AN INVESTIGATION INTO RELATIONSHIP-MARKETING STRATEGIES USED BY MORKELS TO RETAIN CUSTOMERS

by

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Submitted in partial fulfilment of the requirements for the Magister in Business Administration at the Port Elizabeth Technikon

PROMOTER:
PROFESSOR LAETITIA RADDER
DECLARATION
This work has not been previously accepted in substance for any degree and is not being currently submitted in candidature for any degree.

Signed ..........................
Date ..........................

STATEMENT
This dissertation is being submitted in partial fulfilment of the requirements of the degree of Masters in Business Administration. This dissertation is the result of my independent research and investigation, except where otherwise stated. All sources are cited and a source list is appended. I hereby give consent for my dissertation, if accepted, to be available for photocopying, for interlibrary loans and for the title and summary to be made available to outside organisations.

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• The management and staff of Morkels who supported me throughout my studies.

• My family.

• My study group.
EXECUTIVE SUMMARY

The research problem addressed in this study was an assessment of the relationship-marketing strategy that Morkels currently has in operation. This strategy focuses on membership of a club that is sold to customers when they open an account. The strategy is to keep in touch with the customer by means of the club magazine, a club card and various special events and offers that are exclusive to club members. The strategy, however, may not be entirely successful in achieving the goals and objectives as envisaged by the senior management of the company.

The objective of the research was to establish what exactly relationship marketing is. Once having investigated the theory of relationship marketing, the objective of the research was to establish what the goals of the management at Morkels were and whether or not these goals were met.

The methodology of the research was, firstly, to conduct a literature survey on relationship marketing. In particular the study of literature focused on the theory related to the retail market focusing essentially where similar marketing strategies had been investigated. A variety of aspects of relationship marketing and strategies that had previously been implemented were then examined. The literature survey also considered the way in which a successful strategy of relationship-marketing should be motivated, planned, implemented and followed through.

Secondly the research established what the goals and objectives of the management of Morkels were by means of an investigation into the policies and manuals of the relationship-marketing department.

Finally a questionnaire was disseminated to the senior management of Morkels to establish what they considered to be the needs and opinions of the customers of the Garden Route Area. A second questionnaire with similar questions was also submitted to a sample of club members. This was done to establish the opinions of both groups.

The major findings of the research were that Morkels is experiencing a degree of success with its relationship-marketing strategy. The research findings also revealed that opinions of the customers and the management of Morkels do not concur on a number of issues. These differences and the most important factors were discussed and recommendations were made to management.
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CHAPTER ONE

INTRODUCTION, PROBLEM STATEMENTS AND DEFINITION OF CONCEPTS

1.1 BACKGROUND

In the furniture retail industry there are usually two types of outlets. Firstly, there are the independents which typically consist of between one to ten outlets. These may be privately owned and geographically limited to one area. Secondly, there are the chain stores which are often represented by stores throughout the country and owned by another larger corporation.

Morkels is a chain store and a subsidiary of Profurn, which is a company listed on the Johannesburg Stock Exchange. Morkels is a retailer of furniture, electrical and other durable household goods. The company has 120 shops within the Southern African region where its head-office is located in Gauteng, South Africa.

Marketing strategies are decided upon and created by the marketing department staff at head-office. The customer-relations management department is also a division of the marketing department.

The implementation of a national promotional activity is conducted by the management of the various shops. The management of each area, region and division may, however, have sales promotion activities which are outside of the national promotional effort. These are initiated and implemented locally in an attempt to stimulate sales turnover. Local promotions are supported by senior management, provided that they do not clash with the national promotion.
Through promotional activities and promotional strategies, Morkels is striving to be a profitable chain within the Profurn group of retailers. This goal and long-term success is dependent upon the regular achievement of the three significant goals: reaching budgeted sales, profits and a positive cash flow.

Retailers have a set of unique circumstances that are encountered when trying to attract and retain customers. As the market in which Morkels operates is that of semi-durables, the purchase decision is not as big as that made with the purchase of a house or a car but considerably bigger than that made when the consumer is grocery shopping. Through the establishment of a relationship between the customer and Morkels, the company wishes to reduce the decision as to where to make the purchase of household furniture and appliance to one choice, namely, Morkels.

Relationship marketing has been identified as a tool that can be used to achieve the essential goals of reaching budgeted sales, profits and a positive cash flow. One strategy being implemented presently by the management of Morkels is customer relationship-marketing to establish a relationship with existing customers by means of a series of promotions and communications. In particular, the customer relationship-marketing department is using the Morkels club as its main driver in an effort to retain customers. This is put into operation by selling customers club membership when they open an account for the purchase of goods. This membership is valid for between one to three years.
The benefits of club membership are varied and include:

- A personalised membership card.
- Free membership to a 911 Emergency Medical Direct Service.
- A free monthly magazine.
- Entry into a R500 000 monthly Superdraw competition.
- Lawcall Legal Assistance Helpline.
- Bursaries worth R500 000 from the SA Technikon each year.

The benefits accruing to the club members increase as the value of their purchases increases. These include additional discounts on delivery charges and Stainguard as well as credit facilities accruing to customers with proven loyalty records.

This research is, therefore, an attempt to establish whether the principles of customer relationship-marketing are being successfully applied by Morkels Garden Route Area and whether they meet the needs of the business and its customers. This study could reveal important insights that could lead to strategic changes in the marketing strategy implemented by the company.

### 1.2 MAIN PROBLEM

It is believed that it costs five times as much to attract a new customer as it does to retain an existing one (Furlong, 1993:2). Dickson (1997:427) adds that the way in which the organisation manages its business relationships has become as important as its targeting, positioning and product development abilities.
Payne, Christopher, Clark and Peck (1995:79) further point out that competing retailers will often acquire their merchandise from the same manufacturers and, as a result, have limited potential for promotional or price differentiation. It is because of this that retailers can benefit by becoming different in some way that is of benefit to their target market.

Dicey (2000:3) also observes that many South African companies do not fully understand their customers. This results in problems with customer retention as often different departments operate independently resulting in a lack of cohesive goals that focus on the customer.

According to Kotler (2000:50) relationship-marketing could be the key to the process of attracting and keeping customers. Such a strategy entails attempts to convert satisfied first-time customers into repeat customers. The organisation, pursuing a relationship-marketing strategy, therefore, also strives to convert repeat customers into regular buyers and, more ideally, committed clients.

Caufield, Partner and Madison (2000:5) question the way in which relationship marketing transforms the ability of companies to generate revenues. Many organisations are believed to have difficulty in the development and implementation of relationship-marketing strategies and hence question the viability of the strategy. Stone and Woodcock (1995:25) agree that relationship marketing is a “dangerous phrase”. Although the idea seems logical and obvious, relationship marketing is a long-term effort from the organisation, and should be well considered and planned. Relationship marketing also needs a champion within the organisation and should have the financial and moral support of top management personnel. As it is an on-going strategy, it also needs to be continuously championed at all levels of the organisation.
Although there are benefits resulting from relationship marketing, there are also problems in developing and implementing relationship strategy giving rise to the following questions:

- Is the current customer relationship-marketing strategy successful in the retention of customers?
- Do customers respond to these forms of customer relationship-marketing activities as an enticement to return to the shop for further purchases?
- What increases customer loyalty?
- What else should be done to maintain customer loyalty?
- Are there new and innovative thoughts that a study of literature combined with an empirical research study would reveal?

These questions can be summarised into the main problem of the research:

**Do the relationship-marketing strategies of Morkels Garden Route Area meet the needs of both the organisation and its customers?**

### 1.3 SUB-PROBLEMS

The main problem can be redefined in terms of the following sub-problems:

- What, according to literature, is relationship-marketing?

- What does the literature and prior research reveal as the necessary elements for the implementation of the strategy of relationship-marketing?
• Are the relationship-marketing strategies currently employed by Morkels Garden Route Area successful?

• What additional strategies which, if implemented, may result in improved sales results?

• In the opinion of the customers of Morkels Garden Route Area, what strategies do they find best contribute to improving the strength of the bond between themselves and Morkels?

1.4 DEFINITION OF KEY CONCEPTS

An appropriate, comprehensive and understandable definition of the key concepts is required to prevent confusion and misunderstanding. The key concepts applicable to this research are defined below.

1.4.1 Management

Hellriegel, Jackson and Slocum (1999:7) define managers as people who allocate resources which include human, materials, capital and information resources, in ways that are designed to achieve corporate goals. They further define management as planning, leading, organising and controlling the people working in the organisation and the ongoing set of tasks and activities they perform.

Although the thoughts of Lazo and Corbin (1961:73) are 40 years old, they are still relevant. These authors include the functions of planning, organising, coordinating, controlling and evaluating in their definition of
management. Management also includes the activities of supervision and control, selection, training and the development of people.

### 1.4.2 Marketing and marketing management

Christopher, Payne and Ballentyne (1991:7) describe marketing as a process of perceiving and understanding the needs of selected target markets. These needs are stimulated and satisfied by directing the resources of the organisation in a way that meets these needs. Kotler (2000:3) describes marketing management as the task of creating, promoting and delivering goods and services to consumers and businesses. Marketing managers are responsible for demand management. It is their task to influence the level, timing and composition of demand, so as to achieve the objectives of the organisation.

### 1.4.3 Relationship marketing

Lamb, Hair and McDaniel (2002:13) define relationship marketing as a business strategy that entails the development of long-term partnerships with customers. There are distinct differences between the activities of transactional marketing and relationship marketing (Nickels & Wood 1997:6). Transactional marketing focuses on the short-term establishment of new customers. Relationship marketing, on the other hand, is a strategy emphasising the retention of existing customers as well as finding new ones.
1.4.4 Repeat purchases

Blattberg and Neslin (1990:118) suggest that there are two repeat purchase effects connected with sales promotion. The first type of repeat purchase occurs because the transaction has implications beyond the immediate purchase. The consumer forms a habit based on experiences or as a result of the performance of the retailer. The second type of repeat purchase effect is the promotion usage effect. The effect of the promotional activity, on the customer may be to weaken the probability of repeat purchase because the purchase has been made simply as a result of the promotion.

1.5 DELIMITATION AND SCOPE OF THE RESEARCH

Delimiting the research makes the research topic manageable. The delimitation of the research points the reader to a specific dimension of relationship marketing. It allows for the reader to judge the usefulness of relationship marketing, within the specific area researched, as well as in other retail enterprises.

1.5.1 The organisation

The research will be conducted for Morkels Garden Route Area, a furniture retail organisation, located in the South Eastern Cape region of South Africa.
1.5.2 Geographic delimitation

The area to be researched is known to the management of Morkels as the Garden Route Area and is comprised of the Port Elizabeth, Uitenhage and George districts. There are five shops located within the Garden Route Area. The research will be focused within this area having taken into consideration the relationship marketing activity initiated by the marketing department located at head office.

1.5.3 Respondents

Addressing the research objectives required a comparison of the opinions of the decision makers within the head office of Morkels and, in particular, the customer-relationship marketing department as well as the opinions of Morkels’ customers. The respondents, therefore, included both key staff members and customers. For the purpose of the research, only club customers were included as the strategy of relationship marketing used by Morkels is one that focuses on recruitment and retention of club members.

1.5.3.1 Head-office personnel of Morkels

The researcher identified and interviewed key staff members at Morkels. These key staff members included the manager of the relationship-marketing department, the director of marketing, the director of operations and other decision makers. This was done to establish what the current strategies and goals of the marketing department are. In particular, the discussions were focused on the relationship-marketing department to determine their opinion on what the most successful tools currently in use are. These key decision makers were also asked what they felt were the
most effective and profitable ways to ensure the retention of customers in the long term.

1.5.3.2 Customers of Morkels

A sample of 110 customers was selected from each of the shops represented in the research. Customers were the people who have made a purchase and who may or may not be repeat customers. The customers selected as respondents were those who had joined the Morkels club.

1.5.4 Scope of the research

The research was intended to evaluate the effectiveness of the existing relationship-marketing strategies that are part of the overall marketing activity of the organisation. Using a study of the literature as a framework, head office plans, guidelines provided in the literature and customer reactions have been compared. For the purpose of this research, the relationship developed with other business partners such as suppliers has not been examined as these relationships were beyond the scope of the study.

1.6 SIGNIFICANT PRIOR RESEARCH

The statement that “to acquire customers is more expensive than keeping them” is consistent in one form or another in the work by Stone and Woodcock (1995), Payne et al. (1995) and Christopher et al. (1991).
In an article by Duffy (1998), it is pointed out that building customer loyalty is a business strategy, not just a marketing programme. He continues by stating that all businesses should seek to boost loyalty and maximise their share of customer. He adds the point that the pursuit of customer loyalty is a perpetual one as it is more of a journey than a destination. There are also, however no clearly-defined guidelines to make loyalty marketing approaches easy in any given industry.

Payne et al. (1995:vii) make the point that relationship marketing is based on the idea that a greater level of customer satisfaction is, on its own, insufficient to ensure that the customer will stay with the business. It is the degree to which a personal relationship is established between the customer and the staff members within the business that will determine the extent of customer loyalty.

The strategies that are described by Blattberg and Neslin (1990:432) for the promotion of sales, by contrast, do not include any long-term strategies. The activity that is suggested for the retailer is one of short-term customer attraction and immediate purchase using both a store and a price image.

Payne et al. (1995:86) suggest that there is an implication to relationship marketing that must be considered prior to embarking on an expensive campaign that cannot be sustained. Traditional marketing activities such as product development, advertising, sales promotion, distribution and personal selling are often undertaken by specialists. In addition, a strategy of relationship-marketing can be either enhanced or set back by the personnel who are not considered to be part of the marketing team of the organisation. These people may include the sales, accounting, service and delivery staff who have a relationship with the customer that may well be far deeper than that of the customer-relations specialist staff member.
1.7 RESEARCH DESIGN AND METHODOLOGY

To meet the objectives of this study, the research strategy was divided into a primary and secondary study. A detailed discussion of the research design and methodology is provided in chapter four.

1.7.1 Secondary study

A study of the marketing and management literature and particularly those dealing with relationship marketing, assisted the researcher in understanding the concept of relationship marketing, its key principles and its importance. This was required to allow considered observations as to what options are available to Morkels.

The literature study also assisted the researcher to identifying factors that could contribute or impede the development of a lasting relationship between an organisation and its customers. This knowledge enhanced the comparison between Morkels’ current strategies and potential future activities and helped to explore as many options as possible. The literature study also assisted in the designing of a suitable research methodology for use in the empirical study.

1.7.2 Primary research

Primary data was collected by means of questionnaires distributed, firstly, to Morkels head-office personnel who have an influence in the policy and decision making of marketing and, in particular, the relationship-marketing strategies, and, secondly, to customers of Morkels Garden Route Area. The aim of the survey was to investigate (based on the literature and the
internal policies, procedures and activities of Morkels) the current implementation of customer-relationship marketing within Morkels. The research attempted to discover additional strategies that could be implemented to ensure the long-term success of a strategy of relationship marketing within the organisation. The outcome of the research was aimed at making recommendations to Morkels regarding the success of current relationship-marketing strategies and any required improvement.

1.8 KEY ASSUMPTION

Whilst every effort was made to use South African literature, a key assumption was that the American and British literature that was of necessity utilised, is also applicable within the South African context.

1.9 THE SIGNIFICANCE OF THE RESEARCH

A firm can survive and succeed in the long run if it successfully develops strategies to combat the five competitive forces of industrial competition (O’Brien, 1999:510). These forces are the threats of new entrants, rivalry amongst existing competitors, the threat of substitute products, the bargaining power of suppliers and the bargaining power of customers. An effective tool to combat the last two listed above may be to forge unique business relationships with either the suppliers or customers. The effect of this is that “switching costs” are created that make it expensive or inconvenient to switch to another firm (O’Brien, 1999:510).

Morkels is continuously searching for ways in which to retain customers. Many customers of Morkels, as in many other furniture retail groups, make their purchases on credit. The implication of this is that for the period of
the account, they are likely to make regular visits to the shop. To some extent, this relationship with the customers who are current account holders is already a form of relationship marketing. Morkels has attempted to establish a relationship with its current customers through a monthly newsletter, special offers to club customers and a club card that entitles loyal customers to special credit and other privileges. These programmes cost the company in the form of human resources, capital and information technology. It is, therefore, important to establish whether the present mix of relationship-marketing strategies is sufficient or whether additional resources or strategies should be added to further improve sales revenue.

By means of an examination of literature and empirical data, this research has attempted to discover applications that could contribute to finding solutions to the problems discussed in this chapter (1.3 above).

1.10 STRUCTURE OF THE DISSERTATION

The study consists of five chapters. The first of these is the introduction as provided in chapter one. Chapter two examines relationship marketing and its elements. Chapter three focuses on the planning and execution stages of relationship marketing and chapter four is an explanation of the research design and methodology. The final chapter is a report on the analysis, findings and recommendations of the empirical study.
CHAPTER TWO

RELATIONSHIP MARKETING AND ITS ELEMENTS

2.1 INTRODUCTION

Chapter one introduced the problem statement and the sub-problems motivating the study into relationship marketing. Chapter two attempts to identify the key elements of relationship marketing. The chapter also introduces a number of facets in relationship marketing that have been discussed and researched by a variety of authors.

Chapter two thus serves as an introduction to some of the key elements that make up relationship marketing with particular focus on the concept of relationship marketing, the requirements of acquiring and retaining customers, decisions on which customers to keep and the role of quality of commitment to service in a retail setting.

2.2 THE CONCEPT OF RELATIONSHIP-MARKETING

Cram (1994:19) defines relationship marketing as a business practice where the consistent application of up-to-date, interactively communicated knowledge to individual customers of product and service design forms a continuous and long-term relationship, which is mutually beneficial. Cram (1994:19) continues to explain that relationship marketing is a process in which the service provider needs to be listening to customers, interacting with them and establishing, recording and responding to their preferences. It implies appropriate and differentiated communications.
Doyle (1994:36) supports the concept of relationship marketing as being a long-term, continuous series of transactions between parties. This occurs when each trust the other to deal fairly, reliably and helpfully. When a good working relationship is built, negotiating time and costs are reduced and the pattern of transactions becomes more predictable and secure.

Included in a list of twelve key strategies for successful marketing thinking, Feig (1999:3) suggests that relationships as well as sales should be built. Most people can sell a good product once, but it is the relationship that spurs future sales. This is especially true in a service environment where the customer is buying from a particular business and not just the product.

Levy and Weitz (1992:120) point out that often customers tend to spend considerably more time and effort in decision making when they feel their purchase decisions involve a lot of risk and uncertainty. When customers have had some prior experience with products and services and the risk is moderate, they engage in limited problem solving. These customers tend to rely more heavily on personal knowledge rather than external information. They do not engage on extensive evaluation of the alternatives. They have a high probability of choosing a store where they have shopped before and selecting merchandise they have bought in the past.

The development of an understanding of the concept of relationship marketing is enhanced through a comparison between transactional marketing and relationship marketing. Nickels and Wood (1997:6) provide the following definitions and comparative table which is summarised in Table 2.1 below.
Table 2.1  Transactional marketing versus relationship marketing

<table>
<thead>
<tr>
<th>Transactional Marketing</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Emphasis on getting new customers</td>
<td>• Emphasis on keeping customers as well as getting new ones</td>
</tr>
<tr>
<td>• Short-term orientation</td>
<td>• Long-term orientation</td>
</tr>
<tr>
<td>• Interest in making a single sale</td>
<td>• Interest in multiple sales and enduring relationships</td>
</tr>
<tr>
<td>• Limited commitment to customers</td>
<td>• High level of ongoing commitment to customers</td>
</tr>
<tr>
<td>• Research on customer needs to complete one transaction</td>
<td>• Continuing research on customer needs used to enhance relationships</td>
</tr>
<tr>
<td>• Success means making a sale</td>
<td>• Success means customer loyalty, repeat purchases, customer recommendations and low customer turnover</td>
</tr>
<tr>
<td>• Quality is a production concern</td>
<td>• Quality is every employee’s concern</td>
</tr>
<tr>
<td>• Limited service commitment</td>
<td>• High degree of service commitment</td>
</tr>
</tbody>
</table>

Source: Nickels and Wood (1997:6)

Table 2.1 illustrated that in transactional marketing, marketers focus on individual, isolated exchanges that satisfy a customer’s needs at a particular time and place. In relationship marketing, however, marketers place emphasis on the process of establishing and maintaining mutually beneficial long-term relationships among organisations and their customers, employees and other stakeholders.
2.3 ACQUIRING AND RETAINING CUSTOMERS

Kotler (2000:129) argues that “smart companies do not see themselves as selling goods and services, they see themselves as creating profitable customers. They not only want to create customers they want to ‘own’ them for life”. He then expands this theory by suggesting that marketers want to increase their share of the customers’ business constantly. They not only want to be the sole supplier of a particular product but to supply more of whatever the buyer buys.

The task of getting the customer to make the purchase from a particular organisation is not easy. Furlong (1993:5) argues that many potential customers are already attached to an existing arrangement with an organisation and those companies that need additional customers are trying to lure customers away from the competitors. Traditional marketing ploys are simply insufficient as customers have an increasing rate of expectation and a decreasing tolerance level.

Lamb et al. (2002:22) propose that in order to acquire and retain customers there are three stages of relationship marketing:

- **Stage one**: Use pricing strategies to encourage the customer to continue doing business with the organisation.
- **Stage two**: Continue to use price as an incentive but also seeks to build social bonds with customers by staying in touch, establishing individual needs and designing products and services to meet those needs.
- **Stage three**: Use price incentives and social bonds but add “structural bonds” to the price incentives and social bonds. Structural bonds are developed by offering value-added services that are not readily available from other firms.
It is once the third stage of relationship marketing strategy has been implemented, that long-term success can be anticipated.

Nickels and Wood (1997:6) also suggest that retaining and keeping customers is a long-term relationship involving multiple sales and an ongoing research into customer needs. The delivery of quality and service is the duty of all in the organisation as success means customer loyalty, repeat purchases and recommendations.

Kotler (2000:13) proposes that relationship marketing is also a part of the bigger concept of transaction marketing. Relationship marketing is defined as the way to build long-term and mutually satisfying relations with suppliers, customers and other business partners.

In a series of case studies done by Walters (1989:3) it was found that there are a number of factors that differentiate successful retailers. He argues that they consider themselves to be the focal point for the consumer when choice comparisons are made and they are the reason for the customer to visit the store. It is the retailers’ expertise in merchandise selection and their standards of quality, reliability and variety that add to value rather than those of their suppliers. As the retention of customers is a desirable strategy, the research now focuses on ways of achieving customer-retention.

In a discussion on how to retain customers, Payne (1995:44) suggests that the following steps should be followed:

- Companies must measure customer-retention rates over time and by line of business and in each of the areas that the company does
business. This information and its importance must be communicated to the employees.

- It is then essential to analyse the root causes of customer defections, because it is only through an understanding of why customers are leaving the company that the company can begin to implement a customer-retention programme to increase customer satisfaction and thereby improve customer-retention and profitability.

- A further strategy involves focusing attention on internal marketing and particularly front-line employees to ensure that they are offering service quality that consistently meets the requirements of the target market. These employees can often make or break service organisations.

Payne (1995:57) suggests that there are three steps that are required for the success of customer-retention in a relationship-marketing programme. These are, firstly, to measure the retention of customers. Secondly to establish the causes for defection by customers to competitors and, lastly, the steps required to prevent defection and so enhance customer-retention.

(a) Step 1: Measure customer-retention
This is quite simply measured as the percentage of customers at the beginning of the period that still remain customers of the business at the end of the period. This needs to be defined in terms of the measurement of customer retention rates over time by market segment and by product/service offered so as to avoid distortions that may arise owing to the nature of the customer or product.

(b) Step 2: Identify the cause of defection
Four analytical approaches to identify the cause of customer defection are suggested.
• Firstly, establish the root cause for the defection. This may not be easily revealed and may take some in-depth analysis.

• Secondly, conduct research to identify the key customer service issues which result in customers being retained. This type of analysis enables organisations to evaluate the implicit importance that a customer attaches to the specific elements of customer service.

• Thirdly, use competitive benchmarking. Competitive benchmarking enables companies to rate their performance and that of their competitors on critical elements of customer service in terms of their perceived importance. It is then possible to establish standards for the service encounter.

• Lastly, use an analysis of customer complaints. This not only highlights those areas which may eventually be the cause of customer defections but also acts as an early warning system to the company to enable them to resolve a problem with a customer before it is too late.

(c) Step 3: Take corrective action to improve retention
The third and final step to improve customer-retention proposed by Payne (1995) involves undertaking corrective action aimed at generating improved customer loyalty. At this point, plans to improve retention become highly specific to the organisation concerned.

Payne (1995:57) also argues that there are a number of broad issues which should be addressed in any plan to improve retention. These issues include:

• **Visible top management endorsement.** If the employees see that management are genuinely enthusiastic, supportive and involved in a
new retention initiative, it is more likely that employees will be inspired to follow management’s example.

- **Generating employee satisfaction and commitment to building long-term customer relationships.** A major key to customer-retention improvement, it can be argued, is the extent to which an appropriate climate can be established whereby employees see, as their main priority, the satisfaction and retention of customers. Happy employees will ensure that customers are happy. The happier the customers, the more likely it is that the employees will find their work satisfying and rewarding and wish to stay with the company for a long time. The selection and recruitment of staff that have the appropriate interpersonal skills to build relationships with customers is also necessary.

- **Utilising best-demonstrated practice techniques to improve performance.** This involves identifying the best-retention performers in the industry and within the organisation. Teams of managers then examine these organisations to see how they are managed and then develop new approaches to raise customer satisfaction and increase customer retention in their own business.

- **Development of an implementation plan.** This plan will be determined to a large extent by the nature of the industry. A good retention strategy should try to identify and build barriers that stop customers from switching to the competition no matter what the competition is offering.

Another way in which the firm can retain customers is to stay in touch with the customer. The concept of keeping in touch with the customer is confirmed by Randall (1994:147) who maintains that price is seen as an indicator of value, but perceptions change both absolutely and relatively. The organisation must be in tune with the target group’s feelings about
price and, in particular, be confident about what premium they are prepared to pay for the extra benefits offered by the brand.

2.3.1 The importance of customer satisfaction

In the publication, *Advances in Relationship Marketing*, Payne (1995:43) states that one of the key elements of business success and profitability is customer satisfaction, as the more satisfied the customer, the more durable the relationship. He continues by stating that the costs of acquiring a new customer are only incurred at the beginning of the relationship, thus the longer the relationship, the lower the amortised cost of acquisition.

Cox and Brittain (1993:56) suggest that the generation and evaluation of alternatives centre on the product, the specific brand and the store. They propose that there are clear solutions for the retailer as he or she must attempt to make the problem solving easier by ensuring that the customer includes his or her store in the list of alternatives and has a positive image of the store as being the place which will stock the customer’s preferred product or brand. Successful retailers have realised that the key lies in targeting a well-defined group of customers and then offering the type of product or service they require. In turn, these customers will come to regard the store in precisely that light namely “My kind of store”. Repeated satisfaction will, therefore, generate loyalty to the store.

2.3.2 The importance of trust in the relationship

The goal of creating a trust relationship between the business and the customer is to create a competitive advantage for the organisation. This will include the ability of the organisation to quickly solve problems and settle
disagreements (Dickson, 1997:449). Personal trust is achieved when the word of the representatives of the organisation is their bond. Relationship marketing also requires a commitment to developing and nurturing the competitiveness of the relationship. Mutual trust and commitment are established after a history of shared values, open communication and, particularly, of not taking advantage of or exploiting the relationship.

2.3.3 The importance of customer loyalty

Egan (2001:36) argues that there are two ways of defining loyalty. He defines loyalty in:

- behavioural terms: loyalty is based on the number of purchases and measured by monitoring the frequency of such purchases and brand switching.
- attitudinal terms: loyalty incorporates consumer preferences and disposition towards brands.

Egan (2001:37) continues by describing the antecedents to loyalty:

- Loyalty may be built on the dimensions of value for money, convenience, reliability, safety and functionality. These are the main drivers for product or service choice. This viewpoint suggests that while a customer’s positive experiences with products or services may enhance loyalty, it is essential to remember that ‘money talks’ and ‘everyone has a price.’ Where there is a certain level of price-based competition in some consumer markets, the task of fostering ‘real’ loyalty may be impossible.
- An alternative is that loyalty is built on ‘softer’ more intangible factors such as emotion and satisfaction. Hence customer loyalty is viewed
as a result of the bond between an individual’s relative attitude and repeat patronage. This is the result of social norms and situational influences and experiences.

The strategy of rewarding customers for their continued loyalty is a strategy that is often followed by retailers. A successful relationship-marketing programme is supported by a loyal customer who reinforces word of mouth. Horowitz and Jurgens-Panak (1992:48) suggest that a high percentage of purchases are made through the advice of friends as there are ways to make positive word of mouth travel. Another way is making customers feel proud of a company.

Other ways to ensure that positive comments are made about the company are to reward loyal customers and to give them signs of recognition for their continued patronage. These methods of ‘recognition’ transform satisfied customers into committed customers and committed customers love to talk about their commitments.

Cram (1994:115) proposes that the firm should create a market differentiation in order to improve loyalty. He continues by stating that real loyalty comes from real differentiation. More important than loyalty cards, incentives and special-price promotions is the commitment to a different and better service that the customer understands. He further states that products are becoming increasingly homogenous in the minds of consumers and poses the question of why a consumer should remain loyal to a supplier. Why should the customer not buy on price?

The question of using price to establish customer loyalty is one which has merits but also drawbacks. In the development of a marketing strategy, it is interesting to note that price is an important factor but in the majority of
cases, competing solely on price is not sound business practice (McGurnie & Clutterbuck, 1987:114).

A delayed discount is a tactic to ensure that there is a repeat purchase. This is suggested by Czinkota and Kotabe (2001:424) who propose that the retailer may offer the customer a discount off the next purchase as a strategy to build customer loyalty.

On price determination, Baker (1996:232) contends that if the majority of firms accept the going market price, it is evident that profits will depend very largely on the firm’s ability to minimise expenditures or costs. To this end, considerable effort has been devoted to the development of sophisticated cost measurement and control systems, and management is often happier to immerse itself in the tangible realities of such systems than grapple with the complexities of price determination.

Cram (1994:112) also supports the myth of loyalty through price promotion. He lists the following four dangers of a price-promotion strategy:

- Price promotion attracts more defectors than loyalists. These customers do not select the firm for the durable virtues of trust, understanding, compatibility, flexibility, adaptability, reliability, expertise, knowledge nor technological leadership. They have chosen the firm for cheapness, which is often a transient virtue.
- Price promotions teach customers to buy on price. Communication which stresses price as the major reason for purchase will influence and convince future customers that price is the important dimension.
- Price promotions often distort the volume and time dimensions. Trade orders are simply brought forward and stock-piled until the next price promotion.
• Price promotions can annoy existing customers. When loyal and happy customers see that the price with which they are satisfied is actually a premium price, they become frustrated.

Research indicates that customer loyalty can also lead to higher profits and sustained profitability. It is also important to examine brand loyalty and loyalty programmes.

2.3.3.1 Loyalty leads to higher profits and sustained profitability

Companies have discovered that the longer the customer stays with the company, the more profitable they are (Kotler, 2000:133). Loyal customers are more profitable than occasional customers because of four factors:

• Retained customers buy more over time if they are highly satisfied. Once customers have established a purchasing relationship with a seller, they continue to buy from the seller, partly because of inertia.
• The cost of serving a retained customer declines over time. Transactions with a repeat customer become routinised. Much is understood without signing a lot of agreements. Trust is built and both parties are saved a lot of time and cost.
• Highly-satisfied customers often recommend the seller to other potential buyers.
• Long-term customers are less price sensitive in the face of reasonable price increases by the seller.

As a result of these factors, companies that have a high customer retention rate are more profitable.
Walters (1989:4) extends the argument that retailers owe their success largely to developing strong customer loyalty which increases visit frequencies, transaction size and range of purchases of their customer base. They are customer-led, not product-led.

Czinkota and Kotabe (2001:107) agree that for long-term profitability the achievement of repeat purchases is crucial. They argue that a consumer has a growing experience over a number of transactions and it is this that determines future purchases.

2.3.3.2 Brand loyalty and loyalty programmes

Egan (2001:39) suggests that customers actively seek an involving relationship with ‘their’ brand (product manufacturer, service supplier, brand owner or retailer) which, in turn, offers psychological reassurances to the buyer and creates a sense of belonging. Loyalty schemes could enhance these relationships.

Nickels and Wood (1997:184) comment that to build up purchasing habits that lead to brand loyalty and long-term profitable relationships, many marketers have created programmes that reward consumers for sticking with certain brands. By giving consumers tangible reasons to remain loyal to one brand, such as free gifts or free travel, marketers reinforce their customers’ purchasing behaviour.

Initially the retailer may try to create a name that is a brand in itself. Howe (1992:141) points out that store groups are seeing themselves as brands quite apart from the separate goods that they keep in stock, and this is certainly one factor behind the rapid increase in retailer advertising.
The reader of this dissertation is reminded that Morkels is itself a brand that is being promoted to the customer. It is with this in mind that the concept of brand loyalty is important in the context discussed by Nickels and Wood (1997:184) that when consumers learn that a particular brand meets their needs, they tend to purchase it more consistently, skipping steps in the purchase-decision process. Soon the consumers develop a brand loyalty which is a favourable attitude toward a brand that prompts consistent purchasing over time.

The principle of ‘locking-in’ consumers by way of promotions has changed remarkably little over the years (Egan, 2001:41). As early as 1987, Morgenstein and Strongin (1987:415) argued that the purpose of promotional activity such as trading stamps, contests and games was to develop customer loyalty and repeat business. The idea was to make shopping more exciting for some customers and to bring them back to the store again and again. Morgenstein and Strongin (1987) build on the strategy of promotional activity with the suggestion that customers have the feeling of getting something for nothing and are given the opportunity to acquire products that they would not normally buy.

Another way to enhance customer loyalty is through loyalty schemes. Egan (2001:41) agrees that loyalty schemes are nothing new. The co-operative movement has operated a loyalty scheme for decades, initially known as the ‘divi’ (a dividend based on the amount of purchases made during a period) and later using trading stamps. Store loyalty cards are the latest ploy in marketing continuity programmes that have been around for decades. The technology associated with loyalty programmes has, however, become more sophisticated in recent years.
This use of loyalty programmes is also supported by Cox and Brittain (1993:71) as they contend that many retailers find that a high proportion of their turnover is generated by a small proportion of their customers. These individuals have developed a high degree of loyalty and retailers may attempt to turn them away from competitors with the provision of extra incentives.

Hart, Smith, Sparks and Tzokas (1999:46) argue that in essence, loyalty schemes are, therefore, designed to:

• build lasting relationships with customers by rewarding them for their patronage.
• gain higher profits through extended product usage and cross-selling.
• gather customer information.
• de-commodify brands (i.e. differentiate from the crowd) and pre-empt competitive activity.

As pointed out earlier, Morkels implemented a loyalty programme in the form of club membership. This loyalty programme is in the form of a club membership which is sold to the customer at the time of making a purchase. The club membership runs from between six months to two years. During this period of club membership the club member will receive a monthly magazine which contains information and articles. Also included in this magazine are competitions and special offers which are exclusive to club customers. The information provided may include some of the benefits that are available to the club member such as bursaries, the use of the 911 emergency telephone number and the legal advice telephone line.

This relationship-marketing programme has a number of objectives. Although they are varied and not simply designed to meet one dominating
goal, discussions with the senior executives of the company reveal that the main objectives are:

- to use customer relations marketing as a retention tool.
- to increase recency. This refers to the last time that a customer visited the store to make a purchase or to pay an account.
- to increase frequency. This refers to the number of times a customer visits the store to make a purchase or pay an account.
- to increase the monetary value of the total purchase from Morkels.
- to promote the image of Morkels as *My kind of store* and an *up-market* aspirational store.
- to provide benefits and be of service to Morkels club customers.
- to recognise customers for exemplary behaviour.
- to reward customers according to their value.
- to communicate with customers of Morkels on a one-to-one basis.
- to build lasting relationships with customers of Morkels.

2.4 SHOULD ALL CUSTOMERS BE RETAINED?

Despite the sentiments expressed earlier about retaining customers, the question arises as to whether all customers are worth keeping. Kotler (2000:137) suggests that most companies recognise that while all customers are important, some are more important than others. It is also a fact that the company’s largest customers tend to get the biggest discounts and demand the most services. Companies must find a way to measure individual customer profitability taking special discounts, free services and other attentions that cause real profitability to vary into account. Kotler (2000:138) maintains that not all customers are worth keeping, particularly if they fall into the category of those who cannot sooner or later be turned into profitable accounts.
Adcock (2000:254-259) argues that relationships are only justified if they offer a win-win outcome. Both partners should benefit from the relationship or else they will neither be prepared to make the sacrifices which limit their freedom nor will there be a commitment to the relationship. There thus needs to be a joint desire to make the relationship work and to achieve mutual goals.

2.5 THE QUALITY AND COMMITMENT TO SERVICE

Another key element of relationship marketing, apart from getting and retaining those customers worth keeping, is the organisation’s quality and commitment to service. Payne et al. (1995:79) propose that the foundation of relationship retailing is the quality of service.

Van der Watt and Machado (1998:8) qualify customer service by adding that historically customer service has been seen from a somewhat narrow perspective. This perspective suggests that the primary role of customer service is concerned with getting the right product to the right place at the right time. The focus was primarily on distribution and logistics. However, in a relationship-marketing concept, customer service is viewed as a multi-dimensional issue with an impact on relationships with specific target groups across a broad range of company activities.

Cespedes (1991:560) continues the discussion on customer service with the suggestion that customer service ultimately should refer to the broader elements of value creation and customer satisfaction.

The success of an organisation’s efforts to provide good service is, therefore, not so much a product of the employee, but, far more, the responsibility of
top management. This is the opinion of Lovelock (1984:476) who suggests that one often hears “I will never deal with that store again. The employees are rude and indifferent.” Although customer-contact employees may be at fault, the blame is really on the personnel at the top for failing to use management procedures that should be routine. These routine procedures are: careful selection of contact personnel; proper indoctrination and motivation; constant, vigilant supervision and speedy removal of those who do not measure up to the standards required by the organisation committed to service excellence.

2.6 CONCLUSION

This chapter examined a number of the key elements of relationship-marketing. A survey of literature indicated that relationship marketing is a complex concept that requires a variety of resources. Some of the main elements found to be key factors to the concept of relationship-marketing included customer satisfaction and loyalty. It was also argued that a high degree of service quality and commitment is required.

The question as to whether all customers are worth keeping was also debated. Although no definitive answer that would apply in all circumstances was established, the conclusion was drawn that there are circumstances when certain customers are less profitable than others.

The programme of relationship-marketing of Morkels revealed that a number of the strategies and objectives that were found in literature were found to be active within the organisation.
CHAPTER THREE

PLANNING AND EXECUTION OF A STRATEGY OF RELATIONSHIP-MARKETING

3.1 INTRODUCTION

In chapter two the concept of relationship-marketing and the requirements for the success of a relationship-marketing strategy were discussed in order to reach an understanding of the concept of relationship-marketing. In chapter three, the researcher examines the planning and the implementation of relationship-marketing strategies. The chapter is concluded with a discussion of the methodology of measuring the success of a relationship-marketing programme.

The research will continue to focus on the literature survey to suggest the steps for implementation of a relationship-marketing strategy that have been suggested by various authors.

3.2 PLANNING FOR RELATIONSHIP BUILDING

The objective of this section of the research is to analyse the work of prior researchers in order to determine whether their findings can be applied to Morkels. The following steps are fundamental to the planning phase of a relationship-marketing programme: setting of clear guidelines; making long-term commitments; planning for a long-term strategy and establishing a checklist for the implementation of the programme.
3.2.1 Set clear guidelines

The cause of a failed relationship-marketing programme may be the absence of clear guidelines for middle management. This is suggested by Horowitz and Jurgens-Panak (1992:135) as they contend that middle management often has conflicting roles. On the one side, they are told that customer service is important but, on the other side, their performance continues to be based on economic terms only (sales volume through new clients rather than sales increase through increased customer loyalty).

3.2.2 Make long-term commitments

Sticking to promises, made by employees of the organisation, is critical to the success of relationship marketing. Payne (1995:86) suggests that maintaining and strengthening trust is essential to the longer-term success of a relationship. The demonstration of commitment and fulfillment of these promises is crucial. If promises between businesses and their customers are not fulfilled, then trust diminishes, and the quality of these relationships too will deteriorate, eventually ending the relationship and eliminating future opportunities.

3.2.3 Long-term planning

Cram (1994:54) proposes that relationship marketing is not a once-off solution for a space of time. It is an approach to business that means responding to and developing an understanding of a changing environment. Bringing relationship marketing into the organisation is seemingly as simple as having a system for recruiting and retraining employees for the
long term. An interactive process is required, which means that the organisation is able to learn from its experiences. This learning enhances the range of products and services and the interactions also mean that progressively, stronger relations are built up.

3.2.4 A checklist for a relationship-marketing programme

Nickels and Wood (1997:53) provide a checklist for planning a programme of relationship-marketing, while taking cognisance of a number of principles.

- **Relationships are built on communication.** To build relationships one must be a good listener and be interested in what the other person has to say. Marketers must, therefore, pay careful attention to customers, employees, suppliers and others with whom they want to have a relationship; they must also ask questions and react on the answers.

- **Relationships are built on reliability.** Customers should be helped to learn to trust the organisation by doing what it promised. A marketer that delivers as promised, time after time, demonstrates that it is worthy of customers’ trust and commitment.

- **Relationships are strengthened when parties stay in contact.** Good marketers talk with customers before developing new goods or services. They maintain contact as the product is developed, ask customers what they think, and check after the product has been purchased to make sure that buyers are satisfied. The more the retailer stays in contact with customers, the better the retailer is able to identify the wants and needs of the customer and respond accordingly.
- **Relationships depend on trust, honesty and ethical behaviour.** Stakeholders want to be able to trust marketers. Any hint that a marketer is not being fully honest and ethical with employees, customers, or other stakeholders will greatly weaken the relationship.

- **Partners in a relationship show that they care.** Marketers can show customers and other stakeholders that they care in a variety of ways, from following up after the purchase to offering incentives to reward continuous loyalty. The best marketers use research to develop such a deep understanding of their stakeholders that they can actually anticipate future requirements and then move ahead to satisfy those requirements.

### 3.3 IMPLEMENTATION OF RELATIONSHIP-MARKETING STRATEGIES

This section of the research considers ways in which a strategy of relationship-marketing can be implemented. A total of eight strategies are discussed below.

#### 3.3.1 Identify the customer

Cram (1994:106) suggests that customer-relationship marketing should be aimed at those customers most likely to respond positively to offers. The following twelve principles can assist in identifying suitable customers:
3.3.1.1 Referrals are better prospects than customers who respond to advertising

Customers who purchase from an organisation as a result of a recommendation will be more likely to stay with the organisation than the customer who responds to an advertisement.

3.3.1.2 Long courtships are better than short ones

Customers who insist on getting to know the organisation before doing business are more likely to stay with it for the duration of a long-term business partnership.

3.3.1.3 Customers who buy at the standard price are better than promotional respondents

Customers who have been attracted by the price offer always carry the price influence. They will continue to push for better prices or leave. The challenge is to attract customers who will appreciate the standard price structure. This may appear to be more difficult but can be expected to become increasingly beneficial in the long term.

3.3.1.4 The risk averse is better than the experimenters

The experimentalist will be equally enthusiastic to move on to a new supplier. It may be beneficial to the firm to try to seek the cautious buyer.
3.3.1.5 Small-scale purchasers may be more loyal than the mega-buyers

This is not always true, but the organisation may find that the relatively small customers provide greater stability. The firm that relies on a few large customers for the base of its business could be in trouble should one or more of these customers break the relationship.

3.3.1.6 Local customers can be better than long-distance buyers

As local is more familiar, the influence is greater the more local the firm is. This is because there is a higher incidence of recommendation and informal contact. There may also be a pre-disposition to support a firm that is closer to the customer for security and comfort reasons.

3.3.1.7 Customers looking for high levels of service

Certain customers seek, recognise and appreciate good service. A key part of relationship marketing is the understanding built through service provision. It may be helpful to screen those customers who are less demanding of service excellence.

3.3.1.8 Customers with special needs

Certain customers may exhibit a requirement for extra service. These customers may not wish their needs to be broadcast. If the retailer can find groups of customers who have special needs, and meet them, their loyalty may be substantially higher.
3.3.1.9 Customers seeking a high level of personalisation

These customers are looking for someone who will recognise their individuality. Meeting a request for personalisation can create the loyalty bond these customers are seeking.

3.3.1.10 Customers at a critical stage of their lives/business

In consumer markets, people pass through vulnerable stages. If the organisation can be there and actively provide support at this juncture, then it has a strong likelihood of being an ‘insider’ and a favoured supplier for a long time.

3.3.1.11 Demographic groups have different loyalty signals

Frequently in consumer markets, home owners will behave more loyally than renters, the middle aged and elderly will exhibit greater loyalty than the young and the rural customers will be less fickle than their urban counterparts.

3.3.1.12 High mobility is a danger sign

Customer categories who move frequently are the most difficult to make loyal. Although it is not impossible to achieve loyalty from highly mobile groups it is a specialist area and particular focus is needed on these individuals to succeed.
3.3.2 Understand relationship marketing and consumer behaviour

In order to determine whether a strategy of relationship-marketing will be successful or not, it may be important to examine how the South African consumer is likely to behave and what the factors are that influence this behaviour. Morris (1989:81) is of the opinion that the first step in any strategy is to know and understand the target market in terms of their attitudes, perceptions, values and habits. This includes a consideration of what their incomes are, where they live and how they spend their disposable income.

Much of how customers make purchase decisions is determined by the culture in which they live. Nickels (1982:134) defines culture as a set of fairly standardised prescriptions concerning what must be done, should be done, may be done and must not be done. These prescriptions are passed down from generation to generation and remain more or less stable over time. He adds that much of any person’s personal behaviour and consumption behaviour is determined by his or her culture.

An example of changing consumer behaviour is seen in computer retailing by furniture shops. It is, therefore, important to consider the work of Pitt (1998:140). He argues that a determinant of changing consumer behaviour is the significance that the purchase of the personal computer has made to consumers. The retailing of computers and computer equipment has changed over time to meet the changes in consumer behaviour which have evolved as consumer knowledge and product designs have changed. He contends that the average buyer was previously ignorant about the new product and needed a lot of reassurance, which was usually provided by reasonably skilled sales staff within the store. He also suggests that most
customers now buy their computers through discount stores, and computer hyperstores.

In the South African computer retail industry, personal computers are now being sold through the furniture chains which have the ability to provide financial assistance to the customer. Morkels does a large volume of retail sales of personal computers. This has had a major impact on the way that Morkels does business. With the advent of computer retailing the maximum term for accounts changed from 24 months to 36 months. The effect of this changing consumer behaviour is that the anticipated term of the relationship that the account holder has with Morkels is prolonged.

### 3.3.3 Follow a planned and structured approach for customer retention

Furlong (1993:5) proposes that organisations should have a planned approach and implement their relationship-marketing strategy in a structured format. Furlong (1993) states that there are twelve steps that the organisations should use to retain customers:

- Organisations should ensure that all staff and departments are focused on customer retention. Once the decision has been made to embark on a strategy of relationship-marketing, the top management needs to ensure that the campaign is communicated to all levels of employees. The essence of this step is to ensure that all the departments of an organisation have this as a major goal and all share a common purpose.

- As the organisation needs to know its customers in order to retain them, customer needs and wants need to be researched. The
management of the firm should not believe that their instinct, opinion or vantage point is the same as that of their customer. Management should use every method possible to establish what the customer really wants. This should be done by means of research, talking to customers, to sales staff as well as delivery and service staff. Yet it is important that management observes what customers say and do and determine what their reactions to the promotions of the firm are.

- Management also needs to focus on their best customers. It is, therefore, important to know who the best customers are. This, however, is easier said than done. Information technology may assist in determining who the best and most regular customers are, but methods also have to be found to make them feel special. The difficulty is that it is the customer who decides what special treatment is and special today may be ordinary tomorrow.

- Part of customer retention is also ensuring that employees are empowered. This step is about using human abilities to make customer retention really work. Management will have to use staff to ensure customer retention as they are the closest to the customers and know something of their needs. Part of the process of empowering employees is to eliminate fear, to encourage ingenuity and to allow for mistakes by commission.

- All employees need to be made aware of their impact and contribution to the success of the programme of relationship-marketing and customer-retention. However, many employees do not see themselves connected to external customers in any way. Without cross-functional cooperation and getting internal links to
line up with external customer needs, all customer retention efforts are doomed to fail.

- All employees must learn to fix problems quickly. Experience of retailers has shown that even the best firms and employees make mistakes. However, a customer with a problem that has been resolved may prove more loyal than a customer satisfied by ordinary good service. One experience of bad service is not necessarily a reason for customers to change their suppliers. What is important to customers, is the rate of recovery.

- Systems and programmes must be set up that enable the organisation to stay in touch with the customer. If the firm wishes to retain the business of its customers, it needs to stay in touch. Any customer contact has an influence on retention.

- The organisation should also attempt to establish more than one reason as to why the customer will continue to make purchases from it. Customers are more likely to stay with an organisation with which they have multiple relationships, through cross-selling and business partnerships. Establishing many and deep contacts with the customer results in a greater probability of retaining the customer.

- Managers should also be part of the whole retention programme. Their role in customer retention must be made clear and unambiguous by top management. Managers should not simply be figure-heads but be expected to lead by doing and getting involved. From the top executive to the operational manager, all managers
should become involved with the problems of both customers and employees alike.

- There should be no reason to avoid responsibility in the effort to retain customers. Everyone in the organisation must be responsible for customer retention and no employee or department in the organisation should blame another for poor customer service. Any notification of a customer requiring assistance takes priority over any standard job description and should be followed through to resolution.

- The setting up of systems that recognises good work through employee incentives to encourage customer retention should be implemented. Both monetary and non-monetary rewards can be used to recognise good customer service or other behaviour that is likely to assist with the building of customer relationships.

- The company needs to be aware that what works today may not work tomorrow. There is no plan, strategy or system for customer retention that can be applied to every set of circumstances. Therefore, customer-retention programmes need to be continuously adapted. This requires commitment to experimentation by top management who need to establish a flexible organisation. An important consideration is the long-term nature of customer-retention programmes combined with continuous innovation that is required to maintain the top-of-mind awareness of both the staff and of the customers. What is required is a passion for customer service that begins with the top-level of management.
3.3.4 Know the customer and other stakeholders

Wilson (1994:41) suggests that it is not sufficient to know the needs of the customer. Many organisations fail to recognise that they deal through middlemen such as retailers and/or wholesalers/dealers and, therefore, they need to understand their needs as well. Wilson (1994) continues by stating that the organisation that markets to a middle-level company should be establishing a relationship with that organisation as well as the end-user by contending that when marketing to organisations, the organisation needs to realise that effective marketing is primarily a relationship-building activity which links supplier to buyers. Increasingly, traditionally adversarial relationships between buyer and supplier are being replaced by longer term cooperative relationships which emphasise joint commitment as being a better route to mutual satisfaction.

3.3.5 Be creative

Almost any major retailer shares in common with others almost identical strategy elements, these are its inventory levels and assortments, its strategy on store size and locations, its pricing posture, its hours of operation, its store displays and décor and its credit policies. Innovation, therefore, comes from creatively remixing all or some of these to provide uniqueness (Magrath, 1992:55).

3.3.6 Decide on a loyalty programme

Nickels and Wood (1997:184) comment that to build up purchasing habits that lead to brand loyalty and long-term profitable relationships, many marketers have created programmes that reward consumers for sticking to
certain brands. By giving consumers tangible reasons to remain loyal to one brand, such as free gifts or free travel, marketers reinforce their customers’ purchasing behaviour.

### 3.3.7 Create a market differentiation

Cram (1994:115) proposes that real loyalty comes from real differentiation. More important than loyalty cards, incentives and special price promotions is the commitment to a different and better service that the customer understands. He also states that products are becoming increasingly homogenous in the minds of consumers and poses the questions as to why a consumer should be loyal to a supplier and why the customer should not buy on price.

To answer these questions, Cram (1994:116) suggests that there are two ways for an organisation to respond to a need to create customer loyalty as the difference can come from tangible or non-tangible strategies. Tangible strategies product and performance differences: faster, stronger, more durable, and more sensitive. The intangible differences come through personal contact. The tangible strategies are often replicable by rivals. The intangible differences are far more difficult to copy. It is personal experience that creates loyalty not competitive activity or the product.

### 3.3.8 Build a strong brand

Initially, the retailer may try to create a name that is a brand in itself. Howe (1992:141) points out that store groups are seeing themselves as brands quite apart and quite separate from the separate goods that they keep in
stock. This is certainly one factor behind the rapid increase in retailer advertising.

3.3.9 Use of technology in relationship marketing

Technology, data processing and the use of computers in the 21st century is one way in which a personal relationship can be established in a mass market.

3.3.9.1 Technology for remote customers

Although the concept of relationship or loyalty marketing may be an established one, it is only with the use of technology and computerisation that the large multinational corporation has been able to establish a relationship with the remotest of customers.

Burgess (1998:63) maintains that new technologies enable marketers to record previous transactions with the customer, to understand consumption rates and preferences and to model consumer behaviour with incredible accuracy. The advent of the digital age, and an age of addressability has instilled relationship marketing with a new vibrancy and excitement, especially in services marketing.

3.3.9.2 Technology to enhance relationships

Nickels and Woods (1997:27) are of the opinion that more and more marketers are gathering information about customers and potential customers, storing the details in computer files and then analysing the files
to find out how to best support ongoing relationships. This is known as database marketing.

3.3.9.3 Technology to ensure repeat business

The use of computer data base for customer retention is supported by Wolfe (1994:152) who contends that where a product has a predictable average life or perhaps a fixed end-of-contract date, the organisation risks losing that client at the point of repurchase or renewal. A good data base can flag such dates at a given period in advance enabling the marketer to offer attractive terms, reinforce brand values, emphasise specific customer needs, in order to close the sale long before the customer begins to consider competitive offerings.

3.3.9.4 The Internet

The use of technology and information systems to assist the marketing effort has all kinds of possibilities once the World Wide Web and the Internet become accessible to the customer and the retailer. In the case of Morkels, where an increasing volume on computer hardware is being sold, the possibility to use the Internet as a communication medium has become a reality. Sterne (1999:147) makes these suggestions for the use of the Internet as a communication tool with customers:

• Ask the right questions and keep it simple. The simpler and briefer the response required, the more likely that the customer will respond at all.
• Rethink the survey process. Given the level of interactivity available on the Web, create surveys that do not resemble their paper counterparts.
• Provide a quick and personal response to customers emailing the organisation.

3.4 MEASUREMENT OF THE SUCCESS OF A STRATEGY OF RELATIONSHIP-MARKETING

Once the strategy of relationship-marketing has been implemented, the success of the strategy should be measured. Assael (1985:532) proposes that while planning for a strategy of relationship-marketing, the retail organisation needs to evaluate its performance and control the implementation of the strategies.

Cram (1994:235) suggests that the organisation should be evaluating the statements listed in table 3.1 regarding the measures of the health of the business and the success of a relationship-marketing programme

Table 3.1 Measurement of a programme of relationship-marketing

<table>
<thead>
<tr>
<th>Do not only measure:</th>
<th>Be also concerned with:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sales revenue</td>
<td>• Customer satisfaction levels</td>
</tr>
<tr>
<td>• New accounts won</td>
<td>• Account attrition rate</td>
</tr>
<tr>
<td>• Profit margin</td>
<td>• Customer account profitability</td>
</tr>
<tr>
<td>• Number of customer complaints</td>
<td>• Speed of resolution</td>
</tr>
<tr>
<td>• Head count</td>
<td>• Staff turnover rate</td>
</tr>
<tr>
<td>• New product performance</td>
<td>• Percentage of sales from new products</td>
</tr>
</tbody>
</table>

Source: Cram 1994:235

Cram (1994:234) suggests that if every member of the sales force decides on their own important measure, the effect is dissipated. He adds that the only way to provide a winning response to changing opportunities is to measure
and monitor the statements made in Table 3.1 above. He further adds that management must measure what is most important and they must inspire individuals and teams to measure themselves on important criteria.

3.5 CONCLUSION

Chapters two and three have dealt with a survey of literature aimed at an understanding of the concept of relationship-marketing and planning, implementation and measure of this as a marketing strategy. This study indicates that there is no easy or quick solution to the problem. In addition, the researcher can conclude that relationship marketing is a multifaceted strategy that is used by organisations to enhance sales in the long-term. Careful examination of all stages, from the first proposal to implement the programme of relationship-marketing to the final measurement of the success of the programme needs to be undertaken. Failure to do so could lead to wasteful use of resources and the organisation not achieving the goals of the strategy.

A strategy of relationship-marketing should be carefully formulated with a set of goals and objectives, a study of the current situation and the desired outcome. Once this has been set in place, the marketer needs to plan and execute the strategy along the lines discussed above.

In the following chapters the research considers the situation in Morkels by means of an empirical study.
CHAPTER FOUR

THE EMPIRICAL STUDY, METHODS USED AND ANALYSIS OF THE DATA

4.1 INTRODUCTION

Leedy and Ormrod (2001:4) define research as the systematic process of collecting and analysing information in order to increase the understanding of the phenomenon about which the organisation may be concerned or interested. Research requires the collection and interpretation of data so that the problem that initiated the research may be resolved (Leedy & Ormrod, 2001:5).

The aim of this chapter is to describe the approach that was adopted in the empirical study, the research design, the development and structure of the questionnaire and the analysis of the responses received from the empirical survey.

The problem stated in this study is:

Do the relationship-marketing strategies of Morkels Garden Route Area meet the needs of both the organisation and its customers?

To assist in resolving the main problem, the study examines three sub-problems, namely:

- What, according to literature, is relationship marketing?
• What does the literature and prior research reveal as the necessary elements for the implementation of the strategy of relationship-marketing?

• Are the relationship-marketing strategies currently employed by Morkels Garden Route Area successful?

• What additional strategies which, if implemented, may result in improved sales results?

• In the opinion of the customers of Morkels Garden Route Area, what strategies do they find best contribute to improving the strength of the bond between themselves and Morkels?

The first and second sub-problems as to what relationship marketing is and what the main elements of relationship marketing are, were addressed in chapter two.

Chapter three continued to examine the elements of relationship marketing and what is required for the successful implementation of a programme of relationship marketing. This analysis was done to assess the second sub-problem further.

The last three sub-problems were the focus of the empirical study and hence of chapters four and five.
4.2 METHOD OF DATA COLLECTION

In order to solve the questions that were posed in chapter one, the researcher designed two questionnaires. These questionnaires were formulated to establish the viewpoints of firstly the head-office marketing staff and, secondly, the relationship between Morkels and the customer from the customers’ point of view.

Leedy and Ormrod (2001:197) state that a common instrument for observing data beyond the physical reach of the observer is the questionnaire. They suggest that using a questionnaire has the advantage of being completed by a large number of people, including those who live far from the researcher. They also argue that questionnaires have drawbacks such as not being returned, being dependent on the reading and writing skills of the respondent and misinterpretation of questions.

Salkind (1997:149) discusses what makes questionnaires work. He suggests that the questionnaire should not make unreasonable demands on the respondent. The researcher should, therefore:

- not ask personal or offensive questions and not expect the respondent to answer lengthy questions that make unreasonable demands on time, expense or effort.
- design the questionnaire so as to accomplish the goal and not collect unrelated information. The questions should be direct and to-the-point and not veiled or disguised.
- choose respondents who have the knowledge and skills required of them.
- formulate questions that are of interest to the respondents so as to encourage them to answer all the questions.
• be sure that the questionnaire is the best instrument to gather the required information.

4.3 DESIGN AND STRUCTURE OF THE QUESTIONNAIRE

The questionnaires attempted to establish the effectiveness of a customer relationship-marketing programme. The questionnaires were discussed with the customer-relationship manager of Morkels who also assisted in the clarification of the goals and objectives of the customer-relations department.

This study did not intend to measure the actual results of the customer-relationship programme as this was considered to be an analysis that should be undertaken by the organisation itself. Rather the study investigated and surveyed the attitudes and feelings of the respondents and compared these with the perceptions of the management of Morkels. Birley and Moreland (1998:34) suggest that surveys can be particularly useful to obtain an overview of a particular situation and may be used by policy makers and by those who wish to inform policy makers.

Four principal questions were used to establish what customer relationship-marketing strategies were considered to be most effective. These questions were:

• What are the dominant factors contributing most to frequency, recency and monetary value of customer purchases?
• What are the dominant factors contributing to the image of Morkels as My kind of store, an aspirational or up-market store?
• What are the dominant factors contributing most to providing benefits and of being of service to Morkels club customers?
• What are the dominant factors contributing most to why the customer shops at Morkels?

The respondents were given a variety of options of the strategies or factors that are used by Morkels in the relationship-marketing programme and asked to rate these factors in descending order of importance.

A response was, firstly, elicited from the decision and policy-making staff of Morkels head office. Secondly, the club customers of Morkels Garden Route Area were asked essentially the same questions with slight rephrasing to ensure their understanding of the issues.

In the case of the questionnaires sent to the head-office marketing and other senior staff, the research was, firstly, introduced to the respondent by means of a letter of introduction (see annexure A). The second section of the introduction listed the visions, goals and objectives of the marketing department. The purpose of this exercise was to enable the respondent to match the goals of the marketing department to the responses that were given to the four questions that followed.

The questionnaire that was disseminated to the club customers of Morkels (see annexure B) included a brief introduction that assisted the respondent in understanding how to complete the questionnaire and what should be done with it once it had been completed.

4.4 TESTING OF THE QUESTIONNAIRES

Birley and Moreland (1998:45) point out that someone other than the researcher should scrutinise a questionnaire to eliminate unsuitable or ambiguous items. In addition, it is essential that the questionnaire is
piloted on respondents who are as similar as possible to those in the group who will eventually be asked to participate. De Vos, Strydom, Fouche, Poggenpoel, Schurink, & Schurink (2000:158) insist that questionnaires should be thoroughly pilot-tested before being utilised in the final investigation.

The questionnaires were piloted on the following basis:

- The questionnaire to be responded on by the head-office personnel was issued to two of the general managers and two of the senior branch managers. These staff members have been with the company since the implementation of the customer relationship-marketing programme. They all have a clear understanding of the club, its implications and possibilities for improved sales results. The questions were deemed to be both adequate in measuring the expected outcomes of the relationship-marketing programme and short and simple enough to be completed by the senior marketing and operational staff taking into account their busy schedules.

- The questionnaire to be responded on by the Morkels club customers was issued to two customers at each of the five shops in the Garden Route Area resulting in ten questionnaires being completed. The reactions and responses of these test customers were also monitored. It was established that they were able to complete the four questions, each consisting of a number of statements, within ten minutes and had little difficulty in understanding what was required of them.
4.5 ADMINISTERING OF THE QUESTIONNAIRE

As discussed in point 4.3 above, the questionnaires were distributed among the two categories of respondents. The questionnaires were completed, firstly, by the four head-office personnel who influence the planning and implementation of the relationship-marketing strategy and, secondly, by the customers of Morkels in the Garden Route Area who had joined the club. The study obtained responses from 110 of the estimated 2300 club members in the Garden Route Area.

4.5.1 Head-office personnel

The questionnaire aimed at the head-office staff was faxed to the manager of the customer-relationship department. The manager in turn made copies and handed a copy to each of the four respondents. The respondents were the operations director, the merchandise director, the marketing executive and the customer-relationship marketing manager. The sample chosen was representative of the main policy makers and those who influence the planning, design and implementation of the customer-relationship marketing programme of Morkels.

4.5.2 Customers

Morkels Garden Route Area has approximately 5000 current customers. A current customer is one who has an active account with Morkels. Of these customers, it is estimated, taking into account the national average, that fifty-one percent are club members.
A sample of 110 customers was used within the Garden Route Area. This represents 4.7 percent of the possible respondents. All 110 club customers completed the questionnaire.

Prior to the issue of the customer questionnaire, the researcher discussed the questionnaire and its content with the store managers. Time was spent with each manager to ensure that the questions were answered by the customer and not as prompted by any staff member.

The questionnaire to be completed by customers was made available to those customers who came into the various shops to either make a purchase or make payment on a current account. These people were approached by staff members who then introduced the potential respondent to the store manager. The store manager read out a brief background to the questionnaire and encouraged the customer to spend a few minutes completing the form.

When the customer appeared to be confused as to how the questionnaire was to be completed a staff member assisted the respondent. In order to improve the number of responses, the manager of the store telephoned certain customers who had not been into the shop recently and completed the questionnaire telephonically on behalf of the customer. In all cases, only club customers were asked to respond.

4.5.3 THE VALIDITY OF THE SAMPLE

Salkind (1997:96) points out that if everyone in the population cannot be tested, the only other choice is to select a sample or subset of the population. Salkind (1997:103) argues that no matter how hard a
researcher tries, it is impossible to select a sample that perfectly represents the population. However, he continues to say that it is acceptable to make an inference to a population based on a smaller sample. De Vos et al. (2000:190) points out that a sample taken from a population is not always in fact representative. However, researchers take a portion of the population and consider this portion to be representative.

The size of the sample is discussed by De Vos et al. (2000:191) and they point out that the larger the population, the smaller the percentage of that population needs be. If the population itself is relatively small, the sample should comprise a reasonably large percentage of the population.

The sample selected from the possible head-office staff members who influence the relationship marketing programmes comprises of the marketing director, the marketing manager, the merchandise director, the operations director and the relationship-marketing manager. There may be other staff members in the organisation who influence their thinking and decision making, however, the above named people are the main decision makers in the field of relationship-marketing within Morkels, thus representing almost 100 percent of the population.

As this research is aimed at the club customers of Morkels in the Garden Route Area the sample represents 4.7 percent of the estimated population. De Vos et al. (2000:193) provides a guideline of 4.5 percent for a population size of 10 000. The sample size of 4.7 percent can, therefore, be justified based on the literature researched.
4.6 THE EMPIRICAL FINDINGS

4.6.1 The method of data presentation

The empirical study comprises of four questions. Each question consisted of a number of statements relating to a strategy. The respondents were asked to list the importance of each statement as it applies to the question. To establish the opinions of the respondents, the completed questionnaires were tabulated and totalled using a Microsoft Excel software programme. The totals were weighted according to the level of importance. This weighting enabled the researcher to assign values, by level of importance, to each of the statements. To ensure that there was a consistency in the responses, a number of the statements were repeated in the four questions.

The data that was extrapolated from the tabulations of the responses from the questionnaires were set out in four tables. The tables reflect the levels of importance assigned to each factor or strategy as seen by the customers and the head-office staff members. These tables also illustrate the differences and similarities of opinion between the Morkels staff and the club customers as to which factor has a higher relative importance.

4.6.2 Tabular presentation of the results of the empirical study

The results of the four questions are presented below. The format of the presentation is in the form of four tables where the various strategies are listed in rows, and the responses from both the head office staff and the club customers are listed in the corresponding column. The responses are shown as a percentage which is the weighted average of importance assigned by the respondents. An example of the calculations is to be found in annexure C. The calculations were done as follows:
• Each question had a number of statements.
• The statements in each of the questions were allocated a number.
• The respondent then rated these, numerically identified statements, in order of importance in the alpha blocks provided.
• The numbers of each statement that were allocated a particular level of importance were then totalled.
• Thereafter totals were allocated a weighting. For example, if 20 of the 110 respondents, in answering a question with six statements, had rated statement one as most important, then this 20 would be multiplied by six to give it a weighting as the most important statement. If 30 of the respondents had rated statement one as the second most important factor then these 30 responses were multiplied by five to give statement one a weighting as the second most important factor.
• The weighted totals were then again totalled and a percentage of the total allocated to that particular statement.
• This enabled a comparison to be made between the two groups of respondents.

It is important to mention that the opinions expressed are those of the average and not those of any individual. Therefore, readers may find that their own opinions may differ from those of the study. All references to the opinions of either the staff of Morkels or those of the customers are always the averages as explained above. Another important note is that the opinions of the club customers represented in this study are those of the Garden Route Area only. The opinion of this group of respondents does not necessarily represent the opinion of the customers in any other of the many regions of the company, although this is not expected to differ much.
4.6.2.1 Results of question one

To establish what strategies best contribute to the goals of increasing the frequency, recency and monetary value of customer purchases from Morkels, six strategies were listed and the respondent was asked to list in order of importance which strategy best contributed to these goals. The staff members of the marketing department of Morkels head-office were asked to respond, and the club customers were asked their opinion. Table 4.1 illustrates the differences of opinion and the levels of importance assigned by the two groups of respondents: management and club customers. The ranking indicates the level of importance assigned to the statement by the particular group.

Table 4.1  Factors contributing most to frequency, recency and monetary value of customer purchases

<table>
<thead>
<tr>
<th>Factor number</th>
<th>Contributing factor (strategy)</th>
<th>Head-office opinion</th>
<th>Rank</th>
<th>Customer opinion</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Special offers to club customers in the magazine</td>
<td>18%</td>
<td>3</td>
<td>20%</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Guaranteed credit to loyal customers</td>
<td>20%</td>
<td>2</td>
<td>20%</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Loyalty awards to customers</td>
<td>17%</td>
<td>4</td>
<td>17%</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Excellent service to club customers</td>
<td>8%</td>
<td>6</td>
<td>18%</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Competitions, bursaries and other special offers</td>
<td>24%</td>
<td>1</td>
<td>14%</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>The importance of keeping in touch</td>
<td>13%</td>
<td>5</td>
<td>11%</td>
<td>6</td>
</tr>
</tbody>
</table>
4.6.2.2 Results of question two

To establish what strategies best contribute to the goals of promoting the image of Morkels as My kind of store and an up-market or aspirational store, five strategies were listed and the respondents were asked to list in order of importance which strategy best contributed to these goals. This is an important goal as Morkels has tried, through various media, to set itself apart from the many other furniture brands by creating an image in the minds of the South African public, that it is different to other furniture retailers. The image that Morkels has attempted to create is that of a furniture shop that caters for discerning shoppers who want quality and service. Table 4.2 illustrates the differences of opinion of the two groups interviewed and the levels of importance assigned by these two groups.

Table 4.2  Factors contributing most to the image of Morkels as My kind of store, an aspirational or up-market store

<table>
<thead>
<tr>
<th>Factor number</th>
<th>Contributing factor (strategy)</th>
<th>Head-office opinion</th>
<th>Rank</th>
<th>Customer opinion</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The high quality magazine</td>
<td>33%</td>
<td>1</td>
<td>19%</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>In-store functions for club members</td>
<td>22%</td>
<td>2</td>
<td>20%</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Community donations</td>
<td>20%</td>
<td>3</td>
<td>23%</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Use of the magazine to inform customers about credit and other shopping experiences</td>
<td>17%</td>
<td>4</td>
<td>19%</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Use of the club magazine to promote merchandise</td>
<td>8%</td>
<td>5</td>
<td>19%</td>
<td>3</td>
</tr>
</tbody>
</table>
4.6.2.3 Results of question three

As discussed above, Morkels is a service-oriented organisation. Provision of quality service and wanted benefits to club customers is, therefore, an important goal. To establish what strategies best contribute to the goals of providing benefits and being of service to Morkels club customers, seven factors or strategies were listed and the respondent was asked to list in order of importance, which strategy best contributed to these goals. Table 4.3 illustrates the differences of opinion and the levels of importance assigned by the two groups of respondents.

Table 4.3 Factors contributing most to providing benefits and of being of service to Morkels club customers

<table>
<thead>
<tr>
<th>Factor number</th>
<th>Contributing factor (strategy)</th>
<th>Head-office opinion</th>
<th>Rank</th>
<th>Customer opinion</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bursaries, Law call and legal assistance</td>
<td>19%</td>
<td>1</td>
<td>19%</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Chance to win money</td>
<td>16%</td>
<td>2</td>
<td>17%</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Constant improvement of benefits</td>
<td>15%</td>
<td>3</td>
<td>15%</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Providing information to club customers</td>
<td>13%</td>
<td>6</td>
<td>13%</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Guaranteed credit to club customers</td>
<td>15%</td>
<td>3</td>
<td>12%</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Community support</td>
<td>8%</td>
<td>7</td>
<td>12%</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Rewarding customers for regular payment</td>
<td>14%</td>
<td>5</td>
<td>12%</td>
<td>5</td>
</tr>
</tbody>
</table>
4.6.2.4 Results of question four

To establish what strategies best contribute to the club customers purchasing from Morkels, eight factors or strategies were listed and the respondents were asked to list in order of importance which strategy best contributed to these goals. The analysis of the results of this question is important as application of this analysis could contribute to increasing the number of customers who will purchase their household semi-durable goods from Morkels in the future. Table 4.3 illustrates the differences of opinion and the levels of importance assigned by the two groups of respondents.

Table 4.4 Factors contributing most to why club customers shop at Morkels

<table>
<thead>
<tr>
<th>Factor number</th>
<th>Contributing factor (strategy)</th>
<th>Head-office opinion</th>
<th>Rank</th>
<th>Customer opinion</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Morkels provides good service and a two-year guarantee</td>
<td>21%</td>
<td>1</td>
<td>17%</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Morkels advertises in newspapers, magazines and television</td>
<td>10%</td>
<td>3</td>
<td>13%</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Morkels has a wide range and good value for money</td>
<td>18%</td>
<td>2</td>
<td>15%</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>I am a club member and a regular customer</td>
<td>10%</td>
<td>6</td>
<td>12%</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>I know the salesperson at Morkels</td>
<td>9%</td>
<td>7</td>
<td>13%</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Morkels has good prices and offers gifts</td>
<td>12%</td>
<td>3</td>
<td>9%</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>I have an account at Morkels</td>
<td>8%</td>
<td>8</td>
<td>10%</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Club members receive special offers and excellent service</td>
<td>12%</td>
<td>3</td>
<td>11%</td>
<td>6</td>
</tr>
</tbody>
</table>
4.7 AN ANALYSIS OF THE RESULTS OF THE EMPIRICAL STUDY

4.7.1 Introduction to the vision, goals and objectives

To enable an understanding of the results of the Tables in the previous section, it is necessary to understand the goals, visions and objectives of Morkels customer-relationship marketing department. These goals, visions and objectives are stated in the training package that is used to introduce staff members to the concept of customer-relationship marketing. Other objectives were established through discussion with the management of the marketing department of Morkels head-office.

The vision of the customer-relations marketing department is to “Delight our customers beyond expectation.” This is also expressed as follows: “To become THE furniture retailer destination of choice by allowing our customers at every customer interaction, to experience delight beyond expectation.”

Specific objectives include:

- To use customer-relations marketing as a retention tool.
- To increase recency. This refers to the last time that a customer visited the store to make a purchase or to pay an account.
- To increase frequency. This refers to the number of times a customer visits the store to make a purchase or pay an account.
- To increase the monetary value of the total purchase from Morkels.
- To promote the image of Morkels as My kind of store and an up-market or aspirational store.
- To provide benefits and service to Morkels club customers.
- To recognise customers for exemplary behaviour.
• To reward customers according to their value.
• To communicate with customers of Morkels on a one-to-one basis.
• To build lasting relationships with customers of Morkels.

4.7.2 Analysis of question one of the questionnaire

Question one sought to establish what factors or strategies work best to achieving the goal of increasing frequency, recency and monetary value of customer purchases. Furlong (1993:5) states that in order to retain customers, the management of an organisation needs to know its customers and their needs and wants and should not rely on their own instincts or opinions. This study is significant in that it looks at the opinions of customers and compares them to those of management. Table 4.1 indicates that there is a high degree of commonality between the opinion of the staff and the customers regarding strategies one, two, three and six. There does not appear to be any large difference in the relative value placed on these factors.

The findings relating to factor four (importance of excellent service) showed a major discrepancy between the opinions of the two groups. Customers place a much higher emphasis on service than management does (weighted average of 18 versus 8). An equally large discrepancy is evident in the case of the importance of competitions, bursaries and special offers. While this factor was deemed the most important of all factors by the head-office staff, it was ranked as the second least important factor by the customer group, carrying a weight of 14 compared to the 24 assigned by head office.

It is interesting to note that guaranteed credit was ranked by both groups in the second place. This is of particular interest as this is a benefit that
is not always provided to club customers, and while club customers may not be aware of this, the head-office staff knows that guaranteed credit is not provided to any customer although a calculated amount of credit is normally assured to a regular paying customer with an up-to-date account.

It is significant that head office deems service to be the least important factor contributing to the goal of increasing frequency, recency and monetary value (a weight of only 8). The least important factor (weight of 11) in the opinion of customers is that of “keeping in touch”. Furlong (1993:5) points out that any customer contact has an influence over retention. Nickels and Wood (1997:53) reinforce the importance of keeping in touch by stating that relationships are strengthened when the parties stay in contact. They suggest that the retailer should ask what the customer thinks and then check to make sure that the customer is satisfied after the transaction is complete.

### 4.7.3 Analysis of question two of the questionnaire

Question two sought to establish what factors or strategies work best to achieving the goal of establishing Morkels as *My kind of store*. Table 4.2 indicates that there is not a great difference between the opinions of the head-office staff and the club customers in factors two, three and four.

Factor two (Morkels has an excellent club magazine with top quality articles) reflects that the club customers regard the high quality magazine as far less important than the head-office staff would have anticipated. However, it is also significant to note that the use of the club magazine to promote merchandise in home settings was ranked as least important (a weight of only 8) by the head-office group whereas the customer group
gave this factor a relatively higher ranking (weight of 19). Furlong (1993:5) points out that a programme for customer retention need to be continuously adapted. Furlong (1993) also states that top management needs to be committed to experimentation and to establishing a flexible organisation and it may be that customers are requesting a change to the format of the magazine.

4.7.4 Analysis of question three of the questionnaire

Question three sought to establish what factors or strategies work best to achieve the goal of deciding upon which are the most important benefits that club membership offer to the club customer. Nickels and Wood (1997:194) point out that by providing the customer with free gifts, the marketer is able to reinforce the purchasing behaviour of the customers and give them tangible reasons to remain loyal.

Table 4.3 indicates that there is not a great difference between the opinions of the head-office staff and the club customers in all the factors except for factor six (the income generated by the sale of club membership should be used to fund community projects). The head-office staff (a weight of 8) anticipated a lesser importance to be assigned to this factor than the respondents from the club customers have indicated (a weight of 12).

It is also of significance that this question listed guaranteed credit to club customers as a benefit. The customers ranked this at position five with a weight of 12. This seems to contradict the results of question one where the customers ranked this factor in the number one position.
Another important result of this question is the reward that is given to customers for maintaining a good payment record. The management group (weight of 14) knows that there are significant rewards accruing to customers for the regular payment habits of customers. The club customer group appears (with a weight of 12) to be less informed of the extent to which they will benefit from maintaining their account payment records.

Finally, this question indicates that both groups consider the benefits of the bursaries, Law call and legal assistance to be the most important benefit. Both groups ranked this at the number one position (weight of 19).

4.7.5 Analysis of question four of the questionnaire

Question four sought to establish what factors or strategies worked best to achieve the goal of deciding which factor is most important when a club customer decides to shop at Morkels. Table 4.4 indicates that both groups rate the service and two-year guarantee as most important. Walters (1989:3) states that it is the retailer’s expertise in merchandise selection and their standards of quality, reliability and variety that gives the customer value and provides the retailer with a differential. Nickels and Wood (1997:6) compare transactional marketing to relationship marketing. In this comparison, they indicate that while in transactional marketing, quality is the concern of production and there is limited service commitment, in relationship-marketing, quality is the concern of every employee and there is a high degree of service commitment. Cram (1994:115) states that in the search for customer loyalty, the organisations commitment to service is far more important than loyalty cards, incentives and special-price promotions.
It is also noted that the club customer group appear to have responded to advertising to a greater degree than the head-office staff thought they would. However, Furlong (1993:5) points out that while companies are trying to lure customers away from competitors, they need to be aware that traditional marketing ploys are insufficient, as customers have an ever-increasing rate of expectations.

The other area where there is a discrepancy between the two groups is in the question on the importance of the wide-range of merchandise and value for money. The customers rated this as less important than did the head-office group. Magrath (1992:55) points out that major retailers have almost identical inventory levels and assortments, displays and décor. Innovation, therefore, emanates from a creative remixing of the elements to provide the customer with a unique offering.

An area of interest is the ranking of the customers (3) and head-office (7) as to the importance of “knowing the salesperson”. This indicates that a significant number of customers purchase from Morkels as a result of their personal friendship with, or knowledge of, the particular salesperson. This indicates once more the importance of the non-tangible factors such as personal contact that were discussed by Cram (1994:116).

4.8 Conclusion

The objective of this chapter was to discuss the empirical study. The method of data collection was examined. The literature study indicated that the preferred method for the collection of the data was the use of a questionnaire. The design and structure of the questionnaire was discussed followed by the piloting of the questionnaire.
The questionnaire was submitted to the two groups of respondents and replies received. The data received was then tabulated. Finally, an analysis of the results was conducted and this was discussed in detail for each of the four questions.

Chapter five will examine the analysis and make conclusions and recommendations.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

Chapter five is designed to integrate the results that were obtained from the literature study together with the results that were obtained from the empirical study. To do this, the analysis of the four questions will be examined to establish whether the literature study that is contained in chapters one, two and three can be used to make conclusions and recommendations.

5.2 CONCLUSIONS AND RECOMMENDATIONS

5.2.1 Conclusions and recommendations based on an examination of question one

Question one sought to establish what factors or strategies are perceived to work best to achieve the goal of increasing frequency, recency and monetary value of customer purchases. An analysis of question one highlights the fact that excellent service is of particular importance to the club customers and when comparing the level of importance to the expectations of head office, this strategy should have a higher priority within the organisation.

Examination of the literature on customer service (discussed in chapter two) indicated that customers value personal service rather than logistical service. The empirical findings are thus in line with the theory. The
literature study also indicates that top management has an important role to play in the establishment of a culture of customer service in the organisation. This is a challenge to the staff of Morkels as head office did not rate this on the same high level of importance as the customer group. It is thus recommended that Morkels should refocus attention on the provision of excellent customer service.

A second point that is evident from an analysis of question one is the value placed on competitions, bursaries and other special offers. This is not as important to club customers as the head-office staff would have expected. It could be that customers in general had become accustomed to competitions and the social responsibility of organisations and hence expect these to be a basic offering of the Morkels club. While the benefits of competitions and bursaries are not considered by club customers to be important, the absence thereof may be noticed and missed. It is thus recommended that the organisation continue with the provision of benefits such as the bursaries, competitions and special offers as to withdraw these may cause a negative reaction.

Both customers and head-office staff considered the guarantee of credit to club customers to be an important factor increasing the recency, frequency and monetary value of customer purchases. It would appear from the responses of both groups that the club customers would wish to be provided with a guaranteed credit facility and should this be provided, the club customer would be more likely to make Morkels their preferred shop. It is, therefore, recommended that Morkels management should consider a way to pre-evaluate the credit facility of individual club customers and that this should be communicated to the club customers. This would then fulfil the expressed needs and expectations of both the customer and the head-office groups of respondents.
5.2.2 Conclusions and recommendations based on an examination of question two

An examination of the results of an analysis of question two indicates that the club magazine is not as important as was expected by the head-office staff. It must be mentioned that this may be because the club customers are already receiving the magazine and would respond in a different way should this magazine be withdrawn from circulation.

It is also important to note that this question indicated that the club customers do in fact read the magazine as they indicated that they would like to see the merchandise that Morkels retails displayed and detailed in the magazine. This was not considered by the Morkels head-office staff to be of a high level of importance. The need that is expressed by customers is one that should be tested in the relationship-marketing programme. It is thus recommended that the management of the Morkels relationship-marketing department should continue with the production and distribution of the club magazine. The management should also consider including more pictures and detail of the merchandise that the club customer would expect to find in a Morkels store in the club magazine. This strategy could be measured for success as proposed by Cram (1994:532) in not only the measure of sales revenue but also in customer-satisfaction levels. It is important to note that the empirical study reflects conflicting views between customers and the head office staff and that the management of Morkels should at all times remain focused on the needs of the customer.
5.2.3 Conclusions and recommendations based on an examination of question three

Question three examines the factors that are considered important benefits to the club customers. The benefits that accrue to club customers are part of the club programme to retain the customer as a club customer and to give the customer value for money as a club member. Nickels and Wood (1997:6) point out that in transactional marketing, success means making a sale while in relationship marketing, success means customer loyalty and repeat business. The organisation must be in touch with the feelings of the customers and, in particular, confident about the premium that they are prepared to pay for additional benefits that are offered (Randall, 1994:147).

The point that is highlighted in this question is the importance that club customers put on community projects. Nickels and Wood (1997:53) point out that to build relationships, the organisation must listen to the needs of the customer and be interested in what they have to say. They must ask questions and react to the answers. It is known to the researcher that the management of the relationship-marketing department is already making contributions in this regard. Hart et al. (1999:46) maintain that loyalty schemes are designed to build lasting relationships with customers by rewarding them for their continued patronage.

It is, therefore, recommended that the management of the relationship-marketing department should use the medium of the club magazine to inform the club customers of its achievements and activities in community projects. The management of the relationship-marketing department should also consider embarking on new projects that may be of more relevance or importance to the club customers. Furlong (1993:5) proposes that all levels of employees should become involved with the needs of the customers and that everyone in the organisation is responsible for customer retention.
Thus, it is also recommended that the expressed needs of the customers should be communicated to all employees and that staff should be empowered to act upon these requests. According to Furlong (1993:5) part of the process of empowering employees is to eliminate fear, to encourage ingenuity and allow for mistakes.

5.2.4 Conclusions and recommendations based on an examination of question four

Question four sought to establish the primary reasons as to why club customers shop at Morkels. An examination of the analysis of the results of this question highlight the importance of excellent customer service and the free Two-year Guarantee that is offered to customers who purchase from Morkels. The free Two-year Guarantee has been part of the Morkels brand for the past twenty years. Howe (1992:141) points out that a store group (such as Morkels) is a brand itself and that it is quite apart from the merchandise brands that it retails. The importance of excellent customer service reinforces the responses that were given to question one as was discussed in point 5.2.1 above.

The responsibility for excellent customer service depends on senior management as they are responsible for selecting, training, indoctrinating and motivating their contact personnel (Lovelock, 1984:476). This serves to reinforce the recommendation that the management of Morkels focus of all employee levels to provide excellent customer service. Payne (1995:57) argues that when employees see that management are genuinely enthusiastic, supportive and involved, it is more likely that employees will be inspired to follow the example set by management.
A further point that is found from an examination of this question is the importance of advertising. It would appear from the responses that advertising has a great influence on club customers' decision to shop at Morkels as they ranked this factor the highest (weight of 17). Kotler (2000:13) states that relationship marketing is part of the bigger concept of transactional marketing. Transactional marketing focuses on attracting new customers whereas relationship marketing focuses on retaining customers as well as attracting new ones (Nickels & Wood, 1997:6). In Morkels, advertising is a function of the marketing department. It is thus recommended that the relationship-marketing department head and the marketing department management maintain close communication so that advertising become a joint responsibility.

The factor of the wide-range of merchandise that head-office staff anticipated would be of importance to the customer in deciding to shop at Morkels may be of less importance to the club customer as this factor is already operational. The provision of the range of merchandise may be taken for granted by the club customers and only if it were found to be absent would the club customer respond to the relative importance of this factor. It is, therefore, recommended that the company maintain and continually update and expand its range of merchandise.

5.3 OVERALL CONCLUSION

The problem statement of chapter one as to whether the relationship marketing strategies of Morkels Garden Route Area meet the needs of both the organisation and the customer was divided into sub-problems. The first two of these sub-problems were discussed in chapter two and three of this dissertation. The third, fourth and fifth sub-problems were stated as follows:
• Are the relationship-marketing strategies currently employed by Morkels Garden Route Area successful?

• What additional strategies which, if implemented, may result in improved sales results?

• In the opinion of the customers of Morkels Garden Route Area, what strategies do they find best contribute to improving the strength of the bond between themselves and Morkels?

The empirical study contained in chapters four and five indicate that, in the opinion of the club customers of the Garden Route Area, the relationship strategies employed by Morkels are experiencing a degree of success. The results of the empirical study show that the management of Morkels has met the needs of the customers in many respects. The strategies that best contribute to the strength of the bond between Morkels and the customers were discussed and recommendations for a fresh focus and new strategies were proposed.

The conclusion made by the study is that Morkels remains aware of the differences between transactional and relationship marketing. However, it is recommended that the goals and objectives of the relationship-marketing programme should be communicated and explained to all employees. In addition, the measures of success that Cram (1994:235) proposed should be the basis for the measure used by Morkels. These methods for the measurement of the success of a relationship-marketing programme were discussed in 3.4 and Table 3.1.
Morkels has a current programme of relationship-marketing that is primarily based on the sale of club membership to customers making a purchase from the organisation. In order to maximise the benefits that accrue to both the organisation and the club customers the management of the relationship marketing department need to be aware of the way club customers are responding to the various strategies and actions that are being used by Morkels to recruit and retain customers.

A further study of literature combined with practical application is recommended to maximise the long-term results and achievement of the expressed goals and objectives of the relationship-marketing department.
LIST OF SOURCES


ANNEXURE: A
Covering letter, list of goals and objectives and questionnaire
submitted to Morkels head-office staff

To  Marketing Staff Members
     Morkels Head Office
     Johannesburg.           OCTOBER 2002

From  Peter Giddy
       Regional Manager (Garden Route Area)
       139 Govan Mbeki Avenue.
       Port Elizabeth
       Fax No.  041 585 4797

Dear Colleague,

I am conducting research on customer relationship marketing as part of a
degree for which I am studying at the Port Elizabeth Technikon.

The research paper has been discussed with senior management of Morkels,
who have approved continued investigation. Your cooperation is therefore
required for the completion of the attached questionnaires. The completed
questionnaires should then be returned to me at the above address.

The research looks at the objectives of the Morkels marketing department and
in particular the customer relations marketing department. For your
convenience I have attached a summary of the vision, goals and objectives of
the customer relations marketing department. The perceptions of the Morkels’
personnel will then be compared to those of the customers.

Yours Truly

Peter Giddy
Morkels Customer Relations Marketing Department

VISIONS, GOALS AND OBJECTIVES.

The vision of the customer relations marketing department is to “Delight our customers beyond expectation.” This is also expressed as follows: “To become THE furniture retailer destination of choice by allowing our customers at every customer interaction, to experience delight beyond expectation.”

Specific objectives include:

- To use customer relations marketing as a retention tool.
- Increase recency. This refers to the last time that a customer visited the store to make a purchase or to pay an account.
- Increase frequency. This refers to the number of times a customer visits the store to make a purchase or pay an account.
- Increase the monetary value of the total purchase from Morkels.
- To promote the image of Morkels as *My kind of store* and an *up-market* or *aspirational* store.
- The provision of benefits and being of service to Morkels club customers.
- To recognise customers for exemplary behaviour.
- To reward customers according to their value.
- To communicate with customers of Morkels on a one to one basis.
- To build lasting relationships with customers of Morkels.
QUESTIONNAIRE

QUESTION 1.
Please arrange the following strategies from most important (A) to least important (F) as you consider the strategy best contributes to the goal of increasing the frequency, recency and monetary value of customer purchases from Morkels. Write the number of the strategy in the appropriate block below.

1. Special offers to club customers advertised in the magazine. These include discounts and free gifts when making a purchase.
2. Morkels offer guaranteed credit to loyal club customers. Opening an account is faster and there are fewer formalities for club customers.
3. Loyalty awards for customers who have made purchases for certain values. These include lower charges for delivery and a gold card.
4. The promotion of excellent service through the club magazine.
5. Competitions, bursaries and other special offers exclusive to club members.
6. The influence of keeping in touch with customers by means of the club magazine.

<table>
<thead>
<tr>
<th>Most important factor</th>
<th>Least important factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
</tr>
</tbody>
</table>
QUESTION 2.
Please arrange the following strategies from most important (A) to least important (E) as you consider the strategy **best contributes to the goal** of **promoting the image of Morkels as “My kind of store” and an up-market or aspirational store.** Write the number of the strategy in the appropriate block below.

1. The production of a high quality magazine that compliments the store image.
2. Special in-store functions for club members where meals and beverages are provided to invited guests and prizes awarded to club customers.
3. The donation of certain items such as computers to community projects such as schools.
4. The use of the magazine to educate customers regarding shopping experiences and buying on credit.
5. The display and promotion of Morkels merchandise in the club magazine.

<table>
<thead>
<tr>
<th>Most important factor</th>
<th>Least important factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
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<tr>
<td>C</td>
<td>D</td>
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<tr>
<td>E</td>
<td></td>
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</tbody>
</table>
QUESTION 3.

Please arrange the following strategies from most important (A) to least important (G) as you consider the strategy best contributes to the goal of providing benefits and being of service to Morkels club customers.

Write the number of the strategy in the appropriate block below.

1. Benefits such as Bursaries to the SA Technikon, the Law Call Legal Assistance help line and the Net Care 911 Medical Assist help line.
2. The chance of winning large sums of cash at Super Draw events.
3. The constant improvement and increased list of benefits that is available to club members.
4. The provision of important consumer information in the club magazine.
5. The provision of guaranteed credit to loyal club members.
6. The use of income generated through the sale of club membership to fund community projects such as sport, health care or recreational facilities.
7. Rewarding customers for being a regular payer on their accounts.

<table>
<thead>
<tr>
<th>Most important factor</th>
<th>Least important factor</th>
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<tbody>
<tr>
<td>A</td>
<td>B</td>
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</table>
QUESTION 4.

Please arrange the following strategies (on behalf of Morkels’ customers) from most important (A) to least important (H) as you consider that best answers the question: “The reason why I shop at Morkels is because…” Write the number of the strategy in the appropriate block below.

1. Morkels provides good service and a Two-year Guarantee.
2. I have seen that Morkels advertise in the newspapers, magazines and television.
3. I value the wide range of good quality and value for money products.
4. I am a club member and a regular Morkels customer.
5. I know the salesperson and staff of this branch of Morkels.
6. Morkels has good prices and offers free gifts to customers.
7. I have an account at Morkels and this is the most convenient place for me to shop.
8. Club members receive special offers and are given excellent service.

<table>
<thead>
<tr>
<th>Most important factor</th>
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<td>A</td>
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<td>E</td>
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<td>F</td>
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<tr>
<td>G</td>
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(Comments). Other benefits that should be included in the club membership are

.................................................................................................
.................................................................................................
.................................................................................................

NAME ........................................................................

DESIGNATION .................................................................

DATE ..............................................................................
ANNEXURE: B

Questionnaire submitted to club customers
of Morkels Garden Route Area

QUESTIONNAIRE

The following questionnaire is to be completed by Morkels club customers. Once completed the questionnaire is to be returned to the store manager. Please arrange the following statements in order of importance as to what you appreciate most about the Morkels club, where (A) represents the most and (F) the least important factor. Please write the appropriate number of each statement in the block provided.

QUESTION 1.

What I like most about Morkels club is:

1. The special offers to club customers advertised in the magazine. These include discounts and free gifts when making a purchase.
2. Morkels’ offer of guaranteed credit to loyal club customers. Opening an account is faster and there are fewer formalities for club customers.
3. The loyalty awards for customers who have made purchases for certain values. These include lower charges for delivery and a gold card.
4. Morkels’ excellent service to club customers.
5. The competitions, bursaries and other special offers exclusive to club members.
6. The club magazine that helps me to keep in touch with Morkels, and makes me feel like part of the Morkels family.

Most important factor Least important factor

<p>| | | | | | |</p>
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<tbody>
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<td>A</td>
<td>B</td>
<td>C</td>
<td>D</td>
<td>E</td>
<td>F</td>
</tr>
</tbody>
</table>
QUESTION 2.
Please arrange the following statements in order of importance as to why you consider Morkels to be your kind of store, where (A) represents the most and (E) the least important factor. Please write the appropriate number of each statement in the block provided.

I consider Morkels to be My kind of store because:
1. Morkels has an excellent club magazine with top quality articles.
2. Morkels has special in-store functions for club members where eats and beverages are provided to invited guests and prizes awarded to club customers.
3. Morkels club donates certain items such as computers to community projects such as schools.
4. The club magazine provides valuable information about special offers, how and where to shop and how to buy on credit.
5. The club magazine shows the Morkels merchandise in real life home settings.

<table>
<thead>
<tr>
<th>Most important factor</th>
<th>Least important factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
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QUESTION 3.
Please arrange the following statements in order of importance as to what are the most important benefits that the Morkels club offers to you as a club member, with (A) being most and (G) the least important factor. Please write the appropriate number of each statement in the block provided.

What I like most about my club membership is that:

1. Being a club member entitles me to benefits such as bursaries to the SA Technikon, the Law Call Legal Assistance help line and the Net Care 911 Medical Assist help line.
2. I have a chance to win large sums of cash at Super Draw events.
3. There is a constant improvement and increased list of benefits that is available to club members.
4. The Morkels club magazine provides members with important consumer information.
5. Being a loyal club member means that I will eventually qualify for guaranteed credit facilities.
6. The income generated through the sale of club membership is used to fund community projects such as sport, health care or recreational facilities.
7. I will be rewarded for being a good payer at Morkels.

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<tr>
<th>Most important factor</th>
<th>Least important factor</th>
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<tbody>
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<td>A</td>
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<td>E</td>
<td>F</td>
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<tr>
<td>G</td>
<td></td>
</tr>
</tbody>
</table>
QUESTION 4.
Please arrange the following statements in order of importance as to “Why you shop at Morkels?” with (A) being most and (H) the least important factor. Please write the appropriate number of each statement in the block provided.

The reason why I shop at Morkels is because:

1. Morkels provides good service and a *Two-year Guarantee*.
2. I have seen that Morkels advertise in the newspapers, magazines and television.
3. I value the wide range of good quality and value for money products.
4. I am a club member and a regular Morkels customer.
5. I know the salesperson and staff of this branch of Morkels.
6. Morkels has good prices and offers free gifts to customers.
7. I have an account at Morkels and this is the most convenient place for me to shop.
8. Club members receive special offers and are given excellent service.

<table>
<thead>
<tr>
<th>Most important factor</th>
<th>Least important factor</th>
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<tbody>
<tr>
<td>A</td>
<td>B</td>
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<td>D</td>
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<td>E</td>
<td>F</td>
</tr>
<tr>
<td>G</td>
<td>H</td>
</tr>
</tbody>
</table>

Other benefits and services that I would like to see Morkels providing to club members:

- ........................................................................................................
- ........................................................................................................
- ........................................................................................................
- ........................................................................................................

Name ..........................................................

Account Number ..........................................

Date ..........................................................
ANNEXURE: C

AN EXAMPLE OF THE CALCULATION OF THE WEIGHTED AVERAGES

The method used to calculate the weighted averages pertaining to the various factors (strategies) making up each of the four questions of the empirical study was discussed with Dr Jacques Pietersen of the Port Elizabeth Technikon. Dr Pietersen is a specialist in statistics and considered the method used for the calculations to be valid.

An example of the calculation of the weighted averages for Question 1 as responded to by 110 club customers is illustrated using Table C.1.

Table C.1 reflects the results of the first question in the questionnaire submitted to the club customers, namely: What I like most about Morkels club is:

1. The special offers to club customers advertised in the magazine. These include discounts and free gifts when making a purchase.
2. Morkels’ offer of guaranteed credit to loyal club customers. Opening an account is faster and there are fewer formalities for club customers.
3. The loyalty awards for customers who have made purchases for certain values. These include lower charges for delivery and a gold card.
4. Morkels’ excellent service to club customers.
5. The competitions, bursaries and other special offers exclusive to club members.
6. The club magazine that helps me to keep in touch with Morkels, and makes me feel like part of the Morkels family.
• Column one is the factor number in the questionnaire as reflected in annexure B.

• Column two is the number of respondents who rated one of the six factors listed in the questionnaire as the most important factor.

• Column three to seven is the number of respondents who rated each factor as the second to sixth most important factor.

• Column eight is a control total to ensure that all the factors were accounted for and that no duplications had occurred.

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<tr>
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<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
<th>Column 5</th>
<th>Column 6</th>
<th>Column 7</th>
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<td>Weight 5</td>
<td>Weight 4</td>
<td>Weight 3</td>
<td>Weight 2</td>
<td>Weight 1</td>
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<tr>
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<td>22</td>
<td>25</td>
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<tr>
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<td>110</td>
<td>110</td>
<td>110</td>
<td>110</td>
<td>660</td>
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</table>

Table C.2 is an extension of Table C.1. Table C.2 reflects the totals of the customer responses to question one of the questionnaire (as reflected in annexure B) multiplied by the weight reflecting the importance allocated by the customer to that factor.

• Column one is the factor number as reflected in question one that was submitted to the club customers.

• Column two is the same as column two in Table C.1 but multiplied by a factor of six to give it the appropriate importance.

• Column three to seven is the weighting or level of importance allocated to each of the relevant factors.
• Column eight is the sum of columns two to seven.
• The percentages that are reflected in Table 4.1 are calculated by dividing the total of the particular factor by the total of all the weightings. In Table C.2 this is 2310.
• The weighting (expressed as a percentage) allocated to factor one is therefore, $\frac{461}{2310} \times 100 = 20\%$.
• The weighting allocated to each of the remaining factors is calculated in the same way.

The calculations that are used for Tables 4.1, 4.2, 4.3 and 4.4 were all based on methods reflected in Annexure C.

Table C.2  Weighted responses by club customers to question one

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<tr>
<th></th>
<th>Column 1</th>
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<tr>
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<tr>
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