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**POSITIONING UMGENI WATER  
FOR THE  
21<sup>ST</sup> CENTURY**

**Submitted in partial fulfilment of the requirements for the degree of Master of Business  
Administration in the School of Business  
University of KwaZulu-Natal, Pietermaritzburg Campus**

**By**

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There are many people who have contributed richly and positively towards the completion of this project. Let me begin by thanking my mother who has always been supporting and encouraging me especially when the end seemed less attractive by saying 'your belief in me kept me going' and my late father because his 'presence' is always felt especially in times of hardship. Let me also pass my gratitude to my better half, Nontokozo, for her patience and keeping up with me when I came home late and worked odd hours.

This product would also not have been possible and at this standard had it not been for the tireless and constructive support from my supervisor, Professor Debbie Vigar-Ellis, I thank you from the bottom of my heart. I think through this project I have grown in leaps and bounds.

## **DECLARATION**

I, Adolph Slindokuhle Hadebe, hereby declare that this dissertation represents my own original work and has not, in its entirety or in part, been submitted previously at any university in order to obtain an academic qualification.

Where use has been made of the work of others, it has been duly acknowledged in the text.

A handwritten signature in black ink, consisting of stylized, overlapping loops and a long horizontal stroke extending to the right.

Adolph Slindokuhle Hadebe

December 2004

## **EXECUTIVE SUMMARY**

Umgeni Water was established through Government Notice No.114 on 14 June 1974. The establishment was facilitated via the legislation operating at that time, namely the Water Act (Act No. 54 of 1956). The organization has grown to be the largest water utility in KwaZulu-Natal and the second largest in South Africa operating in an area of 27 000 square kilometres. Umgeni Water has now expanded its capabilities to cover the full water management cycle and has geared itself up to offer source to sea and source to tap solutions.

All the water utilities in South Africa were operating as monopolies because the Water Act (Act No. 54 of 1956) used a system of assigning areas within which the water utilities were to operate. This means that firstly the water utilities were confined to a specific area, and by default meant that these water utilities had a monopoly in that area because the legislation did not permit other service providers. The situation changed in the late nineties when the water sector underwent major legislative and administrative transformation. A number of laws were promulgated including the New National Water Act (Act No. 36 of 1998), the Water Services Act (Act No. 107 of 1997) and a plethora of municipal legislation. The major difference in the “new era” was the introduction and promotion of competition as a means to improve service delivery and enhance benefits accrued by the customers. For the first time in the history of the water sector, water utilities had to compete with other service providers and prove that they can discharge duties and activities better and more efficiently than anybody else. The municipal legislation also empowered and mandated municipalities to be the official authority and provider of water services to the people within their areas of jurisdiction, hence the term Water Services Authorities. If the Water Services Authority lacked capacity, it could choose a service provider that would meet the need.

Against this backdrop, water utilities have had to find ways of generating income to survive and this meant that the water utilities had to somehow become relevant in the new dispensation. This included strategies like customer management, increasing operational efficiencies, building capacity of staff through training and development programmes and commercialisation of certain activities. In other words, the water utilities realised that they had to do something, one such thing

that was done by Umgeni Water was to position itself so that it becomes a service provider of choice to the Water Services Authorities. In its effort to sustain itself, Umgeni Water cast its eyes beyond the promulgated operational area to the whole of the developing world. In its strategic session that set the tone for 2001 to 2005, the organization envisioned itself being the No.1 utility in the developing world. Before being No.1 utility in the developing world, Umgeni Water needed to achieve that status in its operational area and South Africa. To be able achieve this position, Umgeni Water needed to know the perceptions being held by the customers in its operational area.

This research was undertaken to establish the position that Umgeni Water currently holds in the minds of the customers. This information will assist and inform the future position that Umgeni Water will need to adopt to ensure that its vision is attained. The sample consisted of all Water Services Authorities within the promulgated operational area of Umgeni Water, namely Ugu District Municipality, Sisonke District Municipality, uMgungundlovu District Municipality, Ilembe District Municipality, uMsunduzi Municipality and eThekweni Municipality.

The Water Services Authorities seem to be in agreement and appreciative of the fact that Umgeni Water's service provision has improved over the years and 91% of the customers asserted that the main product of the organization, water, met their requirements. This improvement influenced an overwhelming majority (73%) of the Water Services Authorities to proclaim that Umgeni Water was their preferred service provider. These perceptions were fuelled by a number of reasons including the fact that the Water Services Authorities believed that Umgeni Water has the necessary experience, expertise, capabilities and track record to speak authoritatively on integrated water resource management. The Water Services Authorities also believed that the organization is contributing constructively towards the realisation of their developmental mandate and attainment of the water and sanitation goals set by the South African Government through The Strategic Framework for Water Services and achievement of targets set during the World Summit on Sustainable Development in Johannesburg. The Water Services Authorities also identified Umgeni Water's strengths to lie in the fields of water quality management, water quality monitoring, water treatment and laboratory services. This information is crucial because it

validates Umgeni Water's position and vindicates the establishment of the organization by the government, whose primary activity was to provide sustainable and high quality water services.

There were however customers who felt that Umgeni Water is arrogant, supercilious and untrustworthy. These strong statements were informed by the business dealings spanning a period of 17 years. The only reason that makes these Water Services Authorities continue to use Umgeni Water even under these circumstances is because of the geographical location of the company and its strong financial muscle.

The final conclusion drawn is that Umgeni Water is well positioned in the minds of the customers, and is supplying vital services that are perceived by the Water Services Authorities to be adding value to the businesses that they are involved in.

In order for Umgeni Water's position to be sustained and cemented in the minds of the customers, immediate attention should be paid to critical issues such as ensuring that the intended position of being the service provider of choice is both meaningful and believable by all customers. Umgeni Water should align its value systems, core beliefs and cultures with those of the Water Services Authorities to enhance the possibilities of building long-term relationships. The organisation should also ensure that its Communication Strategy communicates the intended position as well steps to be undertaken to reach that position. It is also important that customers input into this strategy.

Umgeni Water should also gather more information on the customers' businesses to enable them to increase the value adding activities and thus leverage value for customers. Another important recommendation is for Umgeni Water to revisit its pricing strategy because of the perception that the products and services are highly priced. The organization will need to conduct a benchmarking exercise to compare its prices against both the water utilities and the water sector.

It has also been recommended that Umgeni Water reposition the professional services offered by the organization. This is because of a revelation by 18% (figure 10) of Water Services Authorities felt that the professional services offered by Umgeni Water do not meet their requirements. To

improve this position, Umgeni Water should emphasize non-payment of its services provided unless they meet the required standard. The organization should also identify, amplify and communicate the benefits accrued through the professional services to these Water Services Authorities. Once the Water Services Authorities have realized the immense benefits that are accrued through these services and the insistence of honoring payments only after the quality of the final work produced has been acceptable, chances are greater for repeat business and this will ultimately lead in Umgeni Water being recognized as the preferred provider of services.

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## **CHAPTER 1**

### **STUDY CONCEPT AND OVERVIEW**

Umgeni Water is the largest water utility in KwaZulu Natal and the second largest in South Africa. The area of supply covers some 27 000 square kilometres with the main boundaries being the Indian Ocean in the East, the Tugela and the Mooi Rivers in the North, the Drakensberg Mountains in the West and the Mkomazi and Umzimkhulu Rivers in the South. Plans are afoot to increase the operational area to 36 000 square kilometres. With the staff complement peaking at 1200 at some stage and current levels of around 800 staff members, Umgeni Water operates and maintains eight storage dams, three wastewater works, nine water works, a number of pump stations and reservoirs, several tunnels and an extensive network of pipelines and aqueducts that transports water to customers. These customers are currently supplied with only bulk water services, i.e. bulk water and sanitation services. The organisation used to offer reticulation services to these customers as well but this function has now been handed over to the Water Services Authorities as per legislative requirements including the Municipal Systems Act (Act No 44 of 2003).

Umgeni Water has expanded its capabilities to cover the full water cycle management from source to sea including the treatment of wastewater. The company prides itself in employing integrated water resource management principles in protecting and managing the ever-dwindling scarce resource called water.

The Water Services Sector has been undergoing transformation both legislative and administrative since 1994. The major legislative changes were effected through amending the Water Services Act (Act No 107 of 1997), the New National Water Act (Act No 36 of 1998), and the introduction of a plethora of municipal legislation to facilitate and improve service delivery. The importance of the New National Water Act is that while it was aimed at addressing equitable access to water resources, it also gave rise to a mindset change where for the first time in South Africa, water was recognized as a public good and the government became the custodian of water resources (New National Water Act No 36 of 1998). The act also entrenched the principles of

conservation, sustainable management, and promotion of efficient, sustainable and beneficial use of water in the public interest (Umgeni Water, 2001, p4).

The amended Water Services Act (Act No 107 of 1997) was aimed at facilitating smooth delivery of water and sanitation services. To enable the smooth delivery of services, strong and efficient institutional mechanisms had to be in place. This gave rise to the District Municipalities or the Water Service Authorities whose mandate was the provision of these services because they were closest to the people on the ground. The amended Water Services Act divided services into primary and secondary services that the Water Boards (such as Umgeni Water) should provide to the municipalities or water services authorities. Section 29 of the Water Services Act (Act No 107 of 1997) prescribes that Water Boards should be primarily concerned with bulk water services provision. The secondary that could be provided on a commercial basis include water reticulation on behalf of the municipalities, provision of training, capacity building and management services. These services could only be provided if the primary function of bulk water provision was not compromised. The major difference between the amended act (Act 107 of 1997) and its predecessor (Water Act No.54 of 1956) is that the amended act made significant inroads to level the playing field. The amended act no longer protected the Water Boards from competition, as was the case in the past and for the first time, the Water Boards like any other company were forced to fight for their survival and justify their roles in the service delivery chain. Umgeni Water was forced to change its strategy and adopted a two-pronged approach where the company was to provide bulk water (primary function according to the Water Services Act 107 of 1997) on one hand and to commercialize all other secondary activities. This led to the formation of the business unit called Group Business Development and Marketing (GBDM). This business unit was to concentrate its efforts on finding business mainly in the African continent and also within South Africa to supplement the company's bottom line. The decision was taken later in 2003 through the organization's strategic plan to elevate the business unit to a fully fledged division, called Africa/South Africa because of, inter alia, the importance and profitability of the external market (Umgeni Water, 2001, p4).

Whilst all this was happening, the transformation of municipalities was effected at local government level to optimize the mechanisms of service delivery. This inadvertently had



implications for Umgeni Water as the municipalities are major customers of Water Boards and any changes in municipal legislation were going to affect the way Umgeni Water operates. Various legislation and laws have been passed at municipal level including the Local Government Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 44 of 2003 as amended), the Municipal Demarcation Act (Act No 27 of 1998) and the Municipal Structures Act (Act No 117 of 1998), all aimed at enabling the municipalities to be economical, efficient, effective, transparent and participative. Of all the legislation, the Municipal Systems Act, (Act No 44 as amended) has the greatest impact on Water Boards because it capacitates and mandates the municipalities to provide services, including water services (traditionally provided by Water Boards) to the peoples in their areas of jurisdiction. This legislation as well as the Water Services (Act Water Services Act 107 of 1997) gave the Municipalities the status of Water Services Authorities and also the prerogative to appoint any company to carry out their mandate on their behalf by providing water and sanitation services to their constituencies. This has culminated in a multitude of international companies gracing South Africa's shores for a slice of the market. To compound the problem further, the Water Services Authorities are themselves competitors to Water Boards because they themselves can provide these services depending on capacity, and are also engaging with some Municipalities that do not have capacity to deliver, to provide these services to them on a commercial basis.

The Department of Water Affairs and Forestry has also introduced a Draft White Paper on Water Services (Oct 2002), Strategic Framework for Water Services (September 2003) and National Strategy for the Institutional Reform of Water Services (May 2004), all of which are aimed at refining and streamlining the water and sanitation service delivery chain and more importantly to redefine the future role of Water Boards.

To respond to the external environment, Umgeni Water embarked on strategic deliberations, the most recent of which culminated in a change in organizational structure, personnel, culture and top management. The organization envisioned itself becoming the No.1 utility in the developing world and has various strategies in place that are aimed at achieving this vision (Umgeni Water, 2001, p2). The thrust of the new strategy is to position Umgeni Water to be the preferred service provider and that involves positioning the company in such a way that the customers perceive it

as the best in its league. The objective of this study is investigate and establish the position that Umgeni Water should assume in this century that will enable it realizing its vision of becoming No.1 in the developing world.

This study will thus assist Umgeni Water to understand the customer perceptions and the drivers or reasons for the perceptions. The information gathered is critical for any organization that wants to survive and especially for Umgeni Water as it explores the African continent. It becomes even more critical for this Pietermaritzburg-based company because there exist already entrenched multinationals with huge market shares and it will be a daunting task to claim some piece of the pie.

### **1.1 RESEARCH QUESTIONS**

- What are the existing perceptions about Umgeni Water?
- What are the main drivers for these perceptions?
- How can Umgeni Water improve its image?
- How can Umgeni Water become a preferred service provider?
- Does Umgeni Water's product meet the customers' requirements?
- Do Umgeni Water's services add value to the customers' processes and products?

### **1.2 RESEARCH OBJECTIVES**

The following were the objectives for this research:

- To ascertain the current position of Umgeni Water in the minds of customers.
- To establish the current customer perceptions about Umgeni Water.
- To determine the current service provider status that Umgeni Water enjoys with the customers.

- To establish whether Umgeni Water's product, namely water, meets the requirements of customers.
- To discover the value adding qualities of Umgeni Water's services to the processes and products of customers.

### **1.3 RESEARCH METHODOLOGY**

The research was structured in such a way that it was descriptive, qualitative and solutions seeking. Various literature including books, journals, the internet, etc on marketing strategies in general and positioning strategies in particular were reviewed and are discussed in the literature review (Chapter 2 and 3). All the literature review undertaken with a purpose to ascertain the position that Umgeni Water should adopt in this century in order to enable it to achieve its vision of being the No.1 utility in the developing world. This meant that Umgeni Water had to determine the current position that it holds in customers within its operational area, and then review it to establish whether the current position will fit in the organization's future plans. Standardized questionnaires with open-ended questions were used to allow respondents the opportunity to freely air their views.

The methodology was derived from a study developed by Hill and Knowlton Captiva/LaTercera and fielded by Collect Market Research in Chile in 2000 (Procter & Gamble, 2003). This research was conducted to ascertain the consumer's perceptions about companies. For the purposes of clarity and ease of result interpretation, the areas of research are grouped into the following topics:

- Products and services
  - Quality of products and services
  - Reliability of product
  - Value addition of products and services

- **Marketing**
  - Emotional appeal
  - Customer relations
  - Communication
  
- **Competition**
  - Critical success factors
  - Perceptions
  - Drivers of perceptions
  - Performance of other water utilities in relation to Umgeni Water
  
- **Organization and management**
  - Availability and interactions with top management

The customers that Umgeni Water, in terms of water sales, considers as major are eThekweni Municipality (80%), Umsunduzi Municipality (13%), 20 Local Municipalities (2%), and Ugu District Municipality (1%). For this dissertation, only major customers who are also Water Services Authorities were sampled. According to the Water Services Act (Act No 107 of 1997) as amended, all District Municipalities have been given the statutory powers to act as Water Services Authorities in their areas of jurisdiction. These powers have also been extended to some Local Municipalities that have been proven through assessment by the national government, to be able in terms of capacity and expertise, to carry out the water services function. In KwaZulu-Natal, only three Local Municipalities have been awarded the Water Services Authority status, namely uMsunduzi, Newcastle and uMhlathuze (used to be called Richards Bay) municipalities. The Municipal Systems Act (Act No 44 as amended) conferred powers to the Water Services Authorities including the liberty and privilege to choose the service providers of their choice that will assist the Water Services Authority in carrying out their mandated functions.

The sample for this research therefore contained all Water Services Authorities within Umgeni Water's operational area, namely eThekweni Municipality, Sisonke District Municipality, Ugu

District Municipality, uMgungundlovu District Municipality, Ilembe District Municipality, and uMsunduzi Local Municipality. This sample was a good spread since there are only 14 Water Services Authorities in KZN. The total sample size was therefore 6 Water Services Authorities.

The portfolios interviewed and requested to fill the questionnaires were the Technical Directors and Water Services Authority Managers where applicable. The reason for choosing these portfolios was because they deal directly with Umgeni Water and thus influence Umgeni Water's ability of repeat business. This is therefore judgemental sampling. According to Lambin (2000, p161), judgemental sampling is a procedure in which the market analyst exerts some effort in selecting a sample of respondents that he or she feels most appropriate for the research objectives.

## **1.4 OVERVIEW OF THE DISSERTATION**

### **Chapters 2 and 3: Literature Review**

These chapters introduce the concept of positioning, highlight the understanding and definitions of the term 'positioning', the theory behind positioning, levels of positioning, the forces of positioning, differentiation as the cornerstone of positioning, positioning alternatives and the criteria for successful and effective positioning.

### **Chapter 4: The South African Water Sector**

In this chapter, a high level overview is provided to understand how the water sector is constructed and who the main players are. The chapter also covers the different positioning strategies employed by the different water utilities in the sector.

**Chapter 5: Research Methodology**

A narrative description of the method used to research the dissertation topic is provided in this chapter.

**Chapter 6: Research findings and discussions**

In this chapter, the findings that are based entirely on the designed questionnaire are presented and discussed in detail against the contents of the literature reviewed to determine whether the findings conform to any theory discussed.

**Chapter 7: Conclusions**

Based on the findings, this chapter draws pertinent conclusions. Facts-based assessment was conducted that lead to conclusions

**Chapter 8: Recommendations**

Recommendations were made to top management relating to the dissertation topic enabling informed and unbiased decision-making.

**Chapter 9: References**

The reference material that was used in this research is covered in this chapter.

## **CHAPTER 2**

### **POSITIONING AND POSITIONING STRATEGIES**

This chapter covers the philosophy or thinking behind positioning as a concept and the strategies employed in positioning. The chapter will also focus on various positioning strategies, the theories behind them, their objectives and the contexts within which they have been used, and lastly elaborate with examples where appropriate.

Over the last few decades there has been a tremendous increase in competition in many, if not all markets. This has been brought about by a number of factors, including the increased international trade both within and between trading regions, and due to globalisation and slowing economic growth rates translating into increased competition for the existing market pie (Hill, 2002, p5). The battle for survival is even greater in this century where the traditionally strong and stable companies are facing unprecedented sturdy opposition from upcoming competitors.

It is true that the ultimate aim of every organisation in any country is to be successful in the business venture engaged. More often than not, success is gauged in terms of positive bottom line, which is desperately sought after by both service and product organisations. Since the world has become a global village with consumers presented with a variety of products from all corners of the world, the competition has become stiffer and the organisations have been forced to go back to the drawing board and devise strategies to be used to retain existing customers and in the process gain more customers. This has made organisations invest more in studies and research, and to pursue innovative strategies in order to survive (Aaker, 1982, p57). One of those strategies is the positioning strategy.

#### **2.1 WHAT IS POSITIONING?**

Positioning is at the centre stage of strategic marketing planning process, and is a concept that has changed the nature of marketing, a concept so simple, people have difficulty understanding how powerful it is (Ries & Trout, 1986, p2). As markets become more crowded, competitive and less

predictable, so the importance of clear positioning increases. As markets develop and evolve in response to changing customer expectations and the continually improving offerings of the organisation and its competitors, so it is necessary to look constantly for newer, more effective ways of targeting the organisation's offerings (Park & Jaworski, 1986, p137). Every successful politician, company, utility, entertainment club and franchise practices positioning. Positioning shifts the emphasis of marketing from the product to the battle of the mind. In their seminal work, Ries and Trout (Kotler, 2000, p298) explained how positioning starts. "It starts with a product, a piece of merchandise, a service, a company, or even a person but the determining factor is that positioning is not what you do to a product, positioning is what you do to the mind of the prospect. In other words, you position the product in the mind of the prospect. You look for the solution to the problem inside the prospect's mind". This means that the organisation has to have an in-depth and intimate understanding of the behaviour of the prospects and customers.

Kotler (2000, p298) defines positioning as "the act of designing the company's offerings and image to occupy a distinctive place in the target market's mind". This definition supposes that the company can influence the position of its offerings in the minds of the target customers and can infer that the company can choose a 'distinctive' position.

Palmer and Cole (1995, p380) describe positioning as "developing a marketing mix to influence consumer's perceptions of the service and to give the organisation a competitive advantage with its chosen target market". The organization has to deal with perceptions because they influence the purchase behaviour of consumers.

A financial consultancy called Motiv (2004, p2) asserts that positioning strategies form an integral part of their financial branding experience and central to establishing market awareness, and Motiv believe that this is crucial to building long-term relationships with customers and often leads to Motiv being the service provider of choice. Having been in business for over 10 years, Motiv have, through experience, learnt that a well-defined and understood positioning strategy sets any organization apart from its competitors and adds value to the organization's bottom line.



Positioning is also defined as “the expectation of the unique value that customers in a market segment would receive from a vendor that is relative to, and unique from, competitors”. This definition is provided by Management Consultants for Technology Positioning (2004, p3) who contends that there is a very close relationship between positioning strategy, vision and mission of an organization. Through a well-articulated and specific vision and mission backed by organizational competency, ability, capacity and track record, organizations can set themselves apart from the rest by positioning themselves differently in a way that will be ‘visible’ and meaningful to the customer.

Ries and Trout (1986, p5) believe that today’s successful organizations are those that are in touch with reality and “the reality that counts is what’s already in the prospect’s mind”. Their approach to positioning is very basic, and is about manipulation of the prospect’s current perceptions. Ries and Trout believe very strongly that organizations need not create anything new and different, but need “to manipulate what already up there in the mind, to retie the connections that already exist”.

Aston Partners helps companies, through their “Right Message, Right Audience” approach, manage ongoing changes in their shareholder base (Globalfluency, 2004, p3). Based on research and experience, Aston Partners create a full positioning strategy and implementation plan that specifically targets a highly focussed group of investors. Aston Partners contends that the positioning strategy that an organization implements should appeal to segment-specific and target-specific consumers to ensure its effectiveness.

Another definition is offered by Payne (1993, p95) who explained positioning as follows, “positioning is concerned with the identification, development and communication of a differentiated advantage which makes the organization’s products and services perceived as superior and distinctive to those of its competitors in the mind of its target customers”. The operative words are perception, superior, distinctive and target customers. This means that the positioning strategy of any organization should be directed at changing and/or manipulating perceptions of target customers such that the offerings are perceived as superior and distinctive.

Evans and Berman (1987, p251) prefer to think of positioning in association with a product. It is the contention of Evans and Berman that product positioning is a platform utilised by organizations that enables the mapping of offerings. The organization's offerings "are in terms of consumer perceptions and desires, competition, other company products, and environmental changes".

According to Bearden *et al* (1995, p200) positioning a product involves "designing a marketing program, including the product mix, that is consistent with how the company wants its products or services to be perceived". He further states that positioning aims to influence or adjust customer perceptions of an organizational offering, while being consistent with the organization's overall marketing strategy.

Lamb *et al* (2000, p153) concurs with Bearden *et al* in so far as the marketing mix being the cornerstone of positioning that is used to influence potential customers' overall perception of an organization, product or brand. The example below of South African Brewery products is quoted to reinforce the theory that positioning has to do with finding a unique position or place in the consumer's minds.

Table 1: Positioning of selected South African Brewery brands

<b>Brand</b>	<b>Position</b>
Castle Lager	The beer of the people
Carling Black Label	A strong beer that rewards strength of character and is a badge of manhood
Amstel Lager	Superior, premium quality lager, meticulously brewed from only the finest imported ingredients
Redds	The ultimate refreshment

(Source: Lamb *et al*, 2000, p153)

## **2.2 THE TWO POSITIONING PARADIGMS, NAMELY COMMUNICATIONS AND DIFFERENTIATION**

There has been much debate about positioning involving two schools of thought in the last century, namely communications and processes positioning (Payne, 1993, p95). The communications school of thought is adamant that positioning is nothing else but a communications issue. This type of positioning is mainly talked about in companies and advertising agencies. This has resulted in many companies using slogans or messages in an effort to distinguish themselves, for example Pick 'n Pay is on 'YOUR side' and Pietermaritzburg is the "city of choice". This school of thought contends that positioning is a communications issue that deals with the psychology of positioning an existing product in the customer's mind (Payne, p95). It focuses on achieving a desirable position in the mind of the consumer and very little to do with the product itself. This school of thought believes that changes in name, pricing or packaging are cosmetic and have the objective of securing certain positions in the costumer's mind (Payne, p96).

The proponents of the communications school of thought include Ries and Trout who have been largely credited with having developed this idea through a series of articles they wrote in 1972 (Kotler, 2000, p299). Ries and Trout (1986, p24) argue that we live in an 'over communicated' society where huge sums are spent on advertising. Their contention is that positioning is not what you do to the product, but to the mind of the prospect, that is, "you position the product in the mind of the prospect" (Ries & Trout, p46). Ries and Trout (p24) further suggest that "in the positioning era, it is not enough to invent or discover something. It may not be necessary. You must, however, be first to get into the prospect's mind".

The second school of thought believes that positioning can be affected by all the components in the marketing mix, including promotion. Thus price, place, people, processes, customer service and the product or service itself can all affect positioning and can be manipulated by the organisation to portray the intended image (Payne, 1993, p96). This school of thought views positioning as a vehicle to differentiation, and using it to advantageously fit the organization and

its products and services such that they are perceived as different and better to its competitors (Aaker, 1982, p60).

Whilst the above arguments made by the two schools of thought might be plausible, it is important for organisations to ensure that the very tool, namely positioning, which they are utilising to differentiate themselves from competition or to communicate a certain message that will enable them to occupy a certain position in the customers' minds, is not misunderstood by the very same customers. This scenario might arise if there are mismatches between products/services/organisations and the target market. This misunderstanding results in errors in positioning, which might lead to undesirable outcomes.

### **2.3 POSITIONING ERRORS**

It has been argued that the real source of competitive advantage and the key to product's success is the position of a product, positioning errors arise from failure to select a desired position (van der Walt *et al*, 1996, p134). The positioning errors are more common as organization try to stake their claims in the market place. Organizations should be wary and take precautionary measures to ensure that their position is not misunderstood, and not believed by intended target market but should ensure that a clearly understood, well-articulated and visible position is promoted in all fronts. Kotler (1997, p298) cautions the organizations to avoid the following four major positioning errors:

- Underpositioning: happens when the customers vaguely understand the offering and thus do not perceive the offering as different to others already available in the market. "The brand is seen as just another entry in a crowded marketplace".
- Overpositioning: happens when an organization is viewed for example as offering exclusive and designer products whose prices are perceived by customers to be at a higher bracket when infact lower priced goods and services are also offered by the organization.

- **Confused positioning:** is a result of the organization changing its positioning strategy frequently or from staking too many claims and benefits by an offering.
- **Doubtful positioning:** occurs when buyers find it hard to believe the offerings' claims in view of the product's features, price or manufacturer. Buyers have over the years assumed quality to be synonymous with price, and thus if a product is positioned as high quality and yet pitched at a lower price bracket, consumers sometimes get confused.

Lamb *et al* (2000, p170) cites some undesirable outcomes should the position be misunderstood by consumers, namely that the organization or its products or brands:

- are pushed into an undesirable position where they face head-on competition from stronger competitors;
- are pushed into an undesirable position which nobody else wants, because there is little customer demand in that position;
- positioning is so fuzzy that nobody knows what the distinctive features really are; or
- have no position at all in the marketplace, because nobody has ever heard of them.

Clearly the above effects are disastrous and unwanted, and thus the organisation should take all reasonable steps not only to ensure that the position adopted is relevant to the target market but also to ensure that the position is understood, believable and attainable.

## **2.4 LEVELS OF POSITIONING**

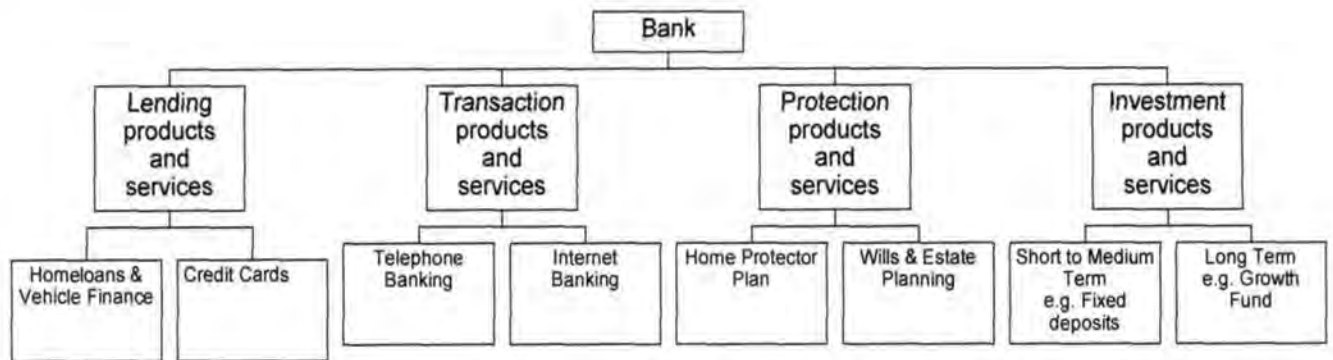
There are different levels of positioning that an organization can embark upon in trying to differentiate itself from competition and set itself on a different pedestal. While most of the modern literature places more emphasis on product positioning, there is nevertheless immense work that has been done on the other types and levels of positioning. Recognition should therefore be given to the fact that the principles of positioning are the same and should be applied

similarly at all levels (Payne, 1993, p105). According to Payne (p106), the different levels of positioning are:

- **Industry positioning:** the positioning of an industry as a whole, e.g. service, automobile and entertainment
- **Organizational or corporate positioning:** the positioning of an organization as a whole, e.g. Umgeni Water, Woolworths and University of Natal. This positioning is concerned with managing and communicating a differentiated corporate position to enhance the visibility and credibility of the organization.
- **Product sector positioning:** the positioning of a range or family of related products and services being offered by the organization, e.g. water and sanitation services offered by Umgeni Water, Coca-Cola products and Nokia cell phone products.
- **Individual product or service positioning:** the positioning of specific products, e.g. potable water produced by Umgeni Water, Toyota Landcruiser 4X4 and Castle Lager.

For some organizations such as a car rental company or a restaurant, the positioning decision for the organization, and the services and products provided may be very similar. However, for larger organizations, such as a bank (see diagram below), all the levels of positioning may need to be considered. The first tier, namely bank depicts organizational positioning, second tier showing products and services offered by the bank represents product sector positioning, and the last tier is the individual product/service positioning (Payne, 1983, p105). The last tier, namely individual product or service positioning concentrates on positioning specific products, while the second tier deals with the positioning of a sector or range of products, and the first tier is concerned with positioning the organisation as an entity.

Figure 1: Levels of positioning for a bank



(Source: Payne, 1993, p107)

## 2.5 DIFFERENTIATION – THE CORNERSTONE OF POSITIONING

The organization can differentiate based on different variables as shown in the table below but what is crucial and foremost is that the organization should identify its key competency upon which differentiation can take place to gain a competitive edge. According to Lamb et al (2000, p154) differentiation is a process of identifying whatever makes the organization and/or its offerings different from others. He goes further to say that a differentiating variable (whether price, quality, image or whatever) is not necessarily a competitive advantage unless it passes the following criteria:

- Do consumers desire that differentiating variable? If the answer is not affirmative then the variable is not a competitive advantage.
- Can the advantage be sustained over extended periods of time? If not, then the variable is not a competitive advantage.
- Can the product be manufactured and marketed at a price consumers are willing to pay? If the answer is not affirmative then the variable is not a competitive advantage.
- Is it profitable? If not, then the variable is not a competitive advantage.

Van der Walt (1996, p133) supports the above view but believes that additional to the above, the marketers and senior managers should ensure that the variable that seeks to differentiate and leverage the organization, and hence enable the gain of competitive advantage should be:

- Important - the difference must be important to a sufficient number of buyers
- Distinctive – there should be no competitor who should be able to offer this form of differentiation
- Superior – the chosen difference must be superior to other ways of obtaining a similar benefit
- Pre-emptive – competitors must find it hard and difficult to copy the difference

As far as service is concerned Payne (1993, p101) contends that in addition to the above variables, the following attributes are also important for differentiation:

- Communicable – it must be possible to communicate the difference in a simple but strong manner
- Profitability – the organization should achieve additional profits as a result of introducing the difference.

It should also be pointed out that consumers, in their selection of products, more often than not would opt for those that provide them with the most value for money to maximise and satisfy their need (Marx & van der Walt, 1989, p123). It is then imperative that marketers and senior managers in organizations should clearly understand these variables so that they can be fully exploited.

Kotler (1994, p294) suggests that an organization or enterprise can be differentiated along five dimensions, namely products, services, channel, personnel or image, and senior management should decide which of the variables will be most effective in differentiation. Some of these variables are listed in the table below:



Table 2: Differentiating variables

<b>PRODUCT</b>	<b>SERVICES</b>	<b>PERSONNEL</b>	<b>CHANNEL</b>	<b>IMAGE</b>
<ul style="list-style-type: none"> <li>• Form</li> <li>• Features</li> <li>• Performance</li> <li>• Conformance</li> <li>• Durability</li> <li>• Reliability</li> <li>• Reparability</li> <li>• Style</li> <li>• Design</li> </ul>	<ul style="list-style-type: none"> <li>• Ordering ease</li> <li>• Delivery</li> <li>• Installation</li> <li>• Customer training</li> <li>• Customer consulting</li> <li>• Maintenance and repair</li> <li>• Miscellaneous</li> </ul>	<ul style="list-style-type: none"> <li>• Competence</li> <li>• Courtesy</li> <li>• Credibility</li> <li>• Reliability</li> <li>• Responsiveness</li> <li>• Communication</li> </ul>	<ul style="list-style-type: none"> <li>• Coverage</li> <li>• Expertise</li> <li>• Performance</li> </ul>	<ul style="list-style-type: none"> <li>• Symbols</li> <li>• Media</li> <li>• Atmosphere</li> <li>• Events</li> </ul>

(Source: Kotler, 2000, p288)

It is up to the creativity of the senior management and the marketing team to manipulate and interrogate the above variables such that they position the organization and/or offering as intended.

The top management of an organisation can decide to pay special attention and delve into detail and analyse microscopically each of the above variables. One such variable would be product.

## 2.6 BASES TO POSITION PRODUCTS

The section above has debated, to a certain degree, the importance of differentiation and highlighted its associated advantages. There has been, over time, certain attraction and leniency towards certain positioning bases depending on the organization's differential or competitive advantage. Lamb *et al* (2000, p163) proposes the following bases as primary to leveraging the organization's position:

- Attribute - this occurs when an organization, product or service positions itself on an attribute such as size, number of years in existence and so on. The example quoted by Kotler (1997, p298) is Disneyland that can advertise itself as the largest theme park in the world.
- Benefit – the benefit is described as something a consumer gains as a result of a product attribute or feature. The organization and/or its offerings can be positioned as a leader in the provision of that particular benefit. Van der Walt *et al* (1996, p135) quotes an example of Gillette Contour blades that promises an even closer shave.
- Price and quality – the positioning base may focus on high price as a signal of quality or emphasise low price as an indication of value. Kotler (2000, p302) cites the example of Busch Gardens in the United States that positions itself as offering the “best value” for money.
- Use or application – this involves positioning a product as best for some use or application. Orange juice is often positioned as a breakfast drink and sparkling wine as a drink for celebrations (Lamb et al, 2000, p163).
- Product class – the objective is to position the product as associated with a particular category of products or as a leader in a certain category. An example might be a museum or planetarium that is traditionally regarded as an educational institution that may elect to position itself as a tourist attraction (Van der Walt *et al*, 1996, p135).
- Competitor – this involves positioning against competitors. An example is PSG Asset Management who says, “In the race to the top, we’ve simply left the rest behind”.
- Origin – some organisation want to be associated with a certain geographical region or origin. An example would be Scotch whisky and Audi’s “Vorsprung durch Technik”.

Berkowitz *et al* (1992, p446) further stresses the essentiality of ensuring that the dimensions chosen for positioning meet the following the criteria, namely importance to customers, ability of customers to differentiate the service from that of competition, and the consistency in delivering the service.

Kotler (1997, p296) agrees with the above strategies and suggests another positioning alternative for organizations, namely the exclusive-club strategy. This strategy can be developed by an

organization when a number one position along some meaningful attribute cannot be achieved, then the organization should introduce a concept of some sort of belonging for consumers. In South Africa this concept has been taken a step further where in the fashion industry almost all boutiques have introduced the exclusive cards. Some of examples of the exclusive-club strategy include the G8 countries, OPAC countries, Woolworths, and Truworths stores.

It is not unusual for the product/service and organization to be positioned on more than one of the above bases. For example, Woolworths positions its food section on both price/quality and user bases, i.e. buyers who want convenient, easy-to-prepare meals (Lamb *et al*, 2000, p164).

There are generic positions that organisation can utilise for positioning purposes. Hooley and Saunders (1993, p179) believe that both service and product organisations can adopt generic positions that are informed by the strategic direction that the organisation is pursuing. The table below depicts a matrix of alternative generic positions and positioning strategies that can be adopted by individual companies. Generic positions provide broad alternatives, namely consolidation, latent position, deposition and membership position.

The consolidation might be used by market leaders such as Boeing in aircraft or British Aerospace in the corporate jet markets, to consolidate their leader positions, which uses typical consolidation copy of adverts for the market-leading 125 executive jets: “market leader .....750 sales.....and accelerating”. For this purchase, the emphasis is on the aircraft having more than 50% of the sales in its market sector rather than on the performance of the aircraft (Hooley & Saunders, 1993, p181).

While making headway against established competition can be difficult, where there is an unfulfilled need or want, a company can use latent positioning to establish a reputation. Hooley and Saunders (1993, p182) quote an example of Sensodyne toothpaste, the first product to focus on the comfort of people with sensitive teeth; or Lever’s highly successful Radion automatic soap powder, which focussed upon removing ‘dirt and odours’. The lever Brother’s campaign achieved 9% market share in the first year.

Table 3: Positioning alternatives

		Generic position			
		<b>Consolidation</b>	<b>Latent position</b>	<b>Deposition</b>	<b>Membership</b>
<b>Strategy</b>	<b>Attributes</b>	Volvo	Radion		Lloyds Bank
	<b>Price/quality</b>	Sainsbury		Intercity	
	<b>Competition</b>			Intercity	Swiftair Express
	<b>Application</b>		Polaroid		
	<b>User</b>	Swissair			
	<b>Product class</b>	Boeing			Toyota

(Source: Hooley & Saunders, 1993, p180)

Depositioning is directly competitive, although competitors may not always be mentioned. A campaign was used by British Rail's Intercity service, which makes direct comparison between the comfort and convenience of travelling by rail, and the crowding and inconvenience of air travel (Hooley and Saunders, p183).

## 2.7 THE POSITIONING OF A SERVICE

Services have distinct characteristics that have certain implications for positioning, as well for selection of the attributes on which to focus, namely intangibility, heterogeneity, perishability and inseparability (Kotler, 1997, p468). These distinct characteristics provide the marketer with alternatives for positioning the services as shown in Table 4 below (Payne, 1993, p103). According to Lamb *et al* (2000, p166), a service can be positioned on a variety of dimensions, such as:

- According to the needs it satisfies;
- When it is used;
- How it is used;

- Who uses it;
- Benefits delivered; and
- Specific features

Easingwood and Mahajan (1989, p209) believe that the basis for positioning a service is directly dependent on its characteristics, namely intangibility, perishability, heterogeneity and inseparability. They further state that marketers and managers should exploit these characteristics as they alone can be used as a tool for differentiation. The intangibility nature of services makes the marketing task for a service different from that for a product that can be physically touched. A service often cannot be marketed by features, which the consumer can readily identify and compare, making the service therefore a comparatively difficult to evaluate. The advantage of utilising positioning as a strategy is that it can permit an intangible service benefit to be represented tangibly. This occurs through assisting the consumer “see” an intangible benefit by offering tangible evidence. A marketer can then position the service on the bases of its innovativeness, expertise, performance and reliability.

Table 4: Some of the alternative positions based on service characteristics

<b>Response to special service characteristic</b>	<b>Basis of position</b>
<b>Intangibility</b> <ul style="list-style-type: none"> <li>❖ Offer a tangible representation</li> <li>❖ Offer an augmented service</li> </ul>	<p>The reputation and special capabilities of the organization itself</p> <ul style="list-style-type: none"> <li>❖ Expertise position</li> <li>❖ Reliability position</li> <li>❖ Innovativeness position</li> <li>❖ Performance position</li> </ul> <p>Augmentation of product offering</p> <ul style="list-style-type: none"> <li>❖ Product augmentation</li> <li>❖ Extra service</li> </ul>
<b>Heterogeneity</b> <ul style="list-style-type: none"> <li>❖ Superior selection, training and monitoring of contact personnel</li> <li>❖ Package the service</li> <li>❖ Industrialize the service production process</li> </ul>	<ul style="list-style-type: none"> <li>❖ People advantage</li> <li>❖ More attractive packaged offering</li> <li>❖ A superior product through technology (i.e. faster, more reliable, better value for money)</li> </ul>
<b>Inseparability</b> <ul style="list-style-type: none"> <li>❖ Use multi-site locations</li> <li>❖ Customize the service</li> <li>❖ Offer a complete product line</li> </ul>	<ul style="list-style-type: none"> <li>❖ Accessibility</li> <li>❖ Extra attention given to individual requirements</li> <li>❖ Satisfaction of more user needs within the sector</li> </ul>

(Source: Easingwood & Mahajan, 1989, p210)

An example cited by Payne (1993, 102) is that of a customer who expects a hotel to offer an intangible benefit, namely cleanliness and customer service. Reliability of hotel management,

helpful and smiling reception staff, and warm rooms can easily reinforce this fact. Some hotels even use sanitised toilet facilities. The customer can even rate hotels on the basis of the above. Developing a positioning strategy may also assist in the identification of other tangible features that can be added to the service.

The inseparability nature of services is due to the fact that they are performed in front of a customer (Kotler, 1997, p469). A manufactured product is usually produced within a controlled environment, which includes performance checks and quality control. Products that do not conform to standards are rejected. A service however, does not have these opportunities for constant checks and balances, and often a customer is present when the service is delivered.

These characteristics/properties of services present a platform for organizations to competitively position themselves better than the competition because they create many dimensions on which services can be differentiated.

The following characteristics need to be emphasized as they determine the success rate of the organization's positioning strategy. Payne (1993, p114) quotes Thomas Kosnik in providing the key characteristics of successful positioning:

- The position should be meaningful – the organization, through its positioning strategy, must ensure that it is relevant to its target market
- The positioning must be believable – it is important that the target customers believe the position of the organization; otherwise the organization will have committed a positioning error (discussed earlier). This is mainly due to organizations claiming to be everything to all people.
- The positioning must be unique - organizations need to find a positioning where they can consistently outpace the competitors in serving a particular market. This uniqueness should also be difficult to copy by competitors.

Garden (2003, p32) believes that marketers should not lose focus, meaning that they should identify an attribute or attributes and differentiate the organization based on that. She further

states that an organization can no longer afford to be 'jack-of-all-trade' because that could lead to confusion among the customers.

## **2.8 HOW MANY DIFFERENCES TO PROMOTE?**

There seems to be much difference of opinion in the literature about the number of differences to promote. Rosser Reeves believes that an organization should develop a unique selling proposition (USP) for each brand and stick with it (Kotler, 1997, p296). Ries and Trout (1986, p20) seem to also agree with this concept and actively promote and encourage organizations to use one consistent positioning message, by choosing an attribute and flaunt it as the "number one". This will ensure that this message gets to consumers' minds in a society that suffers from information overload, whose marketplace is overcrowded and over communicated.

There are authors such as Van der Walt *et al* (1996) and Marx *et al* (1989), however, who propose double or even multiple-benefit positioning. These authors believe that there are circumstances that dictate the utilisation of double, triple or even multiple-benefit positioning. Some of these authors believe that double-benefit positioning is appropriate when two competitors are claiming to be the best on the same attribute. Van der Walt *et al* (1996, p134) believes that "by adding the second positioning attribute, the enterprise aims to find a specific niche within the target market". Triple-benefit or multiple-benefit positioning is appropriate when consumers seek multiple benefits from a product. Kotler (1997, p298) cites an example of Aquafresh toothpaste that is positioned to offer multiple benefits, namely fight plague, clean teeth, anticavity protection, and freshen breath.

## **2.9 POSITIONING ALTERNATIVES**

According to Lamb *et al* (2000, p167), and Ries and Trout (1982), the organization has, at any given time, three basic positioning alternatives that can be maneuvered, namely

- Strengthening an existing position



- Searching for an occupied position; and
- Depositioning or repositioning the product or brand (will be looked at later in some detail)

Payne (1993, p115) believes that the organization should take into account a range of other alternatives before it decides on one to pursue. He acknowledges the fact that the organization's position is affected and influenced by networks of perceptions of groups of competing organizations and their customers, which ultimately influence the marketing strategy. These networks of perceptions should be controlled and manipulated to the extent that they enable and facilitate an organization to influence its destiny. Marx and van der Walt (1989, p130) believe that perceptions are enormous forces that should be controlled to the advantage of the organization. Payne (1993, p116) therefore posits that the following alternatives should be taken into account when developing an informed positioning strategy:

- The company's perception of itself
- The company's perception of competitors
- Competitors' perceptions of the company
- Competitors' perceptions of themselves
- The customers' perception of competitors
- Competitors' perception of customers
- The customers' perception of themselves
- The company's perception of its customers
- The customers' perception of the company

If the organization can have a good understanding of the above networks of perceptions, then half the battle is already won as these perceptions can be used to reinforce the intended position by the organization (Payne, 1993, p117).

Since positioning is so critical in both leveraging the organization's position and differentiating the organization and/or its offerings from competition, it then stands to reason that organizations need to develop a positioning strategy that will aid in attainment of the organization's goals. This

strategy, namely positioning strategy, should be in line with all organizational strategies and is as important as strategies such as the human resource and financial management. It is therefore critical that managers are empowered and have an intimate understanding of how to develop this strategy, or at least have a conceptual understanding of the process in case the development of a strategy is done by a third party. This conceptual and high-level understanding will aid in interrogating and interacting with the process with the aim of asking relevant question that will lead in making informed decisions.

## **CHAPTER 3**

### **DEVELOPING A POSITIONING STRATEGY**

The MacMillan Dictionary of Marketing and Advertising developed the criteria (see below) to ensure that the product is appropriately positioned in the marketplace (Baker, 2000, p239). It is the belief of Baker (p240) that the process of defining a 'position' should be thoroughly done and requires dimensions along which the competing products can be compared, and the results must be comparative if they are to be of any use as the basis for positioning strategy. Baker (p 243) argues that if the organization is to make good positioning decisions, there needs to be information on:

- What dimensions customers use to evaluate competitive marketing programs – how many there are and what they should be named?
- How important each of these dimensions in the decision process is?
- How the organisation and competition compare on these dimensions? and
- How consumers make choices on the basis of this information?

Another criterion is using the segmentation analysis. Lambin (2001, p279) strongly believes that if an organization is to make an impact through positioning, it needs to place an even stronger emphasis on the segmentation analysis. He asserts that positioning is relevant when coupled with a segmentation analysis, which concentrate on positioning by segments instead of a single positioning for the total market. Segmentation, he contends, will enable the organisation to utilise different positioning strategies targeting different segments, which will enable the organisation to showcase its core competencies (Lambin, 2001, p279). These strategies will in turn form a core of a consistent and effective marketing programme. Lambin (2001, p278) believes though that there are typical questions that need to be addressed, which will inform the positioning strategy to be adopted by the organisation. The questions are:

- What are the distinctive features and/or benefits, real or perceived, considered as the most important from the buyer's point of view?

- What are the perceived positions of the main competing brands according to these features and/or benefits?
- Given the strengths and weaknesses of our brand and the positions already occupied by competing brands, what is the best positioning to adopt?
- What is the most appropriate marketing programme for achieving the chosen positioning?

Another method of developing a positioning strategy was developed by Hooley and Saunders (1993, p 173), which outline broadly the steps that can be followed to effectively position an organisation in the market place. These steps are iterative, interdependent and interrelated as shown below:

(i) Determine the competition

The method above dealt with segmentation of the market. Hooley and Saunders (1993, p173) agreed and went further to state that the organization should then establish competitors in that segment of the market that has been identified to enable better and informed planning. These competitors can be potential, current and future. Hooley and Saunders (1993, p117) cited Sun Tzu (1981) the great Chinese General from the fourth century BC, who encapsulated the importance of competitor analysis as follows, “if you know your enemy as you know yourself, you need not fear the result of hundred battles; and if you know yourself but not the enemy, for every victory you gain you will suffer defeat; but if you know neither the enemy nor yourself, you will succumb in every battle”. For example a company analysing the market for hover mowers might be interested in how customers perceive competitor’s brands such as Flymo, Qualcast, Black and Decker, and Electrolux, and the products they sell (Hooley and Saunders, 1993, p170).

(ii) Determine the competitive dimensions

The organization should know exactly the bases upon which the organizations are competing. The intimate knowledge of this information will assist and inform the organization of whether these dimensions can be outmatched, and if not, the organization will have to relate to its competencies to determine another dimension that can be used to its competitive advantage.

(iii) Determine the competitor's positions

An odd feature of many of the techniques used in positioning research is that the competitor's positions can be determined before it is understood how the customer is differentiating between different organizations (Hooley & Saunders, 1993, p173). This is due to some confusions being created and clarity not being sought on the differences between image and identity. Many organizations have fallen foul to this, and as a result, the positioning strategy eventually implemented by organizations to counteract competition is sometimes inappropriate (Hooley and Saunders, p173). In the leisure park market, it is advised that before a new park can be branded and then positioned to occupy a certain space in the minds of the consumers, the managers of the new park should firstly establish the positions of current parks. This was the strategy followed by Alton Towers when it first entered the United States market after the arrival of theme parks such as American Adventure, Woburn Safari Park and Warwick Castle (Hooley and Saunders, p173).

(iv) Determine the customer's positions

The marketer can use a two-stage process to identify the customer positions on a perceptual map. One stage of the process involves rating the offering per attribute and then clustering the responses together to form segments with similar preferences. The second stage is usually the consolidation of the small clusters into big clusters, which are then interpreted to determine the positions and preferences of customers. The theme parks marketers undertook this exercise by firstly requesting respondents through questionnaires, to rate the parks in terms of their preference. Cluster analysis was used to form segments with similar preferences and the demographic results revealed that Chatsworth House and Belton House was attractive to mature couples or young sophisticates, young families preferred American Adventure and Woburn Safari Park, whilst the wild and the young chose Alton Towers and Woburn Safari Park (Hooley and Saunders, 1993, p178).

(v) Determine the positioning decision

The information gathered above is processed into a positioning decision with supporting documentation. Although in the markets there might already be entrenched players like Coca-Cola and Mercedes, positioning offers a platform for new and/or lesser-known brands to establish a strong but different place in the customer's mind despite persistent call for attention from competing brands (Hooley and Saunders, 1993, p179). The establishment of a position should be made once enough information has been collected to support the decision.

(vi) Track the position

This process involves assessing the effectiveness, sustainability and appropriateness of the positioning strategy implemented, and proposes regular evaluations against targets (Hooley and Saunders, 1993, p179). This process will aid management and act as a sieve that will ensure that positioning errors are minimised, and if possible completely eradicated.

Baker (2000, p 181) believes that a criterion that ensures effective and appropriate positioning of a brand, as outlined graphically below, rests heavily on achieving complete and total customer satisfaction by matching the organizational capabilities, competencies and expertise with customer requirements. The customer expectations, needs and wants would have been intensively researched and the organization would have then chosen a target market to be served. This, he believes, will ensure that the positioning strategy chosen is relevant. This method is a consolidation of the five-step method discussed above that was developed by Hooley and Saunders (1993, p178). The five-step method has been consolidated, refined and fine-tuned into a well thought out, articulate and easy to understand three step methodology as indicated below:

Figure 2: Depiction of positioning process flow

No 1: IDENTIFY AND COMMUNICATE

Customer wants, needs and expectations throughout the organisation



No 2: DETERMINE THE COMPETITIVE POSITIONING

Match chosen customer requirements with organisational competencies and capabilities



No 3: IMPLEMENT THE STRATEGY

Marshall all relevant organisational resources to deliver customer satisfaction

(Source: Baker, 2000, p 182)

The approach by Baker (2000, p 182) underpins, as the cornerstone of success, the precise identification and determination of customer needs, wants and expectations. After these have been established, the organization then needs to undertake some introspection to determine the key competencies and capabilities that cannot be easily replicated, and try to find the most perfect fit with the organizational attributes that can be utilised to attain complete customer satisfaction. Thereafter the strategy to exploit the organizational capabilities that are appreciated by customers is then drafted, ratified and implemented.

The process of developing a positioning strategy makes use of perceptual mapping as will be discussed below but starts with definition of the objective of the whole positioning exercise, i.e. by determining the level of positioning. Payne (1993, p108) believes that this process should not be complicated, as it involves the determination of the following variables:

- Determining the levels of positioning – industry, organizational, individual product or service; or ‘product sector’ levels.

- Identification of key attributes of importance to selected segments – consideration should be made to the criteria used for making purchase decisions, decision-making unit (the offering might be used by an individual or group), perceptions about the offering and its intended benefits.
- Location of attributes on a positioning map – this process involves the identification of the most important attributes and location of various organizations' services for these attributes, on a positioning map. Where a range of attributes identified, statistical procedures are used to combine these attributes into aggregate or cluster dimensions.
- Evaluating positioning options – the positioning options presented are strengthening current position against competitors, identifying an unoccupied market position, and repositioning the competition
- Implementing positioning – this process involves implementing the recommended position.
- The organization must establish what attributes of a product are important to consumers, and
- How do consumers perceive the competing brands in relation to the attributes mentioned above?

(Lamb *et al*, 2000, p165)

Intensive market research will have to be embarked upon to find answers to the above questions because as it has been long argued, the primary role of the organization is to serve and make customers (not profit making). If in the process of serving customers, their expectation are satisfied and even exceeded, profit will be the end result (Levitt, 1986, p235). The answers to the above questions/statements are critical because they inform the future strategic direction of the organization, and precipitating from that, the positioning strategy. It is also critical that the answers are analysed and interpreted as best as possible with minimal error because they can either reinforce or completely throw out the thinking of management at a point in time with regards to how consumers perceive the organization, brand or service.



### **3.1 ACHIEVING THE POSITION**

Once the position has been adopted by the organization, it must be communicated to consumers effectively via an effective marketing mix. Quality, for example, should be communicated by those cues and signs that people normally associate with quality products, such as fancy packaging, top-notch distribution channels, classy advertising and high impact promotional campaigns. It should be remembered that a manufacturer's reputation also contributes to the perception of quality thus it is imperative that the organization if it is to be perceived as a high quality organization, that it does not confuse customers as this might influence the customers' perceptions of future products. Kotler (1997, p301) cites the example of companies that are sticklers for quality, " consumers expect Nestle products and IBM products to be exceptional" and it would be the intention of a company that positions itself along the basis of quality to be named alongside these two companies. This is because of the position that the two organizations occupy in the minds of the customers, hence the importance of adopting a positioning strategy that is not only relevant and understandable to the target market but also that makes use of organization competencies, expertise and capabilities, and that can also be communicated with ease.

### **3.2 MARKETING MIX - FOUR FORCES AND SEVEN FORCES OF POSITIONING PRODUCTS AND SERVICES RESPECTIVELY**

The marketing mix is the means by which organizations translate the strategy from the statement of intent to effort in the market place, and each of the elements in the marketing mix should be designed such that they reinforce the position of the organization (Hooley & Saunders, 1993, p40). This means that decisions on individual elements in the mix, such as pricing or advertising campaigns, cannot be considered in isolation from the strategy pursued. To clarify this point Baker (2000, p69) cites an example of an organization that pursues premium positioning to differentiate itself from competition. The market could misunderstand this organization, which has positioned itself in terms of high product quality, if it charges its offerings at too low a price.

Kotler (1994) also attest to the importance of the marketing mix. According to Kotler (p310) the marketing mix enables organizations to solve positioning problems and is essential to working out the tactical details of the positioning strategy. This translates to the following: “a firm that seizes up the ‘high-quality position’ knows that it must produce high quality products, charge a high price, distribute through high-class dealers, and advertise in high quality magazines” (Kotler, p311). This stands to reason that in cases where the elements of the mix do not reinforce and complement each other but pull in different directions, the positioning achieved will be cryptic and confusing to customers.

The task of the executive team in developing a positioning strategy is to assemble the elements of a marketing mix such that the best match/fit exists between internal capabilities of the organization and the external market environment. The success of this positioning thus depends primarily on the degree of match or fit between the external environment and the internal environment (Payne, 1993, p22). A key issue in positioning is the fact that the elements of the marketing mix are controllable by management, in comparison to external force, which are to a large extent uncontrollable (Payne, p24). This means that the organization’s management should intimately understand the elements of the mix to be better able to manipulate them to their maximum advantage.

The combination of these variables (to form a marketing mix) should project the company’s image, which influences consumer’s perceptions leading them to position one organization against the other. Lamb *et al* (2000, p288) stresses the significance of ensuring that the organization’s positioning is compatible with the target customer’s expectations. Berkowitz *et al* (1992, p447) strongly believes that the marketing mix (especially the people component) is the key to successful positioning of any organization as it tries to match the internal staff (people) with the customers and he feels that compatibility or incompatibility of the two components will make or break the organization’s position. He further states that the marketing mix variables must be chosen and explained such that the organization builds an identity that is not easily replicated by competitors yet the customers can easily relate to and recognise the identity.

According to Evans & Berman (1987, p34), the goods providing organizations can manipulate four variables, widely known as four P's, to achieve its objectives and satisfy the target market, namely product, promotion, place and price. For a service industry, additional elements require attention for successful positioning. These are called 7 P's. It includes all the above four elements/variables but also these additional three elements, namely processes, physical evidence and people (Kotler, 2000, p434). The four P's are described as follows:

### **3.2.1 Product**

“The most basic marketing mix tool is product, namely the firms tangible offer to the market, which includes the product quality, design, features, branding and packaging” (Kotler, 1997, p93). According to Kotler (1997, p431) there are five levels that constitutes a product with each level adding more towards customer value, namely core benefit, basic product, expected product, augmented product and potential product. The organization needs to clarify and clearly understand all levels to enable it to firstly differentiate the product from the competition, and secondly, to enable the organization to improve the value adding operations thus leveraging the product.

Levitt (1986, p34) understands that the competition in modern times is more intense and has shifted the goal posts placing the product in even more immense pressure to deliver on its expectations. He was quoted as saying “the new competition is not between what companies produce in their factories, but between what they add to their factory output in the form of packaging, services, advertising, customer advice, financing, delivery arrangements, warehousing, and other things that people value”. Literature seem to agree on one point, i.e. the product and/or services that organizations offer should add value to consumers and be different from what is already available if it is to make any impressions at all (Levitt, 1986, p35; Kotler, 1997, p94; Kotler, 2000, p436; Evans & Berman, 1987, p36)

Evans and Berman (1987, 252) seem to agree with the marketing gurus and their assertion is that the decisions on product should involve the determination of what goods, services and/or ideas to market, the level of quality, the number of items to sell, the innovativeness of the products and

services and additional features such as options and warranties, and marketers should use these features to the best of their advantage by manipulating them such that the final product is representative of the company's objectives and is different to offerings from competition. This means that the organization can use the product element of the mix to differentiate it from competition by highlighting its features and associate benefits, which are different to competition, to consumers.

### **3.2.2 Price**

Kotler (1997, p93) believes that price is the most critical marketing mix tool because it can be used as a yardstick to establish and determine the buying power and willingness of customers, and should thus be commensurate with perceived value. It is of utmost importance that the organization should understand its pricing structure, because the structure can assist the organization in leveraging its position in the market place through manipulation of this variable. Thus price should be one of the variables that cascades along and throughout the strategies of the organizations and should influence the direction that the organization should take. The organization will then need to make informed decisions on and have in-depth understanding on issues such as the relationships between price and quality, the emphasis to place on price, how the organization should react to competitor's prices, how prices are computed and the billing terms to employ (Evans & Berman, 1987, p36).

Amongst many variables that influence price, one of the most important is the pricing objective. Depending on what the objective is (which should also be reflected throughout all strategic documents), the organization will begin to carve out its direction. The pricing objectives include survival, maximum profit, maximum revenue, maximum sales growth, maximum market skimming, product-quality leadership, and cost recovery (Kotler, 1994, 497).

### **3.2.3 Place**

Most producers do not sell their goods directly to the final users but use a marketing channel called distribution channels. The organization's chosen channels intimately affects all other marketing decisions and may involve relatively long-term commitments with other organizations. Corey observed, " a distribution system is a key external resource. Normally it takes years to build and it is not easily changed. It ranks in importance with key internal resources such as manufacturing, research, engineering, and field sales personnel and facilities. It represents a significant corporate commitment to large numbers of independent companies whose business is distribution – and to the particular markets they serve. It represents, as well, a commitment to a set of policies and practices that constitute the basic fabric on which is woven an extensive set of long-term relationships" (Kotler, 1997, p529).

Evans and Berman (1987, p36) argues that distribution involves taking decisions such as whether to sell through the middleman or directly to customers, how many outlets to sell through, whether to control or cooperate with other channel members, what purchasing terms to negotiate, selecting suppliers, and identifying competitors. Careful attention should be paid to choosing a suitable distribution channel because (in most cases) customers perceive the channel as the face of the organization (van der Walt *et al*, 1996, p8). For example Barons VW and McCarthy VW are seen as the faces of Volkswagen products.

The decisions on place should be influenced by the type of image and status that the organization wishes to portray about itself. For example the mother company of Volkswagen and Audi in Germany carefully selected Barons and other distribution channels because of a certain image that they want to maintain, which the mother company also identifies with. The same applies with the fast food giant McDonald's who pays special attention to the 'quality' of their distribution outlets that includes geographical location, and ensures that they conform to certain standards to ensure uniformity across the continents.

### **3.2.4 Promotion**

Modern marketing calls for more than developing a good product, pricing it attractively, and making it accessible to target customers. Organizations, now more than ever before, need also to communicate their market offerings with their present and potential customers, retailers, suppliers, other stakeholders and the general public (Kotler, 1997, p604). Organizations can use what is termed the promotion mix as a vehicle to communicate with the general public. This consists of advertising, sales promotion, public relations and publicity, personal selling and direct marketing (Baker, 2000, p321).

Kotler (1997, p609) recommends the following about publicity: “determine exactly what sets you (your product/service/idea) apart from that of your competitors, and then promote it as best as you can”. Kotler recommends that organizations should not promote everything as this might confuse customers, but amplify and concentrate on the features that make the organization’s offering different, add value and better from the rest. This approach is believed to entice the customers and make an everlasting impression in their minds thus carving a position for the product in the customer’s mind.

According to Berman and Evans (1987, p36) promotion involves selecting a combination of tools (including advertising, publicity, personal selling, and sales promotion) and making decisions on how to measure its effectiveness, the kind and type of image pursued, the level of customer service, the choice of media (such as electronic, audiovisual, print and billboards), the format of messages and timing of promotions. Thus to ensure that the image of the organization or its offerings is imprinted on customer’s mind, the senior management should have intimate knowledge of the above variables and thus be able to manipulate the variables to portray their intended result.

The customers cannot buy goods and services that they do not know exist and thus promotion is used as a tool to inform and persuade the market of the existence of an organization and/or its offerings. Since promotion plays a vital role in the perceptions created by customers and potential customers, the managers of organizations should ensure that the promotional message chosen

depicts the importance or difference of the organization and/or its offerings to competition. This means that the promotional message should be used to reinforce positive perceptions about the organization while at the same time it should make an honest attempt to change negative perceptions. In other words the organization can use this element of the mix to differentiate itself and/or its offerings.

Payne (1993) states that the elements below are also key and crucial for effective and understandable positioning of the service organizations. Payne asserts and further articulates the importance of a marketing mix to be comprehensive: “if the elements chosen to develop a marketing mix are not comprehensive, it is likely that a service gap will occur between the market requirements and the firm’s marketing offer” (Payne, 1993, p24). The service organizations use seven P’s consisting of the above-mentioned four P’s and the additional three P’s as discussed below:

### **3.2.5 People**

Services in most cases are offered by people and they interface the organization with the external customers, and create an immediate perception in the minds of customers. The processes leading to recruitment of staff therefore become important and critical for the organization’s management such that it has been argued that there should be a huge noticeable performance difference between motivated and unmotivated employees (Hunter, 2002, p146).

Kotler (2000, p434) believes that since staff is the face of the organization, then organizations should employ staff who ideally exhibit competence, a caring attitude, responsiveness, initiative, problem-solving abilities and goodwill.

Davidson (1978) is cited as saying that “in a service industry the secret of success is recognition that customer contact personnel are the key people in the organization” (Cowell, 1991, p73). Payne (1993, p24) agrees about the importance of people and the role that they play in fulfilling and realising the organization’s strategies, and further states “people are nowadays increasingly

becoming part of the differentiation by which service companies seek to create added value and gain competitive advantage”.

### **3.2.6 Physical evidence and presentation**

One of the ways that has a higher impact, which is used to convince a customer of the organization's competence and capabilities, is through physical evidence and presentation (Kotler, 2000, p434). Cowell (1991, p73) had long argued that the power of vision is sometimes enough to build some sort of perceptions about the organization by a customer and thus organizations should ensure that the physical evidence and presentation correlates with the perception image and position that is intended. He further asserted that physical evidence will include:

- The physical environment; buildings, interior, layout, equipment and furniture
- Facilitating goods that enable the services to be provided, for example, the cars used by the rental company, and
- Other tangible cues like labels used by an airline

The importance of physical evidence is perhaps more pronounced when it is missing. As Garden (2003, p53) puts it “physical evidence is like a ribbon around a present – if it is missing it does not detract from the present but the absence of it is immediately noticed”.

### **3.2.7 Processes**

Service companies can choose among different processes to deliver their service. Processes include all the procedures, mechanisms and routines by which a service is created and delivered to a customer. Some recent literature also suggests that policy decisions about customer involvement and employee discretion also form the core of the organization's process (Payne, 1993, p26).



Process management is believed to be the key aspect of service quality improvement strategy, the mastery of which can differentiate the organization from competition. Blem (1995, p78) has been reiterating the importance of excellent service to customers and the ripple effect it has in terms attracting more customers, eventually positively affecting the organization's bottom line. Blem (p79) believes that organization should utilise this attribute to increase their value as another form of differentiation and thus position themselves differently from others in the market place.

### **3.3 POSITIONING THROUGH THE PRODUCT LIFE CYCLE**

It is known and generally accepted that there are changes in the market place in terms of buying pattern and behaviour of consumers over a product's life, and thus affecting the organization's performance that inadvertently will vary during the product's life cycle (Evans & Berman, 1987, p255). These changes necessitate strategies being altered throughout the lifecycle of the product (Park, Jaworski & MacInnis, p136). The generic strategies below seek to illustrate the importance of a product and a position that it holds in customer's minds in conjunction with a strategy that should be adopted to ensure that the product makes a mark in the market place.

During introduction of a product, the positioning objective is to establish the product's foothold in the market, to create awareness of the product and what it provides. The path to be followed depends on the needs being fulfilled by the product, whether functional, symbolic or experiential (Park, Jaworski & MacInnis, p137). At the introductory stage, a functional product may focus upon the application of the product and its problem-solving capabilities. At this stage the positioning message is likely to be unsophisticated, although the brand could be distinct. At the elaboration stage, the objective of positioning is to enhance the value of the image established at the introduction stage.

At the later stages of the life of a product, positioning may take up a fortification role. Image bundling may occur at this stage where the strengths of the original brand are used to umbrella new products. Whereas in the elaboration phase, the position of Mars Bars was very clearly identified and the Mars Group launched products to cater for new segments without using the

Mars brand itself (e.g. Snickers), in the fortification stage the Mars Bar image has clearly been bundled with Mars ice cream and drinks brands (Park, Jaworski & MacInnis, 1986, p138).

Table 5: Positioning life cycle stages

	<b>Introduction</b>	<b>Elaboration</b>	<b>Fortification</b>
<b>Positioning objective</b>	Establish image	Enhance value of the image	Brand concept association
<b>Functional</b>	Functional problem-solving capabilities	Problem-solving/specialisation	Image bundling: new products with functional concepts
<b>Symbolic needs</b>	Reference group/ego enhancement association	Market shielding	Image bundling: new products with symbolic concepts
<b>Experiential</b>	Cognitive/sensory stimulation concepts	Brand assessor/brand network	Image bundling: new products with experiential

(Source: Park, Jaworski & MacInnis, 1986, Figure 1, p.137)

Like most theories, the product life cycle has its fair share of critics. The claim made by critics is that firstly life cycle patterns are too variable in shape and duration, secondly that the life cycle patterns themselves do not have a fixed sequence of stages and a fixed length of each stage, and as a consequence most people including marketers can seldom differentiate between the stages and establish the stage at which the product at a particular time is on. Lastly it is the contention of the critics that the product life cycle pattern is the result of marketing strategies rather than an inevitable course that sales must follow (Kotler, 2000, 316).

### **3.4 REPOSITIONING A PRODUCT**

No matter how well a product, service or organization is initially positioned in a market; there may be a need at a later stage for a reposition. According to Bearden *et al* (1995, p200) repositioning is a “process whereby a product or brand elements are realigned to enhance the satisfaction of the needs and wants of a market or market segments”. It is the assertion of Kotler (2000, p418) that the only way to increase the sales volume and profitability of an existing offering, is through repositioning. This is done by mainly matching the needs and wants of the market more effectively with the attribute. Lamb *et al* (2000, p166) mentions five reasons as to why a product can typically be in need of repositioning:

- If a product was originally incorrectly positioned meaning that there is a mismatch between the product and the market;
- As a result of competitors who have positioned their products such that the consumers no longer see the difference;
- If the customer tastes and preferences have shifted and left the organization’s offering with inadequate demand;
- If there are changes in the macro environment (such as recession and interest changes) that are beyond the control of the organization, but that causes the consumers to buy cheaper versions or reduced quantities of the product; and
- If research and technology produce new breakthroughs with profit potential that can be exploited if the offering is repositioned.

Repositioning is not confined to products but organizations can also take a strategic decision to reposition their image. Marx *et al* (1989, p312) posits that image repositioning is critical especially for organizations losing their image appeal, but there is no change made on the target market. It has been proven on many times that sometimes a good organization might fail in the marketplace not because of the lack of performance but inappropriate image (Baker, 2000, p245).

The risks involved in repositioning a product or service can, however, be extremely high and a technique of perceptual mapping is recommended to substantially reduce the risks (Lamb *et al.*, 2000, p171). This technique aids marketers to:

- Understand how competing products or services are perceived by various consumer groups in terms of strengths and weaknesses;
- Understand the similarities and dissimilarities between competing products and services;
- Understand how to reposition a current product in the perceptual space of consumer segments;
- Position a new product or service in an established marketplace; and
- Track the progress of a promotional or marketing campaign on the perceptions of targeted consumer segments.

### **3.5 CORPORATE POSITIONING**

The positioning strategy is amongst many strategic documents that an organisation should possess, update and continuously try to live by (Hooley and Saunders, 1993, p122). The positioning strategy should 'talk to' and inform the strategic direction that the organisation will pursue. This means that the positioning strategy should not be at tangent with the marketing strategy and overall organisation's strategies including human resource strategy and operational strategies (Hill, 2002, p145). Hooley and Saunders (1993, p123) recommend that the organisation should undertake a comprehensive market research that will inform its future strategy. This future strategy will have taken stock of the core competencies of the organisation, its human resources potential and its capabilities, and all these potentials and capabilities should be packaged and moulded together to determine the organisation's position (Hooley & Saunders, p125).

Hill (2002, p64) contends that the organisation should be abreast with the happenings in its immediate environment. In order to be better placed to position the organisation competitively, Hill recommends that the organisation answer honestly and fully the following questions:

- What is the business doing now?
- What is happening in the environment?
- What should the business be doing?

This means that the organisation should first clarify its intentions at the business/core strategy level and most importantly gain the buy-in from top and senior management. The organisation has to clearly define its mission, vision, strategic intent, organisational values, distinctive competencies/core competencies, market definition and ultimately their current and intended position in the marketplace (Hooley & Saunders, p127). The organisation will need to establish both its long-term and short-term objectives, as these will be informed by the core strategy. Precipitating from the core strategy will be a strategic marketing strategy with a main emphasis on competitive positioning (Miles & Snow, 1978, p276).

Ries and Trout (1986, p120) recommend an approach that identifies the benefits of answering six questions positively and subsequent ideas pertaining to the positioning of an organisation. The questions are intended at establishing the current position of the organisation, future long-term position envisioned, identifying competitors, becoming aware of the organisation's financial muscle, and its determination and willingness to maintain its position in the marketplace. Ries and Trout (1986) believed that if an organisation can clearly and purposefully answer the following questions, then it has more than an average chance of success in attaining the envisioned position. The questions are:

- (i) What is the current position of the organisation?
- (ii) What future position is the organisation planning to occupy?
- (iii) Who must the organisation outgun/outcompete? In other words, who are the competitors that the organisation will need to be vigilant of in pursuit of the future position?
- (iv) Does the organisation have enough money to back up the future strategy?
- (v) Can the organisation stick it out? Can the organisation endure and persevere under constant threats and attacks by competition?

- (vi) Does the image of the organisation match its current position and the future intended position?

It is the belief and conviction of Ries and Trout (1986, p193) that thorough and complete answering of the above questions can give the marketer the insight that is needed for the organization to determine strategic position in the marketplace. The question from above cover the future strategic direction of the organization, meaning that the organization should not only be concerned with the present but also the future and the ways and means of arriving to that future point. The other questions dealt with above are the competition, nature of competition, size and modus operandi of competitors, financial position and branding.

On an industry level, Strydom and Museler (1998) researched the establishment of the most relevant, competitive and realistic position for the Namibian meat (mainly beef and sheep) industry in the global context. This research precipitated from the rapid globalisation of the Namibian market that left most domestic products under constant and protracted attack from overseas products. It was the conclusion of Strydom and Museler (p505) that Namibian producers, processors and marketers competing should establish and concentrate on strategic success factors. This they argued should constitute the backbone of the strategic positioning of the Namibian red meat industry by 2005. The intimate understanding and knowledge of strategic success factors will aid to improve Namibia's position as the preferred supplier of red meat and meat products in target markets, but Strydom and Museler also stress the importance for businesses to develop a greater understanding of consumer needs, and changing preferences and anticipate and respond to consumer primary concerns of safety, health and quality well in advance (Strydom & Museler, 1998, p507).

### **3.6 CRITICS OF THE CONCEPT OF POSITIONING STRATEGY OR POSITION-BASED VIEW (PBV)**

Positioning as a concept and using positioning as strategy have been discussed in great detail in the preceding chapters. The discussion included how positioning can be employed as a strategy to

the benefit of the organization and to differentiate the organization placing it in a different pedestal thus occupying some space in the customer's mind. This type of positioning exploits the assets of the organization (including operational efficiency, human and financial resources) and matches these capabilities with the external environment in the most perfect fit to leverage the position of the organisation (Juga, 1999, p4).

The three leading proponents of position-based view (PBV), which is described as the management's ability to continuously position the organisation's assets against the external environment, namely Miles and Snow (1978), Porter (1985), and Covin (1991) argued that while the strategy (PBV) is mostly useful in leveraging the position of the organisation, it nonetheless has some inherent shortcomings that can only be overcome by the resource-based view (Oosthuizen, 2002, p2). The challenges of the positioning-based view are considered to be the following:

- The late 1980s and 1990s experienced increased external complexity caused by high interest rates, disruptive trade unions, impatient investors as well as political and social deconstruction. This context led to the belief that it is difficult, if not impossible, to continuously find the most advantageous position for the organisation in relation to its ever-changing environment (Oosthuizen, 2000, p11).
- Positioning models assume that organisations within an industry are identical (homogenous) in terms of their strategically relevant resources (Barney, 1991, p100).
- Positioning models assume that should resource heterogeneity develop in an industry, this heterogeneity will be short-lived because the resources that organisations use to execute their strategies are highly mobile, i.e. can easily be bought and sold (Barney, 1991, p100).

The resource-based view can then be used in instances where the PBV is falling short but the former has also as many shortcomings as the PBV. Oosthuizen (2002, p23) encourages managers and marketers to objectively use the strengths of both methods (resource-based and position-based views) in order to establish the most relevant, applicable and realistic organizational strategy. The PBV (covered in detail in chapters 2, 3 and part of 4) has many advantages and

continues to be used as a focal method in differentiating the organization and imprinting the image on customers' minds.

The PBV method has also been used widely in the South African water sector, including the water utilities (covered in detail on the next chapter). This has been necessitated by the legislative changes where industry players needed to undertake some introspection, competency and capacity audits to some differentiation among themselves. Most water utilities undertook the PBV method in trying to influence the customers and potential customers to continue to utilise them as preferred service providers. Although the water utilities in South Africa vary in size, the service offered has been primarily similar (bulk water and sanitation provision) and strategically there was a need identified by the water utilities to be seen differently in the eyes of consumers because of the perception created that water utilities are inflexible, irrelevant to the current climate, a burden to municipalities and unresponsive to customer needs. Senior managers from all water utilities wanted to correct that perception, and Umgeni Water opted to restructure the whole organization, re-strategise and plant a new vision for the organization. That process included amongst many other peripheral strategies, the positioning strategy of the organization for the new millennium.



## **CHAPTER 4**

### **THE SOUTH AFRICAN WATER SECTOR**

There are nineteen water utilities in South Africa with varying size, supply areas, population supplied and expertise, and include Umgeni Water, Rand Water, Magalies Water, Sedibeng Water, Bloem Water and Mhlathuze Water. There is, however, not much research that has been done with regards to positioning of water utilities in South Africa. It is evident though, that the tide has turned and the water utilities need to strategize to enhance their own survival. The water utilities are no longer protected by legislation since the promulgation of the Water Services Act (Act No 107 of 1997) and the plethora of municipal laws. Before the promulgation of the Water Services Act (Act No 107 of 1997), water utilities operated as monopolies in their areas of jurisdictions and the customers, unfortunately, had no other choice (as legislated) to use any other service provider other than the water utilities. This state of affairs, i.e. for customers to depend on one service provider had enormous negative consequences for the water industry as a whole because of complacency within the water utilities resulting in bad customer service where customer satisfaction and servicing customer needs was not a priority. The water industry especially the water utilities were inwardly looking and primarily concerned with attaining their strategic objectives, which in many ways had very little to do with the customer but more on building empires (Umgeni Water, 2001, p8).

The Water Services Act (Act No 107 of 1997) has levelled the playing field in so far as the provision of water and sanitation services to the municipalities is concerned. The municipal legislation, in the meantime, has given carte blanche powers to the municipalities to unilaterally choose a service provider, and some of the municipalities themselves through statutory powers, hence termed Water Services Authorities, can provide these services themselves (Municipal Systems Act No 44 as amended). It has become incumbent for water utilities across the country to devise survival strategies and tactics. These strategies included positioning strategies. The positioning strategies of most water utilities coupled with imminent restructurings are, however, done under the cloud of uncertainty because the government is still scrutinizing the very existence of water utilities through the White Paper on Water Services, Strategic Framework on

Water Services and National Strategy for the Institutional Reform of Water Services to determine their future and fate.

#### **4.1 UMGENI WATER**

Umgeni Water has not been oblivious to the ever-changing external environment and thus had to take decisive actions. This began by the appointment of the new Chief Executive, followed by the executive team. The task at hand for the new executives was not only to restructure the organisation in line with the new thinking and direction but also to turn around the bad publicity that the organisation was receiving at a time, which was badly affecting investor confidence (Umgeni Water, 2001, p3). Through all this, the organisation was recognising that the change of external environment was fast paced and needed to decide on whether it wanted to allow itself to be dissolved and submerged at best as a minority partner or at worst as a non-player in a municipal set up, to return to the position of a locally-focussed bulk water player, or to respond as an international water utility relevant to both local and international contexts as well as aligning itself with regional and national imperatives professionally, effectively and efficiently (Umgeni Water, 2001, p4). The senior management through strategic deliberations with the staff members decided on the latter, hence the new vision of the organisation, “to become the No1 utility in the developing world”.

This positive stance was informed by the realisation of the potential of the organisation, its reputation, core competencies, rich and diverse skills base, experience and expertise. The organisation was also mindful of the regional thinking through New Partnership for Africa's Development (NEPAD) which recognised the positive and life-improving role that the water utilities can play in Africa through the provision of dignity-improving sanitation services and constitutional obligated, nation-building water services (Umgeni Water, 2001, p4). The South African government and many other players in this field recognise that Umgeni Water is one of main players in this regard.

The decision not to wish Umgeni Water away was also taken after the realisation that although the third tier of government, namely local government has been given a constitutional mandate to provide services to the constituencies, the lack of resources (including human, financial, technical and managerial) was putting enormous strain on its ability to do so (Umgeni Water, 2001, p15). The local government's institutional capacity was also very thin and was being continuously stretched amongst the many competing needs. Umgeni Water, with the proud history of excellence and innovation was always going to be looked up to for direction, and thus the organisation had to have a strong will of survival and of improving the lives of people to ensure that its role was enhanced in the service delivery value chain.

It should also be borne in mind that Umgeni Water's financial matters were also deteriorating. This was due to decreasing revenue resulting from handing over water schemes to municipalities as legislation demanded (Water Services Authorities), thus leaving one main income stream, viz. bulk water provision. About 90% of this revenue was collected from uMsunduzi and eThekweni Municipalities, which themselves were beginning to be very sensitive to tariff increases (Umgeni Water, 2001, p15). This was despite the fact that the final product sold met and even exceeded internationally stringent standards and has made South Africa one of the few countries in the world where water can be drunk directly from the tap (DWA National Drinking Water Guidelines). These environments dictated that Umgeni Water should rethink its strategies and be positioned as a preferred service provider, which will enable acquisition of more strategic projects and undertaking more financially lucrative contracts to bolster its bottom line which was being negatively affected. The above scenario also meant a complete mindset change of employees that is prevalent in most monopolistic companies namely the 'take it or leave it approach' and become more customer focussed. The change is not a simple and easy one but Umgeni Water's management has realised that it is the change that is crucial to be undertaken if the organisation is to be prevented from dying a natural death. It would be a sad day if this could happen for an organisation that has been in existence for 30 years (the organisation was established through a Government Notice No 114 on 14 June 1974).

## **4.2 UMGENI WATER'S COMPETITORS**

### **4.2.1 Rand Water**

Rand Water (RW) is South Africa's biggest water utility that serves 25% of South African population including four metropolitan councils, 22 local councils, one provincial water supply body, two service councils, 42 mines and about 1000 small direct customers. The sole bulk water supplier to Gauteng since 1903, RW has been a key player in shaping the development of South Africa's economic powerhouse province where about 50% of the country's industrial production takes place and the two largest cities, Johannesburg and Pretoria, are situated (Rand Water, 2004).

The main strategic orientation of RW has, over the years, been to shift towards relationships of inter-dependency with other role players in the supply chain. RW, through its vast experience in the water sector, has realised that partnerships are the efficient and effective delivery mode in this century that will enable all the stakeholders involved in water and sanitation services delivery to meet the government targets and hence reduce the current backlogs (Rand Water, 2004). The private sector with its financial muscle and much-needed technical and management expertise is perceived as crucial in this partnership. The same can be said about the Non-Governmental Organisations (NGOs) and Community-Based Organisations (CBOs) because of their enormous and excellent relationship with communities. To meet the challenges of the water sector, RW has identified eight strategic initiatives (Rand Water, 2004). These are:

- Water conservation,
- Achieving efficiencies through benchmarking and developing supporting information systems,
- Customer service orientation,
- Organisational transformation,
- Skills development,
- Development of relationships with other players in the water services chain by positioning RW in an active, supportive or facilitative role,

- Review of organisational design, and
- Seeking new business initiatives with surpluses retained for the benefit of customers.

RW has always wanted to be strongly associated with quality water supply, water conservation, transformation, partnership and responsible new business. This is even more elaborate in the mission statement “doing whatever it takes to deliver clean healthy drinking water for generations to come”. RW assert that for years to come, their world-class technical expertise, service management skills and innovative water purification techniques will keep and sustain the organisation as a leader in the water sector.

#### **4.2.2 Magalies Water**

The other water utility that has been enacted in South Africa which operates an area of approximately 34 000 square kilometres is Magalies Water. Its service area stretches from Thabanzimbi in the north, to Swartruggens in the west, including Cullinan in the east and Nylstroom in the northeast. Magalies Water positions itself on technical excellence, and expertise in water conservation and demand management. It views its Scientific Services Division as the centre of excellence modelled on international standards (Magalies Water, 2004). The strength of this division has, in some way, influenced the mission of the organisation, which is ‘to produce a reliable and constant supply of purified water, which comply with all the required health and safety criteria for domestic water supplies’. Magalies Water is certain that the high technical expertise employed by the division backed by the extensive experience in the water sector will ensure that their mission is realised (Magalies Water, 2004). The organisation takes pride in what they do and in their bid to be customer orientated and thus ensuring customer satisfaction, the organisation welcomes any community member that they serve to view the results that are produced weekly, monthly, quarterly and yearly (these results are also consolidated into their annual report which is available for public consumption). The organisation also welcomes any scrutiny by any expert in the sector.

#### **4.2.3 Mhlathuze Water**

This regional water utility covers an area of 43 000 square kilometres and has been in existence since 1980 through a promulgation of a Government Gazette No. 85 of the Water Act 54 of 1956, whose primary mandate was to design and construct a major regional water treatment plant and a regional offshore effluent disposal facility.

Mhlathuze Water has been very much aware of the situation that is facing South Africans, namely lack of water and sanitation service provision to the rural poor. In response to this challenge, Mhlathuze Water engaged the Department of Water Affairs and Forestry (DWAF) and assisted in the reduction of backlogs through implementation of various DWAF funded water and sanitation projects. After the establishment of wall-to-wall municipalities in 2000, which were then legislatively and constitutionally mandated to provide this service, Mhlathuze Water adopted a supportive role to local government. As reflected on the water utility's mission statement that states "Mhlathuze Water will supply water and waste management services in an efficient and cost-effective manner in our area of operation. In doing so, we will develop source and catchment based management with environmental sensitivity in order to optimise resource utilisation", this water utility has built and operates inter-basin transfers, major water treatment plants, two off-shore effluent disposal pipelines and operates several other sewage plants on a commercial basis for local municipalities (Mhlathuze Water Annual Report 2003). The assets accumulated over time amounting close to R 300 million were funded by raising loans on the capital market and not through grant or subsidies from the Department of Water Affairs and Forestry.

This water utility prides itself on operational efficiency in their water and wastewater treatment plants achieved through continuous improvement approaches and revolutionary engineering inputs, state of the art scientific services laboratory that received its South African National Accreditation Systems (SANAS) accreditation in April 2002, and exceptional planning and water resource management expertise that has achieved the deferment of capital expenditure to 2016 thus ensuring that the tariff increases are kept to a minimum (Mhlathuze Water Annual Report 2003). Mhlathuze Water perceives its competitive edge to come out of their commitment to conducting business in an environmentally sustainable and sensitive manner, hence its drive

towards development of an internationally accredited ISO 14001 Environmental Management System, which has a total support and buy-in of senior management and the Board (Mhlathuze Water Annual Report 2003).

In ensuring that the needs, wants and concerns of the customers are heard and acted upon, Mhlathuze Water adopted a strategy where all of their customers are represented in the board through their Executive Mayors and senior political officials. This approach ensures that relations with customers are enhanced and that any misunderstandings get cleared up in time. This approach also ensures that the decisions taken by Mhlathuze Water have the blessings and total buy-in of the customers because they were also part and parcel of the decision making process. That is why the consumers form the high-level strategic performance indicator that is used as a lever to determine customer satisfaction. Other performance indicators that Mhlathuze Water uses are:

- Black Economic Empowerment – encourage black enterprise development
- Corporate Governance – compliance with good governance principles
- Risk Management – identification, assessing Mhlathuze Water’s risk appetite and mitigation
- Human Resources – Mhlathuze Water’s drive to become the employer of choice
- Water Quality Standards – compliance with SABS 241 standards
- Plant availability – render a reliable and uninterrupted service
- Financial Performance – long term viability and sustainability of Mhlathuze Water and its core consumers, and
- Water Resources – security of supply of the raw water

#### **4.2.4 Amatola Water**

This water utility is regional player in the Eastern Cape and was established in November 1997 via Notice in the Government Gazette, No. 18409, published on 14 November 1997, in response to the dire state of underdevelopment and poverty that characterises the province (Amatola Water, 2004). Amatola Water was to act as a springboard and a platform from which economic

development would be initiated through provision of water services and related infrastructure as a catalyst to economic reform as water is synonymous to development (Amatola Water, 2004). Covering some 43 400 square kilometres, Amatola Water was mandated by government to render water services to water sector institutions, local government and other customers as per the water services legislation.

Amatola Water delineates its services into two broad areas, namely core and specialist services. This water utility seeks to differentiate itself from other water utilities through the provision of specialist services as witnessed by their assembling of the best specialists in South Africa and seeks to attain leadership through excellence and technology (Amatola Water, 2004). The core services offered by Amatola Water include water abstraction, purification and bulk supply of potable water to customers. The core services are supported by other related supply services including bulk supply of treated water and limited retail reticulation of potable water. This service is rendered to major urban centres such as the East London and King Williams Town. This water utility also supplies portions of urban, peri-urban and rural settlements within the jurisdictional areas of Amatole, Chris Hani, Cacadu and Ukhahlamba District Municipalities to a population of about 2.47 million people (Amatola Water, 2004).

The specialist services are the pride of Amatola Water as they distinguish the water utility from others and place it on a higher pedestal. These services are infrastructural development, water services, water resource management, institutional development, social development and technical/operational services.

The mission of Amatola Water “to provide a full range of high quality, cost effective and sustainable water services to meet and satisfy the specific needs of Local Government’s water services delivery objectives and those of other existing and potential customers” will be achieved through prudent, efficient and effective management of the water resources. As a result, this water utility manages about eight dams as well as a number of feeding rivers with a total live storage capacity of 246.27 million cubic metres of water. This capacity is expected to provide sufficient water to meet the projected needs of the region until 2012 provided that the current



water demand management programmes are implemented successfully and the future actual water demands do not vary significantly from projected figures (Amatola Water, 2004).

#### **4.2.5 Sedibeng Water**

Sedibeng means “well or source” and thus Sedibeng Water views themselves as not just the mere source of water or provider of water services but also a sustainer and improver of quality of life of people with their area of operation (Sedibeng Water, 2004). This water utility that was previously known as Goudveld/Goldfields Water was established on the 1<sup>st</sup> of June 1979 through Proclamation 114 of 1979 to serve mainly the areas of the Free State Goldfields and parts of the former Western Transvaal. Through subsequent proclamations (Proclamation 612 of 1996 and Proclamation 1361 of 1996) the operational area increased drastically from just under 8 000 to 86 000 square kilometres, making Sedibeng Water the largest water utility providing water services across 2 provinces, namely Free State and North West, and serving a population of about 2 million people (Sedibeng Water, 2004).

The purpose of the organisation is well articulated in its mission and vision statements that asserts its desire and will to make a real contribution to the improvement and/or preservation of the quality of life for all communities through:

- The provision of an uninterrupted and reliable supply of drinking water of acceptable quality in sufficient volumes at the most cost-effective price to all communities and business,
- The integrated approach to total water management to ensure the efficient and equitable utilisation of a scarce resource to the benefit of all, and
- The promotion of awareness to all consumers of the value of water and the role that total water management play in their lives.

(Sedibeng Water, 2004)

Sedibeng Water will continue to strive to be the service provider of choice in its operational area because of the experience, capacity, people, willingness and commitment that it possesses. It is

the belief of this water utility that the quality of water supplied is non-negotiable and this is ensured by the South African National Accreditation System (SANAS) accredited laboratory analyses, and highly competent and professional staff who perform about 4000 chemical and 2000 bacteriological analyses per month to ensure that the water supplied even exceed the standards set by the Department of Water affairs and Forestry. The laboratory staff members are also involved in intensive research projects on various areas of water quality, water treatment and environmental management to ensure that the customers receive the best value for money.

The primary activities that Sedibeng Water is involved in is the supply of water services both bulk and retail. It is also involved immensely in the provision of water, sanitation and reticulation services in cases where a local government structure is unable to perform that function because of capacity challenges. This has led to numerous partnerships with municipalities the recent of which is between Sedibeng Water, Maluti-a-Phofung in Qwaqwa (Free State, Ga-Segonyana, Phokwane and Moshaweng cross border municipalities) with the express purpose of ensuring that the end users are not deprived of the basic constitutional right (Sedibeng Water, 2004). What separates and distinguishes Sedibeng Water from other water utilities is that absorptive capacity is transferred to municipalities after the contract period has expired and this ensures that the municipalities concerned will not heavily depend and rely on services provided by Sedibeng Water but be able to build, maintain and improve its in-house capacity thereby being self sustaining in the process.

The other difference between Sedibeng Water and other water utilities is its active involvement in community projects in areas that they serve. This forms an integral part of their Corporate Social Investment Programme aimed at poverty alleviation. This involvement has been happening for the past two decades and it involves community development, capacity building, empowerment and sponsorships. Sedibeng Water would like its slogan “sustaining the source and flow of life forever” to always remain a reality because of the firm belief that water is at the centre of development, which ultimately leads to the betterment of life of people (Sedibeng Water, 2004).

As can be deduced from this chapter, all the water utilities have tried to capture a specific position in their customers’ minds by using different positioning strategies. These positioning

strategies are more important now because of the changing legislative environment that has empowered municipalities to choose a service provider of their choice. Thus it is even more crucial for water utilities to adopt effective positioning strategies that will at worst enable them to keep the existing customers and at best generate new customer bases. In order for one to make a determination on the effectiveness of a positioning strategy, one would need to undertake some research. Based on the research findings, the top management will then be able to make informed decisions on whether they need to reposition or cement and strengthen the existing position.

The following chapter will deal in detail with how the data was collected that will assist Umgeni Water in determining its current position in the mind of the customers. Once the current position has been ascertained, it will have to be reviewed against the organisation's long-term plans and strategies. Decisions will then have to be taken on whether the current position is amplified and cemented or completely altered.

## **CHAPTER 5**

### **RESEARCH METHODOLOGY**

There are 284 municipalities in South Africa with 61 municipalities located in KwaZulu-Natal, 14 of which are Water Services Authorities. There has also been new water utility that has just been formed called Uthukela Water, which serves the jurisdictional areas of Newcastle municipality, Amajuba District Municipality, Uthukela District Municipality and Umzinyathi District Municipality. This water utility resumed its official operations on 01 July 2004. The study investigated only 6 Water Services Authorities representing 27 municipalities in KwaZulu-Natal.

The purpose of this research is to determine the current position that Umgeni Water occupy in the customers' minds, the drivers of the perception and lastly find out from the customers the extent to which the organization should change in order to improve its position in their minds. The determination of the current position occupied by Umgeni Water in the customers' minds will enable the organization to make a determination of whether it will assist in the achievement of the vision adopted by the organisation, which is "to be the No1 utility in the developing world". In this chapter the problem statement will be stated, explanations will be given on the research design, research questions will be outlined and the details will be on the sampling method.

#### **5.1 PROBLEM STATEMENT**

The water sector reforms in South Africa coupled with the recent promulgation of municipal legislation and laws has immensely changed the rules of the game in so far as the provision of water and sanitation services is concerned. The days when water utilities were the operating in monopolistic environments as per Water Act No 54 of 1956 are gone and have been replaced by a fiercely competitive environment presented by globalisation and the government's desire to streamline the water and sanitation delivery chain thereby improving the value-adding activities. It is now more crucial than ever that a water utility undertakes some introspection to ensure that

services, products, processes and strategies are geared towards exceeding the customers' expectations, and most importantly, to ensure that the organisation is positioned differently to competition, and perceived as the preferred service provider. This will only happen if the customers perceive that the offerings of the organization are value adding and compatible with their needs and wants (Baker, 2000, p 197).

This study is also more important in the current context because of the ambitions of Umgeni Water to be a player in the global context.

## **5.2 RESEARCH DESIGN**

Lambin (2000, p138) asserts that marketing research is useful for strategic and operational decisions, and identifies three types of objectives, namely:

- Understanding aid – to discover, describe, analyse, measure and forecast market factors and demand,
- Decision aid – to identify the most appropriate marketing instruments and strategies and determine their optimal level of intervention, and
- Control aid – to assess the performance of the marketing programmes and evaluate results.

This research is aimed at fulfilling the second objective, namely decision aid, because it enables strategic decisions to be taken to determine and decide the future and fate of the organization. The ultimate decision will then be left to management with regards to the steps to be taken in the light of the results emanating from this research.

## **5.3 RESEARCH QUESTIONS**

- What are the existing perceptions about Umgeni Water?

- What are the main drivers for these perceptions?
- How can Umgeni Water improve its image?
- How can Umgeni Water become a preferred service provider?
- Does Umgeni Water's product meet the customers' requirements
- Does Umgeni Water's services add value to the customers' processes and products

#### **5.4 RESEARCH OBJECTIVES**

The research was undertaken to for the following objectives, namely:

- To ascertain the current position of Umgeni Water in the minds of customers
- To establish the current customer perceptions about Umgeni Water.
- To determine the current service provider status that Umgeni Water enjoys with the customers.
- To establish whether Umgeni Water's product, namely water, meets the requirements of customers.
- To discover the value adding qualities of Umgeni Water's services to the processes and products of customers.

#### **5.5 QUESTIONNAIRE DESIGN**

To meet the above objectives, a survey was conducted. Surveys allow the collection of a large amount of data from a sizeable population in a highly economical way, and this research strategy is based most often on questionnaires, which enable the data collected to be standardized allowing for easy comparison (Saunders, et al, 2000, p95). The questions asked varied from open ended to multiple choice and Likert scale questions. The advantage of using Likert scale questions is that it aids in measuring respondent's attitudes and can be used to compare scores a person's score with a distribution of scores from a sample group (Cooper & Schindler, 2001, p234).

The methodology was derived from a study developed by Hill and Knowlton Captiva/LaTercera and fielded by Collect Market Research in Chile in 2000 (Procter & Gamble, 2003). This research was conducted to ascertain the consumer's perceptions about companies. For the purposes of clarity and ease of result interpretation, the areas of research are grouped into the following topics:

- **Products and services**
  - Quality of products and services
  - Reliability of product
  - Value addition of products and services
- **Marketing**
  - Emotional appeal
  - Customer relations
  - Communication
- **Competition**
  - Critical success factors
  - Perceptions
  - Drivers of perceptions
  - Performance of other water utilities in relation to Umgeni Water
- **Organization and management**
  - Availability and interactions with top management

Questions were then drawn up using the above broad areas to determine the perceptions held by the respondents about the organisation. To facilitate easy understanding and productive interpretation of the results, the questions were divided as follows (the final copy of the questionnaire is attached as Appendix A):

- Questions 1 to 8 cover the products and services. The questions sought to establish the respondents' perceptions with regards to products and services offered by Umgeni Water in the market place. Open-ended questions afforded the opportunity to the respondents to express their views, feelings, opinions and perceptions openly.
- Questions 9 to 12 provided insight into marketing issues that range from customer care differentiation to communication and Umgeni Water's perceived understanding of the customers' business.
- Questions 13 to 18 investigated the position that Umgeni Water is presently holding in comparison to competition. The questions were a combination of open-ended and Likert scale questions. This section also covered the aspects that the customers think Umgeni possesses and should possess to enable the formation of a strong strategic linkage between organizations.
- Question 19 dealt with the organizational and managerial issues through critical evaluations of top management's attitude and availability for discussions with customers.

## **5.6 SAMPLING METHOD**

There are a multitude of Umgeni Water's customers both within South Africa and abroad. A decision was taken to limit the study to customers within the borders of South Africa to enable manageable collection of data. To scale down the customers further, a decision was taken to concentrate on those customers that are provided with water and sanitation services and have attained the status of Water Services Authority. This legal status confirms that the municipalities have been accorded statutory powers through both the constitution and the municipal legislation to provide water and sanitation services to their constituencies. These customers are Ugu District Municipality, Sisonke District Municipality, eThekweni Municipality, uMgungundlovu District Municipality, uMsunduzi Municipality and Ilembe District Municipality. These customers represent 99% of revenue that is generated by Umgeni Water annually.



Municipal managers as well as strategic executive managers/executive directors or their delegates were interviewed because of the seniority of their positions as well as due to the fact that they interact personally with Umgeni Water and are also members of their decision making bodies. The availability of the senior management from the sampled municipalities was a challenge because of the various processes that the municipalities are currently busy with, which are drafting of the Integrated Development Plans, Water Services Development Plans and development of Local Economic Development Strategies to name but a few. In such cases interviews were administered telephonically. It therefore stands to reason that sampling method used is judgemental. According to Lambin (2000, p161), judgemental sampling is a procedure in which the market analyst exerts some effort in selecting a sample of respondents that he or she feels most appropriate for the research objectives.

## **5.7 SAMPLE SIZE**

The study investigated only 6 Water Services Authorities representing a total of 27 municipalities in KwaZulu-Natal. These Water Services Authorities are Ugu District Municipality, Sisonke District Municipality, eThekweni Municipality, uMgungundlovu District Municipality, uMsunduzi Municipality and Ilembe District Municipality. These Water Services Authorities represent a combined annual income of 99%. The decision on sample size was taken on the basis of ensuring that data collection would be manageable.

## **5.8 DATA COLLECTION**

A questionnaire was used as a vehicle to gather data from the respondents. These questionnaires were either delivered by hand or sent through electronic media after initial contact has been made and the research objectives have been explained. The questions that arose from the questionnaire were answered on the spot to respondents who received hand-delivered questionnaires but only a

few of respondents who received e-mailed questionnaires phoned for clarity and/or to get additional information. The collection of data lasted two and half months.

## **5.9 METHOD OF ANALYSIS**

An excel spreadsheet was used to analyse the results in collaboration with statistical technique called Chi squared to ensure validity, repeatability of the results and establishing whether there is any correlation between the results (Saunders, Lewis & Thornhill, 2000, p358). Graphical representation was extensively utilised to facilitate easy reading and interpretation of the results. The reliability analysis using Cronbachs Alpha was used to ascertain whether the validity and consistency of the results and whether the results can be generalised if the sample size was increased (Cooper & Schindler, 2001, p173).

## CHAPTER 6

### RESEARCH FINDINGS AND DISCUSSION

#### 6.1 INTRODUCTION

The sample consisted of Water Services Authorities within Umgeni Water's operational area that spans 27 000 square kilometres, namely Ugu District Municipality, Sisonke District Municipality, eThekweni Municipality, uMgungundlovu District Municipality, uMsunduzi Municipality and Ilembe District Municipality. The sample size was 12 constituted by 2 members from each Water Services Authority. Out of a total sample of 12 people that were approached, 11 responded thus representing a response rate of 92%, which is well over the recommended 80%. According to Martins *et al* (1996, p129) a response rate of around 80% is sufficient to yield acceptable statistical results.

Figure 3: Percentages of participants that responded per Water Services Authority

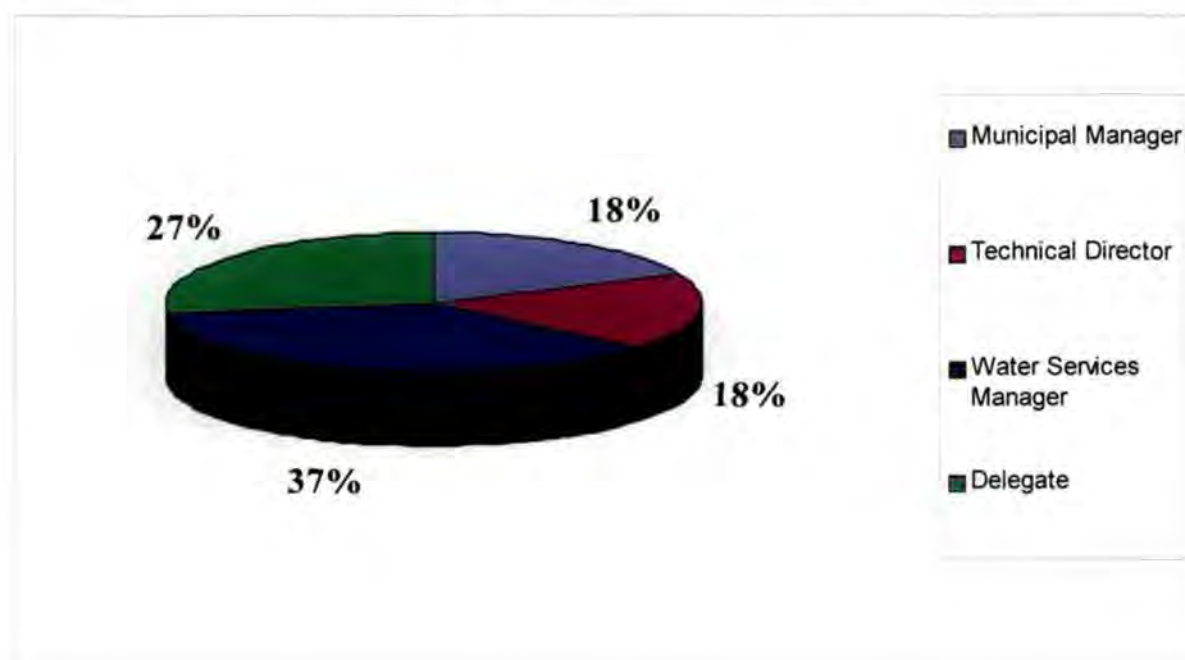


The graph above (figure 3) indicates that all but one municipality, namely, Ugu District Municipality had two people each responding. This fact will, however, not affect the result and thus pose no statistical challenge because the total number of respondents is above the recommended 80 %.

## 6.2 SAMPLE DESCRIPTION

The people from the municipalities interviewed were Municipal Managers, Technical Directors, Water Services Managers or their delegates. The graph below (figure 4) shows that most respondents held a portfolio of Water Services Manager. This is important because the person that Umgeni Water deals with most of the time and who is at the coalface is the Water Services Manager especially when dealing with operational issues. At strategic level, Umgeni Water deals with the Technical Director and Municipal Manager. The graph below shows a well-balanced split between operational and strategic levels and the responses given will have no bias over one sphere.

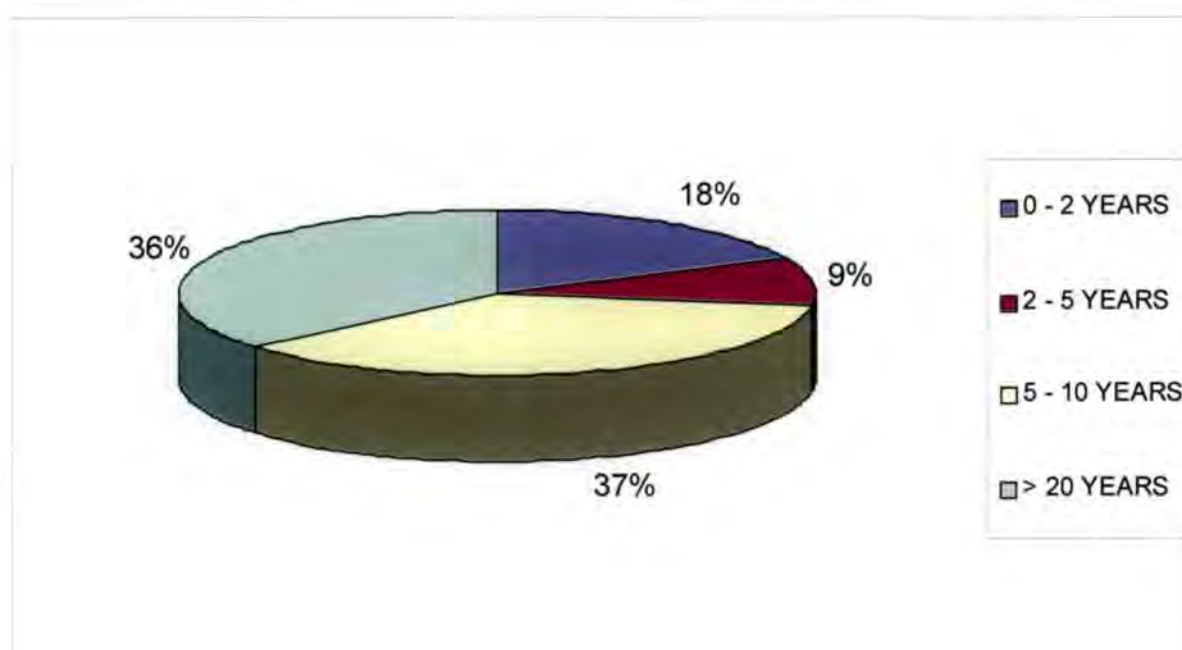
Figure 4: The respondents from the Water Services Authorities per portfolio (as a percentage)



### 6.3 THE LENGTH AND STATUS OF SERVICE PROVISION

The graph (figure 5) below shows that there are municipalities with which Umgeni Water has been operating for over 20 years. The results show that Umgeni Water has just started providing services to 18% of the Water Services Authorities, but these are substantially less (in relative percentages) than those where the provision of services has been over 5 years indicating some sort of a track record between Umgeni Water and those Water Services Authorities. This split in the length of service is very important because it will aid Umgeni Water in determining the effort placed in relation to number of years of doing service. It will help answer questions such as whether Umgeni Water places more emphasis on new clients (0-2 years and 2-5 years) and is complacent in dealings with those customers where the relationship has been longer (5-10 years and >20 years) or whether costs in acquiring new clients pay off in later years.

Figure 5: Percentage service provision to the Water Services Authorities in calendar years

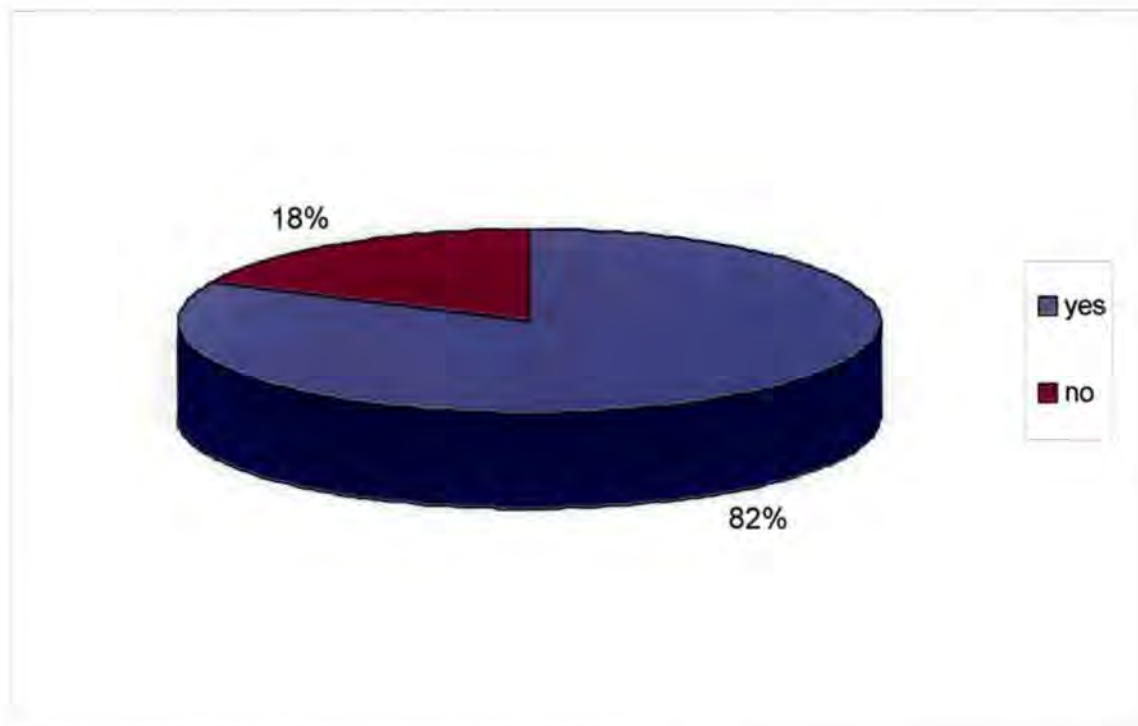


The respondents were then asked to give their impression of whether the service provision that has been explained above has changed over the years. The results below (figure 6) show that 82% of the Water Services Authorities acknowledged that the service provided has changed to a



certain degree whilst only 18% of the respondents from the Water Service Authorities felt that the service delivered by Umgeni Water has not changed, i.e. the service provided has been similar and invariable over the years.

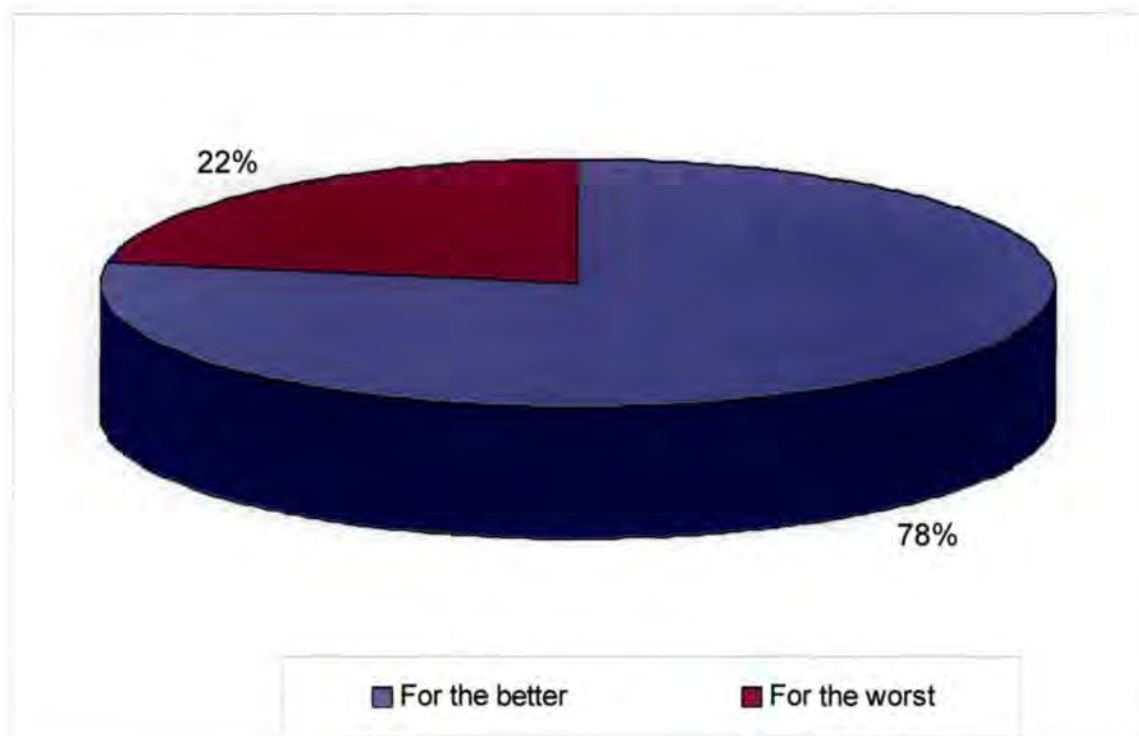
Figure 6: Graph showing the response to the question “has the service offered by Umgeni Water changed over the years?”



The respondents (82% from graph 6) who felt that the service has changed over the years were further asked to rate the change in terms of being better or worse than the initial service provided. From the graph below (figure 7) it would seem that 78% and 12% of the respondents felt that the service provided has changed for the better and for the worst respectively. These figures are crucial in terms of enhanced service delivery because figure 6 indicates that Umgeni Water is a dynamic and growing organisation that is on a constant look out and actively researching different ways of delivering the same service better and more efficiently. It would seem from figure 7 below that Umgeni Water is achieving that target because 78% of the Water Services

Authorities felt that the service has improved. This is an indication that Umgeni Water is not complacent but is serious about customer management through its active involvement in new ways of enticing the customer, which ultimately may lead to stronger bonds being formed between Umgeni Water and the Water Services Authorities, thus translating into improvement and enhancement of relations. Park and Jaworski (1986, p137) remarked that companies should pursue newer and more effective ways of targeting the organization's offerings as markets evolve and develop in response to changing customer expectations. This approach is helpful to differentiate the organisation's offerings from competition (Park & Jaworski, 1986, p138). This is exactly what Umgeni Water is doing and is appreciated by 78% of Water Services Authorities (figure 7) that perceive the service provided as having improved. According to Ries and Trout (1986, p6), organizations need not create something new and different but need "to manipulate what already up there in the mind, to retie the connections that already exists". Umgeni Water has not introduced new products to the market but has just improved the way the services/products are rendered/offered and has managed to positively manipulate the mind of the customer through improved service as shown by responses in figure 7 below.

Figure 7: The status of service provision over the years



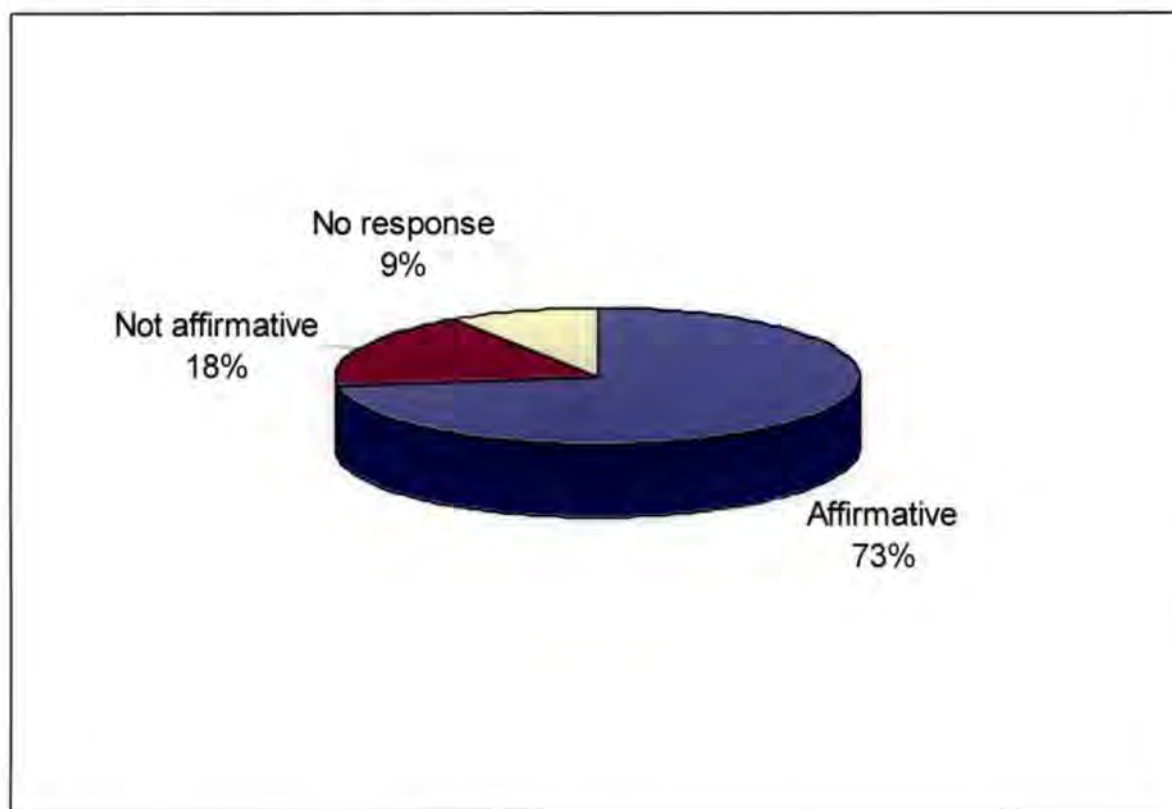
#### **6.4 THE SERVICE PROVIDER OF CHOICE**

According to the plethora of municipal legislation including the Municipal Systems Act (Act No 44 of 2003 as amended), the Water Services Authorities are constitutionally mandated to provide basic water services to their constituencies in an equitable, transparent and fair manner. Most of these Water Services Authorities do not as yet have adequate resources in place to enable them to carry out this service efficiently and prudently, and thus appoint a service provider to carry out the water services provision on their behalf whilst they develop the capacity internally (Department of Provincial and Local Government Document, 2004).

The establishment of how Umgeni Water is viewed by the Water Services Authorities is relevant to Umgeni Water because its own existence relies upon the municipalities. The growth strategy of Umgeni Water for the next five years hinges on municipalities as they have been identified through market surveys to be the most lucrative and under-serviced market (Umgeni Water, 2004, p9). When questioned about whether Umgeni Water is the Water Services Authorities' service provider of choice, 73% of the Water Services Authorities responded in the affirmative compared to 18% that preferred other service provider(s) to Umgeni Water for similar service (figure 8). About 9% of the Water Services Authorities did not specify whether Umgeni Water is their preferred service provider, i.e. the question was not answered. Umgeni Water would need to target this 9 % that is still unsure as a first priority and then carry out investigations to ascertain the reasons and the bases of the 18% that do not feel that Umgeni Water is a preferred service provider. Once reasons have been gathered, Umgeni Water will then need to devise strategies and plans that will enhance their image and ultimately result in these Water Services Authorities preferring Umgeni Water to other service providers.



Figure 8: Graph showing the number of respondents that perceive Umgeni Water as a preferred service provider (in percentages)



Of the 18% (figure 8) who felt that Umgeni Water is not their service provider of choice, the responses received included the fact they basically have no choice but to deal with Umgeni Water because of the close proximity in terms of geographical location to the Water Services Authorities and is the only supplier of bulk water thus making it difficult to engage other service providers even though the Water Services Authorities are prepared to do that. This explanation is against the backdrop of not being satisfied by the current services offered but the Water Services Authorities felt that they do not have the means of introducing another service provider because of both legislation and geographical location of Umgeni Water. These respondents also felt that Umgeni Water is “a professionally depleted, parastatal empire” that is highly inefficient and protected by legislation from the forces of competition.

Umgeni Water will need to address the above concerns and negative perceptions if its vision of being No.1 in the developing world is to be achieved. The fact that Water Services Authorities

that reside within their promulgated area of supply are not pleased with the service rendered, means that the organization needs to undertake some introspection. This state of affairs begs the question that 'if Umgeni Water cannot satisfy customers within the legislated area of supply and that are in close proximity, what hope do they have of meeting the demands and satisfying the needs of customers that are distant to them'. Since Umgeni Water is also aware that there are forums both nationally and provincially where these Water Services Authorities meet and discuss issues of commonalities, it would therefore be wise to address these concerns because of the known fact that bad news travel fast.

It should, however, be noted that the negative responses received constituted a minority, i.e. 18% of Water Services Authorities surveyed. The majority, 73%, believes that Umgeni Water is delivering the kind of services that they are looking for and hence is their service provider of choice.

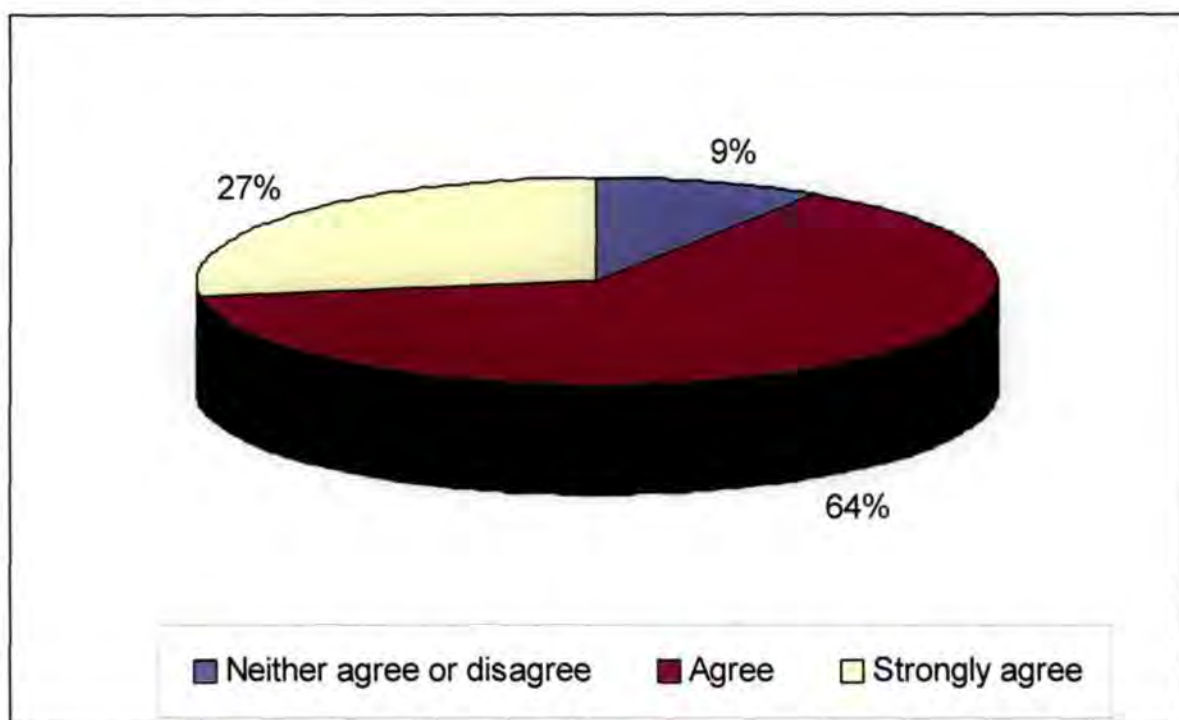
It is evident from the results above that the corporate positioning adopted by Umgeni Water, to be the service provider of choice, as an organization has been effective. According to Payne (1993, p105), corporate positioning is concerned with managing and communicating a differentiated corporate position to enhance the image, visibility and credibility of the organization. From this research, 73% of Water Services Authorities (figure 8) affirmed that Umgeni Water is their preferred service provider.

## **6.5 PRODUCTS AND SERVICES OFFERED BY UMGENI WATER**

Section 29 of the Water Services Act (Act No 107 of 1997) stipulates that the primary function of a Water Board is to provide bulk water services to water services institutions and is the principal reason that prompted the Parliament to establish Water Boards. Umgeni Water therefore needed to establish from the Water Services Authorities whether it is perceived to be carrying out its constitutional mandate. The Water Services Authorities were therefore requested to indicate whether the main product offered by Umgeni Water, namely water, meets the Water Services Authorities' requirements in terms of the quality, quantity and assurance of supply (the price of

the product was not considered by this question). Umgeni Water has since its inception (14 June 1974) strived for a high quality product and this quest has resulted in heavy investment being made in infrastructure, personnel and research to ensure that the product meets and even exceed both national and international standards. Umgeni Water has been able to achieve this feat as demonstrated by their water quality reports contained in annual reports including 98/99 Annual Report, 99/2000 Annual Report, 2000/2001 Annual Report, 2001/2002 Annual Report, 2002/2003 Annual Report and 2003/2004 Annual Report.

Figure 9: Responses (as a percentage) to whether Umgeni Water's main product, water, meets the customers' requirements.

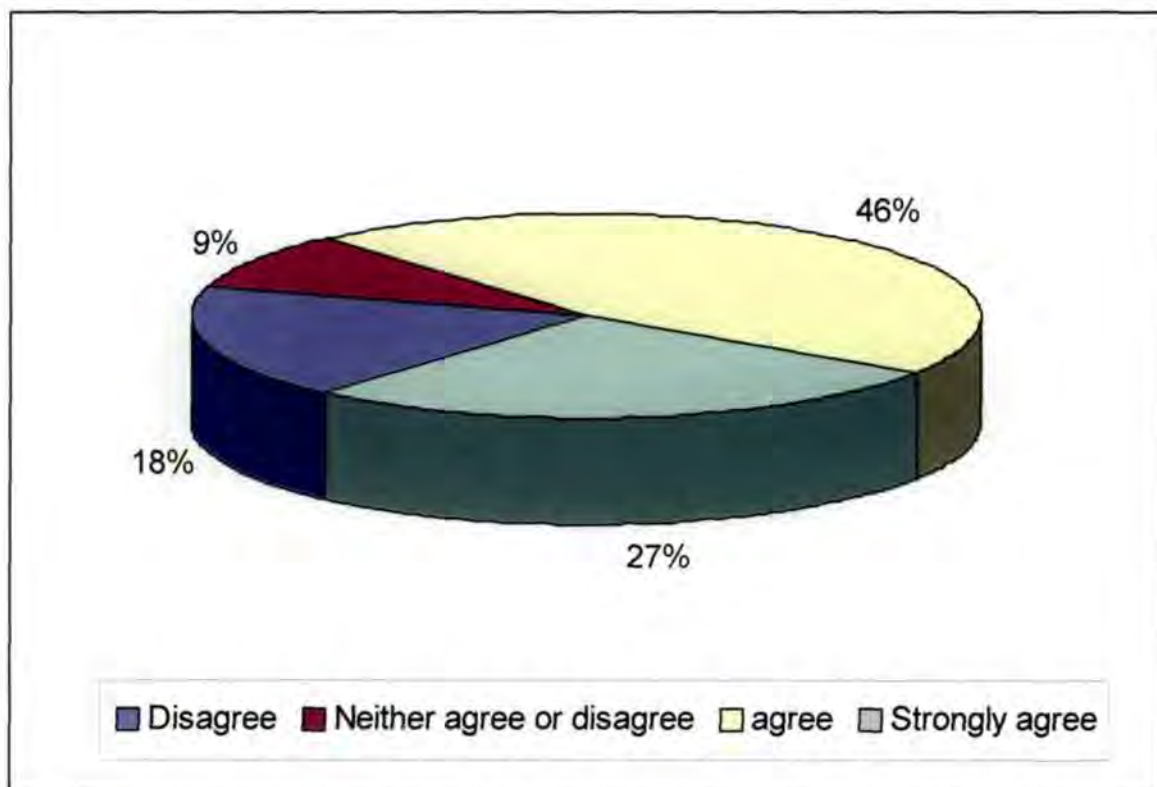


The results as shown in figure 9 indicate that most of the respondents (91%) felt that Umgeni Water's main product, water, meets their requirements while some Water Services Authorities amounting to 9% were unsure about Umgeni Water's product. As far as the constitutional mandate that Umgeni Water received when it was established, the organization might be deemed to be in breach of contract because of the 9% of Water Services Authorities that are unsure. This primary activity cannot be compromised at all as it includes elements of public safety, as the quality of water should meet guidelines of potable water, which should be fit for long-term

human consumption as stipulated by the Department of Water Affairs and Forestry. Umgeni Water will need to investigate the reasons why some of the Water Services Authorities are unsure whether the main product meets the requirements.

When asked whether the professional services that are provided (that includes but is not limited to pollution detection, extreme events management, engineering services, design competencies, laboratory services, water loss management and water quality monitoring) meet the Water Service Authorities' requirements, figure 10 shows that 73% of the respondents indicated that to be the case while 9% of the respondents were unsure. It is interesting to note that 18% (figure10) of the Water Services Authorities disagreed with the notion that the professional services offered by the organization meet their requirements. This is a cause for concern because these services are amongst the suite of services identified as potential growth areas by Umgeni Water (Umgeni Water, 2004, p16).

Figure 10: The responses (in percentages) on whether the professional services offered by Umgeni Water meet the customers' requirements.



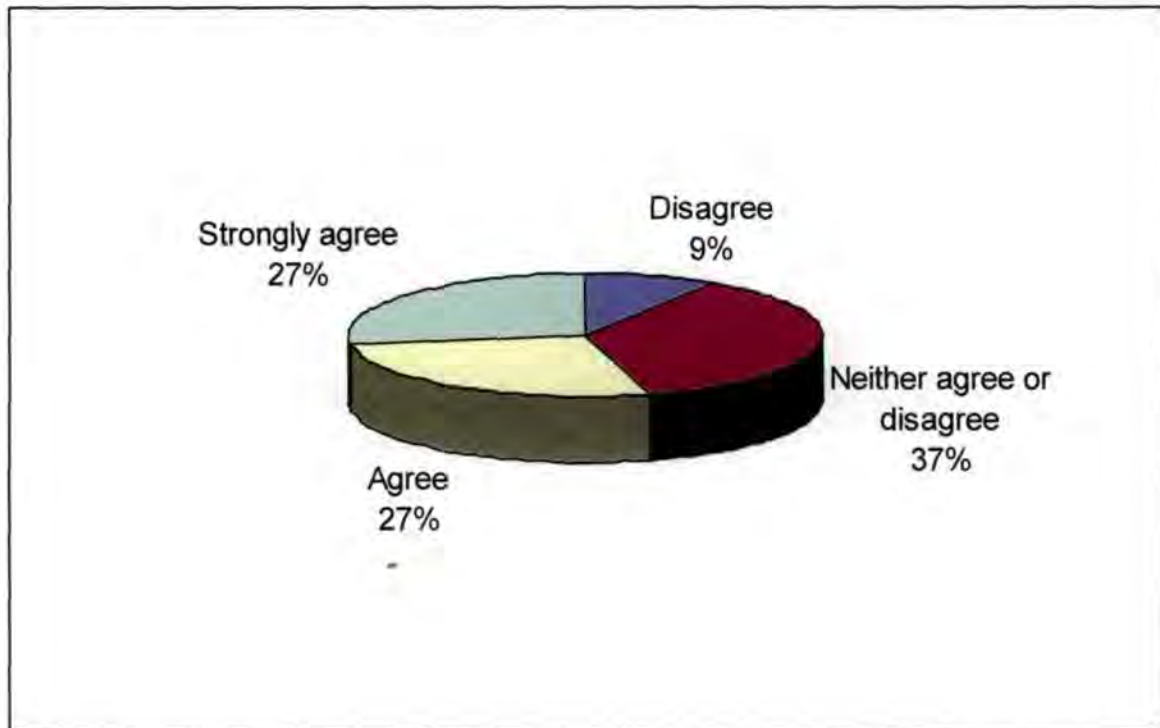


Kotler (1994, p294) suggests that a differentiation can be made by organizations along five dimensions, two of which are products and services. The other three dimensions are channel, personnel and image. The above figures (figure 9 and 10) assert that Umgeni Water has been successful in differentiating itself from competition in both products produced and services rendered, and thus occupy a specific place in the mind of the customer. From the responses received, the product, water, received 91% acknowledgement (figure 9) because of its reliability and conformity to both international and national standards, and 73% of respondents asserted that the professional services add value to the businesses of customers (figure 10). These responses are in agreement with assertion from Kotler (1994, p295) that states that reliability and conformity are but two of the elements that can be manipulated and used as a tool for differentiating products, while services can be differentiated on the basis of “value for money”.

## **6.6 VALUE ADDITION**

Value addition is an important aspect in any business venture and it makes sense that businesses/organizations will pursue value addition to differentiate themselves from competition and this make their offering different and sometimes allows those organizations to charge premium rates (Marx & van der Walt, 1989, p131). In the same breath any involvement that one organization might pursue with another will be based on many factors including the degree to which the offerings complement each other and add value to each others line of business (Baker, 2000, p345). With this in mind the Water Services Authorities were questioned on whether the services offered by Umgeni Water add value to their businesses, and thus enable the Water Services Authorities to discharge their duties more efficiently and effectively. The results are shown below (figure 11) where 54% of the Water Services Authorities agreed with the notion that the services offered add value to their business. The second highest percentage, 37% is attributable to respondents that are unsure of the value adding nature and the degree thereof derived from services offered by Umgeni Water whilst 9% feel that the services offered do not make any difference at all to their business.

Figure 11: Value addition by Umgeni Water's services



The above scenario poses a challenge for Umgeni Water because of the current strategy of the organization aimed at forming long-term partnerships and strategic alliances (Umgeni Water, 2001, p10). If some Water Services Authorities perceived that Umgeni Water's services are not adding value to their process, there is little chance that they will be amenable to long-term relationships because they perceive there to be no value that will be derived from such an arrangement.

Max and van der Walt (1989, p123) asserted that consumers, in their selection of products, more often than not would opt for those that provide them with the most value for money to maximize and satisfy their need. The results shown by figure 11 above suggest that 54% of Water Services Authorities felt that the services offered by Umgeni Water add value to their businesses.

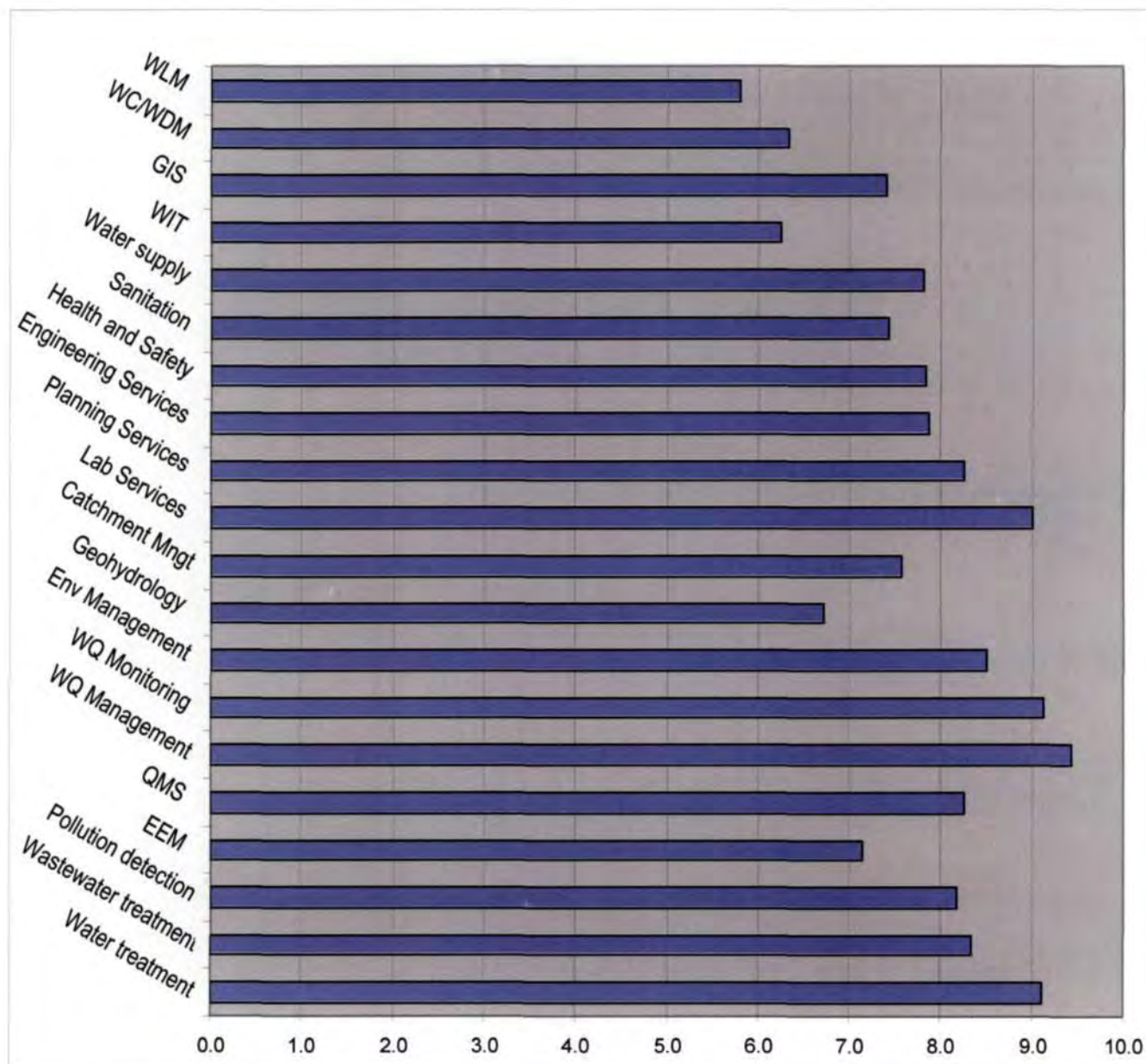
## **6.7 SERVICES OFFERED BY UMGANI THAT ARE RELEVANT TO CUSTOMERS**

Umgeni Water also needed to establish the kind of services that the Water Services Authorities are mostly interested in and utilizing. The outcome of this question would aid Umgeni Water to allocate resources properly and ensure that the most utilized services are properly resourced and more attention was paid to them. The reason for this was because Umgeni Water can ensure that these services were benchmarked internationally and offered in the best possible manner. If the client was pleased with this service, there was a greater likelihood that Umgeni Water will be given a chance to offer other related services. The plan therefore was to use the most utilized services as an entry point to the Water Services Authorities.

A decision can then be taken on what to do with those services that are least utilized including marketing them in other sectors (depending on the market survey) or dropping them altogether if they do not give Umgeni Water the competitive edge.

The Water Services Authorities were asked to rate the services offered by Umgeni Water using a scale of 1 to 10, where 1 and 10 represents poor and excellent service offered respectively. The mean of the results was used to arrive at the final answer. It would seem from the graphical presentation below (figure 12) that the strength of the organization lies in the fields of water quality management, water quality monitoring, water treatment and laboratory services. In order for the organization to realize its vision of being No. 1 in the developing world, it would need to improve in areas such as geohydrology, extreme events management, water industry training and water loss management.

Figure 12: Different services offered by Umgeni Water



EEM – Extreme Events Management

QMS - Quality Management System

WQ - Water Quality

Env Management – Environmental Management

Lab Services – Laboratory Services

WIT – Water Industry Training



GIS – Geographical Information System

WC/WDM – Water Conservation and Water Demand Management

WLM – Water Loss Management

The belief held by Easingwood and Mahajan (1989, p209) and Payne (1993, p103) is that services could be used as a form of differentiation by manipulating their distinct characteristics, namely intangibility, heterogeneity, perishability and inseparability. This can be achieved through assisting the customer to “see” an intangible benefit by offering tangible evidence. The customers perceive the strength of Umgeni Water to lie in the fields of water quality management, water quality monitoring, water treatment and laboratory services (figure 12). This means that the customers have experienced and “seen” tangible evidence through the provision of these services by Umgeni Water. The organization should thus expend more resources in cementing and entrenching its position as the preferred provider of these services and even more energy in convincing customers and offering tangible evidence to assist services such as geohydrology, extreme events management, water industry training and water loss management, to occupy the same position in the customers’ minds.

The respondents suggested other aspects that are not captured by Figure 12, namely overall management, business transparency and business ethics. The respondents felt that on all three characteristics Umgeni Water rate poorly (each attribute received 1 point resulting in a mean of 1 point) and this situation warrants immediate intervention as it borders on issues of Corporate Governance as well management attributes which are critical to the success of the organization.

## **6.8     MARKETING ISSUES**

In order for Umgeni Water to understand how it was perceived by the Water Services Authorities and to gather the first thoughts and emotions that are evoked when thinking about Umgeni Water, the Water Services Authorities were requested to describe Umgeni Water in no more than three words. The responses received were from the two extremes, both positive as well as negative.

Table 6: Positive responses received from Water Services Authorities

<b>Responses</b>	<b>Percentage of Water Services Authorities</b>
Regional water utility	82
Excellent resource base	82
Abundant quality expertise	82
Improving people's lives	82
Major water provider	73
Eradication of backlogs	73

Amongst the positive responses (table 6 above), 73% of the Water Services Authorities highlighted the fact that Umgeni Water is major service provider whose relevance is not only in the KwaZulu-Natal Province but also nationally. They felt that Umgeni Water has a major role to play to further both the developmental agenda of local government and assist in the eradication of backlogs to achieve the Millennium Development Goals and meet the targets set during the World Summit on Sustainable Development in Johannesburg in 2002. The other positive response made by 82% of the Water Services Authorities was that Umgeni Water is viewed as a company with an excellent resource base and expertise that is used to serve clients diligently and in the process enhances its profile. These Water Services Authorities still think that Umgeni Water is relevant in the water sector and will continue to make meaningful contribution that will result to the betterment of lives of all.

On the other end of the spectrum, however, there are Water Services Authorities amounting to 27% that felt that Umgeni Water is arrogant, self-serving and untouchable (table 7 below). The organization is perceived as using legislation to meet its own ends, which are often contrary to the needs of the client. 18% (of total) of the Water Services Authorities felt that Umgeni Water is expensive, supercilious and unaccountable. These Water Services Authorities felt that the products and services rendered by Umgeni Water are extremely highly priced to the point that the organization is perceived to have priced itself out of the market. As far as customer care is concerned, some of these Water Services Authorities (9% of total) believed that "Umgeni Water is unaware of this revolutionary concept" meaning that the organization is not responsive to their

needs and wants, and does not take to heart the fact that they are Umgeni Water's customers, in fact Umgeni Water is perceived to "care less about their needs and aspirations". These remarks are very damaging to the Umgeni Water brand and require immediate attention because it seems that the organization is positioned differently in the minds of these Water Services Authorities although all these Water Services Authorities are geographically located in close proximity to each other.

Table 7: Negative responses received from Water Services Authorities

<b>Responses</b>	<b>Percentage of Water Services Authorities</b>
Arrogant, self-serving and untouchable	27
Expensive, supercilious and unaccountable	18
Exorbitantly priced services	18
Expensive and unaccountable	18
High priced products	18
Inattention to customer needs	9
Nil customer care	9

Marx and van der Walt (1989, p130) as well as Payne (1993, p115) believe that the organization's position is affected and influenced by networks of perceptions comprised of groups of competing organizations and customers. The organization that is in search of a differentiated position in the marketplace should be aware of these networks of perceptions to enable manipulation of these variables to the advantage of the organization. Payne (1993, p116) suggests exploitation of these networks, one of which is the customers' perception of the organization. The Water Services Authorities perceived Umgeni Water in both good and bad light. The organization should fully exploit the positive perceptions to reinforce the intended position whilst it devises a strategy to deal with the negative perceptions. The strategy to deal with negative perceptions might have two objectives. The first objective might be to reposition the organization such that the negative perceptions are turned around in customers' minds into good perceptions (turnaround strategy) and/or minimize the effect of the negative perceptions

(i.e. strengthen and enhance the positive perceptions) such that they do not overshadow the positive perceptions (Marx and van der Walt, 1989, p132). They are also adamant that organizations should ensure that the positive perceptions (that will inform the positioning strategy) are elaborated and reinforced in such a way that the negative perceptions are neutralized and discounted in the mind of the customer, i.e. positive perceptions should prevail.

### **6.8.1 Customer focus and customer satisfaction**

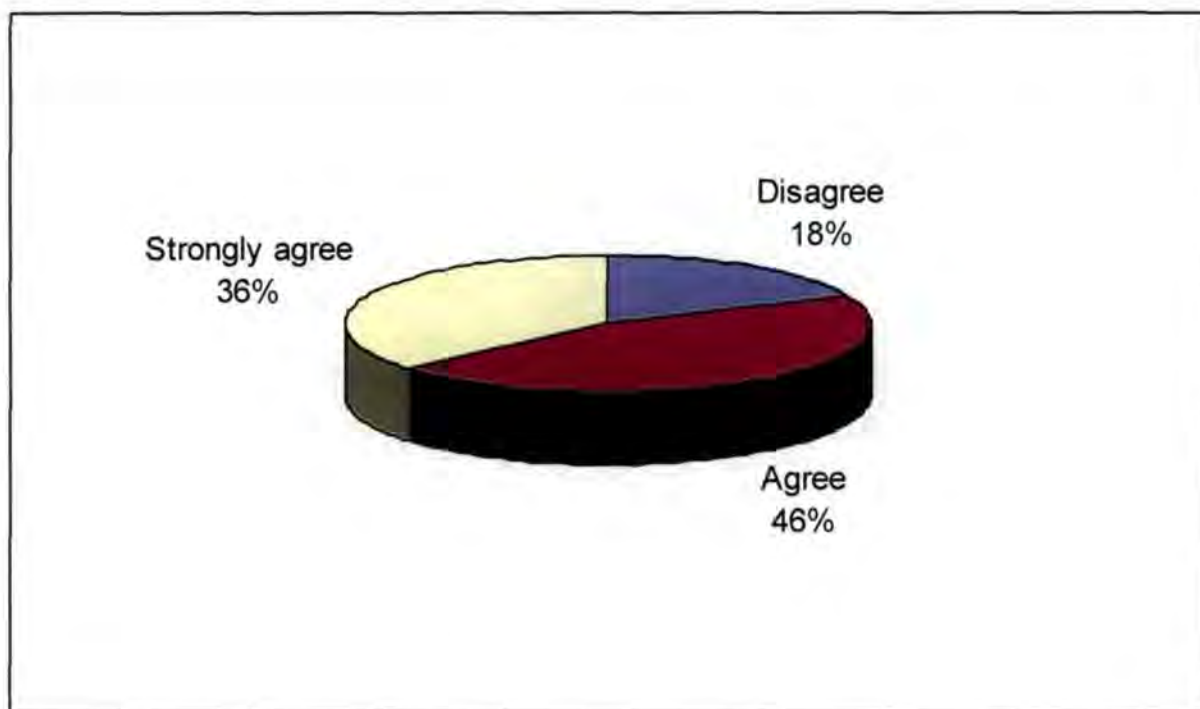
The Water Services Act (Act No 107 of 1997) sought to address the competitiveness of the Water Boards and the levelling of the playing field by removing the protection from competition that was enjoyed by the Water Boards through previous legislation. Before the promulgation of the Water Services Act (Act No 107 of 1997), water utilities operated as monopolies in their areas of jurisdictions and the customers, unfortunately, had no other choice (as legislated) to use any other service provider other than the water utilities. This state of affairs, i.e. for customers to depend on one service provider had enormous negative consequences for the water industry as a whole because of complacency that crept in within the water utilities resulting in bad customer service where customer satisfaction and servicing customer needs were not a priority.

Dorrian (1996, p65) concedes that the standard of customer care in South Africa is poor. He laments that the state of affairs is due to an authoritarian management structure, which was also until recently, repressive (Dorrian, p66). This type of management system has unfortunately been carried over to the way in which normal business is conducted where the approach to customer management is a “take it or leave it” (Dorrian, p66).

An article from The Workplace Newspaper quoted Mike Lipkin (The Workplace, 2001, p2) as saying that customer service thrives on rapport. He further stated that “if empathy is the root, then rapport is the nourishment of good relationships”. Lipkin explained rapport as when two or more people connect with each other in a harmonious, mutually trusting and rewarding way. He asserted that rapport is struck when there is a feeling “as though the other person identifies with you, respects you, wants to help you, and when you thoroughly enjoy being with another person because you know she/he is very similar to you in values, beliefs and behaviour”. It was further

emphasized by Lipkin (The Workplace, 2001, p2) that when people around you feel fabulous, chances are greater that they will come back again and “that the difference between a a good company and a very good company”.

Figure 13: Responses (in percentages) on whether Umgeni Water is customer focused and committed to satisfying customer expectations.



With this in mind, the Water Services Authorities were requested to respond on the extent of Umgeni Water’s focus on them as customers, and its commitment to satisfying and even exceeding customer expectation, 82% affirmed the organizations’ commitment to satisfying customer expectations while 18% disagreed as shown in figure 13 above. It is interesting to note that none of the Water Services Authorities strongly disagreed with the notion that Umgeni Water focuses on customers with a view of satisfying them. Umgeni Water will need to take an introspection and investigate these concerns because the trend over the last points discussed above seems to be indicating that Umgeni Water treats customers differently and this is definitely to the detriment of the organization.

Lipkin (The Workplace, 2001, p2) stated that the operative words in customer management and communication are rapport and consistency of service. Judging from the responses gathered from Water Services Authorities as shown in figure 13 above, it would seem that 82% of customers felt that Umgeni Water has struck a rapport with them and the values, beliefs and behaviors are similar in both organizations.

### **6.8.2 Communicative nature of Umgeni Water**

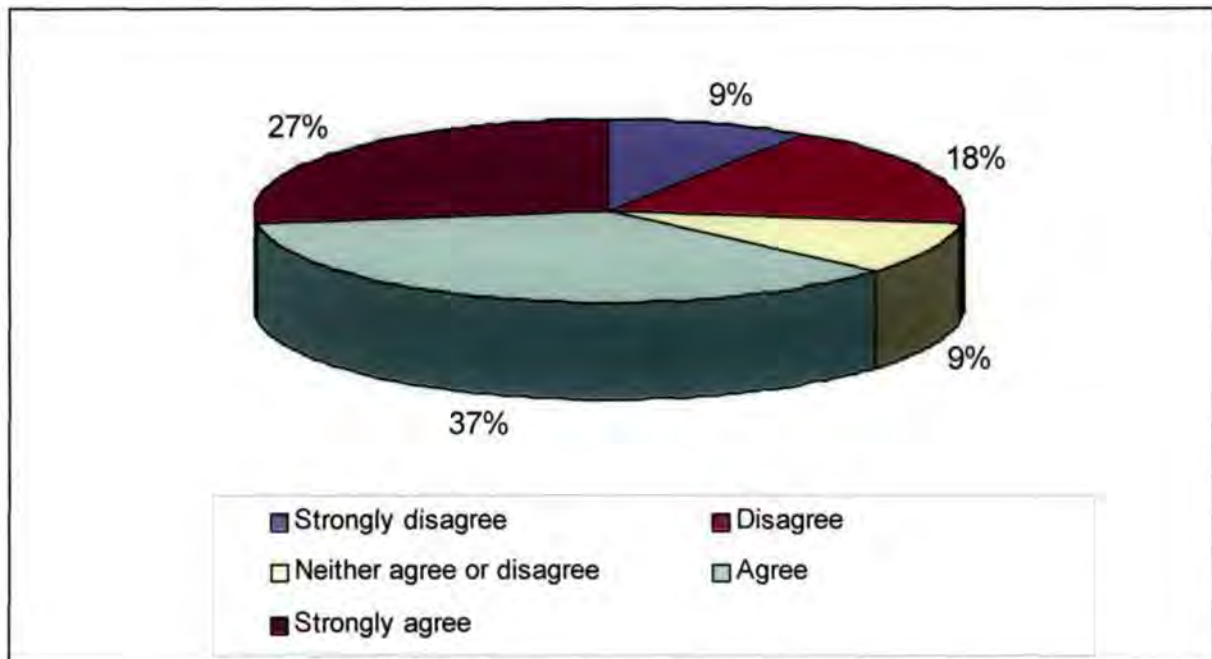
One other aspect that is also important in business dealings and is the cornerstone of customer management, is communication (Blem, 1995, p231). Its importance lies in the fact that blockages in communication might lead to incorrect information being gathered and misaligned decisions being taken. Heskett *et al* (1990, p89) believe that organizations should introduce what they term “customer service breakthroughs” whose objective is to revolutionise the rules of the game by setting new standards for consistently meeting or exceeding customers’ needs and expectations. The cornerstone of the customer service breakthroughs is effective and efficient communication. They believe that organizations can differentiate themselves in this aspect through focusing and improving communication on matters that are important and relevant to the customer. As communication is a two-way process Heskett *et al* (p92) asserts that the communication plans and strategies adopted by organizations should have inputs and comments from the target customers to ensure that breakages in communication, and miscommunications are minimized.

It is thus important for Umgeni Water to establish the perceptions of the Water Services Authorities with regards to the manner with which Umgeni Water communicates with them. The Water Services Authorities were asked whether they perceived Umgeni Water to be a communicative organization that ensures that the client is never kept in the dark, i.e. the client is always aware of the happenings and receives updated information to enable the client to make informed decisions and play an active role in decision making. Figure 14 below shows the results of the survey where 64% of the respondents (37% agrees + 27% strongly agrees) affirmed that Umgeni Water fully communicates with the client and keeps the client abreast of all happenings in dealings. A response of 18% felt that Umgeni Water does not involve the client in business dealings while 9% of the Water Services Authorities were unsure of the communicative nature of



the organization. This is also an area of improvement for Umgeni Water and it will need to communicate its communication strategies and plans to the Water Services Authorities and request an input to ensure that the plan covers areas of concern, and is relevant and comprehensive.

Figure 14: The communicative nature of Umgeni Water as an organization



### 6.8.3 Umgeni Water's understanding of customers' businesses

One of the problems with many South African companies is the heavy utilization of the “number crunching philosophy” that is characterized by a tendency to reduce costs by all means in order to increase profits, compared to increasing customer service standards (Blem, 1997, p167). This often occurs to the detriment of the customer. The other characteristic of this number crunching philosophy is that organizations become increasingly internally focused and concentrate more on internal strategies like Just In Time (JIT) and Total Quality Management (TQM) that are aimed at reduction of production costs and improving efficiencies, i.e. improving internal processes (Blem, 1997, p168). The result is that organizations become unwilling to spend much time understanding

the businesses that customers are involved in because of the perceived “production time that will be lost” doing activities that are not “income generating” (Blem, p168). Organizations do not realize that they are losing valuable time and opportunity to understand the business of a customer to enable the organization to increase value-adding services, resulting in improved relationships, better understanding and repeat business (Max and van der Walt, 1989, p142).

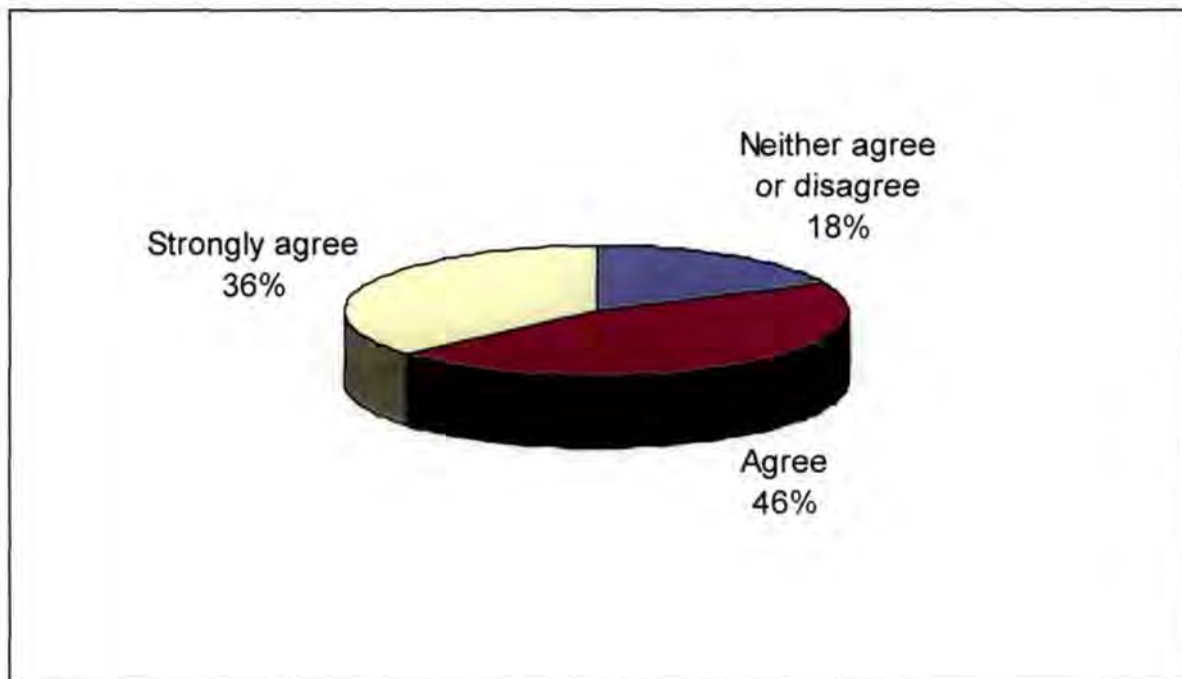
The organization that has epitomized this concept of getting to understand the type of business that your customers are involved in is Nedbank Corporate. This division of Nedbank deals exclusively with business banking, corporate banking and property finance. This is evident through their marketing slogan, which says, “we’re so passionate about your business, we specialize in it” (Business Times, 2004, p21). They went on further to state that they structure themselves in such a way that will better enable them to understand the customer’s business “as well as the sectors and industries you’re part of in the South African market. We are the kind of people who immerse ourselves in your business, rolling up our sleeves and doing whatever it takes to understand your business and industry the way you do” (Business Times, 2004, p21).

Davies *et al* (1989, p47) believe that it is important to show interest in the area of business that your customer is involved in as means of starting relationships. This can take the shape of having intimate knowledge of the business of the client to understanding how and where your products and service lie in the customer’s value chain. This knowledge will aid the service provider in assisting the customer by making suggestions of how the process can be improved and efficiencies maximized. The benefit to the service provider include the comfort of knowing exactly what the customer needs and this manifests itself in the ability to be able to offer the customer exactly what is needed, and strengthening the relationship between the two entities.

With this in mind, the Water Services Authorities were requested to state whether Umgeni Water understands their businesses. The graph below (figure 15) shows that 82% of the respondents felt that Umgeni Water fully understands the nature of the services that the customer is looking for whilst 18% is uncertain.



Figure 15: Umgeni Water understands the business of the customer and hence the nature of services that the customer is looking for



## 6.9 PERCEPTIONS ABOUT UMGENI WATER AND THE COMPETITORS

The Water Service Authorities were further requested to indicate the perceptions they hold about Umgeni Water. A likert scale was used to rate the responses from the Water Services Authorities and the mean of the results revealed that the perception is that Umgeni Water is a good company (mean score of 4 out of 5 points). It was interesting to note that Umgeni Water is not perceived as a very good company but just a good company. The difference between the two positions is that when a company is considered as a very good company, the implication is that of excellence, brilliance, superiority and exceptional performance (The Workplace, 2001, p2). Umgeni Water was considered as a good company but not with greatness associated with very good companies. This is an area of improvement for the organization and strategies need to be devised to position the company better.

It was also important to establish the drivers of these perceptions to enable the management of Umgeni Water to carve out strategies aimed at enhancing the positive perceptions and correcting

the misperceptions. The Water Services Authorities were requested to provide the bases upon which they perceived Umgeni Water to be a good company as depicted by the mean score of 4 out of 5 points. The high score achieved was influenced by the long track record of Umgeni Water in its area of operation with specific reference to service delivery. 82% of the respondents felt that the service delivery aspect has been improved drastically and changes in terms of personnel and their professionalism have improved exponentially over the last couple of years. Another reason for the optimism was due to the nature of the services provided where, 64% of the Water Services Authorities believed that Umgeni Water is going the extra mile and showing dedication in its dealings (table 8). The personal touch, customer focus, warmth and confidence exuded by the Umgeni Water personnel was the other prime factor that led to 56% of the Water Services Authorities concluding that Umgeni Water is a good company.

Table 8: Drivers of positive perceptions held by the Water Services Authorities

<b>Drivers of perceptions</b>	<b>Percentage of Water Services Authorities</b>
Service delivery has been drastically improved	82
Positive history in dealings with Umgeni Water that spans decades	73
Umgeni Water goes the extra mile	64
Umgeni Water is dedicated in dealings with Water Services Authorities	64
Personal touch and customer focus	56
Professionalism of staff is at an all time high	56
Financially strong company	54
Environmentally sensitive	54
Vibrant Corporate Social Responsibility Programme	54
Credible leadership shown by top management	45
Dedication and diligence exhibited by staff	45

73% of the respondents had positive personal history with the organization and were comfortable when dealing with Umgeni Water because of positive experiences spanning a long period. The last factors were the company performance that was understood by 54% of the Water Services Authorities to be financially strong through good corporate governance, sensitivity to environmental concerns and spearheading the community involvement and participation through the social responsibility plan. The respondents (45% of the Water Services Authorities) pointed out that the success enjoyed by the organization was attributable to credible management prowess and exceptional leadership qualities shown by the top management as well as dedication and diligence shown by all staff members.

In spite of the high score achieved (mean score of 4 out of 5 points), there were nevertheless responses received that perceived Umgeni Water in a negative light as highlighted in table 9. The perceptions held by 36% of the Water Services authorities were that Umgeni Water is a dishonest organization, having a hidden agenda, exuding an air of arrogance (the top management), “untouchable hiding behind the Minister of Water Affairs and Forestry, dictating their terms behind a veil of political correctness and moral superiority”. This perception is fuelled by the fact that in all public gatherings especially where media is present, Umgeni Water always mentions the fact that the Water Services Authorities are not showing willingness to eradicate the water and sanitation backlogs by 2008 and 2010 as per targets set by the South African government. The Water Services Authorities are portrayed as incompetent and lacking vision when Umgeni Water has not been seen to be championing this cause although it has been in the water sector for almost 30 years. This perception has been getting stronger and has never changed for last 17 years due to the fact that Umgeni Water feels that it is not accountable to the Water Services Authorities but to the Department of Water Affairs and Forestry, and thus does not care much in its dealings with the Water Services Authorities.

Water Services Authorities amounting to 27% felt that the media and government communiqué done by Umgeni Water is rendering the Water Services Authorities powerless because it always highlights their mistakes whilst it portrays Umgeni Water as “never wrong”. This is the kind of treatment that some respondents have experienced when dealing with Umgeni Water and now informs their dealings, namely “to proceed cautiously with Umgeni Water”.

Table 9: Drivers of negative perceptions held by the Water Services Authorities

<b>Drivers of perceptions</b>	<b>Percentage of Water Services Authorities</b>
Dishonest organization having a hidden agenda	36
Top management exudes air of arrogance	36
Umgeni Water portrays Water Services Authorities to national and provincial government as incompetent and lacking vision	36
Since Umgeni Water is not accountable to the Water Services Authorities but to the Ministry of Water Affairs and Forestry, it has blatant disregard of their needs and does not care about Water Services Authorities	36
The organization is untouchable and always hide behind the Minister of Water Affairs and Forestry	36
The Water Services Authorities are portrayed to the media as having no passion and dedication to eradicate water and sanitation backlogs	27
In dealings with Water Services Authorities, Umgeni Water drive a hard bargain behind a veil of political correctness and moral superiority	27
In every chance that Umgeni Water gets, it highlights the mistakes made by the Water Services Authorities	27
Because Umgeni Water is untrustworthy, in dealings with them one needs to proceed and tread cautiously	27
The organization has not transformed rendering it irrelevant in the current context	18
The only role that Umgeni Water can play is that of an Implementing Agent	18

Some respondents (18% of Water Services Authorities) felt that Umgeni Water has not transformed with time and thus its relevance in the current national context is highly questionable. It is believed by these respondents that Umgeni Water has still to prove that it can

perform other functions other than being an implementing agent (the implementing agent status has been transferred to the Water Services Authorities).

#### **6.10 HOW UMGANI WATER CAN ENHANCE ITS IMAGE**

When asked about how the image of Umgeni Water can be improved, 82% of respondents highlighted the issue of customer focus and communication. They felt that Umgeni Water is distant and remote from the customers and the local government structures that they serve. They believed that effective communication would improve this and strengthen the image of the organization in the customers' minds. These respondents went further to say that Umgeni Water and its management need to realize that the existence of the organization rests squarely with the customers and thus should be "more open and transparent and employ people who instill confidence in customer's mind".

It was also mentioned by 64% of the Water Services Authorities that the organization's lack of delegation abilities would be one of the causes of their downfall because they instruct employees to attend meetings without authority to make binding decisions. This leads to long delays and increases costs because of postponement of meetings for consultation purposes. These postponements are due to the fact that the representative from Umgeni Water is not empowered and thus does not have an authority to make decisions. In cases where decisions have been made and minutes taken, more often than not the situation is that on the following meeting the taken decision will have to be revisited because of "new" information that Umgeni Water has suddenly come out with or the minutes will be corrected because the representative from Umgeni Water was "misquoted". The Water Services Authorities felt that the solution to this dilemma is either the top management attend all the meetings or empower the staff members to make decisions on behalf of Umgeni Water.

The Water Services Authorities amounting to 45% suggested that Umgeni Water needed to charge rates that are commensurate with the quality of the product. The perception from this quarter is that the products and services are very expensive when compared with the same

products and services from other service providers. This is believed to be due to high staff costs and maintaining the countless skyscrapers that have minimal benefit to the consumer but financed through tariffs, i.e. cost is passed to the consumer. When tariffs were compared with other water utilities in South Africa, the same 18% of the respondents believed that Umgeni Water's tariff was unacceptably high and there does not exist any plausible basis to support the charges and the annual tariff hikes.

Table 10: Suggestions on how Umgeni Water can improve image

<b>Suggestion made</b>	<b>Percentage of Water Services Authorities</b>
Customer focus and customer care	82
Communication	82
Empower staff to take decisions especially those who attend meetings with customers	64
Prices charged do not match the quality of the final products and services rendered	45
Umgeni Water's tariff structure is one of the highest in the country	45
Relay more effectively the vision and mission of Umgeni Water to enhance understanding	36

36% of respondents believed that Umgeni Water would differentiate itself from other service providers and become a recognized and respected international player if it can achieve its ambitious vision and mission. What should be done according to these respondents is for Umgeni Water to communicate these values to its customers to enable them to understand the direction that the organization is taking and encourage suggestions and inputs on how the Water Services Authorities could enhance the chances of Umgeni Water to achieve these objectives. They believed that although road shows to the Water Services Authorities were conducted by Umgeni Water's top management, there still exists an opportunity for follow up meetings and workshops



where the Water Services Authorities could ask pertinent questions and advice accordingly because they have more information and understand the situation better now than before.

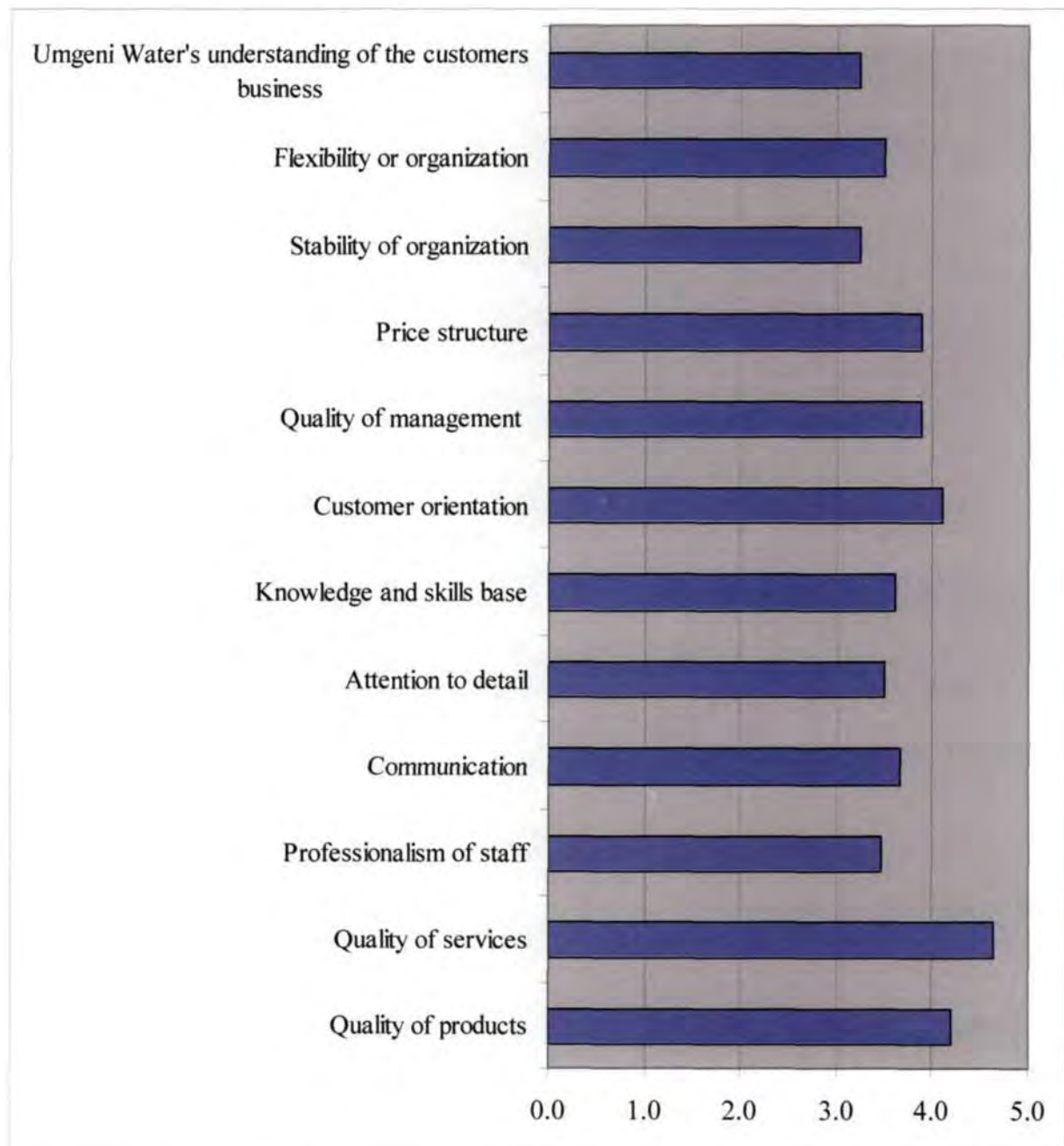
## **6.11 STRATEGIC PARTNERSHIPS**

This section deals with the formation of strategic partnerships that are mutually beneficial and the attributes that are critical to ensuring that the partnership is successful and therefore will last for a long time. Lambin (2001, p254) asserts that partnerships will only be forged between organization if the strategies, visions, missions and corporate objectives of the organizations are in harmony and can relate to each other. They further state that the value systems, core beliefs and cultures of two organizations must be on par (Lambin, p255). It was therefore important for Umgeni Water to ascertain the aspects and attributes that Water Services Authorities consider as critical and form the absolute minimum requirements for them to be considered as a partner. Umgeni Water will then have to undertake some introspection to determine whether the attributes/traits raised by the Water Services Authorities coincide with and are similar to the belief and value system that is held by Umgeni Water. The other aspect of partnerships relates to the fact that they are long term and thus have an impact on the organization's bottom line hence Umgeni Water's survival rests on formation on a number of these partnerships.

A scale of 1 to 5 was used to rank the attributes, with 1 and 5 representing the lowest and highest priorities respectively, and mean scores were used to depict final results. Figure 16 below shows that the Water Services Authorities view the quality of services (mean score of 4.6), quality of products (mean score of 4.2) and customer orientation (mean score of 4.1) as fundamental and the cornerstone of any partnership deals. The attributes that are considered as secondary but still paramount to building successful partnership are the quality of management and leadership, price structure of products and services, and communication with mean scores of 3.9; 3.9 and 3.7 respectively. The Water Services Authorities believe the third tier should consist of knowledge and skills base (mean score of 3.6); professionalism of staff, flexibility of the organization attention to detail and (all with mean scores of 3.5 each); stability of organization, and Umgeni Water's understanding of business (both with mean scores of 3.3 each). What Umgeni Water then

needs to do is try and marry the identified attributes with its internal value system, and emphasize those attributes that are seen to be most important by both institutions.

Figure 16: Important attributes to be considered when forming partnerships





## 6.12 COMPETITION

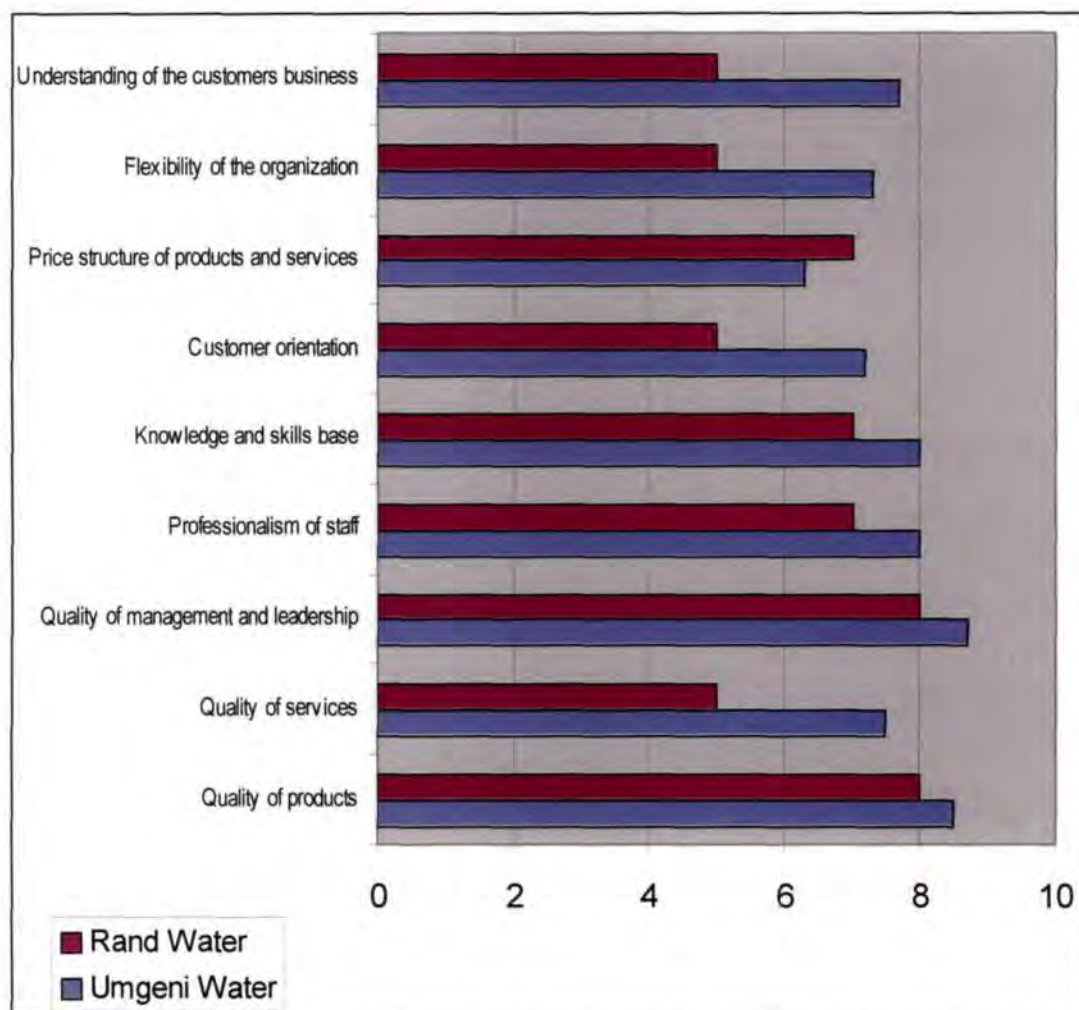
Hooley and Saunders (1993, p173) developed a method or an approach that could be adopted effectively position organizations in the market place. The first three steps of this 6-step methodology are the determination of the competition whether potential, current or future; determination of the competitive dimensions; and determination of the competitor's positions. These steps enable the organisation to carve out strategies that will result in the attainment of the intended position because they seek to comprehensively understand the psyche of the competitors. The establishment of competitors will also aid the organisation in designing competitive strategies and choosing the best approach that will be utilised to fend off competitors. These strategies include the market-leader, market-challenger, market-follower, and market-nicher strategies (Kotler, 2000, p231).

In his methodology, Baker (2000, p182) also believes that the identification of the competition and its strategies is crucial to ensuring that the organisation adopts a sustainable position in the market place. He asserts that the importance of knowing your competitor is important such that the information gathered will assist the organisation entering the market to avoid head-on collisions with strong market leaders.

The above argument formed a basis for the following question, which was to request respondents to compare and rate the performance of Umgeni Water against other water utilities in South Africa such as Rand Water, Magalies Water, Mhlathuze Water, Amatola Water and Bloem Water. The exercise was conducted to establish perceptions around the performance of Umgeni Water when compared with other utilities that are both bigger and smaller than Umgeni Water in terms of are of supply, staff numbers, turnover and asset value. The respondents did not seem to even know the existence of other water utilities and thus were unable respond to the questions about their performance except for Rand Water. Figure 17 below shows that the mean response of Water Services Authorities revealed that Umgeni Water is perceived to excel in all areas except price structure of products and services. Umgeni Water's performance is perceived to be well ahead that of Rand Water in areas such as quality of services, flexibility of the organisation

and the understanding of customer's business. The respondents also feel that Umgeni Water's leadership possesses better quality of management and leadership than Rand Water.

Figure 17: Performance comparison between Umgeni Water and Rand Water



#### 6.12.1 Possibilities of customers engaging Umgeni Water's competitors for similar services

Umgeni Water also needed to establish the likelihood and the possibility of the Water Services Authorities engaging other service providers other than Umgeni Water. This section dealt with service providers other than the water utilities, i.e. other competitors in the water sector. The importance of this investigation was to establish the number of Water Services Authorities that

viewed Umgeni Water as a long-term partner that will also leverage value and enhance the image of Water Service Authorities. The results from this section was also going to determine the amount of work that still needs to be done in for Umgeni Water to achieve its vision of being the No.1 utility in the developing world.

A semantic differential scale of 1 to 5 (with 1 and 5 representing extremely low and extremely high possibilities) was used to make this determination. The result was the mid point (mean score of 3 points) of the scale indicating that the Water Services Authorities are unsure whether they will involve Umgeni Water or other service providers on future projects. If Umgeni Water was well positioned in the minds of the customer, the mean score should have been on the higher end, i.e. 4 or 5, indicating that the Water Services Authorities are convinced about Umgeni Water and will therefore want to engage with it in future. This finding (mean score of 3 points) is another cause for concern for Umgeni Water. It raises alarms and concerns that Water Services Authorities still need to be convinced that Umgeni Water is a major international player yet some relationships date back to almost 30 years, which is a long enough time to win over and persuade customer about the organization and its offerings.

### **6.13 ORGANIZATION AND MANAGEMENT**

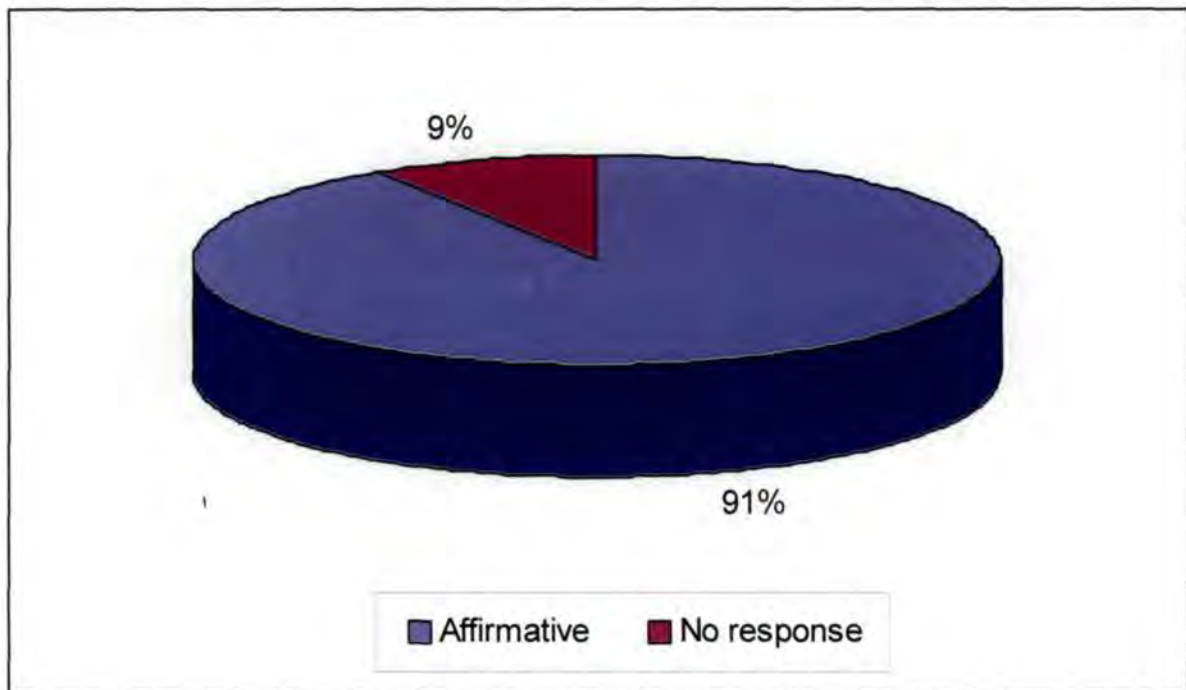
A company called Aston Partners has been helping organizations, through their “Right Message, Right Audience” approach, to achieve a desired position for a number of years Globalfluency, 2004, p3). Their area of specialization is the positioning of an organization as a whole, i.e. organizational or corporate positioning. The intended position is achieved through targeting specific customers, and by using the “Right Message” ensure that the message is relevant and identifiable by the target customers.

Payne (1993, p106) believes that there are different levels of positioning that a marketer can utilize as means of occupying a specific place in the customer’s mind, one of which is organizational positioning which involves the organization as a whole.

Organizations are made up, inter alia, of a bunch of individuals. These individuals are mandated to carry out specific tasks and are thus placed at different levels with varying authorities and accountabilities. The levels include the top management, who are tasked with setting the strategic direction of the organization and the pace for implementation. The top management, especially the Chief Executive Officer, is the face of the organization. It is the fact that in most cases the top management, in the eyes of the customers, is synonymous with the organization. This means that positioning the top management will be akin to positioning the organization, and as such the position that an organization occupy in the mind of the customer will be translated to the position that the top management will hold in those customers' minds. The examples are Bill Gates and Microsoft, Richard Branson and Virgin, Nelson Mandela and South Africa, and Tokyo Sexwale and Mvelaphanda Holdings. Against this background and understanding, the respondents were requested to respond to the notion that Umgeni Water's top management is customer focus, communicative, avails themselves to meet with customers to either raise and/or discuss issues pertaining to the business from both the strategic and operational aspects and thus ensures that the image of the organization is enhanced.

The graph below (figure 18) shows that the majority of respondents, 91%, felt that the top management of Umgeni Water is readily available and willing to meet with customers to discuss issues of relevance and benefit to both the Water Services Authorities and Umgeni Water, and this translate to the willingness of the organization to meet with customers and thus the organization can be said to be customer focus because of its top management.

Figure 18: The willingness and availability of Umgeni Water's top management



The findings presented in this chapter will aid the decision makers of Umgeni Water to make informed decisions that are based on facts. These findings will assist in reaching certain conclusions and making some recommendations. The conclusions and recommendations will be dealt with in the next chapter.

## CHAPTER 7

### CONCLUSIONS

In chapter 5, the research objectives were highlighted. To refresh the memory the research objectives were:

- To ascertain the current position of Umgeni Water in the minds of customers
- To establish the current customer perceptions about Umgeni Water.
- To determine the current service provider status that Umgeni Water enjoys with the customers.
- To establish whether Umgeni Water's product, namely water, meets the requirements of customers.
- To discover the value adding qualities of Umgeni Water's services to the processes and products of customers.

In this chapter, a closer look will be taken at the above research objectives to make a determination of whether they were achieved.

#### **Objective 1: To ascertain the current position of Umgeni Water in the minds of customers**

Hooley and Saunders (1993, p173) were instrumental in the development of a method that can be used to develop a positioning strategy. The method outlined 6 steps that could be used to effectively position the organization in the marketplace, and one of those steps was to determine the customer's positions, i.e. the position that the organization occupy in customers' minds. The other steps include determinations of the competition, competitive dimensions, competitor's positions, positioning decision, and tracking the position (Hooley and Saunders, 1993, p173). Against this backdrop, Umgeni Water needed to establish the position that it currently occupy in the minds of customers. Figure 5 depicts a service history where some business dealings extend to over 20 years. That is a long association between two organisations and assumes that the

parties should be working well together to have had such a long relationship. The significance of the period of partnership is that it can be influenced by perceptions, and depending on the nature thereof, the relationships can be short-lived. Figure 5 shows that this is not the case, and in fact the opposite is true because there are even newer customers that have just been won over, namely 18% and 9% of customers with business dealings spanning 0 to 2 years and 2 to 5 years respectively.

Figure 6 takes a different angle in trying to meet this objective, namely to ascertain the current position in customer's minds. It shows an acknowledgement by 82% of the Water Services Authorities that the service provided has changed over the years and 78 % from figure 7 reinforces the change because it was positive and benefited the customer. This seems to vindicate the fact that the rewards reaped in partnering with Umgeni Water are positive.

These results highlight a trend, namely that Umgeni Water has been providing a service for a considerable amount of time and this service has improved over the years. The customers seem to feel that there are rewards reaped when dealing with Umgeni Water and the relations are both harmonious and based on mutual trust. These results suggest that Umgeni Water's image has been imprinted in the minds of the Water Services Authorities and the position is distinct and unique.

**Objective 2: To establish the current customer perceptions about Umgeni Water.**

The organization's position is believed to be affected and influenced by networks of perceptions of groups of competing organizations and their customers (Payne, 1993, p115). These networks of perceptions should be controlled and manipulated to the advantage of the organization and to extent that they enable and facilitate an organization to influence its destiny. These networks of perceptions include:

- The company's perception of itself
- The company's perception of competitors

- Competitors' perceptions of the company
- Competitors' perceptions of themselves
- The customers' perception of competitors
- Competitors' perception of customers
- The customers' perception of themselves
- The company's perception of its customers
- The customers' perception of the company

If the organization can have a good understanding of the above networks of perceptions, then half the battle is already won as these perceptions can be used to reinforce the intended position by the organization (Payne, 117).

Umgeni Water seems to have handled two of the above networks of perception well and have exploited them fully to their advantage. When the Water Services Authorities were requested to rate the organization using a scale of 1 to 5, with 1 and 5 representing the worst company and extremely good company respectively, Umgeni Water was given a second highest mean score of 4 meaning that the Water Services Authorities perceived it as a good company. This score was substantiated to be based on a long track record in service delivery spanning 30 years, the drastic and commendable improvements that have been made over the years up until today, the high calibre and exceptional professionalism exhibited by staff members in business dealings, highly effective customer management strategies, relevant and comprehensive communication plans and positive experiences that the Water Services Authorities can make reference to that made future dealings much easier (tables 6 and 8).

The other important factor that influenced Water Services Authorities to perceive Umgeni Water as a good company is the fact that they are good corporate citizen exhibited through good corporate governance and ploughing back to the communities within which Umgeni Water works through the social responsibility plan, excellent financial health, showing sensitivity to environmental issues and contributing massively towards the achievement of the Millennium Development Goals and targets set at the World Summit on Sustainable Development. This was



believed to have been made possible by the credible management and exceptional leadership qualities exhibited by top management (table 8).

**Objective 3: To determine the current service provider status that Umgeni Water enjoys with the customers.**

The marketing mix components can be manipulated, exploited and used to influence the position that the organization wants to portray to the target market (Kotler, 1994, p310). Palmer and Cole (1995, p380) describe positioning as “developing a marketing mix to influence consumer’s perceptions of the services/product and to give a competitive advantage with its chosen market”.

One of the components of the marketing mix that could be used to good effect in positioning the organization, is promotion. It is believed that good products and attractive prices alone are not sufficient in reinforcing the position of an organization in the minds of customers, but organization need also to communicate their market offerings with the customers (Kotler, 1997, p604).

It would seem from the results that the promotional efforts, campaigns and strategies that have been undertaken by Umgeni Water over the years have been successful. This statement is boldly made because of the research findings wherein 73% of Water Services Authorities affirmed that Umgeni Water is their preferred service provider (figure 8).

**Objective 4: To establish whether Umgeni Water’s product, namely water, meets the requirements of customers.**

One of the most important attributes of the product is quality. The relationship that product quality has with positioning is that the quality of a product will immediately draw a perception of the product and ultimately the organisation (Garden, 2003, p51). The example cited by Kotler (p94) is that if the product is of an inferior quality, there are more chances that the customers’

perception will follow in the same way and the eventually infer the inferiority to the organization. Umgeni Water therefore needed to ensure that the quality of the primary product, water, meets the highest standards to avoid the inference of poor quality to the organization.

Umgeni Water was always aware that the product should meet the strictest and highest standards set by both the national and international organizations. Ever since its inception on 14 June 1974, the organization has made heavy investments in the fields of infrastructural development, integrated water resource management, water quality management, research and training to ensure that the final product is of the highest quality. Umgeni Water has been able to achieve this feat as demonstrated by their water quality reports contained in annual reports including the 98/99 Annual Report, 99/2000 Annual Report, 2000/2001 Annual Report, 2001/2002 Annual Report, 2002/2003 Annual Report and 2003/2004 Annual Report. The results shown in figure 9 are a vindication of Umgeni Water's commitment to producing products of highest quality, which meets the strictest criteria set and conforms to both national and international standards. The results as shown in figure 9 indicate that 91 % of the Water Services Authorities stated that Umgeni Water's main product meets their requirements.

**Objective 5: To discover the value adding qualities by Umgeni Water's services to the processes and products of customers.**

One of the most important aspects of any business venture is ensuring that the organization's offerings add value to the businesses of customers. This aspect, value addition, can be used as a differentiation tool and can positively affect the organization's bottom line because of the possibility to charge premium rates. Max and van der Walt (1989, p123) asserted that consumers, in their selection of products, more often than not would opt for those that added more value to maximize and satisfy their need.

Baker (2000, p345) believes that when it comes to forming partnerships and long-term relationships, organizations will investigate, as one of the areas, the degree to which the offerings complement each other and add value to each others line of business. The results shown by figure

12 suggest that 54% of Water Services Authorities felt that the services offered by Umgeni Water add value to their businesses.

## **7.1 MARKETING MIX AS MEANS TO DIFFERENTIATE UMGENI WATER TO COMPETITION**

There is a school of thought that believes that positioning can be affected and influenced by all the components of the marketing mix. These components of the mix can be manipulated by the organization to portray an intended image. These proponents include Palmer and Cole (1995, p380) who describe positioning as “developing a marketing mix to influence consumer’s perceptions of the services/product and to give a competitive advantage with its chosen market”. It is also believed by Bearden *et al* (1995, p200) that positioning involves “designing a marketing program, including the mix, that is consistent with how the company wants its products or services to be perceived”. According to Perreault and McCarthy (1999, p87), it is useful to think of positioning as part of the broader strategy planning process. It was their assertion that the whole purpose of positioning is to “ensure that the whole marketing mix is positioned for competitive advantage”.

It is also critical to match the organizational capabilities, competencies and expertise with customer requirements (Baker, 2000, p181). This will enable the organization to position itself on its strengths that can be matched with the target market. Kotler (1994, p310) also attest to the fact that the organization should ensure that there exists a best fit/match between organization’s internal capabilities and the external environment.

This section will identify the marketing mix variables that could be used to position Umgeni Water as a preferred service provider to the Water Service Authorities. These variables should also be the strengths of the organization in terms of capabilities, expertise and competencies. These internal abilities (i.e. capabilities, expertise and competencies) will be matched with the customer requirements of the target market, namely the Water Services Authorities.

As stated by Evans and Berman (1987, p34) and Kotler (2000, p434), the organization can use the variables widely known as 4Ps for products and 7Ps for service organizations. These variables are product, promotion, place, and price for the goods providing organizations and, for the service organization, include an additional three elements, which are processes, physical evidence and people. Umgeni Water provides both goods and service and will thus explore the fit using the 7Ps.

### **7.1.1 Product**

This is the organization's tangible offering to the market and should include the product quality, design, features, branding and packaging (Kotler, 1997, p93). Product quality directly relates to positioning in that the quality of that product/service will influence a perception of the product or service. The example cited by Kotler (p94) is that if the product is of an inferior quality, there are more chances that the customers' perception will follow in the same way.

As far as the main product, water, produced by Umgeni Water is concerned, the organization has since its inception on 14 June 1964 strived to deliver to the customers the best possible product, which meets and even exceeds both national and international standards. Over the years, there has been heavy investment made in the fields of research and training to ensure that the product is of the highest quality. Umgeni Water has been able to achieve this feat as demonstrated by their water quality reports contained in reports including the 98/99 Annual Report, 99/2000 Annual Report, 2000/2001 Annual Report, 2001/2002 Annual Report, 2002/2003 Annual Report and 2003/2004 Annual Report. The results shown in figure 9 are a vindication of Umgeni Water's commitment to producing products of highest quality, which meets the strictest criteria set and conforms to both national and international standards.

Figure 9 indicates that 91% of respondents are in agreement that the product is of highest quality, and 73% of the Water Services Authorities (as shown in figure 10) felt that the professional services rendered (that includes but is not limited to pollution detection, extreme events management, engineering services, design competencies, laboratory services, water loss management and water quality monitoring) meet their requirements.

The above results vindicate the fact that Umgeni Water can position itself using the product because the customers perceive it to be meeting their requirements.

### **7.1.2 Price**

The price charged affects the perceptions and subsequently the positioning of that product/service/organization in the mind of the customer (Kotler, 1997, p93). This is why Kotler (p93) strongly believes that price can be used to differentiate one product/service from another, and he further stresses that the price charged should be commensurate with perceived value.

From the results of the survey undertaken, figure 16 show that the Water Services Authorities believe that the price structure of products and services is paramount and fundamental in any dealings. Table 7 indicates that 18% of Water Services Authorities felt that Umgeni Water is expensive, and the prices for services and products are exorbitant. These Water Services Authorities felt that the products and services rendered by Umgeni Water are “extremely highly priced to the point that the organization is perceived to have priced itself out of the market”. A recommendation was also made by 45% of the Water Services Authorities (table 10) that Umgeni Water need to charge prices that are commensurate with quality of products and services. This is of course suggests a misalignment and dichotomy that exists between the prices and perceived value and quality of products and services.

Umgeni Water needs to communicate its pricing structure to the Water Services Authorities because the perceived high price tag attached to the products and services might be due to a number of factors including the fact that Umgeni Water offers value added services over and above the item requested by the Water Services Authorities. The example is that the Water Services Authorities might request a quote on infrastructural development, e.g. dam. Umgeni Water in its quote will, over and above the engineering fees, include value added services such as the water quality assessments, water quantity plans, socio-economic impacts and environmental impacts. All the latter services are important for the Water Services Authority to quantify all

costs related to building a dam but it seems that Umgeni Water does not clarify these services and the prices associated with them.

### **7.1.3 Place**

Cowell (1991, p72) believes that location and accessibility of any service or product is important in marketing. He describes accessibility as not only referring to physical accessibility but also other means of communication and contact. Umgeni Water seems to be strategically placed in terms of geographical location because all the Water Services Authorities in question are within the promulgated operational area, i.e. they are in close proximity. Although the status quo was a product of legislation, it seems that the position (in terms of place) of Umgeni Water is one of its prime advantages.

Umgeni Water owns and occupies offices that are strategically placed within the areas of jurisdiction of these Water Services Authorities. The Head Office and Inland Regional Office are based in Pietermaritzburg, which also happens to be the city where uMsunduzi Municipality and uMgungundlovu District Municipalities are based. Sisonke District Municipality, which is based in Kokstad, is also served from the Inland Regional Office in Pietermaritzburg. The organization owns North Coast Regional Offices in Umhlali, which are shared with Ilembe District Municipality officials. The South Coast Regional Offices are based in Park Rynie, which is under the jurisdiction district of Ugu Municipality. The only metro in KwaZulu-Natal, eThekweni Municipality, is served through two Central Regional Offices based in Pinetown and Mayville.

### **7.1.4 Promotion**

This marketing mix element is also as important as the two discussed above. Over and above developing a good product and pricing it attractively, organizations need also to communicate their market offerings with the customers (Kotler, 1997, p604). Organizations can select a combination of tools to communicate their offerings. These tools include advertising, publicity, personal selling and sales marketing (Berman & Evans, 1987, p36).

The promotional efforts, campaigns and strategies that have been undertaken over the years have been successful in positioning Umgeni Water as a preferred service provider to the Water Services Authorities. Figure 8 shows that 73% of Water Services Authorities affirmed that Umgeni Water is their service provider of choice.

The Water Services Authorities were also requested to rate Umgeni Water as an organization using a likert scale with scores 1 to 5, where 1 and 5 represents worst company and extremely good company respectively. The result was a mean score of 4 out of 5 points indicating that the perception by the Water Services Authorities was that Umgeni Water is a good company.

When the Water Services Authorities were requested to compare the performance of Umgeni Water against other water utilities in South Africa, the mean response revealed that Umgeni Water is perceived to excel in all areas except price structure of products and services as shown by Figure 17. Umgeni Water's performance is perceived to be well ahead that of Rand Water in areas such as quality of services, flexibility of the organisation and the understanding of customer's business. The respondents also felt that Umgeni Water's leadership possesses better quality of management and leadership than Rand Water.

Table 6 show that 73% of the Water Services Authorities felt that Umgeni Water is major service provider whose relevance is not only in the KwaZulu-Natal Province but also nationally especially towards furthering the developmental agenda of local government, 82% of the Water Services Authorities perceived Umgeni Water as a company with an excellent resource base and expertise that is used to serve clients diligently. These Water Services Authorities still think that Umgeni Water is relevant in the water sector and will continue to make meaningful contribution that will result to the betterment of lives of all. A further 82% of the Water Services Authorities felt that the organization is committed to satisfying and even exceeding customer expectation (figure 13).

The successes recorded above are due to promotional campaigns that Umgeni Water has undertaken about the organization and its offerings. Figure 14 attests to this claim as 64% of the

respondents affirmed that Umgeni Water fully communicates with the client and keeps the client abreast of all happenings in the organization.

#### **7.1.5 People**

Payne (1993, p24) believes that people are an important element “ and are increasingly becoming part of the differentiation by which service companies seek to create added value and gain competitive advantage”. There is also an assertion that since people are the face of the organization, organizations should then employ staff who ideally exhibit competence, have a caring attitude, responsive, initiative and possess problem solving abilities (Kotler, 2000, p434).

Umgeni Water believes that the staff in their employ is the best in the country in the different fields of water resource management. The staff has been involved in shaping the water sector, involved in revolutionary research findings in the water sector, influenced the legislation, presented many papers both in national and international events, and belong to a number of prestigious organizations.

The Water Services Authorities seem to be in agreement with Umgeni Water’s assertion. Table 6 shows that 82% of the Water Services Authorities believed that Umgeni Water is a company with an excellent resource base and expertise that is used to serve clients diligently. This finding is reinforced by the results in figure 13, which show 82% of Water Services Authorities affirming that the organizations is committed to satisfying and even exceeding customer expectations.

There are Water Services Authorities amounting to 45% that believed that the success enjoyed by the organization was attributable to credible management prowess and exceptional leadership qualities shown by the top management as well as dedication and diligence shown by all staff members. About 73% of Water Services Authorities have positive personal history with the organization and are comfortable when dealing with Umgeni Water because of positive experiences spanning a long period of time.



### **7.1.6 Physical evidence and presentation**

It is the belief of Kotler (2000, p434) that physical evidence and presentation can be used to convince a customer of the organization's competence and capabilities. Cowell (1991, p73) believes that the perception and image that the organization wants to create and portray should correlate with the physical evidence and presentation, which includes:

- The physical environment; buildings, interior, layout, equipment and furniture
- Facilitating goods that enable the services to be provided, for example, the cars used by the rental company, and
- Other tangible cues like labels used by an airline

Payne (1993, p131) asserts that physical evidence should include where the service is created, where the service provider and customer interact, and any other element used in the communication with the customer.

Since Umgeni Water envisions itself to be the No.1 utility in the developing world, it stands to reason that the presentation and physical evidence should correlate with that objective. The buildings and offices that Umgeni Water owns and operates from are an engineering feat on their own. The Head Office has been redesigned and redecorated to portray an image of a world-class organization (Umgeni Water, 2001, p17). The front desks at Head Office and all Regional Offices are majestic to view.

Umgeni Water operates and maintains eight storage dams on behalf of the Department of Water Affairs and Forestry through its wholly owned subsidiary called Msinsi Resorts and Game Reserves. These dams have been sprung to life and have now become a playground and a home-away-from-home for many water sports enthusiasts and wild life tourists from all over the world. These dams and rivers are home to a number of internationally acclaimed events such as the Midmar Mile, Midmar Marathon and Duzi Marathon.

Umgeni Water also manages nine water works including Wiggins Treatment Plant that serves a quarter of the population in Durban, which utilises the world-renowned ozone generation system. This facility is the first for Africa, and is used to treat the murkiest of waters.

The Stuckenberg tunnel, is owned by Umgeni Water, transports water over the most uncompromising terrains in South Africa including passing through a mountain, has received numerous awards including the award for Excellence in Civil Engineering.

The above facts are a vindication that Umgeni Water is a world-class organization that can attain its vision of being the No.1 utility in the developing world.

#### **7.1.7 Processes**

This element is the “how” of service delivery, i.e. service delivery process. Companies can choose amongst a variety of processes to deliver their services. These processes include all the procedures, mechanisms and routines by which a service is created and delivered to a customer.

It would seem that the processes that Umgeni Water uses are in congruence with the customers’ and that they are implemented for the benefit of the customer. This statement is made because of the track record that Umgeni Water enjoys with the customers, some of which extend over 20 years as shown by figure 5. This track record is affirmed by the pronouncements of 73% of the Water Services Authorities that views Umgeni Water as the service provider of choice (figure 8).

The strategies put in place by Umgeni Water in terms of customer engagements seem to be successful as confirmed by 82% of the Water Services Authorities that Umgeni Water is focused on customers and committed to satisfying and even exceeding customer expectations.

The issue of value addition is also critical to ensuring and cementing strong long-term bonds with customers. The extent to which the value can be added to the customer, however, depends on individual organization’s strategic thrusts and long-term plans. In Umgeni Water’s operational area, 54% of the Water Services Authorities asserted that the services offered by the organization

add value to their businesses (figure 12). According to the respondents, the notion of value addition extended beyond Umgeni Water's operational area where 73% of the Water Services believed that the organization's value adding inputs are needed in realizing the local government's developmental agenda, and eradicating backlogs to achieve the Millennium Development Goals and meet the targets set during the World Summit on Sustainable Development in Johannesburg in 2002.

In concluding, the 7Ps reinforce the contention and declaration by Umgeni Water that it is well positioned in the customer's mind in its promulgated area of operation spanning 27 000 square kilometers, where the Water Services Authorities view the organization as the preferred provider of services. In its strategic framework for 2001 to 2005, the organization seems to have set its focus on conquering the developing world. The findings of this research enhance the image of the organization and further strengthen the position that it occupies in the minds of the customers. The experience gained in the promulgated operational area will serve as a basis for not only positioning Umgeni Water in the rest of KwaZulu Natal and South Africa but also in the developing world as a whole.

## **CHAPTER 8**

### **RECOMMENDATIONS**

In this section, the recommendations will be made on how Umgeni Water can improve the sustainability of its position of being the service provider of choice in the minds of customers. Payne (1993, p114) quotes Thomas Kosnik who identified characteristics that need to be emphasized because they determine the success rate of the organization's positioning strategy. These key characteristics of successful positioning are:

- The position should be meaningful – the organization, through its positioning strategy, must ensure that it is relevant to its target market
- The positioning must be believable – it is important that the target customers believe the position of the organization; otherwise the organization will have committed a positioning error (discussed earlier). This is mainly due to organizations claiming to all things to all people.
- The positioning must be unique - organizations need to find a positioning where they can consistently outpace the competitors in serving a particular market. This uniqueness should also be difficult to copy by competitors.

The discussion will take place on the individual points mentioned above.

#### **8.1 THE POSITION SHOULD BE MEANINGFUL**

Lambin (2001, p255) lamented that the chances of two organization partnering is greater if there are similarities between them such as value systems, core beliefs and cultures. Umgeni Water needed to establish the things that the Water Services Authorities hold dear and ascertain whether they overlap with Umgeni Water's. From figure 16, it can be deduced that the Water Services Authorities believed that attributes such as quality of services, quality of products and customer orientation to be the most important to them. The secondary issues included quality of management and leadership, price structure of products and services and communication. For

Umgeni Water to be relevant to these Water Services Authorities, it needs to ensure that the positioning strategy that it adopts has elements of these attributes.

## **8.2 THE POSITIONING MUST BE BELIEVABLE**

It is important that the target customers believe the position of the organization, otherwise the organization will be deemed to have committed an error in terms of positioning. This is mainly due to organizations claiming to be everything to all people (Payne, 1993, p115).

It is well understood and generally accepted that customer management should form a focus of any strategy because the organization needs to generate income and revenue to survive (Dorrian, 1996, p12). If the basic items, i.e. efficient and effective customer management, are not in place, it becomes a little bit difficult to convince current customers and potential customers of any other strategy because the belief is that the fundamentals are not in place. The research findings reveal that there are some Water Services Authorities that felt that Umgeni Water's commitment to customer satisfaction is non-existent. This obviously might not be true but the perception has already been created and places Umgeni Water in a precarious situation in terms of achieving its position of being the preferred service provider.

The recommendation will be for Umgeni Water to develop its Communication Plan and Stakeholder Participation Strategy with input from all the stakeholders. The ratification process should include the Water Services Authorities where key performance indicators and outputs will be clearly defined. This will help Umgeni Water to understand customer expectations and thus work towards meeting those, which will in turn eventually lead to customers buy-in and believing the organization's intended position as a preferred service provider.

### **8.3 THE POSITIONING MUST BE UNIQUE**

It is the assertion of Payne (1993, p116) that organizations need to find a unique position where they can consistently outpace the competitors in serving a particular market. This uniqueness should also be difficult to copy by competitors. Garden (2003, p32) believes that marketers should not lose focus, meaning that they should identify an attribute or attributes and differentiate the organization based on that. She further states that an organization can no longer afford to be 'jack-of-all-trade' because that could lead to confusion among the customers.

One of the ways of establishing the uniqueness that Umgeni Water can offer in the market and of determining an attribute or attributes that can be used as means of differentiation, is to ensure that the organization's offerings add value to the business of the customer. In this way the organization will be working towards achievement of its intended position of being the preferred service provider. There are Water Services Authorities that are not convinced that Umgeni Water is a value adding company. This poses a huge challenge for Umgeni Water as it attempts to implement its strategy for the coming five years, which hinges on partnership and long-term relationships based on being chosen as the service provider of choice. As a start Umgeni Water needs to satisfy itself that it has an intimate understanding of what the customers are doing. This information will aid Umgeni Water in deciding and strategizing on how and where to add value on the Water Services Authorities' businesses. Umgeni Water will also need to take stock of itself and undertake some introspection to determine its strengths and weaknesses, critical success factors and key performance areas. The next step will be determine where and how these aspects can be mobilized and harnessed to the benefit of the Water Services Authorities, with an ultimate goal of being perceived as a service provider of choice.

### **8.4 POSITIONING ERRORS**

As much as positioning is a source of competitive advantage, it nevertheless can also lead to the organization downfall, i.e. have exactly the opposite effect to the intention. This situation arises when an organization has failed in selecting a desired position resulting in what is known as

positioning errors ( van der Walt, 1996, p134). The research findings suggest that Umgeni Water might have fallen foul to some of these errors in some quarters of the target market, namely overpositioning and doubtful positioning as discussed below.

#### **8.4.1 Overpositioning**

Overpositioning happens when an organization is viewed for example as offering exclusive and designer products whose prices are perceived by customers to be at a higher bracket when in fact lower priced goods and services are also offered by the same organization (Kotler, 1997, p298).

Umgeni Water is known that its main product, water, meet and conforms to the highest and strictest national and international standards. This fact was confirmed by 91% of the Water Services Authorities (figure 9). This has been made possible by heavy investments made in the fields of research and training to ensure that the product is of the highest quality. The customers understand and aware of the technological advancements and state-of-the art equipment that Umgeni Water has invested in to ensure that the quality of water is not compromised. When customers visit these treatment plants and see the investment made, they automatically assume that Umgeni Water will charge higher tariffs and prices to enable the repayment and servicing of loans.

It is this observation (high quality of water as a result of technological advancements and state-of-the art equipment) that informs their misperception that the price of the final would then have to be expensive. If the one of the organization's products are deemed expensive, then the assumption is that all the organization's offerings should be expensive. In fact Water Services Authorities amounting to 45% felt that Umgeni Water's products are services are expensive.

The recommendation would be for Umgeni Water to conduct a benchmarking exercise against all water utilities in South Africa. Umgeni Water should then communicate the results of the exercise to the customers and give reasons if there are any discrepancies so that the pronouncements will be based on facts. In the case of the tariff, Umgeni Water will need to explain to the Water Services Authorities the elements that make up a tariff structure and the

reasons behind the corresponding charges (against the benchmarked tariffs). This will assist the Water Services Authorities to understand better the components of Umgeni Water's tariff and the reasons why there is difference in tariffs across South Africa.

The high prices perceived by the Water Services Authorities to be charged by Umgeni Water for professional services might be due to two factors, namely charge out rates and time taken to complete tasks. As far as charge out rates are concerned, Umgeni Water might need to revisit its pricing strategy and compare these rates with both the water utilities and the water sector as a whole. This information will have to be compared with Umgeni Water's rates, and the result communicated with the customer. The second issue, namely time taken to complete a task, might be related to inefficiencies and incorrect estimations, which obviously will need to be improved. The perceived higher prices might also be due to the fact that Umgeni Water price for additional services that are thought to leverage value for the client but which might have not been mentioned and included in the Terms of Reference. The recommendation will then be for Umgeni Water to clearly show and be transparent on how its products and services are priced, i.e. how Umgeni Water arrives at the final price. This will assist the client to decide on whether the charge out rates and time taken to discharge a duty are reasonable and whether there is additional information that Umgeni Water (as a leader in water sector with 30 years experience) might have deemed necessary to include to enhance the value of the product.

#### **8.4.2 Doubtful positioning**

This positioning error occurs when buyers find it hard to believe the offering's claims in view of the manufacturer or the organization (Kotler, 1997, p298). As much as 46% of the Water Services Authorities (figure 11) do not believe that Umgeni Water is a value adding company, and another 18% assert that the organization is irrelevant in the current context (table 9). These Water Services Authorities do not think that Umgeni Water can assist them in realizing their developmental mandate. Figure 8 shows that at least 18% of the Water Services Authorities do not think that Umgeni Water is any different from other service provider in the sector. These Water Services Authorities do not view Umgeni Water as their preferred service provider and a



further 9% is uncertain. These revelations make it difficult for Umgeni Water to attain the status of being the preferred service provider.

Umgeni Water itself through its strategic plan for 2001 to 2005 has identified the growth area to be local government because of the challenges it faces and the fact that local government is a lucrative and under-serviced market. It is then concerning to find out that 18% of the Water Services Authorities do not perceive Umgeni Water as a preferred service provider and 9% is uncertain. The reasons given by the 18% of the Water Services Authorities is that Umgeni Water is “a professionally depleted, parastatal empire that is highly inefficient and protected by legislation”. These Water Services Authorities feel that Umgeni Water is “pushed down their throats” because of geographical location and close proximity to them. Umgeni Water needs to address these concerns by carving out strategies with an express purpose of enhancing its image and thus its position.

## **8.5 UMGENI WATER’S TRACK RECORD IN SERVICE DELIVERY**

Organizations can also be positioned using certain positioning bases depending on the organization’s differential or competitive advantage. Lamb et al (2000, p163) proposes a number of these bases that include attribute. To position organizations using the basis of attribute, emphasis is made on an attribute such as size, number of years in existence and so on (Kotler, 1997, p298)

Umgeni Water has been in existence for 30 years having been established through a parliament proclamation on 14 June 1974. Umgeni Water, because of its vast experience in the water sector, is amongst the leading organizations in integrated water resource management, which is a philosophy that takes a holistic view in water management from source to sea and/or source to tap.

There have been strong relationships and a track record created with Water Services Authorities, where Umgeni Water has been involved in business dealings for over 20 years and 5 to 10 years

with 36% and 37% of the Water Services Authorities respectively (figure 5). This fact was vindicated by 73% of the Water Services Authorities that perceived Umgeni Water as their service provider of choice (figure 8).

There are assumptions that Umgeni Water is not expending as much an effort and energy to manage customer relations with Water Services Authorities with which business dealings are less than 5 years. It would seem that Umgeni Water is placing less effort in 27% of the Water Services Authorities (figure 5) when managing relatively new clients (0-2 years and 2-5 years) than when dealing with more established clients. These assumptions are supported by the findings of the study where the more established clients felt that the improvement in service delivery has been remarkable over the past years.

The relatively new Water Services Authorities, however, felt that the service has not changed and in some instances, the feeling was that the service delivery has actually worsened. This might be due to the fact that Umgeni Water is complacent and the standard of delivery is thus negatively affected. This assertion is unlikely to help Umgeni Water in getting the intended position with these Water Services Authorities.

A recommendation would be for Umgeni Water to expend similar amounts of energy and effort when managing new clients (0-2 years and 2-5 years) and established clients (5-10 years and >20 years) because the perception created is that more emphasis is placed on satisfying and enticing established clients with whom Umgeni Water is perceived as the preferred service provider.

## **8.6 THE CORE COMPETENCIES OF UMGENI WATER**

The positioning strategy is one of many strategies that organizations develop in an effort to enhance their survival in the market place. This means that the positioning strategy should not be at tangent with any of the organization's strategies such as the human resource strategy and operational strategies but in fact should "talk to" other strategies and assist in carving out the strategic direction that the organization will pursue (Hill, 2002, p145). Hooley and Saunders

(1993, p123) recommend that the organisation should undertake comprehensive market research that will inform its future strategy. This future strategy will have taken stock of the core competencies of the organisation, its human resources potential and its capabilities, and all these potentials and capabilities should be packaged and moulded together to determine the organisation's position (Hooley & Saunders, p125).

The Water Services Authorities view the quality of services, quality of products and customer orientation as fundamental and the cornerstone of any partnership and long-term relations (figure 16). The quality of management leadership, price structure and communication are considered as secondary. The research has found that the Water Services Authorities perceived Umgeni Water's strengths to lie in the fields of water quality management, water quality monitoring, water treatment and laboratory services. Umgeni Water will then need to ensure that the above-mentioned fields that are Umgeni Water's strengths and core competencies correlate and match with the products and service needed and wanted by the customers. Moreover, Umgeni Water will need to improve drastically in the fields of geohydrology, extreme events management, water industry training and water loss management. The latter has been identified by the Department of Provincial and Local Government Document (2004) as a priority area because of millions of litres of unaccounted for water that are lost annually in the country that could have been used productively. These services are important to the Water Services Authorities and if Umgeni Water is to attain the position of a preferred service provider, the organization will need to build expertise and capacity that will enable it to exhibit competency in these fields and be regarded as subject matter experts.

The Water Services Authorities believed professionalism of staff, flexibility of the organization and knowledge and skills base were also critical in ensuring long-term partnerships. Umgeni Water will then need to be even more professional when dealing with customers and minimize the delays that are caused by sending staff members who are not empowered to take decisions, to attend meetings with customers. This is not only unprofessional, waste a lot of time for all parties involved but also creates doubt to the customer with respect to the knowledge and skills base of the staff member concerned. The recommendation will be for Umgeni Water to empower staff members who have been appointed to these positions and give them the necessary authority and

accountability to make decisions. The same accountability and authority should be given to staff members who have been delegated the powers to hold meeting representing Umgeni Water with external clients other than the Water Services Authorities. This will eliminate the snag of postponing meetings and having to always correct the minutes because of “misquotes”. This in the long run will improve the image of the organization and ultimately result in the attainment of the intended position.

## **8.7 REPOSITIONING A PRODUCT/SERVICE**

Repositioning is a “process whereby a product/service or brand elements are realigned to enhance the satisfaction of the needs and wants of a market or market segments (Bearden, Ingram & Laforge, 1999, p200). The key in repositioning is realignment to fit the needs of the target market, i.e. this process involves matching the needs and wants of the target market more effectively with the attribute. Lamb *et al* (2000, p166) mentions five reasons as to why a product can typically be in need of repositioning:

- If a product was originally incorrectly positioned meaning that there is a mismatch between the product and the market;
- As a result of competitors who have positioned their products such that the consumers no longer see the difference;
- If the customer tastes and preferences have shifted and left the organization’s offering with inadequate demand;
- If there are changes in the macro environment (such as recession and interest changes) that are beyond the control of the organization, but that causes the consumers to buy cheaper versions or reduced quantities of the product; and
- If research and technology produce new breakthroughs with profit potential that can be exploited if the offering is repositioned.

It would seem that the professional services offered by Umgeni Water were not correctly positioned with these customers as a sizeable percentage (18%) of Water Services Authorities felt

that the professional services offered by Umgeni Water do not meet their requirements as shown by figure 10.

Clarity will need to be sought on this issue because most of the professional services are offered on consultancy basis, meaning that they are project based with a definite start date and end date. One would have thought that disapprovals of the product would have been raised, low quality of the product/service questioned and (as part of the contract) payments not honored. It seems nonetheless that the Water Services Authorities are offering Umgeni Water a second chance of redemption and improving the quality of product/service produced/rendered.

The recommendation would be for Umgeni Water to firstly agree with the Water Services Authorities on the Terms of Reference for that particular project with milestones and corresponding timelines. Umgeni Water will need to insist that payment should only be effected once the particular Water Services Authority has been satisfied that the quality of the product submitted is acceptable and the Terms of Reference have been met as per the agreement. The second recommendation would be for Umgeni Water to reposition these services and identify, amplify and communicate the benefits accrued to these Water Services Authorities. The repositioning of these services and the insistence of payment after the quality of work has been approved should contribute in building a sense of professionalism and portraying Umgeni Water as a quality-conscious organization. Once the Water Services Authorities have been convinced of this fact, chances are greater for repeat business and this will ultimately lead in Umgeni Water being recognized as the preferred provider of services.

## **8.8 RECOMMENDATIONS FOR FUTURE RESEARCH**

The following aspects were identified as limiting factors to the research.

### **8.8.1 Increased sample size**

There are 284 municipalities in South Africa with 61 municipalities located in KwaZulu-Natal, 14 of which are Water Services Authorities. There is also a new water utility that has just been formed called Uthukela Water, which serves the jurisdictional areas of Newcastle Municipality, Amajuba District Municipality, Uthukela District Municipality and Umzinyathi District Municipality. This water utility resumed its official operations on 01 July 2004. The study investigated only 6 Water Services Authorities representing 27 municipalities in KwaZulu-Natal. It would be interesting to investigate the perception held by at least all the Water Services Authorities in KwaZulu-Natal including Uthukela Water and even more interesting to establish the perception held by all the Water Services Authorities in South Africa. This could be an extension for further research.

### **8.8.2 Time constraints**

The investigations were undertaken at a time when most Water Services Authorities were preparing for their year-end reporting and busy with their following financial year's budgetary processes. It was almost impossible to secure meetings with the executive team members (Municipal Manager and Technical Director) and most Water Services Authorities resorted to delegating the responsibilities to other staff members (refer to figure 4). The recommendation would be to ensure that any research undertaken does not coincide with the municipalities' year-end.

### **8.8.3 Ambiguity**

Judging from the responses received, it would seem that there are questions that caused confusion and uncertainty amongst the participants. These questions dealt with ranking and rating services and attributes where all of them were allocated the same number. It is recommended that the respondent should fill the questionnaire in the presence of the researcher to ensure that any misunderstandings are dealt with before any attempts are made to answer the questions.

#### **8.8.4 Too many questions**

The Water Services Authorities also complained about the length and the number of questions contained in the questionnaire. These municipalities are receiving numerous questionnaires from all spheres including the National and Provincial Departments of Local Government that are trying to ascertain resources base and challenges encountered, the Demarcation Board, National and Provincial Departments of Works, Non-Governmental Organizations, consultants and students. The executives from the Water Services Authorities complained that they spend a lot of their precious times answering questionnaires instead of discharging duties as per their letters of appointment. The recommendation would be to consolidate the number of questions asked and make them as short as possible but not compromising on quality. It will also be recommended that the researcher get hold of previous questionnaires filled by the Water Services Authorities to seek any useful and relevant information.

#### **8.8.5 Lack of knowledge about other water utilities**

There are 18 water utilities in South Africa excluding the municipality owned Johannesburg Water, City Of Cape Town, and the recently formed Uthukela Water as well privately owned Midvaal Water Company. The respondents did not seem to have much knowledge about the existence and hence the performance of other water utilities in South Africa other than Rand Water. This shortfall restricted the comparison to one water utility, as the information on others could not be gathered. This could be an extension for further research.

## CHAPTER 9

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## **APPENDIX A**

### **QUESTIONNAIRE**

The questionnaire below has been designed with the express purpose of determining avenues and aspects that could be improved in Umgeni Water's operations to enable the organization to better serve the customers. Anonymity shall be protected and confidentiality ensured by not revealing the respondent's identity.

#### **PRODUCTS AND SERVICES**

1. How long has Umgeni Water been providing services to your organization?

0 - 2 years       2 - 5 years       5 - 10 years   
10 - 20 years       > 20 years

2. Has the service(s) offered to your company changed over the years?

Yes       No

If yes, how have the service(s) offered changed?

For the better       For the worst

3. Is Umgeni Water your preferred service provider?

Yes       No

4. If Umgeni Water is not the service provider of choice, who is?

The questions (5 – 7) that follow have ratings 1 – 5 signifying varying degrees of agreement with the statement. The lowest number (1) and the highest number (5) represent a strong disagreement and strong agreement respectively. Please tick the relevant box.

Q. 5	Umgeni Water's product, namely water, meets my/our requirements	Strongly agree (5)	Agree (4)	Neither agree or disagree (3)	Disagree (2)	Strongly disagree (1)
Q. 6	The professional services offered by Umgeni Water meet my/our requirements	Strongly agree (5)	Agree (4)	Neither agree or disagree (3)	Disagree (2)	Strongly disagree (1)
Q. 7	The services offered by Umgeni Water add value to my company	Strongly agree (5)	Agree (4)	Neither agree or disagree (3)	Disagree (2)	Strongly disagree (1)



8. Using a scale of 1 – 10 where 1 = poor and 10 = excellent, how would you rate the services offered by Umgeni Water?

Water treatment (urban & rural)	<input type="text"/>	Laboratory Services	<input type="text"/>
Wastewater treatment (urban & rural)	<input type="text"/>	Planning Services	<input type="text"/>
Pollution detection, prevention & control	<input type="text"/>	Engineering Services	<input type="text"/>
Extreme events management	<input type="text"/>	Safety & Health Services	<input type="text"/>
Quality Management System	<input type="text"/>	Sanitation provision	<input type="text"/>
Water Quality Management	<input type="text"/>	Water supply	<input type="text"/>
Water Quality Monitoring	<input type="text"/>	Water industry training	<input type="text"/>
Environmental management	<input type="text"/>	GIS Services	<input type="text"/>
Geohydrology	<input type="text"/>	WC/WDM	<input type="text"/>
Catchment management	<input type="text"/>	Water loss management	<input type="text"/>

Other, please specify .....

.....

.....

## MARKETING

9. In 3 words, how would you describe Umgeni Water?

The questions (10 – 12) that follow have ratings 1 – 5 signifying varying degrees of agreement with the statement. The lowest number, in this case 1, and the highest number, in this case 5, represents a strong disagreement and strong agreement respectively. Please tick the relevant box.

Q. 10	Umgeni Water is committed to satisfying customers' expectations and is customer focussed	Strongly agree (5)	Agree (4)	Neither agree or disagree (3)	Disagree (2)	Strongly disagree (1)
Q. 11	Umgeni Water fully communicates with the client and ensures that the client is kept abreast of the happenings throughout the dealings.	Strongly agree (5)	Agree (4)	Neither agree or disagree (3)	Disagree (2)	Strongly disagree (1)
Q. 12	Umgeni Water understands the nature of services that you are looking for	Strongly agree (5)	Agree (4)	Neither agree or disagree (3)	Disagree (2)	Strongly disagree (1)

## COMPETITION

13. If you were to partner with an organization for purposes of water services provision, what aspect(s) would you consider critical for that partnership to be meaningful and succeed? Can you please rank the aspects below in order of priority from 1 - 5, with 1 and 5 representing the lowest and highest priorities respectively?

Quality of products	<input type="text"/>
Quality of services	<input type="text"/>
Professionalism of staff	<input type="text"/>
Communicative nature of the organization	<input type="text"/>
Attention to detail	<input type="text"/>
Knowledge and skills base	<input type="text"/>
Customer orientation	<input type="text"/>
Quality of management and leadership	<input type="text"/>
Price structure of products and services	<input type="text"/>
Stability of the organization	<input type="text"/>
Flexibility of the organization	<input type="text"/>
Umgeni Water's understanding of the customer's business	<input type="text"/>
Other, please specify .....	
.....	
.....	

The following questions use a rating of 1 – 5 where 1 and 5 are the negative and positive extremes respectively. Please mark the response to a question by circling the relevant number.

14. What is the possibility of your company engaging other service providers either than Umgeni Water?

Extremely							Extremely
high	5	4	3	2	1		low



15. How do you perceive Umgeni Water?

Extremely good company	5	4	3	2	1	Worst company
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16. What are the main drivers of your perception?

17. How can Umgeni Water improve its image?

18. This question is meant to compare the performance of water utilities in the water sector. The respondent is requested to rate the performance of the Water Utilities against each other for each attribute listed below. It is suggested that a rating of 1 – 10 be used, where 10 represents excellent performance and 1 poor performance.

Attributes	Water Utilities						
	Umgenezi Water	Rand Water	Magalies Water	Umhlathuze Water	Amatola Water	Bloem Water	Other utility
Quality of products							
Quality of services							
Quality of management and leadership							
Professionalism of staff							
Knowledge and skills base							
Customer orientation							
Price structure of products and services							
Flexibility of the organization							
Understanding of the customer's							

business							
Other							

## ORGANIZATION AND MANAGEMENT

19. The top management avail themselves for discussions?

Yes ☐

No ☐