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**A SURVIVAL AND SALES GROWTH FRAMEWORK FOR  
INDEPENDENT FINANCIAL ADVISERS**

by

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## Synopsis

Independent financial advisers have to address different problems as they progress through the life cycle stages of their businesses. A number of researchers, however, are of the opinion that small business owners do not have the ability to manage the growth-related transitions effectively. It appears that additional guidance is needed to assist independent financial advisers with the survival and growth of their small businesses.

Until now, only a small amount of research has been conducted in this area and no formal research study has proposed a marketing mix framework for these advisers, portraying the various factors threatening their survival and growth in their organisational life cycle, as well as the various marketing mix strategies that can be implemented to proactively manage the problems and help generate sales growth. The objective of this study was to propose such a framework to offer additional assistance for business survival and sales growth.

This study was exploratory in nature and commenced with a comprehensive literature investigation to gain the necessary background to support the empirical part of the study. Different opinions and studies were presented and evaluated, which led to the identification of a general business life cycle model as well as a number of problems and marketing mix solutions that could potentially occur in each life cycle stage. These literature findings were then further investigated among independent financial advisers by means of telephone and personal interviews.

Following the empirical findings, the recommended framework suggests that independent financial advisers may experience three types of problems in their businesses: critical problems, important problems and problems that only need consideration. Independent financial advisers can use four groups of recommended marketing mix strategies to address these problems. There are also four groups of recommended marketing mix strategies that can assist these advisers to grow their sales (commission). These advisers would, however, need to ensure that they are aware of and understand the various environmental factors that can hinder the successful implementation of the marketing mix strategies. They



also need to be able to use the recommended counterstrategies to address the environmental factors.

Ultimately, the successful implementation of the recommended marketing mix strategies could then help independent financial advisers to grow their businesses and progress to a more advanced life cycle stage.



## Samevatting

Onafhanklike finansiële adviseurs moet verskeie probleme aanspreek soos hulle deur die lewensiklusstadiums van hul besighede beweeg. 'n Aantal navorsers is egter van mening dat eienaars van kleinsakeondernemings nie die vermoë het om die groeiverwante oorgange effektief te bestuur nie. Dit wil voorkom asof bykomende leiding nodig is om onafhanklike finansiële adviseurs by te staan met die oorlewing en groei van hul kleinsakeondernemings.

Tot dusver is baie min navorsing hieroor gedoen en het geen formele navorsingstudie 'n bemarkingsamestellingraamwerk vir hierdie adviseurs voorgestel wat die verskillende faktore wat hul oorlewing en groei in hul organisasielewensiklus bedreig sowel as die verskillende bemarkingsamestellingstrategieë wat geïmplementeer kan word om die probleme proaktief te bestuur en verkoops groei te help genereer, uitbeeld nie. Die doelwit van hierdie studie was om so 'n raamwerk voor te stel om bykomende bystand vir besigheidsoorlewing en verkoops groei aan te bied.

Hierdie studie was verkennend van aard en het begin met 'n omvattende literatuurstudie om die nodige agtergrond te verkry ter ondersteuning van die empiriese studie. Verskillende menings en studies is aangebied en geëvalueer, wat gelei het tot die identifisering van 'n algemene besigheidslwensiklusmodel sowel as 'n aantal probleme en bemarkingsamestellingoplossings wat moontlik in elke lewensiklus stadium kan voorkom. Hierdie literatuurbevindinge is toe verder ondersoek onder onafhanklike finansiële adviseurs deur middel van telefoon- en persoonlike onderhoude.

Uit die empiriese bevindinge stel die aanbevole raamwerk voor dat onafhanklike finansiële adviseurs drie tipes probleme in hul besighede kan ondervind: kritieke probleme, belangrike probleme en probleme wat slegs oorweging nodig het. Onafhanklike finansiële adviseurs kan vier groepe aanbevole bemarkingsamestellingstrategieë gebruik om hierdie probleme aan te spreek. Daar is ook vier groepe aanbevole bemarkingsamestellingstrategieë wat hierdie adviseurs kan help om hul verkope (kommissie) te verhoog. Hierdie adviseurs sal egter



moet seker maak dat hulle bewus is van die verskillende omgewingsfaktore wat die suksesvolle implementering van die bemarkingsamestellingstrategieë kan belemmer en dat hulle dit verstaan. Hulle moet ook die aanbevole teenstrategieë kan gebruik om die omgewingsfaktore aan te spreek.

Uiteindelik kan die suksesvolle implementering van die aanbevole bemarkingsamestellingstrategieë onafhanklike finansiële adviseurs dan help om hul besighede uit te bou en na 'n meer gevorderde lewensiklusstadium te vorder.

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## **Chapter One**

### **Background and overview of the study**

#### **1.1 INTRODUCTION**

The concept of an organisational life cycle following predictable patterns which is usually characterised by sequential and progressive stages has been identified in the literature as a viable concept (Churchill & Lewis, 1983; Hill, Nancarrow & Wright, 2002:362; Lester, Parnell & Frey, 2002; Poutziouris, Binks & Bruce, 1999: 139). It has also been argued that a valid life cycle model could be of value to those managing growing firms (Beverland & Lockshin, 2001) as well as to those managing firms that have stayed in one stage for a considerable period of time (Scott & Bruce, 1987:45). Organisations vary in size and focus and as a result a distinction has been made in the literature between organisational life cycle models for large business growth (Channon, 1968; Kimberly & Miles, 1980; Miller & Friesen, 1984:1161–1183; Quin & Cameron, 1983:33–41; Salter, 1970:23–27; Wang, 2005), general growth models (Greiner, 1972:37–46; Lester, Parnell & Carraher, 2003:341; Lippit & Schmidt, 1967:103–112) and life cycle models more specifically for small business growth (Churchill & Lewis, 1983; Dodge & Robbins, 1992; Masurel & Van Montfort, 2006; Scott & Bruce, 1987:45–52). A number of authors have also indicated that business owners face different problems as they progress through the life cycle stages of their businesses (Adizes, 1989; Chandler, 1962; Dodge & Robbins, 1992; Kimberly & Miles, 1980; Poutziouris *et al.*, 1999:139).

Knowledge of the evolution of small businesses and the obstacles they face in various life cycle phases is imperative in understanding the developmental processes and type of assistance needed for survival and growth of these businesses (Dodge & Robbins, 1992). Evidence has been presented of similarities of problems faced by small businesses (Poutziouris *et al.*, 1999:143; Scott & Bruce, 1987:45) and suggestions have been made that a general growth model addressing these problems (Hill *et al.*, 2002:363; Scott & Bruce, 1987:45) could be useful to the management of small businesses in planning the future.

Independent financial advisers are individuals or businesses that sell financial products. They would normally operate small businesses and are expected to give “best advice” when recommending products to clients (UK Association of Independent Financial Advisers, 2001; Wright, 2008). These advisers are subject to the Financial Advisory and Intermediary Services Act (37 of 2002) (Botha, Geach, Goodall & Rossini, 2003:127). In terms of this Act financial advisers are required to be licensed and adhere to a specific code of conduct (Anon, 2004:5). As a result, financial advisers have to evaluate current business models and restructure them to comply with the requirements of the Act. This might lead to the demise of many good financial advisers, as they will not be able to cope with these challenges (Kruger, 2004:43).

For them to survive in this competitive and complex business environment, they need to investigate the various factors threatening their survival and growth and then devise strategies to proactively manage problems and anticipate future challenges. A framework addressing problems and proposing strategies could provide a road map to these businesses that can assist with growth or alternatively with survival in an existing business phase (Beverland & Lockshin, 2001). Such a framework needs further investigation.

Chapter one therefore serves as an introductory chapter, offering the conceptualisation and contextualisation for the research. The discussion in Section 1.2 serves as background, leading to the clarification of the research problem. In Section 1.3 the major bodies of theory that form the basis of the in-depth literature review of this study are discussed briefly. Following this discussion, the purpose of the research study is then explained in Section 1.4. Section 1.5 lists the research objectives of this study and Section 1.6 highlights the importance and value of the study. A brief overview of the research methodology followed is given in Section 1.7. In Section 1.8, the key concepts of this study are clarified, Section 1.9 provides an outline of chapters two to seven and Section 1.10 provides more insight into the reference technique and approach to literature sources followed in this study. The main points of this chapter are summarised in Section 1.11.



## 1.2 BACKGROUND AND PROBLEM STATEMENT

There can be no doubt that the Financial Advisory and Intermediary Services Act is one of the most significant pieces of legislation that was ever instituted in the financial services industry (Swanepoel, 2004: *preface*). The main objective of the Act, which was promulgated in 2002, is to provide the core regulatory vehicle of market conduct, by regulating all the activities of financial advisers when giving financial advice to their clients (Botha *et al.*, 2003:127). The Act is governed by the Financial Services Board (FSB) (Old Mutual, 2005:F74).

The introduction of the Financial Advisory and Intermediary Services Act brought about many changes to the life insurance industry. Financial advisers are required to be licensed before they can operate as advisers. A licence will be granted only if a financial adviser is able to prove that he or she met all the fit and proper requirements (Anon, 2004:5). These requirements include personal character qualities of honesty and integrity, operational ability (for example an account with a registered bank) and financial soundness (University of the Free State, 2004:5–7). In addition to the fit and proper requirements, financial advisers also have to adhere to a code of conduct as stipulated by the Act (Anon, 2004:5). The reason for the regulation is to assist financial advisers to be more advice-focused, rather than product-focused (Kruger, 2004:43). Very strict requirements in terms of the processes to be followed are provided in the code of conduct to ensure that clients are given comprehensive, objective and suitable advice (Kruger, 2004:43).

Kruger (2004:43) points out that as a result of all these requirements, financial advisers have to evaluate their business models and restructure them in such a way that their systems, procedures and staff comply with the requirements specified in the Act. In addition to compliance, financial advisers have to keep record of all the requirements of the Act they complied with. Keeping records alone, however, is not sufficient. In addition, these records have to indicate that proper advice was given to clients as well (Swanepoel, 2004:24).

According to Kruger (2004:43), the Act has a great impact on independent financial advisers, as they do not necessarily have the ability of a large company to take responsibility of compliance related issues. He concludes that many good financial

advisers might be forced out of the insurance industry, as they will not be able to cope with all the stringent regulations required by the Act.

Numerous network organisations, such as Moonstone, Compliance Consulting and Oracle Compliance, have been established to assist independent financial advisers in complying with the Act (MoneyMarketing, 2006:34).

Independent financial advisers operating small businesses, though, will not be able to survive and grow their business sales, should they focus predominantly on compliance related activities. Although the Act's compliance requirements form a significant part of the business of a financial adviser and dictate their business's activities to a great extent, Swanepoel (2004:25–26) cautions that focusing too much on compliance related activities might destroy the business.

As businesses progress through the various stages of organisational growth, different problems also have to be solved (Hanks, Watson, Jansen & Chandler, 1993). Dodge and Robbins (1992) reveal that the estimated 55% failure rate for small businesses in the first five years and 81% within ten years indicate that if small businesses do not address these problems, find possible solutions and implement the necessary strategies to address the factors hindering their growth, they will not survive. The importance of addressing business problems in the South African context cannot be ignored either, given that the small business failure rate in South Africa is 78% and the average lifespan of a small business is only 18 months (Unisa, 2007).

The development, growth and continued survival of a small business are reliant on whether the small business owner has the necessary competencies and skills to manage and steer the small business in the right direction (Sha, 2006). Due to the diverse range of problems that are experienced, however, different management skills, priorities and structural configurations are needed in different stages of business development (Hanks *et al.*, 1993). Stated differently, the different phases of the business's life cycle require adjustments in the business's goals, strategies, managerial processes, technology, culture and decision-making (Encyclopedia of Small Business, 2008).

A number of authors are of the opinion that small business owners do not have

the necessary competencies and skills that are required to manage the business proficiently. Small business owners often discover that they are not prepared to manage growth related transitions effectively (Galbraith, 1982). A lack of management experience and capabilities is one of the major reasons for business failure (Moores & Mula, 1998). Sha (2006) further reveals that within the small business sector there is weak innovation as well as an absence of financial acumen, marketing, entrepreneurial flair, practical knowledge and human resource management. Because of these pitfalls, many small businesses do not reach their full potential and fail to grow.

Consequently, given the background described above it appears that additional guidance is needed to assist independent financial advisers with the survival and growth of their small businesses.

The organisational life cycle concept presents a viable tool that can be of assistance to these advisers. Kiriri (2004) indicates that the organisational life cycle model can be used to analyse the business's current position and to plan what will be required as the business develops from one stage to the next. The model can be used as a tool for long-term planning where management, who understands the issues, challenges (current and future) and problems at each stage, will review the plans and strategies of the business, to prepare for the future. A number of other researchers also laud the use of the organisational life cycle concept. According to Hill *et al.* (2002:363), organisational life cycle models can provide a framework for gaining more insight into the various options available to small business owners at a given time. An understanding of the life cycle of a business and the management imperatives that are associated with the life cycle could help small business owners through the uncharted course of firm growth (Hanks *et al.*, 1993). A diagnostic growth model could help small business owners to learn from the survival and growth of other businesses operating in similar industrial climates which have the same business features (Poutziouris *et al.*, 1999:139).

Consequently, for independent financial advisers to survive and grow in their competitive and complex business environment, they need a framework that will portray the various factors threatening their survival and growth in their business life cycle. This framework also needs to show the various strategies that can be

implemented to proactively manage problems and anticipate future challenges.

To date, only a small amount of research has been conducted in this area and no formal research study in South Africa has proposed such a framework for these advisers.

The following section explores the theory on the organisational life cycle concept, small business problems and small business strategies in more depth. This investigation will aid in formulating the research objectives of this study and will also form the basis of the in-depth literature review that will be reported on in chapters two to four.

## **1.3 LITERATURE REVIEW**

### **1.3.1 The organisational life cycle concept**

The organisational life cycle concept (which has its origins in the literature of economics (McMahon, 1998)) has been an area of interest for organisational theorists for many years (Lester & Parnell, 2008:540). Organisational growth models are based on a biological metaphor – that businesses represent living organisms (Encyclopaedia of Small Business, 2008; Lester & Parnell, 2008:541; McMahon, 1998) which, similar to humans, are also born, grow and eventually die (Lester & Parnell, 2008:541; Lester *et al.*, 2002). Academic researchers have never been able to reach consensus on the number of stages present in the business life cycle for smaller or larger businesses and the organisational life cycle models that have been developed collectively range from three to ten stages (Adizes, 1989; Galbraith, 1982; Greiner, 1972:37–46; Hanks *et al.*, 1993; Kazanjian, 1988: 257–279; Lester *et al.*, 2003:339–354; Miller & Friesen, 1984:1161–1183; Quinn & Cameron, 1983:33–41; Scott & Bruce, 1987:45–52; Smith, Mitchell & Summer, 1985). Furthermore, the number of life cycle stages proposed is normally dependent on the manner in which the researcher defines a life cycle phase (Lester *et al.*, 2003:342). Typical factors that have been considered by organisational theorists to determine a life cycle stage include the situation, strategy, structure, decision-making style, how top management perceives the environment, personality-dominated approaches, organisation development approaches, business manage-

ment approaches and sectoral approaches (Lester *et al.*, 2002; Poutziouris *et al.*, 1999:140–141).

While many different types of organisational life cycle models have been identified, a number of researchers have argued that there is a great similarity between the business models proposed. The general structuring of the models is the same (Dodge & Robbins, 1992) and despite the broad variance in the number of stages proposed, there is still a relatively consistent pattern of organisation evolution (Hanks *et al.*, 1993). According to Lester and Parnell (2008:541), the main difference between larger and smaller models are that “... larger models tend to break down general stages into much more specific time periods, whereas shorter models tend to consolidate two or more developmental periods in an effort to present a more straightforward depiction of organizational life”. (*This matter will be further investigated in chapter two.*)

### 1.3.2 Small business problems

In Section 1.2, it was noted that as businesses progress through the various stages of organisational growth, different problems also have to be solved.

Poutziouris *et al.* (1999:140) indicate that small business problems can be grouped into four categories, namely general management, operations/production, finance and marketing. *General management problems* that can be experienced include an inability to manage time sufficiently, failure to acknowledge the benefits of specialisation, unwillingness to implement modern management practices, human resource management limitations and poor assembly and analysis of information, as a basis for effective strategic planning. An important consideration in terms of *operations/production problems* is the level of disadvantage experienced, should the small business owner not be able to capitalise on the available economies of scale. Poutziouris *et al.* (1999:140) postulate that in terms of *financial problems* “... the lack of significant collateral or expertise in articulating financial needs or offering credible financial forecasts also disadvantages small firms in their dealings with potential financiers. Such limitations are important in explaining equity gaps, loan gaps and working capital problems and are reinforced by the conflict between realising growth and retaining effective control of the firm”. One of the main types of *marketing problems* associated with small business owners is that

they focus predominantly on day-to-day survival and tend to neglect longer-term strategic considerations. More particularly, not many small business owners concentrate on market research and forecasting techniques, and there is also a limited awareness and capacity to fund advertising and promotional initiatives to build on market potential.

Dodge and Robbins (1992), in a study of 364 small business institute clients, found that the small business owners experienced mostly marketing related problems (60%), followed by management problems (24%) and finance problems (16%). They also examined the relative frequency of the major problem categories over the business life cycle and discovered that small businesses encounter relatively fewer management and finance problems and more marketing problems as they progress through the stages of the business life cycle. Similar results were found in another study that was conducted by Huang and Brown (1999) of 973 small business owners in the south-west region of Western Australia. Sales and marketing problems were experienced in 40.2% of the small businesses, followed by human resource management problems (15.3%), general management problems (14.3%) and production/operations management problems (8.6%). Simpson and Taylor (2002:370) summarise the situation concerning the problems experienced in small businesses as follows: "... sales and marketing is often the most dominant problem encountered by small business operators and yet has been acknowledged to be the most important of all business activities and essential for the survival and growth of small businesses." (*Chapter two will also further examine the problems that can be experienced in a small business.*)

### **1.3.3 Small business strategies**

Given that the majority of the problems that are experienced in small businesses are marketing problems and that the number of marketing problems also increases through the stages of the business life cycle, it appears that marketing related solutions are needed for small business success.

Many research studies, however, have shown that marketing in small businesses is often underutilised and misunderstood (Fuller, 1994:34; Hogarth-Scott, Watson & Wilson, 1996:6; Mackintosh & Tynan, 1994). Some small business owners, for example, view marketing as expensive and time-consuming, requiring

specialised expertise and therefore only relevant for larger businesses (Simpson & Taylor, 2002:379; Simpson, Padmore, Taylor & Frecknall-Hughes, 2006:380). There is also a tendency among small business owners to view advertising as a waste of money and to consider “word of mouth” communications as more effective for their businesses (Hogarth-Scott *et al.*, 1996:14).

The importance of the marketing function in a small business, however, cannot be ignored. According to Coviello, Brodie and Munro (2000:525), “... [i]nterest in the marketing/entrepreneurship interface has grown in recent years. Researchers in each discipline have identified common threads between the two fields, with Hisrich (1992) noting that both entrepreneurship and marketing have a customer focus, as well as a behavioral orientation that is involved with making ‘the deal’ and developing distinctive competencies”. The concepts of innovation, creativity, idea generation and opportunity identification form part of the philosophies of both fields. Marketing should therefore be approached as a major domain within the entrepreneurship discipline (Coviello *et al.*, 2000:525).

It is further believed by academics that a business that has a marketing orientation normally performs better than another similar business that does not focus on marketing (Simpson & Taylor, 2002:371; Simpson *et al.*, 2006:368). In fact, there is evidence that a lack of marketing, or poor marketing practice, including planning and implementation, can lead to small business failure (Hogarth-Scott *et al.*, 1996:6; Jocumsen, 2004:659). Hogarth-Scott *et al.* (1996:6, 17) emphasise that marketing is appropriate for small and larger businesses and that knowledge and understanding of the marketplace will limit business risk and help to understand the needs of consumers. As the business progresses through the organisational life cycle, there is more pressure for systematic planning. The business owner must then weigh the added cost of implementing the marketing function against the potential consequences of operating with a higher degree of risk and uncertainty (Hogarth-Scott *et al.*, 1996:6). For those business owners who strive to have a prosperous and thriving business, a clear understanding of the basic marketing principles and techniques is imperative. Some small business owners, though, might argue that they do not want to grow. All businesses, however, have

to adjust to changing environments and changing client needs. Marketing can help with this process (Hogarth-Scott *et al.*, 1996:6).

The marketing mix forms the heart of the marketing plan (Chandler, 2002:75). It can be described as constituting the major areas of decision-making in the marketing process that are intermingled to achieve the desired results for the business (Encyclopaedia of Business Finance, 2006).

Borden (1964), who initially formulated the marketing mix concept (Gronroos, 1997), believed that the marketing mix represents the plan that management has developed to meet the problems with which it is continuously confronted within an ever-changing, ever-demanding market (Borden, 1984:11). Borden (1984:11) argues that "... there are continuous tactical maneuvers: a new product, aggressive promotion, or price change initiated by a competitor must be considered and met; the failure of the trade to provide adequate market coverage or display must be remedied; a faltering sales force must be reorganized and stimulated; a decline in sales share must be diagnosed and remedied; an advertising approach that has lost effectiveness must be replaced; a general business decline must be countered". These types of problems play a major role in the design of the marketing mix and there is a need for management to maintain effective channels of information relative to its own operations as well as to the day-to-day behaviour of clients, competitors and the trade.

Marketing mix strategies can also be implemented to achieve sales growth. McLarty (1998), for example, conducted a case study of a small business selling manufactured products in the United Kingdom, to explore the rationale behind the business's sales growth in an industry characterised by a decline in national demand. The results pointed out that the marketing mix strategies that the small business owner employed (with the resources available to him) were the catalyst for growth in the business's sales. (Authors such as Weinrauch, Mann, Robinson and Pharr (1991), for example, believe that the marketing mix concept is part of the traditional marketing paradigm and cannot really be used in small businesses, due to their limited resources. The results that were obtained by McLarty (1998) show the contrary.) The services industry also focuses on the marketing mix concept to generate sales growth. The financial services business (Nedbank



Limited, 2007:9), for example, indicated in a report to the Competition Commission that the bank's strategy is to use the marketing mix concept to assist it in creating perceived value and generating a positive response from clients.

Given the discussion above, it seems that marketing mix strategies (which are an important element in the marketing of the business) can be used to solve the problems small business owners experience and can also help to produce more sales growth.

Not all academics, however, are in agreement with the use of the marketing mix as a management paradigm – regardless of the background and position of the mix as a key theoretical and practical parameter of contemporary marketing. Over the years a number of authors have raised their doubts and concerns about the value and future of the marketing mix and have proposed new alternatives (Constantinides, 2006:409). Vignalli and Davies (1994:11–16), for example, believe that the marketing mix is restricted to internal and non-strategic matters. According to Yudelson (1999:60) the marketing mix do not form part of the 21<sup>st</sup> century marketing, where a new flexible platform is needed. The emphasis today is rather on customer orientation (Schultz, 2001:7). The weight of marketing management has shifted towards relationship marketing as the future marketing paradigm (Healy, Hastings, Brown & Gardiner, 2001:182–193). More particularly, relationship marketing supporters believe that new frameworks need to be followed where communication, personalisation and interaction are central (Constantinides, 2006:418). The contemporary notion is to provide good service to the customer and to follow the principles of the 'service dominant logic of marketing' as described by Vargo and Lusch (2004), where "...the focus is shifting away from tangibles and toward intangibles, such as skills, information, and knowledge, and toward interactivity and connectivity and ongoing relationships."

At the other side of the coin, authors such as Zineldin and Philipson (2007:229, 238) have again questioned this approach and have conducted a study among a number of Scandinavian companies to further investigate this matter. The study found that no business exclusively made use of the relationship marketing approach. Some businesses merely followed the traditional marketing concept, while other businesses made use of a blend of the relationship marketing as well as the mar-

keting mix approaches. They concluded that each element of the marketing mix is comprised of a collection of sub-activities and has the potential to stimulate and create relationships with clients and with suppliers. Marketers need to realise that the marketing mix approach is still dominant and that the relationship marketing approach should purely form a supporting role and compliment the marketing mix strategy of the business.

*(Given the above empirical findings, a further investigation will therefore be conducted in chapter three to determine the various marketing mix strategies that can be implemented to solve the problems small business owners can experience in their business life cycle. Attention will also be given to relationship marketing principles to ensure that this study investigates and recommends marketing mix strategies that will allow for the build of good relationships with clients, suppliers and employees to further enhance the potential for business growth.)*

Small business owners, however, can encounter various problems when implementing marketing mix strategies in their businesses. According to Dickinson and Ramaseshan (2004), businesses making decisions about the most favourable strategy to implement are confronted with a set of environmental conditions. Cronje, Du Toit, Mol, Van Reenen and Motlatla (1997:88), in their review of the business environment, indicate that environmental factors can pose a threat to the business's objectives and strategies.

From a financial services perspective, Ennew and Waite (2007:88–99) indicate that the environment within which businesses operate is becoming more complex and turbulent and, as a result, increasingly uncertain. Understanding the nature of this environment and its implications for the business is an important component in any marketing strategy. However, although the elements of the environment constrain the activities of the business, it is important to understand that the business itself, through its marketing activities, can influence the environment to create conditions which are more favourable to the success of its strategies. *(The various problems that can hinder the implementation of the marketing mix strategies as well as their counterstrategies will receive further attention in chapter four.)*

## 1.4 THE PURPOSE OF THIS STUDY

The literature investigation revealed that independent financial advisers, in addition to having to comply with the requirements specified by the Act, also have to address various problems in each life cycle stage to survive and grow.

A number of academics, however, are of the opinion that small business owners do not have the ability to manage the growth related transitions effectively. It appears therefore that additional guidance is needed to assist independent financial advisers with the survival and growth of their small businesses.

It further became evident from the literature investigation that the organisational life cycle concept can be of assistance to independent financial advisers. The issues, challenges (current and future) and obstacles at each stage can be identified and investigated and marketing mix strategies that can help to address these problems and also generate sales growth can be prepared.

Consequently, in order to assist independent financial advisers to survive and grow in their competitive and complex business environment, this study aims to propose a marketing mix framework that will portray the various factors threatening their survival and growth in their business life cycle. The framework will also indicate the various marketing mix strategies that can be implemented to proactively manage the problems and help generate sales growth.

To accomplish this aim, the researcher has investigated the following aspects:

- A great number of organisational life cycles have been proposed before. A general organisational life cycle model for all businesses is first identified in the literature review. The empirical part of this study then aims to verify if these general life cycle stages are applicable to the businesses of independent financial advisers or if, alternatively, they progress through another set of life cycle stages. A decision is then made about the life cycle stages that form the basis of the study's proposed framework.
- The literature review of this study further focuses on various problems that independent financial advisers can possibly experience in their business life cycle. Various potential marketing mix strategies that can be implemented to solve these problems are also determined. However, since guidance

on sales growth is needed, the researcher focuses on potential marketing mix solutions to the problems that can simultaneously aid in generating sales growth. To provide additional support to independent financial advisers, the various possible problems that can hinder the implementation of the potential marketing mix strategies as well as their possible counterstrategies also receive attention in the literature review. The empirical investigation verifies if these potential problems and strategies proposed do in actual fact occur in the business life cycle of independent financial advisers.

- The results of this investigation are then portrayed in the proposed framework to provide a realistic indication of the various problems confronting independent financial advisers in their business life cycle. The framework also indicates the confirmed strategies that can be implemented to solve these problems.

## 1.5 RESEARCH OBJECTIVES

The primary objective of this study can be described as follows:

### 1.5.1 Primary research objective

This research study aims to propose a marketing mix framework for independent financial advisers that will portray the various factors threatening their survival and growth in their organisational life cycle. It will also show the various marketing mix strategies that can be implemented to proactively manage the problems and help generate sales growth.

### 1.5.2 Secondary research objectives

More specific to this study, the achievement of the following secondary research objectives will assist in achieving the primary research objective:

- To obtain clarity on the **business phases** of independent financial advisers.
- To determine the **problems** actually posing a threat to the business survival of independent financial advisers in their organisational life cycle.
- To gain insight into confirmed **marketing mix solutions** that can assist in overcoming the actual problems posing a threat and hindering sales growth in their organisational life cycle.

- To establish confirmed **marketing mix strategies** in their organisational life cycle that are likely to engender sales growth.
- To investigate the **internal and external environmental factors** that are actually posing a hindrance to the implementation of the confirmed marketing mix strategies in their organisational life cycle.
- To determine confirmed **strategies** that can be employed to **counter** the environmental factors actually posing a hindrance in their organisational life cycle.

## 1.6 IMPORTANCE AND VALUE OF THE STUDY

In addition to contributing to the literature of small business growth, the results of this study also provide the following benefits:

- The proposed framework resulting from this study provides additional assistance to the small businesses of independent financial advisers for the survival and growth of their businesses in an increasingly complex business environment, of which legislation forms an integral part.
- The research results also make a valuable contribution to the theory on the application of marketing mix principles and the organisational life cycle concept.
- The study provides assistance to other institutions regarding the application and training of small business principles and services marketing.
- Finally, only a small amount of research has been conducted in South Africa in terms of independent financial advisers. The results contribute to and assist with future research on independent financial advisers specifically.

## 1.7 RESEARCH METHODOLOGY

To achieve the objectives which were stated in Section 1.5, the following research design was followed:

The study first consists of a *literature study* to provide the necessary background in support of the empirical part of this study. In this phase, a comprehensive review of related literature was conducted. Based on the literature findings, various research propositions were then formulated.

The field study was performed in two phases. In *phase one* telephone interviews were conducted with a number of financial advisers in Johannesburg to obtain

more information regarding their business phases and to determine if they qualified as respondents for the study. (Owing to the exploratory nature of this study and limited resources available, the researcher decided to interview independent financial advisers in the Johannesburg area only.) Based on the results obtained, personal interviews were then conducted with a sample of qualified respondents in *phase two*. The researcher investigated the various problems they experienced and strategies they had implemented in their businesses.

The telephone and personal interview questionnaires are based on the literature study and were pretested among a small number of advisers with characteristics similar to the respondents of this study. A convenience sampling method was used to draw the respondents from the FSB's database of registered financial advisers.

The data obtained from the field was coded and captured into a statistical software package. A number of tables as well as descriptive and advanced statistical methods were used to analyse the results. The research design regarding the methods, techniques and measurement instruments implemented in this study are discussed in greater detail in chapter five.

## 1.8 CLARIFICATION OF KEY CONCEPTS

The key concepts used in this research are explained below.

- **Marketing mix**

The Encyclopaedia of Business Finance (2006) describes the marketing mix as constituting the major areas of decision-making in the marketing process that are intermingled to achieve the desired results for the business. According to Gronroos (1997), "the marketing mix developed from a notion of the marketer as a 'mixer of ingredients". The marketer plans various means of competition and blends them into a 'marketing mix' so that a profit function is optimised, or rather satisfied". Borden formulated the marketing mix concept in the 1950s. Twelve elements were initially introduced and were later condensed by McCarthy (1960) to four (Gronroos, 1997). Ennew and Waite (2007:172) explain that the tools that make up the marketing mix are frequently labelled

the 4P's – referring to the product, price, promotion and place elements.

The *product element* refers to anything tangible or intangible that can be offered to clients to purchase and consume. More specifically, consumers can physically touch a tangible product. An intangible product refers to a service, which cannot be touched such as income tax preparation. The *price element* refers to the amount of money the client would be willing to pay for the tangible or intangible product offering (Encyclopaedia of Business Finance, 2006). Herbst (2001:44) indicates that the *place element* refers to the channel of distribution that is used to deliver the products and services to the market. The *promotional element* involves a communication process that occurs between a business and its various stakeholders (Encyclopaedia of Business Finance, 2006).

Because of the intangibility and inseparability characteristics of services, services marketing started including people, physical evidence and processes as part of its marketing mix (Zeithaml & Bitner, 1996:25–26). The *people element* refers to all the human actors who play a part in the service delivery and as a result have an impact on the buyer's perceptions. These include the business's personnel, the client and other clients in the service environment (Zeithaml & Bitner, 1996:26). The *physical element* represents the environment in which the service is delivered and where the business and client interact, as well as any tangible parts that enable performance or communications of the service (Zeithaml & Bitner, 1996:26). The *process element* refers to the concrete procedures, mechanisms and flow of activities by which the service is provided to clients, that is the service delivery and operating systems (Zeithaml & Bitner, 1996:27).

- **Independent financial advisers**

Independent financial advisers are individuals or businesses that sell financial products. They would normally operate small businesses and are expected to give “best advice” when recommending products to clients (UK Association of Independent Financial Advisers, 2001; Wright, 2008).

- **Small business**

According to Burger (2009), in terms of section 12E(4) of the Income Tax Act

58 of 1962, a small business can be characterised as follows:

- A close corporation (CC), co-operative or a private company.
- The business does not earn a gross income of more than R14 million.
- All the shareholders are natural persons.
- The shareholders do not earn interest in the equity of another company.

▪ **Small business management versus entrepreneurial organisations**

According to Venter, Urban and Rwigema (2008:8) the term small business management relates to the management activities (limited in scope) of an established business or the launch of a business. Not all small businesses, however, are entrepreneurial as some of them only have limited growth ambitions. Entrepreneurial organisations aim for high growth and can be characterised by innovation, growth potential and strategic objectives (Venter *et al.*, 2008:9).

*(In Section 1.3.3 it was mentioned that although some small business owners might argue that they do not want to grow, all businesses have to adjust to changing environments and changing client needs and that marketing could help with this process. It was also stated that there are further common threats between the disciplines of marketing and entrepreneurship and the concepts of innovation, creativity, idea generation and opportunity identification form part of the philosophies of both fields. Accordingly, it was highlighted that marketing should therefore be approached as a major domain within the entrepreneurship discipline.*

*For this reason, although this study does acknowledge the difference between small business management and entrepreneurship, the researcher will investigate entrepreneurial strategies in the literature review and then further test them among independent financial advisers – regardless of whether they have the intention to grow or mainly wish to survive. These strategies that will be found within the common domain of marketing and entrepreneurship will then be included in the proposed framework (for advisers who mainly wish to survive and those who want to grow), should it appear that they do provide assistance with the changing environment and business continuity.)*



- **Organisational life cycle**

Organisational growth models are based on a biological metaphor – that businesses represent living organisms (Encyclopedia of Small Business, 2008; Lester & Parnell, 2008:541; McMahon, 1998) which, similar to humans, are also born, grow and eventually die (Lester & Parnell, 2008:541; Lester *et al.*, 2002). The life cycle stages vary per model and are reliant on the manner in which the researcher defines an actual stage. Because the definitions for each model are different, models that range from three to ten stages have been developed (Lester & Parnell, 2008:541).

## 1.9 CHAPTER OUTLINE OF THE STUDY

The rest of the study has the following chapter outline:

**Chapter two** is devoted to gain a better understanding of the general life cycle of a business and the potential problems independent financial advisers could experience in this life cycle. The chapter also provides more insight into the context of the financial services industry and the types of marketing practices that are required to be successful in this sector. These findings then provide the needed guidelines for **chapter three** to identify practical marketing mix strategies, which independent financial advisers could possibly implement to address the potential problems identified. However, since guidance on sales growth is needed as well, chapter three focuses on potential marketing mix solutions to the problems that can simultaneously aid in generating sales growth. **Chapter four** is dedicated to determining the various potential internal and external environmental factors that can possibly hinder the implementation of the proposed marketing mix strategies. Potential strategies that can be implemented to counter these environmental factors are also investigated. Based on a comprehensive summary of the study's literature findings, the research propositions for the empirical part of this study are formulated at the end of chapter four.

**Chapter five** is devoted to the research methodology of this study and focuses on defining the population, sample, measuring instrument and the statistical analyses.

In **chapter six** the results of the empirical investigation are revealed. The purpose of **chapter seven** is to explain and critically evaluate the major findings of this

study. Based on these findings the proposed framework is also constructed. The final part of chapter seven covers the limitations of this study as well as the recommendations for future research.

## **1.10 APPROACH TO LITERATURE SOURCES AND REFERENCE TECHNIQUE**

The most recent literature sources available on the research topic were consulted at all times. However, a number of significant organisational life cycle models have been proposed over the past few decades and their contribution to the literature theory are still acknowledged today in more recent studies (Hill *et al.*, 2002:362–363; Lester & Parnell, 2008:540–553; Lester *et al.*, 2003:339–353). Consequently, to ensure that a substantial review was given of all the major contributions to the organisational life cycle concept, older business life cycle studies were also examined.

Finally, the Harvard referencing technique was used to quote references in this study.

## **1.11 SUMMARY**

Independent financial advisers in South Africa are subject to the Financial Advisory and Intermediary Services Act (37 of 2000). Financial advisers, in terms of the Act, are required to meet certain fit and proper requirements and adhere to a code of conduct. As a result of these requirements, financial advisers have to evaluate their business models and restructure them in such a way that they comply with the requirements specified in the Act. Focusing predominantly on compliance related activities, however, might destroy the business. These advisers also have to address different problems as they progress through the life cycle stages of their businesses.

The development, growth and continued survival of a small business are reliant on whether the small business owner has the necessary competencies and skills to manage and steer the small business in the right direction. Due to the diverse range of problems that are experienced, different management skills, priorities and structural configurations are needed in different stages of business develop-

ment.

A number of academics, however, are of the opinion that small business owners do not have the ability to manage the growth related transitions effectively. It appears that additional guidance is needed to assist independent financial advisers with the survival and growth of their small businesses.

The organisational life cycle concept can be of assistance to these advisers. The organisational life cycle model can be used as a tool for long-term planning where management, who understands the issues, challenges (current and future) and problems at each stage, will review the plans and strategies of the business, to prepare for the future. It further became evident from the literature review that marketing mix strategies (which are an important element in the marketing of the business) can be used to solve the problems small business owners experience and can also help to produce more sales growth.

Until now, only a small amount of research has been conducted in this area and no formal research study has proposed a marketing mix framework for independent financial advisers, portraying the various factors threatening their survival and growth in their organisational life cycle, as well as the various marketing mix strategies that can be implemented to proactively manage the problems and help generate sales growth.

This study proposes such a framework to offer additional assistance regarding business survival and sales growth to independent financial advisers operating small businesses in an environment governed by strict legislation.

To accomplish the study's objective the researcher investigates the organisational life cycle of independent financial advisers as well as the various problems they experience in their businesses and the marketing mix strategies they implement for business survival and sales growth. The literature review in chapter one provides more insight into these concepts, which will be explored later in this study.

In the remaining part of chapter one, the value of this study was highlighted, a short description of the research methodology was given and the main concepts of this study were clarified. This chapter concluded with a chapter outline of the

study as well as the approach to literature sources and reference technique that will be used.

Chapter two is devoted to gaining a better understanding of the general life cycle of a business and the potential problems independent financial advisers could experience in this life cycle. The chapter will also provide more insight into the context of the financial services industry and the types of marketing practices that are required to be successful in this sector.

## **Chapter Two**

### **The general business life cycle model: problems and solution guidelines**

#### **2.1 INTRODUCTION**

In chapter one it was decided that in order to assist independent financial advisers to survive and grow in their competitive and complex business environment, this study would aim to propose a marketing mix framework that portrays the various factors threatening their survival and growth in their business life cycle. This framework would also show the various marketing mix strategies that can be implemented to proactively manage the problems and help generate sales growth.

Chapter two has a threefold purpose.

In the first part of this chapter, the work of a number of authors is consulted to gain a better understanding of the general life cycle of a business.

The second part of this chapter investigates potential problems independent financial advisers could experience in the general business life cycle.

The final part of this chapter provides more insight into the context of the financial services industry and the types of marketing practices that are required to be successful in this sector. These findings assist in providing the needed guidelines to identify practical marketing mix strategies in chapter three, which independent financial advisers could possibly implement to address the potential problems as identified in this chapter.

#### **2.2 THE GENERAL BUSINESS LIFE CYCLE MODEL**

Section 1.3.1 indicated that the organisational life cycle concept has been an area of interest for organisational theorists for many years. It was further emphasised that organisational growth models are based on a biological metaphor – that businesses represent living organisms which, similar to humans, are also born, grow and eventually die.

According to Lester and Parnell (2005), there is no debate about the validity of applying the biological concept of the life cycle to businesses. The point of dispute is rather about how many stages of growth are appropriate to describe the construct adequately.

A basic assumption in any organisational life cycle model is that there are regularities in business development and that these regularities can be grouped into discrete stages (Dodge & Robbins, 1992; Smith *et al.*, 1985). The number of life cycle stages per model, however, varies depending on what the researcher sees as a life cycle stage (Lester & Parnell, 2008:540).

Table 2.1 below provides a brief summary of some of the organisational life cycle models that have been proposed before, as well as the dimensions that were used to define the different life cycle stages.

**Table 2.1:** Summary of proposed organisational life cycle models and dimensions used to determine the stages

| Organisational life cycle model | Number of stages | Stage labels  | Research approach followed   | Type of life cycle model | Empirically tested | Dimensions used to define the life cycle stages  |
|---------------------------------|------------------|---|--|--------------------------|--------------------|--|
| Miller and Friesen (1984)       | 5                | Birth<br>Growth<br>Maturity<br>Revival<br>Decline                       | Investigated 54 variables of strategy, structure, environment and decision-making style of businesses that had been in existence for at least 20 years.                            | Large business model     | Yes                | Age<br>Number of employees<br>Sales growth<br>Size<br>Ownership<br>Environment<br>Strategic variables                          |
| Smith et al. (1985)             | 3                | Inception<br>High growth<br>Maturity                                    | Used a simulation study and a field study to investigate their hypotheses that different stages in the business life cycle engender different priorities among top-level managers. | Small business model     | Yes                | Age<br>Sales (size)<br>Employees (size)<br>Growth rate<br>Priorities of top management   |
| Lester and Parnell (2008)       | 5                | Existence<br>Survival<br>Success<br>Renewal<br>Decline                  | Tested a 25-item scale among practising managers.  | General life cycle model | Yes                | Structure<br>Specialisation/differentiation<br>Information processing<br>Decision-making<br>Participation                      |
| Ferreira (2000)                 | 5                | Birth<br>Expansion<br>Maturity<br>Diversification<br>Stagnation/decline | Used a cluster analysis to obtain a taxonomy of configurations of development stages.  | Small business model     | Yes                | Age<br>Size<br>Growth rate<br>Vertical differentiation<br>Structural form<br>Formalisation<br>Specialisation<br>Centralisation |



| Organisational life cycle model | Number of stages | Stage labels   | Research approach followed  | Type of life cycle model | Empirically tested | Dimensions used to define the life cycle stages                    |
|---------------------------------|------------------|--|---|--------------------------|--------------------|--|
|                                 |                  |  |   |                          |                    | Total sales<br>Sales growth<br>Total employment<br>Employee growth |
| Churchill and Lewis (1983)      | 5                | Existence<br>Survival<br>Success - disengagement/<br>Success - growth<br>Take-off<br>Resource maturity | Managers of successful small businesses were consulted to review the small business life cycle model as proposed by previous researchers. | Small business model     | Yes                | Age<br>Size<br>Growth rate<br>Major strategies                     |

Source: Bessant, Phelps and Adams (2005); Churchill and Lewis (1983); Ferreira (2000); Hanks et al. (1993); Kiriri (2004); Lester and Parnell (2008:540, 542–546, 548); McMahon (1998); Miller and Friesen (1984:1161, 1165, 1168); Poutziouris et al. (1999:142); Smith et al., (1985)



While many different types of organisational life cycle models have been identified, a number of researchers argue that there is a great similarity between the business models proposed.

Hanks *et al.* (1993), for example, after reviewing ten organisational life cycle models, indicated that businesses progress through the following five general life cycle stages:

- **Start-up:** characterised by a young small business whose activities are highly centralised and which aims to identify a niche market.
- **Expansion:** while the business is still centralised it has now become departmentalised and experiences rapid positive growth.
- **Maturity:** the business has grown in size, but the growth rate is slowing down. The business is characterised by bureaucracy.
- **Diversification:** the business is still formal and bureaucratic, but has now become divisionalised and decentralised and focuses on expansion.
- **Decline:** the growth rate of the business is declining and the business is becoming more centralised again.

Quinn and Cameron (1983:35–37) in another study reviewed nine organisational models and proclaimed that businesses evolve through four general life cycle stages: *the entrepreneurial stage* (entrepreneurial activities with little planning and coordination, aims to serve a niche market); *the collectivity stage* (informal structure and high commitment); *the formalisation and control stage* (stable structure, formalisation of rules and conservatism) as well as *the elaboration and structure stage* (decentralisation, business renewal and domain expansion).

However, the general life cycle models proposed by Hanks *et al.* as well as Quinn and Cameron do not provide a clear picture of the general life cycle stages of a business. While there are similarities between the two sets of general life cycle stages proposed, there are also a number of differences.

Subsequently, in search of a justifiable general life cycle model that could be representative of the businesses of independent financial advisers, the researcher decided to focus on the five organisational life cycle models that are listed in

Table 2.1. (In addition to representing small, large and general organisational life cycle models, all the models listed in Table 2.1 have also been empirically tested. Furthermore, the models proposed by Miller and Friesen (1984) as well as Smith *et al.* (1985) are also based on previous organisational life cycle models and the models proposed by Lester and Parnell (2008) and Ferreira (2000) represent more recent research studies.)

A comparison between the stages of the different models was made to determine if common patterns of development could be identified. The results of this investigation are presented in Section 2.2.1 below.

### **2.2.1 General life cycle stages of a business**

Businesses, when they are born, endeavour to create a viable product market strategy (Churchill & Lewis, 1983; Lester & Parnell, 2008:543; Miller & Friesen, 1984:1169). This is accomplished primarily through trial and error as the business searches for innovative products and services that generate distinctive competencies and that can be offered in a niche market (Miller & Friesen, 1984:1169). According to Churchill and Lewis (1983), a key question that is asked at birth is “... can we get enough customers, deliver our products, and provide services well enough to become a viable business?”

A further characteristic at birth is that the business is small (Ferreira, 2000) when measured in absolute terms as well as relative to their competitors (Miller & Friesen, 1984:1170). Ownership is held in the hands of one or a very few individuals (Lester & Parnell, 2008:543; Miller & Friesen, 1984:1170). The business has a simple structure, is centralised and the owner manager delegates very little authority (Churchill & Lewis, 1983; Ferreira, 2000; Lester & Parnell, 2008:543; Miller & Friesen, 1984:1170; Smith *et al.*, 1985). The business owner directly supervises his or her employees. There are very limited or no formal planning actions or systems in place (Churchill & Lewis, 1983). An intuitive rather than an analytical mode of decision-making is used and the business is normally more proactive than its older counterparts (Miller & Friesen, 1984:1170). The business shows slow but positive growth (Smith *et al.*, 1985) and the objective of the business is simply to stay alive (Churchill & Lewis, 1983). Since the business

predominantly deals with a small market, it is undifferentiated (Miller & Friesen, 1984:1170).

If the business succeeds in obtaining enough clients and addressing their needs sufficiently with its products or services, it will be facing a new challenge. According to Churchill and Lewis (1983), one of the key questions that should then be asked is “... can we, at a minimum, generate enough cash flow to stay in business and to finance growth to a size that is sufficiently large, given our industry and market niche, to earn an economic return on our assets and labor?”

The business at this stage still has a simple format, orders are still given by the business owner and very few formal planning actions and systems are in place. The major objective of the business is also still survival (Churchill & Lewis, 1983). Churchill and Lewis label this point in the business’s life cycle the “survival stage”. However, given that the other characteristics of the business are very similar to the birth phase, it can be argued that the cash flow problem is still a matter that the business has to face at start-up.

At some point after start-up, the business will then enter an era of growth. Businesses are now larger (Ferreira, 2000; Miller & Friesen, 1984:1171) and focus on growth and early diversification (Lester & Parnell, 2008:543; Miller & Friesen, 1984:1171). The diversification strategy of the business can take on two forms. Firstly, product lines are expanded to provide a more complete range of products for a specific market. Secondly, products are also modified to meet the needs of a new market. Market segmentation consequently begins to play an important part in the business, where the niche market strategy is now abandoned to serve broader markets. Because of this approach, though, there is more direct confrontation with competitors (Miller & Friesen, 1984:1170–1171).

The business is also becoming less centralised (Ferreira, 2000; Lester & Parnell, 2008:543; Miller & Friesen, 1984:1171) with more formal procedures (Ferreira, 2000; Smith *et al.*, 1985). Different departments like marketing and accounting are established and the business owner is less involved with routine administration (Ferreira, 2000; Lester & Parnell, 2008:543; Miller & Friesen, 1984:1171). The customers rather than the owners influence the decisions to be made. Less risk

is taken and the business is not as proactive anymore. However, the business can by no means be described as conservative (Miller & Friesen, 1984:1171).

According to Smith *et al.* (1985), businesses at this point experience a high growth rate. This is not always the case, however. Lester and Parnell (2008:543) postulate that some businesses do prosper and grow larger. Other businesses, though, only earn marginal returns in some years or fail to generate sufficient returns and survive.

Churchill and Lewis (1983) hold a similar view of the growth era of a business. They, for example, also believe that as businesses grow the structure will change from a simple format to a more complex one with managers performing specific roles and that there will be more formal systems in place.

The only difference is that Churchill and Lewis (1983) provide a more detailed explanation of the choices that the business owner will have to make in the growth era as well as the matters that will have to be considered to ensure business success.

More particularly, the business owner, for example, will first have to decide whether he or she wants to expand and exploit the business's successes or whether he or she rather wants to keep the business stable and profitable (Churchill & Lewis, 1983). If the business owner decides not to expand the business, the business can remain at this point indefinitely, provided that environmental changes do not destroy its unique offering to a specific market (Churchill & Lewis, 1983). (This provides more perspective on the statement that was made by Lester and Parnell (2008:543) that some businesses in the growth era only earn marginal returns in some years or fail to generate sufficient return and survive.)

If the business owner decides that he or she wants to expand and exploit the business's success, he or she will have to use all available resources to generate growth (Churchill & Lewis, 1983).

This type of business will then progress to a more advanced part of the growth era, where it will be confronted by a new set of challenges that need to be addressed to generate high growth. The business owner, for example, will have to be able

to delegate responsibility to other employees to improve the managerial effectiveness of a fast-growing and more complex business. Sufficient cash flow is then also required (Churchill & Lewis, 1983).

Businesses that experience high growth will, after a period of time, reach maturity and slow down (Ferreira, 2000; Miller & Friesen, 1984:1172; Smith *et al.*, 1985).

These types of businesses are more conservative, risk averse and also larger than those in the birth or growth eras (Ferreira, 2000; Miller & Friesen, 1984:1171–1172). They do not engage in major innovation but rather follow the actions of their competitors that focus on the same target market. Since the objective of the businesses is to create more efficient and profitable operations, they avoid any costly changes in product lines and rather focus on economical production and the preservation of their sales volume (Miller & Friesen, 1984:1171–1172).

The business structure is still functional (Ferreira, 2000; Miller & Friesen, 1984:1172), but ownership is more dispersed and professional managers run the business (Churchill & Lewis, 1983; Miller & Friesen, 1984:1172; Smith *et al.*, 1985). Power and control, however, are situated at the top, the business remains fairly centralised and there is less delegation than in the growth era (Miller & Friesen, 1984:1172). The business is concerned with cost control, budgets and performance measures (Churchill & Lewis, 1983; Miller & Friesen, 1984:1172) and makes use of, for example, formal writing reports (Smith *et al.*, 1985). According to Lester and Parnell (2008:543), job descriptions, policies and procedures and hierarchical reporting relationships are also more formal than in the previous two eras. This, however, can lead to the problem of “red tape” – “... a condition of wading through layers of organizational structure to get anything accomplished” (Lester & Parnell, 2008:543).

According to Lester and Parnell (2008:543), a business in the maturity stage might after a while have the desire to return to a leaner time, where collaboration and teamwork promote innovation and creativity.

Businesses that seek revival are normally larger than any of the businesses in the other eras and usually engage in major and minor product line and service

innovations (more so than in any other period). The business is also becoming more diversified and enters new markets. The stagnation of the maturity phase is subsequently reversed with new products tailored to specific market segments. New markets, though, result in new competitors that the business has to face, which creates higher environmental dynamism than in any of the previous eras (Miller & Friesen, 1984:1173).

Similar to the maturity era, the ownership of the business is also widely dispersed. The business has divisionalised structures (Ferreira, 2000) to deal with the increased market heterogeneity. The strategy-making power may be highly centralised but the operating decisions are made in the different divisions (Miller & Friesen, 1984:1173–1174). The business has highly sophisticated control systems (Miller & Friesen, 1984:1173) and a large number of specialised functions (Ferreira, 2000). While the business is still bureaucratic, the employees are encouraged to perform their duties without adding to the bureaucracy (Lester & Parnell, 2008:543). The overall decision-making style of the business is inventive, proactive and risk embracing. This is, however, different from the birth and growth eras, as the solutions are generated by groups of experts who have analysed the problem in detail (Miller & Friesen, 1984:1173–1174). The business is also becoming more responsive to the needs of the market (Lester & Parnell, 2008:543; Miller & Friesen, 1984:1174). Sales growth is higher than in the maturity era (Ferreira, 2000).

The comparison between the different life cycle models proposed also reveals that businesses that are not able to meet the external demands of a former stage can enter an era of decline, where they experience a weakening in profit and market share (Ferreira, 2000; Lester & Parnell, 2008:543–544).

In reaction to their situation, these types of businesses normally become stagnant. In an attempt to preserve their resources, they do not engage in any new product or service developments. However, this approach can lead to negative consequences. Unattractive product lines result in poor sales. Because of poor sales, there are insufficient funds to develop new offerings. The business is consequently forced to cut prices to maintain sales (Miller & Friesen, 1984:1174–1175).

Additional characteristics of businesses in the decline era are that they are normally centralised and the board of directors and shareholders have more power and control – even in routine decision-making (Ferreira, 2000; Lester & Parnell, 2008:544; Miller & Friesen, 1984:1174). The business is similar in structure to the growth era (Ferreira, 2000) and top management spend most of their time “handling” the crisis, leaving no room for analysis. A conservative approach is followed when making decisions. Communications between the different departments are poor and the business is also not fully aware of competitor activities. There is a lack of well-developed information processing mechanisms and strategic planning. The emphasis is on what the business owners want (for example preservation of capital) rather than what the needs of the clients are (Miller & Friesen, 1984:1174–1175). This explains why the decline era is marked as a period of politics and power (Lester & Parnell, 2008:543).

The market scope of the business is also smaller, making the business more vulnerable. If the business fails in one market, a product line in another market segment cannot support the business. A smaller market also places more competitive pressure on the business (Miller & Friesen, 1984:1174–1175).

Therefore, based on the discussion above, it is evident that all five organisational life cycle models indicate that businesses at some point are born, grow and mature. (Churchill and Lewis (1983) were the only authors that claim that a business progresses through more than two life cycle stages to reach maturity. As pointed out in the above discussion, though, their life cycle model is also built around the themes of birth, growth and maturity.)

There is also sufficient reason to believe that businesses can further experience a revival and decline era, since three of the life cycle models (Ferreira, 2000; Lester & Parnell, 2008; Miller & Friesen, 1984) mention these phases.

In view of the findings reported in this section, it appears that businesses can progress through five general life cycle stages, namely birth, growth, maturity, revival and decline. Table 2.2 below provides a detailed summary of these stages.

**Table 2.2:** Summary of the general life cycle stages of a business

|  | Birth  | Growth   | Maturity   | Revival   | Decline  |
|--|--|--|--|---|--|
| <b>Former life cycle stages considered</b> | <ol style="list-style-type: none"> <li>1) Existence and survival (Churchill &amp; Lewis, 1983)</li> <li>2) Existence (Lester &amp; Parnell, 2008)</li> <li>3) Birth (Ferreira, 2000)</li> <li>4) Inception (Smith <i>et al.</i>, 1985)</li> <li>5) Birth (Miller &amp; Friesen, 1984)</li> </ol> | <ol style="list-style-type: none"> <li>1) Success (disengagement /growth) and take-off (Churchill &amp; Lewis, 1983)</li> <li>2) Survival (Lester &amp; Parnell, 2008)</li> <li>3) Expansion (Ferreira, 2000)</li> <li>4) High growth (Smith <i>et al.</i>, 1985)</li> <li>5) Growth (Miller &amp; Friesen, 1984)</li> </ol> | <ol style="list-style-type: none"> <li>1) Resource maturity (Churchill &amp; Lewis, 1983)</li> <li>2) Success (Lester &amp; Parnell, 2008)</li> <li>3) Maturity (Ferreira, 2000)</li> <li>4) Maturity (Smith <i>et al.</i>, 1985)</li> <li>5) Maturity (Miller &amp; Friesen, 1984)</li> </ol> | <ol style="list-style-type: none"> <li>1) Renewal (Lester &amp; Parnell, 2008)</li> <li>2) Diversification (Ferreira, 2000)</li> <li>3) Revival (Miller &amp; Friesen, 1984)</li> </ol> | <ol style="list-style-type: none"> <li>1) Decline (Lester &amp; Parnell, 2008)</li> <li>2) Decline (Ferreira, 2000)</li> <li>3) Decline (Miller &amp; Friesen, 1984)</li> </ol>                                |
| <b>Product market strategy</b>             | <ol style="list-style-type: none"> <li>1) Focus on becoming a viable business</li> <li>2) Search for innovative products and services that generate distinctive competencies and that can be served in a niche market</li> <li>3) Undifferentiated</li> </ol>                                    | <ol style="list-style-type: none"> <li>1) Expanded product line for same market</li> <li>2) Modify products to meet the needs of a new market</li> </ol>   | <ol style="list-style-type: none"> <li>1) Do not engage in major innovations</li> <li>2) Follow actions of competitors who focus on same target market</li> </ol>  | <ol style="list-style-type: none"> <li>1) Major and minor product line and service innovations</li> <li>2) New products tailored to specific market segments</li> </ol>                 | <ol style="list-style-type: none"> <li>1) To preserve resources, do not engage in any new product or service developments</li> <li>2) Cut prices to maintain sales</li> <li>3) Smaller market scope</li> </ol> |
| <b>Structure</b>                           | <ol style="list-style-type: none"> <li>1) Simple</li> <li>2) Owned by one or a very few individuals</li> <li>3) Business owner directly supervises employees</li> </ol>  | <ol style="list-style-type: none"> <li>1) Functional</li> <li>2) Owner is less involved in routine administration</li> </ol>   | <ol style="list-style-type: none"> <li>1) Functional</li> <li>2) Power and control are situated at the top</li> <li>3) Professional managers run the business</li> </ol>   | Divisionalised  | Functional   |
| <b>Centralisation</b>                      | Centralised and owner delegates little authority   | Less centralised   | Fairly centralised   | Strategy-making power is centralised, but the operating decisions are made in the   | <ol style="list-style-type: none"> <li>1) Centralised – board of directors and shareholders have more power and control</li> </ol>   |





|                                | Birth  | Growth   | Maturity   | Revival  | Decline   |
|--------------------------------|--|--|--|--|---|
|                                |  |  |  | different divisions  | 2) Period of politics and power (more emphasis on managers' needs than on the clients' needs)                     |
| <b>Planning and systems</b>    | Very little or no formal planning or systems in place                            | Formal procedures  | More formal procedures than the previous two stages (red tape) | Highly sophisticated control systems   | Lack of well-developed information processing mechanisms and strategic planning                                   |
| <b>Mode of decision-making</b> | 1) Intuitive rather than analytical<br>2) More proactive than older counterparts | 1) The customer rather than the owner influences decisions<br>2) Business is less proactive and more risk averse, but not conservative | Conservative and risk averse                                   | Inventive, proactive and risk embracing (but unlike birth and growth stages, solutions are generated by experts) | 1) Conservative<br>2) Top management spend most of their time "handling the crises", leaving no room for analysis |
| <b>Growth</b>                  | Slow but positive  | Marginal to high returns if survive  | Slower than the growth stage                                   | Higher than the maturity stage   | Weakening profits and poor sales  |
| <b>Business objective</b>      | To stay alive  | Growth and early diversification   | Economical production and preservation of sales volume         | Desire to return to a leaner time and revive the business  | Preservation of resources   |

The next question that would now need further investigation is if businesses relentlessly progress in a sequential manner through these five general life cycle stages.

This matter is addressed in the following section.

### **2.2.2 The sequential nature of organisational life cycle stages**

According to Quinn and Cameron (1983:33), organisational life cycle stages are “... sequential in nature, occur as a hierarchical progression that is not easily reversed, and involve a broad range of organizational activities and structures”.

While this view is also supported by other academics (Encyclopedia of Small Business, 2008; Dodge & Robbins, 1992), over the years a number of researchers took a stance against this approach. It was believed that the development of businesses from one stage to the next is not a fact and that it was a weakness of earlier models to assume that businesses would progress through all the life cycle stages (Sha, 2006).

The arguments that were used included the following:

The life cycle is more of a collective interpretation of the business’s environment and is based on top management’s judgement. Most businesses do not progress relentlessly from one stage of development to another in the traditional biological context (Lester & Parnell, 2003:340). The life cycle concept does not exist. A business’s life cycle and patterns are the product of its environment (Siu & Kirby, 1998:50). The life cycle of businesses in the real world does not follow the smooth S-shaped curve normally theorised. The curve of most businesses is a line with many ups and downs (Timmons & Spinelli, 2007:260).

Some researchers further argue that the progression of a business from one life cycle stage to another is a matter of strategic choice, expertise and resources. Not all small businesses want to (Hogarth-Scott *et al.*, 1996:15; McMahan, 1998; Scott & Bruce, 1987:45; Siu & Kirby, 1998:49–50) or have the resources and expertise to grow their businesses (McMahan, 1998). Churchill and Lewis (1983), for example, note that many businesses never obtain adequate client acceptance

or product capability to become viable and have to close the business when the start-up funds are depleted. In other cases the businesses cannot accept the demands that are placed on their time, money and energy and consequently throw in the towel. Businesses can also stay alive, but not progress to another stage. There are many businesses that remain within a particular stage, either by choice or because they experience barriers to further development (Mount, Zinger & Forsyth, 1993:111).

It is, however, in the results of the longitudinal research study that was conducted by Miller and Friesen (1984:1175–1176) on the organisational life cycle concept that more clarity about this matter can be gained.

Miller and Friesen's study reveals that some businesses surveyed did display a long-term evolutionary pattern that was roughly in line with the life cycle literature. These businesses did progress from birth, to growth, to maturity and then to revival in a sequential manner. However, there were also a large number of exceptions. Some of the businesses in the revival stage reverted back to the maturity phase. (An unsuccessful attempt to diversify the business was provided as a possible reason.) There were also businesses in the decline stage that progressed to the maturity and revival stages. Miller and Friesen (1984:1177) concluded that "... while the stages of the life cycle are internally coherent and very different from one another they are by no means connected to each other in any deterministic sequence". The maturity stage could, for example, be followed by the decline, revival or even growth stage; the growth stage could be followed by the maturity or the decline stage; the revival stage may be before or after the decline stage and so on. There is no common corporate life cycle, **but there are indeed life cycle stages common to every business, which are different from one another** (Miller & Friesen, 1984:1177).

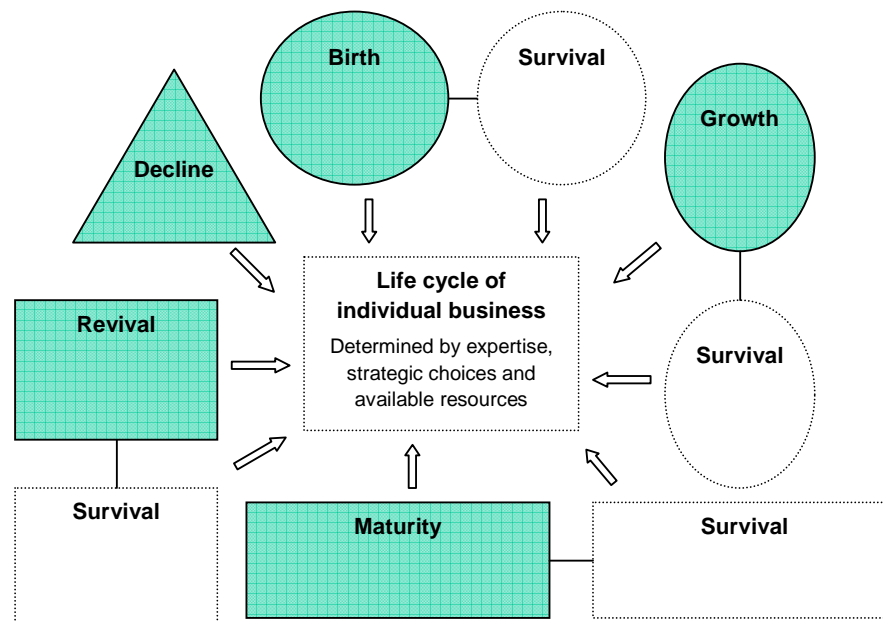
In the light of the discussion above, it appears that while there are general life cycle stages common to businesses, organisations do not progress relentlessly in a sequential manner through them. The development of the business can take on any form. Moreover, based on the contributions that were made by McMahon (1998), Hogarth-Scott *et al.* (1996:15), Siu and Kirby (1998:49–50), Scott and Bruce

(1987:45), Mount *et al.* (1993:111) and Churchill and Lewis (1983), it seems that the business's resources as well as its expertise and strategic choices play an important role to determine, at any point, if it will progress to the next stage, remain at the current stage or deteriorate and perhaps die. (The strategic choice to simply survive in the current stage is therefore not restricted to the growth phase, as might have seemed to be the case in the comparison between the five life cycle models in Section 2.2.1.)

Finally, it also appears that businesses that stop growing in a specific stage seem to keep the structure of that particular stage. According to Miller and Friesen (1984:1177), "... the structures of no-growth firms may become arrested at the life-cycle stage in which strategy and size become fixed. Firms may then be similar to others within their stage but fail to progress to a different phase of the life cycle".

Based on the findings of Section 2.2, it is now possible to provide a graphical illustration of the general business life cycle model:

**Figure 2.1:** The general business life cycle model



Source: Author's own work (Adapted from the literature review)

*The five general life cycle stages (birth, growth, maturity, revival and decline) that have been identified in this section are depicted in green. As each general life cycle stage has its own unique characteristics, different shapes were used to illustrate them. Each shape also has a duplicate form, representing the businesses that have the characteristics of that particular stage, but that stop developing and are simply in a state of survival. (Since the decline stage is representing businesses in demise, a duplicate survival form was not created for this stage.)*

*Arrows point from each shape to the centre of the diagram, which represents the life cycle of the individual business. At birth the business will start with a “clean sheet”. As the business then develops, its sheet will be filled with a “chain” of general life cycle stages. This chain will be unique to the business and will be based on the business’s expertise, available resources and the strategic choices it makes. The chain of general life cycle stages will then eventually stop when the business dies.*

There is a great possibility that the general life cycle stages of this model, due to their universal appeal, could also be applicable to the businesses of independent financial advisers. Therefore, the literature review of this study focused on problems and strategies that can possibly occur in the general life cycle stages. The empirical part of this study aims to verify if these general life cycle stages are applicable to the businesses of independent financial advisers or if, alternatively, they progress through another set of life cycle stages. A decision is then made about the life cycle stages that form the basis of the study’s proposed framework.

**The decline stage, depicted in Figure 2.1, will not form part of this investigation.** While this stage represents an important phase in the business, the process required to investigate this stage effectively is slightly more complicated.

According to Mellahi and Wilkinson (2004), there are two main approaches when it comes to exploring businesses in decline:

- 1. Industrial organisation and organisation ecology schools** believe that where business failure is concerned, the information that can be obtained from the industry is more important than the information that can be provided by

the business. To conduct their research, industrial organisation schools use econometric models or large survey questionnaires, and organisation ecology schools use longitudinal analysis at a population level with complex calculations to explain, measure and predict business failure.

- 2. Organisation studies and organisational psychology schools** use a small number of respondents to explain the reasons for business failure. Organisation studies literature suggests that successful businesses are susceptible to failure, because they are, for example, overconfident and arrogant. Organisational psychology schools believe that there are psychological reasons for business failure.

Mellahi and Wilkinson (2004) further indicate that industrial organisations and organisation ecology schools have been criticised because they focus mainly on external factors and cannot explain why some businesses fail and others succeed when facing the same industry-level constraints. Consequently, internal factors that could provide an important explanation of business failure are ignored. The weakness of the organisation studies and organisational psychology schools is that they rely too much on internal factors and the reasons for business failure are restricted to the perception of the managers interviewed.

To obtain a more accurate picture of the managerial cognitions and actions and the external context in which they occur, Mellahi and Wilkinson (2004) recommend that researchers use a combined approach when researching businesses in decline, consisting of survey questionnaires, archival data and interviews.

The purpose of this study, however, is mainly to conduct a small-scale exploratory investigation into the problems independent financial advisers experience and the strategies they implement in their business life cycle. Because a more detailed investigation process is required to obtain an adequate understanding of the decline stage, the researcher decided to exclude this stage from this study.

In the next section the potential problems independent financial advisers could experience in the general business life cycle are explored further.

## 2.3 BUSINESS OBSTACLES

Over the years a number of studies have been conducted to determine the obstacles confronting businesses.

Longenecker, Simonetti and Sharkey (1999), for example, investigated 359 front-line management personnel to establish why their businesses failed to achieve the desired results. The top 15 reasons that were identified as well as the insight that was gained from their input are summarised in Table 2.3 below.

**Table 2.3:** Reasons for business failure and insight gained

| Reasons                                    | Insight gained   |
|--|--|
| Poor communication                         | An organisation where critical information does not flow in an effective and efficient fashion affects decision making, planning, problem solving and morale         |
| Lack of focus and direction                | Organisational action without clearly defined purpose  |
| Lack of effective planning                 | Organisational action without the benefit of systematic forethought  |
| Inability to change                        | An organisation incapable of adapting to the changing needs of the marketplace and environment   |
| Conflicting performance goals              | Organisational confusion and compromise about what issues have priority and are truly important at any given time  |
| Lack of teamwork                           | Activity without the benefit of unified action creates inefficiencies, stress and operational conflicts  |
| Poor customer service or relations         | Lack of concern for both internal and external customers represents the ultimate loss of organisational focus and suggests an organisation out of touch with reality |
| Ineffective managers                       | Ineffective managers cannot create the environment and operating culture necessary for high performance and can cause untold damage to both customers and employees  |
| Lack of workforce training/development     | An undeveloped workforce cannot produce superior results when ability is lacking   |
| Failing to remove performance barriers     | Organisational performance barriers can damage overall performance and breed frustration and contempt for an organisation's leadership if not removed                |
| Ineffective management development         | Failing to develop managers, at all levels, can lead to complacency and create managers who are unprepared to lead others  |
| Unresolved quality problems                | Persistent quality problems signal that an organisation is not serious about customer satisfaction and continuous improvement  |
| Unmotivated workforce                      | An unmotivated workforce produces inferior results and can stifle nearly any attempt at organisational improvement   |
| Fear/negative organisational culture       | A climate of fear and negativity stifles innovation, risk-taking, and proactive behaviour while increasing stress and communication breakdowns                       |
| Ineffective or negative feedback practices | Without effective performance feedback, people operate in the dark about how to improve performance and lose opportunities to celebrate success                      |

Source: Longenecker *et al.* (1999)

Different obstacles were identified in other studies.

Watson, Hogarth-Scott and Wilson (1998), in their study of 166 small businesses, found that the most significant reasons for business discontinuance were poor trading conditions, not enough money earned by the business, cash flow problems and personal problems. Arinaitwe (2006) indicates that the small business owners' technological capabilities or lack thereof is one of the main reasons why they still continue facing growth challenges – despite the support provided by the government and other organisations. Without technological capabilities, small business owners find it difficult to compete and grow their businesses. In addition to this, Arinaitwe (2006) also indicates that businesses are challenged by a lack of financial resources, poor infrastructure and competition from larger and foreign businesses. Hill *et al.* (2002:366), in another study conducted among small business owners in Britain and the USA, discovered that the typical problems that can be experienced by these owners include location, changing client needs, lack of finance, rapid early growth, poor general management skills, declining sales, competition, service, price and a changing market environment. Huang and Brown (1999), in their investigation, identified marketing, human resource management and general management as major problems in a small business. Based on a research study of small business owners in Gauteng (South Africa), Brink, Cant and Lightelm (2003) claim that the success of the businesses is influenced by macroenvironmental variables, marketing related issues, management skills, management actions, social problems, human resource problems and financial problems. Zhuplev, Kon'kov and Kiesner (1998:511–512) identified the top business problems for small business owners in Russia and the United States as high taxes, government regulations, red tape, financing and the appointment of skilled employees.

Timmons and Spinelli (2007:260–261, 536–538), identified similar types of business obstacles, but went one step further and associated these problems with the different life cycle stages of a business.

The lack of empirical evidence rendered the model proposed by Timmons and Spinelli (2007:260–261, 536–538) unsuitable to be considered in the investigation



of the general business life cycle stages. However, based on the findings of Section 2.2.1 it seems that the business context of four of the life cycle stages proposed by Timmons and Spinelli (2007:260–261, 536–538) correlate with the business context of the birth, growth, maturity and revival general life cycle stages. Table 2.4 below provides a summary of this correlation as well as a list of the problems Timmons and Spinelli (2007:260–261, 536–538) believe can occur in each particular stage:

**Table 2.4:** Correlation in context of life cycle phases and list of problems per stage

| General life cycle stages as identified in Section 2.2.1 | Growth phases indicated by Timmons and Spinelli (2007:260–261, 536–538, 618–621) | Area of correlation  | Problems   |
|--|--|--|--|
|  |  |  |  |
| Birth  | Start-up and survival  | Represent the business at birth<br>Market is established<br>Growth is slow but positive                | An inability to meet the time standards required due to a lack of managerial delegation<br>Unknown competitors have emerged in the market<br>The business is struggling to achieve planned channels of distribution on time  |
| Growth   | Early growth   | High sales growth can occur<br>Less centralised  | A lack of strategic thinking among the business owners who focus primarily on the operational side of the business<br>Inadequate cost management that does not keep pace with the business growth<br>Sales to new and existing clients are not achieved on time<br>A lack of external networks to continue business growth<br>Business owners who are not managing for results, as they attempt to perform all the tasks themselves and do not delegate<br>A loss of clients due to poor customer services |
| Maturity   | Maturity   | More complex business structure (manager managing employees)<br>Growth is slower than the growth stage | A decline in the sales of products or services offered due to perishability, competitor ignorance and offshore competition<br>A lack of teamwork for a “greater purpose” and conflict over control of the business<br>Partners that are in conflict over business control<br>Inadequate financial resources  |
| Revival  | Harvest/stability  | Period of renewal and reinvestment   | A lack of new product and service developments<br>An eroded opportunity, which facilitates very low profitability and return on investment for the business<br>Business owners who are not prepared to sell equity and rather use bank debt to solve their financial resource requirements   |

Based on the similarities indicated in the table above, it appears that the problems depicted in Timmons and Spinelli's life cycle stages could also be present in the general life cycle stages: birth, growth, maturity and revival. There is then also a possibility that the independent financial advisers of this study could experience these problems in their life cycle stages.

Timmons and Spinelli (2007:536) further postulate that while there are a great variety of problems, which a business might have to concentrate on, the problems he highlights are particularly critical for the business and, if not overcome, can seriously imperil the business.

In view of this statement, the researcher therefore mainly investigated the problems that were pointed out by Timmons and Spinelli (2007:260–261, 536–538) among the independent financial advisers of this study. If it was found that they did experience these problems, it would be vital to identify appropriate solutions to them.

## **2.4 SOLUTION GUIDELINES**

As stated in Section 1.9 the objective of chapter three is to identify possible marketing mix solutions to the potential problems identified in this chapter, which can then be further investigated among the independent financial advisers.

However, according to Ennew and Waite (2007:3), the "... product and market context exert a significant influence on the nature and practice of marketing. Marketing activities that are effective for fast-moving consumer goods may be wholly inappropriate when marketing fine art. What works in Canada may be ineffective in China. Accordingly, an appreciation of context is essential in order to understand the practice of marketing".

Independent financial advisers operate in the financial services sector. In view of the statement made by Ennew and Waite (2007:3), it is therefore necessary in the final part of this chapter to first conduct an investigation into the context of the financial services industry and the types of marketing practices that are required to be successful in this sector. These findings will then assist in providing the needed guidelines to identify practical marketing mix strategies in chapter

three, which independent financial advisers could possibly implement to address the problems listed in Table 2.4.

### **2.4.1 The financial services environment and required marketing practices**

According to Lovelock and Yip (1996:68), there are three broad categories of services that can be provided to clients:

- **People processing services:** these types of services are directed towards individuals and require the presence of the client for the service to be consumed.
- **Possession processing services:** these services attempt to add value to the client's possessions.
- **Information processing services:** these types of services aim to create value through the collection, managing and transmitting of information.

Financial services “are concerned with individuals, organisations and their finances – that is to say, they are services which are directed specifically at people’s intangible assets (i.e. their money/wealth)” (Ennew & Waite, 2007:52). Financial services include stock trading, insurance, banking services, asset management, credit cards, foreign exchange, trade finance and venture capital. These services are designed to meet a number of different needs (Ennew & Waite, 2007:52).

Because financial services are directed towards clients’ assets, they could partly be viewed as possession processing services. Most financial services, though, have the potential to be classified as information based, since they can be represented as information and delivered remotely (Ennew & Waite, 2007:67)

The financial services industry in South Africa is complicated and multifaceted. There are a wide range of products and services available and new options are added to the range on an almost daily basis. Changes in the external environment also have an impact on the structure of the financial services industry. Furthermore, technology enables innovative service providers to deliver their products and services in new ways (MBendi, 2000).

The following list therefore provides only some indication of the financial services provided in South Africa (MBendi, 2000)\*:

- Banking
- Insurance
- Short-term insurance
- Group/employee benefits (pension funds, provident funds, funeral schemes, group life and disability benefits)
- Life assurance
- Health care insurance (medical aids, self-insurance programmes, health insurance)
- Investment services
- Managed funds (unit trusts)
- Other financial services, which include services such as:
  - Accounting
  - Business brokering
  - Property services
  - Emigration advice
  - Estate planning
  - Investment planning
  - Legal advice
  - Retirement planning
  - Stock broking
  - Tax consulting

In the South African context, financial institutions also use financial advisers to distribute their products. There are three main types of financial advisers in South Africa (Old Mutual, 2008)\*:

- **Agents:** an agent is employed by a financial institution, such as Old Mutual, and is allowed to sell any financial product he or she is accredited to sell (Old Mutual, 2008).

\* Due to a lack of academic literature available on this matter, South African company sources had to be consulted.

- **Independent financial advisers:** these are individuals or businesses that sell financial products. They are not employed by any financial services company and would normally operate a small business. They are expected to give “best advice” when recommending products to clients (Old Mutual, 2008; UK Association of Independent Financial Advisers, 2001; Wright, 2008).
- **Brokers:** these are financial advisers that are in the service of a banking institution and can also offer financial planning advice. They are allowed to sell the financial products that they are accredited to sell (Old Mutual, 2008).

The financial services that are provided by financial institutions and financial advisers, in general, have seven specific characteristics, namely intangibility, inseparability, perishability, heterogeneity, fiduciary responsibility, contingent consumption and duration of consumption (Ennew & Waite, 2007:54–55). Each of these characteristics together with their recommended marketing practices is explored in more detail below.

- **Intangibility**

Intangibility is the most important (Bebko, 2000), basic and universally quoted difference between products and services (Zeithaml & Bitner, 1996:19).

There are two forms of service intangibility (Ennew & Waite, 2007:56; Lovelock & Gummesson, 2004:25) that are collectively referred to as “double intangibility” (Edvardsson, Gustafsson & Roos, 2005:114):

- **Physical intangibility of services:** services do not have a substantive physical form and as such cannot be touched, observed, displayed, felt or tested before they are purchased.
- **Mental intangibility of services:** services are complicated and difficult to comprehend.

From a client perspective, these features have significant implications. A client does not really know what type of service will be experienced when the purchase decision is made. The service provided by the financial adviser, for example, can only really be evaluated once the advice is received. Owing to a lack of specialist knowledge, though, many clients are not able to

evaluate the quality of the financial advice once the service is provided. Financial services clients are therefore more likely to experience a considerable degree of perceived risk when they make their financial purchase decisions (Ennew & Waite, 2007:56).

The provision of some physical evidence is probably the most frequently used method to deal with service intangibility. Examples of physical evidence include a chequebook cover or a promotional free gift. Sales material can also be used to address the issue of complexity and a trusting relationship with clients or branding can help to reduce perceived risk (Gabbott & Hogg, 1999: 198–199; Matear, Gray, Garrett & Deans, 2000).

- **Inseparability**

The inseparability characteristic of services refers to the fact that services are created and consumed at the same time (Ennew & Waite, 2007:57; Jordaan & Prinsloo, 2001:17; Wolak, Kalafatis & Harris, 1998). Zeithaml and Bitner (1996:20) point out that while most products are created first and then sold and consumed, the majority of services are sold first and then created and consumed at the same time.

The inseparability characteristic of services further suggests that there is an interdependence between the service business and its clients (Sierra & McQuitty, 2005). More specifically, the client is often involved in the entire process and will without a doubt influence the process (Jordaan & Prinsloo, 2001:17). The employees of the business also have an impact on the service encounter and perform the role of “part-time marketers” (Matear *et al.*, 2000).

Clients enhance or diminish their own level of satisfaction with the service. The expectations and attitudes they bring to a service encounter can have a positive or negative impact on the service delivery (Sierra & McQuitty, 2005).

Gabbott and Hogg (1999:200) state that many businesses make use of human resource policies, training and internal marketing to build more effective relationships with clients and encourage retention and repurchase. These relationships can help to reduce the level of perceived risk before the purchase

is made and also lower the level of dissonance after the purchase is made.

Ennew and Waite (2007:58), in addition, state that the service should be tailored according to the client's needs rather than to suit the business. The employees should have the ability to be responsive and flexible in their interactions with clients.

- **Perishability**

Services cannot be stored and are therefore viewed as perishable (Gilmore, 2003:11; Jordaan & Prinsloo, 2001:22; Wolak *et al.*, 1998). Services can only be created when clients wish to purchase them. In periods of little or no demand, the service producer cannot produce surplus services that can be sold when the demand is high. For example, if an investment adviser's time is not taken up on a given day, it cannot be saved to provide extra capacity the following day (Ennew & Waite, 2007:58–59).

The solution to the problem is to match service capacity and the demand for the service provided (Jordaan & Prinsloo, 2001:22–23; Lovelock & Gummesson, 2004:29). Competitions (Peattie & Peattie, 1994:20) or differential pricing can be used to shift some of the demand for the service from very busy periods to more quiet periods (Ennew & Waite, 2007:59). When using differential pricing, tax advisers, for example, might consider offering a discount to clients who make use of their services well in advance before the tax submission deadline (Ennew & Waite, 2007:59). A third strategy is to hire part-time employees to provide support during busy periods (Jordaan & Prinsloo, 2001:23).

If there is a problem with the service provided, a service provider should have a strong recovery strategy in place (Zeithaml & Bitner, 1996:21).

- **Heterogeneity**

There are two explanations for the concept of service heterogeneity: The first interpretation is that services are not standardised – they are tailored to the individual's needs (Ennew & Waite, 2007:59–60). The second interpretation is that different clients can experience the same service differently (even if they have similar needs) (Lovelock & Gummesson, 2004:28), or one client may



experience the same service differently from time to time (Ennew & Waite, 2007:59–60).

According to Ennew and Waite (2007:60), the second form of heterogeneity occurs through differences between employees, within individuals and the inability of clients to articulate their needs clearly. A tax consultant, for example, might provide a different service experience to two clients on the same day, depending on their specific needs, personalities and whether they have their meeting with the consultant in the morning or after a long day, when the consultant is tired (Zeithaml & Bitner, 1996:20).

Gabbott and Hogg (1999:201) state that the variability of the service provided hinders the evaluation process for clients. They recommend that financial institutions use internal marketing and training to ensure that there is consistency in the service provided. Careful planning, control, automation and regular assessments of performance improvement and client reaction can also be used to address the issue of service heterogeneity (De Chernatony & Dall’Olmo Riley, 1999:182).

Jordaan and Prinsloo (2001:21), though, warn that even if a business has the best processes in the world, if the employee is not having a good day, it will affect the service provided, and the client’s perception will be negative.

- **Fiduciary responsibility**

Fiduciary responsibility refers to the responsibility that financial services providers have in relation to the management of funds and the financial advice they provide to their clients (Batiz-Lazo & Wood, 2001; Ennew & Waite, 2007: 61). Ennew and Waite (2007:61) further postulate that “although any business has a responsibility to its consumers in terms of the quality, reliability and safety of the products it supplies, this responsibility is perhaps much greater in the case of a financial service provider”.

There are a number of reasons for this (Ennew & Waite, 2007:61–62; Falconer, 2005:104):

- Many clients are either unable or do not want to try to understand financial

services.

- There are a great number of providers who are all in competition for business.
- Clients have little opportunity to evaluate the product before the purchase is made.
- Other clients' funds are used to create financial products. In creating and selling a loan, the bank, for example, has a responsibility toward the individual taking out the loan as well as toward the clients whose deposits made the loan possible.

According to Gabbott and Hogg (1999:202), the fiduciary responsibility of financial service businesses can create problems. The business, for example, will promote products to clients and then will have to turn them away, as they are considered to be poor risk.

In addition, many clients are also vulnerable to high pressure selling and bad advice, as they do not have sufficient product knowledge. This is most likely the problem that has done the most to undermine the image of the financial services sector in recent years. As a solution to the problem, many businesses have decided to change their reward system and do not reward their salespeople purely on a commission basis anymore (Gabbott & Hogg, 1999:202–203).

#### ▪ **Contingent consumption**

A great number of financial services products do not offer clients a direct consumption benefit. In some instances, the products create consumption opportunities for individuals in the future and in other cases the products may never result in a tangible consumption for the clients who made the purchase (Ennew & Waite, 2007:62–63).

The contingent consumption characteristics of services create a major challenge for marketers, as they seek to market an intangible product that reduces the current consumption of consumer goods and services, for benefits that may never realise (Ennew & Waite, 2007:62–63).

To address this problem, marketers should clearly convey the benefits of the products offered. Marketing strategies for long-term savings plans, for example, could seek to promote the considerable benefits and pleasure associated with future consumption and demonstrate that losses in the current consumption are small (Ennew & Waite, 2007:63).

▪ **Duration of consumption**

Services can also be categorised according to their duration of consumption. Restaurant services, for example, that are consumed at the point of delivery are regarded as short-term services (Hedlund, 2003:14). Most financial services provided are long term. There is normally an interval between the purchasing of the financial service and the realisation of the benefits. This creates the opportunity for financial services providers to build a relationship with their clients and use cross-selling (Ennew & Waite, 2007:64).

When applying this strategy, the following areas require specific attention (Ennew & Waite, 2007:64):

- Service providers, for example, in their cross-selling attempts, should not overwhelm clients with lots of products. A small number of product offerings should rather be concentrated on.
- Valued clients should be rewarded for their loyalty.
- The privacy of the client should be respected.

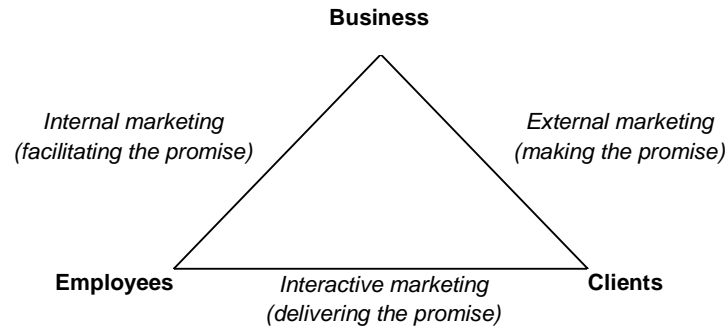
### **2.4.2 The services marketing triangle**

Based on the discussion above it appears that there are primarily three role players in the marketing of financial services, namely the business as well as its clients and employees.

Collectively, these role players form the basis of the services marketing triangle.

- **The philosophy of the services marketing triangle**

**Figure 2.2:** The services marketing triangle



Source: Zeithaml and Bitner (1996:21)

The philosophy of the services marketing triangle (depicted in Figure 2.2 above) is that the business as well as its clients and employees are interlinked and work together to design, promote and deliver the service. Their associated external, interactive and internal marketing activities are based upon making and keeping promises to clients, which are vital to the success of the business (O’Loughlin & Szmigin, 2005:137–144).

More specifically, the *external marketing* component of the triangle relates to the external marketing efforts, which the business engages in to make promises to clients about the service and which include activities such as advertising, special promotions, sales and public relations. The business’s personnel and physical facilities can also be used to make promises about the service delivery. *Interactive marketing* refers to the point where the business’s employees interact with the clients. To be successful, the business has to deliver the service that was promised. The *internal marketing* component is required to enable the business’s employees to keep the promises that were made to clients. Typical activities that can be associated with internal marketing include employee training, motivation and reward (Gronroos, 1998; Guzzoni, 2005; Zeithaml & Bitner, 1996:22–23).

It is important for a business to focus on all three sides of the services marketing triangle. According to Zeithaml and Bitner (1996:23), “... what the triangle

implies is that all three sides are critical to successful services marketing and management, that without one of the sides in place the triangle, or the total marketing effort, cannot be supported". All three components of the services marketing triangle are needed for service quality to be achieved (Thwaites, 1999) and the business to succeed (De Vader & Smith, 2000).

- **Application of the services marketing triangle**

At this point in the investigation, two important observations can now be made:

Firstly, the discipline of the services marketing triangle provides more perspective on the various marketing approaches for the service sector that were highlighted in Section 2.4.1. In essence, all the marketing techniques that were suggested by the different authors can also be grouped into the external marketing, interactive marketing and internal marketing segments of the services marketing triangle.

This finding then provides valuable guidance for the investigation conducted in chapter three. Given the need for practical strategies and the fact that academic researchers have based their recommendations on the services marketing triangle, it appears that chapter three has to explore potential marketing mix solutions to the problems listed in Table 2.4 that are related to the external marketing, interactive marketing and internal marketing components of the services marketing triangle.

## **2.5 SUMMARY**

Chapter two commenced with a brief summary of some of the organisational life cycle models that have been proposed before, as well as the dimensions that were used to define the different life cycle stages.

A comparison between the stages of these models was then made to determine if common patterns of development could be identified. Based on the findings of this investigation, it appears that businesses can progress through five general life cycle stages, namely birth, growth, maturity, revival and decline. (Table 2.2 provides a summary of these stages.)

An investigation was then conducted to determine if businesses progress in a sequential manner through the five general life cycle stages. It was found that while there are general life cycle stages common to businesses, organisations do not progress through them relentlessly in a sequential manner. The development of the business can take on any form. It further seems that the business's resources as well as its expertise and strategic choices play an important role in determining, at any point, if it will progress to the next stage, remain at the current stage or deteriorate and perhaps die. Based on the findings of Section 2.2 a graphical illustration of the general business life cycle model was given in Figure 2.1.

It was then stated that there is a great possibility that the general life cycle stages of this model, due to their universal appeal, could also be applicable to the businesses of independent financial advisers. Consequently, it was decided that the literature review of this study would focus on problems and strategies that can possibly occur in the general life cycle stages. The empirical part of this study then aims to verify if these general life cycle stages are applicable to the businesses of independent financial advisers or if, alternatively, they progress through another set of life cycle stages. Based on these findings a decision will then be made about the life cycle stages that will form the basis of the study's proposed framework.

The decline stage, however, does not form part of this investigation. Because a more detailed investigation process is required to obtain an adequate understanding of the decline stage, the researcher decided to exclude this stage from this study's investigation.

The second part of chapter two then investigated potential problems independent financial advisers could experience in the general business life cycle. While there are a great variety of problems which a business might have to concentrate on, the researcher decided to focus on the problems that were highlighted by Timmons and Spinelli (2007:260–261, 536–538), since they are particularly critical for the business and if not overcome, can seriously imperil the business. (A summary of these potential problems was provided in Table 2.4, relative to the life cycle

stages of Timmons and Spinelli (2007:260–261, 536-538) – which appear to have some correlation with the general life cycle stages of businesses.)

In the final part of this chapter an investigation was conducted into the context of the financial services industry and the types of marketing practices that are required to be successful in this sector.

These findings provide the needed guidelines for practical marketing mix strategies to be identified in chapter three, which independent financial advisers could possibly implement to address the problems listed in Table 2.4.

## **Chapter Three**

### **Marketing mix strategies**

#### **3.1 INTRODUCTION**

In chapter one it was pointed out that a business that has a marketing orientation normally performs better than another similar business that does not focus on marketing. All businesses (whether they grow or mainly survive) have to adjust to changing environments and changing client needs. Marketing can help with this process. It seems, too, that marketing mix strategies (which are an important element in the marketing of the business) can be used to solve the problems small business owners experience and can also help to produce more sales growth.

In this chapter various potential marketing mix solutions are explored that independent financial advisers could possibly implement to deal with the problems in the general life cycle stages (as identified in chapter two).

The investigation in this chapter is influenced by three important factors. Firstly, since this study has to provide guidance on sales growth as well, the researcher is concerned only with potential marketing mix solutions to the problems that can simultaneously aid in generating sales growth. Secondly, to endeavour to propose practical solutions, the marketing mix strategies identified are further primarily related to the external marketing, interactive marketing and internal marketing components of the services marketing triangle (as was decided in Section 2.4). However, due to limited literature sources available on marketing mix strategies for service businesses, it is not possible to completely restrict the investigation in this chapter to research on services businesses only. Therefore, the discussion also includes, to a limited extent, practical marketing mix strategies for manufactured products that could be applicable to the businesses of independent financial advisers.

The final part of this chapter provides a comprehensive summary of all the various potential marketing mix strategies/solutions identified, in table format.



## 3.2 BIRTH STAGE

In Section 2.2.1, the birth stage was described as a phase in which the business endeavours to create a viable product market strategy. The business is small and ownership is held in the hands of one or a very few individuals. There is a simple structure and the owner manager delegates very little authority. The business shows slow but positive growth and the objective of the business is simply to stay alive.

In Section 2.3 it was indicated that the following problems could be obstacles threatening the business in the birth stage:

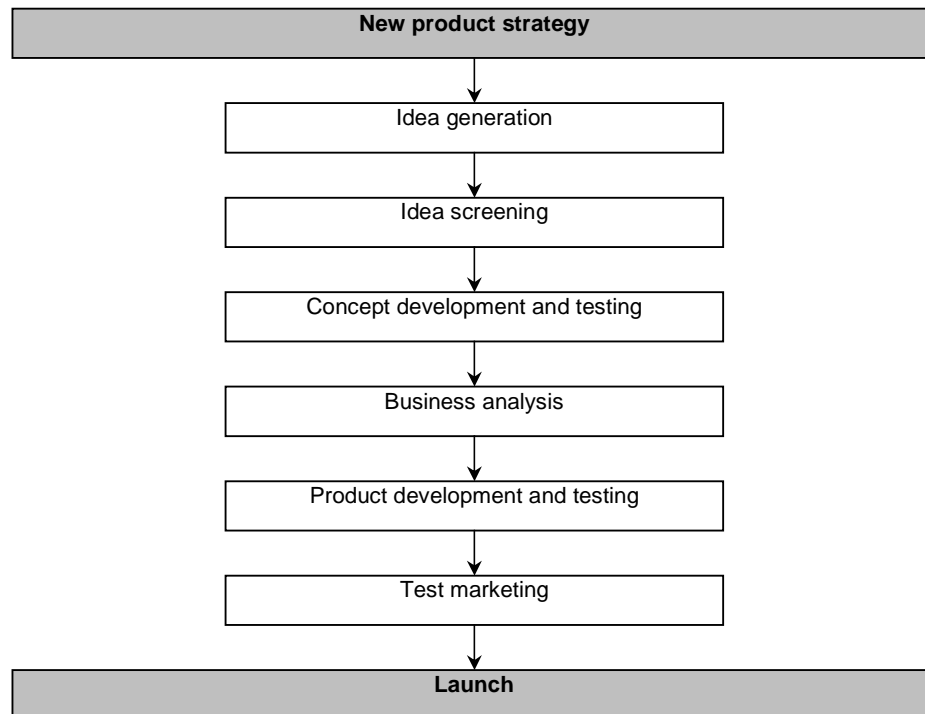
- An inability to meet the time standards required due to a lack of managerial delegation.
- Unknown competitors that have emerged in the market.
- The business is struggling to achieve planned channels of distribution on time.

In the remaining part of Section 3.2, the seven marketing mix elements for services (as noted in Section 1.8) are investigated further to determine potential marketing mix solutions to these three problems.

### 3.2.1 Product

Baker (2003:315) points out that business owners who are interested in offering a new product will need to go through a strategic process to achieve this objective. This process can be viewed in Figure 3.1 below:

**Figure 3.1:** The Booz Allen Hamilton model of new product development



Source: Baker (2003:315)

The *new product strategy phase* is the first phase of the development process and involves ensuring a balance between technology and marketing, the level and nature of new product advantage, the desired level of synergy and risk acceptance. The aim of the *idea generation phase* is to develop a database of ideas, which will fall within the parameters of the new product strategy. The *screening phase* involves determining the demand for the ideas generated and the capability of the business to offer the idea. In the *concept developing and testing phase* the idea is transformed into a concept and tested. The *business analysis phase* then examines whether the business should continue with the new concepts. Aspects such as market analysis, technical aspects and costs are used as criteria to make this decision. In the *product development and testing phase* the functional performance of the product is addressed. The *test marketing phase* involves small-scale tests with clients for approval. Should the product testing be successful, the new product will be launched into the market.

This final phase is a very costly process and includes decisions such as when and to whom to launch (Baker, 2003:316–322).

Small businesses offering a service, though, might follow a different approach when developing a new service. This matter was investigated in a small tourist business in Finland, which produced nature-based experiences for a specific group of clients and aimed to introduce a new service (Komppula, 2001).

The Finnish business in the first step of the development process built the core service offering on a specific idea, after which the concept was developed in accordance with the business's resource constraints. A proposal of the service was then developed, which included elements such as transportation, accommodation, meals and different activities scheduled. In the next phase own staff, family members and friends tested the proposal. Alterations to the service offering were then made and the service offering was formally piloted to a group of clients, which consisted of regional tourist organisations serving as intermediaries for the service products. However, the final service offering launched did not perform well and new service offerings were continuously generated without proper investigation as to why the previous offering did not succeed (Komppula, 2001).

Komppula, while evaluating this case study referred to above, argued that the business should have focused on the augmented tourist product as well in order to be more successful in its development. The augmented tourist product includes the business, its reputation and image. The business should also have attempted to create the best possible impression of the experience, through attractive descriptions of the service product, successful service processes and reliable systems. He subsequently suggested an alternative framework for new service product development in tourism. The new framework took into account the fact that new service development occurs in a service system environment, consisting of the business's physical plant, the environment, employees, network of partners, competitors as well as clients. It was further emphasised that the proposed service concept should be of benefit and value to the potential clients and that internal and external resources could be used as a source for idea

generation. The main determinant for the idea generation in the first phase therefore had to be addressing the client's needs and expectations. The next step involved the roughly designed concept to be tested by the employees in order to assist with the development of a more refined concept. Each activity pertaining to the concept needed to be outlined as a chain of activities, with time scheduling, costs, identification of all the service quality factors and possible gaps in the service delivery system. The employees then had to test the process prototype at this phase again, after which the final formal service product could be developed. It was further recommended that in the second last phase external stakeholders be used to finally test the concept and also identify a promotional appeal to commercialise the service product. After the service product had been launched, another investigation needed to be conducted to determine what the reasons for success or failure were and to use this information for further service development in the tourism industry.

Tailoring products according to the needs of clients was noted in Section 2.4.1 as a strategy that can be implemented to manage the inseparability characteristic of services. This approach, however, can also help a business to obtain a competitive advantage. Hunt (2008), for example, reported that a small broker business in Boston which followed this approach managed to differentiate themselves from their competitors and also became very successful. Ledwith and O'Dwyer (2008) in addition indicate that businesses that are market-oriented and that track and respond to the needs and preferences of their clients are in a better position to satisfy them and thereby improve their organisational performance.

In view of these findings, it could be beneficial for independent financial advisers to tailor their new service offerings to the needs of their clients. Unknown competitors that emerge in the market were listed at the beginning of Section 3.2 as one of the three critical problems that business owners could experience in the birth stage. As indicated above, a service product strategy tailored to the needs of clients could then help to obtain a competitive advantage. *(In the environment of an independent financial adviser, a new service offering would, for example, mean not following the traditional route of merely selling life policies and investment products, but rather offering clients a new unique "one stop solu-*

*tion package” that includes additional services such as assistance with tax planning, wills and asset management).*

### 3.2.2 Price

According to Jain (1997:401–403), the pricing strategy for a new product should be developed in such a way that the desired impact on the market is achieved, while the emergence of competition is suppressed. Two pricing strategies are available which can assist in achieving this goal:

- **Skimming pricing:** this strategy involves the business costing the new product at a relatively high initial price to attract only the top share of the market.
- **Penetration pricing:** with this strategy the market is entered with a low initial price in order to acquire a greater share of the market.

Small business owners, when establishing their pricing strategies for a new product, might use a different approach. In a study conducted among 40 small business owner managers in Northern Ireland, it was found that the small business owners used a number of different factors to determine their pricing structure (Carson, Gilmore, Cummins, O’Donnell & Grant, 1998). Some of the small business owners used a cost-plus approach, which involved adding up all the expenses plus a percentage markup. Others took competitor actions into account, although the quality of their competitor knowledge was sometimes questionable. Most of the small businesses, however, conformed to industry norms when prices were established. This practice made the small business owners very vulnerable to price changes in the industry.

Avlonitis and Indounas (2005) investigated 170 service businesses in Greece to determine what type of pricing objectives they pursued as well as the pricing methodologies they used to establish their prices. The study found that the three most important objectives for these businesses were maintaining the existing clients, attracting new clients and satisfying the clients’ needs. Other important objectives included covering costs, creating a prestige image of the business, long-term survival and service quality leadership. Avlonitis and Indounas (2005)

comment that these service companies understood the importance of the client factor when establishing prices.

These authors further highlight that the limited emphasis given to the customer-based pricing methods, for example pricing according to the client's needs, perceived value pricing and value pricing, was surprising, given the fact that client-based objectives were identified as the most popular among the service businesses in the sample. Difficulty in determining client needs, demands and the belief that by adopting the cost-plus method costs can be covered were provided as possible reasons for this phenomenon.

Avlonitis and Indounas (2005) conclude that the simplicity of pricing methods such as cost-plus formulae should not be used as an excuse why service businesses aiming to attract and maintain new clients are not using customer-based pricing methods. They recommend that service businesses rather treat pricing from the client's point of view and use customer-based pricing techniques. They also state that offering high quality services at lower prices presents one method of implementing customer-based pricing methods.

Making use of lower prices was described in Section 2.4.1 as a solution that can be implemented to overcome the perishability effect of services. In view of the discussion above, though, offering high quality services at lower prices (as one of the customer-based pricing methods) seems to present another possible solution that independent financial advisers could implement to address the emergence of unknown competitors in the market. As indicated by Avlonitis and Indounas (2005), this approach can help to attract and maintain new clients. *(In the insurance environment, high quality services at lower prices would translate into offering valuable services and at the same time not charging a high commission.)*

### **3.2.3 Place**

Jordaan and Prinsloo (2001:219) explain that the concept of place (distribution) in the service context refers to the provision of time and place to the service product. According to Longenecker *et al.* (1997:352), a distribution channel can

either be direct or indirect. A *direct distribution channel* involves the distribution of the service product directly from the producer to client. In an *indirect channel* there might be one or more intermediaries between the producer and the client.

Three types of distribution objectives should be considered (Jordaan & Prinsloo, 2001:221):

- **Service coverage needed:** in this objective consideration should be given to whether the service should be provided to an exclusive group only or to a broad spectrum of clients.
- **Type of service contact:** a contact could either be the service provider visiting the client, the client visiting the service provider or no physical contact involved at all. Should a high contact service be considered, a location close to the client would normally be suitable.
- **Actual service delivery:** in this last objective consideration should be given to the degree of customisation of service provided. Should a service be customised, only a few service outlets must be used.

After the small business owner has considered all the objectives, a possible distribution channel, which can be selected in the birth stage, is the Internet. Lovelock (1996:319) explains that the Internet provides a distribution channel for information-based services and that orders can be taken and payment collected via email.

Small business owners, though, have different levels of Internet acceptance. Kula and Tatoglu (2003) conducted a study of 237 small businesses in Turkey to explore the underlying nature and pattern of Internet adoption by small business owners. The study revealed that the small business owners could be divided into most frequent users and less frequent users of the Internet. The most frequent users used the Internet for emailing, browsing company home pages as well as market and product research. The less frequent users used the Internet mainly for exchange of information with clients and suppliers. In general, small business owners were positive about the use of the Internet and thought it could assist in future in enhancing the business's image and serve as an effective means of communication.

Hsieh and Lin (1998), Longenecker *et al.* (1997:458) as well as Simpson and Docherty (2004) also favour the use of the Internet for the following reasons:

- The Internet presents a platform for small businesses to compete with bigger businesses.
- The use of the Internet enables small business owners to maintain full-scale after-sales client service at a relatively low cost.
- The Internet will assist the small business owner to increase sales.
- It provides a means to communicate quickly, effectively and inexpensively.

Delivering the services to the clients on time was listed at the beginning of Section 3.2 as another critical problem that independent financial advisers can possibly experience in the birth stage. Given the discussion above, it seems that an Internet distribution channel, which provides a means for quick and effective communication, and also offers the benefit of gaining a platform to compete with larger businesses and maintaining full-scale client services at a relatively low cost, could be a potential solution that independent financial advisers could implement to address this problem.

### 3.2.4 Promotion

According to Jain (1997:461), promotional strategies refer to the planning, implementation and control of persuasive communication with clients. There are several promotional methods that can assist the small business in this matter, including advertising, personal selling and sales promotion (Longenecker *et al.*, 1997:330).

Koekemoer (2004:11–13), in his description of the promotional elements, provides more clarity on how these methods can provide assistance to the promotional strategy:

- **Advertising:** this element involves all the forms of paid impersonal communication through the mass media regarding goods and services, with the purpose of attracting attention, informing, persuading and reminding the client.



- **Personal selling:** a person-to-person process by which the business learns about the prospective client's needs and seeks to satisfy them by offering suitable products or services.
- **Sales promotion:** this element refers to any activity that offers incentives for a limited time frame to encourage a desired response such as trial or purchase.

Given that the promotional methods described above can assist in creating persuasive communication to clients, they could potentially also be used to address the obstacle of unknown competitors entering the market. Independent financial advisers, for example, could use advertising, personal selling and sales promotion to convince clients to rather make use of their services.

### 3.2.5 People

According to Jordaan and Prinsloo (2001:168), employees can perform four different types of roles in the business, namely isolates, influencers, modifiers and contractors. *Isolates* refer to the back office personnel whose main function is to support client-contact personnel. *Influencers* are the personnel involved in research and the development of the marketing strategy. *Modifiers* are the receptionists in the businesses and will be involved in procedures and rules. *Contractors* refer to the sales personnel who will have contact with clients on a regular basis and will be involved in marketing.

Small business owners will need to ensure that these employees are remunerated sufficiently. As Jordaan and Prinsloo (2001:171) warn, employees who are not happy with their remuneration could cost the business more than the wages they are being paid through client loss.

Appelbaum and Kamal (2000) conducted a study of small businesses in North America to determine what types of incentive structures would specifically attract employees working for small businesses. The study revealed that small businesses should use non-monetary incentives to maintain control in attracting and maintaining an effective and productive employee base. More specifically,

these monetary incentives include job enrichment, employee recognition and internal salary equity.

These authors further recommend that, optimally, small business owners use these non-monetary incentives in conjunction with one another and also ensure that the salaries of employees are sufficient enough to provide them with the basic necessities for themselves and their families.

An inability to meet the time standards required due to a lack of managerial delegation was listed at the beginning of Section 3.2 as a potential obstacle that small business owners can experience in the birth stage. In view of the discussion above, this problem could potentially be overcome by recruiting the four types of employees as indicated by Jordaan and Prinsloo (2001:168) and motivating them through sufficient remuneration to perform. The employees could then help the small business owner to meet the deadlines required.

### **3.2.6 Physical evidence**

According to Jordaan and Prinsloo (2001:150), there are two types of physical evidence, namely peripheral evidence and essential evidence. *Peripheral evidence* refers to a confirmation of the service provided, but is not the overall service experience. *Essential evidence* cannot be owned by the client but is essential as it adds to the overall service product, for example the physical layout of the building and equipment used.

The practical application of physical evidence in small businesses received further attention when Blacka, Couture, Coale, Dooley, Hankins, Lastovica, Mihalik, Reed and Uysal (2001) examined how the marketing mix elements for services could be used to promote the agri-tourism industry in Virginia. Most of the farms in Virginia were small businesses, which needed to diversify their product line in order to supplement their income. As a result, these small businesses decided to offer touring services on their farms, which included farm demonstrations, hayrides and harvest festivals.

Based on their analysis, Blacka *et al.* (2001) recommend that providing guests with easy access to business facilities is one physical evidence approach that could be used to advertise the business.

Blacka *et al.*'s recommendation (that can help to promote the business) presents another potential solution that independent financial advisers can use to address the problem of unknown competitors in the birth stage.

### **3.2.7 Process**

In Section 1.8 the process element of the marketing mix for services was described as the concrete procedures, mechanisms and flow of activities by which the service is provided to clients, that is the service delivery and operating systems.

Quality control is a crucial aspect of the service delivery process (Jordaan & Prinsloo, 2001:200–202). According to Zeithaml and Bitner (1996:27), clients judge the service provided, based on the business's service process. "[I]f an organization can deliver a high quality of service, its customers will receive better value and are more likely to be satisfied" (Ennew & Waite, 2007:326). Research studies before have proven this scenario to be true (Cronin & Taylor, 1992; Zeithaml, Berry & Parasuraman, 1996).

Using quality control to create a favourable impression with clients could then be the final possible solution that independent financial advisers can use to address the problem of unknown competitors.

The following section is devoted to determine potential solutions to the problems that can occur in the growth stage, as depicted in Table 2.4.

## **3.3 GROWTH STAGE**

In Section 2.2.1, it was noted that businesses in the growth stage are normally larger. The focus of these businesses is growth and early diversification. They are less centralised and have more formal procedures. Departments are, for example, established and the business owner is less involved with routine ad-

ministration. It is also possible for the business at this point to experience a high growth rate.

In Section 2.3 it was indicated that the following problems could be obstacles threatening the business in the growth stage:

- A lack of strategic thinking among the business owners who focus primarily on the operational side of the business.
- Inadequate cost management that does not keep pace with the business growth.
- Sales to new and existing clients that are not achieved on time.
- A lack of external networks to continue business growth.
- Business owners who are not managing for results, as they attempt to perform all the tasks themselves and do not delegate.
- A loss of clients through poor customer services.

The seven marketing mix elements for services now receive further attention, to determine potential marketing mix solutions to the problems in the growth stage.

### 3.3.1 Product

Section 2.2.1 indicated that businesses in the growth stage would normally follow a product line expansion strategy or modify their products to meet the needs of a new market. According to Paley (2006:278–313), there are also a number of other strategies that a service business can follow when reviewing and developing its service offering:

- **Positioning:** this strategy entails the service business aiming to change any undesirable perceptions by either moving a service to a new position or introducing a separate new service with the essential characteristics required for the new positioning.
- **Product competition:** additional services as competing lines can be introduced to obtain a larger share of the total market and to protect the service offering from external competitors.
- **Product design:** the business should investigate the demands of the market, the intensity of the competition and the flexibility of the business to determine

whether the business should follow a standard service offering or convert to a customised service offering.

- **New products:** promotion, image, positioning and market segmentation can be used as a strategic instrument to create new impressions and differentiation of an existing service offering.
- **Product mix:** a multiple-product strategy can be considered, involving the inclusion of additional service offerings to the business's current offering to expand the product mix.

However, a service business might need to take a few factors into consideration when implementing the new additional service. Southard and Swenseth (2003) conducted a case study of a service business to establish how successful the business was in implementing its new service development. The core principle of the business involved gathering data from the client's customers to report on specific opinions and attributes presented by the client. Soon after the start-up phase the business realised that it could not maintain itself with its current cost structure in the market it was operating in. The business then decided to expand with a new service offering, which generated an immense growth in sales. The same process structure was maintained with the introduction of the new service offering.

Southard and Swenseth, in their evaluation, indicated that owing to the increase in size and complexity of the business, the original process structure of the business could no longer function efficiently. Typical problems experienced included missing deadlines, scheduling dilemmas and numerous new employees who did not understand the original process design completely.

Since there was not sufficient research to indicate how to address the growing pains in the service business, Southard and Swenseth used the framework of Hill (2000), originally designed for manufacturing products, and applied it to a service business. The motivation was that with modification the framework and tools could be used to examine the changes in the business's processes and resources needs resulting from a rapid growth, and then transform those processes to accommodate the business's new requirements.

Based on their application of the framework, Southard and Swenseth suggested that the most appropriate alternative would be to realign the production process to match the market. This action would entail reviewing and altering the existing process to tie in with the higher volume and lower cost needs. In addition, the business had to include quality control measures, which was originally a separate function, as part of the production process. It was further recommended that the business use multifunctional teams based on project type and size to perform the projects.

Southard and Swenseth concluded that as businesses and their markets evolve through their cycles, their processes would need to evolve as well. Unless the business recognises these changes and adapts its process structure to tie in to the needs of the markets, growing pains such as those encountered in the study may be experienced.

One of the potential problems small business owners could possibly experience in the growth stage was listed above as a lack of strategic thinking among the business owners owing to a primary focus on the operational side of the business. Following the strategy described by Southard and Swenseth (2003) and making use of continuous service developments aligned with an appropriate business process that ties in with the needs of the markets appears therefore to be a possible solution that independent financial advisers could implement to improve their strategic orientation. *(In the business of the financial adviser this strategy could, for example, mean that the financial services package offered to clients is modified to also include, for instance, medical aid provision. The financial adviser would then need to make sure that the business processes followed to offer these services are appropriate and aligned with the client's needs and expectations.)*

### **3.3.2 Price**

Jain (1997:414–415) indicates that businesses wishing to introduce a new product line to the business need to keep the following competitor considerations in mind:

- Effect on business volume and profit if the competition were to introduce the proposed line.
- Comparison of the business's existing offerings with competitors to identify gaps in the marketplace.

In Section 2.2.1 it was further revealed that because businesses in the growth stage serve broader markets, there is more direct confrontation with competitors.

According to Pitt, Berthon and Morris (1997), as external environments become more turbulent, the business's pricing strategy should become more externally focused and small business owners who are opposed by aggressive competitors will need to abandon conservative, risk-averse pricing approaches. They further suggest that small business owners should rather adopt more lenient pricing strategies, such as market-based pricing, as this would be a critical element in assisting the business to keep ahead of client expectations, take advantage of opportunities created by niche markets and respond rapidly to competitor initiatives.

Pitt *et al.* (1997) conclude that businesses should not only use pricing strategies to generate a return on investment, but should rather approach pricing strategies in an entrepreneurial way to address and capitalise on an increasingly complex change in the external environment. They present creative discount measures as one possible entrepreneurial technique that can be implemented.

Blattberg, Briesch and Fox (1995) indicate that it is believed that price discounts foster higher sales growth for the business.

This approach could then potentially help to address the cash flow problem in the growth stage. Inadequate cost management that does not keep pace with business growth was listed at the beginning of Section 3.3 as another problem that independent financial advisers could experience in the growth stage. In view of the discussion above, discount prices (such as lower commission) that can result in higher sales could potentially be implemented to address this problem.

### 3.3.3 Place

Jordaan and Prinsloo (2001:243) assert that service businesses introducing a new primary service to the mix will adopt a multiservice strategy. They raise the concern, however, that this strategy would require additional resources, which might impede the efficiency of the business.

Paley (2006:356) introduces a potential solution to the problem by revealing that small business owners with limited sales resources could design an Internet home page as a tool to announce a new service, offer special deals, launch a service into foreign markets and communicate a product message. In addition, Paley (2006:357) believes that should a dedicated promotion be created on the home page, it could be used as a tool to convince the recipient of a sale.

Vescovi (2000), in his study of ten small businesses in Italy, made the following further recommendations, which might assist a small business owner in designing an effective communication strategy:

- **Defining a clear communication strategy:** small business owners should ensure that they communicate a strategy with clear objectives.
- **Managing new communication paradigms:** Internet communication occurs in real time and as a result provision should be made for quick responses to client communication.
- **Addressing non-integrated marketing communication:** the communication activities of the various departments should be coordinated to develop an integrated Internet communication strategy.
- **Ensure marketing-oriented Internet communication:** the small business owner should also ensure that Internet communication strategies are designed that will enhance the business's relationships with clients.

At the beginning of Section 3.3, sales to new and existing clients that are not achieved on time was listed as the third potential critical problem that independent financial advisers can experience in the growth stage. Based on the discussion above, efficient and market-oriented Internet communication that presents an additional platform to deliver a new product line could possibly be implemented



as a solution to address this problem. *(In the insurance environment, independent financial advisers can, for example, use an effective communication message to advertise tax assistance on their websites. They could also communicate the type of information which the client would have to email to their offices. Valuable time would be saved in this scenario, as the advisers would not have to contact clients to sell their services. Furthermore, because the client would have to email the necessary information to the adviser's office, travel time would also be saved and it would be easier for the adviser to complete the client's tax forms before the tax submission deadline.)*

### **3.3.4 Promotion**

In the introduction of Section 3.3, it was noted that it is also possible for businesses in the growth stage to experience a high growth rate.

Mazzarol (2004) conducted a study of small businesses in the UK and Australia to investigate the connection between their operational practices and the high sales growth they displayed. The results revealed that the relationships these small businesses had built with their clients, employees, suppliers and support networks were a critical factor in their success. These findings are in keeping with another study that was conducted by Coopers and Lybrand (1993) among 400 high sales growth small businesses. That study indicated that the small businesses with strategic alliances experienced 11% more sales turnover than those that had no network relationships (Anon, 1993:5).

Small business owners can approach networking practices as a promotional strategy.

Gilmore, Carson and Grant (2001:6) explain that owing to their limited resources, some small business owners are not able to carry out conventional marketing activities and rather make use of networking practices. Through an investigation of small business owners in Northern Ireland and Australia, they discovered that typical networking practices small business owners would use include the following:

- The small business owners knew their close competitors personally and would meet with them occasionally to benefit from their experience.
- Relationships were also built with clients to enhance the potential for further business.

A lack of external networks to continue business growth was listed at the beginning of Section 3.3 as the fourth potential problem that independent financial advisers could experience in the growth stage. Following the network activities described above and benefiting, for example, from the experience of competitors as well as relationships with clients, employees, suppliers and support networks could then be a solution to address this problem.

### **3.3.5 People**

An additional potential obstacle, which was listed above, was the fact that business owners might not manage for results, as they attempt to perform all the tasks themselves and do not delegate.

Timmons and Spinelli (2007:261–262) present a possible solution to the problem by suggesting that small business owners operating in a phase of high growth should refrain from following an autocratic management style to manage employees who strive for achievement, responsibility and results. He recommends that close collaboration with employees and the entrustment of power and control to them would be the correct approach to follow.

Executing the recommendations made by Timmons and Spinelli (2007:261–262) appears therefore to be a potential solution independent financial advisers could implement to manage for results.

### **3.3.6 Physical evidence**

In Section 3.2.6 physical evidence features pertaining to building facilities were described. According to Jordaan and Prinsloo (2001:159–160), social factors are another dimension of physical evidence and relate to the interaction between clients and service employees.

An employee's level of motivation when performing this interaction with clients will greatly influence the outcome of the service encounter. More specifically, in a study conducted by Hennig-Thurau (2004) among 989 students in Germany, it was discovered that the service employees' motivation to serve the clients in a customer-oriented manner as well as their social and technical skills impacted on the clients' satisfaction, emotional commitment and, as a result, the economic success of the business.

Various measures can be implemented to enhance the level of motivation of the employees. Baker (2003:369), however, cautions that the employees' age should be taken into consideration when evaluating a motivational scheme, since different features will motivate the employees at a specific age. Older employees with larger families, for example, might prefer financial rewards, while younger, better educated employees with no families could prefer higher order rewards, such as recognition, respect and a sense of accomplishment.

A loss of clients through poor customer services was listed at the beginning of Section 3.3 as the sixth critical problem that independent financial advisers could experience in the growth stage. In view of the discussion above, motivating employees appropriately to deliver a positive service encounter could then be a possible solution small business owners could implement to address this problem.

### **3.3.7 Process**

Young (2005:296) sheds more light on the process concept of services by revealing that while businesses might focus on the technical expertise of the service delivery, clients may value the way they are treated as of similar importance.

Zeithaml and Bitner (1996:117–118) alert us to the fact that on certain occasions the manner in which clients are treated might even become more critical. More specifically, should the technical quality of the service outcome be difficult for the clients to evaluate, they will base their quality beliefs on process dimensions, such as the business's ability to empathise.

Zeithaml and Bitner (1996:306) further describe that the concept of empathy within a service business context entails the employees being flexible in providing what the individual clients need. Service customisation presents a technique service businesses can use to assist them in this matter, since Baker (2003:597) reveals that the individual client's needs could be met through this approach.

Service customisation was presented in Section 2.4.1 as a solution to the problem of the inseparability characteristic of services. In view of the discussion above, tailoring the service to the client's needs could also serve as another potential solution that independent financial advisers can use to deal with the problem of a loss in clients through poor customer service.

The next section is devoted to determine potential solutions to the problems that can occur in the maturity stage, as depicted in Table 2.4.

### **3.4 MATURITY STAGE**

In Section 2.2.1 businesses in the maturity stage were described as more conservative, risk averse and also larger than those in the birth or growth eras. They do not engage in major innovation but rather follow the actions of their competitors that focus on the same target market. They also avoid any costly changes in product lines and rather focus on economical production and the preservation of their sales volume. They are concerned with cost control, budgets and performance measures.

In Section 2.3 it was indicated that the following problems could be obstacles threatening the business in the maturity stage:

- A decline in the sales of products or services offered owing to perishability, competitor ignorance and offshore competition.
- A lack of teamwork for a "greater purpose" and conflict over control of the business.
- Partners that are in conflict over business control.
- Inadequate financial resources.

The investigation of the seven marketing mix elements for services (as noted in Section 1.8) now continues, to determine potential marketing mix solutions to the problems in the maturity stage.

### **3.4.1 Product**

Sales decline through competitor ignorance was listed above as the first potential problem that can be experienced in the maturity phase.

Simkin (1997), in a study conducted among 125 electronic businesses in the UK, identified inappropriate use of Porter's five competitor forces (1985) as a cause for competitor ignorance. (The five competitor forces are new entrants, buyers, suppliers, substitute products or services and existing competitors.) The study found that more than 90% of the electronic businesses monitored their rivals' strengths, weaknesses and marketing mix strategies, but failed to consider any other aspect of Porter's competitor analysis model. The result was a misconception regarding competitor strategies, intentions and insufficient use of competitor intelligence in decision-making. The conclusion was that should these businesses wish to prosper, their competitive analyses would need to be more comprehensive and their strategies would need to reflect the true nature of the competitive arena.

Timmons and Spinelli (2007:139–141) and Lovelock (1996:472) highlight the following additional resources small business owners could consult to improve their competitive intelligence:

- Published resources such as formal business information guides, the Internet, journal articles, market studies and client expenditures.
- Other resources including trade associations, employees, consulting firms and networking.
- Competitive market surveys can also be conducted to compare the business relative to its competitors.

Based on the discussion above, it appears that measures to obtain a comprehensive competitor framework and having the strategies reflect the true nature of the competitive arena present a possible solution that independent

financial advisers could follow to address the potential problem of sales decline owing to competitor ignorance.

### **3.4.2 Price**

Timmons and Spinelli (2007:352) and Longenecker *et al.* (1997:509) explain that small business owners utilise their financial resources to pay for overhead expenses such as employee salaries.

Some small business owners, though, also approach their financial resources as an instrument to gain a competitive advantage. This phenomenon was discovered in a survey which investigated 12 small business case studies in the UK. These small business owners attempted, by operating from a low-cost venue such as their houses, to keep their overhead expenses as low as possible. The rationale was that if the business overheads were kept low, the business would be able to establish competitive pricing strategies independently of business overheads (Cunningham & Hornby, 1993).

Inadequate financial resources were listed at the beginning of Section 3.4 as another potential problem that independent financial advisers can experience in the maturity stage. In view of the discussion above, it appears that working from home to reduce overhead expenses, which can assist in creating competitive pricing, could be a possible solution to address this problem. *(Reduced overhead expenses would enable independent financial advisers to charge lower commission and consequently make their services more attractive to clients.)*

### **3.4.3 Place**

A decline in sales owing to the perishable nature of products and services was also listed above as a potential obstacle that independent financial advisers might face in the maturity phase.

In Section 2.4.1 it was stated that services cannot be stored and are therefore viewed as perishable. Services can be created only when clients wish to purchase them. In periods of little or no demand, the service producer cannot

produce surplus services that can be sold when demand is high. For example, if an investment adviser's time is not taken up on a given day, it cannot be saved to provide extra capacity the following day (Ennew & Waite, 2007:58–59). Competitions, differential pricing and part-time employees were presented as solutions that can be implemented to address this problem.

Jordaan and Prinsloo (2001:222–224) believe that a solution to the imbalances between supply and demand is presented through the distribution function of service businesses. Employees can be cross-trained to perform different job functions at peak periods. *(In the world of the financial adviser, this approach would, for example, mean that when the demand for the service is high, the secretary could assist with preparing quotations and completing application forms. This could then free the financial adviser's time to see more clients and sell policies to them.)*

Cross-training existing employees to perform different job functions at peak periods might be more cost efficient than hiring extra employees or launching competitions. Therefore, this study will focus on the cross-training of employees to perform different job functions at peak periods as a potential solution to the problem of the perishability effect of services.

#### **3.4.4 Promotion**

Cravens (2000:189) explains that positioning could be used to create the perception of a distinct business offering which is more favourable than other competing brands.

Ferrell, Hartline and Lucas (2002:88–89) validate this approach by revealing that the following measures could be implemented to manipulate the clients' perception of the offering:

- **Reinforce the current position:** this measure entails the business continuously raising the expectations of the clients and creating the perception that it is the only firm capable of meeting their expectations with its offering.

- **Progress to a new position:** a new position is normally approached when clients appear to have lost faith in the business's offering.
- **Reposition the competition:** the core principle of this measure is to attack the strengths of the competitor directly to position its offering in a less favourable light or even compel the competitor to change its positioning strategy.

Young (2005:127) postulates that the strength of a service business's positioning strategies is that they are built upon clients' value propositions and that if constructed through client research, the business will have a clear indication of how to achieve a long-term viable market position.

Cravens (2000:194) and Lovelock (1996:170) further reveal that businesses wishing to use this type of approach could implement a combination of promotional strategies, including advertising, personal selling and sales promotions to assist them in creating the enhanced position.

At the beginning of Section 3.4, a decline in sales due to offshore competition was listed as another problem that independent financial advisers could experience in the maturity stage. In view of the discussion above, it appears that promotional strategies aligned with the positioning guidelines for creating a superior competitive image, as described above, could present a possible solution to this problem.

### **3.4.5 People**

Conflict between partners over business control was also noted above as a potential problem that independent financial advisers could experience in the maturity phase.

Pace and Faules (1994:249) define conflict as the interference one individual will experience from another individual with incompatible goals. Hellriegel and Slocum (1996:552) have a similar point of view and describe conflict as opposition experienced by an individual as a result of goal disagreement.



Hellriegel and Slocum (1996:558–562) identify the following four approaches an individual could adopt when experiencing conflict:

- **Avoidance style:** this style involves the individual withdrawing from the conflict situation or remaining neutral.
- **Smoothing style:** perceived differences are suppressed in this style and the focus rather evolves around the other individual's point of view.
- **Forcing style:** power is used to pressure the other individual to accept a certain viewpoint.
- **Compromising style:** in this style both individuals are willing to concede some of their own views to reach an agreement.
- **Collaborating style:** in this approach the underlying causes of conflict are identified, information is shared openly and a mutually beneficial solution is sought.

Timmons and Spinelli (2007:267) suggest that proficient business managers follow a distinct conflict management approach. Characteristics of creativity are normally displayed, consensus is generated and information is shared. In addition, they also facilitate discussion regarding problems, do not become defensive when others disagree with their views and rather blend ideas.

Timmons and Spinelli conclude that the benefits proficient business owners gain from following this approach include motivation, commitment and teamwork. In addition, new disagreements do not restrain business growth, since there is both high clarity and broad acceptance of the overall goals and underlying priorities.

The conflict management description illustrated by Timmons and Spinelli, which can assist businesses in benefiting from unrestricted business growth, therefore presents a possible solution that independent financial advisers could implement to address the problem of conflict between partners over business control.

### **3.4.6 Physical evidence**

In Section 3.3.6 it was noted that Jordaan and Prinsloo (2001:159) have identified social factors (involving the interaction between clients and service employees) as an additional dimension of the physical evidence for services. In their initial description, they highlighted that the employees' moods and behaviour will impact on their interaction with clients and that engagement between employees should be facilitated to create a positive influence.

Zeithaml and Bitner (1996:321–322) also argue in favour of engagement between employees to improve client satisfaction. They assert that service positions are frequently frustrating and demanding and that a teamwork environment will assist in reducing some of the tension and strains. In addition, they argue that employees who feel supported will be more able to maintain enthusiasm and that by promoting teamwork the business can enable the employee to deliver excellent service.

Independent financial advisers, though, might struggle to obtain these results, as a lack of teamwork was listed at the beginning of Section 3.4 as a potential problem that they could experience in the maturity phase.

Zeithaml and Bitner (1996:322) provide a potential solution to this problem. They indicate that teamwork could be promoted by ensuring that every employee is aware of the essential role they play in the final delivery of quality service.

### **3.4.7 Process**

According to Lovelock (1996:234), a service blueprint can be used to document all the processes in the service business. Shostack (1981) initially developed the service blueprint based on the theory that services are fundamentally processes. She portrayed the basic requirements of a service blueprint as being time dimensions in a diagram format, a description of all the main functions and subfunctions and the degree of variation allowed, which will not affect the client's perception of the overall quality and timeliness (Alonso-Rasgado, Thompson & Dannemark, 2004).

Zeithaml and Bitner (1996:284) reveal that service blueprints could also provide the following benefits:

- Identifying ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement. (High service quality in turn leads to satisfied clients (Jordaan & Prinsloo, 2001:76)).
- Providing a basis for identifying and evaluating cost, revenue and capital investment in each component of the service.
- Providing an integrated view of the service provided.

In view of the discussion above, implementing a service blueprint for the first benefit mentioned by Zeithaml and Bitner (1996:284) could be another possible solution that independent financial advisers could employ to assist in addressing the potential offshore competitor obstacle.

The next section focuses on determining potential solutions to the problems that can occur in the revival stage, as depicted in Table 2.4.

### **3.5 REVIVAL STAGE**

In Section 2.2.1 it was indicated that businesses in the revival stage are normally larger than any of the businesses in the other eras. They usually engage in major and minor product line and service innovations (more so than in any other period). The stagnation of the maturity phase is subsequently reversed with new products tailored to specific market segments. New markets result in new competitors that the business has to face, which creates higher environmental dynamism than in any of the previous eras. The business has divisionalised structures to deal with the increased market heterogeneity. The strategy-making power may be highly centralised but the operating decisions are made in the different divisions.

In Section 2.3 it was indicated that the following problems could be obstacles threatening the business in the revival stage:

- A lack of new product and service developments.

- An eroded opportunity, which facilitates very low profitability and return on investment for the business.
- Business owners who are not prepared to sell equity and rather use bank debt to solve their financial resource requirements.

To identify potential marketing mix solutions to these problems, the seven marketing mix elements for services now receive attention one more time.

### 3.5.1 Product

An eroded opportunity, facilitating very low profit and return on investment, was noted above as a possible problem that independent financial advisers could experience in the revival phase.

Jordaan and Prinsloo (2001:132) indicate that outdated services should be replaced by new service developments.

Longenecker *et al.* (1997:293–295) recommend that small business owners adopt the following process when developing new products for the business:

- **Idea formulation:** new product ideas generated from client suggestions should first be formulated.
- **Business analysis:** in the second step the new product ideas are validated against several financial considerations.
- **Total product development:** branding and pricing decisions are made in the third step.
- **Product testing:** in the final step the acceptability of the product is tested with clients.

The new product development process described above, which allows for the formulation of new product ideas from client suggestions, could then be a possible solution that independent financial advisers can implement to address the problem of eroded business opportunities.

### 3.5.2 Price

Business owners who are not prepared to sell equity and would rather use bank debt to solve their financial resource requirements was listed above as another possible obstacle that can be experienced in the revival stage.

Timmons and Spinelli (2007:604–605) provide a potential solution to the problem when he proposes that business owners could use an alternative pricing strategy to reduce debt and increase cash flow. The strategy entails business owners encouraging clients to pay their accounts earlier than required by offering them a discount and thus turn underutilised assets into cash.

*(An adviser, for example, could have charged the client a fee for financial needs analysis done and then offer him or her a discount if he settled the account earlier.)*

### 3.5.3 Place

Longenecker *et al.* (2000:441) say that outsourcing could be used to reduce cost, benefit from the expertise of external providers and facilitate economies of scale. Outsourcing certain functions of the business can be far more economical than the payroll and capital costs of performing them internally (Zeithaml & Bitner, 1996:55–56).

Jordaan and Prinsloo (2001:245) indicate that the distribution activities of the business present one of the functions a service business could outsource to obtain economies of scale. They further postulate that by outsourcing the distribution activities service providers could focus on becoming more proficient and trustworthy.

In view of the discussion above, outsourcing the distribution activities and benefiting from reduced cost as well as more proficient and trustworthy services could then be another possible solution that independent financial advisers experiencing a lack of cash flow and debt can use to improve their financial situation.

(In the insurance environment, this strategy would mean that in order to save money, independent financial advisers could, for example, request their broker consultants to collect their clients' medical reports that need to be submitted to the insurance company.)

### 3.5.4 Promotion

Sales promotion was identified in Section 3.2.4 as one of the promotional tools a business could utilise in its promotional strategy.

Koekemoer (2004:289–290) and Baker (2003:471) reveal that sales promotion could affect business sales in the following manner:

- **Revitalise sales of a mature product:** sales promotion can invigorate the sales of a mature product that requires rejuvenation.
- **Retain existing clients by endorsing repeat purchases:** effective sales promotion programmes could encourage repeat purchasing and retention of clients.

Longenecker *et al.* (1997:344) further reveal that small business owners wishing to implement sales promotion could use three types of tools. The *first tool* is to provide speciality items to the client, for example calendars and coffee mugs. Publicity is the *second tool* and refers to presenting information about the business and its products or services as a news item. Trade shows and exhibits can be used as the *third tool* and permit demonstrations of an offering.

In view of the discussion above, focusing on sales promotional strategies that revitalise sales and retain existing clients could then be another possible solution that independent financial advisers can implement to address the problem of an eroded business opportunity.

### 3.5.5 People

According to Jordaan and Prinsloo (2001:181–182), employees are in a position to listen to clients' needs and to identify the products and services that are essential to satisfy clients. Suggestion involvement and quality circles are levels of empowerment that can be used by a business to obtain client

information from employees to improve product and service offerings. *Suggestion involvement* means allowing employees to provide suggestions for enhancement and *quality circles* concern the engagement of small groups from various departments to brainstorm and provide additional suggestions.

A lack of new product and service developments was noted at the beginning of Section 3.5 as another potential obstacle that independent financial advisers could face in the revival phase.

Based on the discussion above, employee empowerment to present client-oriented new developments could be a possible solution that independent financial advisers could implement to address this problem.

### **3.5.6 Physical evidence**

In Sections 3.2.6 and 3.3.6 the physical evidence elements of services were described as building facilities and social factors. Zeithaml and Bitner (1996:25) advise that the provision of guarantees presents another element of the physical evidence for services. Longenecker *et al.* (1997:302) define a guarantee as a promise that an offering will meet certain standards. These authors (1997:616) further state that small business owners who provide guarantees to their clients will gain a competitive advantage and that the cost of fulfilling guarantees should not be viewed as a loss, but rather as a marketing investment and a second chance to create a positive impression.

From the discussion above, it appears therefore that the provision of guarantees, which presents the benefit of a competitive advantage as well as a second chance to create a positive impression, seems to be another possible solution that independent financial advisers could implement to address the problem of eroded business opportunities.

*(In the insurance environment, a financial adviser could, for example, provide a guarantee that the client's tax forms will be completed correctly and submitted before the tax submission deadline.)*

### 3.5.7 Process

Jordaan and Prinsloo (2001:208–209) postulate that during the service encounter interaction both clients and employees should be able to perform a certain number of activities according to an established guideline, which can be referred to as the client/employee script. In addition, they recommend that the roles be clearly defined to promote client satisfaction.

Gabbott and Hogg (1999:70–72) identify different types of client involvement. In the traditional service delivery approach the client is placed in a specific physical environment and interacts with the service delivery employees and the physical tangible components of the product to construct a service. In contrast, a technological service delivery approach, such as the Internet, requires the client to be more involved with the physical components of the product and to have less interaction with the service provider.

Baker (2003:604–605) stipulates that many service businesses have sought to facilitate a greater level of client involvement in the production of the service in an attempt to facilitate price competitiveness.

A technological service delivery approach, which can assist in creating competitive prices, could then be one more possible solution that independent financial advisers could employ to address the problem of an eroded business opportunity.

*(In the insurance environment, independent financial advisers could, for example, teach their clients to track the performance of their investments via the insurance company's secure Internet services. By following this approach, they would be able to charge lower (annual) commission.)*

The following section presents a high-level overview of the literature that was discussed in this chapter.



### 3.6 SUMMARY

Chapter three investigated previous research studies on marketing mix elements to establish various possible solutions to the problems (as depicted by Timmons and Spinelli (2007:260–261, 536–538)) that independent financial advisers could experience in their life cycle. The literature investigation pointed out possible solutions that can also potentially serve as marketing mix strategies for sales growth. Furthermore, to endeavour that the marketing mix strategies identified are practical and mostly consistent with the services marketing triangle, solutions that are related to the interaction between the service business and its employees, the service business and its clients as well as the promises that service businesses can make to clients were favoured in particular. Attention was also given to relationship marketing principles to ensure that this study investigates and recommends marketing mix strategies that will allow for the build of good relationships with clients, suppliers and employees to further enhance the potential for business growth.

Finally, this chapter further acknowledged the importance of the service profit chain model that according to Yee, Yeung, Cheng and Lai (2009:617), in the milieu of a service organisation, integrates operations management and human resources management for organisational improvement. More particularly, the service profit chain proposes that operations contribute to the profits of a service business through the following sequence of logical deductions: (1) profit and growth are stimulated predominantly by the loyalty of clients; (2) loyalty is a direct outcome of customer satisfaction; (3) customer satisfaction is highly impacted by the value of the service provided; (4) value is generated by satisfied, loyal and productive workers; and (5) employee satisfaction results predominantly from high-quality support services and policies that allow workers to deliver results to clients (Yee *et al.*, 2009:617; Homburg, Wieseke & Hoyer, 2008:38–54). The marketing mix strategies discussed in Sections 3.2.5, 3.3.5, 3.3.6, 3.4.6 and 3.5.5 and that will be tested among independent financial advisers are all aimed at the provision of high-quality support services and policies that will allow workers to deliver results to clients. Independent financial

advisers making use of these strategies could therefore improve the operational effectiveness and profits of their businesses.

Table 3.1 below presents a detailed summary of these potential marketing mix strategies/solutions.

**Table 3.1:** Potential marketing mix strategies/solutions

| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution  |
|--------------|-----------------------|---|--|
| Birth        | Product               | Unknown competitors emerge in the market  | Client-oriented service offerings  |
|              | Price                 | Unknown competitors emerge in the market  | Customer-based pricing   |
|              | Place                 | Struggling to deliver the service to clients on time  | An Internet distribution channel providing quick and effective communication, with the benefit of a platform to compete with larger businesses and to maintain full-scale client services at a relatively low cost   |
|              | Promotion             | Unknown competitors emerge in the market  | Various promotional methods, which can assist in creating persuasive communication   |
|              | People                | Unable to meet the time standards required owing to a lack of managerial delegation                                     | Recruit four specific types of employees and motivate them through sufficient remuneration   |
|              | Physical evidence     | Unknown competitors emerge in the market  | Provide easy access to business facilities to promote the business   |
|              | Process               | Unknown competitors emerge in the market  | A process strategy implemented by small businesses that creates a favourable impression with clients such as focusing on quality control in the service process delivery   |
| Growth       | Product               | A lack of strategic thinking among the business owners owing to a primary focus on the operational side of the business | Continued service developments aligned with an appropriate business process that ties in with the needs of the markets   |
|              | Price                 | Inadequate cost management that does not keep pace with business growth   | Implement creative discount measures   |
|              | Place                 | Sales to new and existing clients that are not achieved on time   | Implement efficient and market-oriented Internet communication to provide an additional distribution channel to deliver a new product line   |
|              | Promotion             | A lack of external networks to continue business growth   | Focusing on external networks to benefit, for example, from the experience of competitors as well as relationships with clients, employees, suppliers and support networks   |
|              | People                | Business owners might not manage for results, as they attempt to perform all the tasks themselves and do not delegate   | Executing the suggestions made by Timmons and Spinelli (2007:261–262), such as refraining from following an autocratic management style to manage employees who strive for achievement and being more inclined to entrust power and control to the employees |



| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution  |
|--------------|-----------------------|---|--|
|              | Physical evidence     | A loss in business clients through poor customer service  | Appropriately motivate employees to deliver a positive service encounter   |
|              | Process               | A loss in business clients through poor customer service  | Service customisation  |
| Maturity     | Product               | Sales decline owing to competitor ignorance   | Implement measures to obtain a comprehensive competitor framework and have the strategies reflect the true nature of the competitive arena   |
|              | Price                 | Inadequate financial resources  | Work from home to reduce overhead expenses, which can assist in creating competitive pricing   |
|              | Place                 | A decline in sales owing to the perishable nature of products and services  | Effective management of distribution channels to match supply and demand by, for example, cross-training employees to perform different job functions at peak periods                        |
|              | Promotion             | A decline in sales owing to offshore competition  | Implement promotional strategies aligned with certain positioning guidelines for creating a superior competitive image   |
|              | People                | Conflict between partners over business control   | Focus on the conflict management description provided by Timmons and Spinelli (2007:267), which can assist businesses to benefit from unrestricted business growth                           |
|              | Physical evidence     | A lack of teamwork  | Promote teamwork through the measures described by Zeithaml and Bitner (1996:322) and as a result enable the employee to deliver excellent service   |
|              | Process               | A decline in sales owing to offshore competition  | Implement a service blueprint to obtain the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement |
| Revival      | Product               | An eroded opportunity facilitating very low profit and return on investment   | A new product development process that allows for the formulation of new product ideas from client suggestions   |
|              | Price                 | Business owners who are not prepared to sell equity and would rather use bank debt to solve their financial resource requirements | Implement a price discount strategy to improve the financial situation   |
|              | Place                 | Business owners who are not prepared to sell equity and would rather use bank debt to solve their financial resource requirements | Distribution function outsourcing, which presents the benefit of reduced cost as well as more proficient and trustworthy services as a result  |
|              | Promotion             | An eroded opportunity facilitating very low profit and return on investment   | Focus on promotional strategies that revitalise sales and retain existing clients  |



| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution  |
|--------------|-----------------------|---|--|
|              | People                | A lack of new product and service developments                              | Employee empowerment to present client-oriented new developments   |
|              | Physical evidence     | An eroded opportunity facilitating very low profit and return on investment | Offer guarantees which provide the benefit of a competitive advantage as well as a second chance to create a positive impression |
|              | Process               | An eroded opportunity facilitating very low profit and return on investment | Implement a technological service delivery approach, which can assist in creating competitive prices                             |

The empirical part of this study will provide more insight into whether independent financial advisers in reality do make use of these potential marketing mix solutions identified in their businesses.

Chapter four describes the various potential internal and external environmental factors that can possibly hinder the implementation of the proposed marketing mix strategies. Potential strategies that can be implemented to counter these environmental factors are also investigated. Based on a comprehensive summary of the study's literature findings, the research propositions for the empirical part of this study are then formulated.

## **Chapter Four**

### **Barriers to implementing marketing mix strategies, counterstrategies and research propositions**

#### **4.1 INTRODUCTION**

Chapter three investigated various potential marketing mix solutions to the problems that independent financial advisers could experience in their business's life cycle. It was decided that the practical application of these solutions would be further explored in the empirical part of this study.

If independent financial advisers do follow these strategies in their businesses, they might be confronted by a number of obstacles. In Section 1.3.3 it was indicated that small business owners could encounter various problems when implementing marketing mix strategies in their businesses. Businesses making decisions about the most favourable strategy to implement are challenged by a set of environmental conditions, which can pose a threat to the business's objectives and strategies. It was further stipulated that although the elements of the environment constrain the activities of the business, it is important to understand that the business itself, through its marketing activities, can influence the environment to create conditions which are more favourable to the success of its strategies.

Consequently, chapter four commences with a clarification of the types of internal and external environmental factors that can have an influence on the business. Previous relevant studies are then consulted to determine which of these environmental factors can potentially hinder the implementation of the marketing mix strategies proposed in chapter three. Possible strategies that can be implemented to counter these environmental factors are also determined.

The literature sources available that specifically address the environmental factors that small service businesses such as independent financial advisers

experience are limited. For this reason, and because the occurrence of these potential environmental factors and counterstrategies would also be further tested among independent financial advisers, this chapter considers previous relevant literature studies not only on small service businesses, but also on large service businesses and businesses selling manufactured products.

Following this investigation, a comprehensive summary of the study's literature findings is then presented. Based on this summary, the chapter concludes with various research propositions, which will be tested further in the empirical part of this study.

## **4.2 CLARIFICATION OF ENVIRONMENTAL FACTORS**

### **4.2.1 External environmental factors**

Romaguera and Kirby (2002) conducted a study of 105 small businesses offering services, more specifically, physicians in Puerto Rico. The study found that internal and external environmental factors might have an influence on the growth of small businesses. Typical external environmental factors identified included competition and changes in the industry. The study also found that these factors would influence the motivation of the small business owner.

A more detailed explanation of the types of external environmental factors that can have an influence on the business will now be given.

Kourteli (2005) explains that the external environment refers to all the influences outside the business that are taken into account when business decisions are made. The external environment can be divided into two main groups, namely *influences of the general business environment and influences of the task environment*.

- **Influences of the general business environment**

The general business environment can be described as a distant environment and the influences in it will have an indirect impact on the business. Typical influences in this environment include social values,



educational, political, economic, legal, behavioural, demographic, natural environment, natural resources and technological influences (Kourteli, 2005).

The types of environmental factors that a business will need to take into consideration will, however, depend on the goals and objectives of the business. Mitchell (2005) is of the opinion that should a business wish to analyse trends and variables, the focus should primarily be on the four major general business environmental factors, classified as technological, political-legal, economic and socio-cultural influences. Important variables that can be associated with each of these major external environmental factors are listed in Table 4.1 below:

**Table 4.1:** Variables related to the major external environmental factors

| Major external environmental factors | Variable   |
|--------------------------------------|--|
| Technological                        | New developments<br>New innovations<br>Focus of technological activities in the industry<br>Trends in manufacturing automation and constructiveness<br>Industry and government expenditure on research and development         |
| Political-Legal                      | Changes in laws and regulations influencing the industry<br>Amendments in foreign trade regulations<br>Environmental protection law and regulation modifications<br>Changes in government administrations and key role players |
| Economic                             | General economy trends in financial markets<br>Inflation rates, interest rates and money reserves  |
| Social-Cultural                      | Growth rate of residents<br>Age distribution of residents<br>Regional shifts of residents<br>Family demographics   |

Source: Mitchell (2005)

- **Influences of the task environment**

The task environment is closer to the business than the general business environment and will consequently have a direct impact on the business. Typical influences included in this environment are competitors, suppliers, labour market, industry and financial resources (Kourteli, 2005).

In contrast, Mitchell (2005) argues that the majority of external environmental factors that are important to the business will occur in the competitive environment. As a result, only the competitive influence needs to be taken into account in the task environment.

Mitchell (2005) further suggests that the five forces of Michael Porter's model should be used as a tool to assist businesses in this matter. These constitute the following:

- **Competition among existing firms:** competition will increase in slow market growth, capacity surplus and when standardised services are provided.
- **Potential new competitors:** new competitors will enter the market and increase the level of competition when the switching cost for competitors is low and the new competitors can provide a new unique offering.
- **Alternative products or services:** alternative products or services will increase the level of competition when existing products from other industries can satisfy the same need or new improved offerings become available.
- **Dealing power of suppliers:** the level of competition will increase when the suppliers have many customers and options for selling their products.
- **Buyers:** buyers who have many sources and options for purchasing their products will also increase the level of competition.

#### 4.2.2 Internal environmental factors

The study conducted by Romaguera and Kirby (2002) identified the typical internal environmental factors to which a business is exposed as the personal goals of the small business owners, their change of attitude towards marketing, personal contact network and the motivation of the small business owners to grow to a large business.

The internal environment refers to the influences that are primarily under the control of the business and include the business's mission, objectives, management structure, culture and resources (for example employees, capital, knowledge and information) (Van der Walt, Strydom, Marx & Jooste, 1997:44–45).

Correia and Wilson (2001) identified additional internal influences when they conducted a study of 47 small, medium-sized and larger businesses. These influences are the following:

- **Individual influences**

Two types of individual influences are recognised, namely information consciousness and exposure to information.

*Information consciousness* refers to the business manager's awareness of and attitude towards gathering and distributing information. The study conducted by Correia and Wilson (2001) revealed that managers of larger businesses primarily monitored and distributed information, while managers of small businesses approached environmental scanning as an important personal responsibility, but owing to the small business structure were not concerned about distributing the information.

*Exposure to information* involves the number of opportunities to be in contact with knowledgeable resources. The study revealed that most of the respondents were well exposed to information and made use of established networks.

- **Organisational influences**

The organisational influences discovered in the study are information climate and outwardness.

*Information climate* means the creation of opportunities, which will determine access to and use of information in the business. The study found that the majority of businesses that participated in the study had an absence of skilled staff to manage the information.

*Outwardness* is a term created by the study and refers to the business's susceptibility to the external environmental factors and ability to influence the external environment. The study indicated that only a portion of the small and larger businesses used research and development to address the environmental factors. In addition, the larger businesses also used network organisations to influence the environment. Most of the smaller businesses that participated in the study did not have access to these resources.

The outcome of the study conducted by Correia and Wilson (2001) is the denotation of relationships between the influences identified. The first relationship is established between the *information consciousness and the information climate* influences, since the manager's attitude towards information-seeking is affected by the culture of the business. Managers in businesses where an oral culture exists predominantly acquire and distribute information orally. In contrast, managers in businesses where a formal culture exists use a formal means of communication.

The link between the *outwardness and exposure to information* influences is the second relationship established in the study. This relationship portrays the impact of the business's ability to relate to its environment on the degree of exposure to information by business employees.

The conclusions made were that managers with a strong information consciousness tend to direct their businesses in an outward direction and that a stimulating information climate increases the employee's exposure to information.

From the discussion above it can be noted that there are different perspectives of the types of internal and external environmental factors that can influence the business and that should be considered. However, owing to the exploratory nature of this study and because no formal research regarding independent financial advisers and their environmental factors has been conducted and published before, this chapter views all the environmental factors identified in Section 4.2 as factors that can influence the business.

Table 4.2 below provides a summary of all these influences.

**Table 4.2:** Internal and external environmental factors

| Internal environmental factors                 | External environmental factors      |
|--|-------------------------------------|
| Personal goals of the small business owner     | Competition                         |
| Change of attitude towards marketing           | Changes in the industry             |
| Personal contact network                       | Social values of the small business |
| Motivation of the small business owner to grow | Education                           |
| Mission of the small business                  | Political issues                    |
| Management structure of the small business     | Economy                             |
| Small business culture                         | Legal concerns                      |
| Small business resources                       | Demographic concerns                |
| Information consciousness                      | Natural environment                 |
| Exposure to information                        | Technology                          |
| Information climate                            | Suppliers                           |
| Outwardness                                    | Labour market                       |
|  | Financial resources                 |

Previous relevant literature studies were consulted to determine which of these environmental factors listed in Table 4.2 could potentially hinder the implementation of the marketing mix strategies proposed in chapter three. Possible strategies that could be implemented to counter these environmental factors were also determined. These are discussed below.

The investigation commences with the group of product strategies, as identified in chapter three.

### **4.3 BARRIERS TO IMPLEMENTING THE PRODUCT STRATEGIES AND STRATEGIES FOR COUNTERING THEM**

In chapter three, four potential product strategies were identified. The proposed product strategy for the birth stage receives attention first.

#### **4.3.1 Product strategy for the birth stage**

In Section 3.2.1 tailoring the service offerings to the needs of the business's clients was identified as a potential solution that independent financial advisers could implement to address the problem of unknown competitors entering the

market. It was indicated that this approach could help a business to gain a competitive advantage.

More clarity regarding the environmental factors that can potentially hinder the implementation of this product strategy is provided through a study that was conducted by Vermeulen (2005) of 30 small financial service businesses. The study investigated the barriers that small financial service businesses might experience in their service development processes.

Four categories of barriers were identified:

**a) Resources**

The small businesses complained that they did not have enough financial resources to manage the new innovations.

**b) Project-based working**

The study revealed that small business employees were not skilled to work in project-based teams. The project team members barely met outside the formal project meetings and the main discussion in the formal meetings revolved around the progress of various activities. In-depth discussions concerning specialised matters between the project leader and a specialist were often viewed as unnecessary. The lack of communication between team members increased the possibility for difficulties in the development process.

**c) Lack of incentives**

The employees were of the opinion that their management expected them to work on a highly insecure project without receiving any incentives, in addition to their workload. As a result, the employees did not view the innovation process as necessary.

**d) Information technology**

The information technology employees caused a bottleneck in the development process, since they were not really interested in new service

developments. During meetings they normally had the opinion that a new system would not be possible. Owing to the complex nature of the information systems, it was not possible for the other employees to judge whether an innovation would be feasible.

In view of the above description, it appears that a lack of financial resources and education played a key role in the occurrence of the four categories of barriers. Due to a lack of capital, the small business owners were not in a favourable position to manage their new service innovations. Similarly, because of a lack of education, the small business employees were not skilled to work in project-based teams and the non-information technology employees were not able to judge whether an innovation would be feasible.

However, the financial resources environmental factor as well as the education environmental factor are not impossible to overcome.

Vermeulen (2005), in the conclusion of his study, presented the following potential guidelines that small business owners can implement to counter these factors:

- Businesses can be structured for enhanced cross-functional communication and project management.
- Management also need to create a shared understanding of the need for and features of the new service innovation between departments, such as marketing and information technology.
- The most daunting task for managers in small financial service businesses is to provide legitimacy to the new innovation development, by creating lower levels of uncertainty, communicating the importance of the project, assuring employees that their work is appreciated and aligning business resources.

### **4.3.2 Product strategy for the growth stage**

In Section 3.3.1 it was established that continuous service developments aligned with an appropriate business process that ties in with the needs of the

markets appear to be a possible solution that independent financial advisers could implement to improve their strategic orientation.

Humphreys, McAdam and Leckey (2005), through a longitudinal case study concerning a manufacturing small business in the UK, provide further insight into which environmental factors could potentially hinder the implementation of this proposed service product strategy.

The study observed the application of a continued process of innovation within a small manufacturing business over a period of six years. The results indicated that the managerial resources were not always able to manage the new innovations and several initiatives had to be recalled. In particular, according to the team leaders, increased production pressures had a negative impact on the key factors such as devotion to the business, consistencies in management behaviour and an absence of blame needed to achieve high enrolment of the new innovation. The business was not able to establish fruitful external networks either.

In view of the discussion above, it seems that the environmental factors of networking and education could possibly influence the proposed service product strategy for the growth stage. Amidst the new innovation process, the business in Humphrey *et al.*'s study had no fruitful external networks to benefit from. If the business managers had had more knowledge, they would also have been in a better position to manage the innovation process.

Humphreys *et al.* (2005), based on their findings, present the following potential solutions to the problem:

- Managers should ensure that communication issues are resolved promptly.
- Conflict and resistance to innovation should be predicted and new motivational tools should be sourced at different phases in the innovation process.
- Prudent allocation of scarce managerial resources to assist innovation is also essential in these small businesses.



- Implicit knowledge should be better administered through, for example, improved apprenticeship schemes to contribute to the innovation process.
- Finally, it was also recommended that small business owners learn from the innovation processes of businesses in other sectors and universities.

### **4.3.3 Product strategy for the maturity stage**

Implementing measures to obtain a comprehensive competitor framework and having the strategies reflect the true nature of the competitive arena were identified in Section 3.4.1 as a possible approach that independent financial advisers could follow in their service product strategy to address the problem of sales decline owing to competitor ignorance.

Based on further literature investigation, it appears that the environmental factors of exposure to information and education could potentially have an influence on this proposed service product strategy for the maturity phase.

Lang, Calantone and Gudmundson (1997), in a study conducted among 671 small businesses, investigated the information-seeking capabilities of these small businesses when exposed to opportunities and threats. The results show that small businesses appear not to be thinking of business opportunities when they perceive competitive threats. Lang *et al.* (1997) conclude that these weaknesses of the small business owners, if uncorrected, could result in missed opportunities. They recommend that small businesses be made aware of this process of selective perception through, for example, standard modules of small business and entrepreneurial training.

Groom and David (2001), through their study of 139 small businesses in the United States, provide a further perspective of this matter. The study investigated the extent to which these small businesses employ competitor intelligence activities. The findings highlighted the following barriers, which prevent small business owners from performing more proficient competitor analyses:

- Small business owners have no formal processes to share information.
- An inability to draw information together also restrains the businesses in properly assessing the competitor's strengths and weaknesses.

A competitive intelligence system and the necessary resources to assess the environment for the maintenance of a competitive edge were presented as possible solutions small business owners should implement to address these barriers.

#### 4.3.4 Product strategy for the revival stage

A new product development process that allows for the formulation of new product ideas from client suggestions was described in Section 3.5.1 as a possible solution that independent financial advisers could implement to address the problem of eroded business opportunities.

According to further literature investigation, it appears that the environmental factor of exposure to information could also potentially influence the proposed service product strategy for the diversification phase. Magnusson, Matthing and Kristensson (2003) conducted an experimental study among three different groups in Sweden. The study investigated the standard of contributions for new end-user telecom services ideas made by clients in comparison with professional service developers.

Table 4.3 below provides more information regarding the role each group of participants played in the study:

**Table 4.3:** Information concerning role performed

| Experimental group     | Role performed  |
|------------------------|---|
| Professional designers | Twelve respondents recruited from a Swedish mobile telephone operator to generate new ideas   |
| Ordinary user group 1  | Nineteen students from the University of Karlstad who had to generate new ideas themselves  |
| Ordinary user group 2  | Twenty students from the University of Karlstad who were allowed to consult a service design expert to guide them in terms of technical feasibility |

Source: Magnusson *et al.* (2003)

The quality of the respondents' ideas was measured in terms of the originality of the concept, producibility and user value.

The study revealed that the creativity of the ordinary user group 2 was dampened when they were exposed to and used the information provided by the service design experts in the idea generation process. The observation was made that the users, through their interaction with the consultants, tended to start aligning their view with that of the design expert. Conversely, the ideas of ordinary user group 1, who were not exposed to information from the service design experts, were not very producible. Furthermore, no significant differences were found between the originality and producibility of the ideas of the professional designers and ordinary user group 2.

Based on the findings, Magnusson *et al.* (2003) postulate that the potential solution to this scenario lies in the fact that clients should be allowed the freedom to present their high quality service ideas, but should also be made aware of the limitations of the business in order to enhance more producible ideas. Magnusson *et al.* (2003), in their final conclusion, stipulate that businesses that learn how to use the potential of client involvement will be able to gain a competitive advantage.

The investigation in this chapter now continues with the group of price strategies that was identified in chapter three.

#### **4.4 BARRIERS TO IMPLEMENTING THE PRICE STRATEGIES AND STRATEGIES FOR COUNTERING THEM**

The next section is devoted to the proposed price strategy for the birth stage.

##### **4.4.1 Price strategy for the birth stage**

The customer-based pricing method involving, for example, offering high quality services at lower prices was identified in Section 3.2.2 as a possible strategy that independent financial advisers could implement to address the emergence of unknown competitors in the market. It was indicated that this approach can help to attract and maintain new clients.

In Section 3.2.2 it was further described that the service businesses in the study conducted by Avlonitis and Indounas (2005) were reluctant to implement customer-based pricing strategies, since they preferred the simplicity of the cost-plus pricing strategy.

Hankinson (1995), in his study analysing the specific pricing strategies of 50 small engineering businesses in the South Wessex region of England, found that these small businesses also rather favoured the cost-plus pricing strategy above more flexible options. Technical constraints in the business and workloads were provided as reasons by the small business owners why they preferred to use the cost-plus method.

In an earlier investigation Hankinson (1994) also identified the provision of reasonable prices without adequate knowledge of market demand as another reason why the cost-plus pricing method is preferred.

Given the abovementioned motivations for the use of the cost-plus pricing method, it appears that a lack of exposure to information can hinder the implementation of more customer-based pricing strategies. If the business owners had more technical information, they would not be confined by the technical constraints in the business. With market knowledge, they would also be in a more favourable position to understand the demand of the market and subsequently introduce a customer-based pricing strategy.

As a solution, Hankinson (1995) recommends that businesses can obtain professional advice from consultants, universities or other training courses to confront and attack their pricing deficiencies.

#### **4.4.2 Price strategy for the growth stage**

In Section 3.3.2 it was determined that creative discounting measures (such as lower commission that can result in higher sales) seem to be a possible solution to address the cash flow problem in the growth stage.

Blumberg (1991:141) and Lovelock (1996:371), through their evaluations of price strategies in service businesses, shed further light on which environmental

factor could potentially impact the proposed price strategy for the growth stage. According to Blumberg (1991:141), service businesses wishing to implement price reduction strategies must note that a significant increase in sales volume is required to maintain the same gross profit margin that was achieved before the reduction. From another service business perspective, Lovelock (1996:371) suggests that this type of pricing strategy could dilute the average price perceived by clients as well as reduce the payment from each sale.

Hence, in the light of the discussion above, it appears that the environmental factor of exposure to information in particular could potentially influence the proposed price strategy for the growth stage. Clients who are exposed to discount prices might form the perception that the business will always charge lower prices.

Lovelock (1996:371) provides a potential solution to the problem by advising that service businesses should be aware of the price elasticities of different segments and focus on using selective price discounting for specific market segments.

#### **4.4.3 Price strategy for the maturity stage**

Working from home to reduce overhead expenses, which can assist in creating competitive pricing, was identified in Section 3.4.2 as a potential solution that independent financial advisers can implement to address the problem of inadequate financial resources.

According to further literature investigation, though, it appears that exposure to information could also potentially have an influence on this proposed price strategy for the maturity phase. Walker and Webster (2004), in their study of 260 home-based businesses in Western Australia, clarify this matter further. One of the research objectives of that study was to investigate the perception of the market pertaining to home-based businesses. The study revealed that the main concern for the small business owners was that the market did not perceive their businesses as very credible. One small business owner was even unsure about establishing a price, since the business owner's clients had

the perception that if they bought from a home-based business, the price must be cheaper.

Through his examination of home-based small businesses, Fraser (1999) presents a potential solution to the problem: these types of small business owners experiencing credibility dilemmas should focus on keeping abreast of technical, financial and legal matters and should also keep in mind that the positioning of their business in the market is more important than their physical locations.

#### **4.4.4 Price strategy for the revival stage**

In Section 3.5.2 it was determined that a discount pricing strategy seems to be a potential solution that independent financial advisers experiencing inadequate cash flow and debt could apply to improve their financial situation.

Based on further literature investigation, it seems that the networking environmental factor could potentially influence the proposed price strategy for the revival stage.

According to Lane (1997), who examined the technique of providing discount to prompt payment, the following variables can affect the business's discount operations:

- **Vendor offers and participation:** the number of vendors that will participate in a discount programme will influence the number of available discounts to be offered.
- **Ability to negotiate with vendors:** the business's ability to negotiate with vendors will determine the level of discount to be offered.

*(When applying this scenario to the insurance environment, it could mean that a financial adviser's ability to negotiate with outside vendors, such as his or her stationery suppliers, might in turn influence the amount of discount (lower commission) that he or she can afford to offer clients for financial services provided.)*

Lane (1997) further postulates that a potential solution to this problem would be to perform a cost-benefit analysis that investigates the costs needed to provide the discount, the potential savings which can be gained from the increased discounts, as well the opportunity costs of not obtaining these discounts. Businesses should then further develop an ongoing plan to address the concerns regarding negotiations and invoice processing in order to obtain the best results from a discount programme.

## **4.5 BARRIERS TO IMPLEMENTING THE PLACE STRATEGIES AND STRATEGIES FOR COUNTERING THEM**

The proposed place strategy for the birth stage receives attention first.

### **4.5.1 Place strategy for the birth stage**

An Internet distribution channel, which provides a means for quick and effective communication, and also offers the benefit of a platform to compete with larger businesses and maintain full-scale client services at a relatively low cost, was presented in Section 3.2.3 as a potential solution that small business owners could implement to address the problem of delivering the services to the clients on time.

Scupola (2003), in his case study analysis of seven small businesses in Italy discovered that these small business owners' adoption of the Internet for e-commerce as well as other purposes, directly and indirectly depended on the pressure they experienced from their competitors. More specifically, the small business owners revealed that they were more willing to adopt Internet technology when they experienced competitor pressures.

This strategy might not be the most efficient approach to follow, however.

According to Young (2005:275), human behaviour on the Internet demands that no business can ignore the importance of the Internet and should consider it as a serious communication medium. Properly managed e-mail, electronic newsletters and Internet communications are also described as having the potential to be extremely effective measures to communicate with clients.

In view of the discussion above, it then appears that the competitor environmental factor can potentially impact the proposed place strategy for the birth stage and that the description provided by Young (2005:275) presents a potential solution to the problem.

#### **4.5.2 Place strategy for the growth stage**

In Section 3.3.3 it was determined that efficient and market-oriented Internet communication, presenting small business owners with an additional distribution channel to deliver a new product line, could be a possible solution to address the problem of sales to new and existing clients that are not achieved on time.

A further literature investigation pointed out that the competitor environmental factor, in particular, could potentially influence this proposed place strategy. According to Honeywill (2001), who compared the Internet practices of small and larger businesses, larger businesses have more experience in website practices than small businesses. Furthermore, larger businesses also have bigger budgets and can afford to use flash effects, video clips, rally video games and virtual showrooms, whilst small businesses are restricted to an address, a static list of products and a phone number. Honeywill (2001) further says that it is an unfortunate fact that clients will judge a business based on the appearance of its website and that as a result the medium will not offer an equal opportunity to all businesses.

A possible solution to this problem would be for small business owners to consult e-businesses about the design of their websites (Honeywill, 2001).

Further potential solutions to this problem are presented through a case study conducted by Clarke and Flaherty (2004) concerning a small fragrance/ aromatherapy boutique. The study investigated the techniques this small business followed to be more successful in its sales through the Internet.

The following list highlights the main techniques used to promote sales, as identified by Clarke and Flaherty (2004):



- Technology is used to secure online payments for clients.
- The website is kept updated at all times.
- The small business saves on a regular basis to pay for additional Internet expenses.
- META tags are used to generate additional traffic to the website.
- Emails are also sent to existing clients to remind them to visit the website.

### **4.5.3 Place strategy for the maturity stage**

Effective management of distribution channels to match supply and demand by, for example, cross-training employees to perform different job functions at peak periods was described in Section 3.4.3 as a possible strategy small business owners offering services could implement to counter the perishability effect of services.

According to further literature investigation, it seems that the competitor environmental factor, in particular, could also potentially have an influence on the proposed place strategy for the maturity phase. Hankinson (1994) examined the attitude of 48 small businesses in Hampshire towards training. The study revealed that the small businesses were very frustrated, since larger businesses tended to lure their employees away after they had been trained.

Kappelman and Richards (1996:26–29), from another perspective, advise that small business owners wishing to conduct a training session must ensure that they empower the employees nominated to attend the training session, since empowered employees will be more motivated toward the change as well as satisfied with the training they received. In addition, they also assert that motivated employees will be more productive employees and that there is a positive correlation between employee satisfaction and productivity measures such as employee turnover and absenteeism.

### **4.5.4 Place strategy for the revival stage**

In Section 3.5.3 it was determined that outsourcing the distribution activities and benefiting from reduced cost as well as more proficient and trustworthy services

as a result appears to be a possible method small business owners experiencing a lack of cash flow and debt can use to enhance their financial situation.

Further literature investigation highlighted that the competitor environmental factor could also potentially influence this proposed place strategy. According to White (2006), one of the concerns of a small business wishing to outsource is that they will entrust confidential information to the outsourcing business, which will then leave them for the prospects of a bigger competitor.

In his case study analysis of the outsourcing activities of a small business in Connecticut, White (2006:B3) presents a potential solution to this problem. The case study indicated that in order to address its concern of an untrustworthy outsourcing business, this small business used an outsourcing agent that specialised in assisting small businesses and that made them feel special.

*(In the insurance environment, instead of asking their broker consultants to fetch client medicals, for example, independent financial advisers can use a delivery service that is dedicated to service small business owners.)*

The group of promotion strategies that was identified in chapter three now receives further attention.

## **4.6 BARRIERS TO IMPLEMENTING THE PROMOTION STRATEGIES AND STRATEGIES FOR COUNTERING THEM**

The next section deals with the proposed promotion strategy for the birth stage.

### **4.6.1 Promotion strategy for the birth stage**

Promotional methods such as advertising, personal selling and sales promotions which can assist in creating persuasive communication were highlighted in Section 3.2.4 as a potential strategy that small business owners could implement to address the obstacle of competitors entering the market.

Based on further literature investigation, though, it appears that the environmental factor of exposure to information could potentially have an

influence on the proposed promotion strategy for the birth stage. According to Carson and Cromie (1990) as well as Mazzarol and Ramasehan (1996), a lack of marketing planning, market research and information gathering in small businesses could lead to inferior promotion and other marketing decisions.

A potential solution to this problem is presented through the work of Macleod and Terblanche (2005:50–58). According to these authors, before designing a promotional strategy, small business owners should conduct market research. Various routes can be followed to obtain the necessary information. Demographic statistics, for example, can be gathered to provide insight into the number of people living in a specific area and their standard of living. In addition, competitors can be observed to learn from their mistakes or interviews can be conducted with industry experts.

Macleod and Terblanche (2005:62–63) further recommend that small business owners divide their research notes into two broad sections, namely client and competitor profiling.

In the *client profiling* section small business owners should define their target markets as clearly as possible, since this will assist in the design of promotions, product development, market positioning and pricing. Moreover, the client profile should also include the size of the total market, a profile of potential clients and factors that will influence their buying patterns.

The *competitor profile* section should include the number of competitors, a summary of their businesses, how the new business will affect them, how they will react to the new business as well as their strengths and weaknesses.

#### **4.6.2 Promotion strategy for the growth stage**

In Section 3.3.4 it was determined that focusing on external networks and benefiting, for example, from the experience of competitors as well as relationships with clients, employees, suppliers and support networks appears to be a possible solution small business owners could implement to address the problem of an absence of external networks.

Ottesen, Foss and Grønhaug (2004) conducted a case study analysis in a Norwegian small business to investigate the accuracy of the business managers' perceptions of their information exchanges with other network participants such as clients, competitors and suppliers.

The results indicated that the managers in the small business had a fairly poor knowledge of their own network behaviour. Substantial perceptual errors were made and the intensity of their information exchange with the other network participants was both underestimated and overestimated.

Ottesen *et al.* (2004) postulate that the implications of the findings are that small business managers may have inadequate knowledge pertaining to their own networks and that, when not corrected, this may result in incorrect judgements and poor marketing decisions.

Based on the discussion above, it appears that the environmental factor of exposure to information could potentially influence the proposed promotion strategy for the growth stage.

Ottesen *et al.* (2004) recommend the following techniques as potential solutions small business owners could implement to improve their information accuracy:

- More team members can be included, who can convey and calibrate their observations.
- The same type of information can also be obtained from different sources and be compared to increase the accuracy of the information.

An additional potential solution is presented by Arias (1995:52–56), who says that to have the network reach its full potential, small business owners should ensure that communication is facilitated and that technical data, objectives, goals, knowledge of conflicts and changing situations are shared between the network participants.

### **4.6.3 Promotion strategy for the maturity stage**

In Section 3.4.4 it was indicated that promotional strategies aligned with certain positioning guidelines could present a possible solution to independent financial advisers that experience the problem of offshore competition threatening business sales.

Based on further literature investigation, it seems that the environmental factor of exposure to information could also potentially have an influence on the proposed promotion strategy for the maturity phase.

In Section 3.4.4 it was highlighted that, according to Young (2005:127), the strength of a service business's positioning strategies is that they are built upon clients' value propositions. If these strategies are constructed by means of client research, the business will have a clear indication of how to achieve a long-term viable market position.

Lovelock (1996:182), though, cautions that when conducting research to position a service, service businesses might not arrive at the true perceptions of the potential clients interviewed. The reason is that the respondents often complete the survey questionnaire quickly, without carefully considering the dimensions on which they rate the service business's performance.

Lovelock (1996:182) emphasises that obtaining the correct information from the potential clients is important, since the positioning strategy of a service business is only as good as the quality of the information used in its design. It was proposed that a possible solution to this problem would be for service businesses to use in-depth personal interviews.

### **4.6.4 Promotion strategy for the revival stage**

In Section 3.5.4 it was determined that focusing on sales promotion strategies that revitalise sales and retain existing clients might be a possible solution that independent financial advisers experiencing an eroded business opportunity could implement to address the problem.

According to further literature investigation, it appears that the financial resources environmental factor could potentially have an influence on the proposed promotion strategy for the revival stage.

According to Paley (2006:349), in his description of the sales promotion activities of businesses, the implementation of this technique requires financial expenses, which can be costly. Baker (2003:476) supports this statement through his examples of businesses such as Free Flights, Pepsi and Burger King, which had to incur high expenses in their sales promotion attempts.

Paley (2006:349) recommends that businesses as a potential solution should judge the sales promotion strategy from a cost-benefit point of view and should not feel pressured to overuse this technique regardless of any internal pressures or external competitive challenges.

Koekemoer (1998:256) presents an additional potential solution to this problem by arguing that businesses can use an “objective-and-task” method to design realistic sales promotion budgets. More specifically, the method involves determining the task required to achieve each objective and then allocating funds to each task involved.

The investigation in this chapter now continues with the group of people strategies identified in chapter three.

## **4.7 BARRIERS TO IMPLEMENTING THE PEOPLE STRATEGIES AND STRATEGIES FOR COUNTERING THEM**

The proposed people strategy for the birth stage receives attention first.

### **4.7.1 People strategy for the birth stage**

In Section 3.2.5 it was highlighted that recruiting four specific types of employees who can assist in sharing the workload and motivating them through sufficient remuneration seems to be a potential solution that small business owners could implement to address the problem of an inability to meet the time standards required owing to a lack of managerial delegation.

However, Barber, Wesson, Roberson and Taylor (1999), in their comparison of the recruitment practices of 119 small and 184 larger businesses discovered that small businesses use recruiting approaches that are different from those of larger businesses. The recruitment practices of the larger businesses, for example, are more formal, bureaucratic and resource-intensive than those of the small businesses questioned.

In another study of 175 small and larger businesses in Canada, Hausdorf and Duncan (2004) also realised that small businesses follow different recruitment practices compared to larger businesses. According to the study's results, both large and small businesses use Internet recruitment, but larger businesses, in addition to their website knowledge, have more knowledge regarding the practice of Internet recruiting services and are more likely to use them. It was further postulated that this knowledge of large businesses places them in a more beneficial position than small businesses.

In view of the discussion above, it appears that small business owners implementing the proposed people strategy for the birth stage could be hindered by the education environmental factor, as they do not have the skills of larger businesses to recruit new employees.

As a potential solution to the problem, Hausdorf and Duncan (2004) recommend that to compete for future employees, small businesses invest to a greater extent in the use of Internet recruiting services. The suggestion was made that the small business owners need to become aware of high quality free websites, which they can utilise to recruit their employees needed.

#### **4.7.2 People strategy for the growth stage**

Executing the suggestions made by Timmons and Spinelli (2007:261–262), such as refraining from following an autocratic management style to manage employees who strive for achievement and being more inclined to entrust power and control to the employees, was identified in Section 3.3.5 as a potential solution small business owners could implement to manage for results.

Smith (1992:102–106), in his description of the delegation practices of small businesses, reveals that some small business owners experiencing rapid growth prospects after start-up might be reluctant to delegate their responsibilities to other senior employees. Entrusting functions such as marketing, which the small business owner might know little about, to another individual is one of the reasons for this occurrence. In their investigation of the delegation practices of small business owners, Hebert and Bradley (1993) identified as an additional reason that small business owners do not feel comfortable in this new type of managerial role.

In view of the discussion above it seems that the education environmental factor could possibly influence the proposed people strategy for the growth stage. If the small business owners had more marketing knowledge they would be in a better position to delegate marketing activities to other senior employees. Similarly, the small business owners in Hebert and Bradley's study had not yet had the opportunity to learn good delegation practices with experience and subsequently become more comfortable in this role.

Li and Suen (2004) as well as Smith (1992) present a potential solution to the problem by stipulating that external consultants can be used to assist small business owners in their delegation processes.

### **4.7.3 People strategy for the maturity stage**

In Section 3.4.5 it was identified that the conflict management description illustrated by Timmons and Spinelli (2007:267), which can assist businesses to benefit from unrestricted business growth, appears to be a possible solution that independent financial advisers could implement to address the problem of conflict between partners over business control.

Based on further literature investigation, it appears that the environmental factor of personal goals of the small business owner, specifically, might possibly hinder the proposed people strategy for the maturity phase.

Beaver and Jennings (2005) found that some small business owners in the management of their businesses tend not to consider the view of others, but



rather abuse their positional power and favour the satisfaction of personal ambition and ego to the attainment of sound business objectives. Some small business owners even demote business objectives to a position subordinate to their personal goals and as a result act in a disappointing manner when faced with business difficulties. Small business owners, when confronted with a specific business problem, also tend to adopt the role that conforms most to their personal perceptions of the situation and provides the best instrument to fulfil their own personal need.

Beaver and Jennings (2005) recommend that as a potential solution to the problem, small business owners should engage in professional management, which will require them to follow a less personalised and hence a more formal management process.

#### **4.7.4 People strategy for the revival stage**

Employee empowerment to present client-oriented new developments was identified in Section 3.5.5 as a possible solution that independent financial advisers could implement to address the obstacle of lack of new developments.

In a case study analysis concerning a small business in the Asia-Pacific region, McKenna (1996:41–45) investigated the role of the entrepreneurial personality in the global economy. The analysis pointed out that the small business owner experienced difficulty in entrusting control to other employees. For example, the employees of the small business were encouraged to use their own initiative and present proposals during meetings. However, the structuring of time and the behaviour of the small business owner during those meetings destroyed any potential for full and honest discussion.

Based on the discussion above, it seems that the personal goals of the small business owner as an internal environmental factor could also potentially have an influence on the proposed people strategy for the revival stage.

McKenna (1996:41–45) recommends that a potential solution to the problem would be for small business owners to become more self-aware of their own actions.

The following section is devoted to the group of physical evidence strategies identified in chapter three.

## **4.8 BARRIERS TO IMPLEMENTING THE PHYSICAL EVIDENCE STRATEGIES AND STRATEGIES FOR COUNTERING THEM**

The proposed physical evidence strategy for the birth stage receives attention first.

### **4.8.1 Physical evidence strategy for the birth stage**

In Section 3.2.6 it was determined that keeping the business's physical evidence in mind and implementing activities such as the provision of easy access to business facilities to promote the business appears to be another possible solution that small business owners could implement to address the problem of unknown competitors.

Based on a further literature investigation, though, it seems that the success of this strategy is still dependent on the actions of the business's competitors.

Bennet, Erlank, Harrison, Myburgh and Weiss (1995:395–405) conducted a case study analysis of a waterside tavern in South Africa, named Bertie's Landing, to determine the business activities the tavern implemented to promote its business. The study found that although the tavern applied measures such as rowing boat trips to provide clients easy access to the business's facilities, several competitors emerged around the new Victoria Wharf complex at the Waterfront and made access to their own business facilities even more effortless. As a result Bertie's Landing's sales fell by 20% in the first month of the Victoria Wharf complex being open.

As a counteracting strategy, the tavern entered into arrangements with Safari Tours, a major local tour operator, to bring their tourists to Bertie's Landing during lunch time stops. This concept presents a potential solution that small business owners experiencing the competitor obstacle can implement to address the problem.

*(An independent financial adviser who, for example, works from home and lives on a golf estate can perhaps invite a group of potential clients to play golf and then use this opportunity to sell policies to them.)*

#### **4.8.2 Physical evidence strategy for the growth stage**

Appropriately motivating employees to deliver a positive service encounter was described in Section 3.3.6 as a possible solution small business owners could implement to address the problem of a loss in business clients through poor customer service.

Bent, Seaman and Ingram (1999) studied 38 small businesses in Lothian and explored the nature of motivation and satisfaction within these small businesses. One of the findings of the study was that the employees, who had to share the same workplace over a number of years, influenced one another's level of motivation.

Based on this study, it appears that through the behaviour of co-workers, the environmental factor of the labour market, specifically, could potentially have an influence on the proposed physical evidence strategy for the growth stage.

As a solution to this problem, Bent *et al.* (1999) recommend that businesses use team-building activities. Pace and Faules (1994:228) explain that a facilitator in a team session can be used to improve the functioning of a team that normally complains, criticises and yells at one another.

#### **4.8.3 Physical evidence strategy for the maturity stage**

In Section 3.4.6 it was highlighted that promoting teamwork by, for example, ensuring that every employee is aware of the essential role they play in the final delivery of quality service and as a result enabling the employees to deliver excellent service could be a possible solution to address the problem of a lack of teamwork.

According to further literature investigation, it seems that the education environmental factor can potentially influence the proposed physical evidence strategy for the maturity phase.

Johnson (1991:17–21) explains that small business owners tend to provide their employees with rather vague and ambiguous job descriptions. The consequence of this type of action is that the employees experience confusion regarding whether they do what is required of them or what will facilitate advancement within the business. This type of role ambiguity is a source of work related stress, which could lead to anxiety and disrupted performance.

Timmons and Spinelli (2007:296–297), in their discussion of role definition within small business teams, provides a potential solution to this problem. He says that small businesses need to make a conscientious effort to determine who is comfortable with and who has what responsibility with regard to the key tasks. However, he is aware that employee roles cannot be pinned down exactly for all duties, since some core tasks cannot be anticipated and the originally intended employees will not always make the contributions. Timmons and Spinelli (2007:296–297) consequently postulate that in their job descriptions small business owners should focus on maintaining a flexible structure with shared responsibility.

#### **4.8.4 Physical evidence strategy for the revival stage**

In Section 3.5.6 it was determined that the provision of guarantees, which presents the benefit of a competitive advantage as well as a second chance to create a positive impression, seems to be a possible strategy that independent financial advisers could implement to address the problem of eroded business opportunities.

Based on a further literature investigation, it appears that the environmental factor of exposure to information, specifically, could potentially influence the proposed physical evidence strategy for the revival stage. Blumberg (1991:16) stresses that an important factor that service businesses should remember is to provide the guaranteed service to the clients when required. This requirement is a challenging concept to realise, as the client will have a service demand as soon as the need is identified, while the service provider will only become aware of the need when contacted. Furthermore, the client also needs to identify the cause of the service problem, search for the applicable service provider and

explain the requirement, before the service provider is aware of the need. If this process is difficult and complex for the client, the client will have a negative perception of the service provided.

Blumberg (1991:16) presents a potential solution to the problem by contending that the service provider should create the impression that the service is immediately available and that the service provider is fully prepared. In addition, measures to reduce the client's initial concerns and enhance the perception of immediate service availability and eagerness to serve would endorse client confidence.

The group of process strategies identified in chapter three represents the last group of potential marketing mix strategies that receive further attention in this chapter.

## **4.9 BARRIERS TO IMPLEMENTING THE PROCESS STRATEGIES AND STRATEGIES FOR COUNTERING THEM**

The next section focuses on the proposed process strategy for the birth stage.

### **4.9.1 Process strategy for the birth stage**

A process strategy implemented by small businesses that creates a favourable impression with clients, such as focusing on quality control in the service process delivery, was identified in Section 3.2.7 as a possible solution that small business owners could implement to address the problem of unknown competitors.

Gabbott and Hogg (1999:155), though, provide evidence that the competitor environmental factor might influence the success of this proposed process strategy. They indicate that the service encounter the client experiences with other competitors could play a role in the evaluation of the service provided.

Lovelock (1996:471–473) presents a potential solution to this problem in arguing that businesses that are known for providing excellent service are good at paying attention to the voice of their clients as well as their client-contact

employees. The fact that all the stakeholders involved are satisfied with the business's performance one month does not mean that the situation might not worsen in the subsequent months. Businesses should make use of a service quality information system, which must provide them with information on a continuous basis regarding how the level of their services can be improved.

Lovelock (1996:471–473) lists the following possible techniques that businesses can use to conduct their ongoing research:

- **Post-transaction surveys:** a survey which measures the level of service perceived after the transaction has taken place.
- **Ongoing surveys of account holders:** scientific sample procedures can be used to determine client satisfaction with regard to broader relationship matters.
- **Employee surveys:** a survey which can obtain the suggestions for improvement from the employees.
- **Competitive market survey:** a technique which can be used to compare the business's performance in relation to its competitors, benchmark the leaders and discover relevant trends.

#### 4.9.2 Process strategy for the growth stage

Service customisation was identified in Section 3.3.7 as a potential strategy small business owners could employ to assist in addressing the problem of a loss in clients through poor customer service.

Further literature investigation provided evidence that the financial resources environmental factor, specifically, might potentially have an influence on the customisation activity of this proposed process strategy. According to Lovelock (1996:43), service customisation is a costly activity and hence can be in conflict with the goals of operation managers aiming to reduce cost through standardisation.

Blumberg (1991:28) presents a potential solution that can be implemented to address this scenario. Service businesses can create a blend of standard service elements with a menu to deliver a customised service package that the

client will perceive as being of higher quality. With this approach service businesses can promote high value services to clients willing to pay a higher price.

### **4.9.3 Process strategy for the maturity stage**

Implementing a service blueprint for the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement, was described in Section 3.4.7 as a possible solution that independent financial advisers could employ to assist in addressing the offshore competitor obstacle.

As per further literature investigation, it appears that the environmental factor of personal goals of the small business owner could potentially have an influence on the proposed process strategy for the maturity phase.

Mattsson (1994) analysed the blueprinting activities implemented by a telecommunication service business in New Zealand and discovered that this business used the service blueprint process to meet its own objectives rather than the needs of the clients. In particular, the service business in its blueprint design rather used a horizontal display than a vertical display, which covered five separate functional units. A department-by-department approach rather than a cross-functional team approach was also used and each element (represented by a separate person or a team of people) utilised its own system, which added to the overall complexity. Mattsson (1994) asserts that this blueprint approach resulted in the development of a gap between the clients' requirements and the service provided to them.

The eight-step process to develop a service blueprint, as proposed by Zeithaml and Bitner (1996:285–286), presents a possible solution which can be implemented to address the problem. Table 4.4 below provides a description of these eight steps.

**Table 4.4:** Description of eight-step process to service blueprinting

| Step   | Description   |
|--|---|
| Step 1: Identification of service process to be blueprinted                      | This process will be determined by the underlying objective for focusing on the blueprint process.  |
| Step 2: Mapping of service process from the client's perspective                 | This step entails mapping the client actions and experiences in the service process.<br>Identification of the service from the client's perspective will assist in avoiding steps that have no client impact.   |
| Steps 3 to 5: Mapping of contact employee actions (onstage as well as backstage) | The lines of visibility are drawn and the process from the client-contact employee's perspective is mapped in this phase.   |
| Steps 6–7: Mapping of internal support activities                                | The lines of internal interaction are drawn in this phase and links from client-contact employee to internal support functions are identified.<br>Should there be no clear link between the client's experience or an essential internal support service, the action in the process might be identified as unnecessary. |
| Step 8: Adding of evidence of service at each client action step                 | Physical evidence such as videos can be used in this phase to illustrate what the client sees and receives as tangible evidence of the service at each step in the client experience.   |

Source: Zeithaml and Bitner (1996:285–286)

#### 4.9.4 Process strategy for the revival stage

A technological service delivery approach, such as the Internet, which can assist in creating competitive prices was described in Section 3.5.7 as a possible solution that independent financial advisers could employ to address the problem of an eroded business opportunity.

According to further literature investigation, it appears that the competitor environmental factor, in particular, could potentially have an influence on the proposed process strategy for the revival stage. Timmons (1999:206) indicates that a small business owner using the Internet to offer a service might be threatened by larger service businesses, which could steal the service concept.

A potential solution to this problem would be for the small business owner to focus on building and maintaining loyal and dependent clients, be aware of competitor activities and rapidly expand service offerings (Timmons, 1999:206).



This discussion concludes the literature investigation that was conducted in the first part of this study to gain the necessary background to support the empirical part of this study.

The following section now presents a comprehensive summary of the study's literature findings. Based on this summary, the research propositions for the empirical part of this study are then formulated.

#### **4.10 SUMMARY OF THE STUDY'S LITERATURE FINDINGS AND RESEARCH PROPOSITIONS**

In chapter three, Table 3.1 pointed out possible solutions to the problems depicted by Timmons and Spinelli (2007:260–261, 536–538) that can also potentially serve as marketing mix strategies for sales growth.

The following table now expands on this summary by including their various potential environmental factors and possible counterstrategies, as identified in this chapter. This table then represents a comprehensive overview of the study's literature findings.



**Table 4.5:** Detailed summary of this study's literature findings

| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution  | Possible environmental factors    | Potential solutions to counter environmental factors   |
|--------------|-----------------------|---|--|-----------------------------------|--|
| Birth        | Product               | Unknown competitors emerge in the market  | Client-oriented service offerings  | Education and financial resources | Structure business for enhanced cross-functional communication and project management<br>Create a shared understanding of new innovation<br>Provide legitimacy to new innovation development |
|              | Price                 | Unknown competitors emerge in the market  | Customer-based pricing   | Exposure to information           | Use professional advice from consultants, universities or other training courses to confront and attack pricing deficiencies   |
|              | Place                 | Struggling to deliver the service to clients on time                                | An Internet distribution channel providing quick and effective communication, with the benefit of a platform to compete with larger businesses and to maintain full-scale client services at a relatively low cost | Competitor                        | Do not base Internet adoption on the level of competitor threats experienced<br>Owing to human behaviour, consider the Internet as a serious communication medium                            |
|              | Promotion             | Unknown competitors emerge in the market  | Various promotional methods, which can assist in creating persuasive communication   | Exposure to information           | Conduct market research before designing a promotional strategy  |
|              | People                | Unable to meet the time standards required owing to a lack of managerial delegation | Recruit four specific types of employees and motivate them through sufficient remuneration   | Education                         | Invest to a greater extent in the use of Internet recruiting services  |
|              | Physical evidence     | Unknown competitors emerge in the market  | Provide easy access to business facilities to promote the business   | Competitor                        | Enter into agreements with external stakeholders to generate future clients for the business   |
|              | Process               | Unknown competitors emerge in the market  | A process strategy implemented by small businesses that creates a favourable impression with clients such as focusing on quality control in the service process delivery   | Competitor                        | Use a service quality information system, which must provide information on a continuous basis regarding how the level of service can be improved  |



| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution   | Possible environmental factors | Potential solutions to counter environmental factors  |
|--------------|-----------------------|---|---|--------------------------------|---|
| Growth       | Product               | A lack of strategic thinking among the business owners owing to a primary focus on the operational side of the business | Continued service developments aligned with an appropriate business process that ties in with the needs of the markets  | Networking and education       | Ensure that communication issues are resolved promptly<br>Source new motivational tools<br>Apply prudent allocation of scarce managerial resources<br>Administer implicit knowledge<br>Learn from innovation processes of other businesses and universities   |
|              | Price                 | Inadequate cost management that does not keep pace with business growth   | Implement creative discount measures  | Exposure to information        | Use selective price discounting to specific market segments   |
|              | Place                 | Sales to new and existing clients that are not achieved on time   | Implement efficient and market-oriented Internet communication to provide an additional distribution channel to deliver a new product line                              | Competitor                     | Use e-businesses for consultation regarding the design of websites<br>Use technology to secure online payments<br>Keep the website updated<br>Save to pay for additional Internet expenses<br>Generate additional traffic to website<br>Remind existing clients of website via email  |
|              | Promotion             | A lack of external networks to continue business growth   | Focus on external networks to benefit, for example, from the experience of competitors as well as relationships with clients, employees, suppliers and support networks | Exposure to information        | Include more team members, which can convey and calibrate observations<br>Obtain the same type of information from different sources and compare<br>Ensure that communication is facilitated and that technical data, objectives, goals, knowledge of conflicts and changing situations are shared between the network participants |



| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution  | Possible environmental factors        | Potential solutions to counter environmental factors   |
|--------------|-----------------------|---|--|---------------------------------------|--|
|              | People                | Business owners might not manage for results, as they attempt to perform all the tasks themselves and do not delegate | Execute the suggestions made by Timmons and Spinelli (2007:261–262), such as refraining from following an autocratic management style to manage employees who strive for achievement and being more inclined to entrust power and control to the employees | Education                             | External consultants to assist with the delegation process   |
|              | Physical evidence     | A loss in business clients through poor customer service  | Appropriately motivate employees to deliver a positive service encounter   | Labour market                         | Do team-building activities  |
|              | Process               | A loss in business clients through poor customer service  | Service customisation  | Financial resources                   | Create a blend of standard service elements with a menu to deliver a customised service package that the client will perceive as being of higher quality                     |
| Maturity     | Product               | Sales decline owing to competitor ignorance   | Implement measures to obtain a comprehensive competitor framework and have the strategies reflect the true nature of the competitive arena   | Exposure to information and education | Become aware of selective perception through training<br>Implement a competitive intelligence system and the necessary resources to assess the environment                   |
|              | Price                 | Inadequate financial resources  | Work from home to reduce overhead expenses, which can assist in creating competitive pricing   | Exposure to information               | Keep abreast of technical, financial and legal matters and also keep in mind that the positioning of the business in the market is more important than the physical location |
|              | Place                 | A decline in sales owing to the perishable nature of products and services  | Effective management of distribution channels to match supply and demand by, for example, cross-training employees to perform different job functions at peak periods  | Competitor                            | Empower employees to attend training sessions and become more motivated and satisfied  |
|              | Promotion             | A decline in sales owing to offshore competition  | Implement promotional strategies aligned with certain positioning guidelines for creating a superior competitive image   | Exposure to information               | In-depth personal interviews   |



| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution  | Possible environmental factors             | Potential solutions to counter environmental factors  |
|--------------|-----------------------|---|--|--|---|
|              | People                | Conflict between partners over business control   | Focus on the conflict management description provided by Timmons and Spinelli (2007:267), which can assist businesses to benefit from unrestricted business growth                           | Personal goals of the small business owner | Engage in professional management and follow a less personalised and hence a more formal management process   |
|              | Physical evidence     | A lack of teamwork  | Promote teamwork through the measures described by Zeithaml and Bitner (1996:322) and as a result enable the employee to deliver excellent service   | Education                                  | Determine who is comfortable with and who has what responsibility with regard to the key tasks<br><br>In their job descriptions small business owners should focus on maintaining a flexible structure with shared responsibility   |
|              | Process               | A decline in sales owing to offshore competition  | Implement a service blueprint to obtain the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement | Personal goals of the small business owner | Implement the eight-step process to develop a service blueprint, as suggested by Zeithaml and Bitner (1996:285–286)   |
| Revival      | Product               | An eroded opportunity facilitating very low profit and return on investment   | A new product development process that allows for the formulation of new product ideas from client suggestions   | Exposure to information                    | Allow clients to present their high quality service ideas, but make them aware of the limitations of the business   |
|              | Price                 | Business owners who are not prepared to sell equity and would rather use bank debt to solve their financial resource requirements | Implement a price discount strategy to improve the financial situation   | Networking                                 | Perform a cost-benefit analysis that investigates the costs needed to provide the discount, the potential savings which can be gained from the increased discounts, as well the opportunity costs of not obtaining these discounts<br><br>Develop an ongoing plan to address the concerns regarding negotiations and invoice processing |



| Growth phase | Marketing mix element | Possible problem  | Potential marketing mix strategy/solution   | Possible environmental factors             | Potential solutions to counter environmental factors   |
|--------------|-----------------------|---|---|--|--|
|              | Place                 | Business owners who are not prepared to sell equity and would rather use bank debt to solve their financial resource requirements | Distribution function outsourcing, which presents the benefit of reduced cost as well as more proficient and trustworthy services as a result | Competitor                                 | Use an outsourcing agent that specialises in assisting small businesses and that makes them feel special   |
|              | Promotion             | An eroded opportunity facilitating very low profit and return on investment   | Focus on promotional strategies that revitalise sales and retain existing clients   | Financial resources                        | Judge the sales promotion strategy from a cost-benefit point of view and do not feel pressured to overuse this technique regardless of any internal pressures or external competitive challenges<br>Use an "objective-and-task" method to design realistic sales promotion budgets |
|              | People                | A lack of new product and service developments  | Employee empowerment to present client-oriented new developments  | Personal goals of the small business owner | Small business owners should become more self-aware of their own actions   |
|              | Physical evidence     | An eroded opportunity facilitating very low profit and return on investment   | Offer guarantees which provide the benefit of a competitive advantage as well as a second chance to create a positive impression              | Exposure to information                    | Create the impression that the service is immediately available and that the service provider is fully prepared  |
|              | Process               | An eroded opportunity facilitating very low profit and return on investment   | Implement a technological service delivery approach, which can assist in creating competitive prices  | Competitor                                 | Focus on building and maintaining loyal and dependent clients, be aware of competitor activities and rapidly expand service offerings  |

Cooper and Schindler (1998:43) distinguish between research propositions and hypotheses by stipulating that a research proposition refers to a statement about the theory that may be evaluated as accurate or incorrect if it refers to observable occurrences, whilst a hypothesis is a proposition formulated for empirical testing. Since this study is exploratory in nature and the research is not based on previously established models, research propositions are more suitable for this study.

Hence, several research propositions are now formulated pertaining to this study's literature findings (given in Table 4.5):

- **Proposition 1:** The independent financial advisers of this study experience the potential problems in the life cycle stages discussed in the literature review and depicted in Table 4.5.
- **Proposition 2:** The independent financial advisers of this study use the possible solutions to overcome the various potential problems in the life cycle stages discussed in the literature review and depicted in Table 4.5.
- **Proposition 3:** The potential solutions depicted in Table 4.5 are also marketing mix strategies implemented by the independent financial advisers of this study and seem to enhance sales growth.
- **Proposition 4:** When implementing the marketing mix strategies, the independent financial advisers of this study experience the barriers to implementation discussed in the literature review and depicted in Table 4.5.
- **Proposition 5:** When experiencing the barriers to implementation, the independent financial advisers of this study use the counterstrategies as discussed in the literature review and depicted in Table 4.5.

The following sixth research proposition is also required to gain more clarity on the true business phases of independent financial advisers in Johannesburg that will need to be included in the proposed framework.

- **Proposition 6:** The independent financial advisers of this study do progress through the birth, growth, maturity and revival life cycle stages that were identified in chapter two.

These research propositions will be further tested in the empirical part of this study.

The confirmed information obtained from the advisers will be included in the proposed framework.

#### **4.11 SUMMARY**

Chapter four provided more insight into which environmental factors could potentially influence the proposed marketing mix strategies that were established in chapter three. Various potential solutions, which might possibly assist in addressing the environmental factors, were also identified.

Based on a comprehensive summary of the study's literature findings (depicted in Table 4.5), the chapter concluded with the formulation of several research propositions.

These research propositions will now be explored further in the empirical part of this study to gain more insight into the business phases, problems, marketing mix strategies/solutions, the influence of environmental factors and the solutions of the independent financial advisers of this study in comparison to the literature findings.

Based on the results, the framework of this study will then be proposed. The research objectives that were established in Section 1.5 will then also be addressed.

Chapter five will now continue with a detailed research design for the empirical part of this study.



## **Chapter Five**

### **Research methodology**

#### **5.1 INTRODUCTION**

In chapters one to four a comprehensive literature investigation was conducted to gain the necessary background to support the empirical part of this study. Different opinions and studies were presented and evaluated, which led to the identification of a general business life cycle model as well as a number of problems and marketing mix solutions that could potentially occur in each life cycle stage. These possible problems and strategies were summarised in Table 4.5.

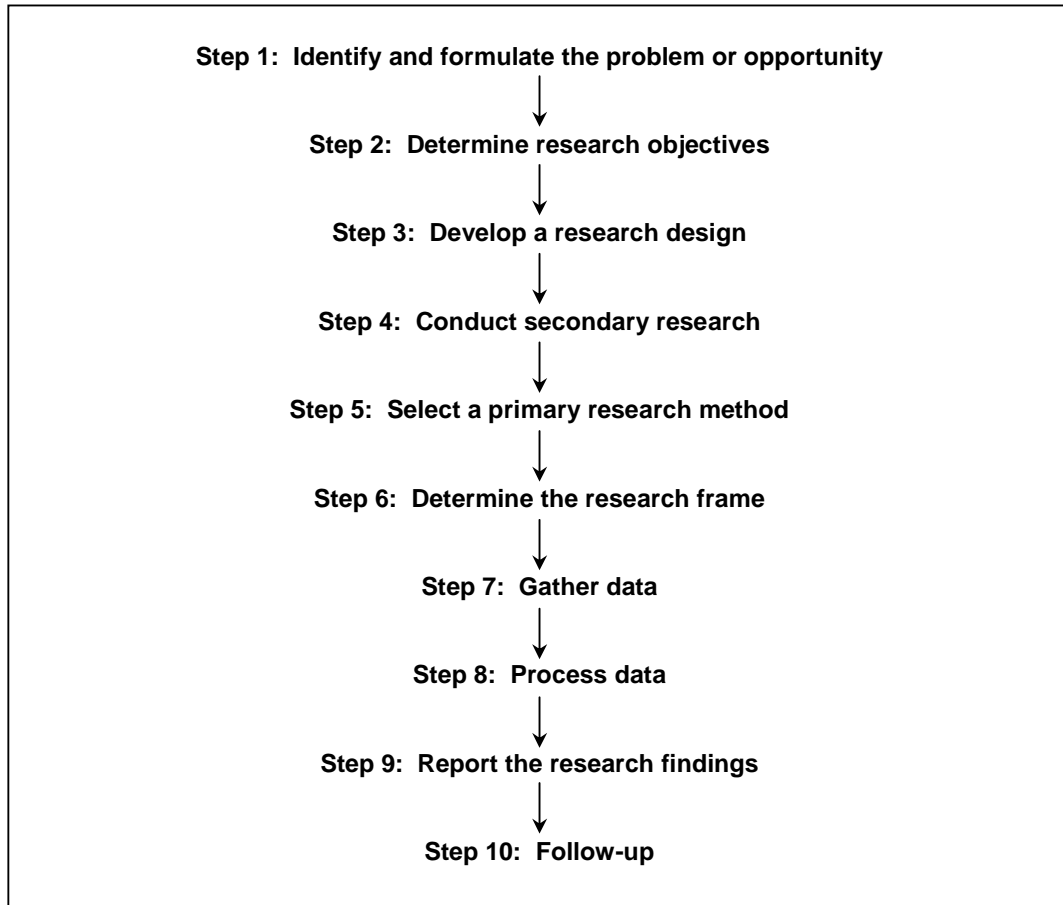
In Section 1.4 it was stated that the empirical part of this study would further investigate these literature findings, to assist in proposing a marketing mix framework for business survival and sales growth.

This chapter aims to provide more insight into the research path that the remaining part of this study follows to address the research problem. The research methodology is discussed with special reference to the data collection and analysis methods, as well as the sample and questionnaire design that were used. A detailed explanation of the construction of the questions for the measurement instruments is also provided.

#### **5.2 THE RESEARCH DESIGN**

According to Wilson (2003:20), a research process in the marketing concept refers to a series of activities and events that need to be addressed if a marketing research project is to provide information that is beneficial to the marketing decision-maker. Cant, Gerber-Nel, Nel and Kotze (2003:27) define a research process as a series of steps in the methodical collection and analysis of marketing data. These steps are displayed in Figure 5.1 below (Cant *et al.*, 2003:36):

**Figure 5.1:** The research process



Source: Cant *et al.* (2003:36)

The first step in the research process (according to Figure 5.1) involves the identification and formulation of the research problem or opportunity. The research problem of this study was explained in Section 1.2. It was pointed out that to date, no formal research study in South Africa has proposed a framework for independent financial advisers operating small businesses to provide guidelines for business survival and sales growth in their business life cycle. It was decided that this study would propose such a framework to offer additional assistance to independent financial advisers operating small businesses in an environment governed by strict legislation.

The formal research objectives of this study were formulated in Section 1.5. (Consequently, step two in the research process, as depicted in Figure 5.1, was then completed.)

According to Figure 5.1, the research design needs to receive attention in step three of the research process. Churchill (1991:1045) explains that a research design is a framework for a study, which directs the gathering and analysis of the data.

This investigation presents the first formal attempt to empirically examine the problems and strategies that independent financial advisers in Johannesburg experience and implement in their business life cycle. The exploratory type of research design, allowing for a broad understanding of an issue (Kent, 2007:17; McDaniel & Gates, 2006:G2), therefore applies to this study.

The descriptive research approach that is concerned with the evaluation of sizes, quantities or frequencies of characteristics (such as the demographic data of the respondents) (Aaker, Kumar & Day, 2001:73; Kent, 2007:18), however, was also relevant in this study. In Section 2.2, the organisational life cycle models of five authors were studied to identify the general life cycle stages that businesses progress through. Although all five authors identified more or less the same organisational life cycle stages, each one of them used a different research approach.

The research approach that was used by Ferreira (2000) in particular is worth noting. Ferreira collected the demographic data of the respondents, such as the age of their businesses, number of organisational levels, number of specialised functions, employee growth and sales growth, and then grouped the respondents based on the similarities that they displayed. Hanks *et al.* (1993) also made use of this approach in their investigation of the small business life cycle. They believe that “by employing this methodology to multiple samples, patterns of life-cycle stages can be systematically explored”. McMahon (1998) favours the use of this approach since it represents a reputable empirically based method to determine the life cycle stages of a small business.

Accordingly, this study followed the research approach of Ferreira and also collected the demographic data of the respondents to attempt to classify them into the general life cycle stages (as described in Section 2.2).

The following section provides an overview of the data collection methods used in this study to collect the descriptive and exploratory data required.

### **5.3 THE DATA COLLECTION METHODS AND FORMS**

According to Stevens, Wrenn, Sherwood and Ruddick (2006:90), data in general can be categorised as either primary or secondary data. Secondary data analysis involves consulting sources such as trade literature and published articles to gain background information on a particular situation (Cant *et al.*, 2003:29). Kent (2007:80) explains that the objective of secondary data analysis is to draw new insights from the existing data.

Figure 5.1 highlights the collection of secondary data as the fourth step in the research process. An extensive literature study was conducted as part of the secondary data phase. Several authors' viewpoints were investigated. The validity of the research sources used was established before they were included in the literature study. The secondary data sources available, however, could not sufficiently answer the research objectives of this study.

According to Churchill (1996:54), if data particular to a research topic is not available or suitable for the problem, primary data collection methods should be used. Cant *et al.* (2003:74) substantiate this by indicating that once the phase has been reached where secondary data is insufficient to address all the problems identified in the research process, primary data must be gathered. (Primary data refers to the data that is gathered to attend to a specific research objective (Aaker *et al.*, 2001:739).)

Step five in the research process, as depicted in Figure 5.1, entails the selection of a primary research method.

**Telephone interviews (involving phoning a sample of respondents selected from an eligible population and asking them a number of**

**questions (Dillon, Madden & Firtle, 1990:187)) were used in the first phase of the field study to collect the demographic data of the respondents.**

This method was chosen, because it offers the following benefits:

- Interviewers can probe questions (Stevens *et al.*, 2006:122) and refer back to them (Aaker *et al.*, 2001:241). *More accurate information about the demographic data of the respondents could therefore be obtained.*
- The data collection period is shorter (Aaker *et al.*, 2001:251; Barnes, 1991:239). *It was possible to obtain the required information fairly quickly and continue with the second phase of the field study.*
- Respondents are more likely to participate than with mail surveys (Aaker *et al.*, 2001:251; Stevens *et al.*, 2006:123). *It was therefore easier to reach the required sample size for the first phase of the field study.*
- Respondents who do not answer their phones can be called back (Blankenship & Breen, 1993:140). *This helped to increase the response rate of the study.*

The telephone interview technique, however, also has a number of limitations, which could not be ignored:

- Visual aids cannot be used (Aaker *et al.*, 2001:251; Stevens *et al.*, 2006:122).
- Interviewer bias may occur (Stevens *et al.*, 2006:123).
- Call-backs can increase cost (Bagozzi, 1994:127).
- It is not always possible to phone respondents during cheap-rate call times (Cant *et al.*, 2003:84).

Professional interviewers were hired to avoid interviewer bias. A fixed cost per completed telephone questionnaire was also arranged with the interviewers to address the high cost associated with call-backs and phone calls during peak times. Since the purpose of the telephone interview was mainly to determine the demographic profiles of the respondents, no visual aids were needed in this phase to explain difficult concepts to respondents. Therefore, a lack of visual aids is not viewed as a limitation in this study.

Once the demographic data of the respondents had been collected and more clarity about their life cycle stages could be obtained, personal interviews (face-to-face interviews with the respondents (Blankenship & Breen, 1993:130)) were used to gather information on the problems they experienced and strategies they implemented in their businesses.

This approach was effective for the following reasons:

- Visual aids and explanations could be provided to the respondents.
- The interviewers were able to probe for adequate answers.
- Respondents could be motivated to answer difficult questions.
- It was possible to conduct longer interviews in person.

Stevens *et al.* (2006:121, 123), Wilson (2003:121–122) and Aaker *et al.* (2001:251) are in agreement that the four statements listed above are benefits of the personal interview technique.

Personal interviews, however, are expensive (Aaker *et al.*, 2001:251; Wilson, 2003:122), a trained interviewer is needed (Aaker *et al.*, 2001:251), they can be lengthy (Aaker *et al.*, 2001:251; Stevens *et al.*, 2006:122) and if a meeting has not been arranged in advance, the interviewer may spend many hours in a waiting room hoping for a session (Blankenship & Breen, 1993:137).

Professional interviewers were hired to conduct the personal interviews. A fixed cost per completed questionnaire was arranged with the interviewers to address the high cost associated with personal interviews. Finally, a meeting was also arranged with each respondent in advance to avoid spending many unnecessary hours in a waiting room hoping for an interview.

**The researcher further had to decide whether to use a qualitative or a quantitative research approach.** *Quantitative research* entails a structured research approach (relating to interviewing procedures where the questions and potential answers to the questions are pre-determined and fixed) and the results can be quantified (Dillon, Madden & Firtle, 1993:134; Wilson, 2003:120). Analysis of quantitative studies tends to be statistical in nature and will commonly be undertaken through computer programs (Wilson, 2003:121).

*Qualitative research* is used where short answers to questions are not sufficient enough to explore a topic at length (Barnes, 1991:315–316). Qualitative research is more flexible and deeper and more penetrating insights can be obtained into the research subject than would be the scenario if a more structured interview were used (Wilson, 2003:93). Although the sampling process may lack the statistical rigour of more representative studies, the sample of respondents is selected carefully, owing to the time and energy that will be spent on researching their views (Wilson, 2003:93). Open-ended questions are normally used in qualitative research (Webb, 1992:113). The results produced are not quantifiable or statistically valid. The purpose of qualitative research, though, is not to provide numbers and hard facts (Barnes, 1991:316). It is concerned with understanding matters rather than measuring them (Wilson, 2003:93).

Trochim (2006), however, holds a different view regarding the application of qualitative and quantitative research. He says that all qualitative data, for example, can be quantitatively coded in many different ways. The value of the qualitative information is not affected by coding, and various judgemental syntheses or analyses can still be done. Furthermore, since all numerical information requires various judgements regarding the meaning of the numbers, all quantitative data is based on qualitative judgement.

Trochim (2006) states that the core of the quantitative-qualitative debate is philosophical and not methodological and that quantitative and qualitative data are, to some degree, almost inseparable. Neither of these techniques exists in a vacuum, nor can be considered completely independent of the other. Furthermore, both qualitative and quantitative research can be of great worth. In almost every applied social research project there is merit in consciously combining both qualitative and quantitative techniques in what is known as the mixed method approach (Trochim, 2006).

In the light of these findings, the study used both qualitative and quantitative techniques to benefit from the mixed method approach.

Cant *et al.* (2003:118) assert that along with determining the most appropriate primary data collection method, the questionnaire design also needs to receive attention in step five of the marketing research process.

The following section now provides an overview of the procedures that were followed to design the telephone and personal interview questionnaires. This discussion provides more insight into the combination of qualitative and quantitative research techniques that were employed in this study.

### 5.3.1 Questionnaire design

#### a) Question response formats and measurement levels

- **Open-ended questions and fixed-alternative questions**

*Open-ended questions* (normally used in qualitative research as indicated in the previous discussion) were used in this study to test concepts that could have a broad range of answers. This approach was based on Cant *et al.*'s statement (2003:107) that open-ended questions are suitable when the researcher is not familiar with all the possible responses to questions.

With an open-ended response format, respondents are required to respond to a certain question or statement in their own words (Cant *et al.*, 2003:107; McDaniel & Gates, 2006:264). Open-ended questions can be presented in a probed format as well as an unprobed format. In a probed format, the researcher will probe for a more comprehensive answer from the respondent (Cant *et al.*, 2003:108) by asking, for example, if there is anything else that the respondent would like to mention (McDaniel & Gates, 2006:264). In an unprobed format, the researcher will not investigate the respondent's answer any further (Cant *et al.*, 2003:108). The interviewers were instructed to probe the answers from the respondents in an endeavour to investigate the concepts comprehensively.

In the beginning of Section 5.3 the use of *fixed-alternative questions* was associated with quantitative research. There are two basic forms



of fixed-alternative questions. In the first type of format the respondent is required to make one or more choices from a list of possible responses. The second type of format involves the use of a rating scale where the respondent is given a range of labelled categories that represents the response options available (Aaker *et al.*, 2001:307).

**Dichotomous questions** (portraying only two potential answers, such as “yes” and “no” (Cant *et al.*, 2003:108)) and **multiple category fixed-alternative questions** (offering the respondents more than two response alternatives (Cant *et al.*, 2003:108; Wilson, 2003:152)) were used in this study to gain more insight into the respondents’ demographic profiles as well as the problems they experienced and strategies they implemented.

McDaniel and Gates (2006:239) postulate that with the Likert scale the respondent is asked to evaluate only one statement at a time, where the scale would then range from one extreme point to the other. Kline (2005:69) further indicates that there are two types of Likert scales that can be used, namely intensity scales and frequency scales. Intensity types of Likert scales normally test levels of agreement, liking or satisfaction. Frequency scales measure how often a respondent performed a specific action. This study also used the **frequency type of Likert scale** to measure how often the respondents applied certain motivational strategies.

- **Measurement levels**

Measurement is “the procedure (the rules) used to assign numbers that reflect the amount of an attribute possessed by an object, a person, an institution, a state, or an event” (Dillon *et al.*, 1990:330–331). Stated differently, measurement entails using certain predefined rules and assigning numbers or symbols to certain characteristics of the objects of interest (Aaker *et al.*, 2001:274).

There are four basic types of measurement levels, namely nominal measurement, ordinal measurement, interval measurement and ratio measurement (Dillon *et al.*, 1990:333–337). Table 5.1 below provides a summary of each level of measurement.

**Table 5.1:** Levels of measurement

| Level of measurement | Description  |
|----------------------|--|
| Nominal              | The respondents normally have to choose a description and one response is not more valid than another.   |
| Ordinal              | Order is given to the potential responses and the respondents, for example, have to choose one brand above the other. Since absolute quantities are not measured, the interval between the different answers is not known. |
| Interval             | The interval between the different answers is known and equal. Respondents, for example, are asked to rate a product from one to ten. There is, however, no definite point of zero.  |
| Ratio                | There is a definite point of zero. Typical response options will include number of purchases made, number of children and sales.   |

Source: Cant *et al.* (2003:108–110)

The various fixed-alternative questions that allowed the respondents to choose between a number of response alternatives produced nominal data. The frequency type of Likert scale that provided order to the responses, but with no definite interval or point of zero, offered ordinal data.

The open-ended questions used to determine the demographic profiles of the respondents provided nominal, interval and ratio data. The remaining open-ended questions in the study that provided information on the problems experienced and strategies implemented by the respondents produced nominal data.

#### **b) Question sequence, content, phrasing and layout**

In addition to the question response formats and measurement levels, the researcher also had to pay attention to the sequence of the questions being asked as well as the question content, phrasing and layout. The researcher

implemented the recommendations that are described in this section to ensure that the correct procedures were followed.

#### ▪ **Question sequence and content**

Aaker *et al.* (2001:316) present the following basic guidelines that can be applied for *sequencing a questionnaire*:

- The interview should commence with an easy non-threatening question. This approach will help to build the confidence of the respondents in their ability to answer the questions.
- The questionnaire should further flow smoothly from one subject to the next.
- Broad questions should be presented first, followed by more specific questions.
- Sensitive questions regarding, for example, income can be placed at the end of the questionnaire.

It is also important that all the questions specific to a topic be asked before the next topic is investigated (Webb, 1992:106). Skip patterns entail asking respondents different numbers of questions in different sequences. Should this approach be used in a questionnaire, the skip patterns must be straightforward, to avoid any confusion among interviewers (Wilson, 2003:168).

Webb (1992:93) suggests that with regard to *question content*, the respondent should have the relevant data to provide and should agree to disclose the data. Double-barrelled questions, involving two questions in one, should not be used (Cant *et al.*, 2003:119). Webb (1992:93) says that a question should be asked only if the answer would assist with the objectives of the study. Cant *et al.* (2003:119) substantiate this statement and state that all the information collected in a questionnaire should be applicable to the study.

#### ▪ **Question phrasing**

According to Tull and Hawkins (1993:345), the concept of question phrasing refers to the translation of the desired content into words and phrases, which the respondents will be able to grasp easily.

Leading questions should be avoided. Cant *et al.* (2003:121) warn that if a question suggests a certain response, the respondent is likely to present the particular answer. Tull and Hawkins (1993:345) further note that the wording used in question phrasing must not be biased and should be understandable to the respondent. All the alternatives provided in the question and assumptions implied should also be clearly stipulated. Several criteria can be used to evaluate the question and prevent ambiguous mistakes. The question can be assessed to determine whether it has another meaning. Simpler wording or phrasing can also be sought (Webb, 1992:97).

#### ▪ **Questionnaire layout**

The level of care and attention an interviewer will give to recording the answers of the respondents is likely to be influenced by the layout and appearance of the questionnaire (Wilson, 2003:169).

According to Wilson (2003:169–170), the following key elements should be taken into consideration when designing the layout of the questionnaire:

- **Spacing:** sufficient space should be provided between questions and for answers to open-ended questions.
- **Quality of production:** high quality printing and a good quality of paper can enhance the professional appearance of the questionnaire.
- **Coding/analysis requirements:** the individuals involved in the coding and analysis of the questionnaires should also be consulted regarding the best layout and design requirements to ensure that the data can be processed effectively.

The instructions given in a questionnaire should also be clear (Webb, 1992:107). Cant *et al.* (2003:122) concur by indicating that understandable instructions should be given to the interviewer on how to complete the questionnaire to avoid any uncertainty. Finally, each question should be numbered and questions should not be broken up across pages (Sudman & Blair, 1998:294).

### c) Pre-testing

Pre-testing (also known as pilot testing) involves interviewing a small number of respondents with the drafted questionnaire in order to identify and correct design flaws. Attention should be given to faults in the format and nature of questions, the respondent's reaction to the questionnaire, the duration of the interview and the overall suitability of the questionnaire to the target population (Wilson, 2003:170–171). After the pre-test has been conducted, each question should be evaluated once again and its place in the questionnaire should be justified (Aaker *et al.*, 2001:321).

The telephone and personal interview questionnaires designed were pre-tested among a small number of independent financial advisers with characteristics similar to those of the respondents of this study. Based on their responses, the necessary corrections were made to ensure that the questions were phrased clearly and that it would be possible to obtain the data required.

The following section provides an overview of the final questionnaires that were used.

## 5.3.2 Overview of final questionnaires

### a) Telephone interview questionnaire

The final telephone questionnaire consisted of nine questions and can be seen in Annexure A.

#### ▪ Questions 1, 2 and 3

Questions 1, 2 and 3 assisted in ensuring that the correct types of respondents were interviewed. Only independent financial advisers who operate small businesses and give advice on and sell financial products in their businesses could participate in the study.

#### ▪ Question 4

Question 4 measured the age of the small business.

- **Questions 5 and 6**

Questions 5 and 6 were used to measure the employee growth of the small business.

- **Question 7**

Question 7 determined the number of organisational levels and specialised functions in the business. This question also provided insight into the types of employees employed in the respondents' small businesses.

- **Question 8**

Question 8 evaluated which methods the independent financial advisers of this study used to motivate their employees.

- **Questions 9 and 10**

Questions 9 and 10 were devoted to determining whether the respondents experienced any commission growth in their businesses.

- **Question 11**

Question 11 tested whether the respondents were willing to participate in the personal interviews that were conducted in the second part of the field study.

Questions 4 to 7 as well as 9 and 10 are based on five of the criteria that Ferreira (2000) used to investigate the life cycle stages of a small business. The researcher focused specifically on these five criteria (which were also highlighted in Section 5.2), since they were easy to investigate by means of a telephone interview and would provide a good indication of whether the respondents of this study could be classified into the general life cycle stages of a business.

It is, however, important to note that Ferreira measured the sales growth of the small businesses. Independent financial advisers earn their income on the sale of financial products in the form of commission. The sale of a

manufactured product and the commission earned from a policy, though, can both be viewed as a business owner's source of income from which overheads must be paid and profit must be taken. Consequently, the sales criterion of Ferreira is measured in questions 9 and 10 as commission growth.

Furthermore, due to the exploratory nature of this study, the researcher also decided to follow Ferreira's example and predominantly concentrated on the business activities that occurred in the respondents' businesses over only a one-year period. A longitudinal research study in future could then further explore this study's findings in more depth.

Finally, the types of employees employed in the small business (tested in question 7) as well as the methods used to motivate them (measured in question 8) provide insight into the business strategies implemented by the respondents. Although the business strategies implemented by the independent financial advisers of this study were assessed mostly in the personal interview questionnaire, all the questions relating to the employees of the small businesses were grouped together in the telephone interview questionnaire.

#### **b) Personal interview questionnaire**

A letter of consent accompanied the questionnaire. This letter assisted the interviewers to position the study for the respondents and also to obtain the respondents' permission to conduct the interview. (An example of this letter can be seen in Annexure B.)

The final personal interview questionnaire consisted of eight questions and is shown in Annexure C.

The respondents who participated in the personal interviews were asked to think about the history of their businesses over the past 12 months only (this period being 1 August 2006 to 31 July 2007). This technique assisted the interviewers to capture the problems experienced and strategies implemented by the respondents in their latest business phase.



A pack of cards was provided to the interviewers (see Annexure D). Each card presented one business problem and the business strategies identified in chapter three that could possibly be implemented to solve the particular business problem. Based on these cards, the following questions were asked:

▪ **Question 1**

Question 1 assessed whether the independent financial advisers of this study experienced the business problems presented on each card. The business problems that were listed on each card were identified in Section 2.3.

▪ **Question 2**

If the respondents experienced the problems in their businesses, question 2 evaluated whether they implemented the strategies listed on the card or any other strategy to address their problems. The strategies that were listed on each card were identified in chapter three.

▪ **Question 3**

Question 3 measured whether the business strategies, identified in chapter three and listed on each card, were plans the respondents had implemented in their businesses that seemed to have contributed to sales growth.

(The interviewers explained to the respondents that this question related to the strategies they implemented that helped them to sell more financial products and consequently earn more commission.)

▪ **Question 4**

Question 4 assessed the problems the respondents experienced when they implemented the business strategies identified in chapter three that seemed to have contributed to sales growth in their businesses.

▪ **Question 5**

Question 5 determined the counterstrategies the independent financial advisers of this study implemented to address the problems they highlighted in question 4.

▪ **Questions 6 to 8**

Questions 6 to 8 were devoted to gaining deeper insight into some of the business strategies implemented by the independent financial advisers of this study.

The interviewers noted the respondents' answers on the questionnaire in the space provided.

Table 5.2 below provides a summary of the link between the research objectives, research propositions and the research questions that were used in the telephone and personal interview questionnaires:

**Table 5.2:** Link between research objectives, research propositions and research questions

| Secondary research objectives  | Research propositions   | Telephone interview questions | Personal interview questions |
|--|---|-------------------------------|------------------------------|
| To determine the <b>problems</b> actually posing a threat to the business survival of independent financial advisers in their organisational life cycle.                                       | The independent financial advisers of this study experience the potential problems in the life cycle stages discussed in the literature review and depicted in Table 4.5.                                     |                               | 1                            |
| To gain insight into confirmed <b>marketing mix solutions</b> that can assist in overcoming the actual problems posing a threat and hindering sales growth in their organisational life cycle. | The independent financial advisers of this study use the possible solutions to overcome the various potential problems in the life cycle stages discussed in the literature review and depicted in Table 4.5. | 7, 8                          | 2, 6–8                       |
| To establish confirmed <b>marketing mix strategies</b> in their organisational life cycle that are likely to engender sales growth.  | The potential solutions depicted in Table 4.5 are also marketing mix strategies implemented by the independent financial advisers of this study and seem to enhance sales growth.                             | 7, 8                          | 3, 6–8                       |
| To investigate the <b>internal and external environmental factors</b> that are actually posing a hindrance to the implementation of the confirmed marketing mix strategies                     | When implementing the marketing mix strategies, the independent financial advisers of this study experience the barriers to implementation discussed in the literature  |                               | 4                            |

| Secondary research objectives  | Research propositions   | Telephone interview questions | Personal interview questions |
|--|---|-------------------------------|------------------------------|
| in their organisational life cycle.  | review and depicted in Table 4.5.   |                               |                              |
| To determine confirmed <b>strategies</b> that can be employed to counter the environmental factors actually posing a hindrance in their organisational life cycle. | When experiencing the barriers to implementation, the independent financial advisers of this study use the counterstrategies as discussed in the literature review and depicted in Table 4.5. |                               | 5                            |
| To obtain clarity on the <b>business phases</b> of independent financial advisers.   | The independent financial advisers of this study do progress through the birth, growth, maturity and revival life cycle stages that were identified in chapter two.                           | 4 –7, 9 and 10                |                              |
| <b>Criteria to qualify respondent for an interview</b>   |   | 1, 2, 3 and 11                |                              |

According to Figure 5.1, the next step in the research process is to determine the research frame.

## 5.4 THE RESEARCH FRAME

Cant *et al.* (2003:124) note that in step six of the marketing research process, a researcher should determine who will be included in the research. Therefore, the research frame should be clarified. A research frame refers to all the elements from which information can be collected to address a marketing problem or opportunity (Cant *et al.*, 2003:47). In most instances, however, it is impossible to collect the information from every individual who is influenced by the research. For this reason, only a representative group of respondents is chosen, by using a process known as sampling (Cant *et al.*, 2003:124).

The sampling process consists of the following five steps (Cant *et al.*, 2003:124):

- **Step 1:** Determine the target population.
- **Step 2:** Define the sample frame.
- **Step 3:** Decide on a sample technique.
- **Step 4:** Establish the sample size.
- **Step 5:** Implement the sampling process.

The following section provides an overview of these five steps as well as the actions that were taken to select the independent financial advisers operating small businesses in Johannesburg that were interviewed in this study.

#### 5.4.1 Determine the target population

Wilson (2003:177) defines the target population as the total group of individuals that the researcher wishes to examine, study or collect information from. Tull and Hawkins (1993:537) explain that to be complete, a population should be described in terms of the elements, sampling units, extent and time. The element refers to the body from which information will be collected. The extent involves the geographical boundaries within which the research will be conducted. The means by which access will be gained to the element is known as the sample unit (Webb, 1992:50). Tull and Hawkins (1993:537–538) indicate that the time component refers to the period in which a specific act was performed by the respondents.

Using the definitions provided by Webb (1992:50), the population of this study was specified as follows:

Independent financial advisers (**the element**) in Johannesburg (**the extent**) operating small businesses (**the sample unit**) that advised on and sold financial products during the past 12 months (**the time component**).

#### 5.4.2 Define the sample frame

Once the target population has been determined, the next step in the sampling process is to define the sample frame. A sample frame is a record of the population of interest from which the researcher selects the respondents to be included in the research. The record can consist of a list of names and telephone numbers for telephone surveys, a list of addresses for mail or personal interviews, or a map showing local housing (Wilson, 2003:178).

Barnes (1991:348) notes that in practice it is often impossible to find a suitable sample frame that will measure up to the population exactly. In this type of scenario it is necessary to work with the best available frame.

At the time of the field study, a list of independent financial advisers operating small businesses in Johannesburg was not available in South Africa. A list was therefore obtained from the Financial Services Board of the names and contact details of the 1 024 independent financial advisers in Johannesburg registered with them and who had taken on the business form of a natural person. As indicated in Section 5.3.2 (a), questions 1 to 3 of the telephone interview then verified whether each respondent on the list contacted was in fact an independent financial adviser operating a small business that advised on and sold financial products.

The third step in the sampling process involves deciding on a sample technique (Cant *et al.*, 2003:124).

### **5.4.3 Decide on a sample technique**

The initial consideration in the selection of a sample is whether to use a probability or nonprobability sampling procedure (Stevens *et al.*, 2006:185). In a nonprobability sampling procedure the chance of selecting any particular element in the sample is not known (Dillon *et al.*, 1993:229). Cant *et al.* (2003:126) postulate that with probability sampling the sample elements are chosen by chance. Each element has a known, nonzero chance of being selected (Sudman & Blair, 1998:348). Probability sampling is used when the entire population can be identified (Webb, 1992:53).

As was indicated in Section 5.4.2, the sample frame selected consisted of 1 024 independent financial advisers in Johannesburg that had taken on the business form of a natural person. This list, however, did not include all the independent financial advisers operating small businesses in Johannesburg. Some independent financial advisers operating small businesses in Johannesburg might have taken on another business form, such as a close corporation, or only have registered with the Financial Services Board after the list was obtained.

Consequently, the entire population was not known and nonprobability sampling had to be used in this study.

Stevens *et al.* (2006:188) and Cant *et al.* (2003:135) point out that compared to judgement sampling, quota sampling and snowball sampling, the nonprobability convenience sampling method is the least costly and time-consuming technique.

A number of field managers in South Africa indicated that their full-time experienced interviewers normally struggle to obtain participation from financial advisers. These interviewers were only prepared to assist with this study's telephone interviews at a very high rate per questionnaire.

**Therefore, owing to time and budget constraints as well as the type of respondent to be interviewed, the convenience sampling technique was the most adequate technique that could be used to select the sample of respondents for the telephone interviews.**

It is, however, important to note that when using the convenience sampling technique (contacting the most approachable members of the population of interest (Wilson, 2003:185)), it is not possible to know whether the sample interviewed is representative of the target population (Stevens *et al.*, 2006:188). As a result, generalisations from the sample to the target population cannot be made with a high level of confidence. Furthermore, since the convenience sampling technique does not follow any predesigned method, the sample error cannot be determined. This study, however, is exploratory in nature and no scientifically representative conclusions would be made. The limitations of the convenience sampling method, as highlighted by Stevens *et al.* (2006:188), would therefore not affect the research objectives of this study.

Since the purpose of this study is to propose a framework for business survival and sales growth and it was decided in Section 2.2.2 that businesses in the decline stage would not be further investigated, only the financial advisers who experienced commission growth were interviewed in the second phase of the field study.

In an attempt to obtain a more comprehensive overview of the problems they experienced and the strategies they implemented, the researcher invited all the

financial advisers who experienced commission growth to participate in the personal interviews.

Step four in the sampling process is determining the sample size (Cant *et al.*, 2003:124).

#### **5.4.4 Establish the sample size**

Owing to budgetary constraints, it was not possible to contact all 1 024 independent financial advisers that were registered with the Financial Services Board at the time of the study and who had taken the business form of a natural person for a telephone interview. Consequently, a sample size needed to be determined.

According to Stevens *et al.* (2006:191), if the chance of any element of the population being selected for the sample is not known, the principles of normal distribution and the central limit theory cannot be used. Therefore, this study did not use the statistical formulae normally used in probability sampling to determine the sample size for the telephone interviews.

Stevens *et al.* (2006:191–192) present the following guidelines that can be used to determine the sample size if a nonprobability sampling method is used:

- A sample size should never be smaller than 40 respondents.
- An adequate sample size is about 10% of the population.
- Budgetary constraints should be taken into account when determining the sample size.

**Based on the points highlighted above, the researcher decided that only every second person on the list provided by the Financial Services Board would be contacted for a telephone interview. This sample size of 512 respondents (1 024/2) was affordable and also in accordance with the guidelines presented by Stevens *et al.* (2006:191–192).**

Finally, as explained in Section 5.4.3, since all the respondents who experienced commission growth would be invited to participate in the personal

interviews, it was not necessary to calculate a specific sample size for the personal interviews.

#### **5.4.5 Implement the sampling process**

According to Cant *et al.* (2003:125), the final step in the sampling process is to implement the sampling process.

All the decisions made above regarding the selection of this study's sample were implemented when the field study was conducted.

### **5.5 DATA ANALYSIS**

Figure 5.1 indicates that after the research frame has been designed, step seven in the research process is to gather the data. A professional field manager who has managed various projects for the Bureau of Market Research and Markinor was used to assist with the collection of the primary data.

According to Figure 5.1, in step eight of the research process the data collected should then be processed. Data processing entails preparation and analysis of the results obtained (Cant *et al.*, 2003:50).

#### **5.5.1 Data preparation**

Data editing and coding are two major techniques that can be implemented to prepare the data (Aaker *et al.*, 2001:423).

##### **a) Data editing**

McDaniel and Gates (2006:355) explain editing as checking for interviewer and respondent errors. Kent (2007:287) describes it as the process of examining completed questionnaires and taking whatever corrective action is necessary to ensure that the data are of high quality. The purpose of data editing is to identify omissions, ambiguities and errors in the respondents' answers (Aaker *et al.*, 2001:423). *Omissions* can occur if the respondent does not answer a specific question. A response may be *ambiguous* if the answer is unclear or not legible. A typical *error* that can



occur involves selecting more than one answer, if only one answer is allowed (Crask, Fox & Stout, 1995:228).

The telephone and personal interview questionnaires were edited and checked for completeness and accuracy. Where possible, errors as well as incomplete and ambiguous answers were verified with the respondents and corrected.

## **b) Data coding**

After the raw data had been edited, they were coded. Churchill and Iacobucci (2002:575) describe coding as “the technical procedure by which raw data are transformed into symbols”. More specifically, Cant *et al.* (2003:153) and Kent (2007:288–289) indicate that the rationale for the coding process is to transform the respondents’ answers into codes that can be entered into and read by a statistical analysis software program.

The answers to the closed questions of the telephone and personal interview questionnaires were classified according to their sequence of appearance, for example the first answer to the question was coded 1, the second answer 2 and so forth.

The following process, as suggested by McDaniel and Gates (2006:360–361), was employed to code the answers to the open-ended questions of the telephone and personal interview questionnaires:

A list was compiled of all the answers given to each open-ended question. All the responses per question that were similar were then grouped into a category. Once all the categories had been identified, a numerical code was assigned to each category.

The various coded answers from the respondents were captured and processed by the Department of Statistics (Unit for Research Support) at the University of Pretoria.

Following this process, the SPSS statistical package of the SAS software was then used to perform the data analysis.

## 5.5.2 Data analysis procedures used

In the first part of the data analysis procedure, tables and descriptive statistics were used to summarise the data obtained from the field.

### a) Tabulation of survey results

The researcher used *one-way frequency tables*, as they could help to provide an indication in absolute (simple counts) or relative terms (percentages) how often the values of the variables were included in the sample (Diamantopoulos & Schlegelmilch, 2000:74; McDaniel & Gates, 2006:365). To ensure that the data would be displayed correctly, the researcher followed the recommendations provided by Diamantopoulos and Schlegelmilch (2000:74) and made certain that the frequencies displayed did not have negative values, the aggregate of the absolute frequencies were equal to the number of observations and the aggregate of the relative frequencies were equal to 100%.

*Cross-tabulations* (an extension of the frequency of distribution technique (Dillon *et al.*, 1993:379)) were also used, since these could help to examine the answers to one question relative to the answers to one or more other questions (Wilson, 2003:206).

### b) Descriptive statistics

Diamantopoulos and Schlegelmilch (2000:73) describe the purposes of descriptive analyses as follows:

- To offer insight into the nature of responses obtained.
- To assist in providing a means for presenting the results in a digestible manner, through tables and graphs.
- To provide summary measures of typical behaviour, as well as the level of variation in the answers for a given variable.

The most frequently used descriptive statistics are measures of central tendency (mean, mode and median) and measures of variability (range, interquartile range and standard deviation) (Wilson, 2003:207).

- **The mean**

The mean (which is normally referred to as the average (McDaniel & Gates, 2006:310; Taylor, 2007:37)) was used to make comparisons between the responses obtained. The sample mean was calculated by dividing the sum of the responses to a question by the number of respondents that answered the particular question (Aaker *et al.*, 2001:429).

- **The mode**

The mode descriptive technique (which can be calculated with any type of data (Wilson, 2003:207)) was used, since it could help to determine the values that occurred most frequently (Kent, 2007:311; Taylor, 2007:36).

- **The median**

The median value was included in the data analysis of some questions, as it is able to verify the value at or below which 50% of the responses occur (Crask *et al.*, 1995:133; McDaniel & Gates, 2006:374). The researcher applied the rule provided by Taylor (2007:36): for an odd number of values, the median value was selected as the middle value and for an even set of values, the median value was selected as the average of the middle two numbers.

- **Range**

The range provides an indication of the total width of a spread of data (Taylor, 2007:41) and can be calculated by determining the difference between the largest and the smallest value in the data (Wilson, 2003:208). This technique was used to gain more perspective on the demographic figures of the respondents.

- **Interquartile range**

The interquartile range (which is the difference between the 75th and the 25th percentile (Wilson, 2003:208)) provides a description of the

middle half of the data (Taylor, 2007:41). This calculation was used, since it can assist in reducing the impact that extreme values may have on the results (Wilson, 2003:208).

- **The standard deviation**

The standard deviation provides an indication of the average distance that the values in a data set are away from the mean (Wilson, 2003:207–208). Dillon *et al.* (1990:465) as well as Sudman and Blair (1998:459) note that the smaller the standard deviation, the more the observations will be grouped around the mean, indicating little variability among the responses. The standard deviation was also used to gain more insight into the demographic data of the respondents.

In addition to cross-tabulations and descriptive statistics, a number of advanced statistical analyses could also be calculated. Advanced statistical analyses hold a number of benefits for a study: They can assist in reducing the uncertainty of management decisions (Stevens *et al.*, 2006:225) and can help to evaluate the data at a more detailed level and understand the strategic messages contained within them (Birchall, 2008).

According to Fitzpatrick and Wallace (2006:124), though, all statistical tests are based on the assumption that a random sample was used. Statistical inferences cannot be made if the data were obtained from a nonrandom sample (Seale, 1999:136). Since this study's sample was selected on a nonrandom basis, it appears then that it would not have been correct to conduct statistical tests for this study.

However, Seale (1999:136), from another perspective, indicates that a researcher using a nonrandom sample can still benefit from performing statistical analyses. Statistical tests have been found useful in exploring the data obtained from a nonrandom sample and identifying suggestive patterns for further analysis.

The following section provides an overview of the advanced statistical tests that were used in this study.

c) **Advanced statistical tests employed**

▪ **Chi-square test of independence and Fisher's exact test**

The **chi-square test of independence** was used, since it could establish whether two variables were independent or related (Aaker *et al.*, 2001:450; Lehmkuhl, 1996). (This information was necessary to help determine if the respondents could be grouped into the different general life cycle stages, based on their demographic characteristics.)

The following formula (as noted by Taylor (2007:217)) was used to estimate the chi-square value:

$$\text{Test statistic} = \sum \frac{(O-E)^2}{E}$$

Where:

**O** = Observed frequency

**E** = Expected frequency

*The observed frequencies represent the actual answers obtained from the respondents. They are recorded in a contingency table, after which the row, column and grand totals are calculated (Aaker *et al.*, 2001:451). Based on these totals, the expected frequency for each cell is then determined by multiplying on a cell-by-cell basis the row total by column total and then dividing it by the grand total (Taylor, 2007:216). After the chi-square value is calculated, it is compared with a critical value that is obtained from a chi-square table. An association between the variables investigated will exist if the chi-square value (test statistic) is greater than the critical value (Taylor, 2007:217).*

This approach, however, does not indicate the exact probability of obtaining a computed test statistic that is for the most part due to chance (McDaniel & Gates, 2006:388).

For this reason, a probability value was also calculated to obtain more certainty. The probability (p-value) “measures consistency between the results actually obtained in the trial and the ‘pure chance’ explanation for those results” (Thisted, 1998). The smaller the p-value, the smaller the probability will be that the findings noted occurred by chance (McDaniel & Gates, 2006:388). The cut-off value is conventionally viewed as 0.05 (Hart, 2001:88–99). Consequently, if a probability value of less than 0.05 was obtained, it was noted that the findings did not occur by chance and that a connection does exist between the two variables investigated.

However, if the expected frequency within any group were less than 5, the chi-square test would become invalid (Aaker *et al.*, 2001:453; Baumgardner, 1997:555). In this type of scenario, the researcher then applied Fisher’s exact test (as recommended by Baumgardner (1997:555)).

When using Fisher’s exact test, the  $p$ -value is calculated directly and a table of chi-square values is therefore not needed. More specifically, the formula involves determining the  $p$ -value for the observations in the study and then adding this  $p$ -value to the  $p$ -values of all the other potential combinations that will have lower  $p$ -values (Damani, 2003:50).

(This methodology used has merit. Pedersen (1996) indicates that the significance values obtained using Fisher’s exact test can be viewed as reliable regardless of the manner in which the sample data is distributed.)

- **T-test for two independent samples**

The t-test for two independent samples is calculated to determine whether the means obtained from two independent samples are significantly different (Cant *et al.*, 2003:183; Dillon *et al.*, 1993:431–433). (This calculation was also used to help determine if the

respondents could be grouped into the different general life cycle stages, based on their demographic characteristics.)

The following formula was used to calculate the t-value (as noted by Dillon *et al.* (1993:432–433)):

$$t = \frac{(\text{Mean value from sample 1}) - (\text{Mean value from sample 2})}{\sqrt{\frac{(\text{Standard error for sample 1})^2}{\text{Size of sample 1}} + \frac{(\text{Standard error for sample 2})^2}{\text{Size of sample 2}}}}$$

*Once the t-value is calculated, it is also compared with a critical value. A t-distribution table must be used to determine the critical value (Dillon et al., 1993:433). If the t-value calculated is larger than the critical value, it can generally be concluded that the means of the two samples is significantly different (Cant et al., 2003:183).*

However, to obtain more certainty about the results, the *p*-value was also studied when conducting the t-test. If the *p*-value was less than 0.05, the researcher followed the guidelines provided by Cant *et al.* (2003:183–184) and noted that the means of the two samples were significantly different.

#### ▪ **Kruskal-Wallis one-way analysis of variance**

The Kruskal-Wallis one-way analysis of variance was the fourth statistical technique performed on the demographic data of the respondents to investigate if they could be divided into the different general life cycle stages.

The Kruskal-Wallis one-way analysis of variance is a nonparametric test that does not rely on the assumption that the data are normally distributed (School of Mathematics & Statistics, n.d). According to O'Connor and Robertson (2006), the test can be used to examine potential differences between groups and is based on the rank orders of the data obtained.

The data being analysed are first ranked from 1 (lowest) to N (highest). Should tied values occur, they are given the average of the ranks involved. After then calculating the rank sum for each sample, the test statistic is determined (School of Mathematics & Statistics, n.d).

According to Tull and Hawkins (1993:651), the following formula is used to determine the test statistic:

$$H = \frac{12}{N(N+1)} \sum_{j=1}^k \frac{R_j^2}{n_j} - 3(N+1)$$

Where:

**k** = number of samples

**n<sub>j</sub>** = size of sample j

**N** = total number of observations in all samples

**R<sub>j</sub>** = sum of ranks in the jth sample

The results are then compared with a tabled value for the H statistic. There is a difference between the groups examined if the test statistic is larger than the tabled value (Chan & Walmsley, 1997:1759).

However, to obtain more certainty about the results, the *p*-value was also studied when the Kruskal-Wallis one-way analysis of variance test was conducted. If a *p*-value of less than 0.05 was obtained, the researcher followed the guidelines provided by Taylor (2007:177–178) and noted that there was a difference between the samples investigated.

- **Cluster analysis based on Ward's minimum variance method (1963)**

Cluster analysis based on Ward's minimum variance method was the last statistical technique employed to obtain more clarity on the life cycle stages of the respondents. According to Aaker *et al.* (2001:566), cluster analysis involves the grouping of people or objects into groups that are not known. The number of groups and the characteristics of



each group become known only after the analysis has been conducted. Cluster analysis is helpful to discover structures in data, but cannot provide an explanation of why they exist (Statsoft, 2008).

Aaker *et al.* (2001:566–567) warn that the following points should be considered when conducting cluster analysis:

- Most cluster analysis techniques are fairly simple procedures that normally are not sustained by a comprehensive body of statistical reasoning.
- Cluster analysis techniques have developed from many disciplines, and the inbred biases of these disciplines can vary considerably.
- Different clustering techniques can and do produce different solutions to the same data set.

According to Munoz-Diaz and Rodrigo (2004), “Ward’s method calculates the distance between two clusters as the sum of squares between the two clusters added up over all the variables. At each generation, the within-cluster sum of squares is minimised over all partitions obtainable by merging two clusters from the previous generation”. In short, this technique forms hierarchical clusters that have little difference within groups and maximum variance between groups (Davis, 2005:66).

Because an analysis of variance approach is used to determine the distance between the clusters, this method is distinct from all other cluster techniques (Statsoft, 2008).

- Ferreira (2000) and Hanks *et al.* (1993) favour Ward’s minimum variance method, because studies of multiple algorithms found this method to be one of the more reliable cluster techniques. Statsoft (2008) as well as Munoz-Diaz and Rodrigo (2004) also indicate that Ward’s method is regarded in the field as a very efficient method to conduct cluster analysis.

According to Figure 5.1, step nine in the research process is to report the findings. The findings of this study are presented in chapter seven. Conclusions regarding the objectives that were established in Section 1.5 are made, as well as recommendations for future research on this topic.

As a final point, Cant *et al.* (2003:52) indicate that, once the research findings have been implemented in step ten of the research process, new ideas or problems may be identified in the marketing environment. Accordingly, the use of this study's proposed framework by independent financial advisers operating small businesses in Johannesburg could lead to the identification of further ideas or problems that can be researched in future.

## 5.6 SUMMARY

This chapter provided more clarity on the research path that the remaining part of this study followed to address the research problem.

Since the secondary data sources available (that were investigated in chapters two to four) could not sufficiently answer the research objectives of this study, telephone interviews were used in the first phase of the field study to collect the demographic data of the respondents. Professional interviewers were hired to avoid interviewer bias. A fixed cost per completed telephone questionnaire was also arranged with the interviewers to address the high cost associated with call-backs and phone calls during peak times.

Once the demographic data of the respondents had been collected and more clarity about their life cycle stages could be obtained, personal interviews were conducted to gather information on the problems they experienced and strategies they implemented in their businesses.

This approach was effective since visual aids and explanations could be provided to the respondents, the interviewers were able to probe for adequate answers, the respondents could be motivated to answer difficult questions and it was possible to conduct longer interviews in person. Professional interviewers

were also hired to conduct the personal interviews and a fixed cost per completed questionnaire was arranged with them.

The procedures that were followed to design the telephone and personal interview questionnaires were discussed in Section 5.3.1, and Section 5.3.2 provided a short overview of the final questionnaires that were used.

It was further indicated in this chapter that the population of this study consisted of independent financial advisers in Johannesburg operating small businesses that advised on and sold financial products during the past 12 months.

Because a database of these respondents was not available, a list was obtained from the Financial Services Board of the names and contact details of the 1 024 independent financial advisers in Johannesburg that are registered with them and who had taken on the business form of a natural person. Questions 1 to 3 of the telephone interview then helped to verify whether each respondent on the list contacted did in fact form part of the population of this study and could therefore be interviewed further.

Owing to time and budgetary constraints as well as the type of respondent to be interviewed, it was decided that the convenience sampling technique would be used and only every second respondent on the list provided by the Financial Service Board would be contacted for a telephone interview. This sample size of 512 respondents was affordable and also in accordance with the guidelines presented by Stevens *et al.* (2006:191–192).

Since the purpose of this study is to propose a framework for business survival and sales growth, the second phase of the field study focused exclusively on the financial advisers who experienced commission growth. In an attempt to obtain a more comprehensive overview of the problems they experienced and the strategies they implemented, the researcher invited all the financial advisers who experienced commission growth to participate in the personal interviews.

The collected data were edited and coded, after which they were analysed. Frequency of distribution tables, cross-tables, descriptive statistics, the chi-square test of independence, Fisher's exact test, the t-test for two independent



samples, the Kruskal-Wallis one-way analysis of variance test and Ward's minimum variance method were used to analyse the data. Special attention was given to the probability value calculated for each test statistic.

Chapter six contains a discussion and interpretation of the research results that were obtained from the field study.

## **Chapter Six**

### **Research results and interpretation**

#### **6.1 INTRODUCTION**

Chapter five contained a detailed discussion of the research methodology that was followed in the empirical part of the study. In chapter six the findings obtained from the field study are presented and analysed.

Section 6.2 commences with a summary of the number of respondents that participated in the field study and whose data could be further explored. After the telephone interview results are reviewed in Section 6.3, Section 6.4 determines whether the life cycle clusters established with Ward's minimum variance test method (1963) can be accepted as a valid representation of the business phases of the respondents. Secondary to this discussion, the possibility of a single life cycle stage is also investigated.

In Section 6.5, the results obtained from the personal interviews are disclosed and analysed to provide more insight into the business obstacles and strategies that the advisers who experienced commission growth have encountered and implemented before in their business life cycle.

Section 6.6 ends with a detailed discussion of the various measures that were implemented in this study to ensure that the findings obtained from the field were valid and reliable.

#### **6.2 RESPONSE RATE**

The fieldwork was conducted in Johannesburg from September 2007 to November 2007. Table 6.1 below provides a comprehensive summary of the number of respondents contacted as well as the response rate that was obtained in each phase of the fieldwork.

**Table 6.1:** Respondents contacted and response rates obtained

|   |               |
|---|---------------|
| Number of independent financial advisers in Johannesburg that were registered with the Financial Services Board and who had taken on the business form of a natural person              | 1 024         |
| <b>Total number of respondents contacted from the list for a telephone interview in phase one</b>   | <b>512</b>    |
| Wrong number  | 15            |
| Respondent not eligible for interview   | 7             |
| No answer, busy, not in the office  | 339           |
| Respondent refusal  | 18            |
| Number of telephone interviews completed with independent financial advisers from the list who operated small businesses and advised on and sold financial products in their businesses | 133           |
| <b>Response rate phase 1: <math>133/(339 + 18 + 133) \times 100</math></b>  | <b>27.14%</b> |
| <b>Total number of respondents contacted for a personal interview in phase two</b>  | <b>76</b>     |
| Respondent refusal  | 26            |
| Number of personal interviews that were completed   | 44            |
| Number of telephone interviews that were completed owing to the respondents' extremely busy schedules   | 6             |
| Total number of interviews that were completed in phase two   | 50            |
| <b>Response rate phase 2: <math>(44 + 6)/(44 + 6 + 26) \times 100</math></b>  | <b>65.79%</b> |

The Financial Services Board provided a list of the 1 024 independent financial advisers in Johannesburg that were registered with them at the time of the study and who had taken on the business form of a natural person.

As indicated in Table 6.1, a total of 512 respondents were contacted for a telephone interview. However, only 133 telephone interviews could be conducted successfully.

Based on the number of financial advisers contacted and the number of interviews that were completed in the first phase of the field study, a response rate of 27.14% was obtained.

The reasons for the response rate can be explained as follows:

- Fifteen of the listed telephone numbers contacted were incorrect.
- Seven of the respondents contacted were not independent financial advisers who operated small businesses and advised on and sold financial products. As a result, these respondents were not eligible to be interviewed.

- A total of 339 respondents, when contacted, either did not answer their telephones, had an engaged number or were not in the office.
- Eighteen financial advisers refused to be interviewed. A lack of time and too many researchers contacting them for an interview were given as the main reasons for refusal.

A total of 76 respondents interviewed in phase one indicated that they earned more commission over the past 12 months than the previous year. (It was explained to the respondents that the concept “the past 12 months” referred to the period 1 August 2006 to 31 July 2007.) All 76 respondents were contacted for a personal interview. However, as pointed out in Table 6.1, only 50 of these respondents were willing to discuss the business obstacles that they experienced and the strategies they implemented in their businesses. Forty-four of the interviews were conducted in person. The other six respondents had extremely busy schedules and were only willing to be interviewed by telephone. These six respondents were asked the same questions that were intended for the personal interviews and great care was taken to ensure that the respondents understood the questions properly and that the answers were probed in full. Based on the number of financial advisers contacted and the number of interviews that were completed, the response rate for the second phase of the field study was 65.79%.

Finally, although only 50 respondents participated in the second phase of the field study, the use of this relatively small sample size for analysis can be justified:

- Stevens *et al.* (2006:190–191) point out that in practice numerous research institutions use a typical sample size of 50 to 200 respondents when conducting research among business respondents that are region specific, and null to four subgroups are involved. The sample of 50 interviews in the second phase of the field study matches the lower end of this range.
- Moreover, this study is also exploratory in nature and involves mainly the investigation of business obstacles experienced and strategies employed by

independent financial advisers. This study does not propose any scientifically representative conclusions.

## **6.3 EXAMINATION OF TELEPHONE INTERVIEW DATA**

A total of 133 respondents were interviewed by telephone successfully. The results of the telephone questionnaire are presented and interpreted on a question-by-question basis for the total sample. Where possible, a comparison is also made between the answers of the respondents who experienced commission growth and those who did not experience any commission growth in their businesses. This information provides additional insight into the demographic profiles of the respondents.

Tables, descriptive analyses of frequencies and advanced statistics are used to assist with the analyses of the results. (The application of these techniques was discussed in detail in Section 5.5.)

### **6.3.1 Commission growth**

The purpose of questions 9 and 10 of the telephone questionnaire was to determine whether the respondents had experienced any commission growth in their businesses. (This information was required to gain more insight into the organisational life cycle stages of the respondents' businesses.) Owing to the sensitive nature of these questions, they were placed at the end of the questionnaire.

However, knowledge about the commission levels of the respondents is needed for the planned comparisons of the answers of the respondents who experienced commission growth and those who did not. For this reason the investigation of the results on a question-by-question basis commences with questions 9 and 10.

#### **a) Question 9**

***Which one of the following statements is most applicable to you?***



**Table 6.2:** Commission earned over the past 12 months compared to the previous year

| Level of commission earned  | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| I earned more commission over the past 12 months than the previous                    | 76        | 57.58%   | 76                   | 57.58%              |
| I earned the same amount of commission over the past 12 months than the previous year | 38        | 28.79%   | 114                  | 86.36%              |
| I earned less commission over the past 12 months than the previous year               | 18        | 13.64%   | 132*                 | 100.00%             |

\* Although 133 advisers were interviewed by telephone, only 132 of them answered this question.

It can be observed from Table 6.2 that, of the 132 respondents who answered this question, 57.58% earned more commission over the past 12 months than the previous year. Thirty-eight respondents (28.79%) earned the same amount of commission and only 18 respondents (13.64%) earned less commission over the past 12 months than the previous year.

### 6.3(1)

**The main finding that can be derived from Table 6.2 is that the majority of the respondents (57.58%) earned more commission over the past 12 months than the previous year.**

#### b) Question 10

If the respondents selected the first option in question 9, the following question was asked:

***How much more commission have you earned over the past 12 months. Please provide a percentage?***

**Table 6.3:** Level of commission growth experienced by the respondents

| Level of commission growth percentage | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---------------------------------------|-----------|----------|----------------------|---------------------|
| 2%                                    | 1         | 1.33%    | 1                    | 1.33%               |
| 5%                                    | 4         | 5.33%    | 5                    | 6.67%               |
| 6%                                    | 2         | 2.67%    | 7                    | 9.33%               |
| 8%                                    | 5         | 6.67%    | 12                   | 16.00%              |
| 10%                                   | 18        | 24.00%   | 30                   | 40.00%              |

| Level of commission growth percentage  | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| 12%  | 1         | 1.33%    | 31                   | 41.33%              |
| 13%  | 2         | 2.67%    | 33                   | 44.00%              |
| 14%  | 1         | 1.33%    | 34                   | 45.33%              |
| 15%  | 6         | 8.00%    | 40                   | 53.33%              |
| 18%  | 1         | 1.33%    | 41                   | 54.67%              |
| 20%  | 12        | 16.00%   | 53                   | 70.67%              |
| 25%  | 4         | 5.33%    | 57                   | 76.00%              |
| 30%  | 6         | 8.00%    | 63                   | 84.00%              |
| 35%  | 1         | 1.33%    | 64                   | 85.33%              |
| 40%  | 2         | 2.67%    | 66                   | 88.00%              |
| 45%  | 1         | 1.33%    | 67                   | 89.33%              |
| 50%  | 4         | 5.33%    | 71                   | 94.67%              |
| 60%  | 1         | 1.33%    | 72                   | 96.00%              |
| 75%  | 1         | 1.33%    | 73                   | 97.33%              |
| 100%   | 1         | 1.33%    | 74                   | 98.67%              |
| 150%   | 1         | 1.33%    | 75*                  | 100.00%             |
| <b>Range = 148%</b><br><b>Average percentage increase = 22.4%</b><br><b>Standard deviation = 22.6%</b><br><b>Median value = 15%</b><br><b>Interquartile range = 15%</b><br><b>Mode value = 10%</b> |           |          |                      |                     |

\* Although 76 respondents indicated in question 9 that they earned more commission over the past 12 months, only 75 of them were willing to disclose the increase in the amount of commission they earned.

The largest increase in the amount of commission earned was 150% and was achieved by only one respondent (1.33%). The difference between the largest and the smallest amount of commission increase experienced (range) is 148%. Table 6.3, though, further indicates that only 5.32% of the respondents experienced commission growth of 60% or more. Further statistical calculations reveal that the average percentage increase in the amount of commission earned is 22.4% and the standard deviation is 22.6%. The median value is 15% and the interquartile range of the results is also 15%. (The 75th percentile is 25% and the 25th percentile is 10%.) The mode value is 10%.

The following main findings can therefore be derived from the results obtained:

### 6.3(2)

The largest increase in the amount of commission earned was 150% and the smallest was 2%. The frequency percentage for both the largest and the smallest amount of commission increase experienced is 1.33%.

### 6.3(3)

Only 5.32% of the respondents experienced commission growth of 60% or more. The average percentage increase in the amount of commission earned is 22.4% and the standard deviation is 22.6%.

### 6.3(4)

Half of the respondents' businesses experienced a commission increase of between 10% and 25%.

## 6.3.2 Respondent qualification

The purpose of questions 1, 2 and 3 of the telephone interviews was to ensure that the correct types of respondents were interviewed. Only independent financial advisers who operated small businesses and advised on and sold financial products in their businesses could participate in the study.

### a) Question 1

***Are you an independent financial adviser?***

**Table 6.4:** Respondents' occupation

| Independent financial adviser | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|-------------------------------|-----------|----------|----------------------|---------------------|
| Yes                           | 133       | 100%     | 133                  | 100%                |
| No                            | 0         | 0%       | 0                    | 0%                  |

A total of 133 respondents answered this question. Table 6.4 shows that 100% of the respondents who answered this question were independent financial advisers.

### 6.3(5)

The main finding is that 100% of the respondents who participated in the telephone interviews were independent financial advisers.

**b) Question 2**

***Are you a small business owner?***

**Table 6.5:** Indication of small business ownership

| Small business owner | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|----------------------|-----------|----------|----------------------|---------------------|
| Yes                  | 133       | 100%     | 133                  | 100%                |
| No                   | 0         | 0%       | 0                    | 0%                  |

Table 6.5 shows that 100% of the respondents who answered this question were small business owners.

**6.3(6)**

**The main finding is that 100% of the respondents who participated in the telephone interviews were small business owners.**

**c) Question 3**

***What types of products do you advise on and sell in your business?***

**Table 6.6:** Types of products advised on and sold in the respondents' businesses

| Product types        | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|----------------------|-----------|----------|----------------------|---------------------|
| Life insurance       | 97        | 35.14%   | 97                   | 35.14%              |
| Investments          | 89        | 32.25%   | 186                  | 67.39%              |
| Medical aid funds    | 44        | 15.94%   | 230                  | 83.33%              |
| Short-term insurance | 33        | 11.96%   | 263                  | 95.29%              |
| Auditing             | 2         | 0.72%    | 265                  | 96.02%              |
| Tax                  | 2         | 0.72%    | 267                  | 96.75%              |
| Accounting           | 1         | 0.36%    | 268                  | 97.11%              |
| Funeral policies     | 4         | 1.45%    | 272                  | 98.56%              |
| Buying shares        | 1         | 0.36%    | 273                  | 98.92%              |
| Setting up a trust   | 1         | 0.36%    | 274                  | 99.28%              |
| Drafting wills       | 1         | 0.36%    | 275                  | 99.64%              |
| Employee benefits    | 1         | 0.36%    | 276*                 | 100.00%             |

\* The total cumulative frequency reflects more than the total sample because of multiple mentions.

The following insights can be derived from Table 6.6:

Life insurance, with a frequency percentage of 35.14%, was the most popular product advised on and sold by the financial advisers surveyed, followed by investments (32.25%), medical aid funds (15.94%) and short-term insurance (11.96%). The remaining products listed in Table 6.6 were not sold by many of the financial advisers: auditing (0.72%), tax (0.72%), accounting (0.36%), funeral policies (1.45%), buying shares (0.36%), setting up a trust (0.36%), drafting wills (0.36%) and employee benefits (0.36%).

### **6.3(7)**

**The main finding, therefore, is that life insurance (35.14%) and investments (32.25%) were the most popular products advised on and sold by the financial advisers surveyed. Accounting (0.36%), buying shares (0.36%), setting up a trust (0.36%), drafting wills (0.36%) and employee benefits (0.36%) were the products least sold by the financial advisers.**

The results obtained from the respondents were then further analysed to determine the specific blend of products each adviser advised on and sold in his or her business. The findings are shown in Table 6.7 below.



**Table 6.7:** Blend of products advised on and sold in each respondent's small business

| Life insurance | Investments | Medical aid funds | Short - term insurance | Auditing | Tax | Accounting | Funeral policies | Buying shares | Setting up a trust | Drafting wills | Employee benefits | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|----------------|-------------|-------------------|------------------------|----------|-----|------------|------------------|---------------|--------------------|----------------|-------------------|-----------|----------|----------------------|---------------------|
|                |             |                   | ■                      |          |     |            |                  |               |                    |                |                   | 16        | 12.03%   | 16                   | 12.03%              |
|                |             | ■                 |                        |          |     |            |                  |               |                    |                |                   | 3         | 2.26%    | 19                   | 14.29%              |
|                |             | ■                 | ■                      |          |     |            |                  |               |                    |                |                   | 3         | 2.26%    | 22                   | 16.54%              |
|                |             | ■                 |                        |          |     |            | ■                |               |                    |                |                   | 1         | 0.75%    | 23                   | 17.29%              |
|                | ■           |                   |                        |          |     |            |                  |               |                    |                |                   | 6         | 4.51%    | 29                   | 21.8%               |
|                | ■           |                   |                        | ■        | ■   |            |                  |               |                    |                |                   | 1         | 0.75%    | 30                   | 22.56%              |
|                | ■           |                   |                        | ■        | ■   | ■          |                  |               |                    |                |                   | 1         | 0.75%    | 31                   | 23.31%              |
|                | ■           |                   |                        |          |     |            | ■                |               |                    |                |                   | 2         | 1.50%    | 33                   | 24.81%              |
|                | ■           |                   |                        |          |     |            |                  | ■             |                    |                |                   | 1         | 0.75%    | 34                   | 25.56%              |
|                | ■           |                   |                        |          |     |            |                  |               | ■                  |                |                   | 1         | 0.75%    | 35                   | 26.32%              |
|                | ■           | ■                 | ■                      |          |     |            |                  |               |                    |                |                   | 1         | 0.75%    | 36                   | 27.07%              |
| ■              |             |                   |                        |          |     |            |                  |               |                    |                |                   | 13        | 9.77%    | 49                   | 36.84%              |
| ■              |             |                   | ■                      |          |     |            |                  |               |                    |                |                   | 5         | 3.76%    | 54                   | 40.60%              |
| ■              |             |                   |                        |          |     |            | ■                |               |                    |                |                   | 1         | 0.75%    | 55                   | 41.35%              |
| ■              |             | ■                 |                        |          |     |            |                  |               |                    |                |                   | 2         | 1.50%    | 57                   | 42.86%              |
| ■              | ■           |                   |                        |          |     |            |                  |               |                    |                |                   | 38        | 28.57%   | 95                   | 71.43%              |
| ■              | ■           |                   | ■                      |          |     |            |                  |               |                    |                |                   | 3         | 2.26%    | 98                   | 73.68%              |
| ■              | ■           |                   |                        |          |     |            |                  |               |                    | ■              |                   | 1         | 0.75%    | 99                   | 74.44%              |
| ■              | ■           | ■                 |                        |          |     |            |                  |               |                    |                |                   | 28        | 21.05%   | 127                  | 95.49%              |
| ■              | ■           | ■                 |                        |          |     |            |                  |               |                    |                | ■                 | 1         | 0.75%    | 128                  | 96.24%              |
| ■              | ■           | ■                 | ■                      |          |     |            |                  |               |                    |                |                   | 5         | 3.76%    | 133                  | 100.00%             |

Table 6.7 shows that the life insurance and investments group has the highest frequency of percentage (28.57%), followed by the life insurance, investments and medical aid funds group (21.05%), the short-term insurance group (12.03%) and the life insurance group (9.77%). Only a small number of respondents mentioned the remaining blend of products listed in Table 6.7 and meaningful interpretations about these responses therefore cannot be made.

### 6.3(8)

**The main finding is that life insurance and investments (28.57%) was the most popular blend of products advised on and sold by the respondents, followed by life insurance, investments and medical aid funds (21.05%), only short-term insurance (12.03%) and only life insurance (9.77%).**

Table 6.8 below provides a further comparison of the types of products advised on and sold by the respondents who experienced commission growth versus those who did not experience any commission growth in their businesses.

**Table 6.8:** Comparison of types of products advised on and sold by respondents who experienced commission growth and those who did not

| Product types  | Frequency                      |                                  |                                  |                                  |            |                |
|--|--------------------------------|----------------------------------|----------------------------------|----------------------------------|------------|----------------|
|  | Commission growth experienced  |                                  | No commission growth experienced |                                  | Total      |                |
|  | Number<br>n=76*<br>respondents | Percentage<br>n=132<br>responses | Number<br>n=56*<br>respondents   | Percentage<br>n=132<br>responses | Number     | Percentage     |
| At least life insurance and investments  | 47 (61.84%)                    | 35.61%                           | 28 (50.00%)                      | 21.21%                           | 75         | 56.82%         |
| At least life insurance and no investments   | 10 (13.16%)                    | 7.58%                            | 11 (19.64%)                      | 8.33%                            | 21         | 15.91%         |
| At least investments and no life insurance   | 5 (6.58%)                      | 3.79%                            | 8 (14.29%)                       | 6.06%                            | 13         | 9.85%          |
| No life insurance or investments (only one or more of the remaining types of products listed in Table 6.7) | 14 (18.42%)                    | 10.61%                           | 9 (16.07%)                       | 6.82%                            | 23         | 17.42%         |
| <b>Total</b>   | <b>76</b>                      | <b>57.58%</b>                    | <b>56</b>                        | <b>42.42%</b>                    | <b>132</b> | <b>100.00%</b> |
| Chi-square value = 3.6947<br>Associated p-value = 0.2964   |                                |                                  |                                  |                                  |            |                |

\* Table 6.8 only reflects the answers of the 132 respondents who commented on their commission growth in question 9.

Table 6.7 reveals that the life insurance and investments combination was the most popular blend of products advised on and sold by the respondents. Table 6.8 indicates that of the 76 respondents who experienced commission growth, 47 (61.84%) advised on and sold at least life insurance and investment products in their businesses. Fourteen respondents (18.42%), though, did not advise on and sell life insurance or investment products in their businesses (only one or more of the remaining types of products listed in Table 6.7), 10 respondents (13.16%) advised on and sold at least life insurance and no investment products and 5 respondents (6.58%) advised on and sold at least investments and no life insurance products in their businesses.

Table 6.8 reveals that of the 56 respondents who experienced no commission growth in their businesses, 28 (50%) advised on and sold at least life insurance and investment products, followed by 11 respondents (19.64%) who advised on and sold at least life insurance and no investment products, 9 respondents (16.07%) who advised on and sold no life insurance or investments (only one or more of the remaining types of products listed in Table 6.7) and 8 respondents (14.29%) who advised on and sold at least investments and no life insurance products in their businesses.

The chi-square value for the results shown in Table 6.8 is 3.6947 and the associated  $p$ -value is 0.2964. Since the expected frequency in each cell is more than 5, it was not necessary to perform Fisher's exact test. The associated  $p$ -value is greater than 0.05, indicating that there is no connection between the types of products advised on and sold by the respondents and the commission growth they experienced.

The following main findings can be derived from the results obtained:

### **6.3(9)**

**The majority of the respondents who experienced commission growth in their businesses (61.84%) advised on and sold at least life insurance and investment products in their businesses. Only half of**



the respondents who did not experience any commission growth in their businesses (50%) advised on and sold at least life insurance and investment products in their businesses.

### 6.3(10)

**There is no connection between the types of products advised on and sold by the respondents and the commission growth they experienced.**

The final observation that can be made in Section 6.3.2 is that the results depicted in Tables 6.4 to 6.8 provide evidence that all 133 respondents interviewed by telephone did qualify as respondents for this study.

The following main finding can therefore also be derived:

### 6.3(11)

**Only independent financial advisers who operated small businesses and advised on and sold financial products in their businesses were interviewed in phase one of the fieldwork.**

## 6.3.3 Business age

The purpose of question 4 was to measure the age of the respondents' small businesses. (The age of the respondents' businesses also had to be determined to help clarify their organisational life cycle stages.)

### Question 4

***In what year was your business founded?***

**Table 6.9:** Year in which respondents' businesses were founded and age of business

| Year founded | Age of business<br>(2007 – Year founded) | Frequency | Per cent | Cumulative<br>frequency | Cumulative<br>per cent |
|--------------|--|-----------|----------|-------------------------|------------------------|
| 1963         | 44                                       | 1         | 0.75%    | 1                       | 0.75%                  |
| 1965         | 42                                       | 1         | 0.75%    | 2                       | 1.50%                  |
| 1970         | 37                                       | 2         | 1.50%    | 4                       | 3.01%                  |
| 1972         | 35                                       | 2         | 1.50%    | 6                       | 4.51%                  |
| 1973         | 34                                       | 2         | 1.50%    | 8                       | 6.02%                  |
| 1975         | 32                                       | 1         | 0.75%    | 9                       | 6.77%                  |
| 1976         | 31                                       | 2         | 1.50%    | 11                      | 8.27%                  |



| Year founded   | Age of business<br>(2007 – Year founded) | Frequency | Per cent | Cumulative<br>frequency | Cumulative<br>per cent |
|--|--|-----------|----------|-------------------------|------------------------|
| 1977   | 30                                       | 1         | 0.75%    | 12                      | 9.02%                  |
| 1978   | 29                                       | 1         | 0.75%    | 13                      | 9.77%                  |
| 1980   | 27                                       | 1         | 0.75%    | 14                      | 10.53%                 |
| 1981   | 26                                       | 1         | 0.75%    | 15                      | 11.28%                 |
| 1982   | 25                                       | 5         | 3.76%    | 20                      | 15.04%                 |
| 1983   | 24                                       | 1         | 0.75%    | 21                      | 15.79%                 |
| 1984   | 23                                       | 3         | 2.26%    | 24                      | 18.05%                 |
| 1985   | 22                                       | 2         | 1.50%    | 26                      | 19.55%                 |
| 1986   | 21                                       | 2         | 1.50%    | 28                      | 21.05%                 |
| 1987   | 20                                       | 2         | 1.50%    | 30                      | 22.56%                 |
| 1988   | 19                                       | 5         | 3.76%    | 35                      | 26.32%                 |
| 1989   | 18                                       | 5         | 3.76%    | 40                      | 30.08%                 |
| 1990   | 17                                       | 2         | 1.50%    | 42                      | 31.58%                 |
| 1991   | 16                                       | 3         | 2.26%    | 45                      | 33.83%                 |
| 1992   | 15                                       | 7         | 5.26%    | 52                      | 39.10%                 |
| 1993   | 14                                       | 2         | 1.50%    | 54                      | 40.60%                 |
| 1994   | 13                                       | 5         | 3.76%    | 59                      | 44.36%                 |
| 1995   | 12                                       | 5         | 3.76%    | 64                      | 48.12%                 |
| 1996   | 11                                       | 5         | 3.76%    | 69                      | 51.88%                 |
| 1997   | 10                                       | 11        | 8.27%    | 80                      | 60.15%                 |
| 1998   | 9  | 9         | 6.77%    | 89                      | 66.92%                 |
| 1999   | 8  | 8         | 6.02%    | 97                      | 72.93%                 |
| 2000   | 7  | 9         | 6.77%    | 106                     | 79.70%                 |
| 2001   | 6  | 5         | 3.76%    | 111                     | 83.46%                 |
| 2002   | 5  | 5         | 3.76%    | 116                     | 87.22%                 |
| 2003   | 4  | 8         | 6.02%    | 124                     | 93.23%                 |
| 2004   | 3  | 2         | 1.50%    | 126                     | 94.74%                 |
| 2005   | 2  | 4         | 3.01%    | 130                     | 97.74%                 |
| 2006   | 1  | 2         | 1.50%    | 132                     | 99.25%                 |
| 2007   | Less than 1 year                         | 1         | 0.75%    | 133                     | 100.00%                |
| <b>Range = 44 years</b><br><b>Median value = 11 years</b><br><b>Interquartile range = 12 years</b><br><b>Mode value = 10 years</b><br><b>Average age = 13.9 years</b><br><b>Standard deviation = 9.4 years</b> |  |           |          |                         |                        |

Table 6.9 shows 133 responses that were captured. Similar to the approach that was followed by Ferreira (2000), the age of the respondents' businesses

was determined by subtracting the year in which the business was founded from 2007 (the year in which the fieldwork was conducted). The oldest business was 44 years old and the youngest was less than 1 year old. Both these age groups have a frequency percentage of 0.75%. The difference between the oldest and the youngest business (range) is therefore 44 years. The median value is 11 years and the interquartile range of the results is 12 years. (The 75th percentile is 19 years and the 25th percentile is 7 years.)

Furthermore, the 10-year age group has the highest frequency of percentage (8.27%), explaining the mode value of 10 years. The 9- and 7-year age groups have the second highest frequency of percentage (6.77%).

The average business age of all the respondents is 13.9 years and the standard deviation is 9.4 years. The average business age of the respondents who experienced commission growth is 14.25 years (standard deviation is 9.66) and the average business age of the respondents who did not experience any commission growth in their businesses is 13.68 years (standard deviation is 9.03). A t-test was conducted to determine if there was a significant difference between the mean business ages of the two groups. The t-value is 0.35 and the associated  $p$ -value is 0.7278. Since the associated  $p$ -value is greater than 0.05, there is no significant difference between the mean business age of the respondents who experienced commission growth and those who did not experience any.

The following main findings can therefore be derived from the results obtained:

**6.3(12)**

**The oldest business examined in this study was more than four decades old (44 years) and the youngest was less than 1 year old. Both these age groups have a frequency percentage of 0.75%.**

**6.3(13)**

**Half of the respondents' businesses were between 7 and 19 years old.**

**6.3(14)**

**The average age of the small businesses is 13.9 years.**

### 6.3(15)

There is no significant difference between the mean business age of the respondents who experienced commission growth and those who did not experience any.

### 6.3(16)

The highest frequency was obtained from the 10-year age group (8.27%).

## 6.3.4 Employee growth

Questions 5 and 6 were included in the telephone interview to establish if the respondents experienced any employment growth in their businesses. (This information was also required to gain more insight into the organisational life cycle stages of the respondents.)

The results obtained from questions 5 and 6 are presented first. An overview is then given of the level of employee growth in the respondents' small businesses.

### a) Question 5

***How many employees employed in your business from 1 August 2005 to 31 July 2006. (Full time and part time.)***

**Table 6.10:** Number of employees in business from 1 August 2005 to 31 July 2006

| Number of employees                          | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| 0  | 84        | 63.16%   | 84                   | 63.16%              |
| 1  | 25        | 18.80%   | 109                  | 81.96%              |
| 2  | 16        | 12.03%   | 125                  | 93.99%              |
| 3  | 4         | 3.01%    | 129                  | 97.00%              |
| 4  | 2         | 1.50%    | 131                  | 98.50%              |
| 5  | 1         | 0.75%    | 132                  | 99.25%              |
| 8  | 1         | 0.75%    | 133                  | 100.00%             |
| Average number of employees = 0.68 employees |           |          |                      |                     |
| Mode value = 0 employees                     |           |          |                      |                     |

The mean score for the results obtained in question 5 is 0.68 employees. However, Table 6.10 indicates that of the 133 respondents who answered this question, 63.16% had no employees from 1 August 2005 to 31 July

2006. This explains the mode value of 0 employees. Twenty-five financial advisers (18.80%) had 1 employee and 16 financial advisers (12.03%) employed 2 employees. Only a few respondents employed either 3 employees (3.01%), 4 employees (1.50%), 5 employees (0.75%) or 8 employees (0.75%).

### 6.3(17)

The main finding that can be derived from question 5 is therefore that the majority of the respondents who participated in the telephone interviews (63.16%) had no employees in their business from 1 August 2005 to 31 July 2006.

#### b) Question 6

*How many employees employed in your business from 1 August 2006 to 31 July 2007. (Full time and part time.)*

**Table 6.11:** Number of employees in business from 1 August 2006 to 31 July 2007

| Number of employees                          | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| 0  | 83        | 62.41%   | 83                   | 62.41%              |
| 1  | 29        | 21.80%   | 112                  | 84.21%              |
| 2  | 13        | 9.77%    | 125                  | 93.99%              |
| 3  | 4         | 3.01%    | 129                  | 97.00%              |
| 4  | 2         | 1.50%    | 131                  | 98.50%              |
| 5  | 1         | 0.75%    | 132                  | 99.25%              |
| 8  | 1         | 0.75%    | 133                  | 100.00%             |
| Average number of employees = 0.66 employees |           |          |                      |                     |
| Mode value = 0 employees                     |           |          |                      |                     |

The mean score for the results obtained in question 6 is 0.66 employees. Table 6.11, though, indicates that of the 133 respondents who answered this question, 62.41% had no employees from 1 August 2006 to 31 July 2007, explaining the mode value of 0 employees. Twenty-nine financial advisers (21.80%) had 1 employee and 13 financial advisers (9.77%) employed 2 employees. Only a few respondents employed either 3

employees (3.01%), 4 employees (1.50%), 5 employees (0.75%) or 8 employees (0.75%).

### 6.3(18)

**The main finding that can be derived from question 6 is that most of the respondents who participated in the telephone interviews (62.41%) had no employees in their business from 1 August 2006 to 31 July 2007.**

Based on the results obtained from questions 5 and 6, the level of employment growth present in each respondent's small business was determined. The following formula was applied:

$$\frac{(\text{Total employees from 1 August 2006 to 31 July 2007}) - (\text{Total employees from 1 August 2006 to 31 July 2006}) \times 100}{(\text{Total employees from 1 August 2006 to 31 July 2006})}$$

(Ferreira (2000) also used this formula in his research study when he examined the level of employment growth in the respondents' small businesses.)

Table 6.12 below provides a summary of the results obtained.

**Table 6.12:** Level of employment growth in respondents' small businesses

| Employee growth percentage experienced | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| -100%                                  | 7         | 5.26%    | 7                    | 5.26%               |
| -50%                                   | 1         | 0.75%    | 8                    | 6.01%               |
| 0%                                     | 119       | 89.47%   | 127                  | 95.48%              |
| 33%                                    | 1         | 0.75%    | 128                  | 96.23%              |
| 50%                                    | 2         | 1.50%    | 130                  | 97.73%              |
| 100%                                   | 3         | 2.26%    | 133                  | 100.00%             |

The following insights can be derived from Table 6.12:

- Of the 133 respondents who participated in the telephone interviews, 89.47% had no employee growth in their businesses in the relevant period.
- Eight of the respondents (6.01%) experienced negative employee growth in their businesses in the relevant period.

- Six respondents (4.51%) encountered positive employee growth in their businesses in the relevant period.

### 6.3(19)

The main finding is that the majority of the respondents who participated in the telephone interviews (89.47%) did not experience any employee growth in their businesses in the relevant period.

### 6.3.5 Number of organisational levels, specialised functions and types of employees

Question 7 was asked to determine the number of organisational levels, number of specialised functions and types of employees employed in each respondent's small business. (This information was also needed to gain more insight into the organisational life cycle stages of the respondents' businesses.)

#### Question 7

The respondents were asked one of the following two questions:

*If, according to question 6, the respondent had only one employee, they were asked the following:*

***The following question relates to the one employee that you have employed in your business from 1 August 2006 to 31 July 2007. Please provide a brief description of what your employee's duties were during that time and to whom your employee reported to.***

*If, according to question 6, the respondent had two or more employees, they were asked the following:*

***The following question relates to the (mention number of employees employed) employees that you have employed in your business from 1 August 2006 to 31 July 2007. Please provide a brief description of what each employee's duties were during that time and to whom each employee reported to.***

Tables 6.13 to 6.17 show the results obtained.

**Table 6.13:** Number of organisational levels in respondents' small businesses

| Number of organisational levels | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---------------------------------|-----------|----------|----------------------|---------------------|
| 1 level                         | 83        | 62.41%   | 83                   | 62.41%              |
| 2 levels                        | 50        | 37.59%   | 133                  | 100.00%             |

The reporting structures of the respondents' businesses were studied to identify the number of organisational levels. The small business owner was always counted as the first organisational level. Therefore, if the small business owner had no employees, the business would have one organisational level. Table 6.13 depicts that, of the 133 respondents who answered this question, 62.41% had 1 organisational level in their small businesses and 37.59% had 2.

Two main findings can be derived from Table 6.13:

### 6.3(20)

**All the respondents who participated in the telephone interviews had either one or two organisational levels in their small businesses.**

### 6.3(21)

**The majority of the respondents (62.41%) indicated that they had only one organisational level in their small businesses.**

Table 6.14 below provides a further comparison of the number of organisational levels in the businesses of the respondents who experienced commission growth and those who did not.

**Table 6.14:** Comparison of number of organisational levels between respondents' businesses that experienced commission growth and those that did not

| Number of organisational levels                          | Frequency                     |                            |                                  |                            |            |                |
|--|-------------------------------|----------------------------|----------------------------------|----------------------------|------------|----------------|
|  | Commission growth experienced |                            | No commission growth experienced |                            | Total      |                |
|  | Number n=76* respondents      | Percentage n=132 responses | Number n=56* respondents         | Percentage n=132 responses | Number     | Percentage     |
| 1 level  | 42 (55.26%)                   | 31.82%                     | 40 (71.43%)                      | 30.30%                     | 82         | 62.12%         |
| 2 levels   | 34 (44.74%)                   | 25.76%                     | 16 (28.57%)                      | 12.12%                     | 50         | 37.88%         |
| <b>Total</b>   | <b>76</b>                     | <b>57.58%</b>              | <b>56</b>                        | <b>42.42%</b>              | <b>132</b> | <b>100.00%</b> |
| Chi-square value = 3.5807<br>Associated p-value = 0.0585 |                               |                            |                                  |                            |            |                |

\* Table 6.14 only reflects the answers of the 132 respondents who commented on their commission growth in question 9.



Table 6.14 indicates that of the 76 respondents who experienced commission growth, 42 (55.26%) had only 1 organisational level in their small businesses and the remaining 34 respondents (44.74%) had 2. Table 6.14 further reveals that of the 56 respondents who did not experience any commission growth in their businesses, 40 (71.43%) had only 1 organisational level in their small businesses and the remaining 16 respondents (28.57%) had 2.

The chi-square value for the results shown in Table 6.14 is 3.5807 and the associated  $p$ -value is 0.0585. Since the expected frequency in each cell is more than 5, it was not necessary to perform Fisher's exact test. The associated  $p$ -value is greater than 0.05, indicating that there is no connection between the number of organisational levels in the respondents' businesses and the commission growth they experienced (although Table 6.14 did indicate that 34 of the respondents who experienced commission growth had 2 organisational levels versus only 16 of the respondents who did not experience commission growth).

The following main findings can be derived from the results obtained:

**6.3(22)**

**The majority of the respondents who experienced commission growth (55.26%) had only one organisational level in their small businesses.**

**6.3(23)**

**The majority of the respondents who did not experience any commission growth (71.43%) had only one organisational level in their small businesses.**

**6.3(24)**

**There is no connection between the number of organisational levels in the respondents' businesses and the commission growth they experienced.**

**6.3(25)**

**The number of respondents who experienced commission growth and had two organisational levels (34 respondents) are more than twice the**

**number of respondents who did not experience commission growth and who had two organisational levels (16 respondents).**

**Table 6.15:** Number of specialised functions in respondents' small businesses

| Number of specialised functions | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---------------------------------|-----------|----------|----------------------|---------------------|
| 0 specialisation functions      | 90        | 67.67%   | 90                   | 67.67%              |
| 1 specialisation function       | 34        | 25.56%   | 124                  | 93.23%              |
| 2 specialisation functions      | 5         | 3.76%    | 129                  | 96.99%              |
| 3 specialisation functions      | 4         | 3.01%    | 133                  | 100.00%             |

The duties of each employee were studied to determine the number of specialised functions in the business. If the employee, for example, performed an administration role only, it was regarded as a specialised function. It can be observed from Table 6.15 that, of the 133 respondents who answered this question, 90 (67.67%) had no specialised function in their small businesses. (Although only 83 respondents did not have any employees in their businesses (Table 6.11), the employees of 7 of the respondents also performed more general functions.) Thirty-four respondents (25.56%) had 1 specialised function, 5 respondents (3.76%) had 2 specialised functions and 4 respondents (3.01%) had 3.

The following two main findings can be derived from Table 6.15:

### **6.3(26)**

**The independent financial advisers who participated in this study had a maximum of three specialised functions in their small businesses.**

### **6.3(27)**

**The majority of the respondents (67.67%) indicated that they had no specialised functions in their small businesses.**

Table 6.16 below provides a further comparison of the number of specialised functions in the businesses of the respondents who experienced commission growth and those who did not.

**Table 6.16:** Comparison of the number of specialised functions in respondents' businesses that experienced commission growth and those that did not

| Number of specialised functions   | Frequency                     |                            |                                  |                            |            |                |
|---|-------------------------------|----------------------------|----------------------------------|----------------------------|------------|----------------|
|   | Commission growth experienced |                            | No commission growth experienced |                            | Total      |                |
|   | Number n=76* respondents      | Percentage n=132 responses | Number n=56* respondents         | Percentage n=132 responses | Number     | Percentage     |
| 0 specialisation functions  | 45 (59.21%)                   | 34.09%                     | 44 (78.57%)                      | 33.33%                     | 89         | 67.42%         |
| 1 specialisation function   | 24 (31.58%)                   | 18.18%                     | 10 (17.86%)                      | 7.58%                      | 34         | 25.76%         |
| 2 specialisation functions  | 4 (5.26%)                     | 3.03%                      | 1 (1.79%)                        | 0.76%                      | 5          | 3.79%          |
| 3 specialisation functions  | 3 (3.95%)                     | 2.27%                      | 1 (1.79%)                        | 0.76%                      | 4          | 3.03%          |
| <b>Total</b>  | <b>76</b>                     | <b>57.58%</b>              | <b>56</b>                        | <b>42.42%</b>              | <b>132</b> | <b>100.00%</b> |
| Chi-square value = 5.6759<br>Associated p-value = 0.1285<br>Associated p-value for Fisher's exact test = 0.1295 |                               |                            |                                  |                            |            |                |

\* Table 6.16 only reflects the answers of the 132 respondents who commented on their commission growth in question 9.

Table 6.16 indicates that of the 76 respondents who experienced commission growth, a total of 31 (40.79%) had one or more specialised functions in their small businesses and the remaining 45 respondents (59.21%) had none. Table 6.16 further reveals that of the 56 respondents who did not experience any commission growth in their businesses, a total of 12 (21.43%) had one or more specialised functions in their small businesses and the remaining 44 (78.57%) had none.

The chi-square value for the results shown in Table 6.16 is 5.6759 and the associated  $p$ -value is 0.1285. Since the expected frequency in some of the cells is less than 5, Fisher's exact test was performed and a  $p$ -value of 0.1295 was obtained. This  $p$ -value is greater than 0.05, indicating that there is no connection between the number of specialised functions in the respondents' businesses and the commission growth they experienced (although a total of 31 of the respondents who experienced commission growth had one or more specialised functions in their businesses versus only 12 who did not experience commission growth).

The following main findings can be derived from the results obtained:

### 6.3(28)

Although more than half of the respondents who experienced commission growth (59.21%) had no specialised functions in their small businesses, there was still a large number of this group (40.79%) that did seem to have one or more specialised functions in their small businesses.

### 6.3(29)

Most of the respondents who did not experience any commission growth (78.57%) had no specialised functions in their small businesses and only 21.43% had one or more specialised functions.

### 6.3(30)

There is no connection between the number of specialised functions in the respondents' businesses and the commission growth they experienced.

Table 6.17: Types of employees in small businesses

| Types of employees   | Frequency                     |                           |                                  |                           |            |                |
|--|-------------------------------|---------------------------|----------------------------------|---------------------------|------------|----------------|
|  | Commission growth experienced |                           | No commission growth experienced |                           | Total      |                |
|  | Number                        | Percentage n=68 responses | Number                           | Percentage n=68 responses | Number     | Percentage     |
| Administration worker  | 31                            | 45.59%                    | 9                                | 13.24%                    | 40         | 58.82%         |
| Perform more than one role, such as doing books, attending to clients' needs, seeking new business, administration duties, marketing and sales | 3                             | 4.41%                     | 4                                | 5.88%                     | 7          | 10.29%         |
| Consultant   | 3                             | 4.41%                     | 2                                | 2.94%                     | 5          | 7.35%          |
| Typist   | 0                             | 0.00%                     | 1                                | 1.47%                     | 1          | 1.47%          |
| Agents who seek new business   | 1                             | 1.47%                     | 2                                | 2.94%                     | 3          | 4.41%          |
| Bookkeeper   | 2                             | 2.94%                     | 0                                | 0.00%                     | 2          | 2.94%          |
| Tax consultant   | 1                             | 1.47%                     | 0                                | 0.00%                     | 1          | 1.47%          |
| Public relations and marketing officer   | 2                             | 2.94%                     | 0                                | 0.00%                     | 2          | 2.94%          |
| Receptionist   | 2                             | 2.94%                     | 1                                | 1.47%                     | 3          | 4.41%          |
| Person who makes appointments and resolves queries   | 1                             | 1.47%                     | 0                                | 0.00%                     | 1          | 1.47%          |
| Office manager and tax consultant  | 1                             | 1.47%                     | 0                                | 0.00%                     | 1          | 1.47%          |
| Telesales assistant  | 1                             | 1.47%                     | 0                                | 0.00%                     | 1          | 1.47%          |
| Telesales and administration worker  | 1                             | 1.47%                     | 0                                | 0.00%                     | 1          | 1.47%          |
| <b>Total</b>   | <b>49</b>                     | <b>72.05%</b>             | <b>19</b>                        | <b>27.94%</b>             | <b>68*</b> | <b>100.00%</b> |

\* Reflects total number of responses. Multiple mentions were allowed.

Table 6.11 indicates that a total of 50 advisers had one or more employees in their businesses from 1 August 2006 to 31 July 2007. Between these advisers, a total of 88 employees were employed. Table 6.17 provides more insight into the types of roles these employees performed. **(Some financial advisers had more than one employee performing the same role, explaining the difference between the total number of responses shown in Table 6.17 and the total number of employees.)**

An administration worker was the type of employee most employed by financial advisers (58.82%). Thirty-one of the respondents who experienced commission growth and 9 of the respondents who did not experience commission growth had an administration worker in their businesses. A total of 7 respondents (10.29%) employed workers that performed more general duties (3 of the respondents who experienced commission growth and 4 of the respondents who did not). A total of 5 respondents (7.35%) employed consultants (3 of the respondents who experienced commission growth and 2 of the respondents who did not).

The total percentage column in Table 6.17 further indicates that the remaining types of employees listed were not used by many of the financial advisers surveyed: typist (1.47%), agents who seek new business (4.41%), bookkeeper (2.94%), tax consultant (1.47%), public relations and marketing officer (2.94%), receptionist (4.41%), person who makes appointments and resolves queries (1.47%), office manager and tax consultant (1.47%), telesales assistant (1.47%), telesales and administration worker (1.47%). Excluding the typist, agents who seek new business and receptionist roles, these types of workers were primarily employed by the financial advisers who did experience commission growth in their businesses.

The following important additional observations can be made:

- The types of employees that were employed (as listed in Table 6.17) did not have an impact on the number of organisational levels in the respondents' businesses. Table 6.13 indicates that the respondents of this study had either one or two organisational levels. The small business owner was

counted as the first organisational level and all the employees in each business reported directly to the business's owner.

- Table 6.16 indicates that both the respondents who experienced commission growth and those who did not had a maximum of three specialised functions in their businesses. Collectively a total of 56 specialised roles were performed in the businesses of the respondents. These 56 specialised roles, however, can also be grouped according to the type of role performed in the business. Table 6.17 assists with this classification, through the description of the roles performed by the employees as well as the number of respondents who used each role in their businesses.

(All the employee roles listed in Table 6.17 can be regarded as specialised functions, except the following five employee descriptions that were given: perform more than one role, such as doing books, attending to clients' needs, seeking new business, administration duties, marketing and sales; public relations and marketing officer; person who makes appointments and resolves queries; office manager and tax consultant as well as telesales and administration worker.)

Based on this observation, an administration worker (mentioned by 31 respondents who experienced commission growth and 9 respondents who did not) was the most popular type of specialised role in the businesses of the respondents.

### **6.3(31)**

**The first main finding is that an administration worker was the type of employee most employed by the respondents and also the most popular type of specialised role performed in the businesses of the respondents. A total percentage of 58.82% was obtained.**

### **6.3(32)**

**The second main finding is that the following types of employees were mainly employed by independent financial advisers who experienced commission growth: bookkeeper (2.94%), tax consultant (1.47%), public relations and marketing officer (2.94%), person who makes appointments and resolves queries (1.47%), office manager and tax consultant (1.47%), telesales assistant (1.47%), telesales and administration worker (1.47%).**

### 6.3(33)

The third main finding is that the types of employees that were employed (as listed in Table 6.17) did not have an impact on the number of organisational levels in the respondents' businesses.

### 6.3.6 Motivational techniques employed

A number of motivational techniques were identified in the literature review as part of the discussion on potential strategies independent financial advisers can implement. Consequently, question 8 was asked to gain more insight into the techniques the independent financial advisers of this study used to motivate their employees.

The results of this question are revealed in Tables 6.18 to 6.21 below. **(It is, however, important to note that not all 50 of the respondents who had employees in their businesses answered this question.)**

#### a) Question 8

***How often do you make use of the following methods in your business to motive your employees?***

The first method is modifying employee responsibilities to expand and add challenges to the tasks required.

**Table 6.18:** Modifying employee responsibilities

| Frequency of use  | Frequency                     |                                 |                                  |                                 |           |                |
|---|-------------------------------|---------------------------------|----------------------------------|---------------------------------|-----------|----------------|
|   | Commission growth experienced |                                 | No commission growth experienced |                                 | Total     |                |
|   | Number<br>n=32<br>respondents | Percentage<br>n=48<br>responses | Number<br>n=16<br>respondents    | Percentage<br>n=48<br>responses | Number    | Percentage     |
| At least once a month   | 15 (46.88%)                   | 31.25%                          | 6 (37.50%)                       | 12.50%                          | 21        | 43.75%         |
| Less often than once a month  | 15 (46.88%)                   | 31.25%                          | 5 (31.25%)                       | 10.42%                          | 20        | 41.67%         |
| Never   | 2 (6.25%)                     | 4.17%                           | 5 (31.25%)                       | 10.42%                          | 7         | 14.58%         |
| <b>Total</b>  | <b>32</b>                     | <b>66.67%</b>                   | <b>16</b>                        | <b>33.33%</b>                   | <b>48</b> | <b>100.00%</b> |
| Chi-square value = 5.4107<br>Associated p-value = 0.0668<br>Associated p-value for Fisher's exact test = 0.0877 |                               |                                 |                                  |                                 |           |                |

Table 6.18 indicates that 48 respondents commented on the first motivational strategy. A total of 21 respondents (43.75%) modified their employees' responsibilities to expand and add challenges to the tasks required at least once a month (15 of the respondents who experienced commission growth and 6 of the respondents who did not). Twenty respondents (41.67%) used this strategy less often than once a month (15 of the respondents who experienced commission growth and 5 of the respondents who did not). The remaining 7 respondents (14.58%) never used this strategy.

The chi-square value for the results obtained is 5.4107 and the associated  $p$ -value is 0.0668. Since the expected frequency in some of the cells is less than 5, Fisher's exact test was performed and a  $p$ -value of 0.0877 was obtained. This  $p$ -value is greater than 0.05, indicating that there is no connection between the first motivational strategy and the commission growth the respondents experienced.

The following main findings can be derived from the results obtained:

**6.3(34)**

**An equal number of respondents who experienced commission growth modified their employees' responsibilities to expand and add challenges to the tasks required at least once a month (15 respondents) and less often than once a month (15 respondents). Almost an equal number of respondents who did not experience commission growth modified their employees' responsibilities to expand and add challenges to the tasks required at least once a month (6 respondents) and less often than once a month (5 respondents). Based on these ratios, an approximate equal total frequency percentage was obtained for the option at least once a month (43.75%) and less often than once a month (41.67%).**

**6.3(35)**

**There is no connection between the first motivational strategy and the commission growth the respondents experienced.**



The second motivational method is acknowledging employee achievements.

**Table 6.19:** Acknowledgement of employee achievements

| Frequency of use  | Frequency                     |                                 |                                  |                                 |           |                |
|---|-------------------------------|---------------------------------|----------------------------------|---------------------------------|-----------|----------------|
|   | Commission growth experienced |                                 | No commission growth experienced |                                 | Total     |                |
|   | Number<br>n=32<br>respondents | Percentage<br>n=48<br>responses | Number<br>n=16<br>respondents    | Percentage<br>n=48<br>responses | Number    | Percentage     |
| At least once a month   | 24 (75.00%)                   | 50.00%                          | 10 (62.50%)                      | 20.83%                          | 34        | 70.83%         |
| Less often than once a month  | 7 (21.88%)                    | 14.58%                          | 6 (37.50%)                       | 12.50%                          | 13        | 27.08%         |
| Never   | 1 (3.13%)                     | 2.08%                           | 0 (0.00%)                        | 0.00%                           | 1         | 2.08%          |
| <b>Total</b>  | <b>32</b>                     | <b>66.67%</b>                   | <b>16</b>                        | <b>33.33%</b>                   | <b>48</b> | <b>100.00%</b> |
| Chi-square value = 1.6968<br>Associated <i>p</i> -value = 0.4281<br>Associated <i>p</i> -value for Fisher's exact test = 0.5451 |                               |                                 |                                  |                                 |           |                |

Table 6.19 indicates that 48 respondents commented on the second motivational strategy. Thirty-four respondents (70.83%) acknowledged their employees' achievements at least once a month (24 of the respondents who experienced commission growth and 10 of the respondents who did not). Thirteen respondents (27.08%) used this strategy less often than once a month (7 of the respondents who experienced commission growth and 6 of the respondents who did not). Only 1 respondent (2.08%) never used this strategy.

The chi-square value for the results obtained is 1.6968 and the associated *p*-value is 0.4281. Since the expected frequency in some of the cells is less than 5, Fisher's exact test was performed and a *p*-value of 0.5451 was obtained. This *p*-value is greater than 0.05, indicating that there is no connection between the second motivational strategy and the commission growth the respondents experienced.

The following main findings can be derived from the results obtained:

### 6.3(36)

**The majority of the respondents who experienced commission growth and who commented on the second motivational strategy (24**

respondents) acknowledged their employees' achievements at least once a month. The majority of the respondents who did not experience any commission growth and who commented on the second motivational strategy (10 respondents) also acknowledged their employees' achievements at least once a month.

### 6.3(37)

There is no connection between the second motivational strategy and the commission growth the respondents experienced.

The third motivational method is ensuring that employees felt that they were being paid equally compared to their fellow workers.

**Table 6.20:** Ensuring that employees felt they were being paid equally compared to fellow workers

| Frequency of use  | Frequency                     |                                 |                                  |                                 |           |                |
|---|-------------------------------|---------------------------------|----------------------------------|---------------------------------|-----------|----------------|
|   | Commission growth experienced |                                 | No commission growth experienced |                                 | Total     |                |
|   | Number<br>n=15<br>respondents | Percentage<br>n=21<br>responses | Number<br>n=6<br>respondents     | Percentage<br>n=21<br>responses | Number    | Percentage     |
| At least once a month   | 8 (53.33%)                    | 38.10%                          | 2 (33.33%)                       | 9.52%                           | 10        | 47.62%         |
| Less often than once a month  | 5 (33.33%)                    | 23.81%                          | 4 (66.67%)                       | 19.05%                          | 9         | 42.86%         |
| Never   | 2 (13.33%)                    | 9.52%                           | 0 (0.00%)                        | 0.00%                           | 2         | 9.52%          |
| <b>Total</b>  | <b>15</b>                     | <b>71.43%</b>                   | <b>6</b>                         | <b>28.57%</b>                   | <b>21</b> | <b>100.00%</b> |
| Chi-square value = 2.2711<br>Associated p-value = 0.3212<br>Associated p-value for Fisher's exact test = 0.3764 |                               |                                 |                                  |                                 |           |                |

Table 6.20 indicates that 21 respondents commented on the third motivational strategy. Ten respondents (47.62%) ensured that their employees felt they were being paid equally compared to their fellow workers at least once a month (8 of the respondents who experienced commission growth and 2 of the respondents who did not). Nine respondents (42.86%) used this strategy less often than once a month (5 of the respondents who experienced commission growth and 4 of the respondents who did not). Two respondents (9.52%) never used this strategy.

The chi-square value for the results obtained is 2.2711 and the associated  $p$ -value is 0.3212. Since the expected frequency in some of the cells is less than 5, Fisher's exact test was performed and a  $p$ -value of 0.3764 was obtained. This  $p$ -value is greater than 0.05, indicating that there is no connection between the third motivational strategy and the commission growth the respondents experienced.

The following main findings can be derived from the results obtained:

### **6.3(38)**

**The majority of the respondents who experienced commission growth and who commented on the third motivational strategy (eight respondents) ensured that their employees felt that they were being paid equally compared to their fellow workers at least once a month. The majority of the respondents who did not experience any commission growth and who commented on the third motivational strategy (four respondents) ensured that their employees felt that they were being paid equally compared to their fellow workers less often than once a month. The at least once a month option received the highest total frequency of percentage (47.62%) and the less often than once a month option received the second highest total frequency of percentage (42.86%).**

### **6.3(39)**

**There is no connection between the third motivational strategy and the commission growth the respondents experienced.**

The fourth motivational method is ensuring that the salaries of employees were enough to provide them with the basic necessities for themselves and their families.

*(The interviewer asked the respondents to answer this question based on whether they received any special salary requests from their employees, for example an advance payment on their salary. Although this question is not entirely adequate, it still provided some indication of whether the respondents' employees were remunerated sufficiently.)*

**Table 6.21:** Ensuring that the salaries of employees are sufficient to provide basic necessities

| Frequency of use  | Frequency                     |                                 |                                  |                                 |           |                |
|---|-------------------------------|---------------------------------|----------------------------------|---------------------------------|-----------|----------------|
|   | Commission growth experienced |                                 | No commission growth experienced |                                 | Total     |                |
|   | Number<br>n=32<br>respondents | Percentage<br>n=47<br>responses | Number<br>n=15<br>respondents    | Percentage<br>n=47<br>responses | Number    | Percentage     |
| At least once a month   | 15 (46.88%)                   | 31.91%                          | 5 (33.33%)                       | 10.64%                          | <b>20</b> | <b>42.55%</b>  |
| Less often than once a month  | 14 (43.75%)                   | 29.79%                          | 8 (53.33%)                       | 17.02%                          | <b>22</b> | <b>46.81%</b>  |
| Never   | 3 (9.38%)                     | 6.38%                           | 2 (13.33%)                       | 4.26%                           | <b>5</b>  | <b>10.64%</b>  |
| <b>Total</b>  | <b>32</b>                     | <b>68.09%</b>                   | <b>15</b>                        | <b>31.91%</b>                   | <b>47</b> | <b>100.00%</b> |
| Chi-square value = 0.7909<br>Associated $p$ -value = 0.6734<br>Associated $p$ -value for Fisher's exact test = 0.6647 |                               |                                 |                                  |                                 |           |                |

Table 6.21 indicates that 47 respondents commented on the fourth motivational strategy. Twenty-two respondents (46.81%) ensured that the salaries of their employees were enough to provide them with the basic necessities for themselves and their families less often than once a month (14 of the respondents who experienced commission growth and 8 of the respondents who did not). Twenty respondents (42.55%) used this strategy at least once a month (15 of the respondents who experienced commission growth and 5 of the respondents who did not). Only 5 respondents (10.64%) never used this strategy.

The chi-square value for the results obtained is 0.7909 and the associated  $p$ -value is 0.6734. Since the expected frequency in some of the cells is less than 5, Fisher's exact test was performed and a  $p$ -value of 0.6647 was obtained. This  $p$ -value is greater than 0.05, indicating that there is no connection between the fourth motivational strategy and the commission growth the respondents experienced.

### 6.3(40)

**Almost an equal number of respondents who experienced commission growth ensured that the salaries of their employees were enough to**

provide them with the basic necessities for themselves and their families at least once a month (15 respondents) and less often than once a month (14 respondents). The majority of the respondents who did not experience any commission growth and who commented on the fourth motivational strategy (8 respondents) ensured that the salaries of their employees were sufficient to provide them with the basic necessities for themselves and their families less often than once a month. Accordingly, the less often than once a month option received the highest total frequency of percentage (46.81%) and the at least once a month option received the second highest total frequency of percentage (42.55%).

### 6.3(41)

There is no connection between the fourth motivational strategy and the commission growth the respondents experienced.

### 6.3.7 Willingness to participate in further interviews

The purpose of question 11 was to test whether the respondents would be willing to participate in further personal interviews, should they be selected.

#### Question 11

*Should we need further information may we contact you again?*

**Table 6.22:** Willingness of respondents to be contacted again for further information

| Permission granted | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--------------------|-----------|----------|----------------------|---------------------|
| Yes                | 111       | 83.46%   | 111                  | 83.46%              |
| No                 | 22        | 16.54%   | 133                  | 100.00%             |

It can be observed from Table 6.22 that, of the 133 respondents who answered this question, 83.46% granted permission to be contacted again for further information. Only 22 respondents (16.54%) did not want to be contacted again for further information.

In Section 5.4.3 it was indicated that since the purpose of this study is to propose a framework for business survival and sales growth, the second phase of the field study would only investigate the problems experienced and

strategies implemented by the independent financial advisers who experienced commission growth. Before disclosing the results obtained from the personal interviews, the following section evaluates if the five life cycle clusters established with Ward's minimum variance test method (1963) can be accepted as a valid representation of the business phases of these advisers. Secondary to this discussion, the possibility of a single life cycle stage is also examined.

## 6.4 ORGANISATIONAL LIFE CYCLE ANALYSIS

### 6.4.1 Life cycle stages identified with Ward's minimum variance clustering method (1963)

Following Ferreira's example (2000), this study also made use of Ward's minimum variance clustering method to attempt to group the respondents who experienced commission growth into different life cycle stages. (Section 5.5.2(c) indicated that Ferreira as well as Hanks *et al.* (1993) favour this approach, because studies of multiple algorithms found this method to be one of the more reliable clustering techniques.)

The cluster analysis pointed towards five potential clusters. Table 6.23 below provides a summary of the characteristics of each cluster identified.

**Table 6.23:** Characteristics of each cluster identified

| Characteristics                             | Mean  | Range | 25th percentile | 75th percentile | Median | Standard deviation |
|---|-------|-------|-----------------|-----------------|--------|--------------------|
| <b>Cluster 1</b>                            |       |       |                 |                 |        |                    |
| Business age (years)                        | 10.73 | 1–23  | 8               | 13              | 10     | 5.07               |
| Commission growth per annum (%)             | 22.64 | 15–30 | 20              | 25              | 20     | 4.88               |
| Number of organisational levels (levels)    | 1.41  | 1–2   | 1               | 2               | 1      | 0.50               |
| Number of specialised functions (functions) | 0.64  | 0–3   | 0               | 1               | 0      | 0.95               |
| <b>Total number of respondents: 22</b>      |       |       |                 |                 |        |                    |
| <b>Cluster 2</b>                            |       |       |                 |                 |        |                    |
| Business age (years)                        | 11.57 | 4–20  | 8               | 15              | 10     | 4.92               |
| Commission growth per annum (%)             | 9.63  | 5–15  | 8               | 10              | 10     | 2.77               |
| Number of organisational levels (levels)    | 1.43  | 1–2   | 1               | 2               | 1      | 0.50               |
| Number of specialised functions (functions) | 0.47  | 0–2   | 0               | 1               | 0      | 0.63               |
| <b>Total number of respondents: 30</b>      |       |       |                 |                 |        |                    |



| Characteristics                             | Mean   | Range   | 25th percentile | 75th percentile | Median | Standard deviation |
|---|--------|---------|-----------------|-----------------|--------|--------------------|
| Characteristics                             | Mean   | Range   | 25th percentile | 75th percentile | Median | Standard deviation |
| <b>Cluster 3</b>                            |        |         |                 |                 |        |                    |
| Business age (years)                        | 32.08  | 25–44   | 26              | 36              | 31     | 6.50               |
| Commission growth per annum (%)             | 15.17  | 2–35    | 10              | 20              | 12     | 9.68               |
| Number of organisational levels (levels)    | 1.33   | 1–2     | 1               | 2               | 1      | 0.49               |
| Number of specialised functions (functions) | 0.42   | 0–2     | 0               | 1               | 0      | 0.67               |
| <b>Total number of respondents: 12</b>      |        |         |                 |                 |        |                    |
| <b>Cluster 4</b>                            |        |         |                 |                 |        |                    |
| Business age (years)                        | 6.67   | 2–14    | 4               | 7               | 7      | 4.06               |
| Commission growth per annum (%)             | 51.11  | 40–75   | 45              | 50              | 50     | 10.83              |
| Number of organisational levels             | 1.67   | 1–2     | 1               | 2               | 2      | 0.50               |
| Number of specialised functions             | 0.78   | 0–3     | 0               | 1               | 1      | 0.97               |
| <b>Total number of respondents: 9</b>       |        |         |                 |                 |        |                    |
| <b>Cluster 5</b>                            |        |         |                 |                 |        |                    |
| Business age (years)                        | 11.50  | 11–12   | 11              | 12              | 11.50  | 0.71               |
| Commission growth per annum (%)             | 125.00 | 100–150 | 100             | 150             | 125    | 35.36              |
| Number of organisational levels (levels)    | 1.50   | 1–2     | 1               | 2               | 1.50   | 0.71               |
| Number of specialised functions (functions) | 0      | 0       | 0               | 0               | 0      | 0                  |
| <b>Total number of respondents: 2</b>       |        |         |                 |                 |        |                    |

\* The answers to questions 4, 7 as well as 9 and 10 of the telephone interviews were used to perform the cluster analysis. (These questions were based on four of the criteria that Ferreira considered in the investigation of the organisational life cycle stages of his respondents.)

\*\* Although it was initially planned to also incorporate the employee growth of the respondents into the cluster analysis (the fifth criterion considered by Ferreira), Table 6.12 indicated that more than 89% of the respondents who participated in the telephone interviews did not experience any employee growth in their businesses. Hence, these data were at first excluded from the analysis to determine if mutually exclusive clusters could be identified.

\*\*\* Thirdly, in Section 6.3.1(b) it was stipulated that while 76 respondents earned more commission over the past 12 months than the previous year, only 75 of these respondents were willing to disclose the increase in the amount of commission they earned. Consequently, cluster analysis could only be done on the results obtained from the 75 respondents who disclosed their commission growth.

The following insights can be drawn from the findings in Table 6.23:

- **Average business age**

According to Table 6.23, the average business age of cluster 1 is 10.73 years. This is close to the average business age of cluster 2 (11.57 years) and cluster 5 (11.50 years). Cluster 1 has a standard deviation of 5.07

years and cluster 2 has a standard deviation of 4.92 years. The median value for both clusters 1 and 2 is 10 years, and for cluster 5 is 11.50 years.

In addition, the business age range for clusters 1 and 2 is very similar. The business age range for cluster 1 is 1–23 years and that for cluster 2 is 4–20 years. The business age of 50% of the respondents in cluster 1 is between 8 and 13 years and that of 50% of the respondents in cluster 2 is between 8 and 15 years. Cluster 2 has the highest number of respondents. Thirty respondents were grouped into cluster 2.

Table 6.23 further highlights that the businesses grouped into cluster 3 are older than the businesses in the other clusters. The minimum business age in cluster 3 is 25 years and the maximum business age is 44 years. The median value is 31 years and the business age of 50% of the respondents in cluster 3 is between 26 and 36 years. Cluster 3 has the highest average business age (32.08 years) and the standard deviation is 6.50 years.

The business age range of cluster 4 is 2–14 years. This range overlaps that of clusters 1 and 2. The median value is 7 years and the business age of 50% of the respondents in cluster 4 is between 4 and 7 years. Cluster 4 has the lowest average business age (6.67 years) and the standard deviation is 4.06 years.

Cluster 5 has the smallest business age range (11–12 years), explaining why the business age of 50% of the respondents in cluster 5 is between 11 and 12 years and the standard deviation is 0.71 years. Only two respondents, however, were grouped into cluster 5.

The Kruskal-Wallis one-way analysis of variance test statistic (for age) was determined as 35.14 and the associated  $p$ -value as 0.0000 (the actual  $p$ -value calculated was very small and was then rounded off by the SAS software package to four zeros after the decimal). Although the above discussion highlighted a few similarities, the results of the  $p$ -test suggest that there is a significant difference between the mean business ages of the five clusters.



- **Average commission growth per annum**

According to Table 6.23, cluster 2 has the lowest average commission growth (9.63%) and the lowest standard deviation (2.77%). The commission range is 5–15% and 50% of the respondents in cluster 2 experienced between 8% and 10% commission growth. The average commission growth for cluster 1, which almost has the same business age range as cluster 2, is 22.64% and the standard deviation is 4.88%. The commission range is 15–30% and 50% of the respondents in cluster 1 experienced between 20% and 25% commission growth. The median commission growth value for cluster 1 is 20%, while the median commission growth value for cluster 2 is 10%.

Table 6.23 further indicates that the average commission growth for cluster 3 is 15.17% and the standard deviation is 9.68%. The commission range for cluster 3 is 2–35%. This range overlaps with that of clusters 1 and 2. The median commission growth value for cluster 3 is 12% and is close to the median commission value of cluster 2. Fifty per cent of the respondents in cluster 3, though, experienced commission growth between 10% and 20%.

The average commission growth for cluster 4, which overlaps in business age range with clusters 1 and 2, is 51.11%. This is more than double the commission growth indicated for cluster 1 and more than five times the commission growth indicated for cluster 2. Cluster 4 also has a larger standard deviation than clusters 1 and 2 (10.83%). The commission growth range for cluster 4 is 40–75% and 50% of the respondents in cluster 4 experienced commission growth between 45% and 50%. The median commission growth value is 50%.

According to Table 6.23, cluster 5 has the largest average commission growth (125%) and also the largest standard deviation (35.36%). However, only two respondents were grouped into cluster 5. The commission growth of the first respondent was 100% and that of the second respondent was 150%, explaining the commission growth range of 100–150%. The median value was calculated as 125%.

The Kruskal-Wallis one-way analysis of variance test statistic (for commission growth) was determined as 55.56 and the associated  $p$ -value as 0.0000 (actual small  $p$ -value was also rounded off by the computer package to four zeros after the decimal). Despite the fact that the discussion above highlighted a few similarities, the results of the  $p$ -test suggest that there is a significant difference between the mean commission growth of the clusters identified.

- **Mean number of organisational levels**

Table 6.14 indicates that all the respondents who experienced commission growth had either one or two organisational levels in their businesses. This explains why, for each cluster listed in Table 6.23, the organisational level range is one to two organisational levels, the 25th percentile is one organisational level and the 75th percentile is two organisational levels.

Table 6.23 further indicates that the median value for clusters 1, 2 and 3 is 1 organisational level. Cluster 1 has an average of 1.41 organisational levels. This is close to the mean number of organisational levels for cluster 2 (1.43). Clusters 1 and 2 also have the same standard deviation value (0.50 organisational levels). The standard deviation for cluster 3 (0.49 organisational levels) is close to the standard deviation of clusters 1 and 2. Cluster 3 has an average of 1.33 organisational levels.

Cluster 4 has the highest average number of organisational levels (1.67 organisational levels). Cluster 4 has the same standard deviation value as clusters 1 and 2 (0.50 organisational levels). The median value for cluster 4 is 2 organisational levels. Cluster 5 has the second highest average number of organisational levels (1.50 organisational levels). Cluster 5 has the highest standard deviation (0.71 organisational levels). The median value for cluster 5 is 1.50 organisational levels.

The Kruskal-Wallis one-way analysis of variance test statistic (for organisational levels) was calculated as 2.52 and the associated  $p$ -value as 0.6417. Consistent with the above discussion, these findings also indicate

that there is no significant difference between the mean number of organisational levels of the different clusters.

- **Mean number of specialised functions**

According to Table 6.23, the average number of specialised functions for cluster 1 is 0.64 functions (standard deviation 0.95 functions). This is slightly lower than the average number of specialised functions identified for cluster 4 (0.78 functions with a standard deviation of 0.97 functions). The median number of specialised functions for cluster 1 is 0 functions and for cluster 4 is 1 function. The number of specialised functions range for both clusters 1 and 4 is 0–3 functions.

Table 6.23 further reveals that the mean number of specialised functions for cluster 2 is 0.47 functions (standard deviation is 0.63 functions). This is close to the mean number of specialised functions for cluster 3 (0.42 functions with a standard deviation of 0.67 functions). Clusters 2 and 3 have the same median number of specialised functions (0 functions) and also the same number of specialised functions range (0–2 functions).

Fifty per cent of the respondents in clusters 1, 2, 3 and 4 have between 0 and 1 specialised functions in their businesses.

The average number of specialised functions for cluster 5 is 0 functions. No additional descriptive statistics could therefore be calculated for cluster 5.

The findings of the Kruskal-Wallis one-way analysis of variance test (for specialised functions) also suggest that there is no significant difference between the mean number of specialised functions of the different clusters. The test statistic was calculated as 2.40 and the associated *p*-value as 0.6627.

In view of the discussion above, it seems that it was not possible to identify a series of mutually exclusive clusters, using Ward's minimum variance method. Although the Kruskal-Wallis one-way analysis of variance test for age and commission growth did indicate that there is a significant difference between the mean business age and mean commission growth of the five

proposed clusters, there are also a large number of similarities between the groups which cannot be ignored. This study therefore cannot accept the five proposed clusters established with Ward's minimum variance test as a valid representation of the individual business phases of the respondents who experienced commission growth.

The first main finding that can then be derived from Section 6.4 is as follows:

#### **6.4(1)**

**The five proposed clusters established with Ward's minimum variance test (1963) cannot be accepted as a valid representation of the individual business phases of the respondents who experienced commission growth.**

#### **6.4.2 The possibility of a single life cycle stage**

**Given the number of similarities between the different clusters, it might appear that the independent financial advisers who experienced commission growth could perhaps be grouped into a single business life cycle stage.**

More specifically, each of the five proposed clusters listed in Table 6.23 represents a segment of the commission growth experienced by the respondents and together constitute the entire commission growth range (2–150%) and business age range (1–44 years) of the respondents who experienced commission growth. Within each cluster the range of organisational levels is 1–2 levels and the range of specialised functions is 0, 0–2 functions or 0–3 functions. Consequently, advisers who experienced a small amount of commission growth and/or were relatively young had about the same number of organisational levels and specialised functions as advisers who experienced more commission growth and/or were relatively older.

These findings are in accordance with the statistical results presented in Section 6.3 which indicate that there is no connection between the number of

organisational levels or the number of specialised functions present in the respondents' businesses and the level of commission growth they experienced.

**Further to this discussion it can then be argued that the respondents who did not experience any commission growth were in the same business phase as the respondents who did experience commission growth.** The advisers who did not experience any commission growth also had either one or two organisational levels (Table 6.14), a maximum of three specialisation functions (Table 6.16) and did not really show employee growth (Table 6.12). It was also indicated in Section 6.3.3 that there is no significant difference between the mean business age of the respondents who experienced commission growth and those who did not.

**Thirdly, it is also tempting to claim that all the independent financial advisers who participated in this study had the features of the birth general life cycle stage.** Similar to the structural characteristics of this stage (listed in Table 2.2), the independent financial advisers also had a simple organisational structure and directly supervised their employees.

These viewpoints, however, might not be completely valid, since there is a possibility that independent financial advisers in general only have a more simple organisational structure and could still be grouped into the other general business life cycle stages, based on the remaining six factors listed in Table 2.2. Consequently, even though the respondents investigated in this study have a number of structural characteristics in common, it will not be claimed that their businesses are all still in the same organisational life cycle stage.

#### **6.4(2)**

**The second main finding that can then be derived from Section 6.4 is that, although it appears that all the advisers interviewed have a simple organisational structure, they might not all be in the same organisational life cycle stage.**

In the following section, the results obtained from the personal interviews are now disclosed and examined. (Given the fact that it was not possible to cluster the respondents who experienced commission growth into different life cycle

stages, the data obtained from the field could not be grouped and is mainly presented as problems and strategies, which these advisers have experienced and implemented before in their businesses.)

## 6.5 EXAMINATION OF PERSONAL INTERVIEW DATA

Only 50 of the respondents who experienced commission growth were willing to be interviewed in the second phase of the field study. As has been mentioned in Section 5.3.2(b), these respondents were provided with a pack of interview cards, which presented the business problems as well as potential marketing mix strategies that could be implemented to solve each particular business problem. Based on these cards, the respondents were then asked a series of questions.

In the following subsections, the responses obtained from the 18 interview cards are now disclosed and analysed on an individual basis.

Each subsection is dedicated to the results obtained from one interview card and commences with an indication of the number of respondents who experienced the specific business problem that was displayed on the card. Following this discussion a summary is then provided of the number of respondents that applied the proposed marketing mix strategies listed on the card to solve the specific business problem, as well as the number of financial advisers who indicated that the implementation of these strategies seemed to have helped them generate sales growth in their businesses.

**It is, however, important to note that in some subsections the number of respondents who indicated that they applied a specific marketing mix strategy listed on the card to solve the problem does not always equal the number of respondents who believed that the particular marketing mix strategy had helped them to generate sales growth. This is because some respondents used the marketing mix strategies as solutions to the business problem and to help generate sales growth. Other respondents used certain marketing mix strategies only to help generate sales growth and did not approach them as solutions to the business problem.**

The balance of the tables in each subsection then provides an overview of the types of problems that the financial advisers experienced when they implemented the marketing mix strategies listed on the interview card, as well as the types of solutions (if any) which they used to address these problems.

### ▪ Main findings

Along with the above discussion, a number of main findings are also recorded in each subsection. These main findings are then used in chapter seven to form the conclusions, implications and recommendations of this study and also to compile the proposed framework for independent financial advisers.

It was decided that the following guidelines would be followed, to ensure that all the problems experienced and strategies implemented by the advisers were evaluated on a consistent basis and that the main findings recorded in each subsection were dependable and meaningful:

|  | Type of business problem*  | Type of solution**   | Type of strategy for sales growth***   |
|--|--|--|--|
| Range  | (Measured in terms of number of respondents interviewed who experienced the specific business problem) | (Measured in terms of number of respondents who experienced the business problem <u>and</u> made use of the specific solution) | (Measured in terms of number of respondents interviewed who indicated that the specific strategy had contributed to their sales (commission) growth) |
| 0%–33.33%  | Problem only needs consideration   | Unfavourable solution  | Unfavourable marketing mix strategy for sales growth   |
| 33.34%–66.67%  | Important problem  | Popular solution   | Popular marketing mix strategy for sales growth  |
| 66.68%–100%  | Critical problem   | Highly popular solution  | Highly popular marketing mix strategy for sales growth   |
| <p><b>Barrier experienced on implementation of the marketing mix strategy for sales growth</b><br/>Viewed as an important threat if experienced by more than 30% of the respondents who indicated that the specific marketing mix strategy seemed to have contributed to their sales growth.</p> <p><b>Counterstrategy implemented to address the barrier experienced</b><br/>Viewed as insufficient if the solution implemented by the adviser was unpractical and/or would not really add value to the business.</p> |  |  |  |

#### Examples of interpretation

\* If a total of 54% of the respondents interviewed experienced a **business problem**, then the specific business problem was classified as an important problem in the businesses of the advisers, since it was encountered by between 33.34% and 66.67% of the respondents interviewed.

\*\* If a total of 28% of the respondents who experienced the business problem used the **solution** presented on the interview card, then the specific solution was classified as an unfavourable solution, since it was implemented by between 0% and 33.33% of the respondents who experienced the business problem.

\*\*\* If a total of 84% of the respondents interviewed, for example, indicated that a marketing **mix strategy seemed to have contributed to their sales (commission) growth**, then the specific marketing mix strategy was classified as a highly popular strategy for sales growth, since between 66.68% and 100% of the respondents interviewed indicated that the strategy seemed to have helped them grow their sales.

## 6.5.1 Interview card 1

### Business problem presented on interview card 1

I have too many responsibilities and, therefore, struggle to meet deadlines.

### Marketing mix strategy presented on interview card 1

I recruited more employees and motivated them through various measures to perform.

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Table 6.24 below indicates the number of respondents who experienced the business problem presented on interview card 1.

**Table 6.24:** Respondents' ability to meet deadlines with number of responsibilities involved

| Have too many responsibilities and therefore struggle to meet deadlines | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| Yes   | 27        | 54.00%   | 27                   | 54.00%              |
| No  | 23        | 46.00%   | 50                   | 100.00%             |

The following main finding can be derived from Table 6.24:

### 6.5(1)

**More than half of the respondents who participated in the personal interviews (54%) agreed with the statement that they had too many responsibilities and therefore struggled to meet deadlines. This problem can be regarded as an important problem, since it was experienced by between 33.34% and 66.67% of the respondents interviewed.**

To address the problem, two respondents reorganised their workflow and time management and another respondent simply worked longer hours.



According to Table 6.25 below, 15 respondents also applied the marketing mix strategy that was presented on interview card 1 and recruited more employees and motivated them through various measures to perform to help them meet their deadlines. (This most often mentioned solution was implemented by 55.56% (15/27) of the respondents who experienced the business problem presented on interview card 1.)

### 6.5(2)

The second main finding that can be derived from interview card 1 is that the solution that was mentioned most by the respondents was to recruit more employees and motivate them through various measures to perform. It can be regarded as a popular solution, since it was implemented by between 33.34% and 66.67% of the respondents who experienced the business problem.

### 6.5(3)

Sixteen respondents (32% of the respondents personally interviewed) also stated that the marketing mix strategy seemed to have contributed to their sales (commission) growth. This strategy can be viewed as an unfavourable strategy for sales growth, since it was implemented by between 0% and 33.33% of the respondents interviewed.

### 6.5(4)

The respondents used a total of three solutions to address the problem that was proposed on interview card 1.

**Table 6.25:** Respondents' application and perception of marketing mix strategy presented on interview card 1

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I recruited more employees and motivated them through various measures to perform | 15                           | 16   |

\* Reflects the number of responses obtained. One respondent applied the marketing mix strategy only to help generate sales growth and did not approach it as a solution to the business problem.

*(Although Table 6.12 indicates that only six respondents experienced employee growth, the results in Table 6.25 are still possible. Some respondents might*

*have lost employees during the period 1 August 2005 to 31 July 2006 and then recruited the same number of new employees during the period 1 August 2006 to 31 July 2007. These respondents would then not have had any employee growth in their businesses, but would have been able to implement the marketing mix strategy listed in Table 6.25.)*

**Table 6.26:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 1, as well as counterstrategies employed

| Barriers experienced                                  | Frequency   | Per cent<br>n=13 responses | Counterstrategies employed  | Frequency |
|---|-------------|----------------------------|---|-----------|
| Difficult to find the right person to employ          | 4           | 30.77%                     | Used a registered employment agency   | 1         |
|   |             |                            | Searched for employees with experience in the insurance industry            | 1         |
|   |             |                            | Asked insurance companies for employee referrals                            | 1         |
|   |             |                            | Replaced the poorly performing employees                                    | 1         |
| New staff needed training in administration duties    | 1           | 7.69%                      | No solution   | 1         |
| New staff needed training in product and sales skills | 3           | 23.08%                     | Used insurance underwriters   | 1         |
|   |             |                            | Trained employees while they performed their job functions                  | 2         |
| The training of new employees took time               | 3           | 23.08%                     | Allocated a specific time per week for training                             | 1         |
|   |             |                            | Encouraged training after hours   | 2         |
|   |             |                            | Used consultants to train staff   | 1*        |
| It was expensive to recruit more employees            | 2           | 15.38%                     | Provided employees with a partial basic salary until commission accumulated | 1         |
|   |             |                            | Started focusing on higher income clients to achieve a higher turnover      | 1         |
| <b>Total</b>  | <b>13**</b> | <b>100.00%</b>             |   | <b>14</b> |

\* One respondent provided two solutions.

\*\* Multiple mentions were allowed.

### 6.5(5)

**Finding the right person to employ was the problem most mentioned by the respondents (30.77% or almost one-third of the total responses obtained). This problem does not seem too important, since it was only experienced by one-fourth (4/16) of the respondents who indicated that their use of the marketing mix strategy presented on interview card 1 seemed to have helped them grow their sales (commission).**

### 6.5(6)

There are a large number of problems that can hinder the implementation of the marketing mix strategy presented on interview card 1 and could have contributed to making the strategy less effective. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

### 6.5(7)

It seems that solutions exist to all the problems listed in Table 6.26 (except for new staff that need training in administration duties). The solutions implemented also appear to be adequate for the problems experienced, except for the replacement of poorly performing employees, which was not really a solution to having difficulty finding the right person to employ.

## 6.5.2 Interview card 2

### Business problem presented on interview card 2

I do not know all my competitors that have entered into the market.

### Marketing mix strategies presented on interview card 2

- I provided easy access to the business building to promote the business.
- My small business focussed on controlling the quality of the service provided to impress clients.
- I provided new services that were aligned to my clients' needs and expectations.
- I made use of the customer-based pricing method involving, for example, offering high quality services at lower prices.
- I made use of one or more of the following methods to help me produce persuasive messages to clients:
  - advertising
  - personal selling
  - sales promotion (for example, providing gifts such as pens)

*(The interviewer explained to the respondents that the marketing mix strategies presented on interview card 2 represented different approaches they could have followed to build a competitive advantage and therefore address the potential threat of unknown competitors.)*

**Table 6.27:** Respondents' competitor knowledge

| Do not know all the competitors that have entered the market | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 2         | 4.00%    | 2                    | 4.00%               |
| No   | 48        | 96.00%   | 50                   | 100.00%             |

### 6.5(8)

**Only 4% of the respondents who participated in the personal interviews did not know all their competitors that had entered the market. This problem can be viewed as one that needs consideration but that is not too important in the businesses of independent financial advisers (experienced by between 0% and 33.33% of the respondents interviewed).**

Table 6.28 below provides an overview of the respondents' application and perception of the marketing mix strategies presented on interview card 2.

**Table 6.28:** Respondents' application and perception of marketing mix strategies presented on interview card 2

| Marketing mix strategy   | Solution to business problem | Seemed to have contributed to sales growth |
|--|------------------------------|--|
|  | Number*                      | Number*                                    |
| I provided easy access to the business building to promote the business                          | 0                            | 6  |
| My small business focussed on controlling the quality of the service provided to impress clients | 1                            | 42   |
| I provided new services that were aligned to my clients' needs and expectations                  | 0                            | 22   |



| Marketing mix strategy   | Solution to business problem | Seemed to have contributed to sales growth |
|--|------------------------------|--|
|  | Number*                      | Number*                                    |
| I made use of the customer-based pricing method involving, for example, offering high quality services at lower prices | 1                            | 11   |
| <b>I made use of one or more of the following methods to help me produce persuasive messages to clients:</b>           |                              |  |
| Advertising  | 1                            | 4  |
| Personal selling   | 0                            | 37   |
| Sales promotion (for example, providing gifts such as pens)  | 0                            | 12   |
| <b>Total</b>   | <b>3</b>                     | <b>134</b>                                 |

\* Reflects number of responses obtained. One respondent used two marketing mix strategies to address the business problem and also indicated that they seemed to have helped generate sales growth. Other respondents applied certain marketing mix strategies only to help generate sales growth and did not approach them as solutions to the business problem.

#### 6.5(9)

Only three of the business strategies listed in Table 6.28 were implemented as solutions (to create a competitive advantage and address the potential threat of unknown competitors) and can therefore be regarded for this study's proposed framework. Since only two respondents experienced the business problem and one respondent used one solution and the other respondent used the two other solutions, the response rate for all three solutions is 50% (1/2 respondents per solution). These solutions can then be viewed as popular solutions (implemented by between 33.34% and 66.67% of the respondents who experienced the business problem).

#### 6.5(10)

Focusing on controlling the quality of the service provided to impress clients seemed to have helped 42 respondents (84% of the respondents personally interviewed) grow their sales (commission). Of all the strategies listed in Table 6.28 that seemed to have contributed to the sales (commission) growth of the respondents, this strategy was selected most often. It can further be viewed as a highly popular strategy for sales

growth (implemented by between 66.68% and 100% of the respondents interviewed).

#### 6.5(11)

The strategies of providing easy access to the business's building to promote the business (6/50); using the customer-based pricing method (11/50); using advertising to produce persuasive messages to clients (4/50) and using sales promotion to produce sales messages to clients (12/50) can be labelled as unfavourable strategies for sales growth, since they were implemented by between 0% and 33.33% of the respondents interviewed.

#### 6.5(12)

The strategy of providing new services aligned with the clients' needs and expectations (22/50) can be regarded as a popular strategy for sales growth, since it was implemented by between 33.34% and 66.67% of the respondents interviewed.

#### 6.5(13)

The strategy of using personal selling to produce persuasive messages to clients can be viewed as a highly popular strategy for sales growth (37/50), since it was implemented by between 66.68% and 100% of the respondents interviewed.

#### 6.5(14)

All the strategies that were listed on interview card 2 seemed to have contributed to the sales growth of the respondents. Some strategies, however, were more popular than others.

The respondents did not experience any problems when they focused on providing easy access to the business building to create a competitive advantage.

Table 6.29 below provides an overview of the types of problems that confronted the financial advisers when they focused on controlling the quality of the service

provided, as well as the range of solutions they used to address these problems.

**Table 6.29:** Barriers experienced on implementation of the second marketing mix strategy presented on interview card 2, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent<br>n=18 responses | Counterstrategies employed   | Frequency |
|--|-----------|----------------------------|--|-----------|
| Took time to control quality   | 5         | 27.78%                     | Created standard letter templates  | 1         |
|  |           |                            | Hired an additional staff member   | 1         |
|  |           |                            | Got up early in the morning and worked over weekends                     | 1         |
|  |           |                            | No solution  | 2         |
| Some clients expected the adviser to complete the application form for them                | 1         | 5.56%                      | No solution  | 1         |
| Difficult to find the appropriate software system  | 1         | 5.56%                      | Assistant was very computer literate and helped to develop a system      | 1         |
| Not enough time in the week to catch up on administration and sales                        | 1         | 5.56%                      | Worked over weekends   | 1         |
| Difficult to convince the staff to share the same vision of excellence and quality         | 1         | 5.56%                      | Made employees realise that they could lose their jobs                   | 1         |
| Employees did not do the work as requested   | 1         | 5.56%                      | A financial incentive system for performance was introduced              | 1         |
| It is difficult to recruit good staff  | 1         | 5.56%                      | Focused on hiring staff with industry experience                         | 1         |
| Insurance administrator did not process claims quickly enough                              | 1         | 5.56%                      | Bypassed the administrator and dealt directly with the insurance company | 1         |
| Quality control had to be enforced, as the administration lady made too many private calls | 1         | 5.56%                      | Deducted the cost of private calls from her salary                       | 1         |
| Time had to be spent upgrading the new software (Spotlight Data Application)               | 1         | 5.56%                      | No solution  | 1         |
| Staff got into a comfort zone and the quality of the work dropped occasionally             | 1         | 5.56%                      | Introduced a new incentive-based system                                  | 1         |
| Too much time was spent pleasing clients and not enough time selling products              | 1         | 5.56%                      | Preferred to offer quality service at the expense of doing more business | 1         |
| Mistakes that the product provider made had to be corrected constantly                     | 1         | 5.56%                      | Changed product providers  | 1         |



| Barriers experienced   | Frequency  | Per cent<br>n=18 responses | Counterstrategies employed | Frequency  |
|--|------------|----------------------------|----------------------------|------------|
| People become used to and expect a high level of service. It was difficult to provide the same quality of service as the client base grew. | 1          | 5.56%                      | No solution                | 1          |
| <b>Total</b>   | <b>18*</b> | <b>100.00%</b>             |                            | <b>18*</b> |

\* Multiple mentions were allowed.

### 6.5(15)

The obstacle that posed the biggest threat was that it took time to control quality (almost one-third of the responses obtained (27.78%)). This problem was not experienced by the majority of the respondents who indicated that the use of the strategy seemed to have contributed to their sales (commission) growth (11.90% or 5/42) and therefore does not seem too important.

### 6.5(16)

Although focusing on controlling the quality of the service provided to impress clients was rated as a highly popular strategy for sales growth (main finding 6.5(10)), there are at least 14 barriers that have to be overcome, making the marketing mix strategy more difficult to implement. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

### 6.5(17)

The independent financial advisers did not have appropriate solutions for all 14 of the obstacles experienced. For example, hiring an additional staff member to control quality might not always help, since the effectiveness of this function will depend on the performance of the staff member. Working longer hours to control quality and catch up on administration and sales could cause fatigue, which will then affect the performance levels of the adviser. The respondents did not have solutions to three of the problems experienced either.



Table 6.30 below provides an indication of the types of obstacles which the financial advisers had to deal with when they provided new services to clients (aligned with their expectations to build a competitive advantage), as well as the range of solutions they used to address these problems.

**Table 6.30:** Barriers experienced on implementation of the third marketing mix strategy presented on interview card 2, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=6 responses | Counterstrategies<br>employed   | Frequency |
|---|-----------|---------------------------|---|-----------|
| Difficult to explain the new generation of products to older clients  | 1         | 16.67%                    | Found a simple way to explain the product to clients                  | 1         |
| Time-consuming to look at different product options   | 2         | 33.33%                    | Consulted adviser colleagues to see which products they were offering | 1         |
|   |           |                           | Outsourced non-core functions, such as personal income tax            | 1         |
| A financial needs analysis needed to be done in order to address all the client's financial needs. This was time-consuming. | 1         | 16.67%                    | Emailed information to the client to save on travel time              | 1         |
| The service providers that had to assist with the related service did not provide a good service                            | 1         | 16.67%                    | Replaced the contractors  | 1         |
| New sources of information had to be found to learn about the service the clients wanted                                    | 1         | 16.67%                    | Friend helped with non-core business services                         | 1         |
| <b>Total</b>  | <b>6*</b> | <b>100.00%</b>            |   | <b>6*</b> |

\* Multiple mentions were allowed.

### 6.5(18)

The problem that posed the biggest threat was that it was time-consuming to look at different product options (one-third of the responses obtained). This problem was not experienced by the majority of the respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth (9.09% or 2/22), and is therefore not viewed as important.

### 6.5(19)

There are at least five barriers that can make the popular strategy of providing new services to clients that are aligned with their needs and expectations strategy (main finding 6.5(12)) more complicated to

implement. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

#### 6.5(20)

Finally, it seems that solutions exist to all the problems listed in Table 6.30 and the solutions implemented also appear to be adequate for the problems experienced.

Table 6.31 below outlines the types of obstacles that confronted the financial advisers when they applied the customer-based pricing method, as well as the range of solutions they implemented to address these problems.

**Table 6.31:** Barriers experienced on implementation of the fourth marketing mix strategy presented on interview card 2, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent<br>n=6 responses | Counterstrategies<br>employed           | Frequency |
|--|-----------|---------------------------|---|-----------|
| Commission reduced   | 4         | 66.67%                    | No solution                             | 4         |
| A lot of paperwork was involved in gathering the information                         | 1         | 16.67%                    | No solution                             | 1         |
| Underwriters had to be played off against each other for the best prices for clients | 1         | 16.67%                    | Viewed this strategy as part of the job | 1         |
| <b>Total</b>   | <b>6*</b> | <b>100.00%</b>            |   | <b>6*</b> |

\* Multiple mentions were allowed.

#### 6.5(21)

Only three problems were identified that can affect the implementation of the customer-based pricing strategy. The problem that poses the biggest threat is a reduction in commission (two-thirds of the responses obtained). This problem was experienced by 36.36% (4/11) of the respondents who indicated that the customer-based pricing strategy seemed to have contributed to their sales (commission) growth, and can therefore be regarded as an important threat.

#### 6.5(22)

Based on Table 6.31 it seems that the respondents did not have adequate solutions to two of the problems experienced.

Table 6.32 below provides a summary of the types of obstacles which the financial advisers experienced when they used advertising to produce persuasive messages to clients, as well as the range of solutions they implemented to address these problems.

**Table 6.32:** Barriers experienced on implementation of the fifth marketing mix strategy presented on interview card 2, as well as counterstrategies employed

| Barriers experienced                                     | Frequency | Per cent<br>n=2 responses | Counterstrategies<br>employed        | Frequency |
|--|-----------|---------------------------|--------------------------------------|-----------|
| Unable to react to the high volume of responses received | 1         | 50.00%                    | No solution                          | 1         |
| Time-consuming to organise the advertising               | 1         | 50.00%                    | Got assistance from external sources | 1         |
| <b>Total</b>   | <b>2*</b> | <b>100.00%</b>            |                                      | <b>2*</b> |

\* Multiple mentions were allowed.

### 6.5(23)

Only two problems were identified that can affect the use of advertising to produce persuasive messages to clients. The response rate for each problem is 25% (or 1/4 of the total respondents who indicated that the use of the advertising strategy seemed to have contributed to their sales growth). It consequently seems that there is no major barrier that can affect the implementation of the advertising strategy.

### 6.5(24)

Based on Table 6.32, though, it appears that the respondents did not have adequate solutions to the problems experienced. There is no solution to address the problem of a high volume, and hiring additional sources to help organise the advertising can be costly. This might be one of the reasons why the advertising strategy was not implemented by more respondents. It is therefore regarded as an unfavourable strategy for sales growth.

Table 6.33 below provides an overview of the types of problems that confronted the financial advisers when they used personal selling to produce persuasive messages to clients, as well as the range of solutions they implemented to address these problems.

**Table 6.33:** Barriers experienced on implementation of the sixth marketing mix strategy presented on interview card 2, as well as counterstrategies employed

| Barriers experienced  | Frequency  | Per cent<br>n=16 responses | Counterstrategies employed  | Frequency  |
|---|------------|----------------------------|---|------------|
| Clients were unwilling to give referrals  | 3          | 18.75%                     | Obtained leads by presenting financial educational seminars                       | 1          |
|   |            |                            | Made use of voluntary referrals   | 1          |
|   |            |                            | No solution   | 1          |
| The strategy was time-consuming. Several trips had to be made to close the deal.  | 5          | 31.25%                     | Asked clients to prepare a few documents before the visit                         | 1          |
|   |            |                            | If a big client did not buy the product, charged him a fee for the needs analysis | 1          |
|   |            |                            | Got up earlier in the morning   | 1          |
|   |            |                            | Used telemarketing  | 1          |
|   |            |                            | Paid more attention to important clients  | 1          |
| Had to develop credibility with the client  | 1          | 6.25%                      | Put the clients' interests first  | 1          |
| Had to face rejection   | 2          | 12.50%                     | Overcame the fear of rejection by realising the benefit of canvassing             | 1          |
|   |            |                            | No solution   | 1          |
| It was time-consuming to source leads   | 1          | 6.25%                      | No solution   | 1          |
| Advisor had to motivate himself   | 2          | 12.50%                     | Solved the problem by visualising success   | 1          |
|   |            |                            | No solution   | 1          |
| Difficult to get people to try something new  | 1          | 6.25%                      | No solution   | 1          |
| If a problem was experienced with a client, the adviser could lose all the clients referred to the adviser by that client | 1          | 6.25%                      | Ensured that clients were getting good service                                    | 1          |
| <b>Total</b>  | <b>16*</b> | <b>100.00%</b>             |   | <b>16*</b> |

\* Multiple mentions were allowed.

## 6.5(25)

**The obstacle that posed the biggest threat was that the strategy was time-consuming to implement. The respondents indicated that several trips had to be made to the clients to close the deal (one-third of the responses obtained). This problem, however, was only experienced by 13.51% (5/37)**

of the respondents who indicated that the use of personal selling seemed to have contributed to their sales growth. It therefore does not seem too important.

#### **6.5(26)**

There are at least eight problems that can affect the use of personal selling to produce persuasive messages to clients. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

#### **6.5(27)**

Although personal selling is regarded as a highly popular strategy for sales growth, it seems that the advisers did not manage the large number of barriers experienced effectively. For example, five respondents indicated that they did not have solutions to the problems. Voluntary referrals were also not really an effective solution to solve the problem of clients who did not want to give referrals.

Only two respondents complained that the provision of gifts was expensive. They did not have any solution to the problem.

#### **6.5(28)**

It seems that there is no major barrier to the use of sales promotions. Only one problem was experienced and only 16.67% (2/12) of the respondents who indicated that the use of sales promotions seemed to have contributed to their sales growth experienced this problem.

#### **6.5(29)**

A solution could not be identified to address the cost implication. This could be one of the reasons why the sales promotion strategy was not implemented by more respondents, and it is therefore regarded as an unfavourable strategy.

### 6.5.3 Interview card 3

#### Business problem presented on interview card 3

I sometimes have difficulty in delivering the service to my clients on time.

#### Marketing mix strategy presented on interview card 3

I made use of the Internet.

*(The interviewer explained to the respondents that while they in general might have difficulty in delivering the services to their clients, this interview card specifically tested whether they had trouble in delivering the service to their clients on time.)*

**Table 6.34:** Respondents' ability to deliver the service to clients on time

| Have difficulty in delivering the service to clients on time | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 24        | 48.00%   | 24                   | 48.00%              |
| No   | 26        | 52.00%   | 50                   | 100.00%             |

### 6.5(30)

**Forty-eight per cent of the respondents had difficulty in delivering the service to their clients on time. This problem can therefore be viewed as an important one (experienced by between 33.34% and 66.67% of the respondents interviewed).**

Two solutions were implemented to address this problem. One respondent revealed that his client base was at the police station. He made sure he saw a number of clients during one visit. Nineteen respondents also applied the marketing mix strategy that was presented on interview card 3 (Table 6.35 below).

**Table 6.35:** Respondents' application and perception of marketing mix strategy presented on interview card 3

| Marketing mix strategy     | Solution to business problem | Seemed to have contributed to sales growth |
|----------------------------|------------------------------|--|
|                            | Number*                      | Number*                                    |
| I made use of the Internet | 19                           | 26   |

\* Reflects number of responses obtained. Some respondents used the Internet only to help generate sales growth and did not approach the strategy as a solution to the business problem.

### 6.5(31)

The Internet strategy was implemented by 79.17% of the respondents who experienced the business problem (19/24) and can therefore be regarded as a highly popular solution.

### 6.5(32)

According to Table 6.35, 26 respondents (52% of the respondents interviewed) also stated that their use of the Internet seemed to have contributed to their sales (commission) growth. The use of the Internet can thus be viewed as a popular strategy for sales growth (implemented by between 33.34% and 66.67% of the respondents interviewed).

### 6.5(33)

The respondents used a total of two solutions to address the problem that was proposed on interview card 3.

**Table 6.36:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 3, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent<br>n=17 responses | Counterstrategies employed   | Frequency |
|--|-----------|----------------------------|--|-----------|
| Corporate clients suffered from email spam and did not read adviser's emails.                      | 1         | 5.88%                      | Sent reminders to clients about their annual financial needs analysis earlier than necessary and also followed up with telephone calls and left messages with colleagues | 1         |
| Had to learn how to use the Internet   | 3         | 17.65%                     | Son taught adviser   | 1         |
|  |           |                            | Assistant taught adviser   | 1         |
|  |           |                            | Adviser trained himself  | 1         |
| The Internet service providers were sometimes offline  | 2         | 11.76%                     | Faxed information to clients   | 1         |
|  |           |                            | Accessed the information earlier than needed   | 1         |
| Had to explain a lot of information in writing and could say more in five minutes than could write | 1         | 5.88%                      | Made sure had competent staff  | 1         |
| Administrator that had to send client information took too long                                    | 1         | 5.88%                      | Got another administrator  | 1         |



| Barriers experienced  | Frequency  | Per cent<br>n=17 responses | Counterstrategies employed                                     | Frequency  |
|---|------------|----------------------------|--|------------|
| Some clients changed their addresses  | 1          | 5.88%                      | Phoned the clients to confirm their new addresses              | 1          |
| It took too long to get connected to the service provider (± 2 minutes)                             | 1          | 5.88%                      | Made use of a wireless application                             | 1          |
| Software and hardware had to be upgraded, which cost money  | 5          | 29.41%                     | Children helped to install all the necessary software programs | 1          |
|   |            |                            | No solution  | 4          |
| Adviser and assistant had to learn how to use the software provided by the Financial Services Board | 1          | 5.88%                      | No solution  | 1          |
| The product providers took a while to grant access to their systems                                 | 1          | 5.88%                      | Followed up with the product provider on a continuous basis    | 1          |
| <b>Total</b>  | <b>17*</b> | <b>100.00%</b>             |  | <b>17*</b> |

\* Multiple mentions were allowed.

#### 6.5(34)

The biggest threat to the implementation of the Internet strategy was the cost involved in upgrading software and hardware (29.41% or almost one-third of the responses obtained). Only 19.23% (5/26) of the respondents who indicated that the Internet seemed to contribute to their sales growth experienced this problem, and it therefore does not seem to be an important threat.

#### 6.5(35)

There are at least ten problems that can be experienced on implementation of the Internet strategy. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

#### 6.5(36)

The biggest threat to the implementation of the Internet strategy could not be countered effectively. There are adequate solutions to all the problems, except for the cost involved in the hardware and software (the solution listed cannot be accepted as a general solution, since not all the advisers' children will have access to computer programs) as well as the obstacle where the adviser and the assistant had to learn how to use the



software offered by the Financial Services Board (no solution was presented).

#### 6.5.4 Interview card 4

##### Business problem presented on interview card 4

I have not made strategic plans for the business, because I concentrated primarily on the operational side of the business.

##### Marketing mix strategy presented on interview card 4

My business engaged in continuous service developments, aligned with an appropriate business process that ties in with the needs of the markets.

*(The marketing mix strategy displayed on interview card 4 presented an approach which the adviser could have followed to become more strategically orientated.)*

**Table 6.37:** Whether respondents made strategic plans for the business

| Have not made strategic plans for the business, because I concentrated primarily on the operational side of the business | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 22        | 44.00%   | 22                   | 44.00%              |
| No   | 28        | 56.00%   | 50                   | 100.00%             |

#### 6.5(37)

**A total of 44% of the respondents did not make strategic plans for their businesses because they concentrated primarily on the operational side of the business. This can be regarded as an important problem, as it was experienced by between 33.34% and 66.67% of the respondents interviewed.**

To address this problem, one respondent decided to do a cost analysis once a month and 13 respondents started to engage in continuous service developments, aligned with an appropriate business process that tied in with the needs of the markets (Table 6.38 below).

**Table 6.38:** Respondents' application and perception of marketing mix strategy presented on interview card 4

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| My business engaged in continuous service developments, aligned with an appropriate business process that ties in with the needs of the markets | 13                           | 21   |

\* Reflects number of responses obtained. Some respondents applied this strategy only to help generate sales growth and did not approach it as a solution to the business problem.

### 6.5(38)

A total of 59.09% of the respondents who experienced the business problem (13/22) applied the marketing mix strategy presented on interview card 4 as a solution. This most often mentioned solution can therefore be viewed as a popular approach to become more strategically orientated.

### 6.5(39)

Engaging in continuous service developments can also be regarded as a popular strategy for sales growth, since a total of 42% of the respondents interviewed indicated that this strategy seemed to have contributed to their sales (commission) growth.

### 6.5(40)

The respondents used a total of two solutions to address the problem that was proposed on interview card 4.

**Table 6.39:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 4, as well as counterstrategies employed

| Barriers experienced                         | Frequency | Per cent n=8 responses | Counterstrategies employed  | Frequency |
|--|-----------|------------------------|---|-----------|
| The strategy took too much time to implement | 5         | 62.50%                 | Employed competent staff  | 1         |
|  |           |                        | Held strategic sessions on Saturdays                                    | 1         |
|  |           |                        | Held strategic sessions on Monday mornings                              | 1         |
|  |           |                        | No solution   | 2         |
| Sometimes the strategy did not work          | 1         | 12.50%                 | Gained experience, which helped to implement more successful strategies | 1         |

| Barriers experienced  | Frequency | Per cent<br>n=8 responses | Counterstrategies employed                              | Frequency |
|---|-----------|---------------------------|---|-----------|
| Owing to the workload, it was difficult to hold strategic meetings                          | 1         | 12.50%                    | Staff occasionally had meetings without the adviser     | 1         |
| There was no structured strategic plan. This prevented the adviser from achieving his goal. | 1         | 12.50%                    | The adviser created a structured plan for the next year | 1         |
| <b>Total</b>  | <b>8*</b> | <b>100.00%</b>            |   | <b>8*</b> |

\* Multiple mentions were allowed.

### 6.5(41)

Based on Table 6.39, it seems that the biggest hindrance that had to be addressed on implementation of the marketing mix strategy was that it took a large amount of time to implement (62.50% or almost two-thirds of the responses obtained). This problem does not seem too important if viewed in relation to the number of respondents who indicated that the strategy seemed to have contributed to their sales growth (5/21 respondents or 23.81%).

### 6.5(42)

The respondents did not have effective solutions to all the problems experienced. For example, having strategic sessions on a Monday would not make the strategy less time-consuming to implement. Two respondents did not have a solution to the problem that poses the biggest threat. Furthermore, learning by experience to make the strategy work takes time, which would then delay the benefits that can be gained from the implementation of the marketing mix strategy. One respondent also did not take his strategic leadership role seriously and allowed his staff to have strategic meetings without him.

### 6.5.5 Interview card 5

#### Business problem presented on interview card 5

My business is struggling with inadequate management of business expenses that does not keep up with the business growth.

#### Marketing mix strategy presented on interview card 5

I made use of creative discount measures.

*(The interviewer explained to the respondents that the business problem displayed on the interview card referred to a situation where the business has grown rapidly and where the adviser was not able to find all the necessary financial resources quickly enough to fund the expenses.)*

*(Creative discount measures as a solution (such as charging a lower adviser fee) could then help to sell a larger number of policies, generate additional income and therefore fund the expenses.)*

**Table 6.40:** Whether respondents are struggling with inadequate management of business expenses

| Struggling with inadequate management of business expenses that do not keep up with the business growth | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| Yes   | 6         | 12.00%   | 6                    | 12.00%              |
| No  | 44        | 88.00%   | 50                   | 100.00%             |

### 6.5(43)

**Twelve per cent of the respondents interviewed indicated that they struggled in their businesses with inadequate management of business expenses that did not keep up with the business growth. This problem can therefore be regarded as a problem that needs consideration but that is not too important in the businesses of the advisers.**

A number of strategies were implemented to address this problem. One respondent specifically indicated that he offered smaller discounts to clients to increase his level of income. A second respondent moved his office to his house. A third respondent applied the marketing mix strategy that was listed on interview card 5 and offered creative discounts to clients (Table 6.41 below).

**Table 6.41:** Respondents' application and perception of marketing mix strategy presented on interview card 5

| Marketing mix strategy                   | Solution to business problem | Seemed to have contributed to sales growth |
|--|------------------------------|--|
|  | Number*                      | Number*                                    |
| I made use of creative discount measures | 1                            | 2  |

\* Reflects number of responses obtained. One respondent applied this strategy only to help generate sales growth and did not approach it as a solution to the business problem.

#### **6.5(44)**

Only one respondent (16.67% of the respondents who experienced the business problem or 1/6) made use of creative discount measures as a solution. Creative discount measures can therefore be regarded as an unfavourable solution. Furthermore, since the other solutions were also mentioned by only one respondent each, it seems that they were not popular solutions to address the business problem presented on interview card 5.

#### **6.5(45)**

Only 4% of the respondents interviewed (2/50) indicated that their use of creative discount measures seemed to have contributed to their sales (commission) growth. The use of creative discount measures can consequently also be regarded as an unfavourable strategy for sales growth.

#### **6.5(46)**

The respondents used a total of three solutions to address the problem that was proposed on interview card 5.

The only problem that was encountered with the implementation of this strategy was that people tended to resist change and new systems and processes implemented (one respondent). As a solution, the respondent explained to clients the rationale for the new system.

#### **6.5(47)**

Given the fact that only one problem was experienced on implementation and it was adequately addressed, it appears that the respondents did not encounter any major threat to the use of creative discount measures.

### **6.5.6 Interview card 6**

#### **Business problem presented on interview card 6**

I sometimes struggle to close a business deal on time with new and existing clients.

## Marketing mix strategy presented on interview card 6

My business made use of Internet communication.

**Table 6.42:** Respondents' ability to close a business deal with clients on time

| Sometimes struggle to close a business deal with new and existing clients on time | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| Yes   | 17        | 34.00%   | 17                   | 34.00%              |
| No  | 33        | 66.00%   | 50                   | 100.00%             |

*(The interviewer explained the question to the respondents and gave them the option to indicate if they experienced the problem with new or existing clients. The 17 respondents that experienced the problem said that they struggled to close deals on time irrespective of whether it was a new or an existing client.)*

### 6.5(48)

**Since this problem was experienced by a total of 34% of the respondents interviewed, it can be regarded as an important problem.**

**Table 6.43:** Respondents' application and perception of marketing mix strategy presented on interview card 6

| Marketing mix strategy                         | Solution to business problem | Seemed to have contributed to sales growth |
|--|------------------------------|--|
|  | Number*                      | Number*                                    |
| My business made use of Internet communication | 9                            | 13   |

\* Reflects number of responses obtained. Some respondents used this strategy only to help generate sales growth and did not approach it as a solution to the business problem.

Table 6.43 indicates that, as a solution, nine respondents used Internet communication to close a business deal on time. Other solutions included making personal calls (one respondent), outsourcing the business to associates (one respondent), focusing on pushing the deal through and learning about the correct processes and procedures (one respondent) and continuing to question the slow service from insurance companies (one respondent). One respondent also indicated that if he did not close a deal, he would review his actions to see what he did wrong.

### 6.5(49)

The solution that was implemented most often to solve the business problem was to use the Internet. This solution can be classified as a popular solution, since it was implemented by a total of 52.94% (9/17) of the respondents who experienced the business problem.

### 6.5(50)

Since only 26% of the respondents interviewed indicated that the use of Internet communication seemed to have helped them grow their sales (commission), this strategy should be classified as an unfavourable strategy for sales growth. However, based on the number of responses that were obtained from interview card 3, main finding 6.5(32) indicates that the use of the Internet should be viewed as a popular strategy for sales growth. It therefore appears that all the respondents who commented on interview card 3 did not indicate again that this strategy seemed to have help them grow their sales (commission).

### 6.5(51)

The respondents used a total of six solutions to address the problem that was proposed on interview card 6.

**Table 6.44:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 6, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent<br>n=8 responses | Counterstrategies<br>employed                                | Frequency |
|--|-----------|---------------------------|--|-----------|
| The Internet website suppliers were slow to update their websites                                      | 1         | 12.50%                    | Asked the product suppliers to fax the information           | 1         |
| Had to train staff on how to use the Internet  | 1         | 12.50%                    | No solution  | 1         |
| Had to rely on external sources to provide confirmation that the client had cover. This took too long. | 1         | 12.50%                    | Questioned the service levels                                | 1         |
| Software and hardware had to be upgraded, which cost money   | 3         | 37.50%                    | No solution  | 3         |
| It took a while for product providers to give access to their systems                                  | 1         | 12.50%                    | Followed up with the product providers on a continuous basis | 1         |

| Barriers experienced                                | Frequency | Per cent<br>n=8 responses | Counterstrategies<br>employed | Frequency |
|---|-----------|---------------------------|-------------------------------|-----------|
| The Internet service provider was offline sometimes | 1         | 12.50%                    | No solution                   | 1         |
| <b>Total</b>  | <b>8*</b> | <b>100.00%</b>            |                               | <b>8*</b> |

\* Multiple mentions were allowed.

### 6.5(52)

Similar to interview card 3, the cost involved in upgrading software and hardware was again the problem most mentioned by the respondents (37.50% of the responses obtained or 23.08% (3/13) of the respondents who indicated that the use of the Internet seemed to have helped them grow their sales (commission)). This problem (although not important) would therefore need to be addressed adequately to reap the benefits of the Internet strategy.

### 6.5(53)

Table 6.44 listed six problems that can be experienced on implementation of the Internet strategy. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

### 6.5(54)

The respondents did not have solutions to the problem that posed the biggest threat or for two of the other obstacles that were experienced. It appears that guidance is needed to help the advisers implement the Internet strategy effectively.

## 6.5.7 Interview card 7

### Business problem presented on interview card 7

I do not have access to external networks (such as the Financial Planning Institute) that can help me grow my business.

### Marketing mix strategies presented on interview card 7



- I focussed on meeting with my competitors occasionally to benefit from their experience.
- I focussed on building relationships with one or more of the following parties:
  - Clients
  - Employees
  - Suppliers
  - Support networks (such as the Financial Planning Institute)

**Table 6.45:** Respondents' access to external networks

| Do not have access to external networks (such as the Financial Planning Institute) that can help grow my business | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
|   |           |          |                      |                     |
| Yes   | 3         | 6.00%    | 3                    | 6.00%               |
| No  | 47        | 94.00%   | 50                   | 100.00%             |

### 6.5(55)

**Only 6% of the respondents interviewed indicated that they did not have access to external networks (such as the Financial Planning Institute) that could help them grow their businesses. This is therefore not an important problem in the businesses of the advisers, but still needs consideration.**

Table 6.46 below provides an overview of the respondents' application and perception of the marketing mix strategies presented on interview card 7.

**Table 6.46:** Respondents' application and perception of marketing mix strategies presented on interview card 7

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I focussed on meeting with my competitors occasionally to benefit from their experience | 2                            | 18   |
| <b>I focussed on building relationships with one or more of the following parties:</b>  |                              |  |
| Clients   | 1                            | 42   |
| Employees   | 0                            | 14   |

| Marketing mix strategy                                      | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| Suppliers   | 0                            | 34   |
| Support networks (such as the Financial Planning Institute) | 0                            | 8  |
| <b>Total</b>  | <b>3</b>                     | <b>116</b>                                 |

\* Reflects number of responses obtained. Some respondents used the marketing mix strategies as solutions to the business problem and to help generate sales growth. Other respondents applied certain marketing mix strategies only to help generate sales growth and did not approach them as solutions to the business problem.

### 6.5(56)

Only two of the five marketing mix strategies listed in Table 6.46 were implemented as solutions to address the problem of a lack of external networks, and can consequently be regarded for this study's proposed framework. Two of the three respondents who experienced the business problem (66.67%) met with competitors occasionally and the other respondent (33.33% of the respondents who experienced the business problem) focused on building relationships with clients. Meeting with competitors can therefore be classified as a popular solution and building relationships with clients as an unfavourable solution.

### 6.5(57)

Focusing on building relationships with clients seemed to have helped 84% of the respondents personally interviewed grow their sales (commission). Of all the strategies listed in Table 6.46 which seemed to have contributed to the sales (commission) growth of the respondents, this strategy was selected most often. This strategy can be viewed as a highly popular strategy for sales growth (implemented by between 66.68% and 100% of the respondents interviewed).

### 6.5(58)

Using suppliers can also be viewed as a highly popular strategy for sales growth (a total of 68% of the respondents interviewed indicated that this strategy seemed to have helped them grow their sales (commission)).

#### 6.5(59)

Meeting with competitors occasionally can be regarded as a popular strategy for sales growth (a total of 36% of the respondents interviewed indicated that this strategy seemed to have helped them grow their sales (commission)).

#### 6.5(60)

Only 28% of the respondents personally interviewed indicated that meeting with employees seemed to have helped them grow their sales (commission). Only 16% of the respondents interviewed said that the use of support networks seemed to have helped them grow their sales (commission). Both these two strategies should therefore be regarded as unfavourable strategies for sales growth. However, only 34 of the respondents who experienced commission growth had employees (Table 6.14 – all the employees reported to the owner and two organisational levels indicated that the owner had employees). In addition, a total of 41.18% (14/34) indicated that they built relationships with their employees and it seemed to have contributed to sales (commission) growth. It might therefore be more correct to classify the employee strategy as a popular strategy for sales growth.

#### 6.5(61)

All the strategies that were listed on interview card 7 seemed to have contributed to the sales growth of the respondents. Some strategies, however, were more popular than others.

Tables 6.47 to 6.51 below outline the types of problems which the financial advisers experienced when they implemented the various marketing mix strategies listed in Table 6.46.

**Table 6.47:** Barriers experienced on implementation of the first marketing mix strategy presented on interview card 7, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent n=3 responses | Counterstrategies employed   | Frequency |
|--|-----------|------------------------|--|-----------|
| The adviser had to change his thinking process                   | 1         | 33.33%                 | Adviser took short holidays and then returned to work with a new perspective                             | 1         |
| People were not always willing to share their success strategies | 1         | 33.33%                 | Adviser tried to win the competitors' trust and showed them that he was not a threat to their businesses | 1         |
| It was time-consuming to meet with competitors                   | 1         | 33.33%                 | Developed a structured programme for the new year  | 1         |
| <b>Total</b>   | <b>3*</b> | <b>100.00%</b>         |  | <b>3*</b> |

\* Multiple mentions were allowed.

### 6.5(62)

Only three problems were experienced when the respondents met with their competitors occasionally. In relation to the 18 respondents who indicated that this strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 5.56%. It therefore appears that there is no major threat to the strategy of building relationships with competitors.

### 6.5(63)

It further appears that adequate solutions were implemented for all the problems experienced.

**Table 6.48:** Barriers experienced on implementation of the second marketing mix strategy presented on interview card 7, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent n=10 responses | Counterstrategies employed                               | Frequency |
|--|-----------|-------------------------|--|-----------|
| Took time to develop a trusting relationship with clients          | 4         | 40.00%                  | Presented financial seminars to build trust with clients | 1         |
|  |           |                         | No solution  | 3         |
| Had to commute to meetings and had to pay petrol expenses          | 1         | 10.00%                  | No solution  | 1         |
| Clients became friends and this complicated the business decisions | 1         | 10.00%                  | No solution  | 1         |
| Clients did not keep appointments, which wasted petrol and time    | 1         | 10.00%                  | No solution  | 1         |



| Barriers experienced  | Frequency  | Per cent<br>n=10<br>responses | Counterstrategies employed                         | Frequency  |
|---|------------|-------------------------------|--|------------|
| Most of the adviser's clients were also his friends and they visited for too long and wasted his time | 1          | 10.00%                        | The adviser told the clients that he had a meeting | 1          |
| It was expensive to pay for lunches   | 1          | 10.00%                        | No solution  | 1          |
| Cultural differences in business lunches needed to be considered                                      | 1          | 10.00%                        | No solution  | 1          |
| <b>Total</b>  | <b>10*</b> | <b>100.00%</b>                |  | <b>10*</b> |

\* Multiple mentions were allowed.

### 6.5(64)

According to Table 6.48, the obstacle that was highlighted most was that it took time to develop a trusting relationship with clients (40% of the responses obtained). This problem does not seem too important if viewed in relation to the number of respondents who indicated that building relationships with clients seemed to have contributed to their sales (commission) growth (9.52% or 4/42).

### 6.5(65)

Table 6.48 listed seven problems that can be experienced on implementation of the Internet strategy. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

### 6.5(66)

Only two solutions to the problems experienced were mentioned. It consequently appears that the respondents need more guidance to help them overcome the obstacles listed in Table 6.48.

**Table 6.49:** Barriers experienced on implementation of the third marketing mix strategy presented on interview card 7, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent n=2 responses | Counterstrategies employed  | Frequency |
|--|-----------|------------------------|---|-----------|
| It takes time to train employees                                   | 1         | 50.00%                 | Motivated the employees with financial incentives   | 1         |
| An older employee had to report to a new employee, who was younger | 1         | 50.00%                 | Reassured the older employee that her job was secure and the new employee tried to build a relationship with the older employee | 1         |
| <b>Total</b>   | <b>2*</b> | <b>100.00%</b>         |   | <b>2*</b> |

\* Multiple mentions were allowed.

### 6.5(67)

According to Table 6.49, only two problems were experienced on implementation. In relation to the 14 respondents who indicated that this strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 7.14%. It therefore appears that there is no major threat to the strategy of building relationships with employees.

### 6.5(68)

It further seems that the advisers used adequate solutions to address the problems experienced.

**Table 6.50:** Barriers experienced on implementation of the fourth marketing mix strategy presented on interview card 7, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent n=5 responses | Counterstrategies employed   | Frequency |
|--|-----------|------------------------|--|-----------|
| The supplier did not always cooperate with the financial adviser                                       | 2         | 40.00%                 | Spoke to the supplier and asked to be notified immediately when a client cancels a policy                        | 1         |
|  |           |                        | Became sensitive to cultural differences and tried to build a relationship with staff (employed at the supplier) | 1         |
| It was time-consuming to build relationships with suppliers  | 1         | 20.00%                 | No solution  | 1         |
| Had a high staff turnover and felt that new employees needed to build new relationships with suppliers | 1         | 20.00%                 | No solution  | 1         |

| Barriers experienced   | Frequency | Per cent<br>n=5<br>responses | Counterstrategies employed   | Frequency |
|--|-----------|------------------------------|--|-----------|
| Some suppliers became too familiar and no longer tried to provide good service | 1         | 20.00%                       | Continuously followed up on outstanding cases to show the supplier that they were in a professional relationship | 1         |
| <b>Total</b>   | <b>5*</b> | <b>100.00%</b>               |  | <b>5*</b> |

\* Multiple mentions were allowed.

### 6.5(69)

According to Table 6.50, the problem that was experienced most by the respondents was that the supplier did not always cooperate with the financial adviser (40% of the responses obtained). This problem does not seem too important if viewed in relation to the number of respondents who indicated that building relationships with suppliers seemed to have contributed to their sales (commission) growth (5.88% or 2/34). There are also only three other problems listed in Table 6.50. It therefore seems that the strategy of building relationships with suppliers is not too difficult to implement.

### 6.5(70)

It further appears that the respondents need more guidance to address the problems concerning time and staff turnover.

**Table 6.51:** Barriers experienced on implementation of the fifth marketing mix strategy presented on interview card 7, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=3<br>responses | Counterstrategies employed  | Frequency |
|---|-----------|------------------------------|---|-----------|
| Small suppliers were slow to respond to information   | 2         | 66.67%                       | Adviser made the supplier aware that he was their client and that they were underperforming | 1         |
|   |           |                              | No solution   | 1         |
| Complained that the financial service provider charged an annual fee and that another fee had to be paid when attending a seminar | 1         | 33.33%                       | No solution   | 1         |
| <b>Total</b>  | <b>3*</b> | <b>100.00%</b>               |   | <b>3*</b> |

\* Multiple mentions were allowed.

### 6.5(71)

Table 6.51 indicates that the problem that was mentioned most by the respondents was that the small suppliers (support networks) were slow to respond to information (two-thirds of the responses obtained). This problem does not seem too important if viewed in relation to the number of respondents who indicated that building relationships with support networks seemed to have contributed to their sales (commission) growth (25% or 2/8). There are also only one other problem listed in Table 6.51. It therefore seems that the strategy of building relationships with support networks is not too difficult to implement.

### 6.5(72)

Only one solution could be identified to the problems listed in Table 6.51. It therefore appears that the respondents also need more guidance to help them address the problems listed in Table 6.51.

### 6.5.8 Interview card 8

#### Business problem presented on interview card 8

I attempt to perform all the business activities myself.

#### Marketing mix strategy presented on interview card 8

I refrained from following an autocratic management style to manage employees who strive for achievement and was more inclined to entrust power and control to the employees in my business.

**Table 6.52:** Whether respondents attempted to perform all the business activities themselves

| Attempt to perform all the business activities myself | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| Yes   | 31        | 62.00%   | 31                   | 62.00%              |
| No  | 19        | 38.00%   | 50                   | 100.00%             |



### 6.5(73)

**Thirty-one respondents (62% of the respondents interviewed) indicated that they attempted to perform all the business activities themselves. This can therefore be regarded as an important problem in the businesses of the advisers.**

*(It is further important to note that it is possible that not all 19 respondents who did not attempt to perform all the business activities themselves delegated their work to their employees to help them. Some of these respondents could have made use of external resources. This was not specifically tested in the question. Furthermore, some respondents might also have felt that they could not delegate, since they did not have any employees in the business.)*

As a solution to the problem, one respondent outsourced some of his non-core business functions. Twenty respondents also started refraining from following an autocratic management style to manage employees who strive for achievement and became more inclined to entrust power and control to the employees in their businesses (Table 6.53 below).

**Table 6.53:** Respondents' application and perception of marketing mix strategy presented on interview card 8

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I refrained from following an autocratic management style to manage employees who strive for achievement and was more inclined to entrust power and control to the employees in my business | 20                           | 20   |

\* Reflects number of responses obtained.

### 6.5(74)

**A total of 64.52% (20/31) of the respondents who experienced the business problem applied the marketing mix strategy presented on interview card 8. This strategy can consequently be regarded as a popular solution.**

*(If all 19 respondents listed in Table 6.52 who did not experience the business problem used their employees to help them do their work, then the maximum number of respondents who would have been able to apply the marketing mix strategy presented on interview card 8 as a solution would have been 15. (A total of 34 respondents who experienced commission growth had employees.) However, since it was possible that some or all 19 respondents listed in Table 6.52 could have outsourced some of their functions, the data in Table 6.53 are correct; 20 respondents could have changed their approach and started delegating power and authority to their employees.)*

#### 6.5(75)

**A total of 58.82% (20/34) of the respondents who had employees delegated their responsibilities to their employees and indicated that it seemed to have contributed to their sales (commission) growth. This strategy can therefore be regarded as a popular strategy for sales growth.**

#### 6.5(76)

**The respondents used a total of two solutions to address the problem that was proposed on interview card 8.**

**Table 6.54:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 8, as well as counterstrategies employed

| Barriers experienced                                  | Frequency | Per cent<br>n=19<br>responses | Counterstrategies employed   | Frequency |
|---|-----------|-------------------------------|--|-----------|
| Training took time                                    | 8         | 42.11%                        | Motivated staff to study at home   | 1         |
|   |           |                               | No solution  | 7         |
| Found it difficult to let go of control               | 1         | 5.26%                         | Adviser realised that he had to have faith in his system and staff and that he could fix a problem | 1         |
| Had to convince staff that they could perform         | 1         | 5.26%                         | Showed staff that they could do the job through mentoring  | 1         |
| Had to recruit effective staff                        | 2         | 10.53%                        | No solution  | 1         |
|   |           |                               | Headhunted staff with experience   | 1         |
| Experienced resistance from staff to work differently | 1         | 5.26%                         | Insisted that the staff use proven methods   | 1         |
| Staff made errors                                     | 3         | 15.79%                        | Had to drop service levels to meet their abilities   | 1         |
|   |           |                               | Monitored employees' work  | 2         |

| Barriers experienced   | Frequency  | Per cent n=19 responses | Counterstrategies employed  | Frequency  |
|--|------------|-------------------------|---|------------|
| Was unsure whether the task delegated was done                                 | 1          | 5.26%                   | Trained staff properly and tried to make sure they shared the same passion for service excellence | 1          |
| A new business system had to be developed                                      | 1          | 5.26%                   | Headhunted staff with experience  | 1          |
| The work done by staff had to be checked continually. This was time-consuming. | 1          | 5.26%                   | No solution   | 1          |
| <b>Total</b>   | <b>19*</b> | <b>100.00%</b>          |   | <b>19*</b> |

\* Multiple mentions were allowed.

### 6.5(77)

The amount of time involved in training employees was the problem that posed the biggest threat to the implementation of the marketing mix strategy presented on interview card 8 (42.11% of the responses obtained). This problem appears to be important as it was experienced by 40% (8/20) of the respondents, who indicated that the delegation of power and control to employees seemed to have helped them grow their sales (commission) growth.

### 6.5(78)

There are eight other barriers listed in Table 6.54 that could make the marketing mix strategy presented on interview card 8 more difficult to implement. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

### 6.5(79)

Seven of the respondents who experienced the problem that posed the biggest threat did not know how to solve the problem. The respondent who experienced the last barrier listed in Table 6.54 did not have a solution to this problem either. It therefore appears that the respondents need more guidance to help them overcome the obstacles and delegate power and control to their employees more effectively.

### 6.5.9 Interview card 9

#### Business problem presented on interview card 9

I have lost customers who experienced unsatisfactory service from my business.

#### Marketing mix strategies presented on interview card 9

- I adapted my service according to the client's needs.
- I motivated my younger employees with one or more of the following to deliver a positive service experience:
  - Financial rewards
  - Recognition
  - Respect
  - A sense of accomplishment
- I motivated my older employees with one or more of the following to deliver a positive service experience:
  - Financial rewards
  - Recognition
  - Respect
  - A sense of accomplishment

*(Although the problem presented on interview card 9 might have appeared to be a sensitive obstacle to test, the interviewer reassured the respondents that their answers would be kept confidential and that their experiences would help to provide the necessary guidelines to improve the level of services offered in the insurance industry.)*

**Table 6.55:** Whether respondents lost customers through unsatisfactory service provided

| Lost customers who experienced unsatisfactory service from my business | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 16        | 32.00%   | 16                   | 32.00%              |
| No   | 34        | 68.00%   | 50                   | 100.00%             |

### 6.5(80)

A total of 32% of the respondents who participated in the personal interviews lost customers who experienced unsatisfactory service from their businesses. This can consequently be regarded as a problem that needs consideration but that is not too important in the businesses of the advisers.

Table 6.56 below provides an overview of the respondents' application and perception of the marketing mix strategies presented on interview card 9.

**Table 6.56:** Respondents' application and perception of marketing mix strategies presented on interview card 9

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I adapted my service according to the client's needs  | 12                           | 29   |
| <b>I motivated my younger employees with one or more of the following to deliver a positive service experience:</b> |                              |  |
| Financial rewards   | 5                            | 11   |
| Recognition   | 5                            | 13   |
| Respect   | 5                            | 10   |
| A sense of accomplishment   | 5                            | 10   |
| <b>I motivated my older employees with one or more of the following to deliver a positive service experience:</b>   |                              |  |
| Financial rewards   | 2                            | 13   |
| Recognition   | 4                            | 14   |
| Respect   | 5                            | 12   |
| A sense of accomplishment   | 4                            | 11   |
| <b>Total</b>  | <b>47</b>                    | <b>123</b>                                 |

\*Reflects number of responses obtained. Some respondents used the marketing mix strategies as solutions to the business problem and to help generate sales growth. Other respondents applied certain marketing mix strategies only to help generate sales growth and did not approach them as solutions to the business problem.

### 6.5(81)

All the marketing mix strategies listed in Table 6.56 were implemented as solutions to address the problem of a loss in customers who experienced

unsatisfactory service from the business. They can therefore be regarded for this study's proposed framework.

#### 6.5(82)

Compared to the 16 respondents who experienced the business problem, the individual response rate for adapting the service according to the client's needs is 75% (12/16), motivating younger employees with financial rewards, recognition, respect or a sense of accomplishment is 31.25% each (5/16), motivating older employees with financial rewards is 12.50% (2/16), motivating older employees with recognition or a sense of accomplishment is 25% (4/16) each and motivating older employees with respect is 31.25% (5/16). Adapting the service according to the client's needs can therefore be regarded as a highly popular solution and the remaining strategies as unfavourable solutions.

#### 6.5(83)

A total of 58% of the respondents interviewed indicated that adapting the service according to the client's needs seemed to have contributed to their sales (commission) growth. This strategy can consequently be regarded as a popular strategy for sales growth. Technically, the remaining strategies listed in Table 6.56 should all be classified as unfavourable strategies for sales growth, since for each strategy, less than 33.34% of the respondents interviewed indicated that it seemed to have contributed to their sales (commission) growth. However, in relation to the 34 respondents who had employees in their businesses, the response rate for each strategy is as follows:

Motivated younger employees with:

- Financial rewards (32.35%)
- Recognition (38.24%)
- Respect (29.41%)
- A sense of accomplishment (29.41%)

Motivated older employees with:



- **Financial rewards (38.24%)**
- **Recognition (41.18%)**

- **Respect (35.29%)**
- **A sense of accomplishment (32.35%)**

**In the light of these ratios, motivating younger employees with recognition and older employees with financial rewards, recognition and respect should rather be classified as popular strategies for sales growth.**

#### **6.5(84)**

**All the marketing mix strategies that were listed on interview card 9 seemed to have contributed to the sales growth of the respondents. Some strategies, however, were more successful than others.**

Tables 6.57 to 6.63 below provide an indication of the types of obstacles which the financial advisers had to deal with when they applied the marketing mix strategies listed in Table 6.56.

**Table 6.57:** Barriers experienced on implementation of the first marketing mix strategy presented on interview card 9, as well as counterstrategies employed

| <b>Barriers experienced</b>   | <b>Frequency</b> | <b>Per cent n=10 responses</b> | <b>Counterstrategies employed</b>  | <b>Frequency</b> |
|---|------------------|--------------------------------|--|------------------|
| It was time-consuming to track clients' needs   | 1                | 10.00%                         | Through experience, the adviser learned shorter routes to monitor the clients' needs             | 1                |
| Clients who were asked for information to assess their needs delayed in providing the information | 1                | 10.00%                         | Continuously called the clients and offered to sit with them and help them                       | 1                |
| It was not easy to contact a client who cancelled a policy  | 1                | 10.00%                         | The adviser allowed the client to explain the reason for cancellation and did not defend himself | 1                |
| Had to become aware of clients' needs   | 1                | 10.00%                         | Started using a complaints register and tried to solve the problems                              | 1                |
| Providing an extra service was not the core business  | 1                | 10.00%                         | Implemented fee-based billing  | 1                |
| Business strategy had to be changed in order to retain relationships with clients                 | 1                | 10.00%                         | Asked the office to schedule regular meetings to maintain existing clients                       | 1                |
| The more clients the adviser had, the more difficult it was to meet and know all their needs      | 1                | 10.00%                         | Adviser tried to keep in touch with clients as often as possible                                 | 1                |





| Barriers experienced  | Frequency  | Per cent n=10 responses | Counterstrategies employed  | Frequency  |
|---|------------|-------------------------|---|------------|
| The underwriter and administrator were not interested in the client's problem and were too slow                           | 1          | 10.00%                  | Considered changing suppliers   | 1          |
| The adviser had to work twice as hard to convince the client he lost that he had changed his strategy to meet their needs | 1          | 10.00%                  | The adviser told the client that where he was previously unable to help the client, he could do so now            | 1          |
| The adviser could not save some of his clients owing to the bad service from the administration staff                     | 1          | 10.00%                  | Visited the clients to solve the problems that were caused by the administration staff and convinced them to stay | 1          |
| <b>Total</b>  | <b>10*</b> | <b>100.00%</b>          |   | <b>10*</b> |

\* Multiple mentions were allowed.

### 6.5(85)

According to Table 6.57, ten individual problems were experienced when the advisers adapted their services according to the clients' needs. These problems do not seem too important if viewed in relation to the 29 respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth. The response rate for each problem is then only 3.45% (1/29). However, these problems would still need consideration in the businesses of independent financial advisers.

### 6.5(86)

It appears that adequate solutions were implemented to address the ten problems experienced.

**Table 6.58:** Barriers experienced on implementation of the second marketing mix strategy presented on interview card 9, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent n=4 responses | Counterstrategies employed | Frequency |
|---|-----------|------------------------|----------------------------|-----------|
| The employees had a tendency to focus more on sales and did not take into account that administration work had to be done | 1         | 25.00%                 | No solution                | 1         |
| The incentive-based staff started coming into the office later and later  | 1         | 25.00%                 | No solution                | 1         |

| Barriers experienced   | Frequency | Per cent<br>n=4<br>responses | Counterstrategies<br>employed                           | Frequency |
|--|-----------|------------------------------|---|-----------|
| The sales staff became overeager and tried to push clients into a deal | 1         | 25.00%                       | Reminded the salespeople of their obligation to clients | 1         |
| A reward was expected but not earned                                   | 1         | 25.00%                       | Reminded staff that the reward was outcomes based       | 1         |
| <b>Total</b>   | <b>4*</b> | <b>100.00%</b>               |   | <b>4*</b> |

\* Multiple mentions were allowed.

### 6.5(87)

Only four individual problems were experienced when the financial advisers motivated younger employees with financial rewards. Again, these problems do not seem too important if viewed in relation to the 11 respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth. The response rate for each problem is then only 9.09% (1/11). It therefore appears that there is no major threat to the use of financial rewards to motivate younger employees.

### 6.5(88)

It seems, however, that the respondents need more guidance to address two of the problems listed in Table 6.58 (no solutions presented).

**Table 6.59:** Barriers experienced on implementation of the third marketing mix strategy presented on interview card 9, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent<br>n=2<br>responses | Counterstrategies<br>employed          | Frequency |
|--|-----------|------------------------------|--|-----------|
| The employees become complacent and the reward lost its effect over time | 1         | 50.00%                       | No solution                            | 1         |
| People wanted financial rewards more than recognition                    | 1         | 50.00%                       | Praised the staff on a continual basis | 1         |
| <b>Total</b>   | <b>2*</b> | <b>100.00%</b>               |  | <b>2*</b> |

\* Multiple mentions were allowed.

### 6.5(89)

Only two types of problems were experienced when the respondents motivated younger employees with recognition. In relation to the 13

respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is 7.69% (1/13). It therefore appears that there is also no major threat to the motivation of younger employees with recognition.

#### 6.5(90)

It seems, however, that the respondents need more guidance to address these problems. A solution could not be identified for the first problem and it is not sufficient to continue praising staff when they prefer financial rewards (the second problem).

Only one respondent experienced a problem when he motivated his younger employees with respect. He had to control himself and not show disappointment. The respondent did not have a solution to this problem.

#### 6.5(91)

It seems that there is no major threat to motivating younger employees with respect. Guidance, however, is needed to help respondents address this problem.

Only one respondent experienced a problem when he motivated his younger employees with a sense of accomplishment. He realised that he must be less autocratic and lead in a pleasant way. The respondent waited until he was less emotional about the situation and then reconsidered it.

#### 6.5(92)

It appears that there is also no major threat to motivating younger employees with a sense of accomplishment and that the problem experienced was addressed adequately.

**Table 6.60:** Barriers experienced on implementation of the sixth marketing mix strategy presented on interview card 9, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=3<br>responses | Counterstrategies<br>employed | Frequency |
|---|-----------|------------------------------|-------------------------------|-----------|
| Employees had a tendency to focus more on sales and did not take into account that administration work had to be done | 1         | 33.33%                       | No solution                   | 1         |



|  |   |        |             |   |
|--|---|--------|-------------|---|
| Incentive-based staff started coming into the office later and later | 1 | 33.33% | No solution | 1 |
|--|---|--------|-------------|---|

| Barriers experienced                 |           |                | Frequency   | Per cent<br>n=3<br>responses | Counterstrategies<br>employed | Frequency |
|--------------------------------------|-----------|----------------|---|------------------------------|-------------------------------|-----------|
| A reward was expected but not earned | 1         | 33.33%         | Reminded staff that the reward was outcomes based |                              | 1                             |           |
| <b>Total</b>                         | <b>3*</b> | <b>100.00%</b> |   |                              | <b>3*</b>                     |           |

\* Multiple mentions were allowed.

### 6.5(93)

Only three problems were experienced when the respondents motivated older staff with financial rewards. In relation to the 13 respondents who indicated that this strategy seemed to have contributed to their sales growth, the response rate for each problem is 7.69% (1/13). There is therefore no major threat to the use of financial rewards to motivate older employees.

### 6.5(94)

It further appears that the respondents need more guidance to address two of the three problems experienced (no solutions were presented).

### 6.5(95)

Three of the problems that were experienced when motivating younger staff with financial rewards were also experienced when older staff were motivated with financial rewards. The same type of solution was used for younger and older staff to address the scenario where a reward was expected but not earned.

**Table 6.61:** Barriers experienced on implementation of the seventh marketing mix strategy presented on interview card 9, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=3<br>responses | Counterstrategies employed                                 | Frequency |
|---|-----------|------------------------------|--|-----------|
| Recognition given to one employee can demotivate other staff  | 1         | 33.33%                       | No solution  | 1         |
| People expected recognition when they thought they deserved it. When they did not get it, they got upset. | 1         | 33.33%                       | Realised must be sensitive to give recognition when needed | 1         |
| The staff got accustomed to praise, and it no longer meant anything                                       | 1         | 33.33%                       | No solution  | 1         |
| <b>Total</b>  | <b>3*</b> | <b>100.00%</b>               |  | <b>3*</b> |

\* Multiple mentions were allowed.

### 6.5(96)

Only three problems were experienced when the respondents motivated older employees with recognition. In relation to the 14 respondents that indicated that the use of the strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 7.14%. There is therefore no major threat to the use of recognition to motivate older employees.

### 6.5(97)

However, the respondents need more guidance to address these problems. There were no solutions to two of the problems.

### 6.5(98)

More problems were experienced when recognition was given to older staff.

### 6.5(99)

The problem of staff that got accustomed to praise was experienced with both younger and older staff. Neither scenario had a solution to address this problem.

**Table 6.62:** Barriers experienced on implementation of the eighth marketing mix strategy presented on interview card 9, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=5<br>responses | Counterstrategies employed                                 | Frequency |
|---|-----------|------------------------------|--|-----------|
| Adviser had to remind himself to focus on this                                | 1         | 20.00%                       | Tried to remember to motivate older employees with respect | 1         |
| Adviser had to control himself and not show disappointment                    | 1         | 20.00%                       | No solution  | 1         |
| Too much respect given resulted in employees losing their respect for adviser | 1         | 20.00%                       | Decided to stay professional                               | 1         |
| Staff tried to see how far they could push the adviser                        | 1         | 20.00%                       | Set boundaries for staff                                   | 1         |
| Older staff did not respect the adviser                                       | 1         | 20.00%                       | No solution  | 1         |
| <b>Total</b>  | <b>5*</b> | <b>100.00%</b>               |  | <b>5*</b> |

\* Multiple mentions were allowed.

### 6.5(100)

Five individual problems were experienced when older staff were motivated with respect. In relation to the 12 respondents who indicated that the use of this strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 8.33% (1/12). It consequently seems that there is no major threat to the use of respect to motivate older employees.

### 6.5(101)

However, since there are at least five types of problems that can be encountered, providing recognition to older staff cannot be viewed as a simple approach.

### 6.5(102)

It further seems that the advisers need more guidance to help them address two of the problems experienced (no solutions were identified).

### 6.5(103)

More problems were experienced when older staff were motivated with respect.

### 6.5(104)

The problem where the adviser had to control himself and not show disappointment was experienced with both younger and older staff. Neither scenario had a solution to address this problem.

**Table 6.63:** Barriers experienced on implementation of the ninth marketing mix strategy presented on interview card 9, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=3<br>responses | Counterstrategies employed  | Frequency |
|---|-----------|------------------------------|---|-----------|
| Adviser had to set a realistic target and decide how to measure their accomplishments | 1         | 33.33%                       | Negotiated goals with staff   | 1         |
| Adviser had to be less autocratic and lead in a pleasant way                          | 1         | 33.33%                       | Adviser waited until he was less emotional about the situation and then reconsidered it | 1         |

| Barriers experienced   | Frequency | Per cent n=3 responses | Counterstrategies employed                                | Frequency |
|--|-----------|------------------------|---|-----------|
| Adviser forgot that his staff expected him to motivate them. They got upset. | 1         | 33.33%                 | Decided to be sensitive and use this method when deserved | 1         |
| <b>Total</b>   | <b>3*</b> | <b>100.00%</b>         |   | <b>3*</b> |

\* Multiple mentions were allowed.

### 6.5(105)

Only three types of problems were experienced when the respondents motivated older staff with a sense of accomplishment. In relation to the 11 respondents who indicated that the use of this strategy seem to have contributed to their sales (commission) growth, the response rate for each problem is only 9.09% (1/11). It therefore appears that there is no important problem to motivating older employees with a sense of accomplishment.

### 6.5(106)

It further seems that all three problems that were experienced were addressed adequately.

### 6.5(107)

More problems were experienced when older staff were motivated with a sense of accomplishment

### 6.5(108)

The problem where the adviser realised that he had to be less autocratic and lead in a pleasant way was experienced with both younger and older staff. In both scenarios the adviser waited until he was less emotional about the situation and then reconsidered it.

## 6.5.10 Interview card 10

### Business problem presented on interview card 10

My business commission has reduced, as I could not meet the high demand of the market for my business' service.



## Marketing mix strategy presented on interview card 10

I trained my employees to perform different job functions at peak periods.

**Table 6.64:** Whether respondents' commission was reduced by the demand for their services

| Commission reduced, as I could not meet the high demand for my service | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 2         | 4.00%    | 2                    | 4.00%               |
| No   | 48        | 96.00%   | 50                   | 100.00%             |

### 6.5(109)

**Table 6.64** indicates that the business commission of 4% of the respondents who participated in the personal interviews was reduced, as they could not meet the high demand of the market for their business's services. This problem consequently needs consideration but is not too important in the businesses of the advisers.

To address this problem two respondents trained their employees to perform different job functions at peak periods (Table 6.65 below).

**Table 6.65:** Respondents' application and perception of marketing mix strategy presented on interview card 10

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I trained my employees to perform different job functions at peak periods | 2                            | 8  |

\*Reflects number of responses obtained. Some respondents applied the marketing mix strategy only to help generate sales growth and did not approach it as a solution to the business problem.

### 6.5(110)

**Both the respondents who experienced the business problem trained their employees to perform different job functions as a solution. This can be viewed as a highly popular solution.**

### 6.5(111)

**A total of 16% of the respondents interviewed indicated that this strategy seemed to have contributed to their sales growth. In relation to the 34**

respondents who experienced commission growth and who had employees, the response rate for this strategy is 23.53% (8/34). Training employees to perform different job functions at peak periods can therefore be regarded as an unfavourable strategy to sales growth. However, the strategy might have been more favourable if more than 34 advisers who experienced commission growth had had employees. This factor will be taken in consideration when the recommendations are made in the next chapter.

**Table 6.66:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 10, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent n=5 responses | Counterstrategies employed   | Frequency |
|--|-----------|------------------------|--|-----------|
| The employees initially resisted learning new things                 | 2         | 40.00%                 | The adviser decided to rather do the job himself   | 1         |
|  |           |                        | Tried to explain to employees that this would help to increase sales (commission) growth | 1         |
| It took time to train employees                                      | 1         | 20.00%                 | Encouraged the employees to study at home  | 1         |
| The employees had to identify the correct priorities in peak periods | 2         | 40.00%                 | Trained staff to be able to identify the correct priorities in peak periods              | 1         |
|  |           |                        | Tried to have patience   | 1         |
| <b>Total</b>   | <b>5*</b> | <b>100.00%</b>         |  | <b>5*</b> |

\* Multiple mentions were allowed.

### 6.5(112)

Only three types of problems were experienced with the implementation of the marketing mix strategy presented on interview card 10. The first and the last problem listed have the same number of responses (40% each). In relation to the 8 respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 25% (2/8). It therefore appears that there is no major threat to training employees to perform different job functions at peak periods.

### 6.5(113)

It seems that the problem where the employees initially resisted learning new things was not addressed adequately. Taking over the employee's task simply creates more work for the adviser and is not a viable solution in the long term.

## 6.5.11 Interview card 11

### Business problem presented on interview card 11

My business commission has reduced, due to the unexpected activities of my competitors.

### Marketing mix strategies presented on interview card 11

- My business strategy took into account competitor knowledge gained from:
  - Making use of Porter's (1985) five competitor forces
  - Published resources, such as formal business information guides, the Internet, journal articles, market studies and client expenditures
  - Competitive market surveys
  - Trade associations
  - Employees
  - Consulting firms
  - Networking

**Table 6.67:** Whether respondents' commission reduced through unexpected activities of competitors

| Commission has reduced through the unexpected activities of my competitors | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 3         | 6.00%    | 3                    | 6.00%               |
| No   | 47        | 94.00%   | 50                   | 100.00%             |

### 6.5(114)

**Only 6% of the respondents who participated in the personal interviews indicated that their commission had reduced through the unexpected activities of their competitors. This can therefore be regarded as a problem that needs consideration but that is not too important in the businesses of the advisers.**

Table 6.68 below provides an overview of the respondents' application and perception of the marketing mix strategies presented on interview card 11.

**Table 6.68:** Respondents' application and perception of marketing mix strategies presented on interview card 11

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| <b>My business strategy took into account competitor knowledge gained from:</b>   |                              |  |
| Making use of Porter's (1995) five competitor forces  | 0                            | 0  |
| Published resources, such as formal business information guides, the Internet, journal articles, market studies and client expenditures | 0                            | 2  |
| Competitive market surveys  | 0                            | 1  |
| Trade associations  | 0                            | 2  |
| Employees   | 0                            | 0  |
| Consulting firms  | 0                            | 0  |
| Networking  | 1                            | 3  |
| <b>Total</b>  | <b>1</b>                     | <b>8</b>                                   |

\*Reflects number of responses obtained. Some respondents applied certain marketing mix strategies only to help generate sales growth and did not approach them as solutions to the business problem.

### 6.5(115)

Only networking was implemented as a solution to address the problem presented on interview card 11. Compared to the three respondents who experienced the problem, the response rate for the networking solution is 33.33% (1/3). Although this was the only solution selected, it can still be regarded as an unfavourable solution for the business.

### 6.5(116)

Only four of the seven marketing mix strategies listed in Table 6.68 seemed to have contributed to the sales (commission) growth of the respondents. Compared to the number of respondents interviewed, the response rate for each strategy is as follows: taking into account competitor knowledge from published resources (4%); competitive market surveys (2%); trade associations (4%) and networking (6% – the highest response). These four strategies seem to be helpful in generating sales growth, but were not used by many respondents and should therefore be regarded as unfavourable strategies for sales (commission) growth.

**6.5(117)**

No respondents used Porter's five competitor forces when they designed their business strategies.

**6.5(118)**

No respondents took into account competitor knowledge gained from employees when they designed their business strategies. (This scenario might have been different if more respondents had had employees.)

**6.5(119)**

No respondents took into account competitor knowledge gained from consulting firms when they designed their business strategies.

**6.5(120)**

The respondents did not encounter any problems when they took into account competitor knowledge gained from published sources, such as formal business information guides, the Internet, journal articles, market studies and client expenditures.

**6.5(121)**

The respondents also did not encounter any problems when they took into account competitor knowledge gained from competitive market surveys or trade associations.

**6.5(122)**

Two respondents complained that taking into account competitor knowledge gained from networking was time-consuming. The respondents did not have a solution to the problem. It therefore appears that additional guidance is needed to help the respondents address this problem.

## **6.5.12 Interview card 12**

### **Business problem presented on interview card 12**

My business commission has reduced due to offshore competition.

### Marketing mix strategies presented on interview card 12

- I reinforced the current image of my business.
- I developed a new image for my business.
- I repositioned the image of the competition.
- I made use of a service blueprint (a diagram of all the processes in the business) to obtain the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement

*(The interviewer explained to the respondents that the marketing mix strategies presented on interview card 12 represented different approaches they could have followed to gain a competitive advantage and therefore counter the threat of offshore competitors.)*

**Table 6.69:** Whether respondents' business commission reduced through offshore competition

| Business commission reduced through offshore competition | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 0         | 0.00     | 0                    | 0.00%               |
| No   | 50        | 100.00%  | 50                   | 100.00%             |

#### 6.5(123)

**According to Table 6.69, no respondents who participated in the personal interviews indicated that their business commission had reduced through offshore competition. This problem therefore does not need immediate consideration in the businesses of the advisers. The possibility of offshore competition in future might, however, still need to be kept in mind.**

Table 6.70 below provides an overview of the respondents' application and perception of the marketing mix strategies presented on interview card 12.

**Table 6.70:** Respondents' application and perception of marketing mix strategies presented on interview card 12

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I reinforced the current image of my business   | 0                            | 17   |
| I developed a new image for my business   | 0                            | 8  |
| I repositioned the image of the competition   | 0                            | 5  |
| I made use of a service blueprint (a diagram of all the processes in the business) to obtain the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement | 0                            | 17   |
| <b>Total</b>  | <b>0</b>                     | <b>47</b>                                  |

\*Reflects number of responses obtained.

#### 6.5(124)

Since the respondents did not experience the problem presented on interview card 12, no respondent applied any of the marketing mix strategies listed as a solution.

#### 6.5(125)

A total of 34% of the respondents interviewed reinforced the current image of the business. Similarly, a total of 34% of the respondents interviewed also used a service blueprint. These two most often selected strategies consequently appear to be popular strategies for sales growth.

#### 6.5(126)

Only 16% of the respondents interviewed indicated that they developed a new image for the business and only 10% of the respondents repositioned the image of the competition. These two strategies therefore appear to be unfavourable strategies for sales growth.

*(The interviewer explained to the respondents that repositioning the image of the competition would mean taking measures to make the competitor look less competent. The respondent, for example, could have told the clients that their financial needs analysis done by the competitor adviser was incorrect and that the respondent as a qualified adviser would be able to help the client.)*

**Table 6.71:** Barriers experienced on implementation of the first marketing mix strategy presented on interview card 12, as well as counterstrategies employed

| Barriers experienced                                | Frequency | Per cent n=2 responses | Counterstrategies employed                                 | Frequency |
|---|-----------|------------------------|--|-----------|
| The strategy was time-consuming                     | 1         | 50.00%                 | Decided to send letters to clients only every second month | 1         |
| Made regular visits and did not always close a deal | 1         | 50.00%                 | No solution  | 1         |
| <b>Total</b>  | <b>2*</b> | <b>100.00%</b>         |  | <b>2*</b> |

\* Multiple mentions were allowed.

### 6.5(127)

Only two types of problems were experienced when the respondents reinforced the current image of their businesses. In relation to the 17 respondents who indicated that this strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is 5.88% (1/17). It therefore seems that there is no major obstacle to the reinforcement of the current image of the business.

### 6.5(128)

It further seems that the respondents need more guidance to address the problem of making regular visits to clients where a deal is not closed (no solution presented).

**Table 6.72:** Barriers experienced on implementation of the second marketing mix strategy presented on interview card 12, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent n=6 responses | Counterstrategies employed  | Frequency |
|---|-----------|------------------------|---|-----------|
| The competitors tried to steal the adviser's new business                         | 1         | 16.67%                 | Countered the competitors by providing good service   | 1         |
| Had to move away from the image of a one-man operation to a professional practice | 2         | 33.33%                 | Identified what had to be done to accomplish this objective. For example, decided to use the supplier's legal department as a resource. | 1         |
|   |           |                        | Developed a high level of financial competence  | 1         |



| Barriers experienced  | Frequency | Per cent n=6 responses | Counterstrategies employed  | Frequency |
|---|-----------|------------------------|---|-----------|
| Changing the work image was difficult. Adviser derived confidence from his old image. | 1         | 16.67%                 | The adviser evaluated how his established clients viewed him in his new image | 1         |
| It was time-consuming to develop a new strategy                                       | 1         | 16.67%                 | No solution   | 1         |
| The advertising costs were high   | 1         | 16.67%                 | No solution   | 1         |
| <b>Total</b>  | <b>6*</b> | <b>100.00%</b>         |   | <b>6*</b> |

\* Multiple mentions were allowed.

### 6.5(129)

Moving away from the image of a one-man operation to a professional practice was the problem most highlighted by the respondents (two-thirds of the responses obtained). This problem does not seem too important, since it was only experienced by 25% (2/8) of the respondents who indicated that the development of a new image seemed to have contributed to their sales (commission) growth.

### 6.5(130)

There are a total of five problems that can hinder the development of a new image for the business. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

### 6.5(131)

It seems that there are adequate solutions to all the problems experienced, except for the problem of time and the high costs associated with advertising (no solution presented).

**Table 6.73:** Barriers experienced on implementation of the third marketing mix strategy presented on interview card 12, as well as counterstrategies employed

| Barriers experienced | Frequency | Per cent n=2 responses | Counterstrategies employed | Frequency |
|----------------------|-----------|------------------------|----------------------------|-----------|
|----------------------|-----------|------------------------|----------------------------|-----------|



| Barriers experienced  | Frequency | Per cent n=2 responses | Counterstrategies employed   | Frequency |
|---|-----------|------------------------|--|-----------|
| The adviser's tie and jacket image intimidated clients who dressed more casually    | 1         | 50.00%                 | Focused on making clients friends  | 1         |
| Joined a high profile supplier but had to achieve a higher target for this supplier | 1         | 50.00%                 | To achieve targets, focused on selling more of the products of the high profile supplier | 1         |
| <b>Total</b>  | <b>2*</b> | <b>100.00%</b>         |  | <b>2*</b> |

\* Multiple mentions were allowed.

### 6.5(132)

Only two types of problems were experienced when the image of the competition was repositioned. In relation to the five respondents who indicated that the use of this strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is 20%. There is therefore no major obstacle to repositioning the image of the competition.

### 6.5(133)

It seems that adequate solutions were implemented to address the two problems experienced.

**Table 6.74:** Barriers experienced on implementation of the fourth marketing mix strategy presented on interview card 12, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent n=9 responses | Counterstrategies employed                          | Frequency |
|--|-----------|------------------------|---|-----------|
| This strategy took time to implement   | 6         | 66.67%                 | No solution   | 1         |
|  |           |                        | Worked longer hours                                 | 1         |
|  |           |                        | Learned with experience to do this process faster   | 2         |
|  |           |                        | Made strategic plans while on holiday               | 1         |
|  |           |                        | A business consultant showed the adviser what to do | 1         |
| Administrators and suppliers gave service preference to bigger advisers              | 1         | 11.11%                 | No solution   | 1         |
| The adviser had to develop a system to monitor himself. It took time and cost money. | 1         | 11.11%                 | No solution   | 1         |



|  |           |                |             |           |
|--|-----------|----------------|-------------|-----------|
| Operational efficiency had to be married with the long-term objectives | 1         | 11.11%         | No solution | 1         |
| <b>Total</b>   | <b>9*</b> | <b>100.00%</b> |             | <b>9*</b> |

\* Multiple mentions were allowed.

### 6.5(134)

Only four problems were experienced when the respondents used a service blueprint. The problem that was mentioned most by the respondents was that the strategy took time to implement (two-thirds of the responses obtained). In relation to the 17 respondents who indicated that the use of this strategy seemed to have contributed to their sales (commission) growth, the response rate for this problem is 35.29% (6/17). This can therefore be viewed as an important problem that needs to be addressed to reap the benefits of the service blueprint strategy.

### 6.5(135)

It seems that the respondents need more guidance to address the problems listed in Table 6.74. Solutions could not be identified for three of the problems experienced. One respondent also did not know how to address the problem that poses the biggest threat to the strategy.

## 6.5.13 Interview card 13

### Business problem presented on interview card 13

There is sometimes a lack of teamwork for a “greater purpose” in my business.

### Marketing mix strategy presented on interview card 13

I ensured every employee is aware of the essential role they play in the final delivery of quality service and as a result enabled the employee to deliver excellent service.

**Table 6.75:** Lack of teamwork in the respondents' businesses

| Experienced a lack of teamwork for a “greater purpose” | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 12        | 24.00%   | 12                   | 24.00%              |
| No   | 38        | 76.00%   | 50                   | 100.00%             |

### 6.5(136)

**Of the 50 respondents who participated in the personal interviews, 24% experienced a lack of teamwork for a “greater purpose” in their businesses. This is therefore a problem that needs consideration but it is not too important in the businesses of the respondents.**

Table 6.76 below highlights that as a solution to the problem, 11 respondents ensured that every employee was aware of the essential role they played in the final delivery of quality service and, as a result, enabled the employees to deliver excellent service.

**Table 6.76:** Respondents’ application and perception of marketing mix strategy presented on interview card 13

| Marketing mix strategy   | Solution to business problem | Seemed to have contributed to sales growth |
|--|------------------------------|--|
|  | Number*                      | Number*                                    |
| I ensured every employee is aware of the essential role they play in the final delivery of quality service and as a result enabled the employee to deliver excellent service | 11                           | 17   |

\* Reflects number of responses obtained. Some respondents applied the marketing mix strategy only to help generate sales growth and did not approach it as a solution to the business problem.

### 6.5(137)

**The marketing mix strategy listed in Table 6.76 can be viewed as a highly popular solution, since 11 of the 12 respondents (91.67%) who experienced the business problem made use of this strategy.**

### 6.5(138)

**A total of 34% of the respondents interviewed indicated that the strategy seemed to have contributed to their sales (commission) growth. This is 50% (17/34) of the respondents who had employees in their businesses. The strategy can consequently be regarded a popular strategy for sales growth. (This strategy might have been more popular if more than only 34 of the respondents interviewed had had employees in their businesses. This factor will be taken into consideration when the recommendations are made in the next chapter.)**

**Table 6.77:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 13, as well as counterstrategies employed

| Barriers experienced                                  | Frequency | Per cent<br>n=2<br>responses | Counterstrategies employed                           | Frequency |
|---|-----------|------------------------------|--|-----------|
| Staff were too proud to accept constructive criticism | 1         | 50.00%                       | No solution  | 1         |
| Family members constituted some of the staff          | 1         | 50.00%                       | Had to use an external agency with an objective view | 1         |
| <b>Total</b>  | <b>2*</b> | <b>100.00%</b>               |  | <b>2*</b> |

\* Multiple mentions were allowed.

### 6.5(139)

Only two types of problems were experienced when the respondents ensured that every employee was aware of the essential role they played. In relation to the 17 respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 5.88% (1/17). It therefore seems that there is no major obstacle to the implementation of the marketing mix strategy listed on interview card 13.

### 6.5(140)

It further seems that the respondents need more guidance to address the problem of staff that are too proud to accept constructive criticism.

## 6.5.14 Interview card 14

### Business problem presented on interview card 14

My business partner(s) and I are sometimes in conflict over control of the business.

### Marketing mix strategies presented on interview card 14

- I used creativity
- I generated consensus
- I shared information
- I facilitated discussion regarding problems

- I blended ideas
- I avoided becoming protective when other people disagreed with my views

*(The interviewer explained to the respondents that the marketing mix strategies listed on interview card 14 represented different approaches they could have followed to solve the conflict situation.)*

**Table 6.78:** Whether respondents were sometimes in conflict with business partners over business control

| Sometimes in conflict with business partners over business control | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 1         | 2.00%    | 1                    | 2.00%               |
| No   | 49        | 98.00%   | 50                   | 100.00%             |

### 6.5(141)

**Table 6.78 indicates that only one of the respondents who participated in the personal interviews (2%) was sometimes in conflict with his partners over the control of the business. This can consequently be viewed as a problem that needs consideration but that is not too important in the businesses of the advisers. (Only one of the respondents interviewed had a business partner.)**

Table 6.79 below provides an overview of the respondents' application and perception of the marketing mix strategies presented on interview card 14.

**Table 6.79:** Respondents' application and perception of marketing mix strategies presented on interview card 14

| Marketing mix strategy                      | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I used creativity                           | 0                            | 1  |
| I generated consensus                       | 0                            | 0  |
| I shared information                        | 0                            | 0  |
| I facilitated discussion regarding problems | 1                            | 0  |
| I blended ideas                             | 1                            | 0  |



| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I avoided becoming protective when other people disagreed with my views | 0                            | 0  |
| <b>Total</b>  | <b>2</b>                     | <b>1</b>                                   |

\* Reflects number of responses obtained.

### 6.5(142)

The one respondent who had a business partner applied only the strategies of facilitating discussion regarding problems and blending ideas to address the conflict that he experienced with his partner. Only these two strategies can therefore be regarded for this study's proposed framework.

### 6.5(143)

These two strategies can both be classified as highly popular solutions, since 100% of the respondents who experienced the problem used them.

### 6.5(144)

Only 2% of the respondents interviewed indicated that their use of creativity seemed to have contributed to their sales (commission) growth. Consequently, this strategy can be regarded as an unfavourable strategy for sales growth.

### 6.5(145)

The respondents did not experience any problem when they used creativity.

### 6.5(146)

None of the remaining strategies listed in Table 6.79 seemed to have contributed to the sales (commission) growth of the respondents. These strategies can therefore be regarded as unfavourable strategies for sales growth.

### 6.5.15 Interview card 15

#### Business problem presented on interview card 15

My business is struggling with inadequate financial resources.

#### Marketing mix strategy presented on interview card 15

I worked from home, which helped to reduce overhead expenses and create competitive pricing.

**Table 6.80:** Whether respondents' businesses were struggling with inadequate financial resources

| Business is struggling with inadequate financial resources | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|--|-----------|----------|----------------------|---------------------|
| Yes  | 13        | 26.00%   | 13                   | 26.00%              |
| No   | 37        | 74.00%   | 50                   | 100.00%             |

### 6.5(147)

**A total of 26% of the respondents who participated in the personal interviews indicated that their businesses were struggling with inadequate financial resources. This problem therefore needs consideration, but is not too important in the businesses of the advisers.**

A number of solutions were implemented to address this problem. One respondent got a new office to create a more professional image. He also delegated some of his responsibilities to his staff to have more time for marketing and to seek new business. A second respondent tried to save on telephone costs to reduce his overhead expenses. A third respondent supported his business financially with a second business. Table 6.81 below indicates that as a solution seven respondents also worked from home, which helped to reduce their overhead expenses and create competitive pricing.



**Table 6.81:** Respondents' application and perception of marketing mix strategy presented on interview card 15

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I worked from home, which helped to reduce overhead expenses and create competitive pricing | 7                            | 17   |

\* Reflects number of responses obtained. Some respondents applied the marketing mix strategy only to help generate sales growth and did not approach it as a solution to the business problem.

### 6.5(148)

Working from home can be viewed as a popular solution, since 7 of the 13 respondents (53.85%) who experienced the problem applied this strategy. Working from home was also the solution most often implemented by the respondents.

### 6.5(149)

The marketing mix strategy presented on interview card 15 can further be viewed as a popular strategy for sales growth, since a total of 34% of the respondents personally interviewed indicated that it seemed to have helped them grow their sales (commission).

### 6.5(150)

The respondents used a total of five solutions to address the problem that was proposed on interview card 15.

**Table 6.82:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 15, as well as counterstrategies employed

| Barriers experienced                           | Frequency | Per cent n=6 responses | Counterstrategies employed   | Frequency |
|--|-----------|------------------------|--|-----------|
| Got lonely working from home                   | 2         | 33.33%                 | The adviser motivated himself that one day he would get a big account and would be able to afford big premises | 1         |
|  |           |                        | Phoned friends occasionally  | 1         |
| Friends and family visited during office hours | 1         | 16.67%                 | Asked them to visit after hours  | 1         |
| There is no privacy at the house               | 1         | 16.67%                 | Created a separate kitchen facility for the home and office section  | 1         |
| Always being at the office                     | 1         | 16.67%                 | Started planning time to spend with the  | 1         |



| Barriers experienced                              | Frequency | Per cent n=6 responses | Counterstrategies employed   | Frequency |
|---|-----------|------------------------|------------------------------|-----------|
| caused family conflict                            |           |                        | family                       |           |
| Realised that it took discipline to focus on work | 1         | 16.67%                 | Tried to be more disciplined | 1         |
| <b>Total</b>                                      | <b>6*</b> | <b>100.00%</b>         |                              | <b>6*</b> |

\* Multiple mentions were allowed.

### 6.5(151)

The strategy that was mentioned most was that it got lonely working from home (one-third of the responses obtained). In relation to the 17 respondents who indicated that this strategy seemed to have contributed to their sales growth, this problem does not seem too important (11.76% or 2/17).

### 6.5(152)

A total of five problems were experienced when the respondents worked from home. These problems were not experienced by many respondents but would still need consideration in the businesses of independent financial advisers.

### 6.5(153)

It seems that adequate solutions were implemented to address all the problems experienced.

## 6.5.16 Interview card 16

### Business problem presented on interview card 16

There were no new product and service developments in my business over the last 12 months.

### Marketing mix strategy presented on interview card 16

I allowed my employees to make suggestions on new developments.

**Table 6.83:** Whether respondents had new product and service developments in business over the last 12 months

| No new product and service developments in business over the last 12 months | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| Yes   | 2         | 4.00%    | 2                    | 4.00%               |
| No  | 48        | 96.00%   | 50                   | 100.00%             |

### 6.5(154)

Only 4% of the respondents who participated in the personal interviews had no new product and service developments in their businesses over the last 12 months. It therefore seems that this is a problem that needs consideration but that is not too important in the businesses of the advisers.

**Table 6.84:** Respondents' application and perception of marketing mix strategy presented on interview card 16

| Marketing mix strategy   | Solution to business problem | Seemed to have contributed to sales growth |
|--|------------------------------|--|
|  | Number*                      | Number*                                    |
| I allowed my employees to make suggestions on new developments | 0                            | 6  |

\* Reflects number of responses obtained.

### 6.5(155)

No respondents allowed their employees to make suggestions on new developments as a solution to the problem that was presented on interview card 16. This can therefore be viewed as an unfavourable solution.

### 6.5(156)

A total of 12% of the respondents personally interviewed indicated that this strategy seemed to have contributed to their sales (commission) growth. This is 17.65% (6/34) of the respondents who experienced commission growth and had employees in their businesses. Allowing employees to make suggestions on new developments can therefore be viewed as an unfavourable strategy for sales growth. (This strategy might have been more popular if more of the respondents personally interviewed had

had employees in their businesses. This factor will also be taken into consideration when the recommendations are made in chapter seven.)

### 6.5(157)

It appears that the two respondents who experienced the business problem presented on interview card 16 did not have faith in the abilities of their employees to assist with new product suggestions. (The two employees who experienced the business problem presented on interview card 16 did have employees in their businesses.)

**Table 6.85:** Barriers experienced on implementation of the marketing mix strategy presented on interview card 16, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=3<br>responses | Counterstrategies employed                            | Frequency |
|---|-----------|------------------------------|---|-----------|
| The providers did not listen to the adviser   | 1         | 33.33%                       | No solution   | 1         |
| Employees had to be encouraged to make suggestions to improve business processes and products | 1         | 33.33%                       | Decided to give employees recognition for suggestions | 1         |
| There was not enough time to evaluate the success of the new development                      | 1         | 33.33%                       | No solution   | 1         |
| <b>Total</b>  | <b>3*</b> | <b>100.00%</b>               |   | <b>3*</b> |

\* Multiple mentions were allowed.

### 6.5(158)

Only three types of problems were experienced on implementation of the marketing mix strategy presented on interview card 16. In relation to the six respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is 16.67% (1/6). It consequently appears that there is no major threat to the strategy of allowing employees to make suggestions on new developments.

### 6.5(159)

It seems that the respondents could not address two of the problems listed in Table 6.85.

### 6.5.17 Interview card 17

#### Business problem presented on interview card 17

In the market, my business had to deal with an exhausted business opportunity that produced very low profits and return on investment for the business.

#### Marketing mix strategies presented on interview card 17

- I made use of client suggestions to formulate new ideas.
- I made use of on or more of the following to revitalise sales:
  - Gifts (such as pens)
  - Publicity
  - Trade shows
- I made use of on or more of the following to retain existing clients:
  - Gifts (such as pens)
  - Publicity
  - Trade shows
- I made use of the Internet, which assisted in creating competitive prices
- I provided guarantees

**Table 6.86:** Whether respondents had to deal with an exhausted business opportunity

| Dealt with an exhausted business opportunity that produced very low profits and return on investment for the business | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| Yes   | 4         | 8.00%    | 4                    | 8.00%               |
| No  | 46        | 92.00%   | 50                   | 100.00%             |

### 6.5(160)

Table 6.86 indicates that 8% of the respondents who participated in the personal interviews had to deal with an exhausted business opportunity that produced very low profits and return on investment for the business. This is therefore a problem that needs consideration but that is not too important in the businesses of the advisers.

As a solution to the problem, one respondent told the service providers that they were not providing the products needed. Table 6.87 below further provides an overview of the respondents' application and perception of the marketing mix strategies presented on interview card 17.

**Table 6.87:** Respondents' application and perception of marketing mix strategies presented on interview card 17

| Marketing mix strategy  | Solution to business problem | Seemed to have contributed to sales growth |
|---|------------------------------|--|
|   | Number*                      | Number*                                    |
| I made use of client suggestions to formulate new ideas                   | 0                            | 7  |
| I made use of one or more of the following to revitalise sales:           |                              |  |
| Gifts (such as pens)  | 0                            | 5  |
| Publicity   | 0                            | 9  |
| Trade shows   | 0                            | 0  |
| I made use of one or more of the following to retain existing clients:    |                              |  |
| Gifts (such as pens)  | 1                            | 14   |
| Publicity   | 0                            | 4  |
| Trade shows   | 0                            | 0  |
| I made use of the Internet, which assisted in creating competitive prices | 0                            | 8  |
| I provided guarantees   | 0                            | 2  |
| <b>Total</b>  | <b>1</b>                     | <b>49</b>                                  |

\*Reflects number of responses obtained.

### 6.5(161)

**Only one of the marketing mix strategies listed in Table 6.87 was implemented as a solution to address the problem presented on interview card 17 and can consequently be regarded for this study's proposed framework.**

### 6.5(162)

**Only one of the four respondents (25%) who experienced the business problem used gifts (such as pens) to retain existing clients and address the problem of an exhausted business opportunity. This strategy can therefore be regarded as an unfavourable solution.**

**6.5(163)**

All the strategies listed in Table 6.87 seemed to have contributed to the sales (commission) growth of the respondents except trade shows.

**6.5(164)**

All the strategies listed in Table 6.87 that seemed to have contributed to the sales growth of the respondents can be classified as unfavourable strategies for sales growth. In relation to the 50 respondents personally interviewed, the response rate for each strategy is as follows: client suggestions to formulate new ideas (14%), gifts to revitalise sales (10%), publicity to revitalise sales (18%), gifts to retain existing clients (28% – strategy selected most often), publicity to retain existing clients (8%), Internet to create competitive prices (16%) and guarantees (4%).

**6.5(165)**

More respondents used gifts to retain existing clients (14 respondents) than to revitalise sales (5 respondents).

**6.5(166)**

More respondents used publicity to revitalise sales (9 respondents) than to retain existing clients (4 respondents).

**6.5(167)**

The marketing mix strategies that were listed on interview card 17 cannot be included in this study’s proposed framework as strategies for sales growth, due to their low response rate.

**Table 6.88:** Barriers experienced on implementation of the first marketing mix strategy presented on interview card 17, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent n=4 responses | Counterstrategies employed                  | Frequency |
|--|-----------|------------------------|---|-----------|
| The supplier resisted new ideas                                | 2         | 50.00%                 | Spoke to influential people at the supplier | 1         |
|  |           |                        | Insisted that the supplier listen           | 1         |
| The new ideas presented were not always practical to implement | 1         | 25.00%                 | No solution                                 | 1         |

| Barriers experienced   | Frequency | Per cent<br>n=4<br>responses | Counterstrategies employed             | Frequency |
|--|-----------|------------------------------|--|-----------|
| Companies needed to be approached to change product formulations or adapt products | 1         | 25.00%                       | Talked to management and reminded them | 1         |
| <b>Total</b>   | <b>4*</b> | <b>100.00%</b>               |  | <b>4*</b> |

\* Multiple mentions were allowed.

### 6.5(168)

Only three problems were experienced when the respondents made use of client suggestions to formulate new ideas. The obstacle that was most mentioned by the respondents was that the supplier resisted new ideas (50% of the responses obtained). This problem does not seem to be too important since it was experienced by only 28.57% (2/7) of the respondents who indicated that making use of client suggestions seemed to have contributed to their sales (commission) growth.

### 6.5(169)

It seems that the respondents need more guidance to help them address the problem of client suggestions that are not always practical to implement.

**Table 6.89:** Barriers experienced on implementation of the second marketing mix strategy presented on interview card 17, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent<br>n=3<br>responses | Counterstrategies employed                               | Frequency |
|---|-----------|------------------------------|--|-----------|
| Additional financial costs were incurred                                    | 2         | 66.67%                       | No solution  | 2         |
| If a present was given to one client, all clients had to be given a present | 1         | 33.33%                       | Decided to only give gifts to clients on their birthdays | 1         |
| <b>Total</b>  | <b>3*</b> | <b>100.00%</b>               |  | <b>3*</b> |

\* Multiple mentions were allowed.

### 6.5(170)

Only two problems were experienced when the respondents used gifts to revitalise sales. The obstacle that was most highlighted by the respondents was that additional costs had to be incurred (two-thirds of



the responses obtained). This problem seems to be important since it was experienced by 40% (2/5) of the respondents who indicated that the provision of gifts to revitalise sales strategy seem to have contributed to their sales growth.

#### 6.5(171)

It seems that the respondents need more guidance to help them address the problem that poses the biggest threat to the strategy of providing gifts to clients to revitalise sales.

**Table 6.90:** Barriers experienced on implementation of the fifth marketing mix strategy presented on interview card 17, as well as counterstrategies employed

| Barriers experienced   | Frequency | Per cent<br>n=3<br>responses | Counterstrategies employed                                  | Frequency |
|--|-----------|------------------------------|---|-----------|
| Gifts were expensive   | 1         | 33.33%                       | No solution   | 1         |
| It was difficult to keep record of incentives  | 1         | 33.33%                       | No solution   | 1         |
| The adviser has many clients at the police station. If he gives a corporate gift to one person, then everyone wants one. | 1         | 33.33%                       | He decided to only give gifts to clients on their birthdays | 1         |
| <b>Total</b>   | <b>3*</b> | <b>100.00%</b>               |   | <b>3*</b> |

\* Multiple mentions were allowed.

#### 6.5(172)

Only three problems were experienced when the respondents used gifts to retain existing clients. In relation to the 14 respondents who indicated that the strategy seemed to have contributed to their sales growth, the response rate for each problem is only 7.14% (1/14). It therefore seems that there is no major threat to the use of gifts to retain existing clients.

#### 6.5(173)

It further seems that the respondents need more guidance to help them address two of the problems experienced.

**Table 6.91:** Barriers experienced on implementation of the third marketing mix strategy presented on interview card 17, as well as counterstrategies employed

| Barriers experienced                           | Frequency | Per cent n=5 responses | Counterstrategies employed                 | Frequency |
|--|-----------|------------------------|--|-----------|
| People did not always read product emails      | 1         | 20.00%                 | Phoned them and followed up on emails sent | 1         |
| It was time-consuming to organise events       | 2         | 40.00%                 | No solution                                | 1         |
|  |           |                        | Got help from external people              | 1         |
| It was time-consuming to develop presentations | 1         | 20.00%                 | No solution                                | 1         |
| It was costly to advertise                     | 1         | 20.00%                 | No solution                                | 1         |
| <b>Total</b>                                   | <b>5*</b> | <b>100.00%</b>         |  | <b>5*</b> |

\* Multiple mentions were allowed.

### 6.5(174)

Only four problems were experienced when the respondents used publicity to revitalise sales. The obstacle that was highlighted most was that it was time-consuming to organise events (40% of the responses obtained). This problem was experienced by only 22.22% (2/9) of the respondents who indicated that the strategy seemed to have contributed to their sales growth. It therefore seems that there is no major threat to the use of publicity to revitalise sales.

### 6.5(175)

It further seems that the respondents need more guidance to help them address the last three problems listed in Table 6.91.

### 6.5(176)

These respondents did not experience any problem when they used publicity to retain existing clients.

**Table 6.92:** Barriers experienced on implementation of the eighth marketing mix strategy presented on interview card 17, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent n=2 responses | Counterstrategies employed | Frequency |
|---|-----------|------------------------|----------------------------|-----------|
| Not every person was open-minded enough to use the Internet | 1         | 50.00%                 | No solution                | 1         |



| Barriers experienced  | Frequency | Per cent<br>n=2<br>responses | Counterstrategies<br>employed | Frequency |
|---|-----------|------------------------------|-------------------------------|-----------|
| To communicate with clients on a continuous basis took time | 1         | 50.00%                       | No solution                   | 1         |
| <b>Total</b>  | <b>2*</b> | <b>100.00%</b>               |                               | <b>2*</b> |

\* Multiple mentions were allowed.

### 6.5(177)

Only two problems were experienced when the respondents applied the Internet strategy. In relation to the 8 respondents who indicated that the strategy seemed to have contributed to sales growth, the response rate for each problem is 12.50%. It therefore appears that there was no major problem when the respondents applied the Internet strategy to create competitive prices.

### 6.5(178)

It seems that the respondents need more guidance to help them address the two problems experienced.

The following problem was experienced when one of the respondents made use of guarantees:

The administrator was slow to process an application. The respondent could not guarantee that an item would be added to the client's policy and that the client would be covered. The respondent motivated the administrator through continuous calls to speed up the service delivery.

### 6.5(179)

Given the fact that only two respondents indicated that the use of guarantees seemed to have helped them increase their sales growth, the response rate for this problem is 50%. This problem does seem to be important and it seems that this problem was addressed adequately.

## 6.5.18 Interview card 18

### Business problem presented on interview card 18

I had to address my financial resource requirements. I did not sell equities, but rather used bank debt to solve my financial resource requirements.

### Marketing mix strategies presented on interview card 18

- I encouraged clients to pay their accounts earlier than required by offering them a discount
- I outsourced some of the delivery of my service offering to other people

*(The interviewer explained to the respondents that the two strategies listed represented alternative approaches they could have followed to generate more cash flow and address their financial resource requirements. An adviser, for example, could have charged the client a fee for financial needs analysis done and then offer him or her a discount if he settled the account earlier. Similarly, money could also have been saved if an external resource were able to provide some service cheaper, for example collecting the client's medical reports and sending them to the insurer.)*

**Table 6.93:** Whether respondents used bank debt to solve financial resource requirements

| Used bank debt to solve financial resource requirements | Frequency | Per cent | Cumulative frequency | Cumulative per cent |
|---|-----------|----------|----------------------|---------------------|
| Yes   | 10        | 20.00%   | 10                   | 20.00%              |
| No  | 40        | 80.00%   | 50                   | 100.00%             |

### 6.5(180)

**Twenty per cent of the respondents interviewed used bank debt to solve their financial resource requirements instead of selling equities. This can therefore be viewed as a problem that needs consideration but that is not too important in the businesses of the advisers.**

As a solution to the problem, one respondent used a personal loan and credit card financing. Table 6.94 below provides an overview of further solutions that were implemented to address this problem, as well as strategies that were implemented that seemed to have contributed to sales (commission) growth.

**Table 6.94:** Respondents' application and perception of marketing mix strategies presented on interview card 18

| Marketing mix strategy   | Solution to business problem | Seemed to have contributed to sales growth |
|--|------------------------------|--|
|  | Number*                      | Number*                                    |
| I encouraged clients to pay their accounts earlier than required by offering them a discount | 0                            | 1  |
| I outsourced some of the delivery of my service offering to other people                     | 1                            | 8  |
| <b>Total</b>   | <b>1</b>                     | <b>9</b>                                   |

\* Reflects number of responses obtained. Some respondents applied the marketing mix strategy only to help generate sales growth and did not approach it as a solution to the business problem.

#### 6.5(181)

**Only the outsourcing strategy was implemented as a solution to the problem that was presented on interview card 18 and can consequently be regarded for this study's proposed framework.**

#### 6.5(182)

**The outsourcing solution should be viewed as an unfavourable solution, since it was only used by 10% of the respondents who experienced the business problem (1/10).**

#### 6.5(183)

**Both of the strategies listed in Table 6.94 should further be viewed as unfavourable strategies for sales growth. Only 16% of the respondents interviewed indicated that the outsourcing of their service delivery seemed to have contributed to their sales (commission) growth. (This strategy was selected most often.) Only 2% of the respondents interviewed said that to encourage their clients to pay their accounts earlier seemed to have contributed to their sales (commission) growth.**

### 6.5(184)

The two marketing mix strategies that were listed on interview card 18 cannot be included in this study's proposed framework, due to their low response rate.

### 6.5(185)

The respondent did not experience any problem when he encouraged his client to pay his account earlier.

**Table 6.95:** Barriers experienced on implementation of the second marketing mix strategy presented on interview card 18, as well as counterstrategies employed

| Barriers experienced  | Frequency | Per cent n=3 responses | Counterstrategies employed   | Frequency |
|---|-----------|------------------------|--|-----------|
| The person to whom the adviser outsourced work had to deliver a good service, as it could affect his reputation                                 | 2         | 66.67%                 | Spoke to the service provider and reminded him that the service provided affected his reputation | 1         |
|   |           |                        | Made use of networking to find a good service provider   | 1         |
| The person to whom the adviser outsourced some of his work was dishonest. He did not disclose all the deals he made with the adviser's clients. | 1         | 33.33%                 | The adviser phoned his clients to find out about the deals that were closed                      | 1         |
| <b>Total</b>  | <b>3*</b> | <b>100.00%</b>         |  | <b>3*</b> |

\* Multiple mentions were allowed.

### 6.5(186)

Only two types of problems were experienced when the respondents made use of outsourcing. The problem that was mentioned most (two-thirds of the responses obtained) was that the person to whom the adviser outsourced his work had to deliver a good service, as it could affect his reputation. This problem does not seem too important since only 25% (2/8) of the respondents who indicated that the use of outsourcing seemed to have contributed to their sales growth experienced this problem.

### 6.5(187)

It further seems that adequate solutions were implemented to address to two problems experienced.

Some of the respondents were asked additional questions during the personal interviews. The findings obtained from these questions are examined below.

### 6.5.19 Internet communication

If the respondent indicated that he or she used Internet communication, the respondent was asked the following question:

#### Question 6

Which aspects did you take into consideration to design an effective Internet communication strategy?

*(The interviewer explained to the respondents that with an effective Internet communication strategy, the Internet process would be running smoothly and the business would be able to benefit from the strategy followed.)*

**Table 6.96:** Aspects considered to design effective Internet communication strategy

| Aspects considered  | Frequency | Cumulative frequency |
|---|-----------|----------------------|
| Does my client have an email address                          | 4         | 4                    |
| What actions can be taken to save time                        | 8         | 12                   |
| How can I save on fees (i.e. transport fees)                  | 3         | 15                   |
| If my client reads email on a regular basis                   | 1         | 16                   |
| What I can do to limit the amount of emails sent              | 1         | 17                   |
| The cost of the relevant hardware and software                | 3         | 20                   |
| The cost of the Internet service provider                     | 3         | 23                   |
| Are my clients able to use the Internet                       | 2         | 25                   |
| I had to be able to download, for example, application forms  | 1         | 26                   |
| I only used the Internet to obtain information from suppliers | 1         | 27                   |
| Do my clients want me to communicate via email                | 2         | 29                   |
| I had to encourage clients to email me                        | 1         | 30                   |
| I was afraid clients would delete my emails, so I sent jokes  | 1         | 31                   |
| If my clients would be able to benefit                        | 1         | 32*                  |

\* Multiple mentions were allowed.

Eight respondents indicated that they considered the actions that could be taken to save time. Four respondents considered whether their clients had an email address. Not many respondents reflected on the other aspects listed in Table 6.96.

The main finding that can be derived from question 6 is as follows:

### 6.5(188)

**Eight respondents indicated that when they designed their effective Internet communication strategy, they considered the actions that could be taken to save time. This aspect was mentioned most by the respondents.**

### 6.5.20 Business image strategy

If the respondent indicated that he or she used the business image strategies, the respondent was asked the following question:

#### Question 7

Which of the following methods did you use to assist with your business image strategy?

- **Advertising** (to reinforce the current image of my business/develop a new image for my business or to reposition the image of my competition).
- **Personal selling** (to reinforce the current image of my business/develop a new image for my business or to reposition the image of my competition).
- **Sales promotions** (providing gifts, such as pens) (to reinforce the current image of my business/develop a new image for my business or to reposition the image of my competition).

Table 6.97 below provides a summary of the responses obtained.

**Table 6.97:** Methods to assist with relevant business image strategy

| Method used          | Reinforcing the current image of my business (A) | Developing a new image for my business (B) | Repositioning the image of my competition (C) |
|----------------------|--|--|---|
| Advertising (1)      | 2  | 3  | 0   |
| Personal selling (2) | 13   | 5  | 5   |
| Sales promotions (3) | 3  | 0  | 0   |

Table 6.97 provides the following insights: to reinforce the current image of their businesses, the financial advisers concentrated most on personal selling (A2) and least on advertising (A1).



To develop a new image for their business, the financial advisers concentrated most on personal selling (B2) and did not consider sales promotions at all (B3).

To reposition the image of the competitors, the financial advisers used only personal selling (C2).

The main finding that can be derived from question 7 is as follows:

### 6.5(189)

**Personal selling was the method used most by the respondents to reinforce the current image of their businesses, to develop a new image for their businesses and to reinforce the image of the competition.**

### 6.5.21 Benefits of outsourcing

If the respondent indicated that he or she outsourced some of the delivery of his or her service offering to other people, the respondent was asked the following question:

#### Question 8

Please mention the benefits you gained from this action.

**Table 6.98:** Benefits gained from outsourcing

| Benefits gained   | Frequency | Per cent<br>n=7 responses | Cumulative<br>frequency | Cumulative per<br>cent |
|---|-----------|---------------------------|-------------------------|------------------------|
| I had more time to focus on my core business offering   | 1         | 14.29%                    | 1                       | 14.29%                 |
| I can offer a complementary service to clients (in which I have no experience) to retain them | 5         | 71.43%                    | 6                       | 85.71%                 |
| I gained extra commission   | 1         | 14.29%                    | 7                       | 100.00%                |

Table 6.98 reveals that one respondent indicated he had more time to focus on his core business offering. Five respondents indicated that they could offer a complementary service (in which they had no experience) to clients to retain them. One respondent indicated that he earned extra commission.

The main finding that can be derived from question 8 is as follows:

## 6.5(190)

Five respondents indicated that their outsourcing strategies helped them to offer a complementary service (in which they had no experience) to clients to retain them. This benefit was mentioned most by the respondents.

## 6.6 MEASUREMENT ACCURACY

The validity and reliability of the data receives attention first.

### 6.6.1 Validity and reliability of the results

Over the years a number of researchers have attempted to define the concept of validity. Table 6.99 below presents a summary of some of the definitions that have been formulated:

**Table 6.99:** Definitions of validity

| Definition  | Researchers                     |
|---|---------------------------------|
| "The extent to which differences found among respondents using a measuring tool reflect true differences among respondents" | Stevens <i>et al.</i> (2006:82) |
| "The ability of a measurement instrument to measure what it is supposed to measure"   | Aaker <i>et al.</i> (2001:742)  |
| "The extent to which the application of a scale that measures what it is intended to measure"                               | Kent (2007:141)                 |
| "Whether the subject requiring to be measured was actually measured"  | Wilson (2003:340)               |
| "The degree to which what the researcher was trying to measure was actually measured"                                       | McDaniel and Gates (2006:G-6)   |
| "Validity is concerned with the integrity of the conclusions that are generated from a piece of research"                   | Bryman and Bell (2003:33)       |

Saunders, Lewis and Thornhill (2007:614) further indicate that there are two key elements that can be associated with the concept of validity, namely:

1. "The extent to which data collection method or methods accurately measure what they were intended to measure."
2. "The extent to which research findings are really about what they profess to be about."

These two statements offer a good summary of all the definitions of validity that have been highlighted in the above table and can therefore be accepted in this study as a comprehensive and true description of the concept of validity.

The reliability of a study, in contrast, refers to the degree to which the application of a scale generates consistent answers if repeated measures are taken (Kent, 2007:570; Saunders *et al.*, 2007:609). Stated differently, McDaniel and Gates (2006:G–5) define validity as “the degree to which measures are free from random error and, therefore, provide consistent data”.

There are three techniques that can be employed to monitor reliability, namely test-retest, the use of equivalent forms and internal consistency (McDaniel & Gates, 2006:222).

*Test-retest reliability* is obtained by repeating the measurement with the same instrument, approximating the conditions of the first test as closely as possible. *Equivalent forms of reliability* are determined by drafting, for example, two very similar questionnaires and then measuring the correlation between the scores obtained from the two instruments. *Internal consistency reliability* measures the ability to deliver similar data when different samples are used to evaluate a phenomenon, during the same time period (McDaniel & Gates, 2006:222–224).

Due to time and financial resource constraints, it was not possible in this study to conduct the same interview process twice. The researcher also had to test a very large number of concepts in the telephone and personal interview questionnaires. The questionnaires would have been too long and could have led to respondent fatigue, if more of the same types of questions had to be added (to measure consistency in answers). Finally, since the research design of this study is mainly exploratory in nature, only a relatively small number of respondents were interviewed (see Section 6.2). It would therefore also not have been possible to use statistical measures to determine the validity and reliability of the study.

Despite these obstacles, it is still possible to motivate the validity and reliability of this study. Saunders *et al.* (2007:364–366) indicate that there are at least

four stages that must occur for a question to be considered as valid and reliable:

- **Stage 1:** the researcher should at first have a clear understanding of the data that will be required and needs to design the questions accordingly.
- **Stage 2:** in the second stage, the respondent has to decode the question in the manner that the researcher intended it to be.
- **Stage 3:** the respondent now has to answer the question.
- **Stage 4:** in the fourth stage, the researcher has to decode the answer in the manner that the respondent intended it to be.

**The remaining part of this section provides more insight into the various actions and techniques this study has followed to meet the requirements of the four stages and produce a study that is valid and reliable.**

- **A clear understanding of the data required and design of questions**

Gray (2009:375) indicates that the issue of validity can be addressed directly by having the content of the questionnaire aligned with the study's research objectives. This, however, would not entail simply writing a question about each objective of the study. The approach would be too simplistic and could lead to acquiring misleading information. Researchers should rather determine the kind of information they require and then build a questionnaire around these requirements (Brace, 2008:11).

Aaker *et al.* (2001:305) also believe that the research objectives first have to be transformed into specific information requirements before a questionnaire can be developed. They further indicate that secondary to this action, attention would also have to be paid to the research hypotheses. Hypotheses propose possible answers to the questions implied by the research objectives, and the questions from a questionnaire could elicit those potential answers (Aaker *et al.*, 2001:305).

Chapters two to four first investigated a number of theories related to the secondary objectives of this study. Several research propositions were then formulated pertaining to these literature findings. (In Section 4.10 it

was stipulated that since this study is exploratory in nature and the research is not based on previously established models, research propositions (rather than hypotheses) are more suitable for this study.) This exercise was very useful to help determine the kind of information required in this study to meet the research objectives and to build the telephone and interview questionnaires around these requirements. (Table 5.2 then provided a summary of the link between the research objectives, research propositions and the research questions that were used in the telephone and personal interview questionnaires.)

- **Decoding questions in the manner the researcher intended them to be**

According to Altinay and Paraskevas (2009:130), a pilot study can assist to assess whether the questions asked are clear and easy to understand and whether additional questions will need to be asked to achieve the research objective. In essence the primary purpose of pilot testing is to identify any remaining problems that might occur in the questionnaire (Sudman & Blair, 1998:301) and to make the necessary adjustments so that the respondents will not have any difficulty in answering the questions and there will also not be any problem in recording the data (Saunders *et al.*, 2007:386–387).

After the questionnaire was designed, the researcher conducted a pilot study to ascertain whether the respondents would decode the proposed questions in the manner they were intended to be and to ensure that potential problems could be addressed in advance. The pilot test revealed that the initial personal interview questionnaire was too long. Some of the questions of the telephone questionnaire also had to be rephrased to make certain that the respondents understood what was required of them and would be able to provide accurate information.

The interview technique was then used as a second approach to ensure that the respondents would decode the questions accurately.

Interviews can help to obtain richness and depth of information (Salkind, 2005:192). Saunders *et al.* (2007:319) indicate that the interaction between the interviewer and the interviewee is flexible and responsive. Meanings

can be probed, topics can be covered through many different angles and questions can be made clear to the informant. The researcher also experienced these benefits during the execution of the pilot study and accordingly insisted that the team of interviewers who conducted the fieldwork make certain that the respondents understood the questions correctly.

- **Answering questions and decoding answers in the manner that respondent intended**

Cooperation from the respondents is important in order to obtain the correct information. Some respondents, though, may not want to tell the truth. They might not have faith in the researcher, may want to sabotage the investigation or feel too ashamed to tell the truth (Breakwell, Smith, Fife-Schaw & Hammond, 2006:247).

Researchers can implement a number of strategies to address these problems. Gray (2009:375) indicates that the validity of a study can be strengthened by using interview techniques that build rapport and trust – to give the respondents the scope to express themselves (Sudman & Blair, 1998:175–176). Kopeikin (2000) supports this view. He postulates that respondents are generally more disclosing, honest and responsive when they have a warm and comfortable relationship with the interviewer. To create this kind of environment, interviewers have to be extremely pleasant, respectful, interested and should not judge the respondent. Open-ended questions can also be asked to prompt the respondents to illustrate and elaborate on their initial answers (Gray 2009:375). Denscombe (2007:201–202) further recommends that researchers ask themselves if the respondent would be in a position to have knowledge about a certain topic. Another strategy would be for researchers to attempt to identify general themes. If a number of respondents mention a certain topic, it can be accepted that the event actually occurred (Denscombe, 2007:201–202).

Once accurate answers have been obtained from the respondents, researchers have to ensure that the answers are recorded correctly. According to Saunders *et al.* (2007:326), an interviewer needs good

listening skills. This entails being willing to spend the time to listen and gain an understanding and to hold back on personal opinions. Careful listening should enable the interviewer to identify comments that are significant to the topic under investigation and to explore them further. Interviewers could then also test their understanding by summarising the answers given by the respondents. This will allow the interviewee to confirm the response given and to make corrections where necessary. It could also help to avoid interview bias and incomplete interpretations. Finally, to avoid losing important information and enhance the trustworthiness of the data, it is vital for the interviewer to make notes during the course of the interview and to prepare a complete record immediately after the interview has taken place (Saunders *et al.*, 2007:326).

The researcher used a team of professional interviewers to collect the data required. These interviewers were able to build a rapport and trust to allow the respondents to express themselves. The telephone and personal interview questionnaires also had a number of open-ended questions where the interviewers were able to prompt the respondents to illustrate and elaborate on their initial answer. All the respondents interviewed were independent financial advisers who operated small businesses and answered the questions in the context of their field of expertise. The researcher was also able to identify general themes among the respondents' answers (for example, staff that need training and a lack of sufficient time to perform all their duties.) The professional interviewers further applied good listening skills and made sure that they recorded the respondents' answers correctly.

In conclusion, the researcher was able to perform the following activities to create a study that was valid and reliable:

- Design telephone and personal interview questionnaires aligned with the secondary research objectives and information requirements of this study
- Make the necessary adjustments to the questionnaires (based on the outcome of the pilot study) to ensure that the respondents would decode the questions correctly

- Use the interview technique as a second approach to ensure that the respondents would understand the questions correctly
- Benefit from the experience and expertise of professional interviewers who were able to obtain accurate answers from the respondents and record these answers correctly

This study has therefore made every effort to align the questionnaire with the research objectives and to follow reliable procedures that could generate consistent results if measures had to be repeated.

The validity and reliability of the personal interview data did not pose a problem. The researcher did, however, experience an obstacle with the questions in the telephone interview that related to the organisational life cycle stages of the respondents. It was mentioned in Section 6.4 that it was not possible to group the respondents according to Ferreira's variables and the five proposed clusters established with Ward's minimum variance test could not be accepted as a valid representation of the individual business phases of the respondents who experienced commission growth. The researcher initially used this methodology since it has been lauded as a technique for empirically operationalising the life cycle stages of a business (Hanks *et al.*, 1993). The data obtained from the telephone interviews, however, indicated that the independent financial advisers of this study had a completely different business design from the types of businesses that Ferreira (2000) originally investigated in his study.

The questions in the telephone interview that related to the organisational life cycle stages of a business were not asked completely in vain. They were of great value to discover that the life cycle criteria proposed by Ferreira do not apply to the businesses of independent financial advisers. A future study would simply need to identify different criteria that can be used to group the respondents into their life cycle stages.

The following section provides an overview of the different measures that were employed in the field study to reduce the potential for error to a minimum.



## 6.6.2 Management of potential errors

Barnes (1991:382–383) identifies two main sources of error in field data collection, namely sampling error and nonsampling error.

Kent (2007:571) describes *sampling error* as the difference between the result of a sample and the result a census would have provided, if identical procedures were used. According to Sudman and Blair (1998:332), sampling error refers to the fact that samples do not always mirror a population's true characteristics, even if a fair procedure was employed to select the study's sample.

In Section 5.4.3 it was explained that since the convenience sample technique (used in this study) does not follow any predesigned method, a sample error could not be determined. It was further argued that owing to the exploratory nature of this study, no scientifically representative conclusions would be made and that the inability to determine a sampling error would not affect the research objectives of this study.

Kent (2007:241) describes *nonsampling errors* as “survey errors that are not a result of the sampling process”. The nonsampling errors in field data collection could be grouped into nonobservation errors, observation errors, interpretation errors, recording errors and interviewer cheating (Barnes, 1991:383).

Each of these errors now receives further attention.

- **Nonobservation errors**

The level of nonobservation error present in a survey is dependent on the extent to which respondents were included in the sample that were intended to be included and the degree to which those individuals selected to participate were able and keen to complete the survey. *Noncoverage errors* occur if respondents who should have been included in the sample were omitted. *Nonresponse errors* can occur if the respondents contacted are not available or refuse to cooperate (Barnes, 1991:384–387).

The following techniques as suggested by Stevens *et al.* (2006:176) were used to address nonresponse error in this study:

- The value of the research was explained.
- The importance of the respondent's opinion was emphasised.
- The respondent was notified in advance of the personal interview.
- The confidentiality of the answers provided was ensured.

However, as indicated in Table 6.1, a number of respondents were still unavailable or refused to participate. Noncoverage errors and nonresponse errors therefore still occurred in this study.

Kent (2007:198) argues that it is uncommon that all potential respondents selected are successfully contacted and it is also seldom that those contacted agree to participate. Wilson (2003:194), in addition, indicates that the researcher should consider the implications of nonresponse on the findings of the study.

Since this study is exploratory in nature and no scientifically representative conclusions are made, the participation that was obtained from the respondents in the field can be viewed as adequate.

▪ **Observation errors (field errors)**

Barnes (1991:389) explains that the errors that occur during the completion of the survey in the field are attributable to the personal interaction between the interviewer and the respondent, the degree to which the interviewer departs from the interviewer guide and the degree to which the interviewer influences the respondent's answers through the manner in which the questions are asked.

To avoid *interaction errors*, it is the responsibility of the interviewer to gain cooperation from the respondents and to motivate them to provide comprehensive and accurate answers to the questions being asked (Barnes, 1991:390). *Departure from the interviewer guide* can be prevented by requesting the field staff to ask the questions precisely as they are worded in the questionnaire (Barnes, 1991:391). To prevent *influencing the*

*respondent's answers*, an interviewer can be instructed to use the following questions when probing (Barnes, 1991:392):

- “Could you explain that for me?”
- “Are there any others?”
- “What do you mean by that?”

Practically all the recommendations described above were considered and implemented to avoid observation errors in this study. (As motivated in Section 6.6.1, the researcher, however, in some instances, did allow the interviewers to explain the questions to the respondents in more detail, to ensure that the respondents would understand the questions being asked correctly and could provide valid answers.)

▪ **Interpretation errors, recording errors and interviewer cheating**

According to Barnes (1991:393), the interpretation errors and recording errors that can possibly occur can be grouped into three categories, namely judgement errors, clerical errors and recording errors.

If an interviewer interprets the answer of the respondent incorrectly a *judgement error* is made. *Clerical errors* occur when an interviewer, for example, selects the wrong box or circles the wrong number. A *recording error* will arise if an interviewer, for example, does not record the respondent's answer to an open-ended question correctly (Barnes, 1991:393–394).

An interviewing *cheating error* is made if the interviewer deliberately departs from instructions given (Barnes, 1991:394).

Barnes (1991:393–395) recommends that interviewers be trained to prevent these types of errors. Kent (2007:202) suggests interviewer training, along with the supervision of field activities and control.

The meaning and the purpose of each question were explained during the interview training session. The importance of obtaining accurate answers was also emphasised. The field manager undertook that care would be

taken to capture the respondents' answers correctly. After the fieldwork was completed, the responses obtained from the respondents were also discussed with the field manager to ensure that the correct procedure was followed.

In addition to the nonsampling errors described above, the researcher also considered the nonsampling errors highlighted by Aaker *et al.* (2001:90–91). Table 6.100 below provides a brief summary of these errors as well as the strategies, as suggested by McDaniel and Gates (2006:121), that were implemented to avoid their occurrence.

**Table 6.100:** Additional nonsampling errors considered and strategies implemented to avoid their occurrence

| Nonsampling error           | Description   | Strategy implemented to avoid occurrence  |
|-----------------------------|---|---|
| Sample frame error          | Occurs if the sample is selected from an incorrect sample frame   | The best sample frame possible should be obtained. There was a distinct possibility that the list of advisers obtained from the Financial Services Board would be independent financial advisers, operating small businesses that advised on and sold financial products. Questions 1, 2 and 3 of the telephone interview were asked to ensure that the advisers on the list actually interviewed did qualify for this study. |
| Surrogate information error | The disparity between the information required for a research study and the information wanted by the researcher                      | Attention was paid to the type of information that was required to address the research objectives of this study. The summary in Table 5.2 provides evidence that there is a link between the research questions, research propositions and research objectives of this study.  |
| Measurement error           | The difference between the information sought by the researcher and the information obtained through a specific measurement procedure | Measurement error can be limited by careful questionnaire design and pre-testing. The pilot test that was conducted helped to address the occurrence of this error.   |
| Data analysis error         | Arises if inappropriate statistical analyses are used   | Careful consideration was given to the various statistical methods available. The Department of Statistics at the University of Pretoria assisted the researcher to select the most appropriate statistical methods for this study.   |

| Nonsampling error              | Description  | Strategy implemented to avoid occurrence   |
|--------------------------------|--|--|
| Processing error               | May arise when the data is captured from the questionnaire to the computer             | Quality control checks need to be implemented to address this error. The researcher ensured that the data of the questionnaires were captured correctly. |
| Population specification error | Occurs if an inappropriate population is selected from which the data must be obtained | Careful consideration was given to the selection of the population of this study.  |

Source: Aaker *et al.* (2001:90-91) as well as McDaniel and Gates (2006:121)

## 6.7 SUMMARY

In chapter six the results obtained from the telephone and personal interviews were presented and analysed to gain more insight into the demographic profiles of the respondents, as well as the types of problems and strategies they actually have experienced and implemented in their businesses.

It was also discovered in this chapter that the life cycle clusters established with Ward's minimum variance test method are not mutually exclusive and could therefore not be accepted as a valid representation of the business phases of the respondents who experienced commission growth. Because independent financial advisers in general might only have a more simple organisational structure and could still be grouped into the other general business life cycle stages (based on the remaining six factors listed in Table 2.2), it was further not possible to assume that they all belong to a single organisational life cycle stage.

Based on these findings as well as the results obtained from the literature review, the last chapter (chapter seven) now sets out the conclusions and recommendations of this study.

## **Chapter Seven**

### **Conclusions, implications and recommendations**

#### **7.1 INTRODUCTION**

Chapter six provided a detailed report on the research results that were obtained from the empirical investigation. Chapter seven now concludes with the implications of the findings and recommendations.

The primary objective of this study, as described in chapter one, was to propose a marketing mix framework for independent financial advisers that would portray the various factors threatening their survival and growth in their organisational life cycle, as well as the various marketing mix strategies that could be implemented to proactively manage the problems and help generate sales growth. Six secondary objectives and research propositions were also formulated in chapters one and four to assist in achieving this primary research objective.

Section 7.2 commences with a critical evaluation of the key findings relative to each secondary objective and research proposition in order to draw the main conclusions, implications and recommendations of this study.

Following this investigation, the planned framework for business survival and sales growth is then proposed and discussed in Section 7.3.

Section 7.4 highlights the limitations of this study and Section 7.5 ends with a number of recommendations for future research.

#### **7.2 MAIN CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS OF THIS STUDY**

The organisational life cycle stages of the respondents receive attention first.

## 7.2.1 The organisational life cycle stages of independent financial advisers

The following secondary objective and research proposition were formulated to study the organisational life cycle stages of the respondents:

### Secondary objective 1

To obtain clarity on the business phases of independent financial advisers.

### Research proposition 6

The independent financial advisers of this study do progress through the birth, growth, maturity and revival life cycle stages that were identified in chapter two.

#### ▪ Major finding 1

**It was not possible to group the respondents into the birth, growth, maturity and revival life cycle stages, based on the criteria that Ferreira (2000) originally used in his study.**

*Chapter two* presented the results of a comparison that was conducted between the life cycle stages of five different life cycle models (Churchill & Lewis, 1983; Ferreira, 2000; Lester & Parnell, 2008; Miller & Friesen, 1984; Smith *et al.*, 1985) to determine if common patterns of development could be identified. (In addition to representing small, large and general organisational life cycle models, all five models examined had also been empirically tested before by different researchers, in different periods, regions and industries.) It was discovered that businesses seem to progress through five general life cycle stages, namely birth, growth, maturity, revival and decline. (Table 2.2 provides a summary of these stages.)

The second question that also had to be answered was whether a business develops in a sequential manner through these five general life cycle stages. After reviewing the longitudinal research study that was conducted by Miller and Friesen (1984:1175–1176), it became evident that while there are general life cycle stages common to businesses, organisations do not

progress relentlessly in a sequential manner through them. The development of the business can take on any form. It further seemed that the business's resources as well as its expertise and strategic choices play an important role in determining, at any point, if it will progress to the next stage, remain at the current stage or deteriorate and perhaps die. Based on these findings, a graphical illustration of the general business life cycle model was then given in Figure 2.1.

**The following main deduction regarding the life cycle model of a business can be derived from the literature review:**

- The general business life cycle model proposed in Figure 2.1 is based on the common life cycle patterns that were revealed by small and larger businesses in different periods, regions and industries. This model is therefore not restricted to small businesses, but can also be used by larger businesses in other regions and industries to gain more insight into their current life cycle stage and development.

*Chapter two* then further stipulated that there is a great possibility that the general life cycle stages of the model displayed in Figure 2.1 (due to their universal appeal) could also be applicable to the businesses of independent financial advisers. Following Ferreira's example (2000), this study made use of Ward's minimum variance clustering method (1963) to attempt to group the respondents who experienced commission growth into the different general life cycle stages. *(Since the purpose of this study is to propose a framework for business survival and sales growth and it was decided in Section 2.2.2 that businesses in the decline stage would not be further investigated, this study was only concerned with the life cycle stages of the financial advisers who experienced commission growth.)*

The clustering exercise, however, was not very fruitful. As was indicated in Section 6.4.1, the cluster analysis did point towards five potential clusters, but there were a large number of similarities between them. These clusters could therefore not be accepted as a valid representation of the individual



business phases of the respondents who experienced commission growth (main finding 6.4(1)).

Following the empirical findings, it seems that Ferreira's variables were not really sufficient to help classify the respondents into different life cycle stages.

Ferreira investigated small businesses whose mean employment in the birth stage was recorded as 16.33 employees, in the expansion stage as 27.62 employees, in the maturity stage as 159.6 employees and in the diversification stage as 30.6 employees. Main finding 6.3(18) was that most of the respondents who participated in the telephone interviews (62.41%) had no employees in their businesses from 1 August 2006 to 31 July 2007 (the year in which the respondents' businesses were evaluated). Furthermore the average number of organisational levels in the small businesses investigated by Ferreira ranged from 2.33 levels in the birth stage, 4 levels in the expansion stage, 4.27 levels in the maturity stage and 4.71 levels in the diversification stage. In contrast, all the respondents who participated in the telephone interviews had either one or two organisational levels in their small businesses (main finding 6.3(20)). The majority of the respondents who experienced commission growth (55.26%) had only one organisational level in their small businesses (main finding 6.3(22)). Lastly, the number of specialised functions in the small businesses investigated by Ferreira ranged from 2.04 functions (birth stage), 4.69 functions (expansion stage), 6 functions (maturity stage) and 8.8 functions (diversification stage). The independent financial advisers who participated in this study had a maximum of three specialised functions in their small businesses (main finding 6.3(26)). More than half of the respondents who experienced commission growth (59.21%) had no specialised functions in their small businesses (main finding 6.3(28)).

It consequently appears that Ferreira examined small businesses that operated on a larger scale (with more employees, organisational levels and specialised functions than the respondents of this study). As a result of this

and because his data had a broader range, it was easier for him to use the different variables and group the respondents into a number of life cycle stages. The independent financial advisers of this study, in contrast, have little variability in terms of the number of organisational levels, specialised functions and employees employed in their businesses, which made it very difficult to group them according to Ferreira's variables.

The following main conclusions regarding the investigation of the organisational life cycle stages of the respondents can therefore be made:

### **Main conclusions**

- Ferreira's variables were not really as appropriate as the researcher originally thought they were to help classify the respondents into different life cycle stages.
  - Secondly, although it appears that all the advisers interviewed had a simple organisational structure, this study cannot claim that they were all in the same organisational life cycle stage (main finding 6.4(2). It was not possible to provide empirical evidence that the general life cycle stages depicted in Figure 2.1 are in fact applicable to the businesses of independent financial advisers. These stages, however, are based on the common life cycle patterns that were displayed by small and larger businesses in different periods, regions and industries. Table 2.2 also lists a number of characteristics that can be used to describe these general life cycle stages (of which the structure of the business formed only one component). Therefore, in the light of the general appeal of the life cycle stages and the number of characteristics that can be used to describe them, this study will rather conclude that the general life cycle stages should in fact also be associated with the businesses of independent financial advisers (although no empirical evidence could be obtained), but with one exception: it seems that independent financial advisers have a more simple organisational structure and do not really attempt to further develop this structure.
- Research proposition 6 should therefore be partially accepted.**

### **Implication**

The implication of these conclusions is that a more appropriate set of variables is needed to assist in grouping independent financial advisers into the different general life cycle stages.

### **Recommendation**

Researchers in future need to identify more practical criteria that can assist in grouping independent financial advisers into the various general life cycle stages. Independent financial advisers in the interim, though, can then use the summary of the general life cycle stages (as listed in Table 2.2) to help them identify their stage in the life cycle and to gain more insight into their businesses.

Section 7.2.2 is devoted to the business problems that can threaten the businesses of independent financial advisers.

## **7.2.2 The business problems that can threaten the businesses of independent financial advisers**

The following secondary objective and research proposition were formulated to study the business problems that can threaten the businesses of independent financial advisers.

### **Secondary objective 2**

To determine the problems actually posing a threat to the business survival of independent financial advisers in their organisational life cycle.

### **Research proposition 1**

The independent financial advisers of this study experience the potential problems in the life cycle stages discussed in the literature review and depicted in Table 4.5.

▪ **Major finding 2**

**The independent financial advisers experienced most of the problems that were discussed in the literature review and depicted in Table 4.5.**

In *chapter two* it was pointed out that Timmons and Spinelli (2007:260–261, 536-538), identified business problems similar to other authors, but went one step further and associated these problems with the different life cycle stages of a business. The lack of empirical evidence rendered the model proposed by Timmons and Spinelli unsuitable to be considered in the investigation of the general business life cycle stages. However, based on the findings of Section 2.2.1 it seemed that the business context of four of the life cycle stages proposed by Timmons and Spinelli correlate with the business context of the birth, growth, maturity and revival general life cycle stages. Table 2.4 provides a summary of this correlation as well as a list of the problems Timmons and Spinelli believe can occur in each particular stage. It was also stipulated that while there are a great variety of problems which a business might have to concentrate on, the problems that were highlighted by Timmons and Spinelli are particularly critical for the business and if not overcome, can seriously imperil the business.

**The following main deduction regarding business problems can be derived from the literature review:**

- There are a number of critical problems that can occur in each general life cycle stage and that can consequently threaten the survival of both large and small businesses.

The empirical findings revealed that the independent financial advisers experienced all the problems that were highlighted by Timmons and Spinelli, except the problem of offshore competition. (Although there was little chance that the independent financial advisers would experience this problem, it was still included in the survey to make certain.)

Timmons and Spinelli's problems, though, cannot be considered as critical in the businesses of the advisers, since they were not encountered by a very large number of respondents.

**Five of the eighteen problems investigated were only categorised as important problems in the businesses of independent financial advisers, since they were experienced by between 33,34% and 66,67% of the respondents interviewed. These problems included the following:**

- Have too many responsibilities and therefore struggle to meet deadlines (main finding 6.5(1)).
- Have difficulty in delivering the service to clients on time (main finding 6.5(30)).
- Sometimes struggle to close a business deal with new and existing clients on time (main finding 6.5(48)).
- Have not made strategic plans for the business, because the adviser concentrated primarily on the operational side of the business (main finding 6.5(37)).
- Attempt to perform all the business activities themselves (main finding 6.5(73)).

The first three problems listed above are all related to the financial adviser's lack of sufficient time to deliver the service. It could also be possible that the advisers concentrated primarily on the operational side (and therefore did not make strategic plans for the business), because they did not have sufficient time to do anything else.

If one considers the findings from the telephone interviews, the root of the time dilemma might be that the financial advisers did not have the necessary staff members to help them perform their duties and those who had staff did not employ them in various specialist roles, but mainly had them conduct administration duties.

More specifically, a total of 62% of the respondents personally interviewed indicated that they attempt to perform all the business activities by

themselves. Main finding 6.3(18) was that most of the respondents who participated in the telephone interviews (62.41%) had no employees in their business from 1 August 2006 to 31 July 2007 (the year in which the respondents' businesses were measured). The majority of the respondents who participated in the telephone interviews (89.47%) also did not experience any employee growth in their businesses in the relevant period (main finding 6.3(19)).

The independent financial advisers who participated in this study had a maximum of three specialised functions in their small businesses (main finding 6.3(26)). The majority of the respondents (67.67%), though, indicated that they had no specialised functions in their small businesses (main finding 6.3(27)). An administration worker was the type of employee most employed by the respondents and also the most popular type of specialised role performed in the businesses of the respondents. A total percentage of 58.82% was obtained (main finding 6.3(31)).

The following types of employees were mainly employed by independent financial advisers who experienced commission growth: bookkeeper (2.94%), tax consultant (1.47%), public relations and marketing officer (2.94%), person who makes appointments and resolves queries (1.47%), office manager and tax consultant (1.47%), telesales assistant (1.47%), telesales and administration worker (1.47%) (main finding 6.3(32)). However, not many of the financial advisers who experienced commission growth made use of these types of employees.

**The remaining 13 problems were experienced by between 0% and 33.33% of the respondents interviewed and were therefore classified as problems that only need consideration in the businesses of independent financial advisers. These problems included the following:**

- Do not know all the competitors that have entered the market (main finding 6.5(8)).

- Struggling with inadequate management of business expenses that do not keep up with the business growth (main finding 6.5(43)).
- Lost customers who experienced unsatisfactory service from the adviser's business (main finding 6.5(80)).
- Commission reduced, as the adviser could not meet the high demand for his service (main finding 6.5(109)).
- Commission has reduced through the unexpected activities of competitors (main finding 6.5(114)).
- Business commission reduced through offshore competition (main finding 6.5(123)). *(This was the only problem that was not experienced by any of the respondents personally interviewed.)*
- Experienced a lack of teamwork for a "greater purpose" (main finding 6.5(136)).
- Sometimes in conflict with business partners over business control (main finding 6.5(141)).
- Business is struggling with inadequate financial resources (main finding 6.5(147)).
- No new product and service developments in business over the last 12 months (main finding 6.5(154)).
- Dealt with an exhausted business opportunity that produced very low profits and return on investment for the business (main finding 6.5(160)).
- Used bank debt to solve financial resource requirements (main finding 6.5(180)).
- Do not have access to external networks (such as the Financial Planning Institute) that can help grow the business (main finding 6.5(55)).

Based on the problems listed above, it seems that the respondents also struggled with competitors, financial resources, customers, employees, product offerings and a lack of external networks.

Furthermore, a possible reason why fewer respondents encountered the problems that only need consideration is that most of these problems did

not have their origin in the shortage of employees, which a large number of respondents experienced and which attributed to the occurrence of the important problems. If the respondents had fewer or no employees, but were able to manage their competitors, financial resources, customers, product offerings and external networks, they would not have experienced most of the 13 problems listed above.

The following main conclusions regarding the investigation of the business problems can therefore be made:

### **Main conclusions**

- The 18 business problems investigated are not critical in the businesses of the independent financial advisers. Five of these problems can be regarded as important and the remaining 13 only need consideration.
- It appears that the five important problems that were experienced by the respondents can be attributed to the fact that the advisers had a lack of staff members and those who had staff did not employ them in various specialist roles, but mainly had them perform administration duties.
- The remaining 12 problems that only need consideration in the businesses of independent financial advisers can be classified as problems related to competitors, financial resources, customers, employees, product offerings and a lack of external networks.
- Finally, since the general life cycle stages can be associated with the businesses of independent financial advisers, it is possible to conclude that the problems experienced by the respondents do occur in these general life cycle stages. **However, since the respondents did not experience all the problems that were listed in Table 4.5 (the offshore competition problem was not experienced), research proposition 1 can only be partially accepted.**

### **Implications**

The implications of these conclusions are as follows:



- Since this study could only identify important problems and problems that need consideration, the critical problems experienced by independent financial advisers are still unknown.
- Independent financial advisers would need to pay attention to their employment practices in order to overcome the important problems they experience in their businesses.
- Independent financial advisers cannot focus only on the important problems, though, since there are also other problems that can occur in the businesses of independent financial advisers that would need consideration.

### **Recommendations**

- Researchers in future would need to identify critical problems that can be experienced by independent financial advisers (that is problems that are experienced by between 66.68% and 100% of the respondents interviewed).
- Independent financial advisers need to employ more employees in various types of specialist roles in order to overcome the important problems they experience in their businesses.
- Independent financial advisers also need to pay attention to competitors, financial resources, customers, employees, product offerings and networking in order to be able to address the problems that need consideration in their businesses.

Section 7.2.3 focuses on the solutions that can be implemented to address the business problems as well as the various marketing mix strategies that can be employed to generate sales growth. Secondary to this discussion, the subsection also focuses on the obstacles that can be encountered on implementation of the marketing mix strategies as well as the relevant solutions that can be used to counter the obstacles.

### **7.2.3 Solutions to business problems, marketing mix strategies for sales growth, barriers to implementation and counterstrategies**

The following remaining secondary objectives and research propositions were formulated for this study:

#### **Secondary objective 3**

To gain insight into confirmed marketing mix solutions that can assist in overcoming the actual problems posing a threat and hindering sales growth in their organisational life cycle.

#### **Secondary objective 4**

To establish confirmed marketing mix strategies in their organisational life cycle that are likely to engender sales growth.

#### **Secondary objective 5**

To investigate the internal and external environmental factors that are actually posing a hindrance to the implementation of the confirmed marketing mix strategies in their organisational life cycle.

#### **Secondary objective 6**

To determine confirmed strategies that can be employed to counter the environmental factors actually posing a hindrance in their organisational life cycle.

#### **Research proposition 2**

The independent financial advisers of this study use the possible solutions to overcome the various potential problems in the life cycle stages discussed in the literature review and depicted in Table 4.5.

#### **Research proposition 3**

The potential solutions depicted in Table 4.5 are also marketing mix strategies implemented by the independent financial advisers of this study and seem to enhance sales growth.

#### **Research proposition 4**

When implementing the marketing mix strategies, the independent financial advisers of this study experience the barriers to implementation discussed in the literature review and depicted in Table 4.5.

#### **Research proposition 5**

When experiencing the barriers to implementation, the independent financial advisers of this study use the counterstrategies as discussed in the literature review and depicted in Table 4.5.

*Chapter three* investigated previous research studies on marketing mix elements to establish possible solutions to the problems (as depicted by Timmons and Spinelli (2007:260–261, 536-538)) that independent financial advisers could experience in their life cycle. The literature investigation pointed out possible solutions that can also potentially serve as marketing mix strategies for sales growth. *Chapter four* then identified various potential internal and external environmental factors that can possibly hinder the implementation of the proposed marketing mix strategies. Potential strategies that can be implemented to counter these environmental factors were also investigated.

Following this comprehensive literature investigation, chapter four concluded with a summary of the study's literature findings in table format (Table 4.5).

**The following main deduction regarding the above literature investigation can be formulated:**

- Table 4.5 presents a very comprehensive outline of potential problems and strategies that can be experienced in the business life cycle. Business managers of large businesses or owners of small businesses can use Table 4.5 as a guideline in their strategy formulations. Potential problems, strategies, environmental factors and counterstrategies might provide valuable input to them when conducting marketing and sales growth planning.

The empirical investigation revealed that the respondents did not make use of all the strategies that were identified in the literature review and also did not experience all the proposed problems on implementation.

- **Major finding 3**

**There is one marketing mix strategy that can be strongly recommended as a marketing mix strategy for sales growth and that can also be used as a solution to a business problem.**

Controlling the quality of the service provided was the only strategy that was classified as a **highly popular strategy for sales growth** (main finding 6.5(10)) and a **popular solution** (to create a competitive advantage and therefore address the potential threat of unknown competitors, main finding 6.5(9)).

However, independent financial advisers attempting to follow this strategy could be confronted by a number of problems. Section 4.9.1 initially stated that the service encounter the client experiences with other competitors could play a role in the evaluation of the service provided. The respondents interviewed did not mention this competitor environmental factor (that was listed in Table 4.2), but highlighted 14 other problems (main finding 6.5(16)) that can be encountered on implementation. However, none of these problems appeared to be a major threat (main finding 6.5(15)). Thirteen of the problems can be related to the following additional environmental factors listed in Table 4.2: small business resources, education, exposure to information, small business culture, suppliers, changes in the industry and change of attitude towards marketing. (Table E.2 in Annexure E provides a detailed explanation of the association that was made between the problems mentioned and the environmental factors listed in Table 4.2.) It is also important to note that having difficulty recruiting staff (the fourteenth problem that was experienced by the respondents) was labelled in Table E.2 as an employee experience type of environmental factor. This environmental factor was not originally listed in Table 4.2, but was derived from the description provided by the respondents.

The independent financial advisers surveyed did not have appropriate solutions to all 14 of the obstacles experienced (main finding 6.5(17)). For example, hiring an additional staff member to control quality might not always help, since it will depend on the performance of the staff member. Working longer hours to control quality and catch up on administration and sales could cause fatigue, which then will affect the performance levels of the adviser. It might be more appropriate to design a range of policies and procedures according to which the activities of the business need to be carried out and then use a checklist to manage their implementation. The adviser, for example, can design certain steps that will have to be followed when preparation is done for a client visit. Once completed, the adviser could then use the checklist to ensure that all the aspects of the preparation were covered sufficiently.

There was also no solution to the problem where some clients expected the adviser to complete the application form on their behalf. To counter this problem, advisers can, for example, motivate that clients should rather complete the application forms themselves to avoid any misunderstanding and risk that their policies might not be paid out due to incorrect information.

Finally, advisers can use external suppliers to address the problem of spending time on upgrading new software (Spotlight Data Application). Certain procedures can also be standardised to ensure that a high level of service is maintained as the client base grows.

The following main conclusions regarding major finding 3 can be made:

### **Main conclusions**

- Controlling the quality of the service provided can be regarded as a strongly recommended marketing mix strategy for sales growth and should therefore form part of the core marketing activities of the advisers' businesses.
- This strategy can also be used to create a competitive advantage and thus address the potential threat of unknown competitors, but

independent financial advisers would have to be able to overcome eight environmental factors that can be experienced.

- Employee experience was not originally identified in the literature review as a type of environmental factor, but does pose a threat to the control of quality in the businesses of the advisers and therefore cannot be ignored.
- This study had to provide alternative solutions to some of the environmental factors experienced. It consequently appears that there are financial advisers who are not really equipped to implement this strongly recommended marketing mix strategy successfully.

### **Implications and recommendations**

- Independent financial advisers would have to focus on the provision and control of service quality when they conduct and implement their marketing planning to help them obtain a competitive advantage and generate sales growth. More specifically, they need to establish clear guidelines for the delivery of service quality and ensure that these guidelines are followed when they conduct and implement their marketing planning.
- Independent financial advisers would also have to familiarise themselves with the recommended solutions and make sure they are able to implement them successfully, in order to combat the eight types of environmental factors that can be experienced.

#### **▪ Major finding 4**

**There are three marketing mix strategies that can be strongly recommended as solutions to business problems and that can also be used as marketing mix strategies for sales growth.**

Using the Internet was classified as a **highly popular** solution to deliver service to clients on time (main finding 6.5(31)) and a **popular strategy for sales growth** (main findings 6.5(32) and 6.5(50)). It was also categorised as a **popular solution** to address the problem of closing a business deal with clients (new and existing) on time (main finding 6.5(49)).

In Section 3.3.3 it was stated that in the insurance environment, independent financial advisers can, for example, use an effective communication message to advertise tax assistance on their websites. They could also communicate the type of information that the client would have to email to their offices. Valuable time would be saved in this scenario, as the advisers would not have to contact clients to sell their services. Furthermore, because the client would have to email the necessary information to the adviser's office, travel time would also be saved and it would be easier for the adviser to complete the client's tax forms before the tax submission deadline.

As indicated by Table 6.96, there are a number of different techniques that can be used to design effective Internet communication. The actions that could be taken to save time were the consideration that was mentioned most (main finding 6.5(188)).

There are no major threats hindering the implementation of this strategy (main findings 6.5(34) and 6.5(52)), but independent financial advisers need to be aware of at least 12 problems that can be experienced (main findings 6.5(35) and 6.5(53)). Eleven of these problems can be associated with the following environmental factors listed in Table 4.2: exposure to information, education, technology, suppliers and financial resources. (Tables E.7 and E.9 provide more insight into the association that was made between the problems mentioned and the environmental factors highlighted in Table 4.2.) The environmental factor time is listed as an additional environmental threat in Tables E.7 and E.9. It was not originally identified in the literature review, but was derived from the description provided by the respondents in the empirical study.

The respondents did not mention that they followed the actions of their competitors and were more likely to use an Internet strategy when their opponents did so. They also did not complain that larger businesses have more experience with Internet practices. (It was initially thought in Sections

4.5.1 and 4.5.2 that the respondents might experience these problems when they use an Internet strategy.)

The biggest threat to the implementation of the Internet strategy could not be countered effectively (main findings 6.5(54) and 6.5(36)). There are no adequate solutions for the cost of the hardware and software (the solution listed in Table 6.36 could not be accepted as a general solution, since not all the advisers' children will have access to computer programs). Instead, financial advisers who do not have a contact that can help them with computer programs could rather focus on the marketing mix strategies for sales growth that are recommended in this study to generate more commission and therefore finance the computer programs. Advisers who do not know how to solve the problem of learning to use the software offered by the Financial Services Board (Table 6.36) could contact the Financial Services Board for training. Advisers who have to train their staff on how to use the Internet (Table 6.44) can use external computer training programmes. Finally, advisers can prepare for their meetings in advance and also phone the administration staff at insurance companies for information to address the problem of Internet service providers that are offline sometimes (Table 6.44).

Adapting the service according to the client's needs was categorised as a **highly popular solution** to address the problem of a loss in customers (main finding 6.5(82)) and a **popular strategy for sales growth** (main finding 6.5(83)).

In Section 4.9.2, it was highlighted that service customisation could be expensive. The respondents did not mention this environmental factor.

Advisers who wish to customise services will not experience any major threat, but still need to be aware of at least ten problems that can be encountered (main finding 6.5(85)). It is possible to associate five of these barriers with the following environmental factors listed in Table 4.2: education, personal goals of the small business owner, small business resources and supplier. The other five problems encountered cannot be



related to the environmental factors listed in Table 4.2, but can be grouped under the additional environmental factors of time, client commitment and business processes. (Refer to Table E.15 for an explanation of this association.)

It further appears that the respondents used sufficient solutions to address the ten problems experienced (main finding 6.5(86)). These solutions can consequently be followed as a guideline.

Ensuring that every employee is aware of the essential role they play in the final delivery of quality service and as a result enabling the employee to deliver excellent service has been categorised as a **highly popular solution** to promote teamwork in the business (main finding 6.5(137) and a **popular strategy for sales growth** (main finding 6.5(138)).

This marketing mix strategy might have been more popular if more than only 34 of the respondents interviewed had had employees in their businesses. It was also stipulated under major finding 2 that the financial advisers who had staff did not employ them in various specialist roles, but mainly had them perform administration duties. The marketing mix strategy could also be applied more effectively if financial advisers make use of more specialist roles in their businesses (that could help them to carry out the different functions in the business at an optimum level) and ensure that their employees understand and are able to perform these roles.

Ensuring that every employee is aware of the essential role they play in the final delivery of quality service is a relatively easy strategy to follow. The respondents did not mention that their employees had vague job descriptions. (This education environmental factor was initially associated with the strategy in Section 4.8.3.) Only two types of problems were identified (main finding 6.5(139)) and neither of them was a major threat. As pointed out in Table E.23, the staff problem experienced by the respondents can be classified as a small business culture environmental factor and the family member problem can be categorised as a family type of environmental factor (this environmental factor was not depicted in Table

4.2, but was derived from the description provided by an adviser in the empirical study.)

Lastly, appears that the respondents need more guidance to address the problem of staff that are too proud to accept constructive criticism (main finding 6.5(140)). As a solution, financial advisers could, for example, first highlight the strengths of the employee and then offer constructive criticism as guidelines, which the employee could then implement to become even more successful.

The following main conclusions regarding major finding 4 can be made:

### **Main conclusions**

- The three marketing mix strategies discussed under major finding 4 can be regarded as strongly recommended solutions to their relevant problems and should be taken seriously by financial advisers.
- Independent financial advisers can also apply these strategies to generate sales (commission) growth in their businesses.
- The strategy of ensuring that every employee is aware of the essential role they play in the final delivery of quality service could become even more popular and effective if the respondents employ more specialist employees in their businesses (that could help them to carry out the different functions in the business at an optimum level) and ensure that these employees understand and are able to perform their roles.
- The three marketing mix strategies are relatively easy to execute, since there are no major threats that can hinder their implementation. There are, however, a number of problems that can be experienced.
- Time, client commitment, business processes and family are four environmental factors that were not originally identified in the literature review as types of environmental factors, but do pose a threat to the businesses of the advisers and therefore cannot be ignored.
- This study had to provide alternative solutions for some of the environmental factors experienced. It therefore appears that there are

financial advisers who are not really equipped to implement these three strongly recommended marketing mix solutions.

### **Implications and recommendations**

- Independent financial advisers would need to familiarise themselves with the three marketing mix strategies and ensure that they are able to apply them when they experience the relevant problems and also to generate sales (commission) growth. More specifically, independent financial advisers need to pay attention to the different approaches that can be used to design effective Internet communication. They also need to become aware of the needs of their clients and adapt their services accordingly.
- Independent financial advisers further would need to identify the different areas of their business that would require specialists (for example, an employee that would only deal with the short-term insurance side of the business) and then provide training to the employees to ensure that they understand and are able to perform their duties.
- Independent financial advisers, however, would also have to be aware of the environmental factors that can hinder the implementation of these strategies and use the recommended solutions to address these barriers effectively.

#### **Major finding 5**

**There are a total of four marketing mix strategies that can be recommended to independent financial advisers as solutions to business problems and as marketing mix strategies for sales growth.**

Engaging in continuous service developments, aligned with an appropriate business process that ties in with the needs of the markets, was classified as both a **popular solution** to become more strategically orientated (main finding 6.5(38)) and a **popular strategy for sales growth** (main finding 6.5(39)).

In Section 3.3.1 it was explained that financial advisers could, for example, modify the service package offered to clients to also perhaps include medical aid provision. The financial adviser would then need to make sure that the business processes followed to offer these services were appropriate and aligned with the client's needs and expectations.

Based on the empirical findings, it seems that the respondents concentrated primarily on selling life insurance and investments as a service package. Main finding 6.3(8) was that life insurance and investments (28.57%) was the most popular blend of products advised on and sold by the respondents, followed by life insurance, investments and medical aid funds (21.05%), short-term insurance only (12.03%) and life insurance only (9.77%). Main finding 6.3(9) further indicated that the majority of the respondents who experienced commission growth (61.84%) advised on and sold at least life insurance and investment products in their businesses. This approach, however, did not help them to generate a large amount of commission growth (there is no connection between the types of products advised on and sold by the respondents and the commission growth they experienced (main finding 6.3(10)). Also, only 5.32% of the respondents experienced commission growth of 60% or more. The average percentage increase in the amount of commission earned was 22.4% and the standard deviation is 22.6% (main finding 6.3(3)).

The scenario might have been different if more of the respondents who experienced commission growth included accounting, buying shares, setting up a trust, drafting wills and employee benefits in their service offering. (Accounting (0.36%), buying shares (0.36%), setting up a trust (0.36%), drafting wills (0.36%) and employee benefits (0.36%) were the products least sold by the financial advisers (main finding 6.5(7).) If sold individually, these types of products do not generally produce a large amount of commission. However, by drafting up wills, advisers can, for example, identify more life cover and investment needs, which would then help to sell more life cover and investment policies and ultimately aid in generating more commission growth.

Engaging in continuous service developments, aligned with an appropriate business process, seems to be a relatively easy strategy to implement. Only four types of barriers have been identified and none of them appears to be a major threat (main finding 6.5(41)). As indicated in Table E.8, these four barriers can be associated with the following types of environmental factors: small business resources, education, exposure to information and workload. Workload was not originally listed as an environmental factor in Table 4.2, but was derived from the description provided by the adviser in the empirical study. The education environmental factor was also correctly identified as an environmental barrier for this strategy in Section 4.3.2.

The respondents did not have effective solutions to all the problems experienced (main finding 6.5(42)). For example, having strategic sessions on a Monday would not make the strategy less time-consuming to implement. Two respondents did not have a solution to this problem either, which poses the biggest threat. The respondents should rather focus on hiring additional staff members (as proposed by one respondent). (These staff members with their special expertise could then assist with the drafting of wills and tax planning for clients.)

Furthermore, learning by experience to make the strategy work takes time, which then delays the benefits that can be gained from the implementation of the marketing mix strategy. The respondents might instead want to use an external consultant to help them implement their strategies successfully.

One respondent did not take his strategic leadership role seriously and allowed his staff to have strategic meetings without him. It is imperative that the advisers plan their schedule to ensure they are able to attend the strategic meetings, where they as the owner of the business are able to provide the necessary strategic direction.

Meeting with competitors occasionally to benefit from their experience was described as a **popular solution** to establish fruitful networks (that can help the business grow) (main finding 6.5(56)) and also as a **popular strategy for sales growth** (main finding 6.5(59)).

There is no major threat to the strategy of building relationships with competitors (main finding 6.5(62)). Only three types of problems were identified and not many respondents experienced them. As indicated in Table E.10, these problems can be associated with the following types of environmental factors: personal goals of the small business owner, exposure to information and time.

The environmental factor of exposure to information was initially identified as a barrier to this strategy in Section 4.6.2, but was described in the context of perceptual errors made by small business managers and not because the competitors did not want to share their information. Furthermore, time as an environmental factor was derived from the description provided by the respondents in the empirical study.

The respondents used appropriate solutions to address the problems experienced (main finding 6.5(63)) and there is no need to propose alternative strategies.

Refraining from following an autocratic management style to manage employees who strive for achievement and being more inclined to entrust power and control to them has been labelled as both a **popular solution** to address the problem of attempting to perform all the business activities by oneself (main finding 6.5(74)) and also as a **popular strategy for sales growth** (main finding 6.5(75)).

However, this strategy is one of the more difficult to implement. According to main finding 6.5(77), the amount of time involved in training employees is the problem that poses the biggest threat. (There were a large number of respondents who experienced the problem and it has subsequently been classified as an important threat.) There are also eight other barriers that can be encountered on implementation and that independent financial advisers would need to consider (main finding 6.5(78)). These barriers can be associated with the following environmental factors: education, small business culture, small business resources, time, thirst for power and business processes (Table E.14). The last three types of environmental

factors were not listed in Table 4.2, but were again derived from the empirical findings. The environmental factor of education was also correctly associated with the strategy in Section 4.7.2. It was, however, initially thought that it would be the educational need of the small business owner that would hinder the implementation of the strategy and not the training needs of the employees, as was pointed out by the respondents.

Seven of the respondents who indicated that the training of employees took time (the biggest threat) did not know how to solve the problem (main finding 6.5(79)). A solution to this problem could be to train employees in two sessions. While the one group is busy training, the other group could still continue with urgent work. One respondent also did not know how to address the problem where the work done by staff had to be checked continually. An option could be to delegate this responsibility to a more senior staff member. This would free the adviser's time and enable him or her to see more clients.

Working from home to reduce overhead expenses and as a result create competitive pricing was classified as a **popular solution** to address the problem of inadequate financial resources (main finding 6.5(148)) and also as a **popular strategy for sales growth** (main finding 6.5(149)).

In Section 3.4.2 it was stated that reduced overhead expenses would enable independent financial advisers to charge lower commission and therefore make their services more attractive to clients.

The respondents did not experience the exposure to information environmental factor that was associated with this strategy in Section 4.4.3. There are further no major threats that can hinder the implementation of this strategy (main finding 6.5(151)), but independent financial advisers need to be aware of at least five problems that can be experienced (main finding 6.5(152)). According to Table E.24, these barriers should be linked to the following types of environmental factors: social needs, family and discipline. (All three environmental factors were derived from the empirical results and were not originally listed in Table 4.2.)

There is lastly no need to propose alternative solutions to these problems. Main finding 6.5(153) was that the advisers applied appropriate strategies to address the obstacles experienced.

The following main conclusions regarding major finding 5 can be made:

### **Main conclusions**

- The four marketing mix strategies discussed under major finding 5 can be used as solutions to business problems and as marketing mix strategies for sales growth and should therefore be included in the financial adviser's marketing plan.
- Financial advisers also need to offer accounting, buying shares, setting up a trust, drafting wills and employee benefits as part of their service package. These types of products do not necessarily generate a large amount of commission growth, but can help the adviser to identify more life cover and investment needs and consequently sell more policies.
- There are a number of problems that can be experienced in the implementation of the four marketing mix strategies. The amount of time involved in training employees (who need to share in the power and control of the business) is the only obstacle, though, that was labelled as a major threat. The other three marketing mix strategies discussed under major finding 5 are therefore relatively easy to execute.
- Workload, time, thirst for power, business processes, social needs, family and discipline were not originally discussed in the literature review, but are environmental factors that independent financial advisers experienced and consequently need to be considered.
- The respondents did not struggle to address the problems they experienced with meeting with competitors occasionally to benefit from their experience or working from home to reduce overhead expenses and facilitate competitive pricing. It therefore appears that they are able to implement these strategies successfully.
- This study had to propose alternative solutions to some of the problems experienced with engaging in continuous service developments, aligned



with an appropriate business process and refraining from following an autocratic management style to manage employees who strive for achievement. It therefore appears that there are financial advisers who are not really equipped to implement these strategies successfully.

### **Implications and recommendations**

- Independent financial advisers would need to familiarise themselves with the four marketing mix strategies and ensure they are able to apply them when they experience the relevant problems and also to generate sales (commission) growth. More specifically, financial advisers would need to make certain they have the necessary knowledge, skills and contracts in place to offer accounting, buying shares, setting up a trust, drafting wills and employee benefits as part of their service package. They would also need to identify their competitors and establish good relationships with them in order to benefit from their experience. Financial advisers further would need to become more conscious of their management style and attempt to entrust more power and control to their employees. They should also investigate the possibility of a home-based office.
- It is further important that independent financial advisers be aware of the environmental factors that can hinder the implementation of the strategies – especially the amount of time involved in training employees, which was the only obstacle that was labelled as a major threat.
- Independent financial advisers would also have to make use of the recommended solutions in order to successfully address the problems experienced on implementation.

#### ▪ **Major finding 6**

**There are a total of six marketing mix strategies that can be recommended to independent financial advisers only as solutions to the business problems.**

Recruiting more employees and motivating them through various measures to perform has been classified as a **popular solution** to address the problem of having too many responsibilities and therefore struggling to meet deadlines (main finding 6.5(2)) and an **unfavourable strategy for sales growth** (main finding 6.5(3)).

However, the independent financial advisers have not utilised this strategy to its full potential. In Section 3.2.5, it was described that the four different types of roles that employees can perform are back office personnel, personnel involved in the research and development of the marketing strategy, receptionists and sales personnel. The respondents, in contrast, employed mainly administration workers and this was also the most popular type of specialised role that was performed. A total percentage of 58.82% was obtained (main finding 6.3(31)). Only a few of the financial advisers who experienced commission growth employed other types of employees. These advisers might have been in a better position to manage their time more productively if they also used the other types of roles mentioned in Section 3.2.5.

Question 8 of the telephone questionnaire assessed whether the respondents applied the motivational strategies that were identified in the literature review. The empirical results pointed out that:

- An equal number of respondents who experienced commission growth modified their employees' responsibilities to expand and add challenges to the tasks required at least once a month (15 respondents) and less often than once a month (15 respondents) (main finding 6.3(34)).
- The majority of the respondents who experienced commission growth and who commented on the second motivational strategy (24 respondents) acknowledged their employees' achievements at least once a month (main finding 6.3(36)).
- The majority of the respondents who experienced commission growth and who commented on the third motivational strategy (eight respondents) ensured that their employees felt that they were being

paid equally compared to their fellow workers at least once a month (main finding 6.3(38)).

- Finally, almost an equal number of respondents who experienced commission growth ensured that the salaries of their employees were enough to provide them with the basic necessities for themselves and their families at least once a month (15 respondents) and less often than once a month (14 respondents) (main finding 6.3(40)).

This study, however, could not find a connection between any of these motivational strategies and the commission growth that the respondents experienced (main findings 6.3(35), 6.3(37), 6.3(39) and 6.3(41)). It therefore appears that the motivational techniques that were identified in the literature review are not very effective in the businesses of the advisers. (The strategies were not implemented by a large number of respondents and they did not seem to contribute to their sales growth either.) Independent financial advisers, who want to benefit from shared responsibility, would therefore have to search for other motivational strategies that could be implemented more successfully in their businesses to encourage their employees to perform.

Recruiting and motivating staff in general is not a difficult strategy to implement. There is no major threat that can hinder the implementation of this marketing mix strategy (main finding 6.5(5)), but independent financial advisers do need to be aware of a large number of problems that can be experienced (main finding 6.5(6)). According to Table E.1, these problems can be associated with the following types of environmental factors: employee experience, education, time and financial resources. The education environmental factor was also associated with this strategy in Section 4.7.1, but it was initially thought that it would be the lack of recruitment knowledge of the small business owner that would hinder the implementation and not the training needs of the employees, as was pointed out by the financial advisers. Furthermore, the time and employee experience environmental factors were again derived from the empirical findings.

It seems that solutions are available to all the problems, except for new staff that need training in administration duties (main finding 6.5(7)). (There are a number of insurance companies that provide training to administration staff and that would be able to help in this regard.) The other solutions implemented also appear to be adequate for the problems experienced, except for the replacement of poorly performing employees, which was not really a solution to the problem of having difficulty finding the right person to employ. Independent financial advisers should rather use the remaining three solutions that were mentioned by the advisers. (Refer to Table E.1.)

Using the customer-based pricing method, for example offering high quality services at lower prices, has been categorised as a **popular solution** to build a competitive advantage (and consequently address the potential threat of unknown competitors) (main finding 6.5(9)) and an **unfavourable strategy for sales growth** (main finding 6.5(11)).

In Section 3.2.2 it was stated that in the insurance environment, high quality services at lower prices would translate into offering valuable services and at the same time not charging a high commission.

There are three problems that can be experienced in the implementation of this strategy and that financial advisers would need to consider. The problem that poses the biggest threat is a reduction in commission (two-thirds of the responses obtained) (main finding 6.5(21)). (This threat directly affects the financial situation of the financial adviser and could be the main reason why not more respondents applied this strategy and why it was therefore classified as an unpopular strategy for sales growth.) As motivated in Table E.4, the three problems experienced can further be associated with the following types of environmental factors: financial resources, exposure to information and competition. The environmental factor of exposure to information was initially associated with this strategy in Section 4.4.1, but it was thought that technical constraints and market knowledge would hinder the implementation and not the large amount of paperwork, as was described by the respondents.

Main finding 6.5(22) further indicated that it seems that the respondents did not have adequate solutions to the reduction in commission problem or the problem where a large amount of paperwork is involved.

Charging clients lower commission does not in general require a large amount of paperwork. The financial adviser who struggled with this problem needs to review his processes and stop doing any unnecessary paperwork. The reduction in commission strategy would further become cost-effective if the financial advisers changed their negative perception about price reduction, sharpened their selling skills, promoted this strategy aggressively and sold more policies.

Given the low number of respondents who indicated that the use of the price-reduction strategy seemed to have contributed to their sales growth, though, it seems that more research is needed to identify practical guidelines that can help the respondents to sharpen their selling skills and promote the strategy more aggressively. This study therefore cannot at this stage recommend the pricing strategy as an approach that independent financial advisers could follow to help them generate more sales growth.

A price reduction strategy can, however, still be recommended as a solution to gain a competitive advantage. Offering clients a reduction in price would immediately place the financial adviser in a more competitive position and help to attract more clients. The success of this strategy in the long term then would depend on the financial adviser's ability to sell a large number of policies and subsequently generate more sales growth.

Using advertising to produce persuasive messages to clients has been categorised as a **popular solution** to create a competitive advantage (main finding 6.5(9)) and as an **unfavourable strategy for sales growth** (main finding 6.5(11)).

It appears that this strategy is relatively easy to implement. The respondents did not experience the exposure to information environmental factor that was originally associated with this strategy in Section 4.6.1.

According to main finding 6.5(23), only two problems were identified that can affect the use of advertising to produce persuasive messages to clients and these problems should not be regarded as major threats. (The response rate for each problem is only 25%.) Table E.5 further indicates that the two problems can be associated with the environmental factors of small business resources and time.

Main finding 6.5(24) was that it appears that the respondents did not have adequate solutions to the problems experienced. There was no solution to address the problem of a high volume, and hiring additional sources to help organise the advertising can be costly. This might be one of the reasons why the advertising strategy was not implemented by more respondents and is consequently regarded as an unfavourable strategy for sales growth.

Financial advisers could make special employee arrangements to address these problems. For example, a financial adviser could hire an employee whose primary role would be to assist with creating and communicating effective advertising messages and to help with preparing quotations and processing applications during periods of high sales volume. The employee could then be remunerated on a commission basis to keep the financial adviser's overheads as low as possible.

However, not all financial advisers might be able to implement this solution successfully. An employee who designs and communicates effective advertising messages could help to create a competitive position for the adviser, but a creative employee who can design advertising messages might not simultaneously have good administration skills and would need further training to assist with processing applications during periods of high sales volume. Consequently, given this potential situation, the study at this stage will only recommend the use of advertising messages to produce persuasive messages to clients as a solution to create a competitive position.

Training employees to perform different job functions at peak periods has been classified as a **highly popular solution** to address the problem of

meeting the high demand for the service (main finding 6.5(110)) and an **unfavourable strategy for sales (commission) growth** (main finding 6.5(111)).

In Section 3.4.3 it was stated that in the world of the financial adviser, this approach would, for example, mean that when the demand for the service is high, the secretary could assist with preparing quotations and completing application forms. This could then free the financial adviser's time to see more clients and sell policies to them.

The strategy appears to be relatively easy to execute (main finding 6.5(112)). The respondents did not experience the competitor environmental factor that was associated with this strategy in Section 4.5.3. Only three types of problems were experienced on implementation and none of them can be regarded as a major threat (main finding 6.5(112)). (In relation to the eight respondents who indicated that the strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 25%.) Table E.20 further indicates that the three problems can be associated with the following types of environmental factors: small business culture, education and time. (The environmental factor of time was again derived from the empirical findings.)

The respondents had appropriate solutions to all the problems experienced, except for the obstacle where the employees initially resisted learning new things (main finding 6.5(113)). Taking over the employee's task would simply create more work for the adviser and would not be a viable solution in the long term. A more feasible solution might be to offer the employees financial incentives to perform.

Finally, training employees to perform different job functions at peak periods might have been more popular as a marketing mix strategy for sales growth if more than only 34 advisers who experienced commission growth had had employees in their businesses. The potential of this strategy to lead to sales growth should therefore be further assessed in future when more independent financial advisers appoint employees in their businesses.

The strategy of facilitating discussion regarding problems has been categorised as a **highly popular solution** to address the problem of conflict between business partners over business control (main finding 6.5(143)) and an **unfavourable strategy for sales growth** (main finding 6.5(146)).

It therefore appears that conflict can be resolved between business partners who discuss their problems, but that this action would not really help advisers to sell more policies and generate more sales (commission) growth.

It further seems that this strategy is relatively easy to implement. The one respondent who used this solution did not mention any problems that he experienced on implementation.

Blending ideas was also categorised as a **highly popular solution** to address the problem of conflict between business partners over business control (main finding 6.5(143)) and an **unfavourable strategy for sales growth** (main finding 6.5(146)).

It consequently appears that similar to the facilitation of discussion regarding problems, the blending of ideas can also be used to resolve conflict between business partners, but that this action would not really help advisers to sell more policies and generate more sales (commission).

The one respondent who applied this strategy did not mention any problems that he experienced on implementation. The blending of ideas therefore also seems to be a relatively easy strategy to implement.

The following main conclusions regarding major finding 6 can be made:

### **Main conclusions**

- There are six marketing mix strategies that independent financial advisers at this stage should use as solutions only if they encounter their relevant problems.



- Independent financial advisers should, in addition to appointing administrative staff, also use personnel involved in the research and development of the marketing strategy, receptionists and sales personnel and find appropriate ways to motivate them to perform. This approach could help them to manage their time more effectively.
- Five of the six marketing mix strategies discussed under major finding 6 are relatively easy to execute, because there are no major threats that can hinder their implementation. Independent financial advisers, however, would still have to be aware of a large number of obstacles that can be encountered.
- Independent financial advisers would further need to pay special attention to the obstacle of a reduction in commission growth that can be experienced when offering high quality services at lower prices. This problem has been classified as an important threat and directly affects the financial situation of the adviser.
- Time and employee experience are two environmental factors that were not originally identified in the literature review as types of environmental factors, but do pose a threat to the businesses of the advisers and therefore cannot be ignored.
- This study had to provide alternative solutions for some of the environmental factors experienced on implementation of the first four marketing mix strategies discussed under major finding 6. It consequently appears that there are financial advisers who are not really equipped to implement these marketing mix strategies successfully.

### **Implications and recommendations**

- Independent financial advisers would need to familiarise themselves with the six marketing mix strategies and ensure that they are able to apply them when they experience the relevant problems. More specifically, the advisers would need to approach recruitment agencies or place an advertisement in a newspaper to find the four types of employees (as discussed in the literature review) and also consult the

necessary resources to identify appropriate methods to motivate these employees to perform. The advisers would further have to ensure that the services they offer are of high quality and that their clients would be able to afford these services. Creative advertising messages would need to be compiled that will persuade clients to conduct business with the adviser. Training sessions would need to be scheduled to ensure that the employees are able to perform different job functions at peak periods. Finally, the advisers would have to focus on the facilitation of discussions and the blending of ideas when they experience conflict with a business partner.

- Independent financial advisers would need to change their negative perception about price reduction, sharpen their selling skills and promote and sell the price reduction strategy aggressively in order to combat the problems of lower commission.
- Independent financial advisers would also need to be aware of the other obstacles that can be experienced on implementation of the marketing mix strategies and apply the recommended solutions to address these problems successfully.
- Finally, the six marketing mix strategies discussed under major finding 6 were not very popular among the financial advisers as strategies for sales growth and they will therefore not be included in this study's proposed framework. However, there are some measures which can be followed to implement two of these strategies more successfully and which in future could help financial advisers to generate more sales growth:
  - Insurance companies could, for example, investigate different means that can be used to assist those independent financial advisers who would struggle with sales skills and the marketing of the price reduction strategy. Training sessions could then be provided to coach the advisers to improve their sales skills and selling approaches.
  - Training sessions could also be provided to those employees who are able to design and communicate effective advertising

messages, but who are not very skilled in the processing of application forms (during periods of high sales volumes). These employees would then be able to convince clients to do business with the adviser and also help to process the application form to finalise the sale.

- It was also stipulated that the training of employees to perform different job functions at peak periods might have been more popular as a marketing mix strategy for sales growth, if more than only 34 advisers who experienced commission growth had had employees in their businesses. The potential of this strategy to lead to sales growth, as well as the other two strategies discussed under this point, should therefore be further assessed in future when more independent financial advisers have appointed employees in their businesses and the necessary training has been conducted.

- **Major finding 7**

**There are a total of 11 marketing mix strategies that can be recommended to independent financial advisers only as marketing mix strategies for sales growth.**

The respondents **did not use** the strategy of aligning the services according to the client's needs and expectations as a **solution** specifically **to build a competitive advantage**, but did state that it seemed to have contributed to their sales growth. Based on the number of responses obtained, it was classified as a **popular strategy for sales growth** (main finding 6.5(12)).

In Section 3.2.1 it was indicated that this strategy in the environment of the independent financial adviser, for example, could mean not following the traditional route of merely selling life policies and investment products, but rather offering clients a new unique “one-stop solution package” (that includes additional services such as assistance with tax planning, wills and asset management). Based on the respondents' answers it seems that this strategy did not help the advisers to gain a competitive advantage. A

potential reason could be that other advisers offer the same type of service and that this approach would not really place the respondent in a more competitive position. It is, however, still possible that the strategy could have led to more sales growth. A client, for example, could have purchased life cover through one specific financial adviser and, instead of contacting more financial advisers, decided to also use the other services offered by the first financial adviser.

The respondents did not experience the financial resources environmental factor that was initially associated with this strategy in Section 4.3.1. There are no major threats to the implementation of this strategy, but at least five barriers that can be experienced that would need consideration (main findings 6.5(18) and 6.5(19)). As motivated in Table E.3, these problems can be related to the following types of environmental factors: education, exposure to information, time and suppliers. The environmental factor of education was initially identified with this strategy in Section 4.3.1, but from a project management perspective and technology perspective. The respondents of this study, however, indicated that they rather had to learn more about their clients' financial needs and had to train their clients.

Finally, main finding 6.5(20) was that it seems that there are solutions to all the problems listed in Table 6.30 and that the solutions implemented also appear to be adequate for the problems experienced. This study will therefore not make any further suggestions in this regard.

The respondents also **did not use** personal selling as a **solution** specifically to build a competitive advantage, but did state that it seemed to have contributed to their sales growth. Based on the number of responses obtained, it was categorised **as a highly popular strategy for sales growth** (main finding 6.5(13)).

It is possible for this strategy to be categorised as a highly popular strategy for sales growth, since the primary sales medium for independent financial advisers is personal selling. The respondents, however, did not believe that the strategy would place them in a competitive position. It could again be

argued that the financial advisers might have felt that all their colleagues also use personal selling and that this tactic would not really place them in a more favourable position. The sales generated through personal selling are merely the end result of the financial needs analysis and recommendations which they provided to their clients. This matter would need further investigation in a future research study.

There are also no major threats to the implementation of this strategy (main finding 6.5(25)), but independent financial advisers would need to be aware of at least eight problems that can be experienced (main finding 6.5(26)). These problems can be related to the following types of environmental factors: exposure to information, time, education, client commitment and motivation of the small business owner to grow (Table E.6). (Client commitment and time were not listed in Table 4.2 as environmental factors, but were derived from the description provided by the advisers in the empirical study.) Furthermore, exposure to information was also correctly associated with this strategy in Section 4.6.1, but was not experienced from a research perspective (as was originally thought). The respondents struggled more with lead referrals and the potential negative statements which unsatisfied clients could make about the business.

Main finding 6.5(27) indicated that it seems that the advisers did not manage the large number of barriers experienced with the implementation of personal selling effectively. Voluntary referrals, for example, were not really an effective solution to solve the problem of clients who do not want to give referrals. A more appropriate solution for these advisers (and those who complain that it is time-consuming to source leads), for example, could be to arrange a training session with a large number of potential clients and network during those functions. This solution was implemented by one of the advisers. Furthermore, a proper financial needs analysis could also help to convince clients (who do not want to consider new policies) of the importance of buying a certain new financial product.

The strategy of building relationships with clients has been classified as **an unfavourable solution** to address the problem of a lack of external networks (main finding 6.5(56)) and a **highly popular strategy for sales growth** (main finding 6.5(57)).

It is possible that building relationships with clients could lead to sales growth, since through their interaction with clients advisers would become more aware of their clients' financial needs and could then offer effective solutions to address the problems. The fact that not many of the respondents, however, viewed this strategy as a solution to address their lack of external networking practices is somewhat surprising. (Section 3.3.4 stated that building relationships with clients could be used as a network strategy to enhance the potential for further business.) It might be possible that the advisers focused mainly on building relationships with clients before the sale and that they did not really contact their clients again after they had closed the deal. Because of this approach, it was not possible for the advisers to establish good long-term client networks that could help them with more client referrals on a continuous basis. This matter would need further investigation in future.

Building relationships with clients appears to be a relatively easy strategy to implement. There are no major threats that can hinder the implementation (main finding 6.5(64)), but independent financial advisers need to be aware of at least seven problems that can be experienced (main finding 6.5(65)). According to Table E.11, these barriers can be related to the following types of environmental factors: time, financial resources, personal relationships, client commitment and demographic concerns. (Only financial resources and demographic concerns were originally listed in Table 4.2 as environmental factors. The remaining types of environmental factors were derived from the description provided by the advisers in the empirical findings.) The respondents also did not experience the exposure to information environmental factor that was originally associated with this strategy in Section 4.6.2.

Finally, main finding 6.5(66) stated that only two solutions to the problems experienced were mentioned. Independent financial advisers who struggle with petrol expenses and business lunch expenses could, for example, charge their clients more commission and in return offer them a more comprehensive financial needs analysis. Independent financial advisers whose clients become their friends should attempt to remain professional at all times. Clients could also be contacted to confirm appointments and independent financial advisers who struggle with cultural differences could read books or attend courses that would help them to understand their clients better.

The strategy of building relationships with employees **was not used by the respondents as a solution** to build networks (main finding 6.5(56)), but has been categorised as a **popular strategy for sales growth** (main finding 6.5(60)).

The respondents did not include their employees in their network strategies. It could be possible that the staff members were not really a good source of referrals and would therefore not be able to help the advisers obtain more clients. The advisers, however, still concentrated on building good relationships with their employees, which then resulted in more sales (commission) growth. A possible explanation for this scenario could be that the employees, through their close interactions with the advisers, became more productive and that they were more motivated to assist in processing the application forms and having the policies issued. This matter would need to be further investigated in a future research study.

The respondents did not experience the exposure to information environmental factor that was associated with the building of relationships in Section 4.6.2. In fact, there are no major threats to this strategy (main finding 6.5(67)) and it seems that only two problems can be expected. According to Table E.12, these problems can be associated with the following types of environmental factors: time, education and demographic concerns.

Main finding 6.5(68) further was that it seems that the advisers used adequate solutions to address the problems experienced. This study will therefore not make any further suggestions in this regard.

The respondents **did not specifically concentrate on building relationships with suppliers to improve their external networks**. This strategy, however, has been categorised as a **highly popular strategy for sales growth** (main finding 6.5(58)).

It is possible that the building of relationships with suppliers could initially have been categorised as a highly popular strategy for sales growth. The respondents would have needed good relationships with insurance companies to ensure that their clients' policies are issued on time and that their commission is paid to them. A potential reason why the respondents did not include suppliers (such as insurance companies) in their network strategies could be that they did not really believe these suppliers would be willing to help them with client referrals and to improve their businesses. This matter would also need to be further investigated in a future research study.

It further seems that building relationships with suppliers is not a difficult strategy to implement (main finding 6.5(69)). The respondents did not experience the exposure to information environmental factor that was associated with this strategy in Section 4.6.2. There are only three problems that can be experienced on implementation, none of which appears to be a major threat. According to Table E.13, these problems can be associated with the following types of environmental factors: supplier, time and small business resources.

Lastly, it appears that the respondents struggled to address the problems regarding time and staff turnover (main finding 6.5(70)). As an alternative to spending a large amount of time building relationships with suppliers, the respondents could rather focus on writing more business for the supplier (insurance company) with whom they want to build a relationship. Insurance companies in general pay more attention to the advisers who



write a large amount of business for them. Independent financial advisers should also identify and address the root of their staff turnover problem to avoid losing the good relationships their staff have with the suppliers.

The strategy of motivating younger employees with recognition has been categorised as an **unfavourable solution** to address the problem of a loss in customers who experienced unsatisfactory service from the business (main finding 6.5(82)) and a **popular strategy for sales growth** (main finding 6.5(83)).

It appears that there were not many respondents who believed in motivating younger employees with recognition to assist in winning back lost customers. A possible explanation for this could be that the advisers might have felt their younger employees are still inexperienced and would not really be able to deal with unsatisfied clients. This strategy was used rather to inspire younger employees to bring in more new business for the advisers.

The respondents did not experience the labour market environmental factor that was originally associated with the motivation of employees in Section 4.8.2. There is in fact no major threat to the implementation of this strategy (main finding 6.5(89)). However, financial advisers do need to be aware of two problems that can be experienced. According to Table E.16, these two problems can be classified as small business resources and financial resources types of environmental factors.

Main finding 6.5(90) indicated that it seems the respondents need more guidance to address the two problems experienced. Independent financial advisers, for example, could launch a competition to motivate employees who become complacent and for whom recognition no longer has any effect. The employees might then be more willing to participate if they knew they were competing with other employees to obtain a reward. This solution could also help to address the problem of staff that want financial rewards more than recognition. The staff might be more willing to

contribute if they knew they could be nominated as employee of the month and perhaps qualify for one day's leave.

The strategy of using financial rewards to motivate older employees to deliver a positive service experience was classified as an **unfavourable solution** to address the problem of a loss in customers (main finding 6.5(82)) and as a **popular strategy for sales growth** (main finding 6.5(83)).

It appears that there were not many respondents who believed in motivating older employees with financial rewards to assist in winning back lost customers. A possible explanation could be that the respondents did not trust their older employees to deal with unsatisfied clients. (These employees perhaps did not have the interpersonal skills required or knowledge to deal with the situation effectively. A further research study would need to be conducted to investigate this matter.) The respondents rather motivated older employees with financial rewards to bring in more new business (main finding 6.5(83)).

The advisers did not experience the labour market environmental factor that was associated with the motivation of employees in Section 4.8.2. There is no major threat to the implementation of this strategy, but advisers need to be aware of three problems that can be experienced (main finding 6.5(93)). According to Table E.17, these problems can be associated with the environmental factors of attitude towards marketing and small business resources.

Main finding 6.5(94) was that it appears that the respondents need more guidance to address two of the three problems experienced (no solutions were presented). In addition to providing incentives for sales, financial advisers could, for example, also offer financial rewards to employees, if they completed their administration work on time and sufficiently. Early morning meetings could also perhaps be scheduled with the incentive-based staff that start coming into the office later and later.

Giving recognition to motivate older employees to perform has been classified as an **unfavourable solution** to address the problem of a loss of customers (main finding 6.5(82)) but a **popular strategy for sales growth** (main finding 6.5(83)).

It appears that there were also not many respondents who believed in motivating older employees with recognition to assist in winning back lost customers. The same argument that was stated in the previous discussion could also be applied to this scenario. (It is possible that the respondents did not trust their older employees to deal with unsatisfied clients, perhaps due to a lack of interpersonal skills or the required knowledge.) The respondents rather motivated older employees with recognition to bring in more new business (main finding 6.5(83)).

Only three problems were experienced when the respondents applied this strategy. In relation to the 14 respondents that indicated that the strategy seemed to have contributed to their sales (commission) growth, the response rate for each problem is only 7.14%. There is also no major threat to the use of recognition to motivate older employees (main finding 6.5(96)). According to Table E.18, the three problems experienced can be related to the environmental factors of exposure to information and small business resources. The respondents did not experience the labour market environmental factor that was originally associated with this strategy in Section 4.8.2.

Main finding 6.5(97) indicated that the respondents need more guidance to address the problems experienced. To avoid having staff become despondent, financial advisers could, for example, also praise staff that are not performing that well and then provide them with constructive feedback on how they could improve their performance. Competitions could also be held for older staff that got accustomed to praise.

Showing respect to motivate older employees to perform has been categorised as an **unfavourable solution** to address the problem of a loss

in customers (main finding 6.5(82)) and a **popular strategy for sales growth** (main finding 6.5(83)).

Main finding 6.5(82) provides further evidence that the respondents did not really use older employees to win back lost clients. The respondents rather motivated older employees by showing them respect to bring in more new business (main finding 6.5(83)).

There is no major threat to the implementation of this strategy (main finding 6.5(100)), but independent financial advisers need to be aware of five problems that can be experienced (main finding 6.5(101)). According to Table E.19, these problems can be associated with the following types of environmental factors: small business resources, demographic concerns and sensitivity towards needs of employees. (The last environmental factor mentioned was derived from the empirical findings.) The respondents also did not experience the labour market environmental factor that was originally associated with this strategy in Section 4.8.2.

It seems that the advisers need more guidance to help them address the problems of controlling their emotions and older staff who do not have respect for them (main finding 6.5(102)). Independent financial advisers need to remember that they are the owners and managers of their businesses and need to manage with authority in order to gain and keep the respect of their employees.

The respondents **did not apply the strategy of reinforcing the current image of the business** to address the problem of offshore competition (main finding 6.5(124)). This strategy, however, has been classified as a **popular strategy for sales growth** (main finding 6.5(125)).

The business image strategy was not implemented as a solution, since the respondents did not experience the offshore competition problem. It seems that independent financial advisers would be able to increase their income if they approach this strategy as a marketing mix strategy for sales (commission) growth.

There are two types of problems that can be encountered on implementation. However, these problems are not major obstacles (main finding 6.5(127)) and can be related to the environmental factors of time and client commitment (Table E.21). (Time and client commitment were not originally listed as environmental factors in Table 4.2, but were derived from the empirical findings.) The respondents also did not experience the exposure to information environmental factor that was originally associated with this strategy in Section 4.6.3.

According to main finding 6.5(128), it seems that the respondents need more guidance to address the problem of making regular visits to clients where a deal is not closed (no solution presented). Financial advisers should reassess their situation and attempt to identify possible reasons why the clients did not want to buy the policies. Client needs, for example, might not have been identified correctly or the client might still want to buy life cover, but at a lower premium. The financial adviser would then need to address these problems.

Main finding 6.5(125) indicated that the service blueprint strategy that was used by the respondents could be classified as a **popular strategy for sales growth**. Since the respondents did not experience the problem of offshore competition, their use of service blueprints could only be evaluated from a sales perspective.

There are a total of four problems that can be experienced on implementation. The time needed to design a service blueprint can be regarded as an important problem (main finding 6.5(134)). According to Table E.22, these four problems can be linked with the following types of environmental factors: time, supplier, financial resources and long-term objectives of the business. The respondents did not experience the problem of the personal goals of the small business owner that was initially associated with this strategy in Section 4.9.3.

The respondents should further keep the following strategies in mind to address the problems experienced (main finding 6.5(135)): Financial

advisers could, for example, attempt to build good working relationships with the administrators employed at insurance companies. This could then help to accelerate the processing of application forms and consequently simplify the service blueprint design. Advisers could also attempt to follow the service blueprint processes of more senior and successful advisers, to save on time and cost and become more efficient.

The following main conclusions regarding major finding 7 can be made:

### **Main conclusions**

- There are 11 marketing mix strategies that independent financial advisers at this stage should use only as marketing mix strategies for sales growth.
- Ten of the 11 marketing mix strategies discussed under major finding 7 are relatively easy to execute, because there are no major threats that can hinder their implementation. Independent financial advisers, however, would still have to be aware of a large number of obstacles that can be encountered.
- Independent financial advisers would need to pay special attention to the time needed to design a service blueprint. This problem has been classified as an important threat.
- Client commitment, time, personal relationships, sensitivity towards the needs of employees and the long-term objectives of the business are five environmental factors that were not originally identified in the literature review as types of environmental factors, but do impose a threat to the businesses of the advisers and therefore cannot be ignored.
- This study had to provide alternative solutions for some of the environmental factors experienced on implementation of the marketing mix strategies discussed under major finding seven. It therefore appears that there are financial advisers who are not really equipped to implement these marketing mix strategies successfully.

## Implications and recommendations

- Independent financial advisers would need to familiarise themselves with the 11 marketing mix strategies and ensure that they are able to apply them to generate more sales (commission) growth. More specifically, the advisers would need to become more aware of their clients' needs and expectations in order to adapt their services accordingly. They would need to sharpen their personal selling skills, as this was identified as a highly popular strategy for sales growth. Professional relationships with clients, suppliers and employees would need to be built. The performance of younger and older employees would need to be measured, and recognition, respect and financial incentives would need to be given where needed and deserved. Financial advisers would also need to identify and implement measures to reinforce the current image of the business and ensure that they are able to design and follow an effective service blueprint strategy. They could make use of personal selling to reinforce the current image of the business. This was the most favourite technique implemented by the respondents interviewed (main finding 6.5(189)). Furthermore, the eight-step process to develop a service blueprint, as discussed in Section 4.9.3, could also be of assistance to design an effective service blueprint strategy.
- Independent financial advisers would need to be aware of the obstacles that can be experienced on implementation of the marketing mix strategies and use the recommended solutions to address these problems successfully.
- Finally, independent financial advisers in search of new techniques to encourage their staff can apply the motivational strategies that were discussed under major finding 7.

### ▪ Major finding 8

**There are a total of 33 marketing mix strategies that cannot be recommended to independent financial advisers at this stage.**

The following marketing mix strategies listed in Table 7.1 below were not really used by the respondents as solutions to the business problems and have also been classified as unfavourable strategies for sales (commission) growth.

**Table 7.1:** Marketing mix strategies that received a low response rate

|     |   |
|-----|---|
| 1.  | Providing easy access to the business's building to promote the business (Mf 6.5(11))                     |
| 2.  | Using creative discount measures (Mf 6.5(45))   |
| 3.  | Using support networks (such as the Financial Planning Institute) (Mf 6.5(60))                            |
| 4.  | Motivating younger employees with financial rewards (Mf 6.5(83))  |
| 5.  | Motivating younger employees with respect (Mf 6.5(83))  |
| 6.  | Motivating younger employees with a sense of accomplishment (Mf 6.5(83))                                  |
| 7.  | Motivating older employees with a sense of accomplishment (Mf 6.5(83))                                    |
| 8.  | Gaining competitor knowledge by applying Porter's five competitor forces (Mf 6.5(117))                    |
| 9.  | Gaining competitor knowledge through published resources (Mf 6.5(116))                                    |
| 10. | Gaining competitor knowledge through competitive market surveys (Mf 6.5(116))                             |
| 11. | Gaining competitor knowledge through trade associations (Mf 6.5(116))                                     |
| 12. | Gaining competitor knowledge through employees (Mf 6.5(118))  |
| 13. | Gaining competitor knowledge through consulting firms (Mf 6.5(119))                                       |
| 14. | Gaining competitor knowledge through networking (Mf 6.5(116))   |
| 15. | Developing a new image for the business (Mf 6.5(126))   |
| 16. | Repositioning the image of the competition (Mf 6.5(126))  |
| 17. | Making use of creativity (Mf 6.5(144))  |
| 18. | Generating consensus (Mf 6.5(146))  |
| 19. | Sharing information (Mf 6.5(146))   |
| 20. | Avoiding becoming defensive when other people disagreed with views (Mf 6.5(146))                          |
| 21. | Allowing employees to make suggestions on new developments (Mf 6.5(156))                                  |
| 22. | Using client suggestions to formulate new ideas (Mf 6.5(164))   |
| 23. | Using gifts to revitalise sales (Mf 6.5(164))   |
| 24. | Using publicity to revitalise sales (Mf 6.5(164))   |
| 25. | Using trade shows to revitalise sales (Mf 6.5(164))   |
| 26. | Giving gifts to retain existing clients (Mf 6.5(164))   |
| 27. | Using publicity to retain existing clients (Mf 6.5(164))  |
| 28. | Using trade shows to retain existing clients (Mf 6.5(164))  |
| 29. | Providing guarantees (Mf 6.5(164))  |
| 30. | Encouraging clients to pay their accounts earlier than required by offering them a discount (Mf 6.5(183)) |
| 31. | Outsourcing some of the delivery of service offerings to other people (Mf 6.5(183))                       |
| 32. | Using sales promotions to produce persuasive messages to clients (Mf 6.5(11))                             |
| 33. | Using the Internet to assist in creating competitive prices (Mf 6.5(164))                                 |

The strategies listed in the table above that involve the business owner's employees might have been more popular if more respondents had had employees in their businesses. (Only 34 of the respondents interviewed had staff members.) The success of these strategies as business solutions



and strategies for sales growth could therefore be further investigated in future, should the respondents decide to employ more staff in their businesses.

However, at this stage this study will not include any of the marketing mix strategies listed in Table 7.1 in the proposed framework. The response rates that were obtained for these strategies were too low and there is currently no evidence that they could actually help independent financial advisers to solve their business problems and enhance their sales (commission) growth.

The following main conclusions regarding major finding 8 can therefore be made:

### **Main conclusions**

- There are a total of 33 marketing mix strategies that this study cannot recommend to independent financial advisers at this stage as solutions to business problems or as marketing mix strategies for sales growth. They will consequently not form part of the proposed framework. (As a result, all the main findings related to the 33 strategies depicted in Table 7.1 are not discussed further.)
- The marketing mix strategies depicted in Table 7.1 that involve the business owners' employees might become more popular if independent financial advisers in future recruit more staff and use these strategies to their advantage.

### **Implications and recommendations**

- There are five business problems that were experienced by the respondents for which this study cannot present any empirically tested solutions at this stage. All the solutions that were originally proposed for them formed part of the 33 marketing mix strategies listed in Table 7.1 which will not be further recommended. This study, however, would still like to provide some support to these advisers and will therefore

propose the following five alternative solutions, which could then be further investigated in future:

**Independent financial advisers could, as alternative solutions:**

- Appoint an employee with a strong financial background to address the problem of inadequate management of business expenses that do not keep pace with business growth.
- Build strong networking relationships with competitors to address the problem of a reduction in commission through unexpected activities of competitors.
- Use past experience as a guideline to offer new product packages that are aligned with the client's needs and expectations and to address the problem of no new product and service developments in the business over the last 12 months.
- Also use past experience as a guideline to offer new product packages that are aligned with the client's needs and expectations and to address the problem of an exhausted business opportunity that produced very low profits and return on investment for the business.
- Conduct more comprehensive financial needs analyses for clients and attempt to sell additional products to address the problem of using bank debt to solve financial resource requirements.
- Independent financial advisers could also in future recruit more employees and then further explore the benefits which the employee related marketing mix strategies depicted in Table 7.1 could provide.

This discussion concludes the examination of major findings 3 to 8. From the review it is evident that the respondents:

- Used only some of the marketing mix strategies listed in Table 4.5 as solutions to their business problems.
- Indicated that only some of the marketing mix strategies listed in Table 4.5 seemed to have contributed to their sales (commission) growth.

- Experienced some of the barriers to the implementation of the marketing mix strategies, as listed in Table 4.5 (but mostly encountered different types of barriers).
- Implemented primarily their own solutions to address the barriers experienced.

**Consequently, research propositions 2 to 4 can only be partially accepted and research proposition 5, which relates to the counterstrategies that were implemented by the respondents, should be rejected completely.**

In the following section, the planned framework for business survival and sales growth are now proposed and discussed.

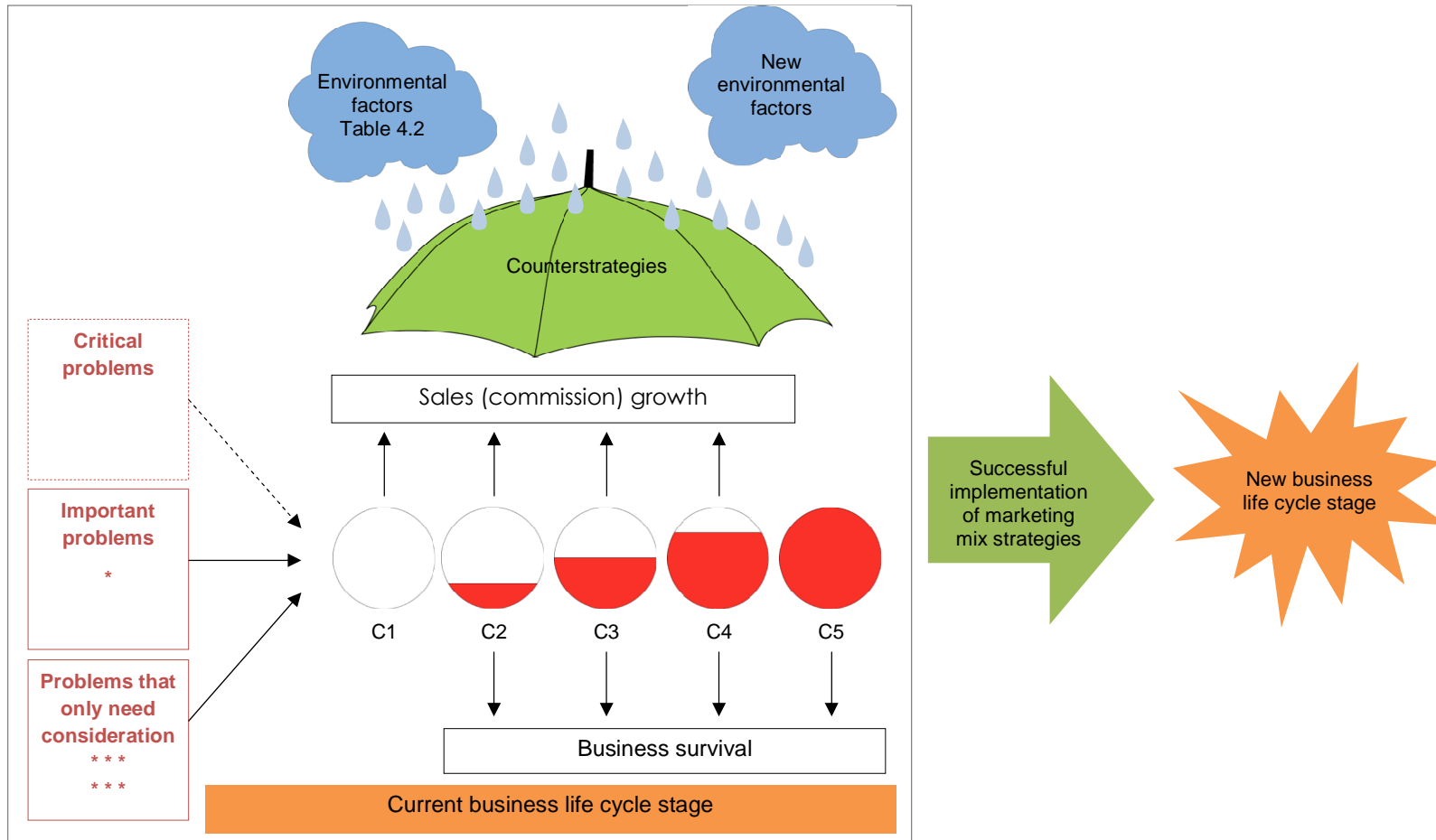
### **7.3 A MARKETING MIX FRAMEWORK FOR BUSINESS SURVIVAL AND SALES GROWTH**

The framework proposed in this section comprises two interrelated components:

1. **The first part of the framework** presents a graphical illustration of the dynamics between the obstacles independent financial advisers are confronted with and the action steps they could follow to survive and grow their businesses into the next organisational life cycle stage.
2. **The second part of the framework** offers a more detailed summary of all the various business problems that could be present in the businesses of independent financial advisers, as identified in this study, as well as the recommended marketing mix strategies they could implement to address these problems, generate more sales (commission) and grow their businesses.

▪ **Part 1 of the marketing mix framework**

**Figure 7.1:** The dynamics between independent financial advisers' business obstacles and action steps for survival and growth



### **Business problems**

***The first three blocks on the left side of the diagram illustrate the fact that independent financial advisers could experience three types of problems in their businesses: critical problems, important problems and problems that only need consideration.***

Solid lines were used to draw the blocks depicting the important problems and problems that only need consideration. The empirical results have shown that these problems can definitely pose a threat to the businesses of independent financial advisers. A dotted line was used to draw the block depicting the critical problems. Independent financial advisers would also need to be aware of the potential threat that critical problems could pose to their businesses. These types of obstacles, however, are still unfamiliar and would need to be further investigated in a future research study.

***There is one asterisk inside the important problem block and six asterisks inside the block portraying the problems that only need consideration.***

In Section 7.2 it was argued that the five important problems could be attributed to the fact that the advisers had a lack of staff members and those who had staff did not employ them in various specialist roles, but mainly had them perform administration duties. It was further stated that the remaining 12 problems that only need consideration in the business of independent financial advisers could be classified as problems related to competitors, financial resources, customers, employees, product offerings and a lack of external networks. The asterisks depicted in the two problem blocks represent these factors.

### **Marketing mix strategies**

In Section 7.2 it was recommended that independent financial advisers pay attention to their employment practices in order to overcome the important problems they experience in their businesses. It was further stipulated that they would also need to pay attention to their competitors, financial

resources, customers, employees, product offerings and networking to be able to address the problems that need consideration in their businesses.

The circles depicted in the middle of the diagram represent the marketing mix strategies related to the factors that were investigated in this study. The empirical results showed that independent financial advisers can apply most of these strategies to address the various business obstacles in their businesses.

***More specifically, the five circles symbolise the five groups of marketing mix strategies that were discussed under major findings 3 to 7:***

- **Circle one (C1) represents the marketing mix strategies** that are recommended to independent financial advisers only as marketing mix strategies for sales growth (major finding 7).
- **Circle two (C2) represents the one marketing mix strategy** that is strongly recommended as a marketing mix strategy for sales growth and that can also be used as a solution to the business problem (major finding 3).
- **Circle three (C3) represents the marketing mix strategies** that independent financial advisers can apply to solve business problems and to help them grow their sales (commission) (major finding 5). (The response rates for these strategies were not very high and they therefore could not be strongly recommended as solutions to the business problems or as marketing mix strategies for sales growth.)
- **Circle four (C4) represents the marketing mix strategies** that are strongly recommended as solutions to business problems and that can also be used as marketing mix strategies for sales growth (major finding 4).
- **Circle five (C5) represents the marketing mix strategies** that can be recommended to independent financial advisers only as solutions to the business problems (major finding 6).

Hence, independent financial advisers who experience important problems and problems that only need consideration in their businesses can use the five groups of strategies (symbolised by the five circles) to help them **solve their problems and survive** (as depicted by the block below the five circles) and also to **generate more sales (commission) growth** (as depicted by the block above the five circles).

Finally, it might also be possible for independent financial advisers who experience the critical problems in their businesses to use the five groups of strategies to address the problems. This matter would need to be further investigated in a future research study. (A dotted line arrow was therefore drawn from the critical problem block to the five circles in the middle of the diagram.)

#### **Environmental factors and counterstrategies**

The empirical findings have shown that independent financial advisers are confronted by a number of obstacles (environmental factors) when they attempt to apply the different marketing mix strategies.

***The cloud hovering over the five circles on the left side represents the environmental factors experienced by the respondents that were also discussed in the literature review and that were listed in Table 4.2. The cloud hovering over the five circles on the right side represents the environmental factors experienced by the respondents that were not initially foreseen in the literature review.***

Independent financial advisers would need to ensure that they are aware of and understand all these environmental factors that can hinder the successful implementation of the marketing mix strategies.

***The umbrella in the diagram depicted immediately below the clouds symbolises the shield of counterstrategies (as listed in Annexure E) that independent financial advisers should apply to address the various environmental factors and safeguard the successful implementation of the strategies.***

**Positioning of the current business life cycle stage vs the new business life cycle stage**

Based on the common life cycle patterns that were displayed by small and larger businesses in different periods, regions and industries, this study has made the conclusion under major finding 1 that independent financial advisers could progress through five general life cycle stages, namely birth, growth, maturity, revival and decline. It was not, however, possible to use Ferreira's criteria (2000) to group the respondents who experienced commission growth specifically into the general life cycle stages.

Consequently, the diagram in Figure 7.1 merely provides an indication of the problems and strategies that independent financial advisers who experience commission growth could encounter and implement **in their business life cycle**. This study cannot specifically indicate in which stage each problem and each strategy will occur.

The onus lies on independent financial advisers to first use the summary of general life cycle stages (as depicted in Table 2.2 – excluding the structure description, which is not applicable) to identify their current business life cycle stage. Secondly, independent financial advisers could determine the kind of problems they experience in their businesses and apply the relevant recommended marketing mix strategies to address these problems and generate more sales (commission) growth.

In Section 2.2.2 it was stipulated that it seems that the business's resources as well as its expertise and strategic choices play an important role in determining, at any point, if it will progress to the next stage, remain at the current stage or deteriorate and perhaps die.

Ultimately, the successful implementation of the recommended marketing mix strategies (where the different environmental obstacles have been addressed effectively) could help independent financial advisers to grow their businesses and progress to a more advanced life cycle stage.





▪ **Part 2 of the marketing mix framework**

**Table 7.2:** Summary of business problems and recommended marketing mix strategies for survival and sales (commission) growth

| Business problem   | Type of problem                 | Marketing mix strategy presented on interview card   | Recommendation   | Solution to business problem | Type of solution    | Marketing mix strategy for sales growth | Type of marketing mix strategy for sales growth | Types of barriers that can be experienced   | Types of counterstrategies that should be implemented  |
|--|---------------------------------|--|--|------------------------------|---------------------|---|---|---|--|
| <b>Have too many responsibilities and therefore struggle to meet deadlines</b> | Important (Mf 6.5(1))           | Recruit more employees (in different types of specialised roles) and motivate them through effective and practical measures to perform   | Recommended only as a solution to the business problem ( <i>Approach recruitment agencies or place an advertisement in a newspaper to find the four types of employees (as discussed in the literature review) and also consult the necessary resources to identify appropriate methods to motivate these employees to perform – recommendation under major finding 6)</i> | Yes                          | Popular (Mf 6.5(2)) | Yes                                     | Unfavourable (Mf 6.5(3))                        | Employee experience, education, time and financial resources (Annexure E)   | Rely on external resources, search for experience, mentor employees, create time for training, use creative financing (Annexure E)   |
| <b>Do not know all the competitors that have entered the market</b>            | Needs consideration (Mf 6.5(8)) | <b>Approaches that can be followed to build a competitive advantage and thus address the potential threat of unknown competitors:</b>  |  |                              |                     |   |   |   |  |
|  |                                 | Focus on controlling the quality of the service provided to impress clients  | Strongly recommended as a marketing mix strategy for sales growth. Can also be used as a solution to the business problem. ( <i>Establish clear guidelines for the delivery of service quality and ensure that these guidelines are followed when conducting and implementing the marketing planning – recommendation under major finding 3.</i> )                         | Yes                          | Popular (Mf 6.5(9)) | Yes                                     | Highly popular (Mf 6.5(10))                     | Small business resources, education, exposure to information, small business culture, suppliers, changes in the industry, change of attitude towards marketing and employee experience (Annexure E) | Standardise procedures, implement policies and procedures, use experience, induce fear, work overtime, use a financial incentive system, use skilled staff, ask top management for help, focus primarily on quality service, change suppliers, use external resources (Annexure E) |
|  |                                 | Provide new services that are aligned with clients' needs and expectations (For example, do not follow the traditional route of merely selling life policies and investment products, but rather offer clients a new unique "one-stop solution package" that includes additional services such as assistance with tax planning, wills and asset management). | Recommended only as a marketing mix strategy for sales growth ( <i>Financial advisers would need to become more aware of their clients' needs and expectations in order to adapt their services accordingly – recommendation under major finding 7)</i>  | No                           | N/A                 | Yes                                     | Popular (Mf 6.5(12))                            | Education, exposure to information, time and suppliers (Annexure E)   | Simplicity, rely on external resources, use technology, change suppliers (Annexure E)  |
|  |                                 | Use the customer-based pricing method – offer high quality services at lower prices (Stated differently, offer valuable services and at the same time do not charge a high commission)   | Recommended only as a solution to the business problem ( <i>Ensure that the service being offered is of high quality and that the clients would be able to afford these services – recommendation under major finding 6)</i>   | Yes                          | Popular (Mf 6.5(9)) | Yes                                     | Unfavourable (Mf 6.5(11))                       | Financial resources, exposure to information, competition (Annexure E)  | Sales skills, review processes, create and follow cost-effective work policies (Annexure E)  |



| Business problem  | Type of problem                 | Marketing mix strategy presented on interview card  | Recommendation  | Solution to business problem | Type of solution            | Marketing mix strategy for sales growth | Type of marketing mix strategy for sales growth | Types of barriers that can be experienced   | Types of counterstrategies that should be implemented   |
|---|---------------------------------|---|---|------------------------------|-----------------------------|---|---|---|---|
| <b>Do not know all the competitors that have entered the market</b> | Needs consideration (Mf 6.5(8)) | <b>Implement one or more of the following methods to convince clients to rather use the adviser's service</b> |   |                              |                             |   |   |   |   |
|   |                                 | Advertising   | Recommended only as a solution to the business problem ( <i>Creative advertising messages would need to be created that will persuade clients to conduct business with the adviser – recommendation under major finding 6</i> )   | Yes                          | Popular (Mf 6.5(9))         | Yes                                     | Unfavourable (Mf 6.5(11))                       | Small business resources, time (Annexure E)   | Special employee arrangements, rely on external resources (Annexure E)  |
|   |                                 | Use personal selling  | Recommended only as a strategy for sales growth ( <i>Advisers would need to sharpen their personal selling skills – recommendation under major finding 7</i> )  | No                           | N/A                         | Yes                                     | Highly popular (Mf 6.5(13))                     | Exposure to information, time, education, client commitment and motivation of the small business owner to grow (Annexure E) | Generate sales through education and referrals, get the client to participate in the service delivery process, use creative financing, work overtime, use technology, focus on important clients, focus primarily on the needs of clients, focus on the benefits, use financial needs analysis tool and focus primarily on quality service (Annexure E) |
| <b>Have difficulty in delivering the service to clients on time</b> | Important (Mf 6.5(30))          | Use the Internet  | Strongly recommended as a solution to the business problem. Can also be used as a marketing mix strategy for sales growth. ( <i>Consider the actions that can be taken to save time for effective implementation</i> ) (Mf 6.5(188) and recommendation under major finding 4) | Yes                          | Highly popular (Mf 6.5(31)) | Yes                                     | Popular (Mf 6.5(32))                            | Exposure to information, education, technology, suppliers, financial resources and time (Annexure E)                        | Use technology, rely on external resources, use self-training, use alternative technology, plan in advance, use skilled staff, change suppliers, generate more sales, contact the supplier on a regular basis (Annexure E)  |



| Business problem  | Type of problem                  | Marketing mix strategy presented on interview card  | Recommendation   | Solution to business problem                               | Type of solution     | Marketing mix strategy for sales growth | Type of marketing mix strategy for sales growth | Types of barriers that can be experienced  | Types of counterstrategies that should be implemented   |
|---|----------------------------------|---|--|--|----------------------|---|---|--|---|
| <b>Have not made strategic plans for the business, because adviser concentrated primarily on the operational side of the business</b>   | Important (Mf 6.5(37))           | Engage in continuous service developments, aligned with an appropriate business process that ties in with the needs of the markets (an approach to become more strategically orientated) (For example, the financial service package offered to clients can be modified to also include, for instance, medical aid provision, accounting, buying shares, setting up a trust, drafting wills and employee benefits. The financial adviser would then need to make sure that the business processes followed to offer these services are appropriate and aligned with the client's needs and expectations.) | Recommended as a solution to the business problem and as a marketing mix strategy for sales growth. <i>(Financial advisers would need to ensure that they have the necessary contracts in place to offer the additional services, major finding 5)</i>             | Yes  | Popular (Mf 6.5(38)) | Yes                                     | Popular (Mf 6.5(39))                            | Small business resources, education, exposure to information and workload (Annexure E) | Use skilled staff and external resources, gain experience, plan in advance (Annexure E)   |
| <b>Struggling with inadequate management of business expenses that do not keep up with the business growth</b> (For example, the business is growing rapidly and the adviser is not able to find all the necessary financial resources quickly enough to fund the expenses) | Needs consideration (Mf 6.5(43)) | Use creative discount measures (such as charging lower commission) (This strategy could then help to sell a larger number of policies, generate additional income and thus fund the expenses.)  | Cannot be recommended as a solution to the business problem or as a marketing mix strategy for sales growth (Mf 6.5(45)) <i>Potential alternative solution: appoint an employee with a strong financial background that could assist in managing this function</i> | <i>No related main findings were investigated further.</i> |                      |   |   |  |   |
| <b>Sometimes struggle to close a business deal with new and existing clients on time</b>  | Important (Mf 6.5(48))           | Use Internet communication (For example, use the Internet to advertise tax assistance and ensure that clients send the advisers the required documents before the first meeting)  | Strongly recommended as a solution to the business problem. Can also be used as a marketing mix strategy for sales growth – recommendation under major finding 4.  | Yes  | Popular (Mf 6.5(49)) | Yes                                     | Popular (Mf 6.5(50))                            | Suppliers, time, education, financial resources, technology (Annexure E)               | Use alternative technology, rely on external resources, question the service provided by the supplier, generate more sales, contact the supplier on a regular basis, plan in advance (Annexure E) |



| Business problem  | Type of problem                  | Marketing mix strategy presented on interview card   | Recommendation   | Solution to business problem | Type of solution          | Marketing mix strategy for sales growth | Type of marketing mix strategy for sales growth | Types of barriers that can be experienced   | Types of counterstrategies that should be implemented  |  |
|---|----------------------------------|--|--|------------------------------|---------------------------|---|---|---|--|--|
| <b>Do not have access to external networks (such as the Financial Planning Institute) that can help grow the business</b> | Needs consideration (Mf 6.5(55)) | Focus on meeting with competitors occasionally to benefit from their experience  | Recommended as a solution to the business problem and as a marketing mix strategy for sales growth. <i>(Identify competitors and establish good relationships with them in order to benefit from their experience – recommendation under major finding 5)</i>  | Yes                          | Popular (Mf 6.5(56))      | Yes                                     | Popular (Mf 6.5(59))                            | Personal goals of the small business owner, exposure to information and time (Annexure E)                               | Gain new perspective, win the competitor's trust and plan in advance (Annexure E)  |  |
|   |                                  | <b>Focus on building relationships with one or more of the following parties:</b>  |  |                              |                           |   |   |   |  |  |
|   |                                  | Clients  | Recommended only as a marketing mix strategy for sales growth <i>(Build professional relationships with clients – recommendation under major finding 7)</i>  | Yes                          | Unfavourable (Mf 6.5(56)) | Yes                                     | Highly popular (Mf 6.5(57))                     | Time, financial resources, personal relationships, client commitment and demographic concerns (Annexure E)              | Build trust through education, charge commission for extra service, remain professional, confirm appointments, manage time creatively and rely on external resources (Annexure E)                |  |
|   |                                  | Employees  | Recommended only as a marketing mix strategy for sales growth <i>(Build professional relationships with employees – recommendation under major finding 7)</i>  | No                           | N/A                       | Yes                                     | Popular (Mf 6.5(60))                            | Time, education and demographic concerns (Annexure E)   | Use a financial incentive system and manage staff differences (Annexure E)   |  |
|   |                                  | Suppliers  | Recommended only as a marketing mix strategy for sales growth <i>(Build professional relationships with suppliers – recommendation under major finding 7)</i>  | No                           | N/A                       | Yes                                     | Highly popular (Mf 6.5(58))                     | Supplier, time and small business resources (Annexure E)  | Establish an agreement with supplier, manage cultural differences, write more business for supplier, investigate staff turnover problem and contact the supplier on a regular basis (Annexure E) |  |
| <b>Attempt to perform all the business activities by themselves</b>   | Important (Mf 6.5(73))           | Refrain from following an autocratic management style to manage employees who strive for achievement and be more inclined to entrust power and control to them | Recommended as a solution to the business problem and as a marketing mix strategy for sales growth. <i>(Financial advisers would need to become more conscious about their management style and attempt to entrust more power and control to their employees – recommendation under major finding 5)</i> | Yes                          | Popular (Mf 6.5(74))      | Yes                                     | Popular (Mf 6.5(75))                            | Education, small business culture, small business resources, time, thirst for power and business processes (Annexure E) | Create time for training, train separate groups, trust staff, mentor employees, search for experience, manage staff differences, become more patient and delegate responsibility (Annexure E)    |  |



| Business problem  | Type of problem                   | Marketing mix strategy presented on interview card  | Recommendation   | Solution to business problem | Type of solution             | Marketing mix strategy for sales growth | Type of marketing mix strategy for sales growth | Types of barriers that can be experienced  | Types of counterstrategies that should be implemented  |  |
|---|-----------------------------------|---|--|------------------------------|------------------------------|---|---|--|--|--|
| <b>Lost customers who experienced unsatisfactory service from the business</b>            | Needs consideration (Mf 6.5(80))  | Adapt service according to the client's needs   | Strongly recommended as a solution to the business problem. Can also be used as a marketing mix strategy for sales growth. <i>(Become aware of the needs of clients and adapt services accordingly – recommendation under major finding 4)</i> | Yes                          | Highly popular (Mf 6.5(82))  | Yes                                     | Popular (Mf 6.5(83))                            | Time, client commitment, education, personal goals of the small business owner, business processes, small business resources and supplier (Annexure E) | Manage time creatively, generate sales through education, become more patient, get the client to participate in the service delivery process, capitalise on unforeseen opportunities, visit clients regularly, change suppliers, build trust with clients (Annexure E) |  |
|   |                                   | <b>Motivate younger employees with the following to deliver a positive service experience:</b>  |  |                              |                              |   |   |  |  |  |
|   |                                   | Recognition   | Recommended only as a strategy for sales growth <i>(Measure performance and give recognition where needed – recommendation under major finding 7)</i>  | Yes                          | Unfavourable (Mf 6.5(82))    | Yes                                     | Popular (Mf 6.5(83))                            | Small business resources and financial resources (Annexure E)  | Competitions and give recognition to staff (Annexure E)  |  |
|   |                                   | <b>Motivate older employees with one or more of the following to deliver a positive service experience:</b>   |  |                              |                              |   |   |  |  |  |
|   |                                   | Financial rewards   | Recommended only as a strategy for sales growth <i>(Measure performance and provide financial rewards where needed – recommendation under major finding 7)</i>   | Yes                          | Unfavourable (Mf 6.5(82))    | Yes                                     | Popular (Mf 6.5(83))                            | Change of attitude towards marketing and small business resources (Annexure E)   | Use financial incentives, schedule early morning meetings and mentor employees (Annexure E)  |  |
|   |                                   | Recognition   | Recommended only as a strategy for sales growth <i>(Measure performance and give recognition where needed – recommendation under major finding 7)</i>  | Yes                          | Unfavourable (Mf 6.5(82))    | Yes                                     | Popular (Mf 6.5(83))                            | Exposure to information and small business resources (Annexure E)  | Give recognition and constructive feedback to staff and offer competitions (Annexure E)  |  |
|   |                                   | Respect   | Recommended only as a strategy for sales growth <i>(Measure performance and show respect where needed – recommendation under major finding 7)</i>  | Yes                          | Unfavourable (Mf 6.5(82))    | Yes                                     | Popular (Mf 6.5(83))                            | Sensitivity towards needs of employees, small business resources and demographic concerns (Annexure E)   | Become more sensitive towards needs of employees, manage with authority, become more patient and mentor employees (Annexure E)   |  |
| <b>Commission reduced, because adviser could not meet the high demand for the service</b> | Needs consideration (Mf 6.5(109)) | Train employees to perform different job functions at peak periods (This approach would, for example, mean that when the demand for the service is high, the secretary could assist with preparing quotations and completing application forms. This could then free the financial adviser's time to see more clients and sell policies to them.) | Recommended only as a solution to the business problem <i>(Training sessions would need to be scheduled to ensure that the employees are able to perform different job functions at peak periods – recommendation under major finding 6)</i>   | Yes                          | Highly popular (Mf 6.5(110)) | Yes                                     | Unfavourable (Mf 6.5(111))                      | Small business culture, time and education (Annexure E)  | Apply own skills, use a financial incentive system, mentor employees, create time for training, become more patient (Annexure E)   |  |



| Business problem  | Type of problem                   | Marketing mix strategy presented on interview card   | Recommendation   | Solution to business problem                        | Type of solution             | Marketing mix strategy for sales growth | Type of marketing mix strategy for sales growth | Types of barriers that can be experienced   | Types of counterstrategies that should be implemented  |  |
|---|-----------------------------------|--|--|---|------------------------------|---|---|---|--|--|
| Commission has reduced through the unexpected activities of competitors | Needs consideration (Mf 6.5(114)) | Business strategy takes into account competitor knowledge gained from using Porter's five competitor forces; published resources; competitive market surveys; networking; consulting firms, employees and trade shows  | Cannot be recommended as a solution to the business problem or as a marketing mix strategy for sales growth (Mf 6.5(116) to Mf 6.5(119)).<br><i>Potential alternative solution: build strong networking relationships with competitors</i>   | No related main findings were investigated further. |                              |   |   |   |  |  |
| Business commission reduced through offshore competition                | Needs consideration (Mf 6.5(123)) | Reinforce the current image of the business  | Recommended only as a strategy for sales growth ( <i>Identify and implement measures to reinforce the current image of the business, for example personal selling (main finding 6.5(189) and recommendation under major finding 7)</i> )   | No  | N/A (Mf 6.5(124))            | Yes                                     | Popular (Mf 6.5(125))                           | Time and client commitment (Annexure E)   | Manage time creatively and reassess the situation (Annexure E)   |  |
|   |                                   | Use a service blueprint for the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for quality improvement  | Recommended only as a strategy for sales growth ( <i>Ensure that adviser is able to design and follow an effective service blueprint strategy. Can follow the eight-step process to develop a service blueprint, as discussed in Section 4.9.3 – recommendation under major finding 7)</i> ) | No  | N/A (Mf 6.5(124))            | Yes                                     | Popular (Mf 6.5(125))                           | Time, supplier, financial resources and long-term objectives of the business (Annexure E) | Work overtime, develop own skill, rely on external resources, build relationships and follow by example (Annexure E) |  |
| Experience a lack of teamwork for a "greater purpose"                   | Needs consideration (Mf 6.5(136)) | Ensure that every employee is aware of the essential role they play in the final delivery of quality service and as a result enable the employee to deliver excellent service (To be more effective, financial advisers could use more specialist roles in their businesses (that could help them to carry out the different functions in the business at an optimum level) and ensure that their employees understand and are able to perform these roles.) | Strongly recommended as a solution to the business problem. Can also be used as a marketing mix strategy for sales growth (recommendation under major finding 4)   | Yes   | Highly popular (Mf 6.5(137)) | Yes                                     | Popular (Mf 6.5(138))                           | Small business culture, family (Annexure E)   | Criticise with praise and rely on external resources (Annexure E)  |  |
| Sometimes in conflict with business partners over business control      | Needs consideration (Mf 6.5(141)) | <b>Apply one or more of the following approaches to solve the conflict situation:</b>  |  |   |                              |   |   |   |  |  |
|   |                                   | Facilitate discussion regarding problems   | Recommended only as a solution to the business problem (recommendation under major finding 6)  | Yes   | Highly popular (Mf 6.5(143)) | No                                      | Unfavourable (Mf 6.5(146))                      | No environmental factor was identified  | No solution mentioned  |  |
|   |                                   | Blend ideas  | Recommended only as a solution to the business problem (recommendation under major finding 6)  | Yes   | Highly popular (Mf 6.5(143)) | No                                      | Unfavourable (Mf 6.5(146))                      | No environmental factor was identified  | No solution mentioned  |  |



| Business problem   | Type of problem                   | Marketing mix strategy presented on interview card  | Recommendation   | Solution to business problem  | Type of solution      | Marketing mix strategy for sales growth | Type of marketing mix strategy for sales growth | Types of barriers that can be experienced        | Types of counterstrategies that should be implemented  |
|--|-----------------------------------|---|--|---|-----------------------|---|---|--|--|
| <b>Business is struggling with inadequate financial resources</b>  | Needs consideration (Mf 6.5(147)) | Work from home to reduce overhead expenses and create competitive pricing   | Recommended as a solution to the business problem and as a marketing mix strategy for sales growth<br><i>(Investigate the possibility of a home-based office – recommendation under major finding 5)</i>   | Yes   | Popular (Mf 6.5(148)) | Yes                                     | Popular (Mf 6.5(149))                           | Social needs, family and discipline (Annexure E) | Focus on the benefits, maintain relationships, manage time creatively, create a separate work area at home, manage time with family, focus on becoming more disciplined (Annexure E) |
| <b>No new product and service developments in business over the last 12 months</b>   | Needs consideration (Mf 6.5(154)) | Allow employees to make suggestions on new developments   | Cannot be recommended as a solution to the business problem or as a marketing mix strategy for sales growth (Mf 6.5(156)) <i>Potential alternative solution: use past experience as a guideline to offer new product packages that are aligned with the client's needs and expectations</i>                | <i>No related main findings were investigated further.</i>              |                       |   |   |  |  |
| <b>Dealt with an exhausted business opportunity that produced very low profits and return on investment for the business</b> | Needs consideration (Mf 6.5(160)) | Use client suggestions to formulate new ideas; use gifts, publicity and trade shows to revitalise sales and retain existing clients; use the Internet to assist in creating competitive prices and provide guarantees | Cannot be recommended as solutions to the business problem or as marketing mix strategies for sales growth (Mf 6.5(163) and Mf 6.5(164)) <i>Potential alternative solution: use past experience as a guideline to offer new product packages that are aligned with the client's needs and expectations</i> | <i>No related main findings were subsequently further investigated.</i> |                       |   |   |  |  |
| <b>Used bank debt to solve financial resource requirements</b>   | Needs consideration (Mf 6.5(180)) | Encourage clients to pay their accounts earlier than required by offering them a discount and outsource some of the delivery of the service offering to other people  | Cannot be recommended as solutions to the business problem or as marketing mix strategies for sales growth (Mf 6.5(181) to 6.5(183)) <i>Potential alternative solution: conduct more comprehensive financial needs analyses for clients and attempt to sell additional products</i>                        | <i>No related main findings were investigated further.</i>              |                       |   |   |  |  |

Table 7.2 is based on all the main findings, major findings and recommendations that were examined and analysed in this study.

- The **first column** provides a list of all the business problems that independent financial advisers can experience, as revealed by the empirical findings. (The problem of offshore competition is also included in this column. It does not pose an immediate threat but independent financial advisers would still need to be aware of this problem that could potentially occur in future.)
- The **second column** indicates whether each problem that can be experienced should be considered as an important problem or a problem that only needs consideration. Independent financial advisers should pay more attention to the important problems in their businesses.
- The **third column** provides a list of marketing mix strategies that were investigated in this study. The researcher, however, has excluded those marketing mix strategies that were intended as additional solutions to the business problems and that received a response rate of lower than 33.33% (as solutions to the business problems and also as strategies for sales growth). These strategies are not really well-accepted strategies to follow.
- The **fourth column** indicates whether the particular marketing mix strategy should be used as only a solution to the business problem, as a marketing mix strategy for sales growth or both. These recommendations were discussed under major findings 3 to 7 and are based on the main findings listed in **columns 5 to 8**. The fourth column also provides alternative marketing mix solutions to those problems where all the related strategies (as identified in the literature review) received a very low response rate and as a result could not be recommended to independent financial advisers to address the problems.
- The **second last column** provides a list of all the barriers that can be experienced on implementation of each marketing mix strategy.



(Annexure E provides a more detailed explanation of these environmental factors.)

- The **last column** provides a summary of the types of counterstrategies that can be implemented to address each barrier. (Annexure E also provides a more detailed explanation of these counterstrategies.)

### **Contributions of the proposed framework**

In conclusion, the framework proposed in this study offers independent financial advisers the following valuable benefits:

- It provides additional assistance on business survival and sales growth to independent financial advisers operating small businesses in an environment governed by strict legislation.
- It can be used as a tool for long-term planning where the advisers, who understand the problems that can occur, can review their plans and strategies to prepare for the future.
- More specifically, the framework offers valuable insight into the problems and strategies that can occur in the business life cycle of independent financial advisers. It was not possible to divide the problems and strategies experienced specifically into the birth, growth, maturity and revival general life cycle stages. Independent financial advisers, however, would be able to use the description of the general life cycle stages depicted in Table 2.2 to determine their current business life cycle stage. They could then use Table 7.2 (which can be viewed as an evolution of Table 4.5) as a toolkit to identify the kinds of problems they currently experience in their businesses and apply the recommended solutions to address the obstacles, generate more sales (commission) growth and grow their businesses to a more advanced stage.
- Table 2.2 further makes provision for strategies that will assist the adviser to provide high-quality support services and policies to employees that will in turn enable them to deliver quality results to clients. The proposed framework therefore acknowledges and supports

the principles of the service profit chain model (as discussed in Section 3.6).

- The framework, however, does not make provision for businesses in the decline stage. Since the purpose of this study is mainly to propose a framework for business survival and sales growth, this study did not examine businesses in the decline stage. It was also stated in Section 2.2.2 that businesses in the decline stage would need a more complex investigation.
- Given the findings of Section 2.2.2 it is further possible for independent financial advisers to make a strategic decision to remain in a particular life cycle stage and not grow their businesses any further. The strategies recommended in the proposed framework could then simply be used to help these financial advisers to address the problems they experience and to survive.
- Table 7.2 provides further evidence that the independent financial advisers do experience some of the obstacles and implement some of the marketing mix strategies that previous studies associated only with larger service businesses and businesses selling manufactured products. (In chapters three and four it was stated that the literature sources are limited that specifically address the marketing mix strategies and environmental factors that service businesses, such as independent financial advisers, experience. This study consequently also investigated potential environmental factors and marketing mix strategies previously experienced and implemented by large service businesses and businesses selling manufactured products. The empirical findings have shown that some of these environmental factors and marketing mix strategies are also present in the businesses of independent financial advisers.)
- According to Bunting (2009:141), Emergent Research, a consultancy business that investigated and analysed the significant trends and forces impacting small business formation and growth, have found that economic stress result in small business innovation. More particularly, "...driven by the need to improve productivity and increase customer

value, in times of crisis small businesses will not only focus on cashflow and cost containment, they will also re-evaluate, redesign and refine their products, processes and business models.” The various strategies listed in the framework proposed could therefore further provide assistance to independent financial advisers to redesign their processes and business models and consequently improve the value of their businesses in the midst of the global financial crisis.

Finally, this study had to make a number of additional recommendations in the framework where the independent financial advisers were unable to provide practical solutions. The effectiveness of these strategies in the businesses of independent financial advisers would still need to be further examined in future. The framework proposed in this study can therefore only be considered as a conceptual framework and needs further analysis.

## **7.4 LIMITATIONS OF THIS STUDY**

Certain limitations regarding the literature review and the empirical phase of this study should be pointed out.

### **7.4.1 Limitations based on the literature review**

The aim of the literature review was to include all the relevant literature on the research topic.

- a) Although abundant information could be found in the literature regarding business problems and strategies, very little literature focusing on financial services marketing could be identified. As a result, this study had to rely on the research that was conducted in other industries under different circumstances.
- b) The researcher also identified a definite lack of literature on the organisational life cycle of a small business in South Africa.

*(Researchers in future, though, would be able to benefit from the empirical findings from this study, which make a valuable contribution to the theory on the*

*application of marketing mix principles and the organisational life cycle concept, specifically within the financial services industry.)*

#### **7.4.2 Limitations of the empirical phase of the study**

- a) The study is limited to independent financial advisers operating small businesses in Johannesburg.
- b) The study is also limited to the financial services industry in South Africa.
- c) The final samples that were obtained for the telephone and personal interviews are relatively small and conclusions had to be made in this context. The findings are therefore not representative of the total population.
- d) Furthermore, due to time and financial constraints an in-depth longitudinal investigation into the businesses of the respondents could not be done. The empirical results were therefore based solely on the viewpoints of the respondents regarding the problems they experienced and the strategies they implemented.

*(The purpose of this exploratory study, however, was mainly to gain more insight into the subject matter and to provide some guidance to financial advisers. The same study could be repeated in future over a longer period, with a larger number of advisers, countrywide, to investigate the findings in more depth and to make more comprehensive recommendations to independent financial advisers.)*

#### **7.5 RECOMMENDATIONS FOR FUTURE RESEARCH**

The following recommendations for future research can be made:

- a) The conceptual framework proposed in this study could be further tested to measure its viability and applicability in the businesses of independent financial advisers. A future research study could measure the sales growth before and after the strategies have been implemented to gain a better understanding of the effectiveness of the proposed strategies.

- b) Researchers in future could determine whether certain marketing mix strategies for sales growth are more effective in certain business life cycle stages.
- c) This study did not include the financial advisers' own suggested solutions (that were not originally investigated in the literature review) in the proposed framework. These solutions were merely suggested by one or two financial advisers and therefore did not seem to be popular strategies. A future research study, however, could further investigate the effectiveness of these solutions.
- d) A more comprehensive examination of the organisational life cycle of independent financial advisers in South Africa is necessary. The businesses should be studied over a longer period and financial statements could also be analysed to get a more in-depth view. Researchers in future further need to identify more practical criteria that can assist in grouping independent financial advisers into the various general life cycle stages.
- e) This study can also be repeated among independent financial advisers in other regions in South Africa to determine if the problems and strategies they experience and implement are different from their counterparts in Johannesburg.
- f) The potential problems and strategies that were identified in the literature review and summarised in Table 4.5 can also be tested among small business owners in other industries in South Africa.
- g) Researchers in future would need to identify critical problems that can be experienced by independent financial advisers (that is problems that are experienced by between 66.68% and 100% of the respondents interviewed).
- h) Finally, the same study could be repeated in future over a longer period, with a larger number of advisers, countrywide, to investigate the findings in more depth and to make more comprehensive recommendations to independent financial advisers.

## 7.6 CONCLUDING REMARKS

Based on the conclusions, implications and recommendations that were made in this chapter it can be accepted that both the primary and secondary research objectives of this study have been addressed.

The conceptual marketing mix framework for business survival and sales growth proposed in this study contribute to the body of knowledge of the application of marketing mix principles and the organisational life cycle concept, specifically within the financial services industry.

Finally, only a small amount of research has been conducted in South Africa in terms of independent financial advisers. The results of this study further contribute to and assist with future research on independent financial advisers specifically.

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## **Annexure A**

### **Telephone interview questionnaire**





**Phase 1: Screening questionnaire (stage classification)**

**(Telephone interview)**

Questionnaire number 

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

**Interviewer:** \_\_\_\_\_  
**Respondent:** \_\_\_\_\_

**Respondent** Cell \_\_\_\_\_  
Land line \_\_\_\_\_

**Introduction**

Good day, Sir/Madam. My name is ..... (state your name). I represent Ms. Estelle van Tonder who is a Doctorate student at the University of Pretoria and is currently collecting data for her thesis. The thesis involves investigating the business practices of independent financial advisers in Johannesburg to provide them with guidelines for business survival and sales growth in each business life cycle stage.

May I please use five minutes of your time to ask you a few questions?

This interview will be treated with the strictest confidence and all the information obtained will be used for research purposes only.

**If no, close interview.**

**If yes, continue with the questions below.**

**Q1** Are you an independent financial adviser?

|     |   |
|-----|---|
| Yes | 1 |
| No  | 2 |

**If no discontinue**

V1 

|  |
|--|
|  |
|--|

**Q2** Are you a small business owner?

|     |   |
|-----|---|
| Yes | 1 |
| No  | 2 |

**If no discontinue**

V2 

|  |
|--|
|  |
|--|

**Q3** What types of products do you advise on and sell in your business?

|                        |   |
|------------------------|---|
| Life insurance         | 1 |
| Investments            | 2 |
| Medical aid funds      | 3 |
| Other (please specify) |   |
|                        |   |

**Multiple mentions possible**

**If no financial products sold discontinue**

V3 

|  |
|--|
|  |
|--|

  
V4 

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|--|
|  |
|--|

  
V5 

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|  |
|--|

  
V6 

|  |
|--|
|  |
|--|

**Q4** In what year was your business founded?

\_\_\_\_\_

V7 

|  |
|--|
|  |
|  |



**Q5** How many employees were employed in your business from 1 August 2005 to 31 July 2006? (Full time and part time.)

---

V8

**Q6** How many employees were employed in your business from 1 August 2006 to 31 July 2007? (Full time and part time.)

---

V9

**Only ask question 7 if small business owner had one or more employees employed in his/her business from 1 August 2006 to 31 July 2007. Record answers in grid below.**

**Q7** **Question if only one employee was employed:** The following question relates to the one employee that you have employed in your business from 1 August 2006 to 31 July 2007. Please provide a brief description of what your employee's main duties were during that time and to whom your employee reported to.

**Question if two or more employees were employed:** The following question relates to the (mention number of employees employed) employees that you have employed in your business from 1 August 2006 to 31 July 2007. Please provide a brief description of what each employee's main duties were during that time and to whom each employee reported to.

| Employees' names including business owners | Description of each employee's duties | Person(s) to whom employee reported to |
|--|---------------------------------------|--|
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |
|  |                                       |  |

V10

V11

V12



**Q8** How often do you make use of the following methods in your business to motivate your employees?

|  | At least once a month | Less often than once a month | Never |
|--|-----------------------|------------------------------|-------|
| Modifying of employee responsibilities to expand and add challenge to the tasks required   | 1                     | 2                            | 3     |
| Acknowledging of employee achievements   | 1                     | 2                            | 3     |
| Ensuring employees feel they are being paid equally compared to their fellow workers   | 1                     | 2                            | 3     |
| Ensuring that the salaries of employees are sufficient enough to provide them with the basic necessities for themselves and their families | 1                     | 2                            | 3     |

V13

V14

V15

V16

**Q9** Which one of the following statements are most applicable to you?

|   |   |
|---|---|
| I earned more commission over the past 12 months than the previous year               | 1 |
| I earned the same amount of commission over the past 12 months than the previous year | 2 |
| I earned less commission over the past 12 months than the previous year               | 3 |

V17

**If respondent earned more commission over the past 12 months, please ask question 10 below.**

**Q10** How much more commission have you earned over the past 12 months? Please provide a percentage.

\_\_\_\_\_

V18

**Q11** Should we need further information may we contact you again?

|     |   |
|-----|---|
| Yes | 1 |
| No  | 2 |

**Thank respondent and close interview.**

V19



Phase 2: Exploring small business practices

(Personal interview)

Questionnaire number

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

Interviewer: \_\_\_\_\_

Respondent name: \_\_\_\_\_

Contact number: \_\_\_\_\_

**Introduction**

The purpose of this questionnaire is to gain more insight into the business practices of small businesses operated by independent financial advisers in Johannesburg.

Please **only** consider the history of your insurance business over the past 12 months when providing your answers.

This interview will be treated with the strictest confidence and all the information obtained will be used for research purposes only.

This questionnaire should take approximately 45 minutes to complete.

I am now going to show you a pack of cards. On each card presented I will ask you a series of five questions.

**Please show respondent the pack of cards, one at a time.**

**On each individual card presented ask the 5 questions below.**

**Record answers on grid provided.**

**Q1** Have you experienced the problem listed at the top of the card in your business over the past 12 months?

**If respondent experienced the problem on the card over the past 12 months, please ask question 2. If respondent did not experience the problem on the card over the past 12 months, continue with question 3.**

**Q2** How did you solve this problem? Please indicate whether you have made use of the business strategy(ies) presented to you on the card and/or any other solution.

**Q3** **Ask if only one business strategy is listed on the card:** Was the business strategy listed on the card a plan you implemented in your business that seemed to have contributed to sales growth?

**Ask if two or more business strategies are listed on card:** Which of the business strategies listed on the card have you implemented in your business that seemed to have contributed to sales growth? More than one strategy may be selected.

**If respondent indicated in question 3 that the business strategy(ies) listed on the card was implemented and seemed to contribute to sales growth, please ask question 4 below.**

**Q4** Kindly provide a description of the problems you experienced when you implemented the business strategy(ies) that seemed to have contributed to sales growth.

**If respondent indicated in question 4 that one or more problems was experienced on implementation of business strategy(ies), please ask question 5 below.**

**Q5** Kindly provide a description of the methods you used to solve the problem(s) you experienced on implementation of the business strategy(ies).



|          | 1   |     | 2 | 3  | 4  |                     | 5 |                                |  |    |   |   |
|----------|---|-----|---|--|----|---------------------|---|--------------------------------|--|----|---|---|
|          | Business problems experienced   | Yes |   |  | No | Business strategies |   | Solutions to business problems | Seemed to have contributed to sales growth |    | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |
|          |   | Yes |   |  | No |                     |   |                                | Yes  | No |   |   |
| <b>A</b> | I have too many responsibilities and, therefore, struggle to meet deadlines | 1   | 2 | I recruited more employees and motivated them through various measures to perform                                      | 1  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | Other:   |    |                     |   |                                |  |    |   |   |
| <b>B</b> | I do not know all my competitors that have entered into the market          | 1   | 2 | I provided easy access to the business' building to promote the business   | 1  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | My small business focussed on controlling the quality of the service provided to impress clients                       | 2  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | I provided new services that were aligned to my clients' needs and expectations  | 3  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | I made use of the customer-based pricing method involving, for example, offering high quality services at lower prices | 4  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | <b>I made use of one or more of the following methods to help me produce persuasive messages to clients:</b>           |    |                     |   |                                |  |    |   |   |
|          |   |     |   | Advertising  | 5  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | Personal selling   | 6  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | Sales promotion (for example, providing gifts such as pens)  | 7  | 1                   | 2 |                                |  |    |   |   |
|          |   |     |   | Other  |    |                     |   |                                |  |    |   |   |



|   | 1  |     | 2 | 3   | 4  |                     | 5 |                                |  |    |   |   |
|---|--|-----|---|---|----|---------------------|---|--------------------------------|--|----|---|---|
|   | Business problems experienced  | Yes |   |   | No | Business strategies |   | Solutions to business problems | Seemed to have contributed to sales growth |    | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |
|   |  | Yes |   |   | No |                     |   |                                | Yes  | No |   |   |
| C | I sometimes have difficulty in delivering the service to my clients on time  | 1   | 2 | I made use of the Internet  | 1  | 1                   | 2 |                                |  |    |   |   |
|   |  |     |   | Other   |    |                     |   |                                |  |    |   |   |
| D | I have not made strategic plans for the business, because I concentrated primarily on the operational side of the business | 1   | 2 | My business engaged in continuous service developments, aligned with an appropriate business process that ties in with the needs of the markets | 1  | 1                   | 2 |                                |  |    |   |   |
|   |  |     |   | Other   |    |                     |   |                                |  |    |   |   |
| E | My business is struggling with inadequate management of business expenses that does not keep up with the business growth   | 1   | 2 | I made use of creative discount measures  | 1  | 1                   | 2 |                                |  |    |   |   |
|   |  |     |   | Other   |    |                     |   |                                |  |    |   |   |
| F | I sometimes struggle to close a business deal on time with new and existing clients  | 1   | 2 | * My business made use of Internet communication  | 1  | 1                   | 2 |                                |  |    |   |   |
|   |  |     |   | Other   |    |                     |   |                                |  |    |   |   |



|       | 1  |     | 2 | 3   | 4  |                     | 5 |                                |  |    |   |   |
|-------|--|-----|---|---|----|---------------------|---|--------------------------------|--|----|---|---|
|       | Business problems experienced  | Yes |   |   | No | Business strategies |   | Solutions to business problems | Seemed to have contributed to sales growth |    | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |
|       |  | Yes |   |   | No |                     |   |                                | Yes  | No |   |   |
| G     | I do not have access to external networks (such as the Financial Planning Institute) that can help me grow my business | 1   | 2 | I focussed on meeting with my competitors occasionally to benefit from their experience   | 1  | 1                   | 2 |                                |  |    |   |   |
|       |  |     |   | I focussed on building relationships with one or more of the following parties:   |    |                     |   |                                |  |    |   |   |
|       |  |     |   | Clients   | 2  | 1                   | 2 |                                |  |    |   |   |
|       |  |     |   | Employees   | 3  | 1                   | 2 |                                |  |    |   |   |
|       |  |     |   | Suppliers   | 4  | 1                   | 2 |                                |  |    |   |   |
|       |  |     |   | Support networks (such as the Financial Planning Institute)   | 5  | 1                   | 2 |                                |  |    |   |   |
| Other |  |     |   |   |    |                     |   |                                |  |    |   |   |
| H     | I attempt to perform all the business activities myself  | 1   | 2 | I refrained from following an autocratic management style to manage employees who strive for achievement and was more inclined to entrust power and control to the employees in my business | 1  | 1                   | 2 |                                |  |    |   |   |
|       |  |     |   | Other   |    |                     |   |                                |  |    |   |   |



|   | 1   |     | 2 | 3  | 4  |                     | 5 |                                |  |    |   |   |
|---|---|-----|---|--|----|---------------------|---|--------------------------------|--|----|---|---|
|   | Business problems experienced   | Yes |   |  | No | Business strategies |   | Solutions to business problems | Seemed to have contributed to sales growth |    | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |
|   |   | Yes |   |  | No |                     |   |                                | Yes  | No |   |   |
| I | I have lost customers who experienced unsatisfactory service from my business | 1   | 2 | I adapted my service according to the client's needs   | 1  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | I motivated my younger employees with one or more of the following to deliver a positive service experience: |    |                     |   |                                |  |    |   |   |
|   |   |     |   | Financial rewards  | 2  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | Recognition  | 3  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | Respect  | 4  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | A sense of accomplishment  | 5  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | I motivated my older employees with one or more of the following to deliver a positive service experience:   |    |                     |   |                                |  |    |   |   |
|   |   |     |   | Financial rewards  | 6  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | Recognition  | 7  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | Respect  | 8  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | A sense of accomplishment  | 9  | 1                   | 2 |                                |  |    |   |   |
|   |   |     |   | Other  |    |                     |   |                                |  |    |   |   |





|                               |  | 1  |                     | 2   |  | 3  |   | 4   |  | 5 |  |
|-------------------------------|--|----|---------------------|---|--|----|---|---|--|---|--|
| Business problems experienced | Yes  | No | Business strategies | Solutions to business problems  | Seemed to have contributed to sales growth |    | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |  |   |  |
|                               |  |    |                     |   | Yes  | No |   |   |  |   |  |
| J                             | My business commission has reduced, as I could not meet the high demand of the market for my business' service | 1  | 2                   | I trained my employees to perform different job functions at peak periods   | 1  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Other   |  |    |   |   |  |   |  |
| K                             | My business commission has reduced, due to the unexpected activities of my competitors                         | 1  | 2                   | <b>My business strategy took into account competitor knowledge gained from:</b>   |  |    |   |   |  |   |  |
|                               |  |    |                     | Making use of Porter's (1985) five-competitor forces  | 1  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Published resources, such as formal business information guides, the Internet, journal articles, market studies and client expenditures | 2  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Competitive market surveys  | 3  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Trade associations  | 4  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Employees   | 5  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Consulting firms  | 6  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Networking  | 7  | 1  | 2   |   |  |   |  |
|                               |  |    |                     | Other   |  |    |   |   |  |   |  |



|          | 1  |     | 2 | 3   |                     | 4 | 5 |                                |  |    |   |   |
|----------|--|-----|---|---|---------------------|---|---|--------------------------------|--|----|---|---|
|          | Business problems experienced  | Yes |   | No  | Business strategies |   |   | Solutions to business problems | Seemed to have contributed to sales growth |    | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |
|          |  | Yes |   | No  |                     |   |   |                                | Yes  | No |   |   |
| <b>L</b> | My business commission has reduced due to offshore competition               | 1   | 2 | ** I reinforced the current image of my business  | 1                   | 1 | 2 |                                |  |    |   |   |
|          |  |     |   | ** I developed a new image for my business  | 2                   | 1 | 2 |                                |  |    |   |   |
|          |  |     |   | ** I repositioned the image of the competition  | 3                   | 1 | 2 |                                |  |    |   |   |
|          |  |     |   | I made use of a service blueprint (a diagram of all the processes in the business) to obtain the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement | 4                   | 1 | 2 |                                |  |    |   |   |
|          |  |     |   | Other   |                     |   |   |                                |  |    |   |   |
| <b>M</b> | There is sometimes a lack of teamwork for a "greater purpose" in my business | 1   | 2 | I ensured every employee is aware of the essential role they play in the final delivery of quality service and as a result enabled the employee to deliver excellent service  | 1                   | 1 | 2 |                                |  |    |   |   |
|          |  |     |   | Other   |                     |   |   |                                |  |    |   |   |



|   | 1   |     | 2 | 3   | 4  |                     | 5 |                                |  |   |   |
|---|---|-----|---|---|----|---------------------|---|--------------------------------|--|---|---|
|   | Business problems experienced   | Yes |   |   | No | Business strategies |   | Solutions to business problems | Seemed to have contributed to sales growth | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |
|   |   | Yes |   |   | No |                     |   |                                |  |   |   |
| N | My business partner(s) and I are sometimes in conflict over control of the business | 1   | 2 | I used creativity   | 1  | 1                   | 2 |                                |  |   |   |
|   |   |     |   | I generated consensus   | 2  | 1                   | 2 |                                |  |   |   |
|   |   |     |   | I shared information  | 3  | 1                   | 2 |                                |  |   |   |
|   |   |     |   | I facilitated discussion regarding problems   | 4  | 1                   | 2 |                                |  |   |   |
|   |   |     |   | I blended ideas   | 5  | 1                   | 2 |                                |  |   |   |
|   |   |     |   | I avoided becoming protective when other people disagreed with my views                     | 6  | 1                   | 2 |                                |  |   |   |
|   |   |     |   | Other   |    |                     |   |                                |  |   |   |
| O | My business is struggling with inadequate financial resources                       | 1   | 2 | I worked from home, which helped to reduce overhead expenses and create competitive pricing | 1  | 1                   | 2 |                                |  |   |   |
|   |   |     |   | Other   |    |                     |   |                                |  |   |   |



|   | 1  |     | 2 | 3  | 4  |                     | 5 |                                |  |    |   |   |
|---|--|-----|---|--|----|---------------------|---|--------------------------------|--|----|---|---|
|   | Business problems experienced  | Yes |   |  | No | Business strategies |   | Solutions to business problems | Seemed to have contributed to sales growth |    | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |
|   |  | Yes |   |  | No |                     |   |                                | Yes  | No |   |   |
| <b>P</b>  | There were no new product and service developments in my business over the last 12 months  | 1   | 2 | I allowed my employees to make suggestions on new developments | 1  | 1                   | 2 |                                |  |    |   |   |
| Other   |  |     |   |  |    |                     |   |                                |  |    |   |   |
| <b>Q</b>  | In the market, my business had to deal with an exhausted business opportunity that produced very low profits and return on investment for the business | 1   | 2 | I made use of client suggestions to formulate new ideas        | 1  | 1                   | 2 |                                |  |    |   |   |
| <b>I made use of one or more of the following to revitalise sales:</b>        |  |     |   |  |    |                     |   |                                |  |    |   |   |
| Gifts (such as pens)  |  |     |   | 2  | 1  | 2                   |   |                                |  |    |   |   |
| Publicity   |  |     |   | 3  | 1  | 2                   |   |                                |  |    |   |   |
| Trade shows   |  |     |   | 4  | 1  | 2                   |   |                                |  |    |   |   |
| <b>I made use of one or more of the following to retain existing clients:</b> |  |     |   |  |    |                     |   |                                |  |    |   |   |
| Gifts (such as pens)  |  |     |   | 5  | 1  | 2                   |   |                                |  |    |   |   |
| Publicity   |  |     |   | 6  | 1  | 2                   |   |                                |  |    |   |   |
| Trade shows   |  |     |   | 7  | 1  | 2                   |   |                                |  |    |   |   |
| I made use of the Internet, which assisted in creating competitive prices     |  |     |   | 8  | 1  | 2                   |   |                                |  |    |   |   |
| I provided guarantees   | 9  | 1   | 2 |  |    |                     |   |                                |  |    |   |   |
| Other   |  |     |   |  |    |                     |   |                                |  |    |   |   |



|   | 1   |     | Business strategies | 2  | 3                              |  | 4 | 5 |   |   |    |
|---|---|-----|---------------------|--|--------------------------------|--|---|---|---|---|----|
|   | Business problems experienced   | Yes |                     | No   | Solutions to business problems | Seemed to have contributed to sales growth |   |   | Problems experienced on implementation of business strategies | Methods used to solve problems experienced on implementation of business strategies |    |
|   |   | Yes |                     | No   |                                | Yes  |   |   |   |   | No |
| R | I had to address my financial resource requirements. I did not sell equities, but rather used bank debt to solve my financial resource requirements | 1   | 2                   | I encouraged clients to pay their accounts earlier than required by offering them a discount | 1                              | 1  | 2 |   |   |   |    |
|   |   |     |                     | *** I outsourced some of the delivery of my service offering to other people                 | 2                              | 1  | 2 |   |   |   |    |
|   |   |     |                     | Other  |                                |  |   |   |   |   |    |

\* If respondent indicated in the grid above that he/she made use of Internet communication, please ask question 6 below.

Q6 Which aspects did you take into consideration to design an effective Internet communication strategy?

|  |  |
|--|--|
|  |  |
|--|--|

\*\* If respondent indicated in the grid above that he/she made use of the business image strategies, please ask question 7 below.

Q7 Which of the following methods did you use to assist with your business image strategy?

|  | A  | B                                      | C   |
|--|--|--|---|
|  | Reinforcing the current image of my business | Developing a new image for my business | Repositioning the image of my competition |
| Advertising                                      | 1  | 1                                      | 1   |
| Personal selling                                 | 2  | 2                                      | 2   |
| Sales promotions (providing gifts, such as pens) | 3  | 3                                      | 3   |

|   |  |  |
|---|--|--|
| A |  |  |
| B |  |  |
| C |  |  |

\*\*\* If respondent indicated that he/she outsourced some of the delivery of his/her service offering to other people, please ask question 8 below.

Q8 Please mention the benefits you gained from this action.

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

Thank respondent and close interview



**Annexure B**  
**Letter of consent**



Dear Participant

**RESEARCH BY MS E VAN TONDER**

The above is a student at the University of Pretoria and she is doing research for her D.Com (Marketing Management) degree under the supervision of Dr. Lene Ehlers. The study has the approval of the University of Pretoria.

The purpose of the study is to develop a framework that will present guidelines to independent financial advisers in Johannesburg on business survival and sales growth in each business life cycle stage.

As part of this study your name has been randomly selected by the researcher as one of the representative sample of financial advisers in Johannesburg to participate in a survey. The information obtained will be treated as strictly confidential. Your contribution to this study is extremely important to ensure the success of the project.

The questionnaire has been structured in such a way that it facilitates quick and easy completion. In trial runs it was determined that it will only take 45 minutes to complete. Your task is to answer the questions that will be asked by the interviewer as accurately and honestly as possible. The interviewer will return the completed questionnaire to Estelle van Tonder.

Once the data has been analysed, a framework will be proposed presenting guidelines to independent financial advisers in Johannesburg on business survival and sales growth in each business life cycle stage.

The value and outcome of this research depends on your willingness to take part in this project. If you have any queries, which you would like to discuss, please contact Estelle van Tonder on cell number 083 785 0225. A letter of consent is attached (one original and one duplicate). Please sign the original and hand it back to the interviewer. You may keep the duplicate consent form for your own personal record.

Yours faithfully

Ms. E van Tonder

Researcher

**ORIGINAL COPY (SENT BACK WITH QUESTIONNAIRE)**  
**Consent Form for Participation in a Research Study**  
**University of Pretoria**

The Department of Marketing and Communication Management, University of Pretoria

**RESEARCH ON THE DEVELOPMENT OF A FRAMEWORK THAT WILL PRESENT GUIDELINES TO INDEPENDENT FINANCIAL ADVISERS IN JOHANNESBURG ON BUSINESS SURVIVAL AND SALES GROWTH IN EACH BUSINESS LIFE CYCLE STAGE**

▪ **Description of the research**

You are invited to participate in a research study conducted by Estelle van Tonder under the direction of Dr. Lene Ehlers of the Department of Marketing and Communication Management, Faculty of Economic and Management Sciences, University of Pretoria.

The purpose of the study is to develop a framework that will present guidelines to independent financial advisers in Johannesburg on business survival and sales growth in each business life cycle stage.

As part of this study your name has been randomly selected by the researcher as one of the representative sample of financial advisers in Johannesburg to participate in a survey.

▪ **Protection of confidentiality and voluntary participation**

**I wish to assure you that all information I receive will remain confidential and that your participation will remain anonymous. Your contribution to this study is extremely important to ensure the success of the project. Your participation in this research study is, however, voluntary. You may choose not to participate and you may withdraw your consent to participate at any time. You will not be penalised in any way should you decide to withdraw from this study.**

▪ **Your participation**

The questionnaire has been structured in such a way that it facilitates quick and easy completion. In trial runs it was determined that it will only take 45 minutes to complete. Your task is to answer the questions that will be asked by the interviewer as accurately and honestly as possible. The interviewer will return the completed questionnaire to Estelle van Tonder.

There are no known risks or discomforts associated with this research project.

▪ **Potential benefits**

Once the data has been analysed, a framework will be proposed presenting guidelines to independent financial advisers in Johannesburg on business survival and sales growth in each business life cycle stage.





The value and outcome of the research depends on your willingness to take part in this project.

▪ **Contact information**

If you have any questions or concerns about this study or if any problems arise, please contact:

\* Estelle van Tonder at 083 785 0225

▪ **Consent**

I have read this consent form and have been given the opportunity to ask questions. I give my consent to participate in this study.

Participant's signature \_\_\_\_\_ Date \_\_\_\_\_ Place \_\_\_\_\_

Yours faithfully

---

**Ms. E van Tonder**

**Researcher**

**YOUR COPY (FILE FOR YOUR OWN PERSONAL RECORD)**

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**Ms. E van Tonder**

**Researcher**



## **Annexure C**

### **Personal interview questionnaire**



## **Annexure D**

### **Personal interview cards**



## **Business problem**

I have too many responsibilities and, therefore, struggle to meet deadlines.

## **Business strategies**

I recruited more employees and motivated them through various measures to perform

Other (please specify)



## **Business problem**

I do not know all my competitors that have entered into the market.

## **Business strategies**

|  |
|--|
| I provided easy access to the business' building to promote the business   |
| My small business focussed on controlling the quality of the service provided to impress clients                       |
| I provided new services that were aligned to my clients' needs and expectations  |
| I made use of the customer-based pricing method involving, for example, offering high quality services at lower prices |
| <b>I made use of one or more of the following methods to help me produce persuasive messages to clients:</b>           |
| Advertising  |
| Personal selling   |
| Sales promotion (for example, providing gifts such as pens)  |
| Other (please specify)   |



## **Business problem**

I sometimes have difficulty in delivering the service to my clients on time.

## **Business strategies**

I made use of the Internet

Other (please specify)



## **Business problem**

I have not made strategic plans for the business because I concentrated primarily on the operational side of the business.

## **Business strategies**

My business engaged into continuous service developments, aligned with an appropriate business process that ties in with the needs of the markets

Other (please specify)



## **Business problem**

My business is struggling with inadequate management of business expenses that does not keep up with the business growth.

## **Business strategies**

I made use of creative discount measures

Other (please specify)



## **Business problem**

I sometimes struggle to close a business deal on time with new and existing clients

## **Business strategies**

\* My business made use of Internet communication

Other (please specify)

## **Business problem**

I do not have access to external networks (such as the Financial Planning Institute) that can help me grow my business.

## **Business strategies**

|   |
|---|
| I focussed on meeting with my competitors occasionally to benefit from their experience |
| <b>I focussed on building relationships with one or more of the following parties:</b>  |
| Clients   |
| Employees   |
| Suppliers   |
| Other (please specify)  |



## **Business problem**

I attempt to perform all the business activities myself.

## **Business strategies**

I refrained from following an autocratic management style to manage employees who strive for achievement and was more inclined to entrust power and control to the employees in my business

Other (please specify)



## Business problem

I have lost customers who experienced unsatisfactory service from my business.

## Business strategies

|   |
|---|
| I adapted my service according to the client's needs  |
| <b>I motivated my younger employees with one or more of the following to deliver a positive service experience:</b> |
| Financial rewards   |
| Recognition   |
| Respect   |
| A sense of accomplishment   |
| <b>I motivated my older employees with one or more of the following to deliver a positive service experience:</b>   |
| Financial rewards   |
| Recognition   |
| Respect   |
| A sense of accomplishment   |
| Other (please specify)  |



### **Business problem**

My business commission has reduced, as I could not meet the high demand of the market for my business' service.

### **Business strategies**

I trained my employees to perform different job functions at peak periods

Other (please specify)

## **Business problem**

My business commission has reduced, due to the unexpected activities of my competitors.

## **Business strategies**

|   |
|---|
| <b>My business strategy took into account competitor knowledge gained from:</b>   |
| Making use of Porter's (1985) five-competitor forces  |
| Published resources, such as formal business information guides, the Internet, journal articles, market studies and client expenditures |
| Competitive market surveys  |
| Trade associations  |
| Employees   |
| Consulting firms  |
| Networking  |
| Other (please specify)  |





## **Business problem**

My business commission has reduced due to offshore competition.

## **Business strategies**

|   |
|---|
| ** I reinforced the current image of my business  |
| ** I developed a new image for my business  |
| ** I repositioned the image of the competition  |
| I made use of a service blueprint (a diagram of all the processes in the business) to obtain the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement |
| Other (please specify)  |



## **Business problem**

There is sometimes a lack of teamwork for a “greater purpose” in my business.

## **Business strategies**

I ensured every employee is aware of the essential role they play in the final delivery of quality service and as a result enabled the employee to deliver excellent service

Other (please specify)



## **Business problem**

My business partner(s) and I are sometimes in conflict over control of the business.

## **Business strategies**

|   |
|---|
| I used creativity   |
| I generated consensus   |
| I shared information  |
| I facilitated discussion regarding problems                             |
| I blended ideas   |
| I avoided becoming protective when other people disagreed with my views |
| Other (please specify)  |



## **Business problem**

My business is struggling with inadequate financial resources.

## **Business strategies**

I worked from home, which helped to reduce overhead expenses and create competitive pricing

Other (please specify)



## **Business problem**

There were no new product and service developments in my business over the last 12 months

## **Business strategies**

I allowed my employees to make suggestions on new developments

Other (please specify)



### **Business problem**

In the market, my business had to deal with an exhausted business opportunity that produced very low profits and return on investment for the business.

### **Business strategies**

|   |
|---|
| I made use of client suggestions to formulate new ideas                       |
| <b>I made use of one or more of the following to revitalise sales:</b>        |
| Gifts (such as pens)  |
| Publicity   |
| Trade shows   |
| <b>I made use of one or more of the following to retain existing clients:</b> |
| Gifts (such as pens)  |
| Publicity   |
| Trade shows   |
| I made use of the Internet, which assisted in creating competitive prices     |
| I provided guarantees   |
| Other (please specify)  |



## **Business problem**

I had to address my financial resource requirements. I did not sell equities, but rather used bank debt to solve my financial resource requirements.

## **Business strategies**

|  |
|--|
| I encouraged clients to pay their accounts earlier than required by offering them a discount |
| *** I outsourced some of the delivery of my service offering to other people                 |
| Other (please specify)   |



## **Annexure E**

### **Classification of barriers experienced and counterstrategies implemented**



## **Annexure E**

### **Classification of barriers experienced and counterstrategies implemented**

Chapter four commenced with a clarification of the types of internal and external environmental factors that can have an influence on the business. (These environmental factors were summarised in Table 4.2.) In the second part of chapter four, previous relevant literature studies were consulted to determine which of the environmental factors listed in Table 4.2 could potentially influence each marketing mix strategy investigated in this study.

The potential scenarios that were described in the literature review, however, were not always reflected in the businesses of the advisers. The empirical results have shown that the respondents did not always experience the specific environmental factor that was originally associated with a marketing mix strategy in the literature review, but rather encountered one or more of the other environmental factors listed in Table 4.2. Furthermore, it was also possible, from the descriptions provided by the respondents in the empirical study, to identify a set of additional environmental factors not originally discussed in the literature review.

Given these circumstances, the purpose of the tables in Annexure E is to provide more clarity on the types of environmental factors that were actually experienced by the respondents when they applied the various marketing mix strategies in their businesses.

Secondary to this investigation, the researcher has also made an attempt to divide the various counterstrategies that were implemented by the respondents into similar types of groups. The results of this analysis are reflected in the last column of each table.

## Marketing mix strategy presented on interview card 1

I recruited more employees and motivated them through various measures to perform.

**Table E.1:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 1

| Barrier experienced                                   | Type of barrier      | Motivation  | Counterstrategies employed  | Type of strategy                                       |
|---|----------------------|---|---|--|
| Difficult to find the right person to employ          | Employee experience* | Based on the barrier experienced and the types of counterstrategies implemented, it seems that the small business owner was in search of employee experience, which was difficult to find. This made the strategy of appointing employees to help meet deadlines more difficult to implement. | I used a registered employment agency.  | Rely on external resources.                            |
|   |                      |   | I searched for employees with experience in the insurance industry.   | Search for experience.                                 |
|   |                      |   | I asked insurance companies for employee referrals.   | Rely on external resources.                            |
|   |                      |   | I replaced the poorly performing employees.<br><i>Rather use the other three solutions listed above.</i>                    | Use skilled staff.                                     |
| New staff needed training in administration duties    | Education            | The new staff had to be educated to help them perform their administration duties.  | I did not have a solution to address the problem.<br><br><i>Solution: use the training provided by insurance companies.</i> | No solution.<br><br><i>Rely on external resources.</i> |
| New staff needed training in product and sales skills | Education            | The new staff had to gain product knowledge and also had to acquire sales skills.   | I used insurance underwriters.  | Rely on external resources.                            |
|   |                      |   | I trained my employees while they performed their job functions.  | Mentor employees.                                      |
| Training new employees took time                      | Time*                | The adviser was constrained by the time it took to train the employees. During this time the employees were not able to perform optimally and help the adviser to meet deadlines.   | I allocated a specific time per week for training.  | Create time for training.                              |
|   |                      |   | I encouraged training after hours.  | Create time for training.                              |
|   |                      |   | I used consultants to train staff.  | Rely on external resources.                            |
| It was expensive to recruit more employees            | Financial resources  | Payment of the new employee would be subject to and also influence the financial resources available to the adviser.  | I provided employees with a partial basic salary until commission accumulated.  | Use creative financing.                                |
|   |                      |   | I started focusing on higher income clients to achieve a higher turnover.   | Use creative financing.                                |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Second marketing mix strategy presented on interview card 2

My small business focussed on controlling the quality of the service provided to impress clients.

**Table E.2:** Classification of barriers experienced and counterstrategies used on implementation of the second marketing mix strategy presented on interview card 2

| Barrier experienced  | Type of barrier                       | Motivation for type of barrier   | Counterstrategies employed   | Type of strategy  |
|--|---------------------------------------|--|--|---|
| Took time to control quality   | Small business resources (indirectly) | Based on the types of counterstrategies employed, it appears that limited small business resources initially had an impact on the time it took to control quality.   | I created standard letter templates.   | Standardise procedures.                                   |
|  |                                       |  | I hired an additional staff member.<br><i>Alternatively: design a range of policies and procedures according to which the activities of the business need to be carried out and then use a checklist to manage their implementation.</i>   | Use skilled staff.<br><i>Use policies and procedures.</i> |
|  |                                       |  | I got up early in the morning and worked over weekends.<br><i>See alternative solution above.</i>  | Work overtime.  |
|  |                                       |  | I did not have a solution to address the problem.<br><i>See alternative solution above.</i>  | No solution.  |
| Some clients expected the adviser to complete the application form for them        | Education                             | There could be a number of reasons why the client preferred the adviser to complete the application form. It is, however, a well-known problem in the financial industry that insurance application forms are complex and difficult to complete. It is therefore possible that the client preferred the adviser to complete the application form, because he or she has more knowledge in this regard. Further investigation into this matter is needed. | I did not have a solution to address the problem.<br><i>Solution: encourage clients to rather complete the application forms themselves to avoid any misunderstanding and risk that their policies might not be paid out due to incorrect information (provide guidance where needed).</i> | No solution<br><i>Induce fear.</i>                        |
| Difficult to find the appropriate software system                                  | Exposure to information               | Was not exposed to a suitable software solution.   | My assistant was very computer literate and helped to develop a system.  | Use skilled staff.  |
| Not enough time in the week to catch up on administration and sales                | Small business resources              | It appears that this type of small business owner was overloaded and did not have sufficient resources to meet all the obligations during the week.  | I worked over weekends.  | Work overtime.  |
| Difficult to convince the staff to share the same vision of excellence and quality | Small business culture                | It appears that the culture of the employees was different from that of the small business owner.  | I made my employees realise that they could lose their jobs.   | Induce fear.  |



| Barrier experienced  | Type of barrier                      | Motivation for type of barrier  | Counterstrategies employed  | Type of strategy                               |
|--|--------------------------------------|---|---|--|
| Employees did not do the work as requested   | Small business culture               | Based on the counterstrategy implemented, it appears that the small business had a culture where the employees were not fully committed to perform their duties.  | A financial incentive system for performance was introduced.                                  | Use a financial incentive system.              |
| It is difficult to recruit good staff  | Employee experience*                 | Based on the barrier experienced and the types of counterstrategies implemented, it seems that the small business owner was in search of employee experience, which was difficult to find. This made the strategy of controlling the quality of the service provided to impress clients more difficult to implement.                                | I focused on hiring staff with industry experience.   | Search for experience.                         |
| Insurance administrator did not process claims quickly enough                              | Suppliers                            | The supplier did not perform efficiently and this impacted on the level of service provided.  | I bypassed the administrator and dealt directly with the insurance company.                   | Ask top management for help.                   |
| Quality control had to be enforced, as the administration lady made too many private calls | Small business resources             | It seems that the employee in the small business made too many private calls, which then in turn might have interfered with the quality of her work (less time to perform her job and be productive). Further investigation into this matter is needed.   | I deducted the cost of private calls from her salary.   | Induce fear.                                   |
| Time had to be spent upgrading the new software (Spotlight Data Application)               | Changes in the industry              | The adviser had to spend time upgrading the Spotlight Data Application, due to changes in the insurance industry. These changes that had to be considered and integrated into the system made the provision of quality service less simple.   | I did not have a solution to address the problem.<br><i>Solution: use external suppliers.</i> | No solution.<br><i>Use external resources.</i> |
| Staff got into a comfort zone and the quality of the work dropped occasionally             | Small business culture               | It appears that the small business had a culture where the employees were not fully committed to perform their duties.  | I introduced a new incentive-based system.  | Use a financial incentive system.              |
| Too much time was spent pleasing clients and not enough time selling products              | Change of attitude towards marketing | It seems that the small business owner changed the marketing focus from pleasing clients to pushing sales. This approach, however, could pose a threat to the business, since clients might not want to buy an insurance policy if they are not pleased with the quality of the service provided. Further investigation into this matter is needed. | I preferred to offer quality service at the expense of doing more business.                   | Focus primarily on quality service.            |
| Mistakes that the product provider made had to be corrected constantly                     | Suppliers                            | The supplier did not perform efficiently and this impacted on the level of service provided.  | I changed product providers.  | Change suppliers.                              |



| Barrier experienced  | Type of barrier          | Motivation for type of barrier   | Counterstrategies employed  | Type of strategy                                   |
|--|--------------------------|--|---|--|
| People become used to and expect a high level of service. It was difficult to provide the same quality of service as the client base grew. | Small business resources | It appears that this type of small business owner became overloaded and did not have sufficient resources to meet all obligations and provide quality service. | I did not have a solution to address the problem.<br><br><i>Solution: standardise certain procedures.</i> | No solution.<br><br><i>Standardise procedures.</i> |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Third marketing mix strategy presented on interview card 2

I provided new services that were aligned to my clients' needs and expectations.

**Table E.3:** Classification of barriers experienced and counterstrategies used on implementation of the third marketing mix strategy presented on interview card 2

| Barrier experienced   | Type of barrier                  | Motivation   | Counterstrategies employed   | Type of strategy            |
|---|----------------------------------|--|--|-----------------------------|
| Difficult to explain the new generation of products to older clients  | Education                        | It appears that the older clients were not educated on the new generation types of products and the types of benefits they could provide.              | I found a simple way to explain the product to clients.                  | Use simplicity.             |
| Time-consuming to look at different product options   | Exposure to information<br>Time* | It appears that the respondent was exposed to a large number of product options, which then took time to evaluate.                                     | I consulted adviser colleagues to see which products they were offering. | Rely on external resources. |
|   |                                  |  | I outsourced non-core functions, such as personal income tax.            | Rely on external resources. |
| A financial needs analysis needed to be done in order to address all the client's financial needs. This was time-consuming. | Education<br>Time*               | The adviser first had to gain more insight into the client's financial needs in order to make appropriate recommendations. This took time to complete. | I emailed information to the client to save on travel time.              | Use technology.             |
| The service providers that had to assist with the related service did not provide a good service                            | Suppliers                        | The supplier did not perform efficiently and this impacted on the level of service provided.   | I replaced the contractors.  | Change suppliers.           |
| New sources of information had to be found to learn about the service the clients wanted                                    | Education                        | The adviser had to approach new sources to learn about the clients' needs.   | I had a friend who helped me with non-core business services.            | Rely on external resources. |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Fourth marketing mix strategy presented on interview card 2

I made use of the customer-based pricing method involving, for example, offering high quality services at lower prices.

**Table E.4:** Classification of barriers experienced and counterstrategies used on implementation of the fourth marketing mix strategy presented on interview card 2

| Barrier experienced  | Type of barrier         | Motivation  | Counterstrategies employed   | Type of strategy                                |
|--|-------------------------|---|--|---|
| Commission reduced   | Financial resources     | The adviser had to deal with a reduction in financial resources.  | I did not have a solution to address the problem.<br><br><i>Solution: change negative perception about price reduction, sharpen selling skills, promote this strategy aggressively and sell more policies.</i> | No solution.<br><br><i>Sales skills.</i>        |
| A lot of paperwork was involved in gathering the information                         | Exposure to information | The adviser had to work through a large number of records to find the information needed to implement the strategy. | I did not have a solution to address the problem.<br><br><i>Solution: review processes and stop doing unnecessary paperwork.</i>   | No solution.<br><br><i>Review processes.</i>    |
| Underwriters had to be played off against each other for the best prices for clients | Competition             | The underwriters in the competitor companies impacted the level of discount that could be provided to clients.      | I viewed this strategy as part of my job.  | Create and follow cost-effective work policies. |

## Fifth marketing mix strategy presented on interview card 2

I made use of advertising to help me produce persuasive messages to clients.

**Table E.5:** Classification of barriers experienced and counterstrategies used on implementation of the fifth marketing mix strategy presented on interview card 2

| Barrier experienced                                      | Type of barrier          | Motivation   | Counterstrategies employed  | Type of strategy  |
|--|--------------------------|--|---|---|
| Unable to react to the high volume of responses received | Small business resources | It appears that this type of small business owner became overloaded and did not have sufficient resources to meet all obligations. | I did not have a solution to address the problem.<br><br><i>Solution: hire an employee, whose primary role would be to assist with creating and communicating effective advertising messages and to help with preparing quotations and processing applications during periods of high sales volume. Remunerate this employee on a commission basis.</i> | No solution.<br><br><i>Special employee arrangements.</i> |
| Time-consuming to organise the advertising               | Time*                    | The adviser was constrained by time.   | I got assistance from external sources.<br><br><i>Alternatively, see above.</i>   | Rely on external resources.                               |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Sixth marketing mix strategy presented on interview card 2

I made use of personal selling to help me produce persuasive messages to clients.

**Table E.6:** Classification of barriers experienced and counterstrategies used on implementation of the sixth marketing mix strategy presented on interview card 2

| Barrier experienced  | Type of barrier                                | Motivation  | Counterstrategies employed  | Type of strategy   |
|--|--|---|---|--|
| Clients were unwilling to give referrals   | Exposure to information                        | The clients did not want to expose the adviser to additional leads.   | I obtained leads by presenting financial educational seminars.  | Generate sales through education.  |
|  |  |   | I made use of voluntary referrals.<br><i>Alternatively, arrange and network during training sessions.</i>               | Generate sales through referrals.<br><br>Generate sales through education. |
|  |  |   | I did not have a solution to address the problem.   | No solution.   |
| The strategy was time-consuming. Several trips had to be made to close the deal. | Time*  | The adviser was constrained by time.  | I asked clients to prepare a few documents before the visit.  | Get the client to participate in the service delivery process.             |
|  |  |   | If a big client did not buy the product, I charged him a fee for the needs analysis.                                    | Use creative financing.  |
|  |  |   | I got up earlier in the morning.  | Work overtime.   |
|  |  |   | I used telemarketing.   | Use technology.  |
|  |  |   | I paid more attention to my important clients.  | Focus on important clients.  |
| Had to develop credibility with the client                                       | Education (indirectly)                         | The client had to learn that the adviser was able to provide valuable and trustworthy services.                           | I put the clients' interests first.   | Focus primarily on the needs of clients.                                   |
| Had to face rejection  | Client commitment*                             | The client was not committed to the sale, which made the personal selling strategy difficult to implement.                | I overcame the fear of rejection by realising the benefit of canvassing.  | Focus on the benefits.   |
|  |  |   | I did not have a solution to address the problem.   | No solution.   |
| It was time-consuming to source leads  | Time*  | The adviser was constrained by time.  | I did not have a solution to address the problem.<br><br><i>Solution: arrange and network during training sessions.</i> | No solution.<br><br><i>Generate sales through education.</i>               |
| Adviser had to motivate himself  | Motivation of the small business owner to grow | The adviser realised that it was necessary to restore his enthusiasm to continue doing business through personal selling. | I solved the problem by visualising success.  | Focus on the benefits.   |
|  |  |   | I did not have a solution to address the problem.   | No solution.   |



| Barrier experienced   | Type of barrier         | Motivation  | Counterstrategies employed   | Type of strategy  |
|---|-------------------------|---|--|---|
| Difficult to get people to try something new  | Education (indirectly)  | The client had to be persuaded of the benefits and necessity of the product.  | I did not have a solution to address the problem.<br><br><i>Solution: conduct a proper financial needs analysis to convince clients of the importance of a product</i> | No solution<br><br><i>Use financial needs analysis as a tool.</i> |
| If a problem was experienced with a client, the adviser could lose all the clients referred to the adviser by that client | Exposure to information | The adviser could lose a number of clients if they are exposed to the negative information spread by one specific client. This would then make personal selling more difficult to accomplish. | I ensured that my clients were getting good service.   | Focus primarily on quality service.                               |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

### Marketing mix strategy presented on interview card 3

I made use of the Internet.

**Table E.7:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 3

| Barrier experienced  | Type of barrier         | Motivation   | Counterstrategies employed  | Type of strategy            |
|--|-------------------------|--|---|-----------------------------|
| Corporate clients suffered from email spam and did not read adviser's emails.                      | Exposure to information | The corporate clients were exposed to too many emails.   | I had to review the financial needs of my clients on an annual basis and sent reminders to my clients earlier than was necessary. I then used telephone calls to follow up and also left messages with the client's colleagues. | Use technology.             |
| Had to learn how to use the Internet   | Education               | Training was needed to be able to use the Internet.  | My son taught me.   | Rely on external resources. |
|  |                         |  | My assistant taught me.   | Rely on external resources. |
|  |                         |  | I trained myself.   | Use self-training.          |
| The Internet service providers were sometimes offline  | Technology              | The technology of the service provider failed, which made the strategy difficult to implement. | I faxed information to my clients.  | Use alternative technology. |
|  |                         |  | I accessed the information earlier than needed.   | Plan in advance.            |
| Had to explain a lot of information in writing and could say more in five minutes than could write | Time*                   | The adviser was constrained by time.   | I made sure I had competent staff.  | Use skilled staff.          |
| Administrator that had to send client information took too long                                    | Suppliers               | The supplier did not perform efficiently and this impacted on the level of service provided.   | I got another administrator.  | Change suppliers.           |





| Barrier experienced   | Type of barrier         | Motivation  | Counterstrategies employed   | Type of strategy   |
|---|-------------------------|---|--|--|
| Some clients changed their addresses  | Exposure to information | The adviser was not initially aware of the new information, which made it more difficult to communicate to them via the Internet effectively. | I phoned the clients to confirm their new addresses.   | Use technology.  |
| It took too long to get connected to the service provider (± 2 minutes)                             | Technology              | The technology was too slow.  | I made use of a wireless application.  | Use alternative technology.                                    |
| Software and hardware had to be upgraded, which cost money  | Financial resources     | Paying for the software and hardware would be subject to and also influence the financial resources available to the adviser.                 | My children helped me to install all the necessary software programs.<br><br><i>Alternatively: focus on the marketing mix strategies for sales growth that are recommended in this study to generate more commission and subsequently finance the computer programs.</i> | Rely on external resources.<br><br><i>Generate more sales.</i> |
|   |                         |   | I did not have a solution to the problem.<br><br><i>See alternative solution above.</i>  | No solution.   |
| Adviser and assistant had to learn how to use the software provided by the Financial Services Board | Education               | Training was needed on the application of the software system.  | I did not have any solution to this problem.<br><br><i>Solution: contract the Financial Services Board for training.</i>   | No solution.<br><br><i>Use external resources.</i>             |
| The product providers took a while to grant access to their systems                                 | Suppliers<br>Time*      | The service of the supplier was too slow. This made the strategy of using the Internet more difficult to implement.                           | I followed up with the product provider on a continuous basis.   | Contact the supplier on a regular basis.                       |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Marketing mix strategy presented on interview card 4

My business engaged in continuous service developments, aligned with an appropriate business process that ties in with the needs of the markets.

**Table E.8:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 4

| Barrier experienced   | Type of barrier          | Motivation  | Counterstrategies employed  | Type of strategy                                      |
|---|--------------------------|---|---|---|
| The strategy took too much time to implement  | Small business resources | Based on the types of counterstrategies employed, it appears that the small business owner had a lack of competent staff to help with this process. | I employed competent staff.   | Use skilled staff.                                    |
|   |                          |   | I held strategic sessions on Saturdays.<br><i>Rather use competent staff.</i>   | Create time for strategic sessions.                   |
|   |                          |   | I held strategic sessions on Monday mornings.<br><i>Rather use competent staff.</i>   | Create time for strategic sessions.                   |
|   |                          |   | I did not have a solution to the problem.<br><i>Use competent staff.</i>  | No solution.  |
| Sometimes the strategy did not work   | Education                | Based on the type of counterstrategy employed, it appears that the adviser had to learn how to implement the strategy successfully.                 | I gained experience, which helped to implement more successful strategies.<br><br><i>Alternatively, use an external consultant to help implement the strategy successfully.</i>   | Gain experience<br><br><i>Use external resources.</i> |
| Owing to the workload, it was difficult to hold strategic meetings                          | Workload*                | It seems that the adviser had a large number of responsibilities, which made it more difficult to find the time to implement the strategy.          | My staff occasionally had meetings without me.<br><br><i>Alternatively: it is imperative that advisers plan their schedule to ensure that they are able to attend the strategic meetings, where they as the owner of the business would be able to provide the necessary strategic direction.</i> | Use skilled staff.<br><br><i>Plan in advance.</i>     |
| There was no structured strategic plan. This prevented the adviser from achieving his goal. | Exposure to information  | There was no structured plan which the adviser could follow to operate the business from a more strategic perspective.                              | I created a structured plan for the coming year.  | Plan in advance.                                      |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Marketing mix strategy presented on interview card 6

My business made use of Internet communication.

**Table E.9:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 6

| Barrier experienced  | Type of barrier        | Motivation  | Counterstrategies employed   | Type of strategy   |
|--|------------------------|---|--|--|
| The Internet website suppliers were slow to update their websites.                                     | Suppliers<br>Time*     | The service of the supplier was too slow. This made the strategy of using the Internet more difficult to implement.           | I asked the product suppliers to fax the information to me.  | Use alternative technology.  |
| Had to train staff on how to use the Internet.   | Education              | Staff had to be educated to be able to use the Internet.  | I did not have a solution to the problem.<br><i>Solution: use external computer training programmes.</i>   | No solution<br><i>Rely on external resources.</i>                      |
| Had to rely on external sources to provide confirmation that the client had cover. This took too long. | Supplier               | The service of the supplier was too slow.   | I questioned the service levels.   | Question the service provided by the supplier.                         |
| Software and hardware had to be upgraded, which cost money.  | Financial resources    | Paying for the software and hardware would be subject to and also influence the financial resources available to the adviser. | I did not have a solution to this problem.<br><i>Solution: focus on marketing mix strategies that can generate more sales growth and thus finance the software and hardware.</i> | No solution.<br><i>Generate more sales.</i>                            |
| It took a while for product providers to give access to their systems.                                 | Supplier               | The service of the supplier was too slow.   | I followed up with the product providers on a continuous basis.  | Contact the supplier on a regular basis.                               |
| The Internet service provider was offline sometimes.   | Technology<br>Supplier | The technology of the service provider failed.  | I did not have a solution to the problem.<br><i>Solution: prepare for meetings in advance and phone the administrative staff at insurance companies for information.</i>         | No solution.<br><i>Plan in advance and rely on external resources.</i> |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## First marketing mix strategy presented on interview card 7

I focussed on meeting with my competitors occasionally to benefit from their experience.

**Table E.10:** Classification of barriers experienced and counterstrategies used on implementation of the first marketing mix strategy presented on interview card 7

| Barrier experienced  | Type of barrier                            | Motivation  | Counterstrategies employed   | Type of strategy            |
|--|--|---|--|-----------------------------|
| The adviser had to change his thinking process                   | Personal goals of the small business owner | It seems that the small business owner had to revise his outlook to benefit from the experience of competitors. | I took short holidays and then returned to work with a new perspective.                            | Gain new perspective.       |
| People were not always willing to share their success strategies | Exposure to information                    | People were not always willing to provide the adviser with the information needed.                              | I tried to win the competitors' trust and showed them that I was not a threat to their businesses. | Win the competitors' trust. |
| It was time-consuming to meet with competitors                   | Time*                                      | The adviser was constrained by time.  | I developed a structured programme for the new year.   | Plan in advance.            |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Second marketing mix strategy presented on interview card 7

I focussed on building relationships with clients.

**Table E.11:** Classification of barriers experienced and counterstrategies used on implementation of the second marketing mix strategy presented on interview card 7

| Barrier experienced  | Type of barrier         | Motivation   | Counterstrategies employed  | Type of strategy  |
|--|-------------------------|--|---|---|
| Took time to develop a trusting relationship with clients          | Time *                  | The trust of the client had to be built over a period of time.   | I presented financial seminars to build trust with clients.   | Build trust through education.                              |
|  |                         |  | I did not have a solution to the problem.   | No solution.  |
| Had to commute to meetings and had to pay petrol expenses          | Financial resources     | The execution would be subject to and also influence the financial resources available to the adviser.               | I did not have a solution to the problem.<br><i>Solution: conduct a comprehensive financial needs analysis and charge commission for the extra service.</i> | No solution.<br><i>Charge commission for extra service.</i> |
| Clients became friends and this complicated the business decisions | Personal relationships* | The personal relationships established with the clients made it more difficult to make objective business decisions. | I did not have a solution to the problem.<br><i>Solution: attempt to remain professional at all times.</i>  | No solution.<br><i>Remain professional.</i>                 |



| Barrier experienced   | Type of barrier         | Motivation  | Counterstrategies employed  | Type of strategy  |
|---|-------------------------|---|---|---|
| Clients did not keep appointments, which wasted petrol and time                                       | Client commitment*      | Clients who did not commit themselves to meet with the adviser prohibited the building of effective relationships and impacted the financial adviser's time and resources negatively. | I did not have a solution to the problem.<br><i>Solution: contact clients to confirm appointments.</i>  | No solution.<br><i>Confirm appointments.</i>                |
| Most of the adviser's clients were also his friends and they visited for too long and wasted his time | Personal relationships* | The personal relationships established with the clients made it more difficult to benefit from networking with clients and also being able to manage time productively.               | I told the clients that I had a meeting.  | Manage time creatively.                                     |
| It was expensive to pay for lunches   | Financial resources     | Paying for lunches would be subject to and also influence the financial resources available to the adviser as well as the adviser's ability then to meet with clients and network.    | I did not have a solution to the problem.<br><i>Solution: conduct a comprehensive financial needs analysis and charge commission for the extra service.</i> | No solution.<br><i>Charge commission for extra service.</i> |
| Cultural differences in business lunches needed to be considered                                      | Demographic concerns    | The demographic concerns of the adviser and the client impacted the meeting and subsequent networking.  | I did not have a solution to the problem.<br><i>Solution: read books about cultural differences or attend courses.</i>                                      | No solution.<br><i>Rely on external resources.</i>          |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

### Third marketing mix strategy presented on interview card 7

I focussed on building relationships with employees.

**Table E.12:** Classification of barriers experienced and counterstrategies used on implementation of the third marketing mix strategy presented on interview card 7

| Barrier experienced  | Type of barrier      | Motivation   | Counterstrategies employed   | Type of strategy                  |
|--|----------------------|--|--|-----------------------------------|
| It takes time to train employees                                   | Time*<br>Education   | It seems that it was at first necessary to provide training to the employees, before they would be able to contribute effectively in the relationship and that this would take time. Further investigation into this matter is needed. | I motivated the employees with financial incentives.   | Use a financial incentive system. |
| An older employee had to report to a new employee, who was younger | Demographic concerns | It seems that the demographic differences between the employees led to problems in the business, which made building effective relationships more difficult.   | I reassured the older employee that her job was secure and the new employee tried to build a relationship with the older employee. | Manage staff differences.         |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.



## Fourth marketing mix strategy presented on interview card 7

I focussed on building relationships with suppliers.

**Table E.13:** Classification of barriers experienced and counterstrategies used on implementation of the fourth marketing mix strategy presented on interview card 7

| Barrier experienced  | Type of barrier          | Motivation   | Counterstrategies employed  | Type of strategy   |
|--|--------------------------|--|---|--|
| The supplier did not always cooperate with the financial adviser                                       | Supplier                 | The supplier made the building of relationships more difficult.  | I spoke to the supplier and asked them to notify me immediately when a client cancels a policy.   | Establish an agreement with the supplier.                      |
|  |                          |  | I became sensitive to cultural differences and tried to build a relationship with staff (employed at the supplier).                           | Manage cultural differences.                                   |
| It was time-consuming to build relationships with suppliers  | Time*                    | The adviser was constrained by time.   | I did not have a solution to the problem.<br><br><i>Solution: focus on writing more business for the supplier to attract their attention.</i> | No solution<br><br><i>Write more business for supplier.</i>    |
| Had a high staff turnover and felt that new employees needed to build new relationships with suppliers | Small business resources | The small business owner did not have a stable employee resource. This impacted on the building of effective relationships with the suppliers. | I did not have a solution to the problem.<br><br><i>Solution: identify the root of the staff turnover problem.</i>                            | No solution.<br><br><i>Investigate staff turnover problem.</i> |
| Some suppliers became too familiar and no longer tried to provide good service                         | Supplier                 | It seems that some suppliers abused the good relationship that was built with the adviser.   | I continuously followed up on outstanding cases to show the supplier that they were in a professional relationship.                           | Contact the supplier on a regular basis                        |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Marketing mix strategy presented on interview card 8

I refrained from following an autocratic management style to manage employees who strive for achievement and was more inclined to entrust power and control to the employees in my business.

**Table E.14:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 8

| Barrier experienced                                   | Type of barrier          | Motivation  | Counterstrategies employed  | Type of strategy                              |
|---|--------------------------|---|---|---|
| Training took time                                    | Time*<br>Education       | It seems that the employees had to be trained before the strategy could be implemented effectively. The adviser was constrained by the time it took to conduct the training.    | I motivated my staff to study at home.  | Create time for training.                     |
|   |                          |   | I did not have a solution to the problem.<br><i>Solution: split employees in two groups and only train one group at a time.</i> | No solution.<br><i>Train separate groups.</i> |
| Found it difficult to let go of control               | Thirst for power*        | The small business owner's thirst for control made the strategy difficult to implement.   | I realised that I had to have faith in my system and staff and that I could fix a problem.                                      | Trust staff.                                  |
| Had to convince staff that they could perform         | Small business culture   | It seems that in the culture of the small business the employees had a lack of confidence and that the adviser had to change this behaviour.                                    | I showed my staff that they could do the job through mentoring.   | Mentor employees.                             |
| Had to recruit effective staff                        | Small business resources | It seems that the small business did not have the necessary resources to execute the strategy, since effective staff had to be recruited.                                       | I did not have a solution to this problem.  | No solution.                                  |
|   |                          |   | I head hunted staff with experience.  | Search for experience.                        |
| Experienced resistance from staff to work differently | Small business culture   | It seems that the employees were attached to specific processes in their small business culture.  | I insisted that the staff use my proven methods.  | Manage staff differences.                     |
| Staff made errors                                     | Education                | It seems that the adviser's staff needed guidance to perform their duties.  | I had to drop my service levels to meet their abilities.  | Become more patient.                          |
|   |                          |   | I monitored my employees' work.   | Mentor employees.                             |
| Was unsure whether the task delegated was done        | Education                | Based on the type of counterstrategy implemented, it seems that the adviser did not have faith in the knowledge and skills of the employees and felt they needed more training. | I trained my staff properly and tried to make sure they shared the same passion for service excellence.                         | Mentor employees.                             |
| A new business system had to be developed             | Business processes*      | It seems that the outdated business processes prohibited the effective implementation of the strategy.  | I head hunted staff with experience.  | Search for experience.                        |



| Barrier experienced  | Type of barrier | Motivation   | Counterstrategies employed   | Type of strategy                                    |
|--|-----------------|--|--|---|
| The work done by staff had to be checked continually. This was time-consuming. | Education       | It seems that the adviser's staff needed guidance to perform their duties. | I did not have a solution to this problem.<br><br><i>Solution: delegate this responsibility to a more senior staff member.</i> | No solution.<br><br><i>Delegate responsibility.</i> |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## First marketing mix strategy presented on interview card 9

I adapted my service according to the client's needs.

**Table E.15:** Classification of barriers experienced and counterstrategies used on implementation of the first marketing mix strategy presented on interview card 9

| Barrier experienced   | Type of barrier                            | Motivation   | Counterstrategies employed   | Type of strategy   |
|---|--|--|--|--|
| It was time-consuming to track clients' needs   | Time*                                      | The adviser was constrained by time.   | With experience I learned shorter routes to monitor the clients' needs.                | Manage time creatively.  |
| Clients who were asked for information to assess their needs delayed in providing the information | Client commitment*                         | It seems that some clients were not committed to the financial needs analyses. It was therefore more difficult to meet their financial needs.  | I continuously called the clients and offered to sit with them and help them.          | Generate sales through education.                              |
| It was not easy to contact a client who cancelled a policy  | Client commitment*                         | It seems that the client was not committed to the financial needs analysis. It was therefore more difficult to meet their financial needs.   | I allowed the client to explain the reason for cancellation and did not defend myself. | Become more patient.   |
| Had to become aware of clients' needs   | Education                                  | It seems that the adviser had to learn about the clients' needs to be able to address them.  | I started using a complaints register and tried to solve the problems.                 | Get the client to participate in the service delivery process. |
| Providing an extra service was not the core business  | Personal goals of the small business owner | It seems that the additional service did not fall within the adviser's core range that he was prepared to provide.   | I implemented fee-based billing.   | Capitalise on unforeseen opportunities.                        |
| Business strategy had to be changed in order to retain relationships with clients                 | Business processes*                        | Based on the type of counterstrategy implemented, it seems that the outdated business processes affected the relationships with clients negatively. Existing clients had to be visited more often to keep abreast of their needs and retain their loyalty. | I asked my office to schedule regular meetings to maintain existing clients.           | Visit clients regularly.                                       |





| Barrier experienced   | Type of barrier          | Motivation   | Counterstrategies employed   | Type of strategy           |
|---|--------------------------|--|--|----------------------------|
| The more clients the adviser had, the more difficult it was to meet and know all their needs                              | Small business resources | It appears that this type of small business owner became overloaded and did not have sufficient resources to meet all the clients' needs.        | I tried to keep in touch with my clients as often as possible.   | Visit clients regularly.   |
| The underwriter and administrator were not interested in the client's problem and were too slow                           | Supplier                 | The supplier did not perform efficiently and this impacted on the level of service provided.   | I considered changing suppliers.   | Change suppliers.          |
| The adviser had to work twice as hard to convince the client he lost that he had changed his strategy to meet their needs | Client commitment*       | It seems that the client was no longer committed to the financial needs analysis.  | I told the client that where I was previously unable to help the client, I could do so now.                          | Build trust among clients. |
| The adviser could not save some of his clients owing to the bad service from the administration staff                     | Supplier                 | The supplier did not perform efficiently and this impacted on the level of service provided. (The administration staff worked for the supplier.) | I visited the clients to solve the problems that were caused by the administration staff and convinced them to stay. | Build trust among clients. |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

### Third marketing mix strategy presented on interview card 9

I motivated my younger employees with recognition to deliver a positive service experience.

**Table E.16:** Classification of barriers experienced and counterstrategies used on implementation of the third marketing mix strategy presented on interview card 9

| Barrier experienced  | Type of barrier          | Motivation  | Counterstrategies employed  | Type of strategy                                   |
|--|--------------------------|---|---|--|
| The employees become complacent and the reward lost its effect over time | Small business resources | It seems that the employee resources of the business were not productive and did not help to make this strategy work. | I did not have a solution to this problem.<br><i>Solution: use competitions to motivate employees.</i>      | No solution.<br><i>Competitions.</i>               |
| People wanted financial rewards more than recognition                    | Financial resources      | It seems that the importance of financial resources prohibited the effective implementation of the strategy.          | I praised the staff on a continuous basis.<br><i>Alternatively: use competitions to motivate employees.</i> | Give recognition to staff.<br><i>Competitions.</i> |

## Sixth marketing mix strategy presented on interview card 9

I motivated my older employees with financial rewards to deliver a positive service experience.

**Table E.17:** Classification of barriers experienced and counterstrategies used on implementation of the sixth marketing mix strategy presented on interview card 9

| Barrier experienced   | Type of barrier                      | Motivation   | Counterstrategies employed  | Type of strategy                                     |
|---|--------------------------------------|--|---|--|
| Employees had a tendency to focus more on sales and did not take into account that administration work had to be done | Change of attitude towards marketing | It seems that the marketing and selling of the products became too important for the business's employees and that they abused the strategy. | I did not have a solution to the problem.<br><br><i>Solution: offer financial rewards if employees completed administration work on time and efficiently.</i> | No solution.<br><br><i>Use financial incentives.</i> |
| Incentive-based staff started coming into the office later and later  | Small business resources             | It seems that the employee resources of the business abused this strategy.   | I did not have a solution to the problem.<br><br><i>Solution: schedule early morning meetings with these staff members.</i>                                   | No solution.<br><br><i>Early morning meetings.</i>   |
| A reward was expected but not earned  | Small business resources             | It seems that the employee resources of the business were not productive and did not help to make this strategy work.                        | I reminded my staff that the reward was outcomes based.   | Mentor employees.                                    |

## Seventh marketing mix strategy presented on interview card 9

I motivated my older employees with recognition to deliver a positive service experience.

**Table E.18:** Classification of barriers experienced and counterstrategies used on implementation of the seventh marketing mix strategy presented on interview card 9

| Barrier experienced  | Type of barrier         | Motivation  | Counterstrategies employed   | Type of strategy  |
|--|-------------------------|---|--|---|
| Recognition given to one employee can demotivate other staff | Exposure to information | It seems that the productivity levels of some of the employees were affected negatively if another employee was given recognition and they did not. | I did not have a solution to the problem.<br><br><i>Solution: also give recognition to employees who are not performing too well. Provide constructive feedback on how they could improve their performance.</i> | No solution.<br><br><i>Give recognition and constructive feedback to staff.</i> |
| People expected recognition when they thought they           | Small business          | It seems that the employee resources of the business were   | I realised that I must be sensitive to give recognition when needed.   | Give recognition to staff.  |



| Barrier experienced   | Type of barrier          | Motivation  | Counterstrategies employed   | Type of strategy                     |
|---|--------------------------|---|--|--------------------------------------|
| deserved it. When they did not get it, they got upset.              | resources                | not productive and did not help to make this strategy work.   |  |                                      |
| The staff got accustomed to praise, and it no longer meant anything | Small business resources | It seems that the employee resources of the business were not productive and did not help to make this strategy work. | I did not have a solution to this problem.<br><i>Solution: offer competitions.</i> | No solution.<br><i>Competitions.</i> |

## Eighth marketing mix strategy presented on interview card 9

I motivated my older employees with respect to deliver a positive service experience.

**Table E.19:** Classification of barriers experienced and counterstrategies used on implementation of the eighth marketing mix strategy presented on interview card 9

| Barrier experienced   | Type of barrier                         | Motivation  | Counterstrategies employed  | Type of strategy                                      |
|---|---|---|---|---|
| Adviser had to remind himself to focus on this                                | Sensitivity towards needs of employees* | It seems that the small business owner was not naturally sensitive towards the needs of the employees.                          | I tried to remember to motivate my older employees with respect.                      | Become more sensitive towards the needs of employees. |
| Adviser had to control himself and not show disappointment                    | Small business resources                | It seems that the employee resources of the business were not productive and did not help to make this strategy work.           | I did not have a solution to the problem.<br><i>Solution: manage with authority.</i>  | No solution.<br><i>Manage with authority.</i>         |
| Too much respect given resulted in employees losing their respect for adviser | Small business resources                | It seems that the employee resources of the business did not help to make this strategy work.                                   | I decided to stay professional.   | Become more patient.                                  |
| Staff tried to see how far they could push the adviser                        | Small business resources                | It seems that the employee resources of the business did not help to make this strategy work.                                   | I set boundaries for my staff.  | Mentor employees.                                     |
| Older staff did not respect the adviser                                       | Demographic concerns                    | It seems that the demographic differences between the adviser and the staff made the implementation of this strategy difficult. | I did not have a solution to this problem.<br><i>Solution: manage with authority.</i> | No solution.<br><i>Manage with authority.</i>         |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Marketing mix strategy presented on interview card 10

I trained my employees to perform different job functions at peak periods.

**Table E.20:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 10

| Barrier experienced  | Type of barrier        | Motivation   | Counterstrategies employed   | Type of strategy  |
|--|------------------------|--|--|---|
| The employees initially resisted learning new things                 | Small business culture | It seems that the employees were attached to specific processes in their small business culture.   | I decided to rather do the job myself.<br><br><i>Alternatively: use financial incentives to motivate employees to perform.</i> | Make use of own skills.<br><br><i>Use a financial incentive system.</i> |
|  |                        |  | I tried to explain to my employees that this would help to increase sales (commission) growth.                                 | Mentor employees.   |
| It took time to train employees                                      | Time*                  | The adviser was constrained by time.   | I encouraged the employees to study at home.   | Create time for training.   |
| The employees had to identify the correct priorities in peak periods | Education              | Based on the type of counterstrategy implemented, it seems that the employees needed more guidance to perform efficiently in peak periods. | I trained my staff to be able to identify the correct priorities in peak periods.  | Mentor employees.   |
|  |                        |  | I tried to have patience.  | Become more patient.  |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## First marketing mix strategy presented on interview card 12

I reinforced the current image of my business.

**Table E.21:** Classification of barriers experienced and counterstrategies used on implementation of the first marketing mix strategy presented on interview card 12

| Barrier experienced                                 | Type of barrier    | Motivation  | Counterstrategies employed  | Type of strategy                                   |
|---|--------------------|---|---|--|
| The strategy was time-consuming                     | Time*              | The adviser was constrained by time.  | I decided to send letters to clients only every second month.   | Manage time creatively                             |
| Made regular visits and did not always close a deal | Client commitment* | It seems that even though the financial adviser attempted to reinforce the current image of the business, the strategy could not be successful, since the client was not committed to the financial needs analysis. Further investigation into this matter is needed. | I did not have a solution to the problem.<br><br><i>Solution: explore reasons why the deal was not closed and address them.</i> | No solution.<br><br><i>Reassess the situation.</i> |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Fourth marketing mix strategy presented on interview card 12

I made use of a service blueprint (a diagram of all the processes in the business) to obtain the benefit of being able to identify ineffectual links in the chain of service activities, which can be targeted for continuous quality improvement.

**Table E.22:** Classification of barriers experienced and counterstrategies used on implementation of the fourth marketing mix strategy presented on interview card 12

| Barrier experienced  | Type of barrier                       | Motivation   | Counterstrategies employed   | Type of strategy                                |
|--|---------------------------------------|--|--|---|
| This strategy took time to implement   | Time*                                 | The adviser was constrained by time.   | I did not have a solution to the problem.  | No solution.                                    |
|  |                                       |  | I worked longer hours.   | Work overtime.                                  |
|  |                                       |  | I learned with experience to do this process faster.   | Develop own skill.                              |
|  |                                       |  | I made strategic plans while on holiday.   | Work overtime.                                  |
|  |                                       |  | A business consultant showed me what to do.  | Rely on external resources.                     |
| Administrators and suppliers gave service preference to bigger advisers              | Supplier                              | It seems that even though the adviser attempted to improve his service processes by identifying ineffectual links, it was still not possible to realise the benefits of this approach, since the suppliers did not provide the support needed and rather gave service preferences to bigger advisers. Further investigation into this matter, though, is needed. | I did not have a solution to the problem.<br><br><i>Solution: build good working relationships with administrators.</i>      | No solution.<br><br><i>Build relationships.</i> |
| The adviser had to develop a system to monitor himself. It took time and cost money. | Time*<br>Financial resources          | The adviser was constrained by time and financial resources.   | I did not have a solution to the problem.<br><br><i>Solution: follow the example of more senior and successful advisers.</i> | No solution.<br><br><i>Follow by example.</i>   |
| Operational efficiency had to be married with the long-term objectives               | Long-term objectives of the business* | It seems that the long-term objectives of the business would have an impact on the service blueprint analyses.   | I did not have a solution to the problem.<br><br><i>Solution: follow the example of more senior and successful advisers.</i> | No solution.<br><br><i>Follow by example.</i>   |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Marketing mix strategy presented on interview card 13

I ensured every employee is aware of the essential role they play in the final delivery of quality service and as a result enabled the employee to deliver excellent service.

**Table E.23:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 13

| Barrier experienced                                   | Type of barrier        | Motivation   | Counterstrategies employed  | Type of strategy                                  |
|---|------------------------|--|---|---|
| Staff were too proud to accept constructive criticism | Small business culture | It seems that the small business owner, while making the employees aware of the essential role they play in the service delivery process, also had to provide guidance to them to help them perform their roles effectively. The small business, however, had a culture where the staff did not accept the criticism positively. Further investigation into this matter is needed. | I did not have a solution to the problem.<br><br><i>Solution: first highlight the strengths of the employee and then offer the constructive criticism as guidelines, which the employee could implement to become even more successful.</i> | No solution.<br><br><i>Criticise with praise.</i> |
| Family members constituted some of the staff          | Family*                | It seems the small business owner's family impacted on the effective implementation of this strategy.  | I had to use an external agency with an objective view.   | Rely on external resources.                       |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.

## Marketing mix strategy presented on interview card 15

I worked from home, which helped to reduce overhead expenses and create competitive pricing.

**Table E.24:** Classification of barriers experienced and counterstrategies used on implementation of the marketing mix strategy presented on interview card 15

| Barrier experienced                               | Type of barrier | Motivation  | Counterstrategies employed  | Type of strategy                     |
|---|-----------------|---|---|--------------------------------------|
| Got lonely working from home                      | Social needs*   | It seems that the adviser's need to socialise with other people affected the execution of the strategy. | I motivated myself that one day I would get a big account and would be able to afford big premises. | Focus on the benefits.               |
|   |                 |   | I phoned my friends occasionally.   | Maintain relationships.              |
| Friends and family visited during office hours    | Family*         | It seems the small business owner's family impacted on the effective implementation of this strategy.   | I asked them to visit me after hours.   | Manage time creatively.              |
| There is no privacy at the house                  | Family*         | It seems the small business owner's family impacted on the effective implementation of this strategy.   | I created a separate kitchen facility for the home and office section.                              | Create a separate work area at home. |
| Always being at the office caused family conflict | Family*         | It seems the small business owner's family impacted on the effective implementation of this strategy.   | I started planning time to spend with the family.   | Manage time with family.             |
| Realised that it took discipline to focus on work | Discipline*     | It seems that the adviser had to be more disciplined to be able to implement the strategy effectively.  | I tried to be more disciplined.   | Focus on becoming more disciplined.  |

\* Type of environmental factor was not listed in Table 4.2; derived from the description provided by the adviser in the empirical study.