UNIVERSITY OF KWAZULU-NATAL

The Impact of Relationship Marketing for the Licensed Tavern Business

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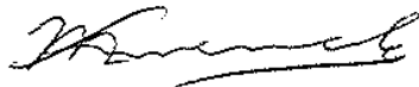**Supervisor: Mr L.V. Kaplan**

Year of submission: 2012

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ABSTRACT

The emergence of the relationship marketing approach in the marketing field is seen as a paradigm shift from the traditional marketing mix of '4 Ps'. As a result, organisations began to look for ways to develop strong and lasting relationships with their customers. This paradigm shift resulted in relationship marketing being researched extensively. Most research on relationship marketing has been done from the perspective of the organisation. The uniqueness of this particular study lies in the fact that research has been done from the perspective of the customer (licensed tavern owners).The aim of this study is to investigate the perceived value of relationship marketing from the perspective of the customer (licensed tavern owners). The study focuses on the relationship between the supplier organisation (Distell Limited) and the customers (licensed tavern owners). The empirical study was quantitative in nature. Data was collected using self-administered questionnaires. The research study focused on a sample of 100 licensed taverns in the Durban Metropolitan Area of KwaZulu-Natal, of which 96 responded. The findings of the study confirmed the importance of relationship marketing activities as applied by the supplier organisation to the licensed tavern owners. Significant importance was placed on relationship marketing strategies: the results rated social bonds as most important, followed by structural bonds and then financial bonds. The most important contribution of the study is in the development of a framework for the management of long-term relationships. This was done through the construction of a model which can be used for the development and the management of long-term relationships in the supplier-customer context. The current study focused on one sector of the liquor industry, namely the licensed tavern business.

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CHAPTER ONE
INTRODUCTION TO THE STUDY

1.1 Introduction

In today's competitive business environment, organisations can no longer survive with a transactional attitude towards customers. They need to focus their marketing activities to a more relational dimension, which is considered to be the most suitable approach for satisfying and maintaining customers according to Hollensen, (2010). As a result, organisations are now more concerned with developing strong and lasting relationships with their customers by using different relationship marketing tools.

Relationship marketing activities consist of dedicated programs, designed and implemented to build and maintain strong relational bonds between the organisation and its customers. According to Palmatier (2008), relationship marketing programs often are divided into financial, social and structural programs. By using relationship marketing techniques, an organisation can secure customers by offering financial incentives, thus establishing financial bonds. The organisation can also establish social bonds through elements like developing trust and maintaining effective commitment. Structural bonds are created through aligning the business process with the requirements of the customers.

As a result of intense competition, increasing customer expectations, eroding brand loyalty and price sensitivity of customers, the need for relationship marketing cannot be over-emphasised. Taking this reality into account, many businesses worldwide, are now implementing different relationship marketing tools to develop financial, social and structural bonds with their existing customers. Relationship marketing theories and empirical findings suggest that organisations that practise relationship marketing will definitely gain a competitive advantage over their competitors practising the traditional marketing mix approach.

The main goal of relationship marketing is to build mutually satisfactory long-term relationships with key constituents in order to gain and maintain their business according to Gummesson, (2008).Thus, the overall objective of relationship marketing is to build and maintain long-term customer relationships, which points to a changed focus of the marketing management process.

1.2 Motivation for the Study

Previous studies reflect that attracting and retaining customers for the profitability of the organisation is central to the goal of relationship marketing. According to Payne, Ballantyne and Christopher (2005), relationship marketing distinguishes itself through the emphasis on the retention of profitable customers, which implies maximising the life-time value of a customer. This notion places emphasis on the value of relationship marketing from the organisation or business perspective. There is lack of focus in the existing literature on the value of relationship marketing from the customer perspective.

There are many benefits for businesses in long-term customer relationships. Increased sales volumes, greater market share and ultimately higher profits result from repeated sales and subsequent referrals. It is cheaper to serve existing customers than to attract new ones, and it is in the business's best interest to reduce the cost of attracting new customers. The advantages to businesses in establishing long-term relationships with customers are evident.

Customers also benefit from long-term business relationships (with suppliers). They develop a familiarity, both with the product and with the company representative. They can receive personal recognition for their success as vendors and business people in their own right. They can benefit from discounts and credit advances extended to them as a result of the relationship, which can even lead to friendship.

Published research on relationship marketing is mostly in the services industry. In the South African liquor industry this type of research is limited. Through this study

a contribution will be made to the body of knowledge concerning the South African liquor industry.

A valuable contribution will be made by bringing to light the relationship needs of the licensed tavern business sector which the broader industry can incorporate into their plans. The findings of this study will shed light on the importance of relationship marketing strategies as applied by the supplier organisations to this particular sector of the business in KwaZulu-Natal.

Managerial implications emerged from different perceptions of the representative sample. Decision makers in supplier organisations like Distell, which include sales managers, marketing managers and sales representatives, will benefit from the findings of this particular study when planning. The service offering from supplier organisations like Distell can now incorporate the perceptions of the customers (licensed tavern owners).

1.3 Focus of the Study

The main focus of the study is to investigate the perceived value of relationship marketing from the licensed tavern owner's perspective. To achieve this, the study focused on a number of important dimensions of relationship marketing.

Value is considered to be an important dimension of relationship marketing. As a result, the ability of an organisation to provide superior value to its customers is regarded as one of the competitive advantages, according to Christopher *et al.,(*1991). Value in the context of this study is taken from the perspective of the organisation's customers (licensed tavern owners). This implies that the customer's perception of value created and delivered must be taken into consideration when the organisation defines its value offering. Thus this approach suggests that it is crucial for the organisation to determine the key elements of customer-perceived value in order to plan future value propositions.

The study also focused on the key principles of relationship marketing that can influence customer behaviour. These key principles are illustrated through a

comparison between transactional and relationship marketing, as identified by Grönroos (1994). With the increased interest in the relationship marketing approach, the focus is now on building long-term relationships with customers. The relationship marketing approach is in contrast with the traditional transactional approach, where emphasis is on the single transaction. The transactional marketing approach is characterised by very minimal customer interaction outside the product offering. Because several competitors provide a similar product offering, the relationship marketing approach places emphasis on managing the interaction process to add value for the customer.

The study focused on identifying the key elements of a relationship in the relationship marketing context. Relationship marketing literature appears to focus on three elements of the marketing relationship: keeping promises, trust and commitment. Once the elements were identified, the relationship between them was also identified. Fulfilling promises is viewed as an important means of achieving customer satisfaction. According to Berry (1993), relationship marketing is built on the foundation of trust. The general argument is that once trust has been established, the probability increases that the customer remains in the relationship. Commitment also appears to be an important element of a long-term marketing relationship. Once commitment is established, the customer's attitude towards the organisation could change, resulting in an intention to stay in the relationship. Fulfilling promises is equally important as means of achieving customer satisfaction, retention of the customer base, and long-term profitability.

The study also focussed on the three levels of relationship marketing strategies as identified by Berry and Parasuraman (1991), which are financial, social and structural bonds. The literature highlighted the levels of relationship marketing strategies and their importance to the organisation. The objective of relationship marketing strategies at different levels is to tie the customers to the organisation and create a loyal customer base. However, the study focused on highlighting the impact of such strategies from the perspective of the customer namely being licensed tavern owners.

1.4 Problem Statement

Even a cursory review of the existing literature on the subject of relationship marketing reveals that the bulk of the research has focused on the perspective of the organisation or business. This is supported by the definitions of relationship marketing that currently exist. The definitions of relationship marketing that follow clearly support this notion.

According to Zeithaml and Bitner (2000), relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers, rather than acquiring new customers. Therefore the emphasis is on retaining the organisation's customer base.

Berry (1983) defined relationship marketing as 'a marketing activity that attracts and maintains relationships between a business and customers'. The business aims to attract and retain customers in order to increase profit. Little has been written about the impact relationship marketing has on the customers' perceptions.

Therefore, the perceived value of such relationships from the customer's point of view also needs to be considered. A gap in the current literature has been highlighted. There is a definite need to understand the customer's perspective on relationship marketing. This particular study seeks to understand the customer's perspective on relationship marketing. Therefore, the main goal of this study is to investigate the perceived value of relationship marketing from a customer's perspective namely licensed tavern owners. This unveils the research problem that will be addressed in this study.

1.5 Objectives

The primary objective of the study has been to investigate the perceived value of relationship marketing from the perspective of the customer (licensed tavern owners).

The sub-objectives are directly related to the primary objective of the study. The primary goal of the research study is supported by the following sub-objectives:

- to investigate relationship marketing theory in order to establish its value to the licensed tavern business owner
- to identify principles of relationship marketing that can influence customer behaviour towards the supplier
- to determine if current relationship activities are sufficient to sustain and improve business relationships

- to develop a framework for management of long-term business relationships according to the relationship needs of the licensed tavern owners

1.6   Research Questions

In order to address the research objectives, the following research questions were formulated:

- What is the value derived from relationship marketing from the licensed tavern owner's perspective?

- What are the relationship needs of the licensed tavern customers in the South African liquor industry, in the B2B context?

1.7 Key Concepts

1.7.1 Relationship Marketing

Relationship marketing is the on-going process of engaging in cooperative and collaborative activities and programs with immediate and end user customers to create or enhance mutual economic value at reduced cost according to Parvatiyar and Sheth, (2007). It is therefore important to identify those customers, suppliers and competitors who wish to develop a long-term relationship with a business.

Therefore, emphasis in relationship marketing is on a long-term and mutually beneficial business arrangement, focusing on value enhancement, with the goal of providing a more satisfying exchange. This approach attempts to transcend the simple purchase-exchange process with the customer to make a more meaningful and richer contact by providing a more holistic, personalised purchase, and by creating stronger bonds.

1.7.2 The Long-term Marketing Relationship

The emphasis in the relationship marketing approach is placed on building long-term, mutually beneficial relationships between the organisation and its customers. Thus the objective is to build long-term relationships in order to retain customers. The relational approach represents a paradigm shift from transactional marketing, where the focus is on individual transactions. According to Kotler & Keller (2011), organisations need to move from short-term transaction oriented goals to long-term relationship-building goals.

1.7.3 The Supplier

According to Kotler and Armstrong (2008), relationship marketing is a process of enhancing strong value-laden relationships with key stakeholders, like customers, suppliers and distributors, with the goal of returning their business.

In the context of this study, 'the supplier' refers to organisations that are involved in the manufacturing of products and services to sell or supply to others. The consumers of these products and services are those organisations that are not classified as end consumers.

1.7.4 The Tavern

A tavern can be loosely defined as a place of business where people gather to drink alcoholic beverages and, more than likely, also to be served food. A tavern will not be licensed to accommodate guests. The distinction between a tavern and an inn, bar or pub varies by location. In some places they are identical; in others they are distinguished by traditions or by the legal license.

In the context of this study, the licensed tavern refers to buildings with a bar area, licensed to sell alcoholic drinks and predominantly found in the townships. These were traditionally called shebeens and they were considered illegal during the apartheid era. In recent years they have been drawn into the formal business sector and they are regulated through a legal framework. With the emergence of township tourism they have become major entertainment centres and attractions for locals and tourists alike.

1.8 Limitations of the Study

A few limitations became apparent during the period in which the study was conducted:

- Self-administered questionnaires were used for this particular study. The questionnaires were distributed and collected physically from the respondents. As a result the respondents were allowed to complete the questionnaire during their own time. It is possible that certain responses were made without the respondents fully understanding the questions or the statements.

- The opinions of the licensed tavern owners who are supplied by Distell were canvassed. Therefore, their responses could contain an element of bias, as respondents do not want to present the supplier in a negative light.

- The size and the scope of the topic meant that the study could only focus on a specific and limited number of dimensions that the researcher considered to be important.

1.9 Study Layout

The study is presented in six chapters.

Chapter One focuses on the orientation of the study and consists of a number of key components that constitute the content of the study. A broad introduction to the topic is provided, followed by the motivation for the study; the focus of the study; the problem statement; objectives of the study; key concepts; and the limitations of the study. The last section of the study gives the structure of the project by providing the outline of the chapters.

Chapter Two focuses on the theoretical aspects of relationship marketing. The objective is to formulate a theoretical framework for relationship marketing. The theoretical framework is discussed under the following headings: the origins of the relationship marketing concept; the development of relationship marketing theory; the organisation's perspective of relationship marketing; the goal of relationship marketing; levels of relationship marketing strategies; principles of relationship marketing; key elements of relationship marketing; an outline of the Six Markets Model; value creation to attract and retain customers; the benefits of long-term relationships; and the relationship marketing outcomes. The chapter concludes with a brief summary of relationship marketing.

The methodology applied during the empirical phases of the study is discussed in Chapter Three. The different approaches to empirical research are explained. Then details are provided of the research design; data collection strategies; recruitment of study participants; and construction and administration of the questionnaire. The chapter concludes with a discussion of the statistical techniques that were used in the study.

The empirical results of the study are presented in Chapter Four, which focuses on the results of the exploratory study. Quantitative data collected ranged from simple counts, such as the frequency of occurrences, to more complex data such as test scores. Frequency or descriptive data has been presented as figures, graphs, tables and text.

Chapter Five provides a discussion of the research findings of the study. The findings are interpreted and explained in conjunction with previous research studies and the objectives of this particular study. The chapter concludes by providing a framework that could be used to manage long-term relationships in the supplier-customer context.

The final chapter of this study, Chapter Six, provides the summary, implications of the study, conclusions and recommendations to solve the research problem. Directions for future research are also provided.

1.10   Summary

This chapter gave a broad introduction to the study and presented an overview of the structure of the research study. The motivation for the study, together with important dimensions, objectives and limitations were also discussed. The chapter concluded by giving an outline of the other chapters in the study.

The next chapter, Chapter Two, will focus on the theoretical aspects of relationship marketing. The objective is to formulate a theoretical framework for relationship marketing, based on the literature reviewed.

CHAPTER TWO
THE RELATIONSHIP MARKETING APPROACH

2.1 Introduction

In Chapter One, the entire structure of the research project was discussed. Chapter two presents relevant works pertinent to the topic and the objectives of the study. Several of the prominent sources in the field are somewhat dated. Thus to counter this they have been supported by more recent authors.

The theoretical framework is discussed under the following headings: the origins of the relationship marketing concept; the development of relationship marketing theory; the organisation's perspective of relationship marketing; the goal of relationship marketing; levels of relationship marketing strategies; principles of relationship marketing; key elements of relationship marketing; an outline of the Six Markets Model; value creation to attract and retain customers; benefits of long-term relationships; and relationship marketing outcomes. The chapter concludes with a brief summary of relationship marketing.

2.1.1 The Origins of the Relationship Marketing Concept

Consumer marketing originated in the 1950s and 1960s, as companies of that era made profits by selling relatively low-value products to mass markets. Since then attempts have been made to broaden the scope of marketing and relationship marketing has been one of these attempts. As the discipline relationship marketing gained momentum, and developed through the first three quarters of the twentieth century. The primary focus was on transactions and exchanges. However according to Kotler and Armstrong (2008), the development of marketing as a field of study and practice is undergoing reconceptualization in its orientation from transactions to relationships.

The concept of relationship marketing was first mentioned by Berry in 1983, in a conference paper on service marketing. The relationship marketing concept appears for the first time in academic literature in 1983 when Berry, in a book on marketing to services, writes a chapter entitled 'Relationship Marketing'. According to Berry (1983), relationship marketing is a strategy to attract, maintain and enhance customer relationships.

As a field of study, relationship marketing is relatively young: while the concept was developed in the 1980s, it only garnished interest and started to gain popularity in the 1990s. Extensive research was conducted in the mid-1990s. As a result, in 1994, Grönroos stated that relationship marketing would probably become one of the dominant paradigms in marketing theory.

Relationship marketing's rise to prominence was rapid. As the last decade of the 20th Century passed into history, the number of supporters of the concept continued to grow. Certainly, relationship marketing had, according to Payne *et al.,* (2009), became an important reference point in marketing and management.

Current research in the field of marketing indicates that forming constructive relationships with selected target customers is more important for long-term success of the business. This philosophy assumes that consumers prefer to have an on-going relationship with one organisation rather than switching continually among providers in their search for value.

2.1.2 Development of the Relationship Marketing Theory

According to Christopher *et al.,* (1991), the development of relationship marketing theory and practice can be traced to three schools of thought: The Nordic School; The Industrial Marketing and Purchasing Group; and The Anglo-Australian Approach.

The Nordic School originally focused on services marketing research in the early 1980s. According to the Nordic School, managing services is at the centre of building and maintaining relationships. However other elements such as

management of relationship orientated marketing communications are also important.

The Industrial Marketing and Purchasing Group approach focused on the business to business (B2B) market environment. According to the Industrial Marketing and Purchasing Group, transactions in these markets do not happen separately, but occur as part of a continuing interaction between organisations. The interaction between companies and numerous individuals or between companies themselves constitutes the relationships.

The Anglo-Australian Approach has its foundation in the work of Christopher, Payne and Ballantyne. According to Christopher *et al.,* (1991), relationship marketing includes the following elements: emphasis on a relationship, rather than on a transactional approach to marketing; and understanding the economics of customer retention, therefore ensuring the right amount of money and other resources are appropriately allocated between the two tasks of attracting and retaining customers.

2.2 The Organisation's Perspective of Relationship Marketing

Relationship marketing, according to Gordon (2008) is not a wholly independent philosophy but draws on traditional marketing principles. Grönroos (2008) has stressed the importance of relationship building in his definition of marketing in which he describes the objective of marketing as to establish, develop and commercialise long term customer relationships so that the objectives of the parties involved are met.

Kotler (2010), later defined marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.

Relationship marketing is the on-going process of engaging in cooperative and collaborative activities and programs with immediate and end user customers to

create or enhance mutual economic value at reduced cost according to Parvatiyar and Sheth (2007).

According to Berry (1983), relationship marketing is a marketing activity that attracts and maintains relationships between a business and customers. This emphasises the goal of relationship marketing from the business's point of view, which is to attract and maintain customers in order to become more profitable.

Gummesson (1987), on the other hand, defined relationship marketing as relationship management by creating, developing and maintaining a network in which a firm thrives. Likewise, Kotler and Armstrong (2001) believe that relationship marketing is the process of creating, maintaining and enhancing strong value-laden relationships with customers and other stakeholders. Both these definitions focus on the organisation's perspective of relationship marketing.

According to Berry and Parasuraman (1991), relationship marketing is a marketing approach that concerns attracting, developing, and retaining customer relationships. According to Coviello, Brodie and Munro (1997), relationship marketing is a multi-functional and integrative approach, which describes marketing as 'an integrative activity involving functions across the organization, with emphasis on facilitating, building and maintaining relationship over time'.

Morgan and Hunt (1994) came up with a comprehensive definition of relationship marketing which states that: 'Relationship Marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges'.

2.2.1 The Goal of Relationship Marketing Strategies

Building on the definitions of relationship marketing and taking into account the fact that it is much cheaper to keep a current customer than to attract a new one, the goal of relationship marketing puts more emphasis on retaining current customers. Attracting and maintaining the customers for the profitability of the organisation is central to the goal of relationship marketing as reflected by the

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previous studies. There is lack of focus on the value of relationship marketing for the customer in the existing literature.

According to Kotler & Keller (2011), organisations must move from short-term transaction oriented goals to long-term relationship-building goals. Relationship marketing, however, offers organisations the opportunities to achieve this goal and to build long term relationships with their stakeholders.

The goal of marketing is to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. Such relationships are usually, but not necessarily, long-term. The purpose of relationship marketing within an organisation is to identify and understand customers as much as possible and to build an asset, which is a marketing network according to Kotler and Keller, (2009).

Thus, the overall objective of relationship marketing is to facilitate and maintain long-term customer relationships. The main goal of relationship marketing is to build mutually satisfactory long-term relationships with key stakeholders in order to gain and maintain their business according to Gummesson (2008). Therefore the goal of relationship marketing is to increase customer loyalty.

According to Kotler (2001), the aim of relationship marketing is to build mutually satisfying long-term relations with key parties like the customers, suppliers and distributors, in order to earn and retain their business. This constitutes the relationship as well as mutual bonding for the benefit of both the parties. These relationships can be built between the business and customers, between the business and suppliers, or with distributors and a variety of other stakeholders.

The goal of relationship marketing from the organisation perspective is quite clear: to attract and retain customers. For the organisation to achieve the goal of attracting and retaining customers, relationship marketing strategies need to be implemented.

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2.2.2 Levels of Relationship Marketing Strategies

Relationship marketing strategies tie the customer to the business and create a loyal customer base. To do so, organisations should have the relationships at various levels (financial, social, technical, and legal) which can be empowered and enforced through customer's loyalty according to Kotler and Armstrong, (2008). One of the sub- objectives of this study is to investigate the relationship marketing theory in order to establish its value to the licensed tavern business owner.

Relationship marketing activities consist of dedicated programs, designed and implemented to build and maintain strong customer–business relational bonds. These dedicated programs often are subdivided into financial, social and structural programs according to Palmatier (2008).

On the first level, customers are secured, mainly, through financial incentives .This is the easy, short term way to encourage customers to repurchase the product. Financial bonds may be in the form of price incentives for greater volumes of purchases, or lower prices for customers who have been with the business for a long time. Loyalty marketing programs are good examples of financial bonds, for an example customers are rewarded with redeemable points or free items after so many purchases. In the airline industry and related travel services for instance, they provide frequent flier programmes and grant financial incentives and rewards for travellers who bring more of their business to a particular airline. In the alcohol beverage and soft drinks industry, as an example, companies provide volume discounts and other price incentives to retain market share and build a loyal customer base.

Financial relationship marketing programs provide economic benefits, such as special discounts, giveaways, free delivery, or extended payment terms, in exchange for customer loyalty. However, financial incentives alone do not provide long-term advantages to a business. This is because financial incentives do not serve to differentiate the business from its competitors in the long run. According to Palmatier (2008) the advantages of financial relationship marketing programs tend to be unsustainable, unless enabled by unique sources such as low cost

structure, because competitors easily match such programs. For instance, customers may switch among the major suppliers, who all provide similar incentive programmes.

The second level is social bonding, which is viewed as more permanent way of establishing long term relationships. In social bonds contact is also made outside of the business environment including social settings.

Social relationship marketing programs use social engagements such as meals, sporting events or frequent, customized communication to personalise the customer relationship and convey the buyer's special status. The bonds that result from such special treatment are difficult to duplicate and may prompt customers to respond in the form of repeat sales and recommendations or by ignoring competitive offers, according to Palmatier (2008).

Social bonds are investments of time and energy that produce positive interpersonal relationships between partners, although this can range from formal organizational contacts to informal, personal contacts. Social bonds are more personal than organisational.

The third level is structural relationships. This is the most enduring level because it ties business and customers together in a mutually beneficial relationship.

According to Palmatier (2008), structural relationship marketing programs provide investments that customers likely would not make themselves, such as an electronic order-processing system or customized packaging. Such investments increase customer efficiency or productivity, resulting in a hard-to-quantify but significant customer benefit. Because such programs typically require considerable investment and offer unique benefits, their existence binds customers and business, and likely discourages customers from switching or fragmenting their business. Strong competitive advantages also may result from structural bonds, because customers increase their business with the organisation to take full advantage of these value-enhancing relationships.

Structural bonds involve huge investments by both the vendor and the business, in customising the product offering or business processes to meet the customer requirements. Structural bonds are difficult to change because the switching costs related to using another vendor are high. The relationship between a business and its computer hardware or software provider is a common example. The hardware or software provider will create specific applications in line with the requirements of a particular business. Therefore the vendor may have to invest a significant amount of money in customising the technology for the business. Thus, both the business and the vendor are equally committed to continuing the relationship.

2.2.3 Principles of Relationship Marketing

The key principles of relationship marketing are illustrated through a comparison between transactional and relationship marketing. Amongst other principles, individualisation of service; information about the customer; investment in the customer; interactivity with the customer; integration of the customer; intention and selectivity have also been identified as key principles of relationship marketing.
One of the objectives of the study is to identify the theoretical principles of relationship marketing that can influence customer behaviour towards the supplier or the organisation.

Organisations can no longer survive with a transactional attitude towards customers according to Hollensen, (2010). Thus organisations need to focus their marketing activities to a more relational dimension, which is considered to be the most suitable approach for satisfying and maintaining customers. In order to comprehend relationship marketing principles, a distinction between transaction and relationship marketing is required.

To highlight the key principles of relationship marketing, the comparison between the transactional and relationship concepts is given below:

Table 2.1: Comparison between Transaction Marketing and Relationship Marketing

The strategy continuum	Transaction marketing	Relationship marketing
Time perspective	Short-term focus	Long-term focus
Dominating marketing function	Marketing mix	Interactive marketing (supported by marketing mix activities)
Price elasticity	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominating quality dimension	Quality of output (technical quality dimension) is dominating	Quality of interactions (functional quality dimension) grows in importance and may become dominating
Measurement of customer satisfaction	Monitoring market share (indirect approach)	Managing the customer base (direct approach)
Customer information system	Ad hoc customer satisfaction Surveys	Real-time customer feedback system
Interdependency between marketing, operations and personnel	Interface of no or limited strategic importance	Interface of substantial strategic importance
The role of internal marketing	Internal marketing of no, or limited, importance to success	Internal marketing of substantial strategic importance to success

Source: Christian Grönroos, (1994: p11).

A transaction marketing approach includes minimal customer contacts outside the product offering and other marketing mix variables. The benefits sought by the customers are embedded in the product. The customer will not receive anything else that will provide him with added value, other than perhaps the corporate or brand image in some cases. Hence, the quality of the product is the dominating value creating source in transaction marketing.

In relationship marketing, the organisation has opportunities to provide its customers with added value over and above the product offering. Hence, the second quality aspect, of how the interaction process is perceived, grows in importance. When several competitors provide a similar quality product, managing the interaction processes becomes very important. However, this does not mean that the functional quality can be neglected; but it is no longer the only quality aspect to be considered as having strategic importance.

The study of marketing and its practice has undergone an orientation shift from transactional to relationship in recent years according to Smith (2011). As a result the focus of marketing has moved from managing transactions to managing relationships. More and more organisations are shifting from transaction marketing to relationship marketing, as they increasingly realise that people do not just buy a product, but also buy expectations and services.

2.2.4 Key Elements of Relationship Marketing

Different researchers have expressed disparate views regarding the elements of relationship marketing. There is substantial evidence from the literature that the organisation's long-term relationship with the customer can be enhanced through elements of relationship marketing. The study seeks to establish the mutual benefit derived from such elements. The literature views such elements as the means of retaining customers, which is central to the overall objective of relationship marketing. The most important elements of relationship marketing that have been identified are: promise, trust and commitment.

Apart from making promises, organisations should attract new customers and initially build relationships. However, if promises are not kept, the developing relationship cannot be maintained and enhanced. Fulfilling promises is equally important as a means of achieving customer satisfaction, retention of the customer base, and long-term profitability.

Maintaining and strengthening trust is essential to the long-term success of a relationship. The issue of trust is very important in relationship marketing because long term relationships are built on trust. Trust can develop between a number of stakeholders in the business context. For an example the trust between the supplier and the business or trust between the business and the customer.

Relational constructs, such as trust, commitment, and relational norms, develop and grow together as the relationships proceed, thus producing positive relational outcomes according to Palmatier (2008).Trust can lead to commitment to a relationship so that an exchange partner will exert all his or her efforts to preserve an important relationship. The velocity of trust also positively influences the velocity of commitment. Thus, factors that increase the growth rate of trust provide value by increasing the growth rate of commitment, argues Palmatier (2008).

2.2.5 The Six Markets Model

Christopher *et al.,* (1991), outline six types of markets with which relationships must be established. The Six Markets Model suggests that companies have different market areas to which they need to direct marketing activity and formulate marketing plans. According to this model the central market, the customer market, is supported by five equally important markets, and to be effective and provide value, marketers must consider all six markets.

Figure 2.1: The Six Markets Model

The Six Markets Model
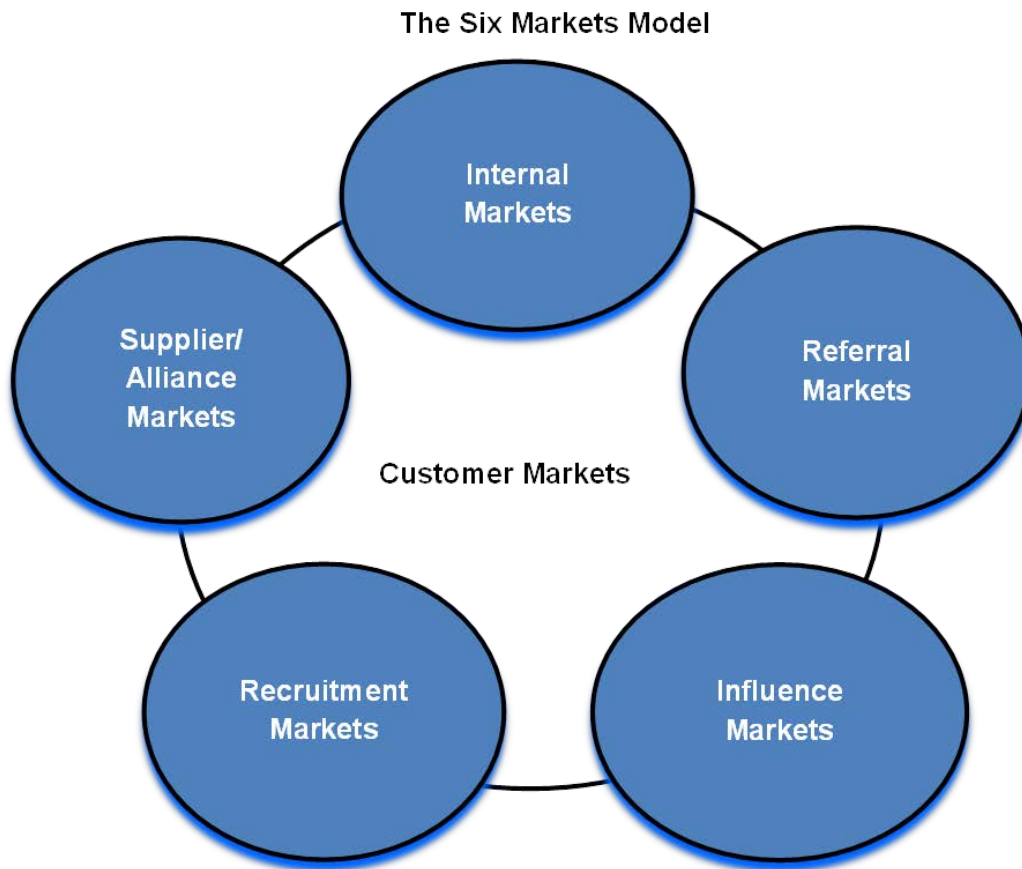
Source: Christopher, Payne and Ballantyne (1991: p21)

According to Christopher *et al.,* (1991), the Six Markets relationship marketing framework provides a useful framework to review the role of an extended set of stakeholders in the creation of total organisational value. This model presents six role-related market domains or markets, each representing aspects of relationship marketing and involving relationships with a number of parties, organisations or individuals, who can potentially contribute, directly, to an organisation's marketplace effectiveness.

Payne (1995) provides a four-stage process to implement the model: (1) identify key participants, or segments, within each of the markets; (2) research to identify expectations and needs of key participants; (3) review the current and proposed

level of emphasis in each market; and (4) formulate the desired relationship strategy and determine if a formal marketing plan is necessary. Companies need to manage all these different sub-markets or stakeholders in the relationship value management process.

In this model, delivering superior value to customers is based on building and nurturing relationships among all these markets.

Christopher *et al.,* (1991) offered an enhanced perspective of marketing, one that is based on quality and service, where increasing value is delivered to customers through enduring relationships with the company.

2.2.6 Creating Value to Attract and Retain Customers

The view of customer value is closely related to the literature on customer attraction and retention. Thus relationship marketing aims to develop the business (and other) relationships which are necessary to create value or profit for all parties involved. Marketers have become interested in the potential of relationship marketing activities to deliver enhanced value to the customer over and above the organisation's product or service offering according to Smith (2011).

Relationship marketing distinguishes itself through the emphasis on retention of profitable customers, which implies maximising the lifetime value of a customer according to Payne (2005). To provide superior value to customers and promote successful competitive strategies, it is important for the organisation to combine elements of relationship marketing and the ability to deliver value to its customers. The ability of an organisation to deliver value is seen as a means of differentiation. Differentiation is key to the question of how to find sustainable competitive advantage, as argued by Christopher *et al.,* (1991).

An organisation must try to improve product value and strengthen customer loyalty. This is achieved through improving support services and core product offering. Therefore, creating value, and more specifically, customer value, is increasingly seen as the next source of competitive advantage.

Customer value in this context takes the perspective of a business's customers. It is a customer-directed concept. The argument that arises from this perspective is that the customer's perception of the value created and delivered should be determined and taken into account when the business defines its value offering. This means that the perceived value of such relationships from the customer's point of view also needs to be taken into consideration.

At the heart of customer-perceived value, is the view of a trade-off between perceived benefits and perceived sacrifice according to Christopher *et al.,* (2002). Perceived sacrifice includes all costs a buyer faces when making a purchase. These include purchase price, acquisition costs, transportation, installation, order handling, repairs and maintenance and risk of failure or poor performance, amongst other things. Perceived benefits on the other hand include the following attributes: the purchase price, physical qualities, service quality, technical support accessible to the customer in relation to the use of the product.

Customer-perceived value can be achieved by increasing the benefits or reducing customer-perceived sacrifice. According Grönroos (1994), increasing the benefits means adding something to the core product that the customer perceives as important, beneficial and unique. This should lead to a reduction in customer-perceived sacrifice through such things as minimisation of costs involved.

However, the key question is how can an organisation reduce customer perceived sacrifice. Customer perceived sacrifice is the central feature in relationship marketing. In order to reduce customer perceived sacrifice the company needs to have a good understanding of the customer needs.

If we look at the components or benefits that enhance customer-perceived value we are looking at attributes such as superior product quality, brand image, tailoring and supporting services. These value-adding attributes are certainly of major importance for the customer when he chooses between different suppliers. Thus the prospect of re-purchase is certainly greater if the business succeeds in providing something unique and of value to the customer.

This approach suggests that it is crucial for businesses to determine the key elements of customer perceived value, since this will help the business to understand the customer's goals and desires, and to plan the future value proposition. This determines what the organisation should do to create value, going forward for the benefit of the business.

According to Armstrong and Kotler, (2009), the final value of relationship marketing usually is to effectively strengthen or increase the long term customer satisfaction and customer loyalty, as well as continuing to supply high satisfaction level to customers.

2.2.7 Benefits of a Long–Term Relationship

An organisation can benefit from a longer term relationship with the customers. The benefit concept takes a deeper meaning if an organisation is involved in a long term relationship with the customer. In this context elements like safety, credibility, security and continuity are taken into consideration. These together increase the trust of the supplier and thereby support and encourage customer loyalty. After a few successful transactions, the customer is satisfied and starts to feel safe with the organisation. This means that trust has developed. A customer will feel safe, satisfied and customer loyalty will be encouraged.

According to Armstrong and Kotler (2009), customer loyalty is a significant factor in the success of the organisation's business. Loyal customers are accompanied by many benefits. These benefits can improve profitability in the organisation, reduce marketing costs, and increase sales. The customer will feel safe in the knowledge that his or her needs and wants will be taken care of by the organisation. These fundamental aspects of having a relationship with a customer need to be considered in order to retain the customers.

The primary motivation for businesses to engage customers in long-term relationships is that it positively affects the bottom line. Increased sales volumes, greater market share and ultimately higher profits result from repeated sales (loyalty) and subsequent referrals. It is cheaper to serve existing customers than

to attract new ones, and it is in the business's best interest to reduce the cost of attracting new customers.

There are also many benefits for customers in long-term relationships with businesses (or suppliers). According to Disney (1999), customers develop a familiarity, both with the product and with the company representative. They can receive personal recognition for their success as vendors and business people in their own right. They can benefit from discounts and credit advances extended to them as a result of the longer-term relationship, which can even lead to friendship. Thus, one of the sub-objectives of the study is to determine whether relationship marketing activities are sufficient to sustain and improve the business relationship.

The realisation and significance of continuity in customer relationships is of utmost importance in the context of relationship marketing. In order to achieve this, the responsibility lies with the organisation to meet the long term relationship expectations of the customer.

2.2.8 Relationship Marketing Outcomes

The ultimate measure of all relationship marketing activities is the organisation's overall profitability. From the literature that exists, the focus of relationship marketing outcomes is on the organisation or business. Therefore this study seeks to investigate the value of relationship marketing from the perspective of the customer (the licensed tavern owner). However, it is important to note that a business's profitability is influenced by a number of variables outside of relationship marketing activities. In the context of relationship marketing, one needs to focus on relationship marketing outcomes.

The study focuses on two constructs that are referred to as key relationship marketing outcomes: customer loyalty and positive customer word-of-mouth communication.

Customer loyalty focuses on a customer's repeat purchase behaviour which is triggered by a marketer's activities. According to Gaurav (2008), cultivating loyal

customers can lead to increased sales and customer share, lower costs, and higher prices. Thus customer loyalty positively influences profitability through cost reduction effects and increased revenues per customer. With regard to cost reduction effects, it is widely reported that retaining loyal customers is less cost intensive than gaining new ones and that expenses for customer care decrease during the later phases of the relationship lifecycle due to the growing expertise of experienced customers.

According to Kotler, Armstrong & Tait (2010), word-of-mouth communication is also regarded as method of communication to and from customers. Positive word-of-mouth communication includes all informal communications between a customer and others concerning evaluations of goods or services. These include recommendations to others. In view of this notion, word-of-mouth communication is a powerful tool in influencing potential customers. This is largely because personal communication is viewed as a more reliable source than non-personal information, argues Zeithaml and Bitner (2000).

Even though customer loyalty increases the economic attractiveness of existing customers, positive word-of-mouth communication helps to attract new customers to a company's offerings. Thus, both retention and attraction strategies are critical, because long-term economic success cannot be achieved by focusing exclusively on the retention of current customers to the detriment of attracting new customers.

2.3 Summary

Relationship marketing is considered to be a paradigm shift from the conventional marketing mix approach of the 4P's. There is evidence from the literature study that traditional transaction-oriented marketing, driven by mass production and mass marketing, is no longer a suitable approach. Literature suggests competitive advantage cannot be achieved through transactional marketing. Thus, retaining the current customer base is becoming more important than attracting new customers. As a result, businesses are now more concerned with developing strong and lasting relationships with their customers by using different relationship marketing tools.

As noted by Berry and Parasuraman, (1991), that through using relationship marketing techniques, an organisation can secure customers by offering financial incentives, thus establishing financial bonds. The organisation can also establish social bonds through elements like developing trust and maintaining effective commitment. Structural bonds are created through aligning the business process with the requirements of the customers.

As a result of intense competition, increasing customer expectation, eroding brand loyalty and price sensitivity of the customers, the need for the relationship marketing approach cannot be over-emphasized. Taking this reality into account, many organisations, are now using the different tools of relationship marketing to develop financial, social and structural bonds with their existing customers. Relationship marketing theories and empirical findings suggest that organisations that practise relationship marketing will definitely gain a competitive advantage over their competitors practising the traditional marketing mix approach.

The next chapter, Chapter Three, deals with the empirical component of this particular study. The focus is on the research methodology, questionnaire construction, capturing of the data and analysis of the data techniques. The chapter ends with the short summary on the research concepts discussed.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to describe the research methodology that was followed during the empirical phases of the study. Understanding what approach to apply requires a knowledge of which methods or techniques would be appropriate to what research problem.

According to Saunders, Lewis and Thornhill (2009), research is something which is undertaken to find out things in a systematic manner where data is collected and interpreted systematically and there is a clear purpose guiding the enquiry. Research methodology provides techniques for the collection of data appropriate to particular problems; the use of statistics; construction and administration of questionnaires; analysis of data; and presentation and interpretation of the results. The methodology provides steps that are generally adopted by a researcher in studying his research problem and outlines the logic behind the methods used in the research study.

The research methodology that is followed in this study will be discussed under the following topics: justification for the quantitative approach; research design for this study; aim and objectives of the study; data collection strategies; construction of the instrument; pre-testing and validation; administration of the questionnaire; and analysis of data.

3.2 Justification for Quantitative Approach

The empirical study was quantitative in nature. A quantitative approach makes use of variety of quantitative analysis techniques that range from providing simple descriptive of the variables involved, to establishing statistical relationships among variables through complex statistical modelling according Saunders *et al.*, (2009).

Quantitative research papers identify a problem and can generally be characterised by the following procedure: discussing the purpose of the study; identifying the sample population and instruments used; discussing the relationship between variables; presenting research questions; outlining steps taken in the analysis of the data; and presenting the outcomes, indicates Creswell (2009).

On the other hand, Bryman and Bell (2007) brings up the notion that qualitative research is an approach that usually emphasises words and opinions, rather than numerical quantification, in the collection of data. The qualitative research approach is particularly applicable in the behavioural sciences, where the aim is to discover the underlying motives of human behaviour. Through such research, analysis of the various factors which motivate people to behave in a particular manner, or which make people like or dislike a particular thing, can be carried out. A qualitative approach would not have been suitable for this type of study.

3.3 Research Design for this Study

According to Bryman and Bell (2007), research design is a framework for the generation of evidence that is suited, both to a certain set of criteria, and the research question in which the researcher is interested. Therefore, the research design forms a conceptual structure within which research can be conducted. The formal structure of conclusive research designs enhances their value in examining relationships. Thus this approach is deemed suitable for this study.

The preparation of the research design, appropriate for this particular research problem, involved the consideration of the following: aim and objectives of the study; data collection strategies; recruitment of study participants; construction of the instrument, its pre-testing and validation; and data analysis.

The objective of research is to find the truth that has not yet been discovered, by applying scientific methods. Therefore, each research study has its own specific purpose, or research objectives.

3.3.1 Aim and Objectives of the Study

Objectives are the goals the researcher sets out to achieve in the study. Objectives should be listed under two headings: main objectives (aims); and sub-objectives. The main objective is an overall statement of the thrust of the study. The main objective is also a statement of the main associations and relationships that the study seeks to discover or establish. The sub-objectives are the specific aspects of the topic that the researcher wants to investigate within the main framework of study.

To get to a desired outcome the process of research needs to follow some fundamental guidelines. According Creswell (2003) researches must condense their research to a single objective supported by several sub-objectives.

The main goal of this particular research study is to investigate the value of relationship marketing from the perspective of the licensed tavern owner (the customer). This research objective is supported by the following sub-objectives:

- to investigate relationship marketing theory in order to establish its value to the licensed tavern business owner,
- to identify theoretical principles of relationship marketing that can influence customer behaviour towards the supplier;
- to determine if the current relation marketing activities are sufficient to sustain and improve the business relationship;
- and to develop a framework for the management of long-term relationships between the supplier organisation (Distell) and the customers (licensed tavern owners).

After formulating the research problem, developing a study design, constructing a research instrument and selecting a sample, data was collected from which conclusions for the study could be drawn.

3.3.2 Data Collection Strategies

When conducting research, it becomes necessary to collect data that is appropriate to the study. There are several ways of collecting this data. The choice of a particular method will depend on the finance, time and other resources at the disposal of the researcher. Data collection methods include interviews, questionnaires, experiments and observations.

This study is descriptive in nature because it aims to examine the relationship between different variables (the supplier organisation and the customer). The survey method is the approach best suited for gathering descriptive information and, as a result, this method was applied in this particular study. Structured surveys use formal lists of questions that are posed in the same way to all respondents. According to Creswell (2009), the recording of data may best be done using a pre-designed log, where both observations and interview data can be noted and viewed. Survey data can be gathered using different types of questionnaires, including self-administered questionnaires, interviewer-administered questionnaires, telephone questionnaires and structured interviews.

Self-administered questionnaires, completed independently by the respondents, were used in this particular research study. According to Saunders *et al.,* (2003), such questionnaires are delivered and returned electronically using either email or the internet; posted to respondents who return them by post after completion; or delivered by hand to each respondent and collected later. For this particular research study, questionnaires were delivered by hand and later collected from the representative sample.

After constructing a research instrument, a sample needs to be selected from which data is collected.

3.3.3 Recruitment of Study Participants

According to Lind *et al.,* (2008), it may not be possible for the researcher to study the whole population of interest. To get information about population of interest and to draw inferences about the population, researchers use sample which is a subgroup of the population.

The current study looks at a homogenous population and sample in terms of geographical location. The population for this particular research study was the complete list of 150 licensed taverns in the Durban Metropolitan Area of KwaZulu-Natal. The sample was approximately 100 licensed taverns, supplied directly by Distell with a response rate of 96. The confidence level is 95 % and an error of 5 %.

According to Bryman and Bell (2007), a sample is a segment of the population that is selected for investigation. Researchers usually draw conclusions about the population at large by taking a smaller sample. Ideally, the sample should be representative and allow the researcher to make accurate estimates of the thoughts and behaviour of the larger population.

Sample members may be chosen at random from the entire population (a probability sample), or the researcher might select people from whom it is easier to obtain information (non-probability sample). Probability sampling is most commonly associated with survey-based research where the researcher needs to make inferences from the sample about the population; to answer research questions; or to meet the research objectives, Saunders *et al.,* (2009). Thus, probability sampling was the method chosen for this particular study.

Furthermore, with probability sampling, each element has a known probability of being included in the sample. Bryman and Bell (2007) state that it is generally assumed that a representative sample is more likely to be the outcome when the probability sampling method is employed. Thus, the aim of probability sampling is to keep the sampling error to a minimum.

For this particular study the first step was to find a sample frame. A list of all taverns in the Durban Metro area that are in the Distell books. Using this list individual taverns were numbered and 100 were chosen at random to determine who is surveyed.

Saunders *et al.,* (2009) identified the following four stages in the probability sampling process: identifying a suitable sampling frame based on the research questions or objectives; deciding on a suitable sample size; selecting the most appropriate sampling technique and selecting a sample; and checking that the sample is representative of the population.

3.3.4 Construction of the Instrument

The survey for this particular study was done by means of a questionnaire, which was based on the research study questions and the objectives. According to Saunders *et al.,* (2009), the questionnaire is one of the most widely used data collection techniques. Because each respondent is asked to respond to the same set of questions, the questionnaire provides an efficient way of collecting data from a large sample.

Likert scales were used in the questionnaire. Likert scales provide an effective method of measuring a respondent's attitude towards an attribute. According to Babbie and Mouton (2007), the importance of Likert scales also lies in the unambiguousness of response ratings such as 'strongly agree' or 'strongly disagree'. Therefore, Likert scales make judging the relative strength of agreement in the response intended by the various respondents easy. Likert scales are also user friendly and minimise confusion and misunderstanding. Furthermore, Likert scales help to ensure a high response rate, which was crucial for this particular research study.

Since there are many ways to ask questions, the questionnaire is a very flexible tool for collecting data. The questionnaire should be developed and tested

carefully before being used on a large scale. The questionnaire for this particular study consists of five sections covering the objectives of the study.

3.3.5 Pre-testing and Validation

Fine tuning the questionnaire for this particular study was done by asking people to read through the questionnaire, to see if there were any ambiguities, and to comment about the length, structure and wording of the questions. Saunders *et al.,* (2009) suggest that prior to using a questionnaire to collect data, a pilot test needs to be done. The aim of the pilot is to refine the questionnaire so that respondents will have no problems in answering the questions and therefore no problems in recording the data. This means that the questionnaire must be tested to see if it can obtain the desired results.

According to Creswell (2003), validity refers to a researcher's ability to draw meaningful and justifiable inferences from scores about a sample or population. Thus, the underlying principle is to ensure the validity of the instrument by making sure that the questions relate to the objectives of the study. There are many ways of establishing validity in quantitative research. Validity examines the extent to which the instrument will measure what the researcher is trying to measure. This includes, firstly, content validity: Do the items in the instrument address all of the topics the researcher seeks to study? Secondly, face validity examines the instrument to see if everything looks right. Finally, in sampling-content validity, researchers systematically identify how items in an instrument cover the topics of interest.

According to Creswell (2003) another method or technique used to determine validity is to record information about the survey instrument used. Recording the process of data collection strengthens the creditability of the research study.

3.3.6 Administration of the Questionnaire

Self-administered questionnaires were used for this particular research study. According to Bryman and Bell (2007), self-completion questionnaires have the following advantages: they are cheaper and quicker to administer; they are convenient for the respondent; and there is an absence of 'interviewer effect'. The interviewer effect is when the interviewee response is affected by the presence of the researcher.

The questionnaires were distributed and collected physically. The number of respondents projected to take part in this study was 100. However only 96 responded. The survey was executed within a time-frame of ten days, to ten respondents per day. The goal and importance of this study was communicated to the respondents at the beginning of the questionnaire, which helped to increase the response rate. Care was taken to ensure that the questionnaire was not delivered to the same respondent twice. The questionnaire was designed to be as objective as possible. Once the questionnaires had been collected from the respondents, the data analysis process began.

3.3.7 Analysis of Data

Quantitative data analysis techniques were used in preparing the data for analysis by computer; describing the data; and exploring and presenting the data using tables and diagrams. Statistical methods were used to examine the relationships and trends in the data. Quantitative data analysis techniques are most suitable for large, well designed and well administered surveys using properly constructed questionnaires. Quantitative data analysis techniques range from creating simple tables or diagrams to show frequency of occurrence or distribution, through to establishing relationships between variables, to more complex statistical models according to Saunders *et al.,* (2003).

According to Saunders *et al.,* (2003), virtually all research involves some numerical data that can be fully quantified to answer research questions and to meet objectives. Data can be analysed either manually or with the help of a

computer. The large amount of data collected in this study was tabulated using a computer. Data analysis using a computer requires that one be familiar with the appropriate software program.   In this particular research study, the SPSS computer software programme was used for the data analysis. The services of a consulting statistician were used.

Preparing data for analysis involves the classification of data. This involves arranging data in groups or classes on the basis of common characteristics. According to Lind, Marchal and Wathen (2008), data can be classified according to levels of measurement: nominal, ordinal, interval or ratio. The nominal level is the lowest level of measurement and only observations of a qualitative variable can be classified and counted, without following a particular order. An example of nominal level measurement is class, gender and colour. The next level is the ordinal level, which involves the use of the ordinal scale in which variables are rated. For example, 'excellent' is better than 'good' in the answer options in the questionnaire. The interval level is the next highest level and includes characteristics of the ordinal level. However, the difference between values is a constant size in the interval level. Examples of interval level measurement are sizes of women's clothing and temperature measurements. Lind *et al.,* (2008) point out that the ratio level is the highest level of measurement. It has all the characteristics of the interval level, but in addition the zero point is meaningful, and the ratio between numbers is also meaningful. Examples of ratio scale measurements include salaries, units of production, changes in price, distance between two points and height.

Once data classification is complete, the researcher needs to consider the format in which data will be entered into the analysis software.

Data for this particular study was entered into the computer using a data matrix in which each column represented a variable, and each row a case or questionnaire. Analysis software accepts data if entered in table format, according to Saunders *et al.,* (2003). The table is called a data matrix.

All data was recorded using numerical codes to facilitate analysis. Coding enables data to be entered quickly and reduces the number of errors. Furthermore, coding

makes data analysis more straightforward. Once data has been entered into the matrix and checked for errors, exploratory analysis begins.

The initial analysis in this particular research study explored data using both tables and diagrams. Diagrams are amongst the most frequently used methods of displaying data. According to Bryman and Bell (2007), diagrams are relatively easy to interpret and understand. Saunders *et al.,* (2003) that, the choice of tables and diagrams is influenced by the following: the research questions and objectives; the aspects of the data the researcher wants to emphasis; and the level of measurement at which data were recorded.

As part of this research project, sample data was collected to establish the relationship between two variables: the supplier organisation (Distell) and the customer (licensed tavern owners). According to Saunders *et al.,* (2003), testing the probability of a relationship between variables occurring by chance, if there is no difference in the population from which the sample is drawn, is known as significance testing. A test of statistical significance allows the analyst to estimate how confident he or she can be that the results deriving from a study can be generalised to the population from which it was drawn.

Descriptive statistics, in the form of charts and tables can be used to describe data. Statistics to describe quantitative data focus on two aspects, namely, measures of location or central tendency and measures of dispersion. The three most common ways of expressing central tendency are mode, median, and mean. The mode is the value that occurs most frequently. The median is the midpoint after the data has been ranked .The mean is the average value of the data. Measures of dispersion, on the other hand, describe how the data values are scattered around the central tendency. According to Lind *et al.,* (2008), a small measure of dispersion indicates that the data are clustered around the arithmetic mean. The mean is, therefore, representative of the data. The two most common ways of measuring dispersion are the range and the standard deviation. The range is the difference between the largest and smallest values in a set of data. The standard deviation is the amount by which the values in the sample vary from their mean. In simple terms the standard deviation is the average amount by which the

values deviate from the mean. Besides using descriptive analysis to describe and compare data, the examination of relationships between variables using statistical methods is also crucial.

Inferential statistical tests were used for the data analysis in this study. The one-sample t-test was applied to test whether an average score was significantly different from a neutral score, chosen as the mid-point of the response options. The chi-square goodness-of-fit test was used to test whether any response option was selected significantly more often than expected, given the null hypothesis that all options were expected to be selected equally. This is appropriate for a categorical response variable. The chi-square test calculates the probability that the data in the tables, or other data, could occur by chance alone. For example, a probability of 0.05 means that there is a 5 percent chance of data in the table occurring by chance alone. This is termed statistically significant.

The chi-square test of independence was applied to cross-tabulations in order to find out whether a significant relationship exists between the two variables. However, when the expected values in more than 20% of the cells are <5, this test does not necessarily provide reliable results. In these cases, Fisher's exact test was used.

3.4 Summary

The first section of this chapter provided the research concepts based of the literature review. The definition of research methodology was discussed, focusing on the steps that are generally adopted by researchers when conducting research. A distinction between the main approaches to research was provided, focusing on quantitative and qualitative approaches.

The second section of this chapter focused on the methodology used during the empirical study. The chapter described the methodology applied during each stage of the research process. The stages include the aims and the objectives of the study; the data collection strategies; the recruitment of study participants; the

construction of the questionnaire, its pre-testing and validation; and analysis of the data.

The different data analysis techniques, used to analyse the results of the research study, were discussed towards the end of this chapter. This chapter dealt with the approaches adopted in the empirical study, the development of research design, the selection of the sample; data collection strategies; the construction and administration of the questionnaire; and data analysis. The next chapter (Chapter Four) will deal with the presentation of results.

CHAPTER FOUR
PRESENTATION OF RESULTS

4.1 Introduction

Data collected for this research study comprised numerical data to be used to answer research questions and to meet the objectives of the study. Data collected for this research has been presented in the form of descriptive and inferential statistics. Descriptive statistics allow the researcher to describe and compare variables numerically. Descriptive statistics are presented as figures, tables and text. Inferential statistics deal with conclusions based on the sample taken from that population and are presented as tables and diagrams.

The results of the study are organised and presented in eight sections. The first section focuses on the data analysis techniques and the way the data has been presented. The second section discusses the classification of the sample in terms of the time the customer has been in the business and his relationship with the supplier. The third section examines important measurement scores relating to relationship marketing activities. In the fourth section, relationship marketing principles that can influence customer behaviour are rated. The fifth section looks at the elements of relationship marketing that can sustain and improve the business relationship. The frequency scores for the likelihood of continuing to buy from the supplier, and of recommending the supplier to other customers, are discussed in the sixth section. The seventh section looks at the frequency scores for service and relationship. The eighth section looks at the rating of relationship elements.

4.2 Duration of the Relationship with the Supplier and Time in the Business

This section relates to questions 1 and 2 of the questionnaire. Question 1 sought to establish the length of time the respondents have been in the tavern business. Question 2, on the other hand, sought to establish the time the respondents have had a business relationship with the supplier (Distell).
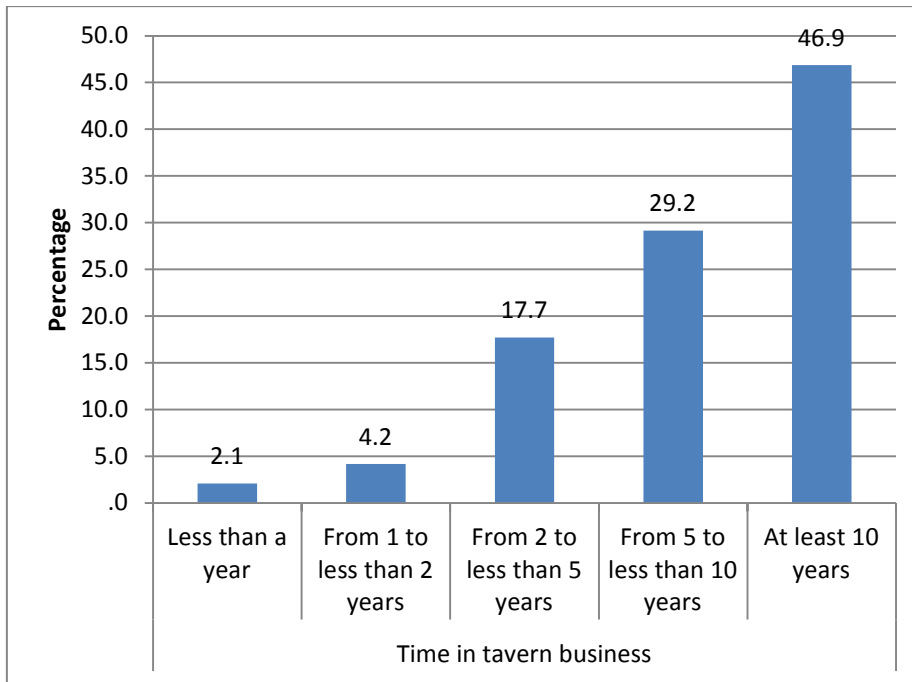
Figure 4.1: Classification of sample according to period in business

The graph gives some insight into the sample. It breaks down the sample in terms of the time that customers have been involved in the tavern business, and as well as how long they have had a relationship with the supplier (Distell). The bar chart was used because it offers an accurate representation, with the heights of bars representing the frequency of occurrence.

The results show that a large proportion of the sample population, 46.9%, has been in the tavern business for ten years or longer. A further 29.2% has been in the business from five years and longer.
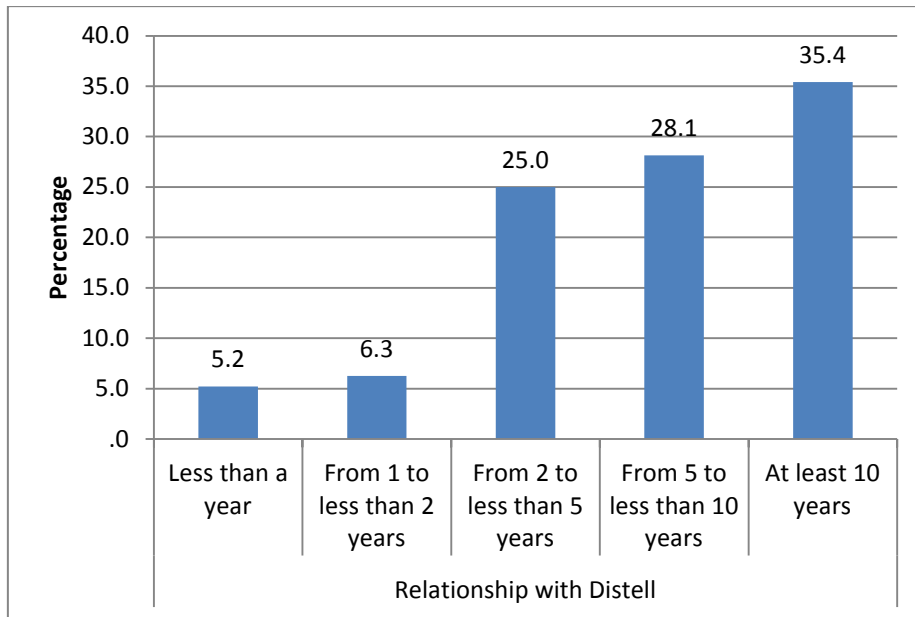
Figure 4.2: Classification of sample according to time in a relationship with supplier (Distell).

The graph depicts the sample in terms of the time they have had a relationship with the supplier (Distell).

The results also show that a large proportion of the sample population, 35%, has had a long-term relationship with the supplier. A further 28.1% has had a business relationship with the supplier for five years and longer.

The chi-square goodness-of-fit test was applied to test whether any response option was selected significantly more often than expected, given that all options were expected to be selected equally. This is appropriate for a categorical response variable. The chi-square test calculates the probability that the data in the tables, and other data, could occur by chance alone. This is termed statistically significant.

Table 4.1: Test Statistics: Time in the tavern business and time in a relationship

	Time in tavern business	Relationship with Distell
Chi-Square	66.396[a]	35.354[a]
df.	4	4
Asymp. Sig.	.000	.000

These results are significant (p<.0005, in each case). χ2 (4, N = 96) = 66.396, p < .0005   and χ2 (4, N = 96) = 35.354, p < .0005

Analysis of the cross-tabulation in table 4.2 (below) was done using a chi-square test of independence to find out whether a significant relationship exists between the two variables (time in the relationship with Distell and time in the tavern business).

Table 4.2: Time in the tavern business and time in the relationship with Distell: cross tabulation.

		Time in Relationship with Distell					
		Less than a year	From 1 to less a than 2 years	From 1 less to than 2 years	From 2 less to than 5 years	From 5 less 10 to than 10 years	At least Total
Time in tavern business	Less than a year	2	0	0	0	0	2
	From 1 to less than 2 years	2	2	0	0	0	4
	From 2 to less than 5 years	1	3	12	0	1	17
	From 5 to less than 10 years	0	0	8	20	0	28
	At least 10 years	0	1	4	7	33	45
Total		5	6	24	27	34	96

The results show that a significant relationship exists between the time in the tavern business and the length of time that the respondent has had a relationship with Distell (p<.0005). Fisher's Exact (N = 96) = 108.838, p < 0.0005 The results suggest that the length of time the respondent has been in the tavern business is directly related to the length of time the respondent has had a relationship with the supplier (Distell).

4.3 Importance of Relationship Marketing Activities

This section relates to question 3 of the questionnaire. Question 3 sought to establish the importance of relationship marketing activities, as applied by the supplier (Distell) to the respondents (licensed tavern owners).

The graph in figure 4.3 gives a summary of the average response scores per activity.
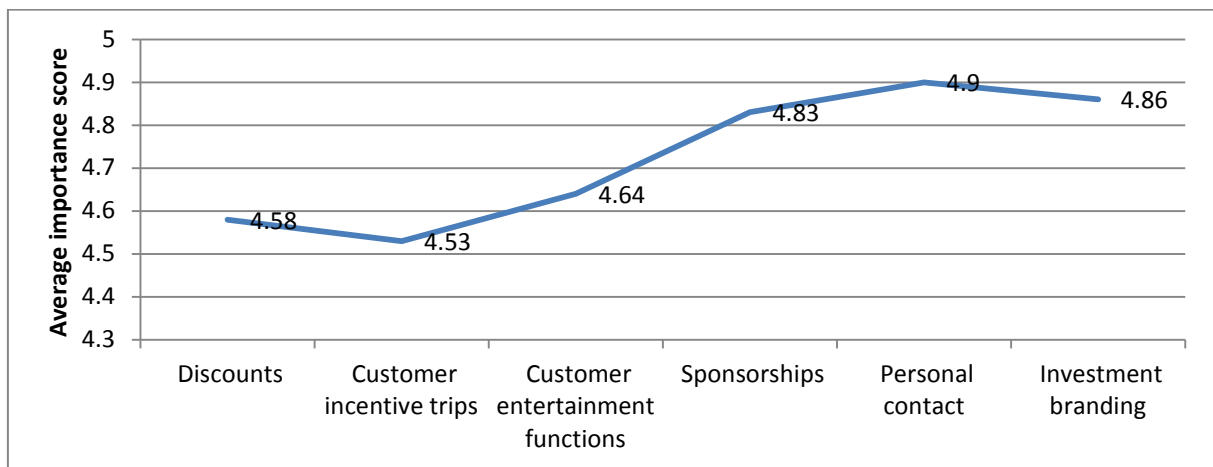
Figure 4.3: The significance of relationship marketing activities.

The average response scores in the graph also give an indication of which activities are considered more important than others. The results show that the activity that appears with the highest average response score is 'personal contact', followed by 'investment branding' and 'sponsorships'.

The results show that although significant importance was placed on each of the relationship marketing activities applied by the supplier, 'discounts' and 'customer incentive trips' were assigned lower average response scores by the customers.

A one-sample t-test was used to test whether each average score was significantly different from the neutral score of 3 chosen as the mid-point of the response options.

Table 4.3: Test Statistics: Relationship marketing activities

	Test Value = 3				95%Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Importance - Discounts	17.194	95	.000	1.583	1.40	1.77
Importance - Customer incentive trips	15.422	95	.000	1.531	1.33	1.73
Importance - Customer entertainment functions	19.190	95	.000	1.635	1.47	1.80
Importance - Sponsorships	33.488	95	.000	1.833	1.72	1.94
Importance - Personal contact	50.295	95	.000	1.896	1.82	1.97
Importance - Investment branding	40.596	95	.000	1.865	1.77	1.96

The results (table 4.3) show that the importance placed on each of these relationship marketing activities is significantly high (p < 0.0005 in each case).The results further show that the majority of respondents selected response '5 = extremely important' for each of these activities.

- The average importance placed on discounts (M = 4.58; SD =0.902) is significantly more than a neutral score of 3, t (95) = 17.194, p < .0005.
- The average importance placed on customer incentive trips (M = 4.53; SD =0.973) is significantly more than a neutral score of 3, t (95) = 15.442, p < .0005.
- The average importance placed on customer entertainment functions (M = 4.64; SD =0.835) is significantly more than a neutral score of 3, t (95) = 19.190, p < .0005.
- The average importance placed on sponsorships (M = 4.83; SD =0.536) is significantly more than a neutral score of 3, t (95) = 33.488, p < .0005.
- The average importance placed on personal contacts (M = 4.9; SD =0.369) is significantly more than a neutral score of 3, t (95) = 50.295, p < .0005.
- The average importance placed on investment branding (M = 4.86; SD =0.046) is significantly more than a neutral score of 3, t (95) = 40.596, p < .0005.

A chi-square test of independence was applied to cross-tabulations from question 2 (relationship with Distell), with questions 3.2 to 3.6 (relationship marketing activities), in order to find out whether a significant relationship exists between each pair of variables. The only significant relationship that exists is that between the relationship with the supplier Distell and customer incentive trips (p = 0.029)

Table: 4.4: Relationship with Distell and Customer Incentive trips - cross tabulation

		Importance - Customer incentive trips					
		1	2	3	4	5	Total
Relationship with Distell	Less than a year	0	1	0	1	3	5
	From 1 to less than 2 years	0	0	2	1	3	6
	From 2 to less than 5 years	1	0	2	2	19	24
	From 5 to less than 10 years	2	0	0	8	17	27
	At least 10 years	1	0	2	2	29	34
Total		4	1	6	14	71	96

A greater number of respondents than expected, who have had a relationship with the supplier Distell for less than a year, selected option '2'. This was also the case with respondents who have had a relationship with Distell for one to two years and five to ten years, where options '3' and '4' were selected respectively. Thus the results suggest that the shorter the relationship with the supplier Distell, the less important the incentives.

4.4 Principles that can Influence Customer Behaviour towards the Supplier.

This section relates to question 4 of the questionnaire, which asked the respondents to rate their agreement, or disagreement, with the statements based on the list of relationship marketing principles.

Figure 4.4 (below) was compiled from the results to illustrate the percentage of respondents agreeing or disagreeing with the statements:
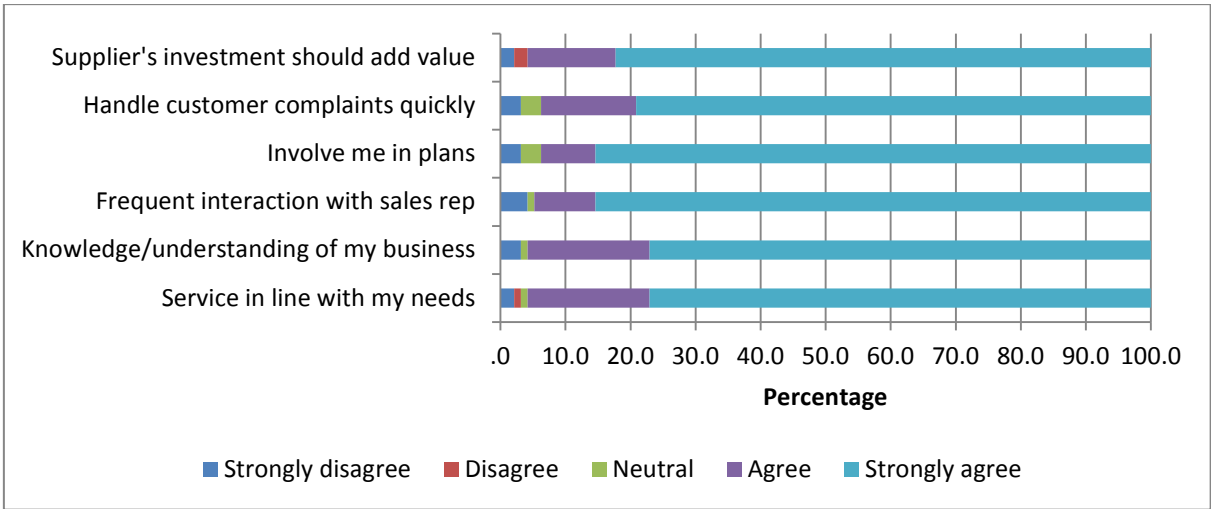
Figure 4.4: Customer rating of relationship marketing principles

The chart in Figure 4.4 was drawn to illustrate and compare customer responses to questions about relationship marketing principles.

The chi-square goodness-of-fit test was also applied here to test whether any response option was selected significantly more often than expected, given that all options were expected to be selected equally.

The results in figure 4.3 show that at least 70% of respondents selected the option 'strongly agree' ($p < 0.0005$) in each case. Thus there is a strong agreement with each of the statements based on the relationship marketing principles.

The table below depicts the average response scores (means) for rating relationship marketing principles:

Table 4.5: Average response scores for rating relationship marketing principles.

	Service in line with my needs	Knowledge/ Understanding of my business	Frequent interaction with sales rep	Involve me in plans	Handle customer complaints quickly	Supplier's investment should add value
Mean	4.68	4.67	4.72	4.73	4.67	4.72

The average response scores in table 4.5 give an indication which relationship marketing principles are considered more important. The observation that appears with the highest frequency for this option is 'involvement of the customer in plans for his business', followed closely by 'frequent interaction with the sales representative'.

4.5 Elements that can Sustain and Improve the Business Relationship.

This section relates to question 5 of the questionnaire, which sought to establish the likelihood that respondents would choose the supplier (Distell) over other suppliers, based on the listed elements.
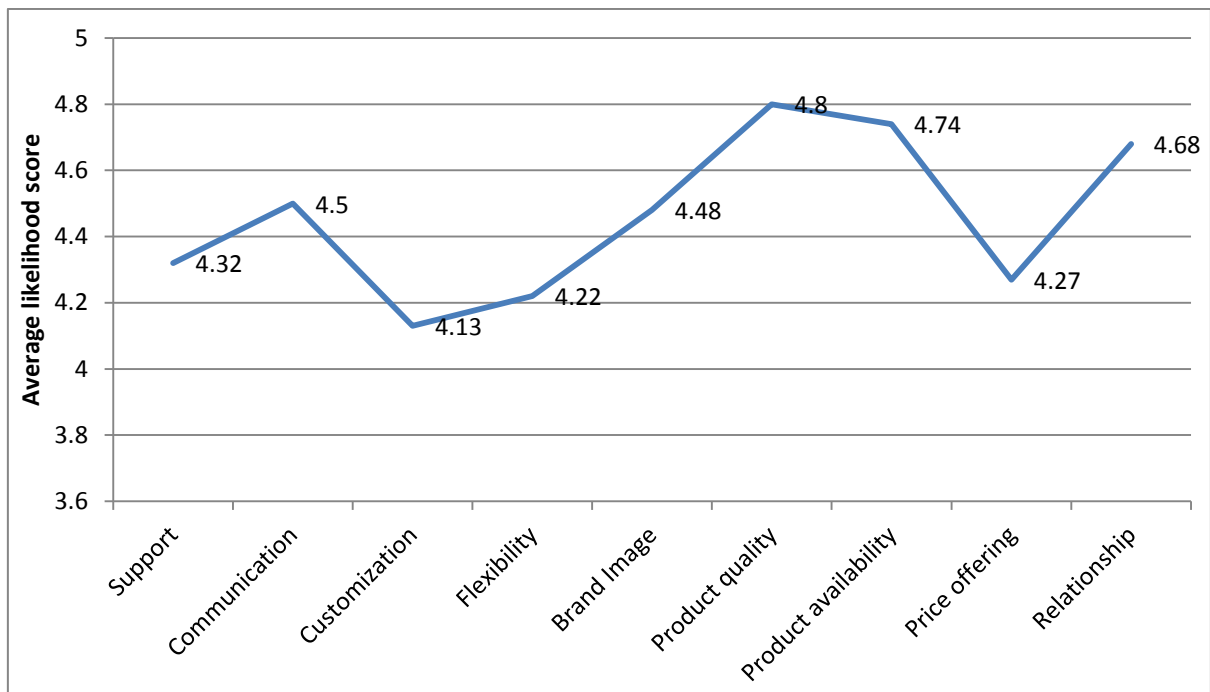
Figure 4.5: Average scores for elements that can sustain and improve the business relationship.

The average scores on the graph in figure 4.5 (above) give an indication of the relative importance of the different elements. The observation that appears with the highest frequency for this option is 'product quality' followed closely by 'product availability' and 'relationship'.

A one-sample t-test was used to test whether any average score was significantly different from the neutral score of 3, chosen as the mid-point of the response options.

Table 4.6: Test Statistics: Elements that can sustain and improve the business relationship.

	Test Value = 3				95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Support	12.698	95	.000	1.323	1.12	1.53
Communication	16.220	95	.000	1.500	1.32	1.68
Customization	10.129	95	.000	1.125	.90	1.35
Flexibility	12.241	95	.000	1.219	1.02	1.42
Brand Image	15.603	95	.000	1.479	1.29	1.67
Product quality	39.235	95	.000	1.802	1.71	1.89
Product availability	27.502	95	.000	1.740	1.61	1.87
Price offering	10.525	95	.000	1.271	1.03	1.51
Relationship	21.216	95	.000	1.677	1.52	1.83

The results show that there is a significant likelihood that the respondents (licensed tavern owners) will choose the supplier (Distell) over other suppliers in all the areas in question ($p < 0.0005$ in each case).

- The average importance placed on support (M = 4.32; SD =1.021) is significantly more than a neutral score of 3, t (95) = 12.698, $p < .0005$.

- The average importance placed on communication (M = 4.50; SD =0.906) is significantly more than a neutral score of 3, t (95) = 16.220, p < .0005.
- The average importance placed on customization (M = 4.13; SD =1.088) is significantly more than a neutral score of 3, t (95) = 10.129, p < .0005.
- The average importance placed on flexibility (M = 4.22; SD =0.976) is significantly more than a neutral score of 3, t (95) = 12.241, p < .0005.
- The average importance placed on brand image (M = 4.48; SD =0.929) is significantly more than a neutral score of 3, t (95) = 15.603, p < .0005.
- The average importance placed on product quality (M = 4.80; SD =0.450) is significantly more than a neutral score of 3, t (95) = 39.235, p < .0005.
- The average importance placed on product availability (M = 4.74; SD =0.620) is significantly more than a neutral score of 3, t (95) = 27.502, p < .0005.
- The average importance placed on price offering (M = 4.27; SD =1.183) is significantly more than a neutral score of 3, t (95) = 10.525, p < .0005.
- The average importance placed on relationship (M = 4.68; SD =0.775) is significantly more than a neutral score of 3, t (95) = 21.216, p < .0005.

The table 4.7 (below) shows the mean and the mode for each element:

Table 4.7: Means and modes for relationship marketing elements that can sustain and improve the business relationship

	Support	Communication	Customization	Flexibility	Brand Image	Product quality	Product availability	Price offering	Relationship
Mean	4.32	4.50	4.13	4.22	4.48	4.80	4.74	4.27	4.68
Mode	5	5	5	5	5	5	5	5	5

The mode depicted in the table 4.7, tells us that the majority of respondents selected response '5 (very likely)' for each element. As a result, the value of the observation that appears most frequently is '5'.

The chi-square test of independence was applied to the cross-tabulations of question 2 (relationship with Distell) with questions 5.1 to 5.9 (elements of relationship marketing). The results indicate that no significant relationship exists for all the elements, except the support element, as shown in table 4.8 (below):

Table 4.8: Cross tabulation: Duration of the customer relationship with Distell, and customer support for the supplier.

| | | Support | | | | | |
		1	2	3	4	5	Total
Relationship with Distell	Less than a year	0	0	1	0	4	5
	From 1 to less than 2 years	1	0	1	2	2	6
	From 2 to less than 5 years	1	1	4	11	7	24
	From 5 to less than 10 years	1	1	0	6	19	27
	At least 10 years	0	3	0	7	24	34
Total		3	5	6	26	56	96

The results show that a significant relationship exists between these two variables (p = 0.005). Fisher's Exact (N = 96) = 27.614, p = 0.005. A greater number of respondents than expected, who have had a relationship with the supplier Distell for one to two years, selected option '1'. This was also the case with respondents who have had a relationship with Distell for two to five years, where options '3' and '4' were selected. Thus, the results, based on the support element, suggest that the length of the relationship with the supplier is directly related to the likelihood that the respondents will continue to choose the supplier.

4.6 Likelihood to Continue to Buy and Recommend

Question 6 of the questionnaire sought to establish the likelihood that respondents would continue to buy from the supplier (Distell) and recommend Distell as a supplier to other customers.

Table 4.9: Frequency scores indicating the likelihood of continuing to buy from, and recommend, the supplier

Likelihood of continuing to buy from Distell			**Likelihood of recommending Distell**		
	Frequency	Per cent		Frequency	Per cent
1	2	2.1	1	0	0
2	1	1.0	2	1	1.0
3	2	2.1	3	5	5.2
4	7	7.3	4	12	12.5
5	84	87.5	5	78	81.3
Total	96	100.0	Total	96	100.0

The table shows the summary of the frequency scores, indicating the likelihood of continuing to buy from, as well as the likelihood of recommending Distell as a supplier, based on the elements in question. In table 4.9, the frequency distribution has been converted to relative frequency distribution to show the fraction of the total number of observations in each class.

The results show that a majority of respondents selected option 'very likely' for both likelihood of continuing to buy from and likelihood of recommending the supplier: 87.5% for likelihood of continuing to buy from the supplier Distell and 81.3% for likelihood of recommending Distell as a supplier to other customers.

The average scores of each element are 4.77 for likelihood of continuing to buy and 4.74 for likelihood of recommending Distell, respectively.

Table 4.10: Test Statistics: the likelihood of continuing to buy from, and recommend, the supplier

| | | | Test Value = 3 | | | |
| | | | | | 95% Confidence Interval of the Difference | |
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Likelihood you will continue to buy from Distell	23.690	95	.000	1.771	1.62	1.92
Likelihood you will recommend Distell	28.288	95	.000	1.740	1.62	1.86

The results of a one-sample t-test show that the average likelihood scores for each of these questions are significantly higher than a neutral score of 3, thus indicating that there is a strong likelihood that customers will both continue to buy from the supplier Distell and recommend Distell to others.

- The average importance placed on likelihood to continue to buy from Distell (M = 4.77; SD =0.732) is significantly more than a neutral score of 3, t (95) = 23.690, p < .0005.
- The average importance placed on likelihood to continue to buy from Distell (M = 4.74; SD =0.603) is significantly more than a neutral score of 3, t (95) = 28.288, p < .0005

Analysis of the cross-tabulation in table 4.11 below was done using a chi-square test of independence to find out whether a significant relationship exists between the two variables (likelihood to continue to buy and likelihood to recommend).

Table 4.11: Likelihood of continuing to buy from, and likelihood of recommending, Distell –cross tabulation.

		Likelihood you will recommend Distell				
		2	3	4	5	Total
Likelihood you will continue to buy from Distell	1	0	0	0	2	2
	2	1	0	0	0	1
	3	0	1	0	1	2
	4	0	0	6	1	7
	5	0	4	6	74	84
Total		1	5	12	78	96

The results show that a significant relationship exists between these two measures ($p<.0005$). Generally, the likelihood of the one event is occurring is similar to the likelihood of the other event occurring. Therefore, the results suggest that the likelihood of the respondent continuing to buy from Distell is directly related to the likelihood that he/she will recommend Distell as a supplier to others.

4.7 Expectations for Relationship and Service

This section relates to question 7 of the questionnaire, which sought to establish the extent to which the customer's relationship with the supplier (Distell) meets the respondent's expectations and requirements.

Table 4.12: Frequency scores for service and relationship with the supplier

Relationship meets expectations   **Service is per requirements**

	Frequency	Per cent		Frequency	Per cent
1	3	3.1	1	2	2.1
2	3	3.1	2	1	1.0
3	7	7.3	3	8	8.3
4	22	22.9	4	24	25.0
5	61	63.5	5	61	63.5
Total	96	100.0	Total	96	100.0

The frequency distribution in table 4.12 has been converted to relative frequency distribution to show the fraction of the total number of observations in each class. The table shows the summary of the frequency scores .The frequency scores show that the majority of respondents, more than 80%, selected options '4' or '5', indicating that their relationships with the supplier meet expectations; and that the service they receive from the supplier satisfies their requirements.

Table 4.13: Mean and Mode for relationship meeting expectations and service being per requirements

	Relationship meets expectations	Service is per requirements
Mean	4.41	4.47
Mode	5	5

The mode tells us that the majority of respondents selected response '5 (almost completely)' for each element. As a result, the value of the observation that appears most frequently is '5'.

A one-sample t-test was used to test whether an average score is significantly different from the neutral score of 3 which was chosen as the mid-point of the response options. Analysis shows that the mean or average scores of each element are 4.41 for 'relationship meeting expectations' and 4.47 for 'service meeting requirements'.

Table 4.14: Test Statistics for relationship meeting expectations and service being per requirements

| | Test Value = 3 | | | | 95% Confidence Interval of the Difference | |
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Relationship meets expectations	14.066	95	.000	1.406	1.21	1.60
Service is per requirements	16.776	95	.000	1.469	1.29	1.64

The results of the analysis show that the extent to which expectations, with regard to service and relationships with supplier (Distell), are met is significantly high, (p < 0.0005 in each case). Relationship meets expectation - t (95) = 14.066, p<.0005 and service is per requirement - t (95) = 16.776, p<.0005

Table 4.15 (below) shows the cross-tabulation analysis between variables (relationship meeting expectations and service being per requirements):

Table 4.15: Relationship meets expectations and service per requirement – Cross tabulation.

		Service is per requirements					
		1	2	3	4	5	Total
Relationship meets expectations	1	2	0	0	0	1	3
	2	0	1	1	1	0	3
	3	0	0	5	1	1	7
	4	0	0	2	16	4	22
	5	0	0	0	6	55	61
Total		2	1	8	24	61	96

The chi-square test of independence, comparing question 7.1 (relationship meets expectations) with question 7.2 (service per requirements), was applied to find out whether a significant relationship exists between the two variables.

The results show that a significant relationship exists between these two variables (p<.0005). Fisher's Exact (N = 96) = 90.851, p < 0.0005.The rating for 'relationship meeting expectations' corresponds with the rating for 'service being per requirements'. Therefore, the results suggest that the more (or less) the relationship meets expectations, the more (or less) the service meets requirements.

4.8 Relationship Elements

This section relates to question 9 of the questionnaire which asked the respondents to rate the listed relationship elements.

Figure 4.6: Rating of relationship elements

The data in Figure 4.6 was measured using an ordinal scale. This means that the scale was ranked in order of importance when moving from options 'very poor' to 'excellent'. The results further show that more than 80% selected options 'good' and 'excellent', in each case. Significantly more respondents selected the option 'excellent' in each case. As a result, analysis of frequency scores shows that a significant number of respondents (more than 50%) selected option 'excellent' for each case; and almost 90% selected 'good' or 'excellent' Thus, the analysis of the results shows that the rating of the relationship elements is significantly high.

A chi-square goodness-of-fit test was used to test whether any response option was selected significantly more often than expected, given that all options were expected to be selected equally.

Table 4.12: Test Statistics for relationship elements

	Quality of service	Relationship - communication	Relationship - Keeping the promise	Relationship - Trust	Relationship - commitment
Chi-Square	102.646[a]	117.021[a]	106.396[a]	112.646[a]	112.646[a]
df	4	4	4	4	4
Asymp. Sig.	.000	.000	.000	.000	.000

The results show that customers rate these elements significantly ($p < 0.0005$, in each case) high:

- Service – χ^2 (4, N=95) = 102.646, p<.0005
- Communication – χ^2 (4, N=95) = 117.021, p<.0005
- Promise – χ^2 (4, N=95) = 106.396, p<.0005
- Trust – χ^2 (4, N=95) = 112.646, p<.0005
- Commitment – χ^2 (4, N=95) = 112.646, p<.0005

The chi-square test of independence was applied to cross tabulations of question 2 (relationship with Distell) with questions 9.1 to 9.4 (relationship elements).

Table 4.13: Relationship with Distell and commitment - cross tabulation

		Relationship – commitment					
		Very poor	Poor	Average	Good	Excellent	Total
Relationship with Distell	Less than a year	0	0	1	3	1	5
	From 1 to less than 2 years	0	1	2	1	2	6
	From 2 to less than 5 years	0	0	3	11	10	24
	From 5 to less than 10 years	0	1	1	6	19	27
	At least 10 years	1	0	2	7	24	34
Total		1	2	9	28	56	96

The test showed that no significant relationship exists for any of the relationship elements, except for commitment, shown in the table 4.13.

The chi-square test of independence to compare the two variables (the relationship meets expectations and service is per requirements) was applied to find out whether a significant relationship exists between the two variables.

The results show that a significant relationship does exist between these two variables (p = 0.023). Fisher's Exact Test (N = 96) = 25.242, p = .023. Specifically, more respondents than expected, who had had a relationship with Distell for 'from one to less than two years' selected option 'poor and average' and 'from two to less than five years' selected option 'good'. This suggests that the shorter the relationship with the supplier, the lesser the commitment.

4.9 Summary

According to Saunders, *et al.,* (2003), an exploratory data analysis approach is useful in the initial stages. This approach emphasises the use of diagrams to explore and understand data. Furthermore, it is important to keep the research questions and objectives in mind when exploring data. Once data has been explored, the process of comparing and looking for relationships between variables can begin.

This chapter presented the empirical results of the research study. Quantitative data collected ranged from simple counts such as the frequency of occurrences, to more complex data. Data was presented as figures, graphs, tables and text. To be useful data needs to be analysed and interpreted. Thus, quantitative data analysis techniques were employed to assist with this process. Data analysis involved chi-square goodness-of-fit test and one-sample t-test.

The next chapter (Chapter Five) will provide a discussion of the research findings. The discussion will focus on the interpretation and explanation of the findings based on the literature study, the aims and the objectives of the study.

CHAPTER FIVE

DISCUSSION

5.1 Introduction

The results obtained from this study will be interpreted and discussed in more detail in this chapter. This will involve the discussion on the findings in the context of the research objectives and the literature reviewed.

The research study sought to understand the impact of relationship marketing on the licensed tavern business. This informed the main goal and the objectives of the study. The main goal of this research study was to investigate the perceived value of relationship marketing from the licensed taverns owners' perspective. The main goal was supported by the following sub-objectives: to investigate the relationship marketing theory; to establish its value to the licensed tavern owner; to identify principles of relationship marketing that can influence customer behaviour towards the supplier; to determine if the current relationship marketing activities are sufficient to sustain and improve the business relationship.

The discussion of the findings will be under the following topics: the duration of both the business and the relationship; the importance of relationship marketing strategies; principles of relationship marketing that can influence customer behaviour; elements that can sustain and improve the business relationship; the likelihood of customers continuing to buy and recommend the supplier to others; whether customer expectations and service requirements are met; and the relationship elements.

5.2 The Duration of the Business and the Relationship

The main objective of the study was to investigate the perceived value of relationship marketing from the licensed taverns owners' perspective.

The research study was structured to provide, for the sample population, information on the length of time they have been involved in the tavern business, and the length of time they have had a relationship with the supplier. This section of the questionnaire had two questions. Question one sought to establish the time

period that the respondents (licensed tavern owners) were involved in the tavern business. Question two looked to establish the time period that the respondents have had a relationship with the supplier (Distell).

The findings show that a significant number of the sample population 46.9%, have been in the tavern business for ten years or longer. The findings further show that 29.2% have been in the business for five years or longer. As a result, the majority of the sample population are considered to have been in the tavern business for a considerable time.

The findings also show that a significant number of the sample population (35%), have had a business relationship with the supplier for ten years or longer. A further 28.1% have had a business relationship with the supplier for five years or longer. Therefore, the majority of the sample population has had a long-term relationship with the supplier. This concurs with the findings of other studies in relationship marketing. According to Gummesson (2008), the aim of relationship marketing is to build mutually satisfying long-term relationships with key stakeholders like the customers, suppliers and redistributors, in order to earn and retain their business. The relationships can be built between the business and the customers, between business and suppliers, and with a variety of other stakeholders.

Furthermore, the fact that the majority of the respondents fall within the longer time period (ten years and longer/five years and longer) for both time in the business and the relationship with the supplier, gives an indication that a sound relationship develops over a long period of time for both the supplier and the customer.

The findings show that once-off transactions are being replaced by long-term relationships with customers. This is line with the views of Christopher *et al.,* (1991), who stated that the focus of marketing has moved from managing transactions to managing relationships.

5.2.1 Correlation between Time in the Tavern Business and Time in a Relationship

The findings suggest that a correlation exists between the time the respondents had been in business and the time they have had a relationship with a supplier.

Thus, a significant relationship exists between the length of time respondents have been in the tavern business, and the length of time they have had a relationship with Distell. Therefore, the shorter/longer the time in the tavern business, the shorter/longer the relationship with the supplier Distell. The findings give an indication that the customers prefer to have an on-going relationship with the supplier rather than to switch continually amongst suppliers in search of value.

Furthermore, the fact that the majority fall within the longer time period (ten years and longer/five years and longer) for both time in the business and relationship with the supplier can be viewed as an indication that a sound business relationship develops over a long period of time between the customer and the supplier.

This is line with the views of authors like Grönroos (1994) who states that such relationships are usually long-term. This further concurs with other literature namely by Palmatier (2008), where it is stated that relational constructs, such as trust, commitment, and relational norms, develop and grow together as the relationships proceed, thus producing positive relational outcomes. These elements increase the trust of the supplier. For instance, after a few successful transactions the customer is satisfied and starts to feel safe with the supplier. This means that trust has developed.

5.3 Importance of Relationship Marketing Strategies

One of the objectives of the study was to investigate the relationship marketing theory in order to establish its value to the licensed tavern owner. Thus, this section sought to establish the importance of relationship marketing activities as implemented by the supplier (Distell) to customers (licensed tavern owners).

The findings of the research study clearly indicate that relationship marketing strategies are growing in importance, as the majority of respondents agreed by placing significant importance on the relationship marketing activities. The results show that the majority of respondents indicated '5 = extremely important' for each of the relationship marketing activities in question. The activities that were rated by the respondents are the following: discounts (lower prices for volume purchases); customer incentives; trips (rewards to build loyalty); customer entertainment

functions (music festivals, soccer and rugby matches); sponsorships (direct product placements, giveaways, sampling); personal contacts (interpersonal communication with a sales representative); and investment (bar area, visual placements, cold space or fridges).

The relationship marketing activities in question can be classified under three levels of relationship marketing as identified by Berry and Parasuraman (1991). These are: financial, social and structural bonds. The relationship marketing strategies aim to tie up the customers in a long-term business relationship with the supplier and create a loyal customer base. This is called 'lock-in' for strategic management.

Financial bonds include providing discounts and other price incentives to retain the customer and build loyalty. The activities that were rated in the questionnaire are discounts, customer incentive trips, customer entertainment functions, sponsorships, personnel contact and investment branding. The findings of the research study indicate that the majority of respondents place significant value on all of these activities. The results show that the majority of respondents selected option '5 = extremely important' for each of these activities.

However, according to Berry and Parasuraman (1991), in relationship marketing theory financial incentives alone do not provide long-term advantages to the business. This is because, in the long run, financial incentives do not serve to differentiate the business from its competitors. For instance, customers may switch among major suppliers who provide similar incentives. Although significant importance was placed on each of the activities, 'discounts' and 'customer incentive trips' have lower average response scores, relatively speaking, compared to activities like 'personal contact', which is the element of social bonding.

Social bonds are identified as a more permanent way to tie the customer to the business. In social bonds customer and supplier develop a friendly relationship. For example, first names are used and contact is made outside of the business environment and in social settings. According to Perry *et al.,* (2001), social bonds are investments of time and energy that produce positive interpersonal

relationships between partners. This can range from organisational contact to personal contact. This notion is confirmed by the results of the study when testing the relative importance of relationship marketing activities by the supplier. The observation that appears with the highest average score is 'personal contact'.

The findings of the research study further show that significant importance is placed on structural relationships. This is evident in the results, where observations like 'investment branding' achieved significantly high average scores. This is in line with the views of authors like Perry *et al.,* (2001) who state that in the business-to-business context, examples of structural relationships are information and resource sharing, contractual arrangements and investments by two organisations.

The results show that the majority of the respondents selected response '5 = extremely important' for the elements classified under structural bonds. Structural bonds are seen as the most enduring level of tying up the customer, because structural bonds tie the supplier and customer in a mutually beneficial relationship. This view is supported by authors like Palmatier (2008), who states that strong competitive advantages also may result from structural bonds, because customers increase their business with the organisation to take full advantage of these value-enhancing relationships.

Thus, the findings concur with the relationship marketing theory on structural relationships according to Turnbull and Wilson (1989). The two authors highlight the importance of structural relationships by stating the fact that, structural bonds involve huge investments from the parties concerned. Such investments are difficult to recover when the relationship breaks down, and are often directed to products and process development.

Although significant importance is placed on each of the relationship marketing activities relating to relationship marketing strategies, the results place elements classified under social bonds at the top, like 'personal contact', followed by elements of structural bonds, like 'investment branding' and lastly activities relating to financial bonds like 'discounts'. This concurs with the argument by Palmatier (2008) that financial incentives do not serve to differentiate the business from its competitors in the long run. The advantages of financial relationship programs

tend to be unsustainable, unless enabled by unique sources such as low cost structure, because competitors easily match the programs. For instance, customers may switch among the major suppliers, who all provide similar incentive programmes.

5.3.1 Correlation between Time in the Relationship and Customer Incentive Trips

The results of the study further reveals that a correlation exists between the length of time respondents have a relationship with the supplier (Distell), and the importance of activities like customer incentive trips, one of the relationship marketing strategies. The results show that more respondents than expected, who had had a relationship with Distell for 'less than a year', answered '2'; from 'one to less than two years' answered '3' and 'from five years to less than ten years' answered '4'.

Thus, the findings confirm that the shorter the relationship the less important the incentive trips. Therefore, the longer the relationship, the more important the incentive trips. Incentive trips are an element of social bonds. From the analysis of data in the section dealing with the importance of relationship marketing activities, the findings seem to place a high degree of importance on social bonds. Social bonds are viewed as facilitating and maintaining long- term relationships, which, according to Palmatier (2008), are difficult to duplicate and may prompt customers to respond in the form of repeat sales and recommendations or by ignoring competitive offers.

5.4 Principles of Relationship Marketing that can Influence Customer Behaviour

One of the objectives of the study has been to identify principles of relationship marketing that can influence customer behaviour. Thus, this section sought to establish the elements of relationship marketing that can influence the behaviour of licensed tavern owners towards Distell.

A list of factors was provided to establish a behaviour-response relationship between the supplier and the customer. The respondents were asked to agree or disagree with the following statements: the supplier's investments should add value; the supplier should handle customer complaints quickly; the supplier should involve the customer in plans; the supplier should provide frequent interaction with the sales representative; the supplier should have a knowledge and understanding of the customer's business; and the supplier should offer service in line with customer needs.

The results show that there was a high degree of commonality in the respondents' responses: a significant number of respondents selected 'strongly agree' for each of these elements. This suggests that customers (licensed tavern owners) view the implementation of these elements by the supplier as adding value to the service rendered. Therefore, the findings suggest that the respondents see these factors as creating value for their business, thus increasing satisfaction.

This concurs with other relationship marketing studies. According to Christopher *et al.,* (1991), value is considered to be an important element of relationship marketing. Marketers have become interested in the potential of relationship marketing activities to deliver enhanced value to the customer over and above the firm's product or service offering according to Smith (2011).To provide superior value and promote successful competitive strategies, it is important for the organisation to combine elements of relationship marketing and the ability to deliver value to its customers. The ability of an organisation to deliver value is seen as a means of differentiation. Differentiation is key to the question of how to find sustainable competitive advantage.

In this study the findings suggest that customers view the application of these principles as creating value for their businesses. Thus, by adding value to the product offering through factors like, handling customer complaints quickly, involving customers in plans, facilitating frequent interactions with the sales representative, understanding the customer's business and providing service in line with customer needs, customer satisfaction can be improved and customer loyalty can be achieved; thus influencing customer behaviour towards the supplier, which is one of the objectives of this particular study.

The findings of this study support the notion put forward by Christopher *et al.,* (1991), that value is considered to be one of the most important elements of relationship marketing.

5.5 Elements that can Sustain and Improve the Business Relationship

One of the objectives of the study has been to determine if the current relationship marketing activities are sufficient to sustain and improve the business relationship. Thus, this section sought to establish the elements that can sustain and improve the business relationship between the licensed tavern owners and Distell, and whether those elements in place are enough to keep the customer with the supplier. The elements that were included are the following: support, communication, customisation, flexibility, brand image, product quality, product availability, price offering and relationship.

The findings of the research indicate that significant value is placed on the elements that customers perceive as adding value to the business relationship. The results show that the majority of respondents selected response '5 = very likely' for each of the elements that can sustain and improve the business relationship. Therefore, the customers are very likely to choose one supplier over other suppliers based on the elements of customer perceived value, delivered by the supplier. The significance placed on these elements by the customers gives an indication that effective application of these relationship marketing activities by the supplier is sufficient to sustain and improve the business relationship, which is one of the objectives of this particular study.

This concurs with other studies in relationship marketing theory. Grönroos (1994) identifies attributes such as superior product quality, brand image, customisation and support services, as components that enhance customer-perceived value.

Based on these findings, the argument that could be presented is that the prospect for repurchase is certainly greater if the business or supplier succeeds in providing something unique and of value to the customer. The value-adding attributes therefore play a major role when the customer chooses between different

suppliers. As a result, the prospect of retaining the customer is greater if the supplier succeeds in providing these value-adding elements.

5.5.1 Correlation between Time in the Relationship and Support

The results of the study further reveal that a significant correlation exists between time in the relationship with the supplier (Distell) and value placed on the support element. Therefore, the shorter the relationship, the less likely that respondents will choose Distell over other suppliers, based on the support element. The results show that more respondents than expected, who had had a relationship with the supplier (Distell) 'from one to less than two years', answered '1' and 'from two to less than five years' answered '3' and '4'. Therefore, the shorter the relationship, the less likely that the respondents will choose Distell over other suppliers based on the support element.

The findings of the study suggest that it is crucial for the business or supplier to determine the key elements of customer-perceived value, because this can assist the supplier in understanding the customer's business, and therefore plan and deliver the value-adding elements. This concurs with the opinion offered by Disney (1999) in which he states that customers also benefit from a long-term business relationship by obtaining familiarity, personal recognition, discounts, credit advances and even friendship.

5.6 Customer Loyalty and Positive Word-of-Mouth

Another objective of the study was been to determine if the relationship marketing activities are sufficient to sustain and improve the business relationship.

This section sought to establish if the customers (licensed tavern owners) are likely to continue to do business with the supplier (Distell) and also recommend the supplier to others, based on the relationship marketing strategies in place. The relevant findings of the study show that there is a strong likelihood that customers will both continue a business relationship with the supplier (Distell) and recommend the supplier to others.

The results show that the majority of respondents selected option, '5 = very likely' for both likelihood to continue to buy from the supplier, and likelihood to recommend the supplier (Distell): 87.5 % for likelihood to continue to buy from Distell and 81.3 % for likelihood to recommend Distell as a supplier to other tavern owners.

The findings of the research study suggest that effective implementation of relationship marketing strategies will result in customer loyalty and recommendation of the supplier to other potential customers. There is a strong indication from the finding of the research that relationship marketing strategies have a positive effect on customer loyalty. This supported by the view of authors like Berry (1983), who defined relationship marketing as 'marketing activity that attracts and maintains relationships between a business and customers'.

This also concurs with the work of Berry (1993), in which he identifies two constructs that are referred to as relationship marketing outcomes: customer loyalty and positive word-of-mouth. Customer loyalty focuses on the repeat purchases that are triggered by marketing activities. According to Gaurav, (2008) cultivating loyal customers can lead to increased sales and customer share, lower costs, and higher prices. Anderson and Narus (1998), on the other hand point out that positive word-of-mouth is seen as informal communication between the customer and others concerning valuations of good or service. This includes recommending the supplier or service provider to others. According to Kotler *et al.,* (2010), word of mouth communication is also regarded as method of communication to and from customers.

The findings also indicate strongly that customer loyalty and positive word-of-mouth will result if value adding attributes are applied effectively by a supplier in a business relationship with the customer. This concurs with the views of Berry (1993) in which he states that customer loyalty increases the economic attractiveness of existing customers and positive word-of-mouth helps to attract new ones.

5.6.1 Correlation between Likelihood to Buy and Likelihood to Recommend

The findings of the study further suggest that a significant correlation exists between the likelihood to continue to buy and the likelihood to recommend Distell as the supplier to other customers: the more or less the respondents are likely to continue to buy; the more or less they are likely to recommend Distell.

This is in line with the views of authors like Berry (1993) who states that retention and attraction are critical because long-term economic success cannot be achieved by focusing exclusively on the retention of current customers to the detriment of attracting new ones.

5.7 Meeting Customer Expectations and Service Requirements.

This section sought to establish, firstly, whether the relationship with the supplier (Distell) meets the expectations of the respondents (licensed tavern owners); and secondly, whether the service offering by the supplier is as per customer requirements.

The findings show that the extent to which the expectations of service and relationship with the supplier are met is significantly high. More than 80 % of respondents selected option '4' or '5' for the 'relationship with the supplier meeting expectations' and the 'service received from the supplier satisfying requirements'. There is a strong indication that the majority of respondents agree that the supplier meets their expectations to a large extent. As a result, there is an element of customer satisfaction - which is also a goal of relationship marketing.

There is strong evidence that customers' expectations and service requirements will be met if the relationship marketing strategies are implemented successfully and to the benefit of both parties. Furthermore, the findings also suggest that for customers' expectations and service requirements to be met, elements of customer-perceived value (as discussed in Chapter Two), which include, support, communication, customisations, brand image and product quality, need to be enhanced.

This concurs with the study by Payne *et al.,* (2005), which states that relationship marketing distinguishes itself through the emphasis on retention of profitable customers, which implies maximising the life-time value of the customer.

5.7.1 Correlation between Meeting Customer Expectations and Service Requirements.

The findings of the study further reveal that a negative correlation exists between the two variables: relationship meeting expectations and service meeting requirements. The results show that a high or low rating for one corresponds with the low or high for the other. As a result the more or less the relationship meets expectations, the more or less the service meets requirements.

These findings stress the importance of maintaining a good relationship with the customer. The overall objective of relationship marketing is to facilitate and maintain long-term customer relationships according to Gummesson (2008). This concurs with the views of Morgan and Hunt (1994) who state that relationship marketing refers to all activities directed towards establishing, developing and maintaining successful relational exchange.

5.8 Relationship Elements

This section sought to establish the rating of the relationship elements that the customers (licensed tavern owners) have with the supplier (Distell). The focus was on the relationship elements identified by Berry (1995): communication, keeping the promise, trust and commitment.

The findings of the study indicate that the customers rate these relationship elements highly. The results show that more than 80 % of the respondents selected the options 'good' or 'excellent' for each of the relationship elements. This confirms the importance of relationship elements in the supplier-customer relationship.

The research findings confirm the importance of communication in the supplier-customer relationship. Effective communication reduces uncertainty. As a result, if the supplier keeps the customer informed on all issues that are important to the customer, a long-term relationship with that customer will result.

According to Berry (1995), relationship marketing is built on trust. The findings of the study also confirm the importance of trust in the relationship between supplier and customer. Maintaining and strengthening trust is essential to the long-term success of a business relationship.

The findings of the study confirm the importance of the supplier keeping promises. This concurs with the views of Henry Calonius (1988), who states that if promises are not kept, the developing relationship cannot be maintained and enhanced. Fulfilling the promise is equally important as a means of achieving customer satisfaction, retaining the customer base and ensuring the long-term profitability of the organisation.

5.8.1 Correlation between Time in the Relationship and Commitment

The findings further reveal that a significant correlation exists between the duration of the relationship between supplier (Distell) and the customer and the level of commitment: the shorter the relationship, the less the commitment.

The importance of commitment in a relationship between supplier and customer is confirmed in the results of this study, which show that more respondents than expected, who had had a relationship with the supplier (Distell) 'from one to less than two years' answered 'poor and average' and 'from two to less than five years' answered 'good'. Commitment implies that both supplier and customer are willing to invest time and other resources to continue and maintain a business relationship. It can therefore be argued that long-term relationships cannot be maintained unless both parties are committed to the relationship.

5.9 Framework for Management of Long Term Relationships

One of the purposes of this particular study was to investigate the perceived value of relationship marketing from the perspective of the customer (the licensed tavern owner). The focus was to identify relationship marketing activities and principles that could sustain and improve the business relationships. The results are based on the perceptions of the customer (licensed tavern owners) as opposed to the perspective of the business (the supplier).

The findings of the research discussed in this chapter provide for the development of a framework for the management of long-term relationships between the supplier and the tavern businesses, in the context of the business-to-business relationship. This is one of the objectives of this particular study. This framework provides for the establishment of a model for the management of long-term relationships in the supplier - customer context. The uniqueness of the framework is to be found in the consideration of the perceptions of the customer (the licensed tavern owner). Below is the graphical representation of the proposed model.

Model for management of long term-relationships

Benefits for business

| Customer Loyalty |
| Referrals |
| Increased Sales |
| Market Share |
| Profits |

Hierarchy of relationship marketing strategies
- Social Bonds
- Structural Bonds
- Financial Bonds

Elements of customer perceived value
- Support
- Communication
- Customization
- Flexibility
- Brand Image
- Product Quality
- Product Availability
- Price Offering
- Relationship Management

Benefits for customer

| Familiarity |
| Personal Recognition |
| Discounts |
| Incentive Programs |
| Credits |
| Investment by Business |

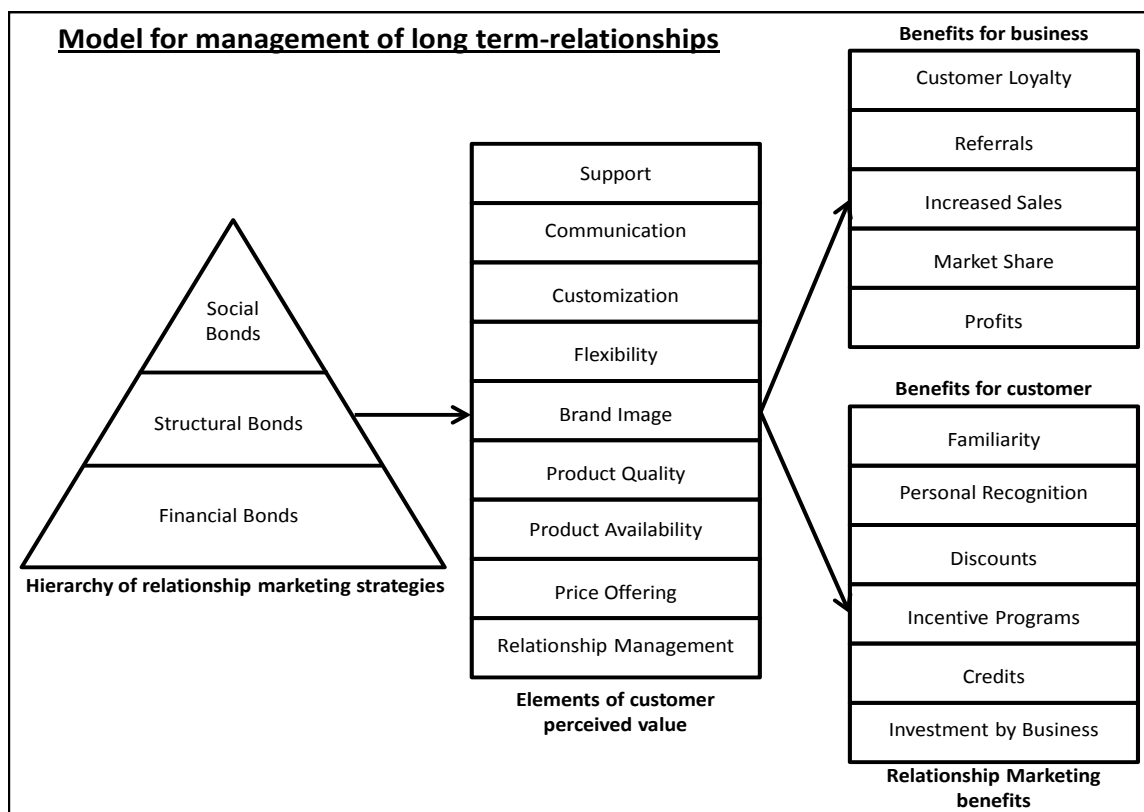**Relationship Marketing benefits**

Figure: 5.1 A graphical illustration of the model, which can be used for developing and managing long-term relationships in the supplier-customer context.

The model depicts the hierarchy of relationship marketing strategies from the perspective of the customer (licensed tavern owner). The hierarchy is based on the findings of this study, which indicate that significant importance is placed on the three levels of relationship marketing strategies. The levels as identified by the literature are the financial, social and structural bonds.

However, the findings of this particular study show that when testing the relative importance of the levels of relationship marketing, social bonds are ranked most highly, followed by structural bonds and then financial bonds. The findings seem to place a high degree of importance on social bonds, which are seen to facilitate and maintain long-term business relationships between the supplier and customer.

The model puts structural bonds on the second level in terms of the hierarchy of relationship marketing strategies. Structural bonds are seen as one of the most enduring strategies of managing business relationships. Structural bonds tie up the supplier and customer in a mutually beneficial relationship. The findings indicate that customers place significant importance on the structural relationship with the supplier.

The model puts financial bonds on the third level of the hierarchy of relationship marketing strategies. While the findings show that significant importance is placed on financial incentives, as relationship marketing theory concurs, financial incentive does not provide a long-term advantage. This is because customers may switch between suppliers who provide similar incentives.

Therefore, in the context of managing long term relationships with the customer, the hierarchical structure of the relationship marketing strategies, as suggested by the model for management of long-term relationships, should be taken in consideration.

Once relationship marketing strategies have been ranked according to the hierarchy, the model suggests that the elements of customer-perceived value should be identified; and these are not in any particular order. Elements customers perceive as adding value include support, communication, customisations, flexibility, brand image, product quality, availability, price offering and relationship management. When identifying components that enhance customer-perceived

value in the supplier-customer business relationship, elements such as superior product quality, brand image, customisation and support services (to mention a few) are identified.

The model suggests that when relationship marketing strategies are formulated the first step is to take into consideration the relative importance of each level as perceived by the customer. Secondly, all elements of customer-perceived value need to be identified and enhanced. The model suggests that there are benefits for both business and customer that could be realised when this model is implemented successfully. The business or the supplier can benefit through repeat sales, customer loyalty and referrals which could lead to increased sales, market share and profits.

The customer on the other hand will benefit by obtaining familiarity, personal recognition, discounts, credits and friendship.

The model puts emphasis on the need to formulate relationship marketing strategies based on the hierarchy of needs of the customer base. The model further highlights the significance of understanding the elements that the customer perceives as adding value to the business relationship.

5.10 Summary

This chapter dealt with the explanation, the interpretation and the discussion of the results of the study. Each section in the questionnaire and the results of the findings thereof were discussed separately under a specific topic.

The empirical investigation was based on the survey design, because it provided a broad overview of the representative sample. The study population was one hundred licensed taverns in the Durban Metropolitan area. Out of the one hundred questionnaires that were distributed, ninety six could be used. The other four did not respond.

The objectives of the study were compared to the findings of the research. The findings were also checked against previous research work to see if they concur with, or refute, relationship marketing theory.

The latter part of this chapter provided a framework that could be utilised for managing long term relationships in the supplier-customer context.

The next chapter (Chapter Six) will deal with the recommendations and the conclusions.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Achieved Study Objectives

The primary objective of the study has been to investigate the perceived value of relationship marketing from the perspective of the customer (licensed tavern owners).

The primary goal of the research study is supported by the following sub-objectives:

- to investigate relationship marketing theory in order to establish its value to the licensed tavern business owner
- to identify principles of relationship marketing that can influence customer behaviour towards the supplier
- to determine if current relationship marketing activities are sufficient to sustain and improve business relationships
- to develop a framework for the management of long-term relationships between the supplier and the tavern business

The first sub-objective of the study was met with the identification of customer perceived value-adding elements. The identification of these elements was achieved by taking into consideration customer perceptions. The elements are generic and therefore can be used in different industries in the business-to-business context to deliver value propositions, which would be understood and perceived by the customer.

The second sub-objective was also met as the theoretical principles that can underpin customer behaviour towards the supplier were identified; based on an investigation of the customers' perceptions of the principles that create value for their businesses.

The third sub-objective of the study was met. Findings suggest that there is a strong likelihood that customers (licensed tavern owners) will both continue a business relationship with the supplier (Distell) and recommend the supplier to others, based on the current relationship marketing activities.

The fourth sub-objective of the study was also met. The findings of the research discussed in Chapter Five supported the development of a framework for the management of long-term relationships between the supplier and the tavern business, in the context of the business-to-business relationship. This framework provided for the establishment of a model for management of long-term relationships in the supplier-customer context.

6.2 Implication of this Research Study

The biggest contribution of this particular study lies in the fact that research was done from the perspective of the customer (the licensed tavern owners). Although studies and literature exist on the subject of relationship marketing, most research has been done from the organisation or business point of view. Relationship marketing literature appears to place emphasis on the attraction and retention of customers. Emphasis is placed on relationship marketing strategies that can be applied; and the management of long-term relationships for the benefit of the organisation.

The benefits for the organisation of developing long-term relationships with the customers are quite clear. The organisation benefits by attracting and retaining a loyal customer base, amongst other things. However, the value of such relationships from the customer's point of view is not taken into consideration. This study gives an understanding of the value of long-term relationships between the organisation or business and the customer in the B2B context, from the perspective of the customer.

Models on relationship marketing, such as the 'Six Markets Model' by Payne (1991), place the customer at the centre of the value creation process. This model provides the framework to review the role of the extended relationships that can be

established and the role of stakeholders in the creation of total organisational value.

The findings of this research study provide a framework, and the establishment of a model, for the management of long- term relationships in the B2B context. The value of this particular framework is to be found in its consideration of the perceptions of the customer (licensed tavern owners).

Published research on relationship marketing is mostly in the services industry. In the South African liquor industry this type of research is limited. Through this study, a contribution is made to the body of knowledge concerning the South African liquor industry.

 A valuable contribution has been made by bringing to light the relationship needs of the licensed tavern business sector for the broader industry to incorporate into their plans. The findings of this study shed light onto the importance of relationship marketing strategies as applied by the supplier organisations to the licensed tavern sector of the business.

Managerial implications emerged from the different perceptions revealed by the representative sample, with regards to business process improvement. Decision makers in supplier organisations like Distell, which include sales managers, marketing managers and sales representatives, will benefit from the findings of this particular study when developing their plans. The service offering should now incorporate the perceptions of the customers (licensed tavern owners), as opposed to the organisation's perceptions only, when delivering value propositions.

The framework for the management of long-term business relationships, which was developed through the study, has significant implications for management. This framework provides an understanding of the way in which relationships with the customers in this sector of the business can be managed and enhanced, taking into consideration the perspective of the customer. Therefore, the study will enable decision- makers in the industry to better manage their relationships with their customers (the licensed tavern owners).

6.3 Recommendations Arising from the Research Problem

In the face of increased competition in the liquor industry, with new players entering the market place, the ability of an organisation or business to gain competitive advantage is crucial. The traditional transaction oriented approach to marketing is no longer a suitable approach. Relationship marketing techniques offer a new competitive advantage. Relationship marketing aims to ensure successful relationships by creating value for all parties concerned.

The following recommendations could be considered in order to develop and sustain business relationships with the customers (licensed tavern owners):

- The organisations or businesses need to spend more time building relationships with their customers through their personnel such as key account managers. Personal contact must be given priority in developing customer loyalty, as it has been shown that customers enjoyed personalised attention.

- The supplier organisations in the liquor industry need to cater for the specific and unique needs of the licensed tavern customers. This means marketing programmes must be tailor-made for this particular market. This will assist in improving the service offering and meeting expectations of these customers.

- The sales function should be redefined and repositioned to assist the management of the organisation or business to be more customer-oriented, without having a negative effect on the company growth, profitability and market share.

- The service offering needs to be more consistent and reliable to make sure that overall value perception is created. This requires the organisation's sales and distribution functions to have a common value proposition.

- Relationship marketing strategies need to be aligned for all functions within the organisation to understand and to ensure proper co-ordination of the organisation's service offering.

- Regular feedback from customers needs to be encouraged as this will assist the organisation in building relationships and keeping focus on the customers' ever changing needs and expectations.

- Customer service departments need to conduct surveys of current customers on a regular basis.

6.4 Recommendation for Future Studies

The findings of the research allude to that organisations need to be more aggressive in implementing their relationship marketing strategies to create a value offering. This is because relationship marketing strategies offer a means to organisations to distinguish themselves from other similar competing organisations. This requires a thorough understanding of the impact that relationship marketing strategies have on the customers.

The following recommendations for future studies have been identified:

- The current study looked at a homogenous population and sample in terms of the geographical location. The sample was based on the licensed tavern population in the Durban Metropolitan area. A broader representative sample could comprise a sample population based in different geographical areas. For example, the licensed tavern population in the entire KZN province or different regional/municipal areas could be canvassed.

- The current study focused on one sector of the liquor industry, the licensed tavern business. There are opportunities to replicate the study in other sectors of the liquor industry in the B2B context, for example, the wholesale and retail sectors. The study could also be conducted in other industries outside the liquor industry.

6.5 Summary

The implementation of relationship marketing strategies provides the organisation with an opportunity to manage long-term relationships with customers. Evidence was presented in this study that organisations can gain a completive advantage by utilising a relationship marketing approach.

The main goal of the study was to investigate the perceived value of the relationship marketing approach from the perspective of the customer (licensed tavern owners). The findings of the study clearly indicate that significant value is placed by customers on the relationship marketing activities as applied by the supplier organisation.

The findings further highlighted those theoretical principles of relationship marketing that can influence customer behaviour towards the supplier. The findings suggest that the customers (licensed tavern owners) will move from one supplier organisation to another based on a perceived value offering.

Thus the ability of an organisation to provide superior value to each customer has become a means for differentiation. Therefore, when relationship marketing strategies are developed, the recommendation is that customer perceptions of value should be taken into consideration.

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UNIVERSITY OF KWAZULU-NATAL
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MBA Research Project
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Title of Survey:

THE IMPACT OF RELATIONSHIP MARKETING ON THE LICENSED TAVERN BUSINESS

The purpose of this survey is to solicit information from the Licensed Tavern Business regarding the impact of Relationship Marketing for this type of business. The information and ratings you provide us will go a long way in helping us identify the effects, Relationship Marketing principles/activities have for the licensed tavern owner and the elements of Relationship Marketing that influence customer behavior (Tavern Owner) towards the supplier. The questionnaire should only take **10-15** minutes to complete. In this questionnaire, you are asked to indicate what is true for you, so there are no "right" or "wrong" answers to any question. Work as rapidly as you can. If you wish to make a comment please write it directly on the booklet itself. Make sure not to skip any questions. Thank you for participating.

Customer Questionnaire

GENERAL

1. How long have you been in the tavern business? (Kindly tick one)

Less than a year	From 1 to less than 2 years	From 2 to less than 5 years	From 5 to less than 10 years	At least 10 years

2. Please indicate for how long you have had a business relationship with Distell: (Kindly tick one)

Less than a year	From 1 to less than 2 years	From 2 to less than 5 years	From 5 to less than 10 years	At least 10 years

3. Rate the importance of the following activities to you, the licensed tavern owner: 1= not at all important to 5 = extremely important. (Kindly tick one)

Activity	1	2	3	4	5
3.1. Discounts: Lower prices for volume purchases.	1	2	3	4	5
3.2. Customer Incentive Trips: Rewards to build loyalty.	1	2	3	4	5
3.3. Customer Entertainment Functions; Music Festivals; Soccer & Rugby matches.	1	2	3	4	5
3.4. Sponsorships: Direct product placements; giveaways; sampling	1	2	3	4	5
3.5. Personal Contact: Interpersonal communication with the sales representative.	1	2	3	4	5
3.6. Investment: Branding; Bar area/Optic placement; Cold Space/Fridges.	1	2	3	4	5

4. In order for you to remain a "happy customer" of the supplier, rate you agreement with the following statements? (Kindly tick one)

For me to remain a happy customer…	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.1. The supplier's service should be in line with my business needs.					
4.2. The supplier should have knowledge and understanding of my business operation.					
4.3. The supplier's sales rep should interact frequently with me as the customer.					
4.4. The supplier should integrate or involve me as a customer in plans for my business.					
4.5. The supplier should handle customer complaints quickly and thoroughly.					
4.6. The supplier's investment in my business should add value.					

5. How likely would you choose Distell over other suppliers based on the following elements? 1= not at all important to 5 = extremely important.

(Use the scale of 1-5)

Element	1	2	3	4	5
5.1 Support					
5.2 Communication					
5.3 Customization					
5.4 Flexibility					
5.5 Brand Image					
5.6 Product Quality					
5.7 Product Availability					
5.8 Price Offering					
5.9 Relationship					

6. Using the scale **1 = Very unlikely to 5 = Very likely**, indicate the likelihood that: (Kindly tick one)

	1	2	3	4	5
6.1 You will continue to buy from Distell					
6.2 You will recommend Distell as a supplier to other customers					

7. Using the scale **1 = Not at all to 5 = Almost completely**, indicate the extent that: (Kindly tick one)

	1	2	3	4	5
7.1 Your relationship with Distell, as a supplier, meets your expectations					
7.2 The service you receive from Distell is per your requirements					

8. How would you rate the quality of Distell's service? (Kindly tick one)

Very poor	Poor	Average	Good	Excellent

9. Rate the following relationship elements that you have with Distell:

(Kindly tick one)

Element	Very poor	Poor	Average	Good	Excellent
9.1 Communication					
9.2 Keeping the Promise					
9.3 Trust					
9.4 Commitment					

End of the Questionnaire

Thank you for taking the time to complete the questionnaire

17 July 2012

Mr Mziwandile Siyabonga Memela 208510264
Graduate School of Business and Leadership

Dear Mr Memela

Protocol reference number: HSS/0506/012M
Project title: The Impact of Relationship Marketing for the Licensed Tavern Business.

EXPEDITED APPROVAL

I wish to inform you that your application has been granted Full Approval through an expedited review process.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

....
Professor Steven Collings (Chair)

/px

cc Supervisor Mr Lewis Kaplan
cc Academic leader Dr SA Bodhanya
cc School Admin. Mrs Wendy Clarke

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