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Changes in Perceptions of the Internet's Influence on Marketing in South Africa since the Late-1990s

K. L. Sharp[1] and A. L. Bevan-Dye[2]

School of Economic Sciences, North West University, Vaal Triangle Campus, P.O. Box 1174, Vanderbijlpark1900 South Africa
[1]Cell: 074 284 6422, E-mail: [1]<klsharp21@live.com>, [2]<ayeshabevandye@gmail.com>

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ABSTRACT The present paper reports on a study that compared senior marketers' perceptions of the Internet's influence on marketing in South Africa in 1997 with their perceptions nearly two decades later in 2011. In South Africa, the predicted value of the Internet economy is expected to rise from R59 billion at the end of 2013 to R100 billion in 2016, thereby accounting for 2.5% of the country's Gross Domestic Product (GDP). A cross-industry survey of the marketing practitioners at the Johannesburg Stock Exchange's top 100 companies was conducted using a self-administered questionnaire. Ranked means were used to compare senior marketers' perceptions concerning the Internet's influence on the conceptualisation of marketing activities, market definition and value creation between the 1997 and 2011 studies. In addition, a two independent-samples t-test was used to compute whether there were statistically significant differences between the 1997 and 2011 perceptions. The findings of the research suggest that in 2011, marketers perceived the Internet to have a statistically significant lower influence on doing a better job selling, expanding the size of a target market, targeting new customers in current markets and adding new segments than those in the 1997 study.

INTRODUCTION

The purpose of the study is to compare senior marketers' perceptions of the Internet's influence on marketing in South Africa in 1997 with their perceptions nearly two decades later in 2011. In South Africa, the Internet economy was worth R59 billion in 2013, with the predicted value expected to reach R100 billion in 2016, thereby accounting for 2.5% of the country's Gross Domestic Product (GDP) (Price water house Coopers 2013).

The Internet first became available for full commercial use in 1991 with the establishment of the Commercial Internet Exchange Association (Hamill 1997). The same year witnessed the release of the user-friendly Internet service of the World Wide Web to the public (Griffiths 2002). Initially, a great deal of hype surrounded the effects of these technologies on marketing, with the Internet, together with the Web, being viewed as a technology that would completely revolutionise the practice of marketing and cause a paradigm shift in the discipline (Hoffman and Novak 1997; Kiani 1998). However, the dot.com implosion in 2000 caused many to re-evaluate their initial assessment of the Internet's influence on marketing (Leong et al. 2003) and led to a more realistic view of the technology rather serving as a tool for enhancing the execution of traditional marketing activities (Mohammed et al. 2003).

Prior to the dot.com crash and just a few years after South Africans gained public access to the Internet in late 1993, Morris et al. (1997) conducted a seminal study into senior marketers' perceptions of the Internet's influence on marketing in South Africa. The study was used as a benchmark for studies in other countries, including two studies in Australia (Leong et al. 2003) and Iran (Ghazisaeedi et al. 2007).

Even though the technology has advanced and Internet penetration rates have changed significantly (Internet Live Stats 2014), no follow-up published study has been conducted in South Africa. To address this shortfall in the literature, this study seeks to answer the following research question:

How have marketing executives' perceptions of the Internet's influence on marketing in South Africa changed from 1997 to 2011?

Evolving Perceptions of the Internet's Influence on Marketing

The initial introduction of the Internet gave rise to a great deal of hype concerning its influence on marketing. It was believed that many of the established marketing 'truths', including the contextual nature of the marketing environment would change (Sheth and Sisodia 1999). The Internet was predicted to alter geographical boundary lines, time frames and traditional understandings of competitive strengths, weaknesses, opportunities and threats (Quelch and Klein 1996; Peterson et al. 1997; Sheth and Sisodia 1999). Concepts such as disintermediation (Peterson et al. 1997; Ghosh 1998), virtual brand communities (Armstrong and Hagel 1996), instant Internet-enabled internationalisation (Quelch and Klein 1996; Hamill 1997), mass customisation and segments-of-one (Wind and Mahajan 2001) were popular in the dawn of the Internet age. In keeping with the times, the study conducted in South Africa in the late 1990s reported that senior marketing practitioners in a cross-section of industries viewed the Internet as a significant technology that would increasingly influence how marketing activities were conceptualised, markets defined and value created (Morris et al. 1997).

Studies conducted in the early 2000s indicated that marketers were starting to view the Internet's value to marketing with a fair amount of scepticism. A study targeting the USA Fortune 1000 companies reported that the majority of the surveyed senior marketing executives did not attach much importance to the role of the Internet in marketing (Joseph et al. 2001). Similarly, the research findings of Leong et al. (2003) indicated that Australian marketing managers were pessimistic regarding the Internet's value to marketing and remained cautious as to its future usefulness. In a study conducted in Singapore, Teo and Tan (2002) submitted that companies were under utilising the Internet's marketing potential. Similar findings were reported from a survey of marketers in the United Arab Emirates (Darby et al. 2003). In a more industry-specific study, Quinton and Harridge-March (2003) informed that wine producers in the United Kingdom were also failing to utilise the Internet's marketing potential fully. In a study in 2005 in Iran, Ghazisaeedi et al. (2007) reported that while marketing executives did view the Internet as having an influence on redefining markets, changing the conceptualisation of marketing activities and value creation, they did not view these changes as being drastic. According to Joseph et al. (2001), many senior marketing executives lacked both computer literacy and an understanding of the marketing potential offered by the Internet, which would account for their low appraisal of its value in the early 2000s. The early 2000 dot.com crash can also, in part, be attributed to their less enthusiastic demeanour in this regard (Leong et al. 2003).

Regardless of the reasons underlying this scepticism, it was clear that the Internet was here and it was here to stay. Despite the lack of enthusiasm that marked the early to mid-2000s, recent years have seen a revamped interest in the Internet as a viable marketing tool, as is evident from the global increase in online advertising spend (Magnaglobal 2013; McCabe 2014), marketers' interest in virtual social networking sites (Evans 2011) and the global increase in online shopping (Tubbs 2013). While e-commerce is very much an emerging market in South Africa, the rapid increase in Internet and smart phone penetration appears promising (Mochiko 2013; Mahlaka 2014).

Internet Usage and Online Shopping in South Africa

In South Africa, while the Internet growth rate was relatively stagnant between 2002 and 2007, the period between 2007 and 2011 experienced a substantial increase, with an average Internet growth rate of 12.6 percent (Mawson 2012). In 2010, the number of Internet users in South Africa passed the 5 million mark, recording a total of 6.8 million Internet users (Internet World Stats 2011).In August 2014, an estimated 24.9 million people of South Africa's population of 53.1 million people were Internet users, representing a 46.88% penetration of the population (Internet Live Stats 2014)

In South Africa, the increase in Internet users and usage is mostly due to the adoption of mobile devices, including Internet-enabled smart phones and tablets (Masote 2012; Mahlaka 2014). In 2012, there were close to 32 million mobile Internet-capable devices in South Africa with more than 14 million of these actively using Web services. In comparison, there were only an estimated 6 million desktop Internet users in the country. Despite these statistics, surprisingly South African marketers continue to focus their efforts on desktop Internet users (Maake 2012). According to one study of 1 475 senior executives across 14 countries, including South Africa, despite mobile technologies being a key enabler of digital business, only four in ten companies consider mobile technologies as a key element in their business strategy (Mungadze 2014). The rapid adoption of mobile devices in South Africa suggests that investment in mobile technologies is essential to the country's e-commerce growth.

In terms of online shopping, e-commerce contributed R4.2 billion to the South African economy in 2013 (Mahlaka 2014), up from R3.3 billion in 2012 (Wilson 2013b). While South Africans lag behind the rest of the world in their adoption of Internet shopping (Mzekandaba 2012; Moorad 2013), the Internet economy is predicted to increase in value, mostly driven by the increasing trend towards mobile shopping (Masote 2012).

There are several reasons for the low Internet penetration rate and slow uptake of online shopping in South Africa. First, is the slow Internet speeds, with South Africa ranked 120th in global Internet speeds and 25th in African Internet speeds (Ashton 2013). Secondly, is the cost of connectivity – both fixed and mobile – that remains unacceptably high in the country, thereby causing an ongoing digital divide between the upper and lower income groups (Moorad 2013; Wilson 2013a).Thirdly, are security concerns (Wilson 2013b), including a lack of trust in online payment (Mahlaka 2014) and the fear of personal data being compromised (Alfreds 2014). Fourthly, is South Africa's inefficient postal service, resulting in retailers rather using private couriers for making deliveries, which, in turn, adds to shipping charges (Moorad 2013). In addition, South African marketers are accused of not offering consumers sufficient incentives to purchase online and failing to educate them regarding the advantages of purchasing online (Davids 2013).

A robust Internet economy provides economic as well as social advantages and is an essential part of any country's economy, including South Africa's economy (Masote 2012). Dealing with the barriers to Internet access needs to be an imperative as increased Internet penetration levels result in increases in GDP and job creation, both of which are important goals in an emerging economy such as South Africa (Wilson 2013a).

Problem Statement

Although more recent studies on the influence of the Internet on the marketing activities of organisations have been conducted in Australia (Leong et al.2003) and Iran (Ghazisaeedi et al.2007), there has been a paucity of research on this topic in the South African market since the study conducted by Morris et al. (1997). Given the advances in information and communication technologies (ICTs) and the increase in Internet usage since the late 1990s, there was a need to re-investigate South African marketers' perceptions of the changes in marketing practices brought about by the Internet. This is especially true in light of the 2000 dot.com crash and South Africa's on-going digital divide (Wilson 2013a). Furthermore, ICTs and the Internet represent salient tools for social and economic growth, which in the economic climate prevalent in the 2010s is particularly significant (Department of Communications Republic of South Africa 2014). The present study seeks to address the gap in research by replicating the study conducted by Morris et al. (1997) and making a comparison between the different time periods.

METHODOLOGY

Sample

The required data was collected using the e-mail survey method with the attachment mode. The target population was delineated as marketing directors or marketing managers employed within the marketing departments of companies in South Africa. A non-probability judgement sample of the 100 top South African companies, ranked according to turnover, listed on the Johannesburg Stock Exchange as published by the Financial Mail (2009) was taken in April 2011. This sample represents 30 of the 39 industry sectors of South Africa. Each of these 100 companies was contacted telephonically to obtain e-mail addresses and permission to forward the questionnaire to the relevant marketing practitioners.

Research Instrument

The scale employed in this study was developed by Morris et al. (1997). This scale was selected as it allowed for a direct comparison between South African marketing practitioners' perceptions of the influence of the Internet on marketing in 2011 with those in the late 1990s.The scale comprises the three constructs of the Internet's influence on changes in the conceptualisation of marketing activities (11 items), changes in market definition (8 items) and value creation (12 items). A five-point Likert scale, ranging from 1= to a very little extent to 5= to a very great extent, was used to measure the responses. Included in the questionnaire was a section requesting demographic data and a cover letter, which explained the purpose of the study.

In order to determine the reliability of the scale, a pilot test was conducted on a convenience sample of 30 South African companies, that did not form part of the main sample. The scale returned an acceptable Cronbach alpha ranging from 0.928 to 0.933 for each of the three constructs.

RESULTS AND DISCUSSION

Of the 100 companies that were e-mailed questionnaires, 74 responses were received, with 67 companies providing one response each, two companies providing two responses each and one company providing three responses. The job titles indicated by participants included head of group marketing, marketing director, marketing executive, marketing manager, brand manager, general manager of sales and marketing, and chief sales and marketing officer. Concerning years of marketing experience, 26.5% of the participants indicated that they had 5 years or less experience, 38.3% between 6 and 10 years, 16% between 11 and 20 years and 19.2% indicated having more than 20 years of experience.

Table 1: Industry sectors represented by respondents

	Sector	*Percentage of respondents (%)*
1	Construction and building materials	11
2	Media and entertainment	3
3	Mining: Platinum	3
4	Mining: Gold	1
5	Mining: Other mineral extractors and mines	7
6	Investments	3
7	Insurance	5
8	Electronic and electrical equipment	3
9	Household goods and textiles	1
10	Chemicals	1
11	Transport	5
12	General retailers	3
13	Food producers and processors	7
14	Health	1
15	Life assurance	1
16	Steel and other metals	1
17	Software and computer services	3
18	Automobiles and parts	4.5
19	Information technology: Hardware	4.5
21	Engineering and machinery	5
22	Other	27

Responses were received from 21 of the 39 industry sectors in South Africa, with 27 respondents marking the 'other' category option. Table 1 presents the percentage of respondents falling into each industry sector.

In the main study, a Cronbach alpha of 0.85 was computed on the conceptualisation of marketing activities dimension, 0.87 on the market definition dimension and 0.90 on the value creation dimension, thereby exceeding the recommended level of 0.7 (Nunnally 1978). Given that the number of items tends to elevate the Cronbach alpha falsely (Malhotra 2010), the inter-item correlation mean was also computed. The inter-item correlation means computed ranged from 0.38 and 0.46 for the three constructs, which were all within the recommended range of 0.15 to 0.50 (Clark and Watson 1995).

In order to determine how South African practitioners' perceptions of the influence of the Internet on marketing in 2011 compared to those in South Africa in the late 1990s, the means of the 2011 study were ranked and compared with the rankings of those in the 1997 study by Morris et al. (1997). These are reported in Table 2.

In the 2011 study, means above 3 were computed for 25 of the 31 items, indicating that South African marketers still perceive the Internet to have an influence on most aspects of marketing within their companies in South Africa. As is evident from Table 2, while marketers in 2011 continue to rank the Internet's influence on changing the conceptualisation of marketing activities first, they view its influence on changing value creation higher than its influence on changing market definitions, unlike the 1997 study. In both the 1997 and 2011 studies, the Internet's influence on improving the company's ability to keep customers informed, providing an effective channel for communicating product/service information and enabling customers to make more informed buying decisions were ranked high. Similarly, in both studies, Internet's influence on eliminating less profitable customers/segments, influencing the way in which products are priced and pricing more accurately were all ranked low. The 2011 study saw a marked increase in the ranking of the Internet's influ-

Table 2: Ranking of Internet's influence on marketing: 2011 versus 1997

	2011 Mean	*Ranking*	*1997 Mean*	*Ranking*
Change in the Conceptualisation of Marketing Activities	*3.49*	*1*	*3.50*	*1*
An effective channel for communicating product/service information	4.19	2	4.07	2
Change the way in which products/services are marketed	3.77	5	3.54	15
Enable two-way interactive relationships with customers	3.74	6	3.96	4
Influence promotional strategies	3.59	9	3.66	11
Enhance capabilities to bring new products to the market	3.60	8	3.69	10
Provide an effective vehicle for improving market segmentation	3.47	11	3.57	13
Permit online payments	3.97	3	3.08	24
Permit involvement with customers earlier in the buying process	3.56	10	3.63	12
Do a better job of selling	2.79	23	3.70	9
Permit a reduced need for middlemen	3.04	21	3.09	23
Influence the way in which products are priced	2.64	25	2.47	30
Change in Market Definitions	*3.14*	*3*	*3.43*	*2*
Expand the size of a targeted market	3.09	19	3.86	5
Target new customers in currently served markets	3.11	17	3.52	16
Target new customers in totally new market segments	3.26	14	3.42	18
Target new customers globally	3.46	12	3.77	6
Add new segments to targeted markets	2.96	22	3.55	14
Define markets more precisely	3.14	16	3.30	20
Provide a podium to compete more effectively globally	3.65	7	3.44	17
Eliminate less profitable customers or market segments	2.48	26	2.61	29
Change in Value Creation	*3.35*	*2*	*3.38*	*3*
Improve company abilities to keep customers more informed	4.26	1	4.24	1
Enable companies to serve customers more quickly	3.90	4	3.74	7
Enable customers to make more informed buying decisions	3.90	4	4.06	3
Do a better job of researching customer needs	3.42	13	3.52	16
Make it easier for customers to buy	3.42	13	3.72	8
Provide a better way to identify unmet customer needs	3.10	18	3.21	22
Promote better customisation of products and services	3.07	20	3.35	19
Provide better understanding of the customer's buying process	2.96	22	2.99	25
Lower marketing costs	3.17	15	3.23	21
Provide a way for companies to price more accurately	2.76	24	2.80	28
Improve new product development	3.07	20	2.88	26
Assist in developing new products faster	3.14	16	2.82	27

Five-point scale, where 1=to a very little extent to 5=to a very great extent

ence on changing the way products and services are marketed, its influence on permitting online payment and it providing a podium to compete more effectively globally. However, in comparison with the 1997 study, there was a marked decrease in ranking in the 2011 study concerning the Internet's influence on doing a better job selling, expanding the size of target markets, targeting new customers globally, adding new segments to targeted markets and making it easier for customers to buy.

In order to address the research question posed in the study, a t-test for independent samples was conducted to compute whether there was a statistically significant difference between the results of the two studies. The significance level was set at the conventional 5 percent; that is, $a = 0.05$. Table 3 reports on the findings.

As indicated in Table 3, there was a statistically significant difference on five items in the 1997 and 2011 South African studies. These items include permit online payments ($p=0.001<0.05$), do a better job selling ($p=0.000<0.05$), expand the size of a targeted market ($p=0.000<0.05$), target new customers in currently served markets ($p=0.044<0.05$) and add new segments to targeted markets ($p=0.009<0.05$). Marketers perceive the Internet to have a statistically significant greater influence on permitting online payment in 2011 than they did in 1997 (probably due to improved security of online payment methods). However, their perceptions of its influence on doing a better job selling, expanding the size of a target market, targeting new customers in current markets and adding new segments is statistically significantly lower than those in the 1997 study.

Table 3: Marketers' perceptions of the influence of the Internet on marketing activities in South Africa: 2011 versus 1997

	2011 Mean	*Ranking*	*1997 Mean*	*Ranking*
Change in Conceptualisation of Marketing Activities	4.19	4.07	0.13	0.396
An effective channel for communicating product/service information	4.19	4.07	0.74	0.304
Change the way in which products/services are marketed	3.81	3.54	1.30	0.172
Enable two-way interactive relationships with customers	4.19	3.96	1.36	0.159
Influence promotional strategies	3.59	3.66	-0.38	0.371
Enhance capabilities to bring new products to the market	3.59	3.69	-0.48	0.355
Provide an effective vehicle for improving market segmentation	3.43	3.57	-0.73	0.305
Permit online payments	3.96	3.08	3.56	0.001*
Permit involvement with customers earlier in the buying process	3.56	3.63	-0.39	0.370
Do a better job of selling	2.77	3.70	-5.25	0.000*
Permit a reduced need for middlemen	3.03	3.09	-0.28	0.384
Influence the way in which products are priced	2.64	2.47	0.80	0.290
Change in Market Definitions	*3.20*	*3.40*	*-1.34*	*0.164*
Expand the size of a targeted market	3.11	3.86	-3.76	0.000*
Target new customers in currently served markets	3.13	3.52	-2.10	0.044*
Target new customers in totally new market segments	3.29	3.42	-0.65	0.322
Target new customers globally	3.47	3.77	-1.38	0.153
Add new segments to targeted markets	3.00	3.55	-2.76	0.009*
Define markets more precisely	3.17	3.30	-0.60	0.333
Provide a podium to compete more effectively globally	3.64	3.44	0.94	0.263
Eliminate less profitable customers or market segments	2.47	2.61	-0.70	0.313
Change in Value Creation	*3.35*	*3.38*	*-1.40*	*0.395*
Improve company abilities to keep customers more informed	4.27	4.24	0.22	0.389
Enable companies to serve customers more quickly	3.89	3.74	0.75	0.302
Enable customers to make more informed buying decisions	3.89	4.06	-1.04	0.232
Do a better job of researching customer needs	3.43	3.52	-0.52	0.349
Make it easier for customers to buy	3.41	3.72	-1.47	0.135
Provide a better way to identify unmet customer needs	3.09	3.21	-0.65	0.324
Promote better customisation of products and services	3.07	3.35	-1.36	0.158
Provide better understanding of the customer's buying process	2.99	2.98	-0.02	0.399
Lower marketing costs	3.17	3.23	-0.28	0.384
Provide a way for companies to price more accurately	2.79	2.80	-0.07	0.398
Improve new product development	3.09	2.88	1.00	0.242
Assist in developing new products faster	3.16	2.82	1.57	0.116

*Statistically significant at $p<0.05$

The findings of this study suggest that in 2011, marketers, for the most part, continue to perceive the Internet to have an influence on marketing in South Africa. In comparison to respondents in the 1997 study, marketers in 2011 seem to have lowered their expectations concerning the Internet's influence on changing the way that markets are defined and doing a better job selling. In contrast, their perceptions of Internet's influence on permitting online payments have improved.

Despite the significant time lapse, the Internet's influence on keeping customers informed, providing an effective channel for communicating information and enabling more informed buying decisions were ranked highest in both the 1997 and 2011 studies, while its influence on eliminating less profitable customers/segments, influencing the way that products are priced and pricing more accurately were ranked lowest. These findings echo those of the 2001 Australian study (Leong et al. 2003) and the 2005 Iranian study (Ghazisaeedi et al. 2007).

Taken as a whole, it appears that marketers in 2011 remain positive concerning Internet's influence on marketing in South Africa when compared to their counter parts at the early stages of Internet usage in the country. However, the health of South Africa's Internet economy is dependent on certain actions by marketers and by the government.

CONCLUSION

The Internet is here and is here to stay. As this technology advances and as Internet penetration rates increase, so marketers must be vigilant to the ways in which it may be employed to execute marketing activities, redefine markets and improve value creation. Given the potential value of an Internet economy to the South African economy in terms of GDP and job creation, the government needs to be more proactive in eliminating the current obstacles to Internet penetration rates and online shopping.

LIMITATIONS AND FUTURE RESEARCH

While interpreting these results, it is important to take cognisance of the limitations of the study. First, a non-probability sampling method was employed and, as such, caution should be exercised generalising the findings to the target population. Secondly, the study was cross-sectional in design. Ongoing advances in Internet technologies and growth in Internet usage and users will continue to pose new challenges to marketers, making a longitudinal study more applicable to this type of study. For example, even though the Internet does not appear to be particularly useful for certain marketing activities at present, this may change and marketers need to keep abreast with these and other potential changes on an ongoing basis.

In addition to engaging in a longitudinal study, there is also scope for extending this research to measure the opinions held by the marketing practitioners of small, medium and large companies in South Africa that are not listed on the Johannesburg Stock Exchange (JSE). The study aims to measure their perceptions of the changes in marketing practices brought about by the Internet, with the view of uncovering ways in which they might take more advantage of Internet technologies.

RECOMMENDATIONS

The Internet and ICTs are catalysts for social and economic growth and it is recommended that greater investment needs to be made in improving South Africa's Internet and ICT capabilities, especially in terms of increasing broadband speeds and access. To avoid deepening the country's digital divide, care also needs to be taken in ensuring the provision of Internet connectivity in rural areas. In addition, educational campaigns geared at fostering e-literacy are also advised.

Digital technologies are vital in lessening the gap between small and large organisations and South Africa's efforts in encouraging and supporting small and medium enterprises will be greatly enhanced with greater broadband penetration and lower data costs. As such, the government needs to address the low Internet speeds and investigate the reasons why Internet connectivity costs remain unacceptably high.

Online security and trust in online payment systems remain stumbling blocks in the uptake of online transacting. From a legislative perspective, harsher measures need to be in place to deal with cybercrimes and the public needs to be better educated as to how to avoid falling prey to cyber criminals. Organisations need to ensure that their systems not only ensure safe online transacting but that they also ensure the protection of personal data collected from customers.

Further, the inefficiencies of the country's postal service need to be addressed in order to make it a viable delivery mechanism and thereby bring down the shipping costs involved in online purchasing.

Many organisations are failing to recognise the opportunities presented by the rapid adoption of mobile Internet-enabled devices by South Africans. Organisations are advised to invest in mobile technologies and include mobile marketing as a central component of their strategic marketing efforts. This would include developing secure mobile payment systems, and developing mobile advertisements and applications that encourage online shopping. Moreover, marketers need to offer consumers more incentives to purchase online and need to educate the public as to the benefits of online purchasing. In addition, they need to seek innovative ways of employing the Internet and mobile technologies in enhancing the execution of marketing activities, redefining their markets and creating value for customers.

These shortfalls need to be dealt with urgently given that increasing Internet penetration rates and ICT usage are believed to lead to increases in GDP and job creation, both of which are essential objectives for the South African economy.

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