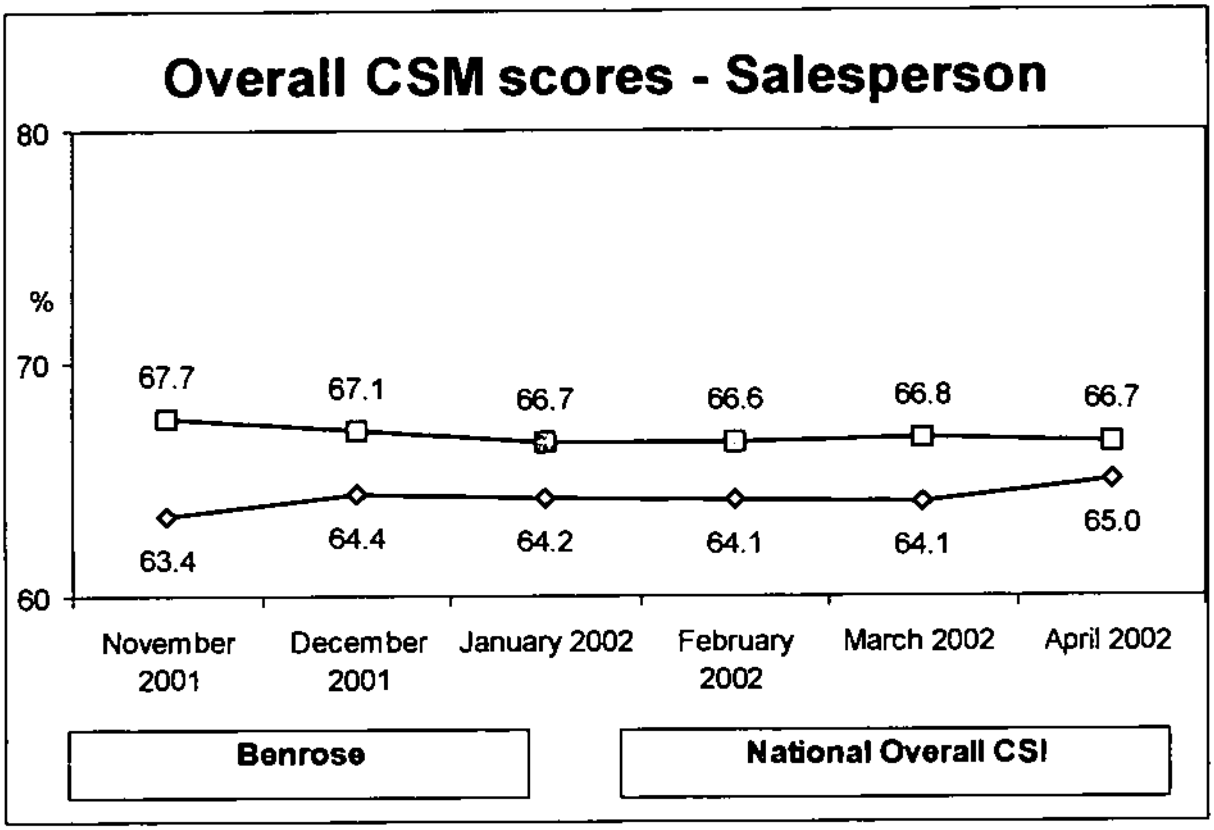
Source: Synovate Consulting reports, (2005)

As can be seen in Figure 14, for the past twelve months in 2005, the Benrose plant has had a customer service measurement of below 63%. This has consistently been below the overall customer satisfaction measure of all the plants. To understand the factors that have led to such a poor score the Benrose plant's Customer Satisfaction Measurement elements are analysed in detail by looking at the four elements that have been surveyed quarterly over the years namely:

- The sales person measure
- The driver and crew measure
- The distribution measure
- The overall plant measure

4.3.3 Overall Customer Satisfaction Measurement (CSM) Results by Salesperson

Figure 15: Benrose Overall Customer Service Measurement by Sales person factor

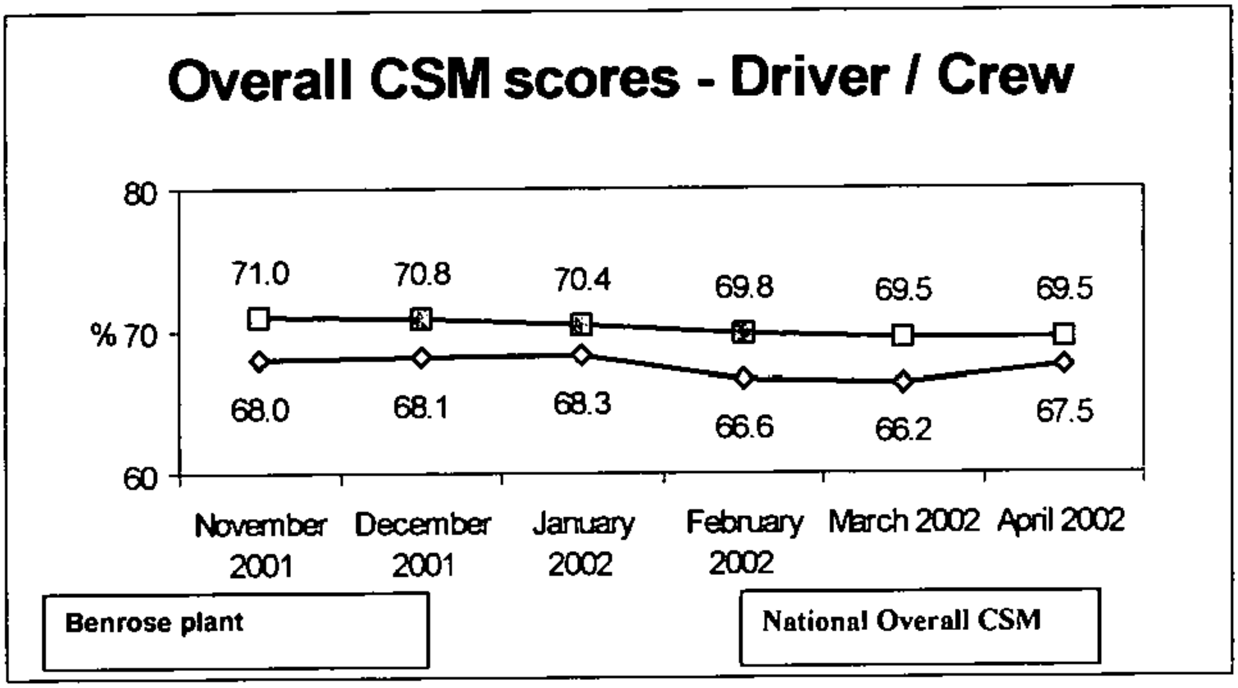


Source: Synovate Consulting reports, (Nov 2001 - April 2002)

Figure 15, reflects the performance trend from November 2001 to April 2002. The salesperson element at Benrose plant performed far below the National trend of 66.9%. This level of performance remains a concern for Benrose management. The Sales person element was also ranked the fifth most important value driver by customers out of the twelve value drivers. This is the value driver, which according to past research history is viewed to be influencing the other value drivers. This makes it very important for Benrose plant to address the sales person element in order to improve its customer service measurement.

4.3.4 *Overall Customer Satisfaction Measurement (CSM) Results by driver and crew*

Figure 16: Overall Customer Satisfaction Measurement: by Driver / Crew factor



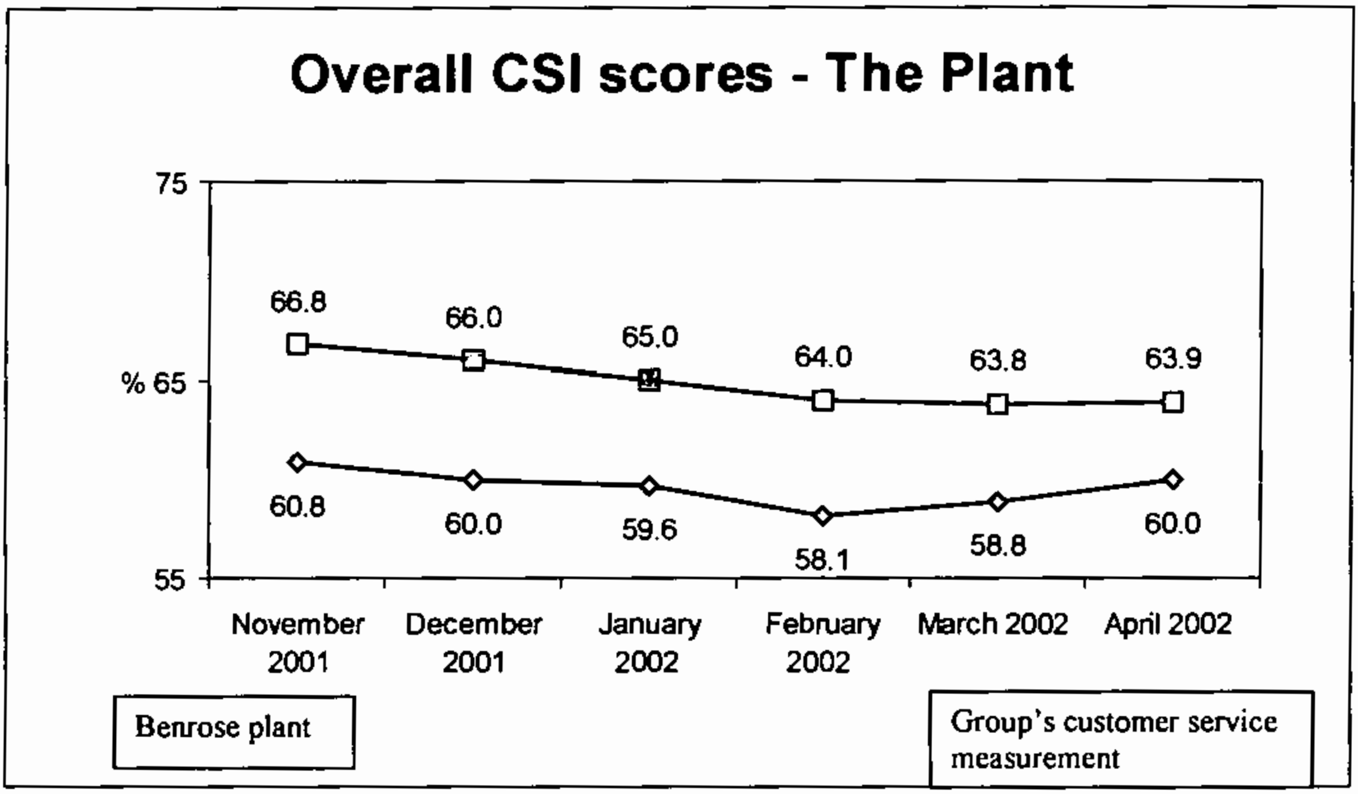
Source: Synovate Consulting, (Nov 2001 - April 2002)

Similar to the Salesperson element, the driver / crew element in Figure 16 forms part of the distribution element is also performing below the group's average of 70.2% over the period November to April 2002. The driver / crew element is trending at 67.5% average for the period.

The driver and crew are a part of the distribution department and are primarily employed to physically deliver products from the Warehouse to customers. They are an important customer service element as they interact with customers on a face to face level. Delivery service is regarded as the most important value driver by customers as indicated in the value driver survey. It has been found to be below the overall satisfaction average of 82%. Therefore, since customers rate this service as the most valuable value driver, the Benrose plant needs to desperately address the distribution element in order to improve their customer satisfaction measure.

4.3.5 Overall Customer Satisfaction Measurement (CSM) Results by the Benrose plant

Figure 17: Overall Customer Satisfaction Measure by plant element



Source: Synovate Consulting reports, (Nov 2001 - April 2002)

For the six month period ending April 2002, figure 17 shows that the overall Benrose Plant measure trending at 59.6% average versus the overall group average of 64.9% over the same period. This factor of the overall plant measure seems to be the worst performer of all the factors, and thus impacts on the groups overall customer Satisfaction Measure. The Plant factor carries a weighting of 28.8% whereas, the Sales person is weighted at 50.2%. The Driver / Crew element is weighted at 21% only, and performs better than the two factors which carry the most weight. The Benrose plant needs to address the deficiencies identified by customers in order to improve its customer Satisfaction Measure.

4.3.5.1 The Salesperson measure

In comparing the two surveys undertaken by Synovate Consulting, namely the Customer Satisfaction Measurement and the Customer value driver survey, there seem to be a correlation in the feedback. For instance the Driver and crew and distribution elements seem to be the number one factor that brings the overall customer rating down. The salesperson element as well seems to be one of the most important factors that need to be addressed according to customers. These factors are consistently performing below the national trends.

4.3.5.2 The driver / crew measure

Customers seem to complain about the Benrose plant not meeting a delivery schedule. There is also an element of negative attitudes from the driver and crew. That needs to be addressed.

4.3.5.3 Negative response by factor

Table 12: Negative Responses

Number of respondents who answered fair or poor by factor			
Factor	Number of Respondents (Fair / Poor)	Total Number of Respondents	Proportion of Total
Salesperson	42	374	24.1
The Plant	26	375	17.1
Driver / Crew	63	373	30.3
Total	131	1122	23.8

Source: Synovate Consulting, (Nov 2001 - April 2002)

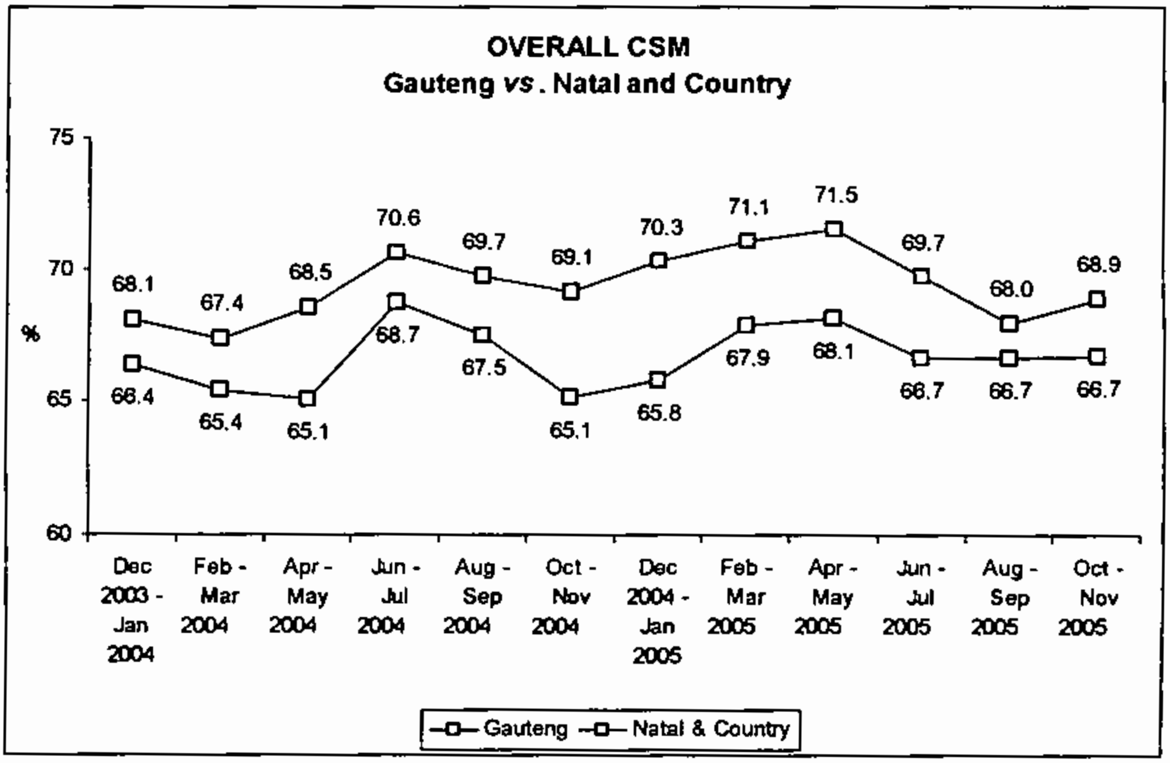
4.3.6 Explanation of Four-Month Rolling Average

The four-month rolling average is used, as opposed to one-month scores, as it smoothes scores over time, and includes a sample that has built up over the four month period, which increases the statistical validity and reliability of the results. The current report reflects a four-month rolling average comprising the months August 2005, September 2005, October 2005 and November 2005.

The next bi-monthly report drops off the scores for June - July 2005, and will include the results for October 2005 and November 2005.

The Sales person split reports are, however, based on a six-month rolling average rather than a four-month rolling average. The principle is the same in that six months worth of data is included in the compilation of the scores in these reports. Six months worth of data is used so as to provide a sample of approximately 20 interviews which can be used to draw conclusions from, for the individual Sales persons. (Sales people)

Figure 18: Overall Customer Satisfaction Measure



Source: Synovate Consulting reports, ((2005)

Natal and Country remains the top performer of the two regions as can be seen above in Figure 18.The gap between the two starting to increase, currently being 2.2%. Natal and Country has shown an increase of 0.9% and Gauteng remained constant at 66.7%.

However the point is that, the overall Amalgamated Beverage Industries group performance is lagging below the acceptable 95% acceptable industry average of Customer satisfaction. The company needs to revise its Customer service strategies as the company is not sufficiently addressing customer's needs.

4.3.7 Competitor Analysis on Customer Service Measurement

Table 13: Competitor analysis

Overall Scores	Aug - Sep 2005	Oct - Nov 2005	Dec 2005 - Jan 2006	Feb - Mar 2006
Amalgamated Beverage Industries	69.6	68.8	67.2	67.1
South African Breweries	82.5	83.1	85.6	86.2
Clover	81.7	80.9	82.3	81.3
Simba	84.9	81.2	82.1	80.8
SASKO	79.6	80.7	80.1	82.2

Source: company reports, (2005 – 2006

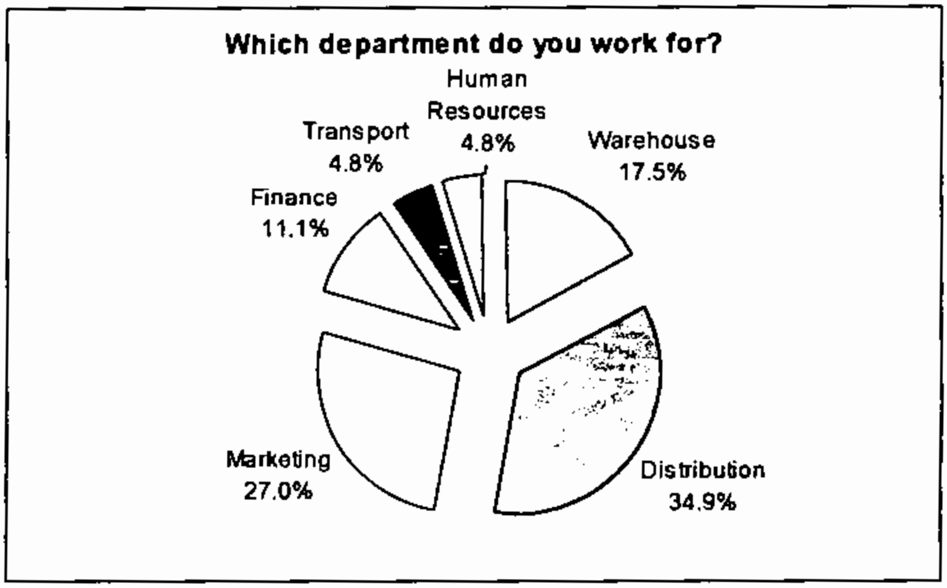
The competitor analysis is based on 4 companies that have the same customer satisfaction measurement survey. Amalgamated Beverage Industries latest score in 2006 was 67.6 %, which although was a slight improvement from the historical performance as has been seen in the diagrams before, it is still lagging behind the other industry players. It is the only company with a score in the 60 percentage mark while other top industry players score in the 80 percentage mark. A one percent improvement is highly significant in this market considering the sample of customers. South African breweries had the best scores of the 4 companies, with a score of 86.2% in 2006. While it seems difficult to achieve the 95% goal, the results show that there is a marked gap in customer service at Amalgamated Beverage Industries that needs to be improved.

4.4 Employee perceptions on customer service

A sample of 63 employees was drawn from a total of 303 employee universe at Amalgamated Beverage Industries Benrose plant in April 2005. A detailed questionnaire was sent out. The results are thus analysed as follows:

4.4.1 Relative Response by Department

Figure 19: Responses by department



Source: Data analysis of employee questionnaire

The pie chart above in Figure 19 shows that out of the 63 employees who responded, the composition was as follows: 34.9% from Distribution, 27% from Marketing, 17.5% from Warehouse, 11.1% from Finance, 4.8% from Transport and 4.8% from Human Resources. The absolute number of respondents is analysed in Table 14 below. As can be seen, the Warehouse and Distribution departments' responses were below the expected number in comparison to the other departments.

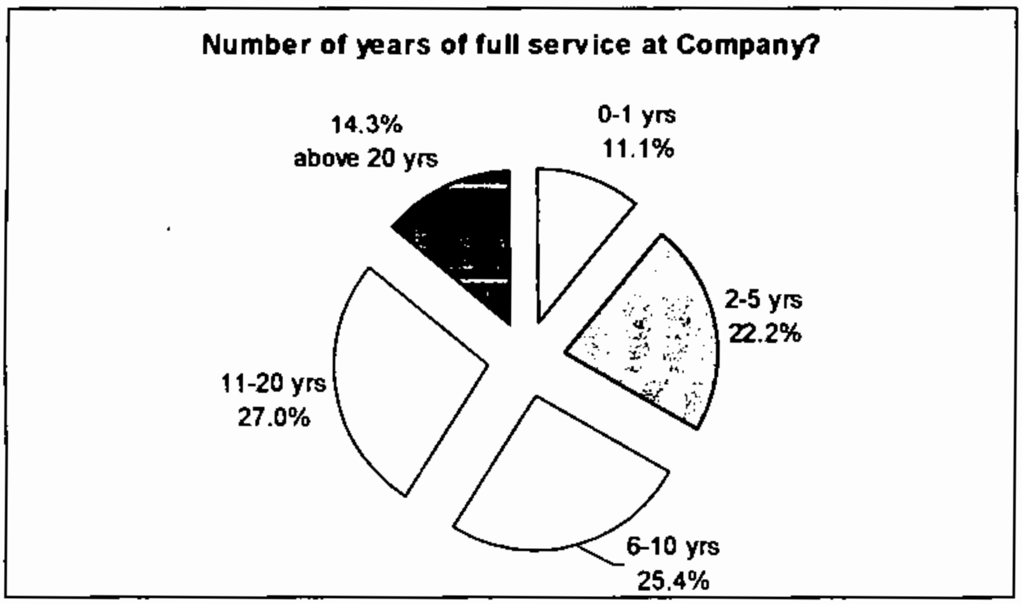
Table 14: responses by department

Department	Actual Responses	Proportional Allocation
Warehouse	11	14
Distribution	22	24
Marketing	17	17
Finance	7	4
Transport	3	2
Human Resources	3	2
Total	63	63

Source: Data analysis of employee questionnaire

4.4.2 Relative Response by number of years of service

Figure 20: Responses by years of service at Amalgamated Beverage Industries



Source: Data analysis of employee questionnaire

Figure 20 shows that clearly there is a spread of years of service represented in the sample. 14.3% of the respondents are more than 20 years in the company and the least is 0 – 1 year service at 11.1% of the sample.

Table 15: Responses by years of service at Amalgamated Beverage Industries

Years Interval	No. of Employees fi	Class Midpoint xi	fixi
0 - 1	7	7	49
2 - 5	14	8	112
6 - 10	16	9	144
11 - 20	17	10	170
> 20	9	11	99
	n = 63		Sum = 574

Source: data analysis of questionnaire

Find the Mean = $\frac{\text{Sum fixi}}{n}$

= $\frac{574}{63}$

Average = 9.1 years

The average years of 9.1 in the sample, shows a fair level of experience by the respondents within the company. Therefore, the assumption is that the employees sampled have a good understanding of the company processes. The number of years may also negatively influence the readiness to change as some procedures that form a part of their daily work function are entrenched in most employees after so many of years of experience.

4.4.3 Results Responses

This section is dealing with response relating to employee perceptions and roles towards customer service. The questions were condensed into three factors, namely, perceptions, customer service and management support. However, for analysis purpose, the results have been broken down as follows for all questions, and for easy reference:

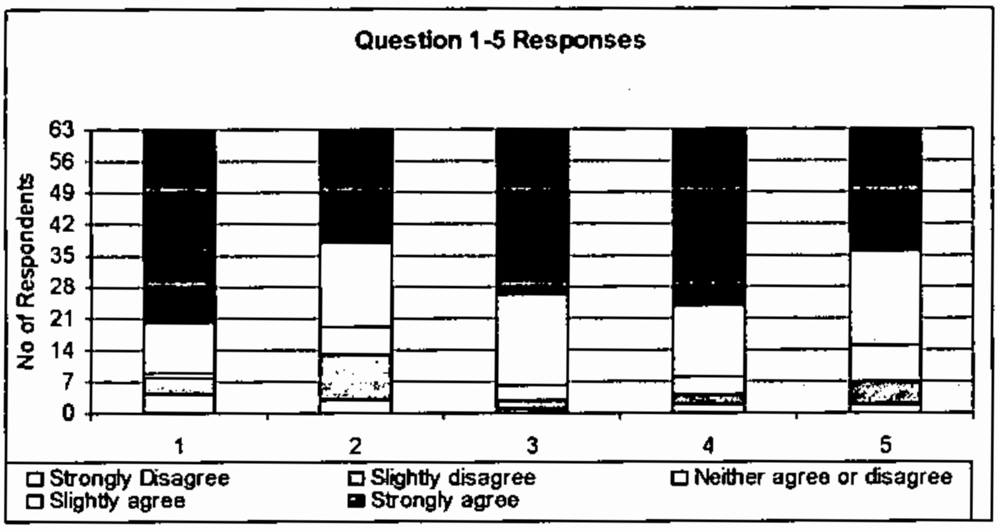
Section C Questions 1 – 5 responses

Questions 6 – 10 responses

Questions 11 – 15 responses

4.4.3.1 Question 1-5 responses

Figure 21: Results of responses to question 1-5



Source: data analysis of employee questionnaire

From the above figure 21, on feedback on questions 1 to 5 of the questionnaire, there is a generally positive response. Question 1, which refers to the awareness of company vision and mission, shows that 54 of 63 employees agree that they are aware of the vision and mission. 43 strongly agree, 54 agree. This represents 85.7% of the total respondents. The Assumption is that the company does communicate its vision and mission fairly throughout all levels.

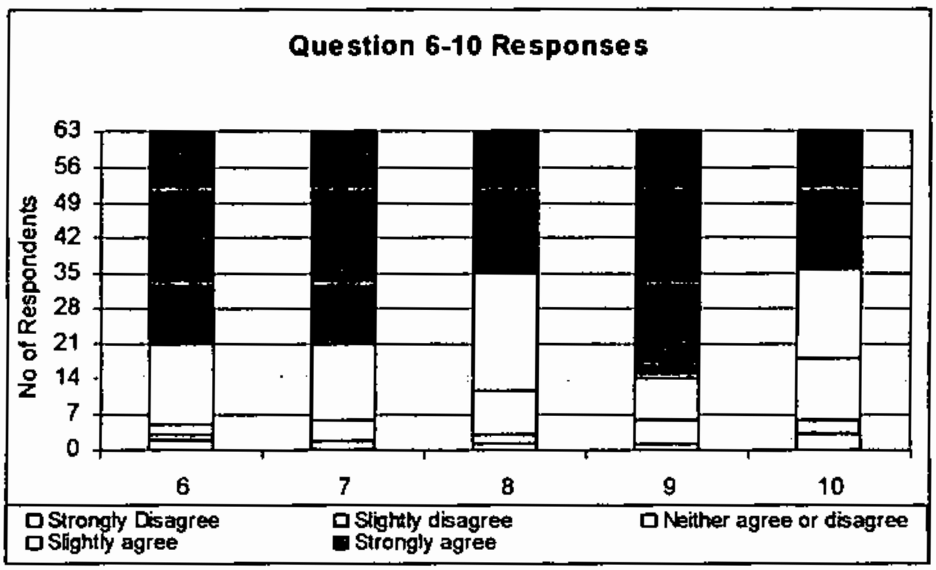
44 employees or 69.8% of the respondents believe that they are informed about departmental plans. This implies that, management generally communicates and involves its employees in planning. Of concern are 13 or 20.6% who disagree

Responses for question C3 show 57 employees or 90.4% of the respondents agreeing that they receive information to do their job properly. This implies good leadership, guidance and information sharing, by management.

The response for C4 is also positive in that 55 employees or 87.3% are saying that their supervisors take notice of their views. Only 4 disagree and the remaining 'other' are neutral.

The fifth question, C5, focuses on involvement of employees in changes affecting their work. Only 48 employees or 76.2% of the respondents agree and of which 27 strongly agree. 7 employees or 11.1% of the respondents disagreed. Therefore, the assumption is that the company does not handle change very well.

4.4.3.2 Figure 22: Results of responses to question 6-10

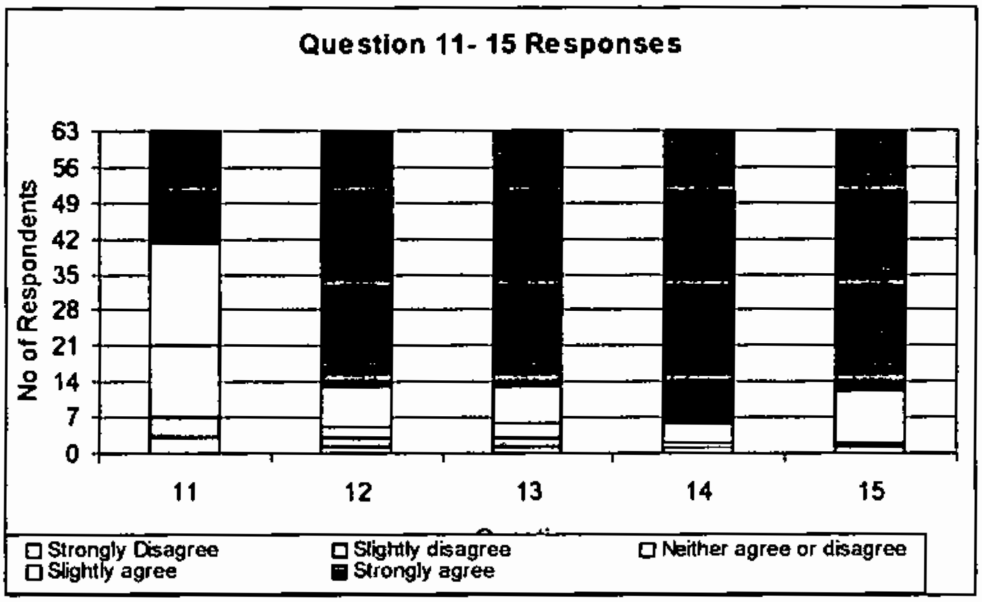


Source: data analysis of employee questionnaire

Response to C6 is positive at 92.1% or 58 employees agreeing that their supervisors are available for assistance. This implies that management at the Benrose plant is very supportive. C7, refers to training to do the work, and 57 employees or 90.5% of the respondents, agreed that they are trained to do the job, and only 2 are neutral.51 employees or 81% of the respondents agree that their supervisors are concerned about their career development;

however 9 employees or 14.3% of the respondents neither agree nor disagree. 57 employees or 90.5% of respondents believe that training on-duty improves their performance, and again 5 employees are neutral. This section saw the worst performer thus far, with 45 employees or 71.4% of respondents agreeing that the company has effective system to assess their performance, and 12 not sure with 6 disagreeing totally. An area the researcher believes that it needs attention.

4.4.3.3 Figure 23: Results of responses to question 11-15



Source: data analysis of employee questionnaire

42 employees out of 63 believe that the company shares information through various media sufficiently, whereas 14 or 22.2% are not sure with 11.1% or 7 employees in disagreement. C11 needs attention, although it was found to be unrelated to the research work when analysis for validity and reliability were conducted – see chapter 3.Interestingly 58 employees or 92.1% fully agree that pleasing customers is an integral part of their work, of which 50 employees strongly agree which is a good response.

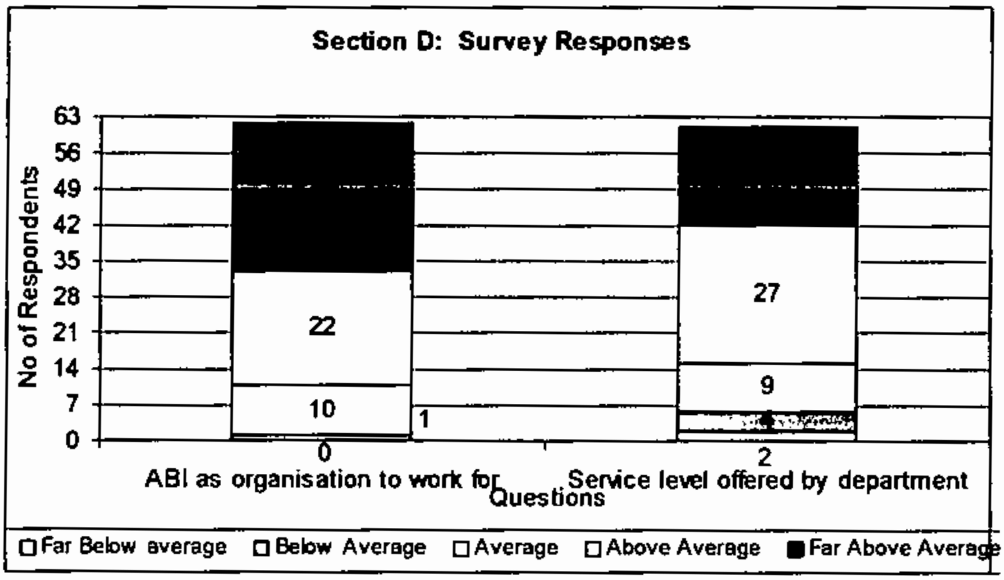
57 employees believe that good customer service is facilitated by collaborating between departments. This is a good response which implies understanding of the concept of value chain amongst employees. Although the actual practice did not reflect the employees'

responses.96.8% of employees who responded, or 61 employees out of 63, believe that customers are key to the success of the company. Therefore an understanding of the value of customers is fully universal.96.8% of employees once more agree that they understand their customer needs. This response although positive ,needs to be tested to verify if true as the customer survey results indicate otherwise

4.4.3.4 Response to Section D of Questionnaire

Section D, of the questionnaire, has two questions only. The survey response is condensed into bar charts showing survey responses from respective departments. This makes it easier to pinpoint areas of concern by department.

Figure 24: Results of responses to section D



Source: Data analysis of employee questionnaire

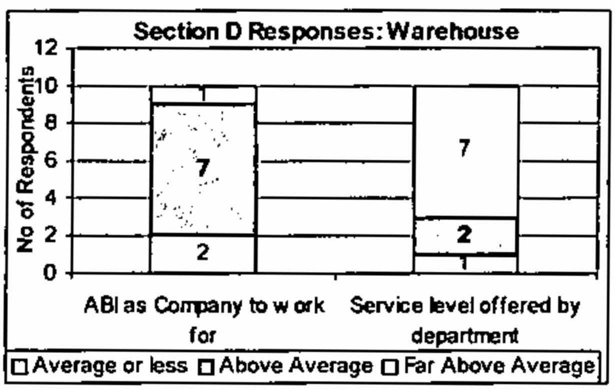
Two questions were posed to employees to assess their level of commitment and service offered by their department, and to establish their perceived level of performance to customer service.

Of the 61 employees who responded to the question of their perception of Amalgamated Beverage Industries as a company to work for, 29 rated it far above average, whereas 22 above average. Therefore 51 or 83.6% of the employees, who responded, rate this company above average. Only 10 believed it to be average and below. This may imply that there is a fair level of commitment to work for this organisation.

As far as level of service offered to customers by their department, only 19 out of 61 respondents, believe that they are servicing their customers far above average. 27 are just above average, a combined above average of 46 or 75.4%. 9 believe they are just average providers of service to their customers, whereas 6 are said to be below average. 2 of the employees believed to be far below average in service to their customers. This is a critical realisation for the Benrose plant which has not performed well over the period. I its employees are fully aware that they do not give great service to their customers.

4.4.3.5 Response to Section D by Departments

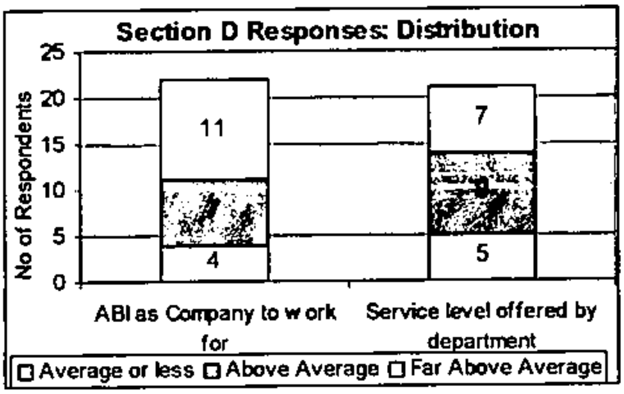
Figure 25: Results of responses to section D by departments



Source: Data analysis of employee questionnaire

As a company to work for, 8 out of 10 employees from Warehouse who responded to this question rated this company above average, with only one rating far above average. 2 employees rated average or less. Service level offered by their department to their customers, was rated by 9 as above average, and far above average, by 7 employees. Only one believes to be providing average or less service to their customers.

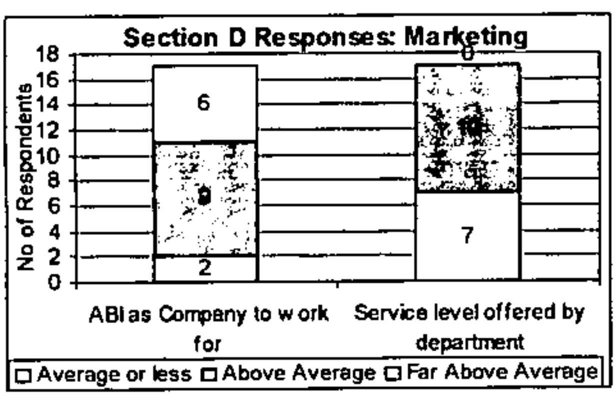
Figure 26: Results of responses to section D by distribution department



Source: data analysis of employee questionnaire

11 out of 22 employees in the Distribution department rated the Benrose plant as a plant to work for as far above average and 7 rated above average and only 4 rated averages or less.
In terms of service levels offered to their customers by their department, a total of 15 believe that they provide above average service, whereas 5 or 22.7% rate their service average or less. 22.7% is quite a big difference, if we consider the size of this department and their role to customer service.

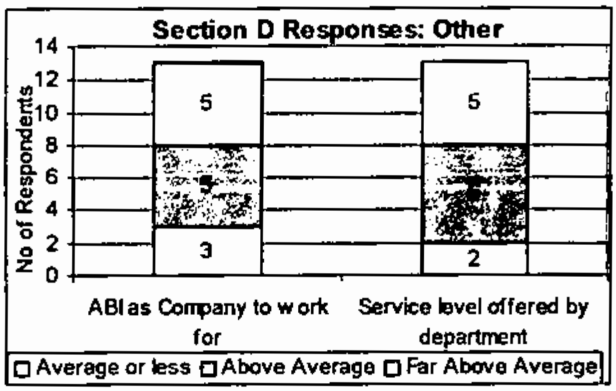
Figure 27: Results of responses to section D by marketing department



Source: data analysis of employee questionnaire

17 employees responded to this section of the questionnaire. 15 rated the plant as above average as a company to work for and 2 as average or less. In terms of Service levels however, 10 believe that they provide above average service to their customer, and none of them believe that they are providing service far above average. 7 rated their service as average, which is a great concern, particularly with the sales people. However this demonstrates their consciousness of the concept of customer service, and they are aware that they are not providing the expected levels of service.

Figure 28: Results of responses to section D by other departments



Source: data analysis of employee questionnaire

Other, includes all other support departments such as Finance, Transport and Human Resources. 13 employees responded, of which 10 rated Benrose plant as above average as a company to work for, whereas only 3 were average or less.

The service levels offered by support departments, was rated by 11 of their employees as above average of which 5 were far above average. 2 employees were indifferent about the service their departments were offering to their customers.

4.4.4 Response to the question 'Who do you consider to be your customer?'

The question was asked to employees 'whom do they consider to be their customers – internally or externally?' Following on from the value chain, the researcher expect the warehouse employee to consider distribution department as being their internal customers, since they provide services to them in the form of load picking and making, truck loading etc. If they deviated from the correct answer then the statement would be incorrect. Distribution and marketing consider external customers as their customers since their services are focus on them. In the next page, an analysis of responses is detailed. For instance, it is depicted that 54% of the warehouse employees who responded seem confused about who their customers are, and the same trend, but slightly better, exists with distribution department (33%).

4.4.5 Response to: Suggestions to Improve the Level of Service

Some of the common verbatim statements were captured by department as clearly documented on Table 16.

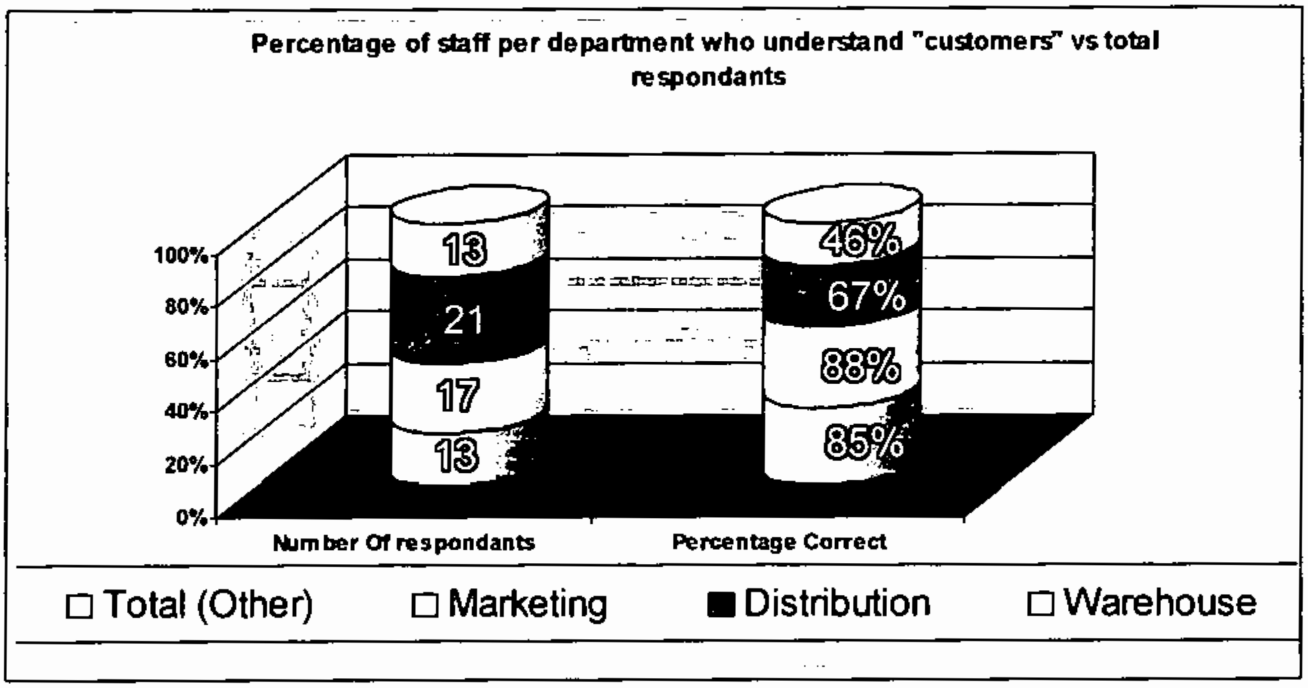
Table 16: Response on Section E & F of Questionnaire and Suggestions for Improvement

Department	Number Of respondents	Understanding "customers"	Percentage Correct	Statements - Suggestions for Improvement
Transport	3	2	67%	Discussion, suggestive input from outside dept, repair equipment
Human Resources	3	3	100%	Being more available to internal customers
Finance	7	6	86%	Motivation, co-operation re information, skills training, meetings, improve systems and staff management, efficiencies
Total (Other)	13	11	85%	
Marketing	17	15	88%	Communication, training, customer

				care, strategy, availability to customers, distribution improvement, advertising, consistency, distribution, attention to detail (out of stock, delivery times, promotional info)
Distribution	21	14	67%	Accuracy in terms of stock loading, stock rotation, eliminate stock shortages, skills improvement, feedback from outlet, timeliness, customer care, employee rewards, better communication with sales staff
Warehouse	13	6	46%	Employ more staff, customer education on product, avoid shortages, internal communication, accuracy, resource management

Source: Data analysis of employee questionnaire

Figure 29: percentage of staff by department who understand the term 'customers'



Source: Data analysis of employee questionnaire

In closing this chapter, it is ideal to summarise some of the facts that were highlighted from the data analysis and interpretation:

Out of the twelve service offerings or value drivers identified by customers of Amalgamated Beverage Industries as being of value the overall customer ranking for value drivers was 82%, any level of satisfaction below 82% needs attention, because it performs below the plant's average. Five of the service offerings or value drivers are below average as they perform below 82%, two amongst the top five most important value drivers to customers namely: Delivery Service and Sales Representative were below average performance.

It can be seen that the Benrose plant is not meeting customer expectations, particularly in the element of Delivery Service, Sales Representatives Repair Services, Business Building and Merchandising Activities. Benrose plant has been performing below the national level on all factors such as Salesperson, Driver/Crew, Distribution and the overall customer satisfaction measure for the Plant. The company as a whole is performing below other industry players' performance and needs to improve its customer service significantly.

The internal employee survey conducted shows that employees perceive their activities as meeting customer needs on average and above average which is contrary to what customers think of the company's service.

The sample taken to collect data, comprised of employees of an average of 9.1 years service. Therefore, it seems that, the way the plant goes about meeting the customers needs has been done in this manner for years and it has become a culture of disservice and is thus entrenched in the processes, In reality with the fierce competition and globalisation, it is imperative that companies keep up with changing customer needs as customers are increasingly gaining power and choices in satisfying their needs. The employees and management at Benrose plant need to understand that the way things were done in the name of customer service over the past 5 years has failed to meet customers' needs.

54% of employees from warehouse, and 33 % from distribution departments do not understand who their internal customers are and seem to consider customers as only being external. This shows the problem of silos between departments as they do not work together to meet customer needs. Training and change management is needed with emphasis on business concepts such as the value chain concept, and internal customers and the need for superior customer service.

From a detailed summary above, it is clear that a changed mindset towards customer service amongst employees is needed as it is impacting negatively on the performance of this plant meeting customer service expectations. The problem is that although employees believe that on average they are meeting customer needs the Customer Satisfaction Measures, Value driver survey and comparison to other industry players indicate the contrary.

In conclusion, it can be seen that Amalgamated Beverage Industries has a problem with a lack of a customer centric focus from its employees. As a solution for the company going forward, there is a need to promote a more customer centric focus in the key departments namely distribution and sales as these directly impact on the customer.

Chapter 5: Data findings

5.1 Introduction

The objective of this chapter is to summarise the findings stated in the previous chapters of this research paper. The recommendations follow from the findings.

The research has confirmed that there is a need for a more customer centric culture at the Amalgamated Beverage Industries, Benrose plant, and by implication the entire group as a whole. The company is not satisfactorily meeting its customer's needs as revealed by the ongoing customer and employee surveys.

5.2 The Findings

5.2.1 Aim

The objective of this research paper as set out in the hypothesis was to examine and evaluate the phenomenon of Customer disservice at the Amalgamated Beverage Industries, and to suggest a customer centric approach that would compel the company to address the deficiencies identified especially in the sales and distribution departments.

The research methodology of this research paper was mainly an application of the case study methodology availing itself to a careful examination of the relevant literature and ongoing company surveys on customer service. It follows on to explore the employees' perceptions towards customer service in general at the Benrose plant which is part of the Southern Gauteng region of the company. The aim is to establish the culture prevailing within the plant and its impact on customer service.

The customer surveys used were based on Secondary data from a research company knows as Synovate Consulting. The information was used to extrapolate a general idea of the level of customer service at the Benrose plant and to establish customers' expectations. The information is useful in determining the gaps existing in customer service. The employee survey was based on a sample of 63 employees drawn from a total of 303 employee universe at the Amalgamated Beverage Industries Benrose plant in April 2005. A detailed questionnaire was sent out and the data collated in order to establish the employees' perception towards customer service.

5.2.2 *Research objective one*

The first objective is to determine through literature review, the need for Amalgamated Beverage Industries to adopt a more customer centric culture.

5.2.3 *Research objective two*

The second objective is to extrapolate through secondary data, the customer service gaps at the Amalgamated Beverage Industry.

5.2.4 *Research objective three*

The third objective is to investigate the perceptions of Amalgamated Beverage industries employees towards customer service in general.

5.2.5 *Findings*

The customer and employee surveys that were examined indicated the following findings:

Customer Value Driver Survey Feedback: This survey was useful in pointing out the services or value drivers that the customer perceives as adding value to them. In addition to this, the survey indicated the order of importance and the relative satisfaction in percentage terms that these services or value drivers give them.

The overall satisfaction level rated by the customers was 82%. This means that any value driver that was rated below 82% was perceived by customers as not meeting their expectations satisfactorily. The top five customer value drivers had been rated by customers as being: delivery service, quality of drinks, order placing, vending and refrigeration and sales people.
The concern, however, is that, out of the five value drivers that are below average in performance, two of them are ranked amongst the top five value drivers by customers. i.e. Delivery Service at 78%, ranked as the most important value driver, and Sales Representative

at 79%, ranked the fifth most important value driver in the survey. Both value drivers are below the acceptable 82% rating of overall satisfaction. This implies that customers at Benrose plant are not satisfied with performance of the company on some of the most important value

Customer Satisfaction Measurements: Amalgamated Beverage Industries works through a company known as Synovate consulting, to conduct quarterly customer service surveys. This has been on going since 1999 and initially was a monthly survey but later changed to a quarterly review. The purpose of this survey was to evaluate customer service levels against the company's 95% goal, which was perceived to be the acceptable goal in the beverage industry. The results to date have been dissatisfactory as many of the branches are far from achieving the service goal.

The highest score to date has been in the region of 70%, which is below the acceptable beverage industry standard of customer satisfaction. The results from this measurement indicate that the company is not adequately satisfying its customers. The Benrose plant over the five years from 2000 to 2005 has consistently been the worst performer out of the 14 plants at Amalgamated Beverage Industry. The main factors that were measured in these surveys was the overall customer satisfaction measure for the plant, the salesperson, the distribution department, and the driver and crew. All four factors consistently received a poor rating by customers

Employee surveys: The employees surveyed had an average experience of 9.1 years in the company. It is thus fair to say that these employees represent the long – term culture of the company towards service over the last 9 years. These employees represent the company's service culture.

5.2.6 Analysis of questionnaire

The results are broken down into four sections for easy reference.

Questions 1 – 5: The results indicate that management is perceived to be communicating fairly well and involving employees in changes affecting their work. This shows that the employees do not feel that there is a lack of communication with management in general

Questions 6 – 10: this section shows some perceptions regarding the management style at the Company. 92.1% of employees fully agree that pleasing customers is an integral part of their work. This is a positive outcome of the survey as it shows that given the correct tools on how to please the customers it can be assumed that there would be a readiness to change as employees believe it is their work to please the customer.

Questions 11 – 15: This section indicates that employees believe that the customer is important. (96.8% were positive about the role of the customer. This shows that employees are willing to please customers but have a culture that over the years has emphasized more on processes and systems as opposed to customers needs. The company has survived without having to meet the customers' needs as it is a franchise of the Coca Cola Company which has the largest market share in the country and around the world. This indicates that there has been no sense of urgency with regards satisfying the customers better as the customers over the years had fewer options to switch to. Thus the customers over the years have been dissatisfied but were forced to continue trading with the company due to few competitors in the market.

The problem is that 97% of the employees believe that they understand the customers' needs and are pleasing the customer; despite the results of the monthly customer satisfaction surveys .This indicates that the employees genuinely do not understand what they need to do differently in order to please customers. As a result they have been carrying on for 9 years in doing the same things and believing that customers are generally happy with their service.

Response to Section D:75.4% of respondents, believe that their departments are offering average and above average service to their customers. As indicated earlier most of the employees feel that they have good service despite the results from the monthly customer satisfaction surveys. However, looking at this from the other side, the results also imply that, 25% of employees are aware that they do not provide a level of service that is meeting the customer needs.

The results by department with marketing department at 33% indicate that the marketing department is conscious and aware that the company is not fully meeting the customers' needs. The issue here is, despite marketing department knowing that the customers' needs are not fully met; they have not done too much over the last 9 years to serve the customer better. There is a danger in a company having the largest market share over the last 9 years, as is the case here because the sense of urgency to change the way things are done is not there. However, the purpose of this research is to sensitize the company to the customers needs as competition is growing and as shown in the previous chapters, there have been instances where market share has been lost to new entrants in the market

Response to section E & F: the last section indicates that there is a general confusion especially within the warehouse and distribution departments in understanding who their customers are. The concept of internal customers is not understood and as a result the two departments do not work together but carry out their functions in silos

5.2.7 Summary of findings

The research reveals evidently that, customer service activities at the Benrose plant of the Amalgamated Beverage Industries, are not meeting the current customer needs and expectations. This implies the need for a changed mindset and a more customer centric culture of the employees

The customer satisfaction surveys indicate that customer expectations are not being met and the value driver survey reveal what the customers perceive as adding value to them. This is important in formulating the recommendations as it is based on the customers' perception and not the company's perception.

The company's solution to customer service should centre on, changing the employee culture towards customer service, designing strategies and activities that enhance what is perceived by customers as adding value to them, and learning from competitors in the same industry what they are doing better in pleasing customers.

Therefore, it can be concluded that over the 9 years the market place has changed and there is increased competition. Customers have more choices than before. As a result Amalgamated Beverage Industries needs to adopt a more customer centric culture in order to secure its market share. The recommendations given in the next chapter are a guideline in moving towards this customer centric culture.

Chapter 6: Recommendations

6.1 Introduction

The recommendations are derived from various conclusions reached in this study. In order to improve customer service at the company the following proposals are suggested in the section that follows.

6.2 Details of recommendations

6.2.1 Service standards

It is recommended that the company compose a detailed service programme to be launched to all employees in various plants. It is recommended that the company conduct a detailed research to establish what the customers expectation are and also what services competitors are offering that the company is not and implement this across the board.

6.2.2 What the service programme should focus on

Customers expectations of different departments: the front line staff such as the sales people , company drivers should have a detailed expectation of how to behave when dealing with customers, the distribution department should understand what customers expect, and the back office staff such as the human resources and information technology should also understand how their department influences customers. Each department should have a service standards and behaviours handbook that will guide them on what customers expect from them.

The company should implement the programme department by department before going public in communicating to customers that they are committed to improving the customer service and meeting customer expectations. This bold move will create accountability and responsibility of staff to keep the standards, and will show customers that they are committed to meeting their needs

The service standards should not be based on the beverage industry but should aspire to benchmarking itself to an industry that consistently exceeds customer expectations, such as the

Hospitality industry. This will create a changed mindset towards customer service and will prevent the company from repeating competitors' mistakes.

6.2.3 *Transformational focus group*

A focus group that will lead transformation of culture and changed practices with regards customer service is suggested. The transformational focus group can be made up of management and employee representatives of each plant. It is imperative to get the views of employees in order to follow a holistic approach as opposed to only getting views from management, which may be skewed from the reality of what is happening in the company This 'transformation focus group is suggested to brainstorm ideas on a regular basis in order to drive and maintain a customer centric solution in the company. The solution is intended to incorporate learnings from literature review, The Customer Value Driver Survey results, and the Customer Satisfaction Measurement results and finally the results extracted from analysing employee perceptions.

Bob Gardner, suggests that customer demands and levels of satisfaction, will be primary drivers to change the way things are done in an organisation.(Gardner (2001:41)The proposed solution is to create a paradigm shift for employees. According to Johnson and Scholes (1999:74) a paradigm shift is a generalised set of beliefs about the organisations and the way it should be. The solution focuses on routines, rituals, power and company structures and to a lesser degree the impact on stories and symbols within the company. Johnson and Scholes (1993:74) briefly describe the meanings of the elements of what they call a cultural web, in suggesting changing of a company's culture. Amalgamated Beverage industries employees need to change their culture in order to be more customer-centric. The elements of the cultural web are as follows:

- *Routines*: The way things are done around here i.e. the routine ways members of the company behave towards each other and outside the company.
- *Rituals*: The company events through which it emphasizes what is particularly important and reinforces the way things are done. This may include formal training, recruitment, assessment and evaluation of procedures etc.
- Power and Company Structure: These elements are interrelated in that they are associated with the key assumptions of the paradigm, which are the sets of core assumption and beliefs embedded in individuals and the company at large. When

developing a plan to change, these elements must be taken into consideration. A buy-in from all stakeholders is crucial to change the culture.

- *Stories and Symbols*: These explain the above elements as stories told by members of the company to each other, outsiders, new recruits and symbols and logos displayed in offices, vehicles titles, terminology used etc. The stories told generally reinforce the types of behaviour in the organisation, and what is important, and symbols are a signal of the type of behaviour value in organisation.

The focus group is to ensure that a change management process is developed in order to change the culture mindset of employees. The challenge for this team is to get acceptance and buy-in from all stakeholders in order for a changed mindset to be achieved.
It is suggested that the transformational group follow the following process:

6.2.3.1 Activity plan in place

The plan recommended is detailed as follows:

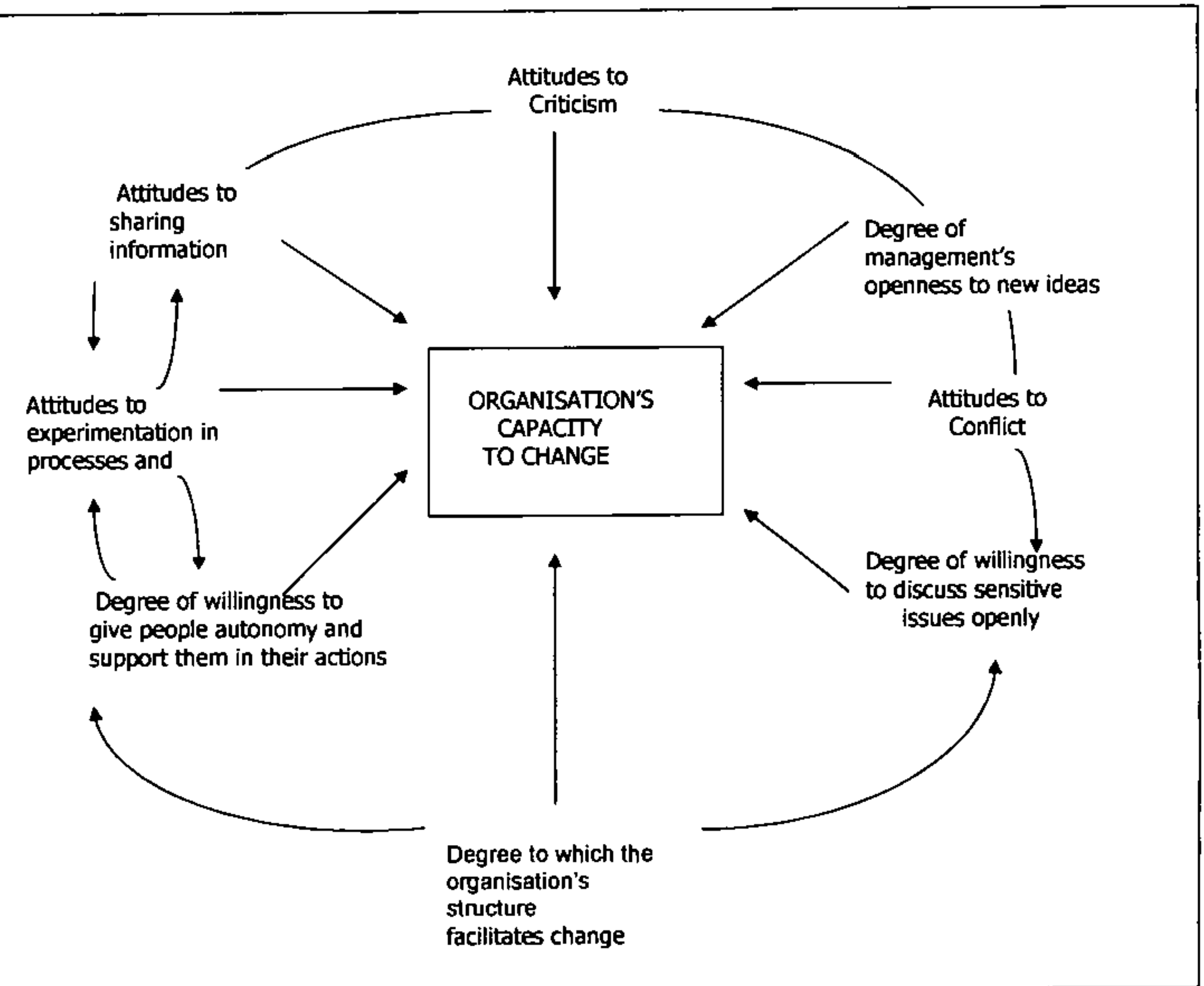
- Diagnose the current situation from both an employee and management perspective emphasizing a sense of urgency to implement change.
- Develop a vision for changing the current situation, particularly cultural issues around the routines and processes carried out in the name of the customer service
- Develop an integrated solution for customer service which will link the key value drivers identified by customers in the Value driver survey and cope with the pace of changing customer needs and expectations revealed in the customer surveys undertaken by the Synovate consulting company.
- Develop a Transformation Path to introduce the solution to all levels of the company for the purpose of giving commitment and implementation of the desired changes.

  The recommendations around the transformational path to be followed need a detailed analysis of the organisations current culture and a change management process to be followed

6.3 Elements of organisational culture and introducing change

It is advisable for the transformational focus group to analyse and assess this organisation's current culture and establish its capacity to change using the model recommended by Senior (1997 : 133) detailed below:

Figure 30: Model for Organisational culture and change



Source: Senior (1997: 133)

Figure 30 depicts various elements of organisational culture that might influence organisational change. The idea is to establish whether there are serious issues about one element, and work around that. For instance, the employee survey conducted, revealed that the company fairly share information and communicate with its employees. 70% of the employees were in agreement with this. This indicates that attitudes to share information are fairly positive. This analysis will help the transformational focus group on how to manage the process of organisational change.

Assessing cultural risk, helps management pinpoint where they are likely to meet resistance to change because of incompatibility between strategy and culture (Senior 1997: 141). Therefore, the transformational focus groups challenge is to try to change the culture to fit the strategy, a situation described by Senior (1997: 142) as extremely difficult and lengthy if the culture is a strong one. In this case, Amalgamated Beverage industries employees surveyed have 9 years experience of service in the company. This indicates that there is a set mindset that would need to be worked on.

After all the information has been collated, the transformational focus group would be in a better position to decide on the process to adopt in bringing about change, particularly cultural change, an extremely difficult and lengthy process. In the next session, an appropriate model or transformation path is developed.

Process Recommended to Change Culture at the Amalgamated Beverage Industries

Beer, Eisenstat and Spector (1993) in Senior (1997: 143) argue that trying to change attitudes and values directly when changing the culture in the organisation, is futile. The way to bring about organisational change is to first change behaviour. The behaviour change will bring about the desired changes in attitudes and values.

Beer et al (1993) thus recommend the following "Six Steps to Effective Change" indicated in Table 17 below.

Table 17: Six Steps to Effective Change

Steps	Activity
1	Mobilise commitment to change through joint diagnosis of business problems (this is why the transformational focus group has employees from various departments)
2	Develop a shared vision of how to organise and manage for Competitiveness
3	Foster consensus for the new vision, competence to enact it, and cohesion to move it along
4	Spread revitalisation to all departments without pushing it from top
5	Institutionalise revitalisation through formal policies, systems and structures (by introducing service standards by departments)
6	Monitor and adjust strategies in response to problems in the revitalisation process – the transformational focus group is to be an on-going exercise to be carried out by all the plants in the company.)

Source: Beer, Eisenstat and Spector (1993) in Senior (1997: 143)

Beer et al "Six steps to effective Change" in table 17 and the Organisations culture and change model in figure 30 can be used to change the cultural aspects at the company. However, Beer et al's (1995) propounded model, seems to be more appropriate, since it allows for institutionalising revitalisation through formal policies, systems and structures, which are more to do with changing beliefs and assumptions in the company as subscribed by the principles of cultural web discussed earlier, although both models can be used jointly.

Collective participation of the transformational focus group is known to be the best way of gaining commitment and buy-in from all stakeholders. The employees from each department need to get the buy-in of their colleagues by getting collective ideas on how to change the culture of the company. Leading Change is a challenge, and in the next session, leadership is dealt with.

6.3.1 Leading change

Duck (1993) alludes to change as intensely personal. For any change to occur in any organisation, each individual must think, feel, or do something different. Managing change is like balancing a mobile. Achieving this critical balance means managing the conversation between the people leading the change effort and those who are expected to implement the new strategies, creating an organisational context in which change can occur. A change process without appropriate leadership is deemed to fail.

Therefore a recommendation made to the transformational focus group, is to adopt a collaborative and consultative style of management. The company s looking at incremental adjustment and modular transformation to change the way they handled things in the name of customer service.

The "Six steps to effective Change" and the Model for Organisational Culture and Change influence the transformational focus group to collaborate and consult in order to achieve buy-in and commitment. For instance step 4, particularly, implies consultative and collaborative approach the motive is to spread revitalisation to all departments without pushing it from the top. Duck (1993) further explains that one of the paradoxes of change is that trust is the hardest element to establish.

If a company is in the middle of a change process, lack of trust automatically emerges as a serious barrier. Thus an appropriate style to manage change and overcome resistance is crucial for the transformational focus group to change processes and achieve a customer centric culture in the organisation. According to Senior (1997: 217), leading change is about overcoming the resistance, which directly supports Jeanie Duck's view of the paradoxes of change. The Transformation Path to change is the most critical challenge faced by the transformational focus group. A collective participation is ideal in this situation, to gain buy-in and commitment from all. Leading change appropriately, overcome resistance.

6.3.2 Additional recommendations to achieving a customer centric culture

The Customer satisfaction surveys: It is recommended that, the on- going customer satisfaction measurements should include competitors in the beverage industry. The company should then use the competitors' results to come up with a detailed benchmark towards which the company will work against. The benchmark will help the company better understand their customer service gaps and tailor its customer service activities more towards meeting customer

The Customer loyalty survey: it is also important to establish the percentage of loyal customers that the company has. The company should be aware of how many customers it is losing to competitors and come up with a customer retention strategy that encourages customer loyalty.

The Customer value driver survey: This survey that establishes customers needs and expectations should be conducted annually in order to keep up with changing customer needs. The results should be used annually to update the companies list of their customers' expectations.

Recruitment: The Company should look into recruiting staff from other players in the beverage industry. In this way, the company's culture is influenced by fresh thinking as most employees in the distribution and warehouse have been in the company for at least 9 years, which makes it difficult to change the mindset of doing things.

In addition to this, all departments' performance indicators should have a service portion included. For departments such as the Human resource or Information Technology department that do not deal directly with customers the service element should be referring to their dealings with their internal customers. For departments that deal directly with customers such as the sales, marketing and distribution departments, the service element should include how successful they are in dealing with both external and internal customers. The idea of internal customers should also be emphasized so that departments avoid the 'silo' effect of not working collaboratively together with other departments in addressing their external customers' needs.

Training and Development: the employees in the sales, distribution and warehouse department ought to be taken for customer service training in order to influence a changed mindset towards customer service. This training should be on- going, as customers' needs are constantly changing.

Incentives for employees linked to Service: Link incentive to performance, to drive customer focus. Currently, incentives are only payable to certain managers and exclude all service departments which are the departments that add value towards customer service. Incentives do not have to only be monetary but can include public recognition and awards for excellent service Customer focus groups: The Company should invite a sample of customers every quarter to provide feedback and suggestions on their service. In this way, the company is keeping closely aware of customer expectations, and learning from mistakes. This will also make customers feel valued.

Performance Management: the company should commit to good service to the extend of managing poor performance of bad service. Employees should understand the consequences of poor service and their performance measures should include the results of the customer satisfaction ratings. This will ensure responsibility and accountability for customer service delivery. As stated earlier, performance should be linked to incentives.

6.4 Brief Summary of the Chapter

This chapter indicates the manner in which the aims and objectives have been achieved. Recommendations were made from the literature review and the research work done. The company will go a long way in sustaining a customer centric culture if it successfully implements the recommendations detailed above.

To conclude this chapter, it was found that the research paper highlighted a lack of a customer centric culture at the Amalgamated beverage industries. The research paper also highlighted that the company is not satisfactorily meeting customers needs and lastly that the company compared to other players in the beverage industry needs to improve its customer satisfaction measurements in order to sustain its market share. The research paper also assists in highlighting to the company and other stakeholders, the impact of customer service in organizations today.

Finally, it is believed that the company will go a long way in sustaining a customer centric culture and thus secure its market position if it successfully implements the recommendations detailed above and continually keeps abreast of changing customer needs and acts with urgency in meeting the customers' needs. The company should continually emphasize the importance of the customer and should this be done successfully, Amalgamated Beverage Industries will be able to sustain its current and future market share as the customer is the lifeblood of all businesses.

The next chapter which is the conclusion will give a detailed summary of the entire Research paper.

Chapter 7: Conclusion

7.1 Review of the paper with a view to publishing it

The objective of this research was to examine and evaluate the phenomenon of Customer disservice at the Amalgamated Beverage Industries, and to suggest a customer centric approach that would compel the company to address the deficiencies

The Research paper is based on Amalgamated Beverage Industries which is the soft drink division of South African Breweries Limited. The company distributes 70% of the country's Coca-Cola brand soft drinks in South Africa. Established in 1976, the company's manufacturing, sales and distributing services in South Africa covers Gauteng, Kwazulu Natal regions, parts of the North West province and the Free State.

In order to attain a sustainable customer experience, the entire company's value change was evaluated. The current experience was measured, defined, and a new strategy introduced to attain a new and unique positive and lasting experience for the customer.

The hypothesis of the research paper was identified as Amalgamated Beverage Industries needing to protect its future market share by taking on a customer centric view in all its operations; to not only sustain current business ,but to also safeguard its future position in the market.

Amalgamated Beverage Industries has a large customer base of 47,035 customers. Due to the magnitude of the customer base the research was limited to the Southern Gauteng region's customers which incorporated three plants namely: Benrose, Bedfordview and Devland. The main focus was on the Benrose plant which has continuously the worst customer service levels in the entire group of 13 plants

The research comprised of a case study method availing itself mainly of a study of the relevant literature followed by a survey method through questionnaires and interviewing of people knowledgeable about the industry. An internal employee survey was conducted where all departments within the Benrose plant were sampled. The objective in the employee survey was to investigate the perceptions of the Company's employees' towards customer service in general. The idea was to formulate a focus group of management and employees so as to design a customer centric strategy which incorporates integrated customer service systems and processes, and a suitable transformation path to introduce to all levels of employees at Amalgamated Beverage Industries

The objective was to review the literature available in order to extrapolate the customer service gaps from secondary data available at the company and to formulate recommendations that the company could follow in order to adopt a more customer centric focus

The research methodology used a qualitative approach to investigate the customer service problems. This begun by exploring the employees' perceptions towards customer service at the Benrose plant The methodology used case studies of ongoing company surveys on customer service and relevant literature. This included the research approach, data collection and strategies used to derive reliable and valid information. The aim was to examine and evaluate the culture prevailing within the plant and its impact on customer service.

The secondary data used was mainly from a company called Synovate Consulting. The data was used to establish the level of customer service at the plant and customers expectations. The main recommendations given were from Information extracted from a survey that established customers' expectations known as the "Customer value driver survey"

It was found that out of the twelve service offerings or value drivers identified by the customers, the overall satisfaction level of the services seen as value drivers was 82%. Any level of satisfaction below 82% was identified as needing attention. Five of the service offerings were found to be below .Two of these were amongst the top five most important value drivers to customers namely: delivery service and sales representative were below average performance.

It was found that the Benrose plant was not meeting customer expectations, particularly in the element of delivery service; sales representatives repair services, business building and merchandising Activities. Customer expectations were not being met and the value drier survey revealed that what customers perceive as adding value to them was different from employee's perceptions. This was an important learning that helped in formulating the recommendations around meeting customer expectations

Benrose plant has been performing below national level on all elements and the overall customer satisfaction measure is poor. It was also found that Amalgamated Beverage Industries as a whole was performing below other industry players' performance and needs to improve its customer service significantly.

The internal employee survey conducted revealed that employees wrongfully believed that their activities were meeting customer needs which was contrary to what customers perceived of the company's service.

The sample taken to collect data, comprised of employees of 63 employees drawn from a total of 303 employees at the Benrose plant in April 2005. A detailed questionnaire was sent out and the data collated in order to establish the employees' perception towards customer service.

The employees surveyed had an average of 9 years service. It was thus found that the way the plant had gone about meeting the customers' needs had become a culture of disservice and was thus entrenched in the daily processes and operations at the plant.

In reality with fierce competition and globalisation, it is imperative that companies keep up with changing customer needs as customers are increasingly gaining power and choices in satisfying their needs.

54% of employees from warehouse, and 33 % from distribution departments did not understand who their internal customers were or the importance of external customers. The lack of a unified understanding was seen in the problem of silos between departments as each department had different goals and did do not work together to meet customer needs.

The research revealed that over the 9 years although the market place has changed and there is increased competition, the study showed the need for a changed mindset and a more customer centric culture of the employees. The company's customer service needed to centre around changing the employee culture towards customer service, designing strategies and activities that enhance what is perceived by customers as adding value to them and learning from competitors in the same industry on what they are doing better to please customers

The customer value driver survey revealed what customers perceived as adding value to them. The customer satisfaction surveys indicated that customer expectations are not being met. These surveys were important in formulating the recommendations as they were based on customer perceptions and not the company's perception.

The research confirmed that over the last few years, despite the market place changing and competition increasing, the company has not changed its culture and practices towards customer service. The employee survey revealed that employees believed that they were meeting customer needs, which is obviously not the case as indicated by the customer satisfaction surveys. The company thus needed to adopt a more customer centric culture in order to secure its market share and satisfy today's customer.

The Recommendations that were given for the company to move towards a more customer centric culture were derived from various conclusions reached in this study.

The recommendations were as follows: The Company should embark on introducing service standards and behaviour that is specific to a department. In addition to this, a transformational focus group is recommended that would champion change in the entire group. Models for cultural change are recommended and a rigorous change process formulated that would assist the company in achieving a changed mindset towards customer service.

Additional recommendations given were that the on-going customer surveys should include competitors in the beverage industry in order to benchmark and be constantly aware of what is happening in the industry. A customer loyalty survey is recommended in order to establish the percentage of loyal customers that the company has.

It was also recommended that the customer value driver survey that establishes customers' expectations be conducted annually in order to keep in touch with changing customer needs. To continually sustain a customer centric culture the recruitment process would need to change. Training and development for the entire employee group needs to be rolled out. Incentives should be linked to service.

A sample of customers should be invited quarterly as a customer focus group to give feedback and suggestions of how the company can improve customer service.

Finally a performance management human resource development system needs to be introduced in order to address issues of poor service. This should be such a serious issue to the point that the performance evaluations of employees should include the results from the customer satisfaction measurements.

In conclusion, it was found that Amalgamated Beverage Industries needs to seek ways to successfully implement the recommendations detailed above and continually keep abreast of changing customer needs. The company needs to emphasize the importance of the customer, in order to sustain its current and future market share as the customer is the lifeblood of all businesses. In doing this, Amalgamated Beverage industries will go a long way in sustaining a customer centric culture and thus a healthy position in the market place.

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