AN OPERATIONAL MODEL FOR INCREASING CUSTOMER SATISFACTION FOR DETPAK SOUTH AFRICA

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Research treatise submitted in partial fulfilment of the requirements of the degree of Magister in Business Administration at the Nelson Mandela Metropolitan University

December 2013

Supervisor: Prof JJ Pieterse
DECLARATION

I, Reinard van Deventer, hereby declare that the entirety of the dissertation herein is my own, original work, that I am the owner of the copyright thereof (unless explicitly stated otherwise) and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification.

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Reinard van Deventer
Student number: 198087590

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ABSTRACT

Detpak South Africa is a subsidiary paper and board company of Mpact Limited, formally known as Mondi Packaging South Africa. The Mpact group of companies operates across 31 sites and employs more than 3 700 employees.

Detpak South Africa specializes in three respective niche markets: international fast food packaging, industrial packaging and disposables packaging. The primary objective of this study is to propose an operational model for improving customer satisfaction levels within the disposables market for Detpak South Africa. Further, Detpak’s competitive position with respect to customer satisfaction was assessed and an empirical assessment was conducted to identify imperative attributes impacting on overall customer satisfaction.

It is noted from marketing journals that providing a quality product at the right price no longer suffices as an adequate value proposition. Numerous authors have noted that there is no longer a difference between a goods market and a service market, in its purest form, and that manufacturers of goods must embrace the principles of service marketing to develop a competitive advantage within the market.

A quantitative research was conducted to obtain data. The measuring instrument used to obtain data was a self-administered questionnaire. A total of 84 questionnaires were distributed nationally across South Africa. From the 84 questionnaires a total of 62 questionnaires were obtained from respondents, from which a final sample of n=59 was considered for capturing. Three questionnaires were excluded from the sample due to response error of non-completion.

Correlation coefficient analysis was used to calculate the relationships between independent and dependant variables. It was found that all customer satisfaction attributes, listed below, had a positive relationship to overall customer satisfaction:

- Customer value
- Product quality
- Price
- Communication
The hypothesized relationship between overall customer satisfaction and customer loyalty was measured and confirmed to be strongly positive. It can be concluded that a positive movement in overall customer satisfaction will be accompanied by a similarly positive movement in customer loyalty. Furthermore, through secondary review it was noted that the retention of existing customers costs much less and is more profitable than the acquisition of new business.

The results presented within this study indicate a strong market position for Detpak South Africa in terms of product quality compared against competitive activity, which means a competitive advantage in the market for the company and which will assist in attaining its strategic objectives. The results also identified a number of customer satisfaction attributes which Detpak South Africa could improve to allow them to establish a firm position in the market through the overall improvement of customer satisfaction levels.

Finally, an operational model integrating the important concepts identified within the literature study was proposed to assist Detpak South Africa in enhancing levels of perceived customer satisfaction. The model integrates the important business philosophies of customer relations, best practices, continuous improvement and, finally, customer satisfaction attributes.
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CHAPTER 1
INTRODUCTION, PROBLEM STATEMENT AND
SCOPE OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

Over the last decade, South African packaging manufacturing companies have significantly underperformed against other consumer-focused listed companies and have failed to earn an adequate return on their asset base. These results have been largely due to the significant price pressure placed on packaging companies by an increasingly concentrated and globalised client base (Heyns 2013: 2).

Detpak South Africa is a subsidiary of Mpact Limited, a company specializing in the manufacturing of paper and plastic packaging products. Packaging is a means to deliver a product as effectively and efficiently as possible to the end consumer or consumer-focused companies. The South African packaging industry, comprising four major packaging categories: paper, plastic, metal and glass, generates around R45 billion in revenues each year. The industry is capital intensive, consuming large quantities of energy and raw material. The recent weakening of the South African Rand, along with increases in the price of Brent crude oil, which is positively correlated to the cost of raw materials, the exponential increase in energy costs, excessive labour cost demands and increasing distribution costs, all compound the enormous cost pressures that companies within the packaging industry must negotiate.

The inherently difficult position for packaging manufacturing companies is due predominantly to:

- A mature market with very limited growth opportunity
- Shrinking margins
- The nature of their customers, who tend to be large multinational consumer goods companies which exert purchasing bargaining power
- Offshore competition and competing alternative market offerings.
Fornell (1992: 6) maintained that the overall health and prospects of a business are directly related to the extent to which the enterprise is able to satisfy its customers. In such a competitive industry it is imperative for organisations to ensure optimum levels of customer satisfaction and, to this end, companies strive to sell value to their clients. Treacy and Wiersema (1993: 84) explained the strategy of major corporations with regards to selling customer value as follows:

- Firstly, within their respective markets these organizations redefined value standards for their customers
- Secondly, they ensured that their operations were aligned to outperform the set standards for value
- Thirdly, by doing this, they allowed customer expectations to rise above the capabilities of their competitors.

If it is to survive the fiercely competitive business environment, it is crucial for Detpak South Africa to distinguish itself from its competitors by formulating a competitive advantage. This can be done by creating, communicating and delivering superior value to clients.

This study will propose an operational model for improving customer satisfaction for Detpak South Africa, which could ultimately facilitate a competitive advantage for the company’s survival and growth.

1.2 RESEARCH PROBLEM STATEMENT

Previous studies of companies that offered superior customer satisfaction found that they had the following characteristics in common:

- Higher future profitability (Reinartz & Kumar 2004: 77; Fornell 1992: 17-18)
- Higher levels of customer retention and loyalty (Fornell 1992: 6)
- Future revenue streams (Fornell 1992: 6-18)
- Acquisition and transaction costs decline (Anderson et al. 1994: 55)
- Good reputation within the respective industries (Anderson et al. 1997: 131)
Woodruff and Gardial (1996: 95) defined customer satisfaction as a “customer’s positive or negative feeling about the value that was received through the use of a company’s product or service offering.” The reaction can be either transactional or a cumulative experience over a number of situational experiences.

In order for Detpak South Africa to enhance its cumulative customer satisfaction levels, it is important to identify what customers perceive to be value creating activities and how they rate Detpak South Africa on these attributes against its competitors in the market. This will enable Detpak South Africa to formulate strategies to improve within areas where it is non-competitive and to develop areas of strength into value propositions.

The following main problem will be addressed by this research proposal:

- The identification of an operational model that will enhance customer satisfaction levels for Detpak South Africa.

### 1.3 PURPOSE AND IMPORTANCE OF THIS STUDY

The Mpact Group’s vision statement reads: “At Mpact, our vision is to be a leading business with the highest ethical standards, delivering exceptional value for our customers, employees, communities and shareholders” (Mpact, 2013).

With reference to the problem statement identified in 1.2 above, Mpact’s mission statement may be broken down into core aspects within the holistic vision. The first segment refers directly to the customers’ requirements with respect to product and service quality:

“Meeting and exceeding customers’ requirements for product and service quality, innovation as well as cost competitiveness” (Mpact, 2013).

According to Fornell (1992: 8) company strategy can be grouped into two primary categories: offensive and defensive strategies, as illustrated in Figure 1.1. below. In an offensive strategy, focus is placed on growth through customer acquisitions. During a defensive strategy the focus is on protecting the existing customer base by focussing on customer satisfaction.
Detpak South Africa has chosen to adopt a mixed strategy, establishing itself within both an offensive and defensive framework as depicted in Figure 1.1. The company embraces the following four business strategies critical for its future success:

- Market share increase – Market growth
- Value creation
- Enhancing customer satisfaction levels – Customer satisfaction
- Enhancing customer loyalty – Customer loyalty

Further consideration must be given to market growth, value creation and customer retention and the relationship to customer satisfaction. Anderson et al. (1994: 59) found that there is a positive relationship between market growth and customer satisfaction as higher levels of customer satisfaction will attract new customers. In the same article, the authors asserted that higher levels of customer satisfaction will not only attract new customers but would also positively impact customer retention.

It is empirical for the executive team of Detpak South Africa to ensure that customer satisfaction is measured at regular intervals in order to ensure that perceived levels are at the required standards to enable the achievement of the strategies identified. There are currently no formal measurements in place to assess customer satisfaction levels.
1.4 RESEARCH OBJECTIVES

1.4.1 Primary objective

The primary objective of this research is to assess the perceived levels of customer satisfaction within the disposables market for Detpak South Africa by implementing an operational model to promote customer satisfaction. Further, Detpak’s competitive position with respect to customer satisfaction will be assessed.

1.4.2 Secondary research objectives

The following secondary objectives enable the user to propose a strategic model for increasing customer satisfaction and enhancing customer loyalty for Detpak South Africa:

- To conduct a literature review on business strategy and marketing strategy
- To conduct a literature review on key drivers of customer satisfaction
- To analyse empirically collected data on customers’ perceptions of customer satisfaction at Detpak South Africa
- To analyse empirically collected data on competitive activity across the same key drivers for customer satisfaction – benchmarking
- To propose an operational model to improve current customer satisfaction levels.

1.4.3 Research design objectives

The following research design will be followed in order to achieve the above mentioned primary and secondary research objectives:

- A questionnaire will be constructed to collect primary data for this research proposal
- A secondary literature review will be conducted on business strategy and marketing strategy incorporating key aspects such as the customer, customer value, customer satisfaction and customer loyalty
- Data from the questionnaires will be captured in Microsoft Excel and analysed using a statistical software programme, STATISTICA
- The results will be reviewed and evaluated in order to finalize conclusions
An executive report to the management of Detpak South Africa will be compiled and presented with a proposed operational model including:

- Critical success factors identified to improve perceived customer value
- A strategic model to increase customer satisfaction within the disposable market of Detpak South Africa

1.5 RESEARCH METHODOLOGY

1.5.1 Research paradigm

A quantitative approach was used to collect data for this research. According to Collis and Hussey (2003: 13), the quantitative approach involves the collection of data and use of statistical analysis when analysing numerical data. Quantitative data is seen to be objective in nature and primarily measures phenomena.

The quantitative approach was used to establish relationships and measures correlations between sets of variables. Leedy and Ormrod (2010: 94) noted that the quantitative approach seeks to measure variables through the use of acceptable measures by the world or designed measures of psychological characteristics and behaviours.

The quantitative approach in this study will focus on obtaining quantitative data on the key variables affecting cumulative customer satisfaction, the levels of perceived value experienced, the cumulative level of customer satisfaction and the relationship between cumulative satisfaction and customer loyalty.

1.5.2 Data collection procedures

Permission from the General Manager of Detpak South Africa was obtained prior to the commencement of data collection. Customers within the disposables market were contacted telephonically to inform them of the intent to complete a customer survey on the perceived levels of customer satisfaction in comparison to competitive activity for Detpak South Africa. After agreement was received that these customers were willing to participate, a meeting was arranged to present the respective parties with the questionnaire for completion.
1.5.3 The sample

Collis and Hussey (2003: 56) defined a sample as a sub-set of the entire population and stated that the sample selected should represent the main interest of the study. Detpak South Africa sales division has three respective sales units namely Key Accounts, Disposables and Industrial. The key account division incorporates international corporations within the foodservice industry, the industrial division incorporates clients within the manufacturing of flour, maize and charcoal products and the disposable division incorporates wholesale, distribution and end-user customers utilizing disposable paper and board products. The sample selected was based on a sample size of 92 customers currently being serviced by Detpak South Africa within the disposables market. This sample size was adjusted to 84 to exclude clients outside the borders of South Africa. The total population of customers serviced by Detpak South Africa across all market segments is 112.

Anonymity and confidentiality were assured to all respondents. The sample design and an analysis of the final sample selected will be discussed in Chapter 5.

1.5.4 The measuring instrument

A self-constructed measuring instrument from secondary research sources was used to identify key dimensions of customer value, customer satisfaction and customer loyalty. Independent variables were tested to obtain data on the respondents’ perception of the variables offered by Detpak South Africa, its competitors and the importance of the variables to the respondent. The measuring instrument was constructed as follows:

- 5 measures were used to measure perceived customer value
- 36 measures were used to measure customer satisfaction at dimensional level
- 3 measures were used to measure the overall level of customer satisfaction
- 5 measures were used to measure customer loyalty

All efforts were made to secure a relative response from respondents due to the geographical complexities. It was also noted that customers were reluctant to respond
as they had not been requested to complete a customer satisfaction survey from Detpak South Africa before.

1.6 HYPOTHESES

The following null and alternative hypotheses were identified to achieve the primary and secondary research objectives, as further illustrated in Figure 1.2 below:

H$_{01}$: Perceived customer value has no impact on cumulative customer satisfaction.

H$_{a1}$: Perceived customer value has a positive impact on cumulative customer satisfaction.

H$_{02}$: Product quality has no impact on cumulative customer satisfaction.

H$_{a2}$: Product quality has a positive impact on cumulative customer satisfaction.

H$_{03}$: Communication has no impact on cumulative customer satisfaction.

H$_{a3}$: Communication has a positive impact on cumulative customer satisfaction.

H$_{04}$: Price has no impact on cumulative customer satisfaction.

H$_{a4}$: Price has a positive impact on cumulative customer satisfaction.

H$_{05}$: Reliability has no impact on cumulative customer satisfaction.

H$_{a5}$: Reliability has a positive impact on cumulative customer satisfaction.

H$_{06}$: Responsiveness has no impact on cumulative customer satisfaction.

H$_{a6}$: Responsiveness has a positive impact on cumulative customer satisfaction.

H$_{07}$: Sales support has no impact on cumulative customer satisfaction.

H$_{a7}$: Sales support has a positive impact on cumulative customer satisfaction.

H$_{08}$: Customer service has no impact on cumulative customer satisfaction.

H$_{a8}$: Customer service has a positive impact on cumulative customer satisfaction.

H$_{09}$: Cumulative customer satisfaction has no impact on loyalty.

H$_{a9}$: Cumulative customer satisfaction has a positive impact on loyalty.
Figure 1.2: A model of hypothesised relationships that influence cumulative customer satisfaction and customer loyalty

Source: Researcher's own construction

1.7 DELIMITATION OF RESEARCH

The research will be limited to the consumables market serviced by Detpak South Africa. It must be noted, however, that limiting the research to this niche market does not imply that research on the same topic could not be applied within other business units or within similar packaging industries.

1.7.1 Demarcation of organization to be researched

This research is limited to Detpak South Africa, manufacturing in Gauteng, South Africa.
1.7.2 Geographic demarcation

Detpak South Africa is a subsidiary to the holding company Mpact Limited. The research conducted is limited to clients of Detpak South Africa, within the boundaries of South Africa and within the disposables market.

1.8 DEFINITION OF KEY CONCEPTS

1.8.1 Customer

According to the Business dictionary (2013) a customer is a party that receives or consumes products or services and that has the ability to choose between different products and suppliers of those products.

1.8.2 Customer value

Webster (1994: 68) referred to the concept of value as a “process of creation within the market place; the process in which a customer is willing to pay more for the delivered service or product bundle than the costs that were incurred to deliver the product or service.” Webster (1994: 68) went on to explain marketing as the process of defining, developing and delivering value as follows:

- Defining value consists of identifying, analysing and measuring customer needs and translating that information into requirements for creating satisfied customers
- Developing value incorporates product and service development and pricing strategies in line with customer needs and market conditions as well as the value connected to the total product or service bundle offered
- Delivering the value includes the distribution of the product or service together with the communication of the product or service offering through personal selling (Webster 1994: 68-70).

Webster’s approach was simplified by Perreault et al. (2009: 19) when the authors defined customer value as the difference between the customer’s perceived benefits and the cost associated with obtaining these benefits.
1.8.3 Customer satisfaction

Numerous definitions by authors have been noted to explain their theoretical approach towards customer satisfaction. The definition below by Zeithaml et al. (2012: 73) impacts directly on the methodology of this research:

Customer satisfaction is a broader concept than service quality in that “includes service quality, product quality and price as well as situational factors and personal factors” (Zeithaml et al. 2012: 73). To simplify, customer satisfaction is the extent to which a firm fulfils its customers’ needs, desires and expectations (Perreault & McCarthy 2006: 5).

Anderson et al. (1994: 54) further classified customer satisfaction into two different concepts, namely transaction specific customer satisfaction and cumulative customer satisfaction. The transaction specific concept refers to the level of satisfaction experienced by a customer following a specific purchase occasion whereas cumulative customer satisfaction refer to the total purchase and consumption experience over a period of time.

1.8.4 Customer loyalty

Yang and Peterson (2004: 801) described loyal customers as customers who will, over a period of time, contribute to substantial revenues and demand less time and resources from the firm to which they are loyal. The concept of loyalty incorporates both positive attitudes and positive behaviours, as noted by Bei and Chiao (2006: 163-164).

Thomsom (2004: 3) summarised the loyalty effect by noting that loyal customers tend to spend more, cost less to service, and refer other potential clients to the firm to which they are loyal.
1.9 OUTLINE OF CHAPTERS

This study has been divided into the following chapters:

Chapter 1: Introduction

Chapter 2: A strategic overview of business-to-business marketing

Chapter 3: An overview of key concepts in the field of service and goods marketing

Chapter 4: Research design and methodology

Chapter 5: Data analysis of the empirical study

Chapter 6: Findings, recommendations and conclusion
CHAPTER 2
THE NATURE AND SCOPE OF BUSINESS-TO- BUSINESS MARKETING: A STRATEGIC OVERVIEW

2.1 INTRODUCTION
Business markets offer local and internationally supplied products and services that are in demand by businesses, government institutions and service institutions for use either in consumption, as input goods or for resale (Fill & Fill 2005: 4 –16; Hutt & Speh 1998: 4, Blythe & Zimmerman 2005: 4; Brennan et al. 2007: 2-8). Brennan et al. (2007: 18) further emphasized that business-to-business markets are about the nature of the customer and not the nature of the product.

The ability to satisfy the needs of customers more effectively than one’s competitors by creating greater customer value has become a cornerstone within business and marketing strategy (Fill & Fill 2005: 21; Hutt & Speh 1998: 5; Kumar 2004: 8; Heskett et al. 1990: 2-10; Dibb et al. 2012: 18-22). This theory has been well supported by Doyle (2008: 3) who argued that over recent years the objectives of chief executive officers have shifted to the creation of value though the identification of growth opportunities and the establishment of a competitive advantage over rivals.

Chapter 1 noted four strategies identified by Detpak South Africa, namely:

- Market growth
- Value creation
- Customer satisfaction
- Customer loyalty

The above-noted strategies are well supported by the readings of Doyle (2008: 3, 80 - 85), Hutt and Speh (1998: 5-7) and Fill and Fill (2005: 20–21).

Chapter 2 will provide an overview of several key areas within business-to-business marketing. A detailed discussion of the marketing concept and its evolution will be followed by a clarification of the difference between goods and service marketing.
Thereafter the study will provide an overview of market segmentation, target marketing and positioning, followed by an in-depth analysis of the marketing mix and how these concepts relate to Detpak South Africa.

2.2 THE MARKETING CONCEPT AND ITS EVOLUTION

The evolution of the marketing concept emerged in the third major era in the history of business management (Dibb et al. 2012: 19). Numerous authors (Lancaster & Reynolds 2005: 9; Palmer 2009: 11–14; Perreault & McCarty 2006: 16–17) have acknowledged three major eras, namely production, sales, and marketing orientations, whilst Dibb et al. (2012: 20) and Hoffman et al. (2005: 8–9) identified a fourth era: relationship marketing. Figure 2.1 below depicts the transformation of marketing as a business philosophy.

Figure 2.1: The transformation of marketing as a business philosophy

<table>
<thead>
<tr>
<th>Product orientation</th>
<th>Sales orientation</th>
<th>Market orientation</th>
<th>Relationship marketing orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Production concept</td>
<td>- Selling concept</td>
<td>- Marketing concept</td>
<td>- Relationship marketing concept</td>
</tr>
<tr>
<td>- Product concept: &quot;If we build it, they will come&quot;</td>
<td>&quot;Sell what we make&quot;</td>
<td>&quot;Make what we can sell&quot;</td>
<td>- Network marketing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Customer relationship marketing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&quot;A 360-degree view of serving customers&quot;</td>
</tr>
</tbody>
</table>

Source: Adapted from Hoffman et al. (2005:5) & Perreault et al. (2009:18)

2.2.1 Production era (second half of nineteenth century)
In 1913, Henry Ford made a statement in relation to Ford Motor Company’s Model T car that has become world renowned: “People can have the Model T in any colour - so long as it’s black”. This statement offers a true reflection of the production orientated philosophy that formed the primary focus of business in the nineteenth and twentieth centuries (Lancaster & Reynolds 2005: 9; Dibb et al. 2012: 19). The major risk for firms of following a production orientated philosophy, as Lancaster and Reynolds (2005: 10) asserted, lay in losing focus on market demands and enabling competitors to react to those demands at a faster pace. Lancaster and Reynolds (2005: 10) importantly noted that there are still companies operating on this philosophy today. Such organizations believe that if they produce goods of superior quality, the only reasons for non-demand would be either that the potential customers do not appreciate good quality or that the sales team is incompetent. It is clear that within this philosophy no emphasis is placed on building customer value; the role of the sales force is merely a selling function of what the company can produce and not that of offering a value basket that could attract and retain customers.

In summary, Perreault and McCarthy (2006: 16) defined the philosophy of a production orientated organization as one in which easily produced goods are manufactured and sold, with no attention paid to the importance of customers’ needs and requirements.

2.2.2 Sales era (1920s)

In moving from a production era to a sales era, organizations began to recognize that producing effectively in isolation is not enough to succeed in a competitive environment (Lancaster and Reynolds 2005: 10). A sales orientated firm generally displays the following characteristics, as noted by Lancaster and Reynolds (2005: 11):

- The primary function is to establish a proficient sales team
- Customers generally display a negative tendency towards purchasing; the sales department’s role is to change this tendency to one more positive
- Aggressive sales techniques are used to attract customers

Kumar (2004: 24) defined a sales orientated company as one which makes products and then seeks to find a customer base through advertising and sales. This definition is closely related to Perreault and McCarthy’s (2006: 16) definition of a production
orientation firm, discussed in 2.1.1 above. The difference is that the sales orientated philosophy emphasises product presentation and the presence of a strong sales team to promote the company’s products and to pursue and persuade customers to buy those products.

2.2.3 **Marketing orientation (early 1950s)**

According to Perreault and McCarthy (2006: 16), well managed firms have transferred their focus from production and sales orientation to a marketing orientated philosophy. The focus of a marketing orientated firm is to first ascertain the needs and wants of its target markets (Perreault & McCarthy 2006: 16; Lancaster & Reynolds 2005: 10) and then to deploy an integrated marketing mix to satisfy those needs and wants (Kumar 2004: 24). The execution of a marketing concept, in which all efforts are directed at customer satisfaction and at a profit to the business, is fundamental to a marketing orientated operation (Perreault & McCarthy 2006: 16; Lancaster & Reynolds 2005:12). All departments within the organization should strive to work together in an effort to enhance the progress of the marketing concept in order to ensure a profitable, satisfied customer. This is further illustrated in Figure 2.2 below, which illustrates that without an interrelated effort the marketing concept cannot be effective.

**Figure 2.2: The marketing concept**

![Diagram of the marketing concept]

*Source: Adopted from Lancaster & Reynolds (2005: 13)*
Furthermore, Figure 2.3 below graphically depicts the elements within the marketing concept combining total company effort to achieve high levels of customer satisfaction profitably.

Figure 2.3: The elements within the marketing concept

![Marketing Concept Diagram]

Source: User’s own construction, adapted from Perreaults & McCarthy (2006: 17)

Perreaults and McCarthy (2006: 17) referred to a practical process in which there is a drive towards a total team effort during meetings, however when department managers return to their respective divisions they ring fence their departments to protect what they see as their own team. Perreaults and McCarthy (2006: 17) described this behaviour as being production orientated, characterised by a lack of central thinking and rather narrow thinking within the business.

Lancaster and Reynolds (2005: 13) concurred and further argued that the main constraint for organizations moving from a sales orientation to a marketing orientation was the management of organizational change. This statement is supported by noting that a marketing department would in all likelihood require more influence and authority over other departments in order to ensure an integrated and cohesive organisation in which all efforts are directed at meeting and sustaining customer needs.

Success and survival in a competitive industry require customer satisfaction and profitability. It is important for organizations to determine the costs they will need to incur in order to achieve the desired levels of customer satisfaction - and whether or not they can remain profitable in doing so. Additionally, companies must realize the costs associated in attracting new customers and building relationships to achieve high levels of customer satisfaction (Perreault & McCarthy 2006: 17).

2.2.4 The relationship marketing era (1990s)
Dibb et al. (2012: 20) explained that during the 1990s organizations had grasped the basic elements within the marketing concept, and priorities had shifted to focus on determining customer needs, identifying priority target markets and achieving a sales drive through sales promotional activities; however, the focus was individual or transaction based. Dibb et al. (2012: 20) argued that for future long-term survival and market growth, organizations were not only dependent on such transactions, but also required sustainable customer loyalty and repetitive sales, through committed, reassuring and tailored relationship management programmes. Dibb et al. (2012: 20) further explained that relationship marketing is a mutually beneficial agreement between customers and suppliers, in which the focus is directed at value enhancement through the creation of a satisfying exchange. The next section will provide an overview on customer relationship management.

As identified in Chapter 1, market growth and customer value has been noted as two respective strategies for Detpak South Africa. In light of the literature reviewed it can be argued that Detpak South Africa is embracing the transformation from a marketing era to an era of relationship management.

2.3 BUSINESS MARKETING: GOODS VERSUS SERVICES
Numerous authors have shared the view that services are not only produced in service organizations but also play an integral part in the marketing and selling of
manufactured goods and other products (Hutt and Speh 1998: 15; Zeithaml et al. 2012: 5; Zeithaml & Bitner 1996: 16). Although these authors agreed that services play an integral role in the marketing of goods there are authors that have argued that service marketing should be viewed as a separate discipline within the business field of marketing (Palmer 1998: 2–3; Lovelock and Wirtz 2011: 37). Two models indicating the interrelation between goods and service industries will now be discussed.

2.3.1 Goods and service models

2.3.1.1 Service mix
Kotler and Keller (2011: 5) identified five different combinations of products and services within the service mix:

- Pure tangible goods: Limited amount of services offered; purely tangible product.
- Tangible goods with accompanying service: A tangible product with a service offering added.
- Hybrid: A combination of both products and services with an equal distribution of importance.
- Major service with supporting goods and service: The major component of the offering is a service with a limited amount of goods and supporting services.
- Pure service: The primary offering is of a service nature with limited tangible goods.

In this model, Detpak South Africa is positioned within the segment of **tangible goods with accompanying service**. The company’s specific target market includes distributors and wholesalers of generic and branded packaging as well as direct supply to volume viable customers within the fast food service industry.

2.3.1.2 Goods and services continuum
Further to the above classification by Kotler and Keller (2011:5), Zeithaml et al. (2012: 5) identified intangibility as the cornerstone of a service offering. The authors noted, however, that very few service markets and goods markets are purely tangible or
intangible, but that services by nature tend to be more intangible and manufactured products more tangible (Zeithaml et al. 2012: 5).

The goods and services continuum emphasises the diversity within the two sectors, as supported by various authors (Palmer 1998: 2; Lovelock & Wirtz 2004: 11; Zeithaml & Bitner 1996: 7; Zeithaml et al. 2012: 6; Blythe & Zimmerman 2005: 156). Figure 2.4 below depicts the goods and services continuum with specific reference to the positioning of Detpak South Africa.

Figure 2.4: The goods and services continuum

2.3.2 Service classification

Further to the above two models, Zeithaml et al. (2012: 4 – 5) drew a distinction between (1) service industries and companies, (2) service as a product, (3) customer service and (4) derived service, discussed below:

2.3.2.1 Service industries and companies
Service industries and companies are those organizations typically classified within the service industry where the core product offering is a service. Organizations within this category are seen to be pure service organizations.

2.3.2.2 Service as a product
Service as a product represents intangible product offerings that customers value within the market place. These products may be offered by both pure service companies and manufacturing companies.

2.3.2.3 Customer service
Customer service is the service offering in support of an organization’s core product and is, as a norm, excluded from the purchase price.

2.3.2.4 Derived service
Derived service refers to the service provided by the product and not the product itself. A razor, for example, provides a barbering experience.

The effectiveness of customer service is critical to the enhancement of customer satisfaction for Detpak South Africa. The next chapter will discuss the aspects of service quality that incorporate important aspects of customer service.

2.4 MARKETING STRATEGY
Perreault and McCarthy (2006: 34) defined a marketing strategy as “a two-step process that specifies the selected target market and the related marketing mix.” A marketing strategy specifies a particular customer market as the target market (Perreault & McCarthy 2006: 34). The reason for the identification of a specific target market is to enable organization to develop a specific marketing mix that will allow a competitive advantage over rivals to best satisfy the target market’s demands (Perreault & McCarthy 2006: 34).

Blythe and Zimmerman (2005: 86) referred to the relationship between market segmentation, target marketing and positioning as a single process. This is depicted in Figure 2.5 below.
The marketing strategy will now be discussed with specific reference to the two-step process: firstly, the target market, which includes the single process of market segmentation, target market segmentation and positioning, and secondly the marketing mix.

### 2.4.1 Market segmentation, target markets and positioning

Blythe and Zimmerman (2005: 86) broke the single process of segmentation, targeting and positioning down to a sequential three-step process:

- The first step involves grouping potential customers into segments along common variables
- Step two selects the most attractive segmentations for the marketing effort
- The third and final step is to place the organization into the minds of the buyers. Once this position has been identified the company will develop a marketing strategy around this position.

#### 2.4.1.1 Market segmentation

Blythe and Zimmerman (2005: 87) defined a market segment as "a group of customers who can be reached with a tailored specific marketing mix." Blythe and Zimmerman (2005: 87) further noted that it is important for organizations to find the correct fit of market segmentations; organizations often fail because they identify either too many or too few segmentations. The tests of good market segmentation
are listed in Table 2.1 below and supported by numerous authors (Blythe & Zimmerman 2005: 87; Hoffman et al. 2005:244; Brennan 2007: 163-164).

Table 2.1: Test of a good segment

<table>
<thead>
<tr>
<th>Measurable</th>
<th>Substantial</th>
<th>Accessible</th>
<th>Differentiable</th>
<th>Stable</th>
</tr>
</thead>
</table>

Source: Adapted from Blythe and Zimmerman (2005: 87)

Through the process of market segmentation, organizations use segmentation variables to describe characteristics of each part of the market. Hoffman (2005: 245) defined segmenting as the “process of devising markets into homogeneous groups based on similar characteristics.” The criteria for market segmentation for Detpak South Africa are noted in Table 2.2 below.

Table 2.2: Detpak South Africa: Market segmentation criteria

<table>
<thead>
<tr>
<th>Segmentation basis</th>
<th>Applied segmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic segmentation</td>
<td>National distributors and wholesalers represented in 8 of the 9 provinces within South Africa. The 9th province, North West, is represented through distributors within Gauteng.</td>
</tr>
<tr>
<td>Benefits-Southeast segmentation</td>
<td>Distributors, wholesalers and fast food organizations have the option of a generic product or a branded specific product.</td>
</tr>
<tr>
<td>Behaviour segmentation</td>
<td>Quality products and appropriate service quality allow for loyalty and brand awareness within the fast food industry.</td>
</tr>
</tbody>
</table>
| Situation segmentation | Distributors and wholesalers: Bulk stock movement into distributors and wholesalers to supply end consumer                  
|                        | National Accounts: Top end retail stores and fast food accounts where volume viability is present                                                  |

Source: User’s own construction, adapted from Hoffman et al. (2005)
During the selection of best segments the organization must determine whether the segment will growth fast enough, large enough and profitably enough. Blythe and Zimmerman (2005: 93) further pointed out that companies need to ensure that they fully understand all the variables in the selected potential segment, including factors such as:

- Competitive activity
- Government regulations and impact
- Environmental concerns and requirements
- Customer demands and specific requirements
- The effect on current customers and relationships

Blythe and Zimmerman (2005: 94) critically noted that organizations must ensure that the segmentation selected must fit in with their future strategy, aligned with corporate direction, management commitment and the organizations’ requirements to execute the selected strategy.

2.4.1.2 Target market segments
Blythe and Zimmerman (2005: 95) asserted that, once the segmentation process has been completed, organizations must determine which target market segments they wish to serve, in line with their overall strategy. The authors identified three possible approaches to market targeting:

- **Undifferentiated marketing** attempts to use one marketing mix to serve market segments within the entire market. Characteristic to undifferentiated marketing is the lifespan, which lasts until competition is present.
- **Differentiated marketing** focuses on developing custom marketing mixes for each selected market segment.
- **Concentrated marketing** is custom to organizations with limited resources and concentrates on only a few market segments with the strategy of building a dominant market position within that segment.
2.4.1.3 Positioning

Perreault and McCarthy (2006: 73) defined positioning as how customers think of a brand or organization. The authors further noted that it is critical for marketing managers to understand how they want target customers to view their organization, the brand and the product offering. Where competition is relatively equal, it is important for an organization to create a point of differentiation from its competitors and to ensure that target customers acknowledge the importance thereof. Tracey and Wiersema (1993: 84) identified three value disciplines for companies that have taken leadership positions: operational excellence, customer intimacy and product leadership. It is further noted that for an organization to stand out from its competitors it needs to excel in one of the three value disciplines and to at least meet the industry standard on the remaining two value disciplines.

2.4.2 THE MARKETING AND SERVICE MIX

There are several ways in which customers can be satisfied including, amongst others, fair pricing, value, promotions, service levels, product attributes and brand identity. A useful way to reduce the number of variables is through the use of the well-known 4P’s model – product, place, promotion and price – as supported by many authorities (McCarthy & Perreault 1991: 33-34; Hoffman et al. 2005: 17-19; Palmer & Cole 1995: 13-17).

Palmer (2009: 21-25) and Dibb et al. (2012: 29-32) argued a fifth P: people. People are critical to the marketing mix, both within the service industry and in the product industry. This variable requires a close interaction between the marketing department and human resources department of an organisation, to ensure that the correct screening, selection and employment processes are followed and the correct people with the required skills are employed (Palmer 2009: 24).

Wilson et al. (2012: 20) supported Palmer’s view (2009: 24) and noted three additional elements to the traditional 4P marketing mix: people, physical evidence and processes. Wilson et al. (2012: 20) described the expanded marketing mix as a 7P service mix, as illustrated in Figure 2.6 below.
Figure 2.6: The marketing mix

Source: User's own construction, adapted from Palmer (2009: 21)

Palmer (2009: 21) importantly noted that the marketing mix is not a theory but a conceptual framework identifying the important decisions made by marketing managers to tailor their offerings to fulfil customer needs. The marketing mix is a convenient way to analyse these decisions. Central to the marketing mix is the customer; however the customer does not form part of the marketing mix (McCarthy & Perreault 1991: 33).

Detpak South Africa is a manufacturing company with a combination of both product and service marketing. The 7P’s identified by Wilson et al. (2012: 21-25) play a collective role within the marketing mix for Detpak South Africa, as illustrated in Table 2.3 below.
Table 2.3: Key elements within the marketing mix for Detpak South Africa

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
<th>Place</th>
</tr>
</thead>
</table>
| Differentiated basket:  
- Local manufactured  
- Imported products  
- Complete basket offering  
- Customization to customers’ specific requirements  
- Packed to specification for ease of use | Price lists:  
- Standard list price  
- Special volume list price  
- Special imported goods price list  
- Distributors price list | Distribution channels:  
- Detpak – wholesalers – end consumer  
- Detpak – wholesalers – fast food industry  
- Detpak – fast food industry  
- Customer collected orders  
- National distribution  
- Minimum price breaks for delivery |

<table>
<thead>
<tr>
<th>Promotion</th>
<th>People</th>
<th>Physical evidence</th>
<th>Process</th>
</tr>
</thead>
</table>
| Promotional samples  
Sponsorships  
Advertising – local news media  
Internet catalogues  
Distributors’ word-of-mouth | Front line employees  
- Sales force  
- Management  
- Logistics  
Appearance  
Professional approach  
3rd party contact through distribution network | Manufacturing plant  
- Customer visits  
- Compliance audits  
- Manufacturing standards  
Formal communication:  
- Official documentation  
- Price movement notifications  
Company presentations  
Front-line employees and management presentation | Internal processes  
- Response time to market  
- New product development  
- Quality control  
- Standard operating procedures  
- Manufacturing lead times and flexibility |


Palmer (1995: 15-17; 2009: 21-25) and Wilson et al. (2012:20–23) defined the various elements within the marketing mix as follows:

- **Products**: Both tangible and intangible of nature, products are the means by which organizations satisfy their customers’ needs.
• **Pricing**: Pricing determines the revenue that an organization will generate; this is in contrast with the other six elements, all of which focus on expenditure.

• **Place**: The place decision is determined by how easy an organization wants to make it for customers to purchase their products. It is important to note that the place of purchase and place of manufacturing might be different, in which case the transfer or transport of goods from point of manufacture to a point of distribution, purchase or consumption must also be considered.

• **Promotion**: Promotion involves the communication used by an organization to promote its products to the target market and could include amongst others advertising, personnel selling, sales promotion and sponsorship.

• **People**: All human interaction with customers during the process of service delivery plays a critical role within the element of people and may include contributing factors such as dress code, personnel appearance, attitudes and behaviours.

• **Physical evidence**: Physical evidence relates to the environment in which the service is delivered and where the interaction between the customer and organization takes place. Imperative is the contribution of all tangible components such as brochures, letterhead, reporting formats and equipment.

• **Process**: Process refers to the service deliveries and operating systems, the actual procedures, mechanisms and flow of activities.

### 2.5 CONCLUSION

Chapter 2 provided an overview of key components within the business-to-business marketing environment with specific focus on service marketing and the marketing of products as both these concepts have an imperative impact on the marketing for Detpak South Africa. Chapter 3 will provide an overview of key concepts used in the field of both service and goods marketing, which is strategically important for Detpak South Africa in its goal of achieving the organizational strategies as identified in Chapter 1.
The key concepts for discussion will include:

- Relationship marketing
- Customer value
- Service quality
- Customer satisfaction
- Customer loyalty
CHAPTER 3

AN OVERVIEW: KEY CONCEPTS IN THE FIELD OF SERVICE AND GOODS MARKETING

3.1 INTRODUCTION

“We value mutually beneficial long-term partnerships with both our suppliers and customers.” (Nampak, 2013)

“We believe that the task of ensuring sustainable, profitable growth belongs to us all in partnership. We call it a prosperity partnership. It is a culture in which people at all levels have the responsibility, authority and accountability to get on with the job of creating sustainable value for all our stakeholders. It is a culture that is customer-focused, and output and performance based. Ensuring on-going customer satisfaction is up to all us. We are in it together.” (Afripack, 2013)

“We pride ourselves on our decentralised structure, with operations managers being responsible for customer relationship management and financial performance. We maintain close relationships and adapt quickly to customer needs, developing products tailored to specific requirements.” (M pact, 2013)

“We are committed to providing excellent service to our customers and believe our employees are one of our major assets.” (Gundle, 2013)

The above statements have been extracted from a number of leading packaging companies’ strategies and vision statements within South Africa. Pertinent to these statements are the concepts:

- Value creation for customer and stakeholder
- Customer relationships
- Customer satisfaction
- Excellent service to our customers

It is evident that organizations that embrace the marketing concept seek ways to build long-term profitable relationships with their customers (Perreault & McCarthy 2006: 20-21). This chapter will commence with a discussion on the importance of
relationship marketing to both the organization and its customers, followed by an overview of customer value. Customer satisfaction will be discussed by means of an overview and the importance of the customer dissatisfaction model followed by an in-depth review of service quality. The dimensions of SERVQUAL will be addressed as well as an overview and relevance of the Gaps model.

3.2 RELATIONSHIP MARKETING
The evolution of the marketing concept with reference to movement across four different eras has been discussed. As identified by Dibb et al. (2012: 20) and Hoffman et al. (2005: 8-9), the fourth era is known as relationship marketing orientation. Ziethaml et al. (2012: 147) defined relationship marketing as a paradigm shift away from a transactional focus towards a retention/relationship focus. Hoffman et al. (2005: 8) referred to the marketing concept as one that seeks to create and sustain long-term relationships, not only with customers but with all stakeholders of the organization.

Zeithaml et al. (2012: 147) documented the ideas of the former president of marketing for Holiday Inns, James L. Schorr: “Firms frequently focus on attracting new clients but then pay little attention to what they should do to keep them”. Schorr referred to this phenomenon as “the bucket theory of marketing”, explaining that whilst an organization is performing well it is easy for the bucket to be kept full of satisfied customers. However, when there are concerns and unsatisfied customers it is difficult to plug the holes in the bucket as customers are ‘flowing out’ faster than new customers can be added. Zeithaml et al. (2012: 147) supported Schorr’s views by noting that marketers have historically been more concerned about acquiring new customers than retaining existing ones. It is further noted that a shift towards a relationship strategy would require changes in mind-set, organizational culture and employee reward systems.

3.2.1 The evolution of customer relationships
Zeithaml et al. (2012: 147-152) referred to relationship building as a process that evolves over time and created a typology of exchange relationships, presented in Table 3.1 below, between strangers, acquaintances, friends and partners:
**Strangers:** One of the strategies followed by Detpak South Africa, as noted in Chapter 1, is market growth. Aggressive sales techniques, accompanied by an appropriate marketing mix, are used to attract new customers.

**Acquaintances:** The drive towards business growth through the acquisition of new customers has shifted a fair contribution of Detpak South Africa’s current customer base into the acquaintances category. These customers have had a few dealings with Detpak South Africa and it is imperative for the company to achieve high levels of customer satisfaction consistently, as was identified as a further strategy in Chapter 1. Focus areas for Detpak South Africa could include:

3 Building knowledge and ‘know-how’ about these customer and their respective requirements
4 High levels of customer satisfaction to avoid them obtaining further information from the market and market offerings
5 Building barriers to switch
6 Uniquely differentiated product and service offerings

**Friends:** Another strategy noted in Chapter 1, value creation is a critical factor to operating successfully within this category. It is important to offer a customized product and service offering that will create value for the customer. Value creation together with high levels of customer satisfaction delivered over a period of repurchases will improve the trust relationship between Detpak South Africa and its customers.

**Partners:** Detpak South Africa currently services a number of customers within the fast foods industry, which would be categorized within the Partners category. Key to these relationships is the personal investment of resources to ensure customers’ demands are known to all and a collective effort to ensure:

- A uniquely differentiated product offering
- A unique value proposition tailored to specific customers
- Total company commitment to customer satisfaction
- Fast knowledge of the customer base, across all levels within the organization
More specifically, and in line with Detpak South Africa’s strategic intentions to create customer value, enhance customer satisfaction levels and enhance customer loyalty through repeat purchases, the company should focus on shifting three market segments from acquaintances to become friends and partners:

- Wholesalers and distributors of generic products
- Wholesalers and distributors of branded products
- Customers within the fast food industry, who are extremely price sensitive
Table 3.1: A typology of exchange relationships

| Source | User’s own construction, adapted from Zeithaml et al. (2012: 149) |

<table>
<thead>
<tr>
<th></th>
<th>Strangers</th>
<th>Acquaintances</th>
<th>Friends</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product offering</strong></td>
<td>Attractive against competitive offering</td>
<td>Generic products as an industry standard</td>
<td>Product differentiation for specific market segments</td>
<td>Customization of product and service offering to individual customers</td>
</tr>
<tr>
<td><strong>Competitive advantage</strong></td>
<td>Attractiveness</td>
<td>Satisfaction</td>
<td>Satisfaction + trust</td>
<td>Satisfaction + trust + commitment</td>
</tr>
<tr>
<td><strong>Buying activity</strong></td>
<td>Interest, exploration and trial</td>
<td>Satisfaction facilitates and reinforces buying activity and reduces the need for the search for market information</td>
<td>Trust is required to continue doing business</td>
<td>Commitment to information’s sharing and individual investment is required to achieve a customized offering to suit customer requirements</td>
</tr>
<tr>
<td><strong>Focus of selling activities</strong></td>
<td>Awareness of firms offering facilitates initial selling process</td>
<td>Familiarity and general knowledge of customer facilitates selling</td>
<td>Specific knowledge of customers’ needs facilitates selling</td>
<td>Specific knowledge of customer’s need and situation and individual investment facilitates selling</td>
</tr>
<tr>
<td><strong>Relationship time horizon</strong></td>
<td>None – might have no previous dealings or know knowledge of organization</td>
<td>Short: Buyers can easily switch to alternative suppliers with no real barriers to switch</td>
<td>Medium: Generally longer as trust in a differentiated position takes longer time to build and imitate</td>
<td>Long: It takes time to build interconnected activates and to develop a detailed knowledge of a customer’s needs. It also takes longer for a supplier to commit unique resources to the relationship.</td>
</tr>
<tr>
<td><strong>Sustainability of competitive advantage</strong></td>
<td>Low: Continuously find new ways to attract customers through a value proposition</td>
<td>Generally low: Competitors can vary in how they offer value even with the products conforming to industry standards</td>
<td>Generally medium, dependant on the competitors ability to understand the customers’ needs and to supply a differentiated product to support the needs of the customer</td>
<td>High: Dependent on how unique and effective the interconnected activities between customer and supplier are organized</td>
</tr>
<tr>
<td><strong>Primary relationship marketing goal</strong></td>
<td>Customer acquisitions</td>
<td>Customer satisfaction</td>
<td>Customer retention</td>
<td>Enhance customer relationships</td>
</tr>
</tbody>
</table>
The customers within these three market segments display characteristics of transactional buying with limited customer loyalty – Table 3.2 depicts the characteristic comparisons between traditional transaction-orientated marketing and relationship marketing. As price is the only determinant to switch between suppliers it is understandably difficult to create sustainable growth within these market segments.

Table 3.2: Components of transactional and relationship marketing

<table>
<thead>
<tr>
<th>Transaction-orientated marketing</th>
<th>Relationship marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single sales focussed</td>
<td>Focussed on customer retention</td>
</tr>
<tr>
<td>Short-term orientated</td>
<td>Long-term orientated</td>
</tr>
<tr>
<td>Sales to anonymous buyers</td>
<td>Tracking of named buyers</td>
</tr>
<tr>
<td>Sales person is the interface between buyers and sellers</td>
<td>Multiple levels of relationships between buyer and seller</td>
</tr>
<tr>
<td>Limited customer commitment</td>
<td>High customer commitment</td>
</tr>
<tr>
<td>Quality is the production department’s concern</td>
<td>Quality is the responsibility of the company in totality</td>
</tr>
</tbody>
</table>

Source: User’s own construction, adapted from Palmer (2009: 137)

Focussing on the key contributing elements required to evolve customers from strangers and acquaintances to friends and partners will contribute to the shift from a transactional-orientated marketing environment to a relationship marketing environment. This will contribute to the success of the key strategies identified in Chapter 1:

- Market share increase – Market growth
- Value creation
- Enhancing customer satisfaction levels – Customer satisfaction
- Enhancing customer loyalty – Customer loyalty

3.2.2 Benefits for customers and organizations

3.2.2.1 Benefits for customers

Providing that customers are trading in a free market, they will remain loyal to a firm from which they receive greater value relative to that of a competitive offering (Zeithaml et al. 2012: 153). Besides the intrinsic value of receiving service value,
Zeithaml et al. (2012: 153) identified three types of relational benefits that customers experience in long-term relationships:

- **Confidence benefits**: Comprises feelings of trust or confidence in the suppliers along with a reduction in anxiety and the comfort of knowing what to expect. These are critical elements of the Partners category in the typology of exchange relationships noted in Table 3.1.

- **Social benefits**: Customers develop a sense of familiarity and even a social relationship with their suppliers. It is noted that it is often personal and professional relationships that form the basis of customer loyalty. These benefits are important to customers’ quality of life (both personal and work related), above the technical support received from the product or service.

- **Special treatment benefits**: These include benefits with which the customer feels special in the relationship and could include special deal prices and special promotions specific to the customer.

### 3.2.2.2 Benefits for firms (suppliers)

Developing and maintaining customer relationships assists suppliers with customizing the experience, which enhances customer satisfaction, customer retention through repeat purchases, sales growth and profitability (Hoffman et al. 2005: 10). Besides the economic benefits, firms often receive customer buying behaviour benefits and human resource management benefits as noted by Zeithaml et al. (2012: 154) below:

- **Economic benefits**: Customer relationships enhance customer loyalty and retention over time. As customers develop trust in their supplier - due to an increase in customer satisfaction and service quality - they allocate more of their business basket with the supplier. A further economic benefit is the reduction in marketing expenditure utilized to acquire new customers and it is thus imperative for supplier organizations to build on customer relationships to ensure longer-term loyalty and repurchase intentions.

- **Customer behaviour benefits**: Long-term customer relations lead to free advertising by word-of-mouth, both within the service and goods markets.
Organizations aspire to move customers up the ladder of loyalty to the point where they will positively advocate the firm’s products and services. This can be clearly seen in Figure 3.1 (Palmer 2009: 138).

Figure 3.1: The ladder of loyalty

![Diagram of the ladder of loyalty](image)

Source: Adapted from Palmer (2009: 138)

Organizations can deploy a number of methods to create effective customer relations. Three such methods are discussed below: customer value, customer satisfaction and service quality. These three methods are often used interchangeably by managers although recent studies have viewed these concepts as unique and different (Rust & Oliver 1994: 2; Cronin & Taylor 1992: 55).

### 3.3 CUSTOMER VALUE

Managers should be concerned with creating good value to customers through effective execution of the marketing mix discussed in Chapter 2. Lilien and Grewal (2012: 17) asserted that value understanding and management is the core of all marketing strategies. They further stated that the “way in which an organization defines, develops and delivers value to its customers is the sum of all marketing capabilities within the organization, and thus it is the marketing capabilities of an organization that determines how the organization must combine, transform and deploy its resources.” Numerous definitions exist for this widely used concept.
Woodruff and Gardial (1996: 54) noted that most definitions incorporate the economic perspective of 'value add'. The suggestion from Woodruff and Gardial (1996: 54) was to broaden this concept to understand value from a customer's perspective by asking the correct questions to customers and using this information effectively across the organization.

Following the views of Woodruff and Gardial, customer value can be defined as the customer’s perception of what they want to have happen in a specific use situation, with the help of a product or service offering, to ensure the accomplishment of a desired goal or objective (Woodruff & Gardial 1996: 54; Rust & Oliver 1994: 7). Value is created through a product or service offering that is required by the customer in exchange for a sacrifice; thus, something of value is gained in return for something else of value. This is depicted in Figure 3.2.

Figure 3.2: Fundamental components of value

<table>
<thead>
<tr>
<th>Monetary costs</th>
<th>Perceived sacrifice</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psychic Costs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Perceived sacrifice</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product benefits</td>
<td></td>
</tr>
<tr>
<td>Service benefits</td>
<td></td>
</tr>
<tr>
<td>Personnel benefits</td>
<td></td>
</tr>
<tr>
<td>Image benefits</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Hoffman et al. (2005: 20)

Mixed definitions and inconsistencies within the definition of customer value leads to poor execution of business and marketing strategies. Organizations must ensure that they have the know-how of what their customers view as value. Considering the complexities within the business world and referring to the different levels of decision making within the buying process it is important for organizations to identify the needs of their respective clients and their buying behaviours at different levels within the organization (Lilien & Grewal 2012: 16; Lovelock & Wirtz 2004: 23). Understanding customer needs and the creation of an offering of real value to satisfy those needs, is at the heart of business strategy (Lilien & Grewal 2012: 19). Woodruff and Gardial (1996: 55-59) and Rust and Oliver (1994: 7) referred to customer value as a trade-off.
between the positive and negative consequences of product use or services as perceived by customers, as depicted in Figure 3.3.

Figure 3.3: Value as a trade-off in consequences.

Woodruff and Gardial (1996: 57-58) further argued that organizations need to understand that customers will receive multiple consequences from an offering, both positive and negative, and that the ability to understand the trade-offs that customers are willing to make will create strategic opportunities for organizations.

Woodruff and Gardial (1996: 64-65) put forward a hierarchical view of value, as shown in Figure 3.4. The hierarchy focuses on how products or services relate to customers and is represented at three levels: attributes, consequences and desired end-states.
Attributes: There may be several attributes or bundles of attributes that make up a product or service offering (Woodruff & Gardial 1996: 64).

Consequences: Consequences are a direct result of the product and service offering and could be a positive or negative feeling (Woodruff & Gardial 1996: 65).

Attributes describes the product or service whilst consequences refers to the result of the consumption process of the product or service.

Desired end results: At the top of the hierarchy, desired end results includes the core values, purposes and goals of the product and service offering (Woodruff & Gardial 1996: 69).

Woodruff and Gardial (1996: 70–72) further noted three characteristics within the hierarchy detailed below:

- All three levels within the hierarchy are interconnected; thus the lower levels are the means by which the higher level ends are achieved.
- The level of abstraction increases at higher levels in the hierarchy. Attributes tend to be mostly objective and concretely defined; consequences tend to be more abstract in nature and desired end results are most abstract.
- Thirdly, it is important to understand that there is no specific value hierarchy for a product or service and that the use situation is a critical determination of value.
Creating value and delivering it to the customer is an approach widely used by management to transform “rigid organizations” into responsive, world-class performers (Band 1991: 21). Band (1991: 21) described the process of value creation as strategic, systemic and continuous.


**Systemic**: Value creation often entails organizational and behavioural change (Band 1991: 21; Woodruff & Gardial 1996: 277-278).

**Continuous**: Due to the fast changing, competitive industry, the challenge of gaining and keeping customers requires dedicated attention to achieve constantly higher levels of performance (Band 1991: 21; Lilien & Grewal 2012: 21).

Band (1991: 21) also described value creation as the ultimate customer strategy as it allows for multiple perspectives across all functional areas within an organization to work together towards the common goal of creating and delivering customer value. Dibb et al. (2012: 20) and Hoffman et al. (2005: 8-9) supported this view, as noted in Chapter 2, and referred to relationship marketing as a fourth era in the transformation of the marketing concept. It is imperative for the organization as a whole to focus on delivering customer value and achieving required levels of customer satisfaction (Lovelock & Wirtz 2004: 23).

### 3.4 CUSTOMER SATISFACTION

Numerous studies have indicated that customer satisfaction secures future revenue streams through repurchase intentions (Anderson et al. 1994: 53; Fornell 1992: 3). Woodruff and Gardial (1996: 86) believed that customer value describes the relationship between user and product whilst customer satisfaction is the reaction to the value received from a particular product offering. Band (1991: 80) further defined customer satisfaction as a state in which customers’ needs, wants and expectations are met or exceeded through the transaction cycle, resulting in loyalty and repurchasing. Band (1991: 80) supported the cited definition by the use of a simplistic ratio, seen in Figure 3.5.
Numerous authors have referred to the expectancy-disconfirmation model as the most dominant theory of customer satisfaction (Woodruff & Gardial 1996:87; Oliver 1980: 115; Hom 2000: 101-102). The expectancy-disconfirmation model, depicted in Figure 3.6, is an evaluation process to determine the level of satisfaction or dissatisfaction.

Customer satisfaction is a measure of the customer’s perception of performance and might be different from the service provider’s belief of the product or service performance (Woodruff & Gardial 1996: 87). From this model, Hom (2000: 102) identified five key elements:

- **Perceived performance** often differs from objective or technical performance, especially when the product or service is complex, intangible or when the consumer is unfamiliar with the product or service.
- **Comparison standards** may come from a wide variety of sources.
- **Perceived disconfirmation** is the evaluation of perceived performance against a measurable standard and can have a positive effect (satisfied result), negative effect (generally dissatisfying result) or a zero effect.
- **Outcomes of satisfactory feelings** may lead to an intent to repurchase, word-of-mouth communication and/or complaints.

It is important for organizations to identify the comparative standard that their customer applies when measuring disconfirmation. Woodruff and Gardial (1996: 90-93) identified six different types of comparable standards:
- **Expectations**: Customer’s belief of product / service performance.
- **Ideals**: Ideals measures the customer’s performance wish of the product or service.
- **Competitors**: The perceived performance of competitors may be used as a standard to measure.
- **Other product categories**: Products within different product categories may be used as a comparable measurement.
- **Marketer promise**: A comparison standard that the customer adopts based on promises that were made by company representatives, media communication or some other form of corporate communication.
- **Industry norms**: Customers with a comprehensive knowledge of the standards set across the industry may use average industry standards as the basis for comparison.

Anderson *et al.* (1994: 54) noted that there are two distinct conceptualizations of customer satisfaction: transaction specific satisfaction and cumulative satisfaction. Transactional satisfaction refers to the customer’s satisfaction post-transaction whilst cumulative satisfaction refers to the satisfaction evaluation over the total purchase, usage and experience over a period of time. The framework for this study treats customer satisfaction as a cumulative experience which serves as a better indicator of a firm’s past, current and future performance.
3.5 SERVICE QUALITY

3.5.1 Importance of service quality

It is important to have an in-depth understanding of concepts such as customer satisfaction and customer value as these drive a customer’s future decision-making and purchase behaviour through purchase retention (Rust & Oliver 1994:3). In a highly competitive industry it is imperative for organizations to differentiate themselves from their rivals. Unlike product quality that is manufactured at a production plant and delivered to a customer, service quality is a process that cannot be counted, measured, inventoried, tested and verified in advance to ensure a quality service delivery (Zeithaml et al. 1988a: 35). Zeithaml et al. (1988a: 35) further noted that in most service deliveries, quality occurs in an interaction between the customer and employees of the organization, and thus quality of service is highly dependable on employee performance.

3.5.2 Dimensions within service quality

In the mid-1980s, Parasuraman et al. (1985: 46- 49) developed a framework identifying ten dimensions of service quality used by customers to evaluate the quality of service delivery. These are depicted in Table 3.3.

Table 3.3: The ten dimensions of service quality

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition and key elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>Includes the physical evidence of service:</td>
</tr>
<tr>
<td></td>
<td>• Appearance of all employees in contact with clients</td>
</tr>
<tr>
<td></td>
<td>• Delivery vehicles</td>
</tr>
<tr>
<td></td>
<td>• Tools and equipment</td>
</tr>
<tr>
<td></td>
<td>• Manufacturing plant / Company office</td>
</tr>
<tr>
<td>Reliability</td>
<td>Involves the consistency of service and dependability:</td>
</tr>
<tr>
<td></td>
<td>• Honouring commitments</td>
</tr>
<tr>
<td></td>
<td>• Ability to perform service delivery as promised</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Willingness and readiness of organization to provide the service offering:</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>• Time-base driven</td>
</tr>
<tr>
<td></td>
<td>• Ability to react swiftly</td>
</tr>
<tr>
<td>Competence</td>
<td>Possession of the necessary knowledge and know-how of the market:</td>
</tr>
<tr>
<td></td>
<td>• Frontline employees</td>
</tr>
<tr>
<td></td>
<td>• Management and operational employees</td>
</tr>
<tr>
<td></td>
<td>• Research and product development</td>
</tr>
<tr>
<td>Access</td>
<td>Approachability and ease of contact:</td>
</tr>
<tr>
<td></td>
<td>• Convenient hours of business</td>
</tr>
<tr>
<td></td>
<td>• Excessive time waiting for service</td>
</tr>
<tr>
<td>Courtesy</td>
<td>Includes politeness, consideration, friendliness and respect to customers</td>
</tr>
<tr>
<td>Communication</td>
<td>Keeping customers informed, formally and informally and in a preferred language of their choice</td>
</tr>
<tr>
<td>Credibility</td>
<td>Includes having the customer’s interest at heart by focussing on relationships to ensure trustworthiness, believability and honesty:</td>
</tr>
<tr>
<td></td>
<td>• Brand reputation</td>
</tr>
<tr>
<td></td>
<td>• Company name and reputation</td>
</tr>
<tr>
<td></td>
<td>• Personnel characteristics</td>
</tr>
<tr>
<td>Security</td>
<td>Includes elements such as physical safety, financial stability and confidentiality.</td>
</tr>
<tr>
<td>Knowing the customer</td>
<td>Understanding customer needs, how they measure service quality and customer satisfaction and how to provide a total solution</td>
</tr>
</tbody>
</table>

Source: User’s own construction, adapted from Parasuraman et al. (1985: 47) and Zeithalm et al. (1988b: 23)
A subsequent study conducted by Zeithalm et al. (1988b: 23) narrowed the original ten-dimensional framework down to five dimensions. Table 3.4 below depicts the adjusted, five-dimensional model, well-known and supported within literature as SERVQUAL. The table further presents the important characteristics associated within Detpak South Africa within each of the five dimensions.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Characteristics</th>
<th>Characteristics with Detpak South Africa</th>
</tr>
</thead>
</table>
| Tangible  | Physical facilities and appearances | • Delivery vehicle appearances  
• Front line employees appearances including management, sales force and distribution |
| Reliability | Performing the service dependably and accurately | • Ensuring delivery on time as per commitment to customer  
• Ensuring that the delivery quantity is fulfilled to the order quantity  
• Ensuring all documentation is recorded correctly including delivery address, purchase order numbers and price  
• Delivering to commitments including return calls, problem solving and information sharing |
| Responsiveness | The willingness to assist customers promptly | • Ensuring prompt response to:  
  o Quotations  
  o Distribution queries  
  o Confirmation of orders  
  o Administration and account queries  
  o Returning calls  
  o Internal customer support  
  o Internal sales – new business prospects  
  o Calling customers at distribution |
| Assurance  | Knowledge and courtesy of employees and their ability to promote trust and confidence | • Knowledge on total product offering  
• In-depth understanding of the marketing mix and service mix components and the integration into the selected target markets  
• Operational and supply constraints: Avoiding the concept of over promise and under deliver. |
Rust and Oliver (1994: 5) supported the SERVQUAL model and further supported the findings of Zeithalm et al. (1988a: 35), which stated that customers entertain an expectation on the dimensions of the SERVQUAL model followed by an observation of the actual performance which, in turn, leads to their perception of the quality of service delivered. Parasuraman et al. (1985: 46) developed a theory of the “Gaps” model of service quality, in which service quality is viewed as the gap between the expected level of service and customers’ perceptions of the actual service received. This model was supported by Zeithalm et al. (1988a: 35) and is depicted in Figure 3.7.

Table 3.4: SERVQUAL service dimensions

<table>
<thead>
<tr>
<th>Empathy</th>
<th>Individual attention to customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commit to promises, throughout the organization no matter how small or big the promise.</td>
</tr>
<tr>
<td></td>
<td>Building long-term customer relations.</td>
</tr>
<tr>
<td></td>
<td>Moving towards a partners exchange relationship as depicted in Table 3.1.</td>
</tr>
</tbody>
</table>

3.5.3 “Gaps” model for service quality

Rust and Oliver (1994: 5) supported the SERVQUAL model and further supported the findings of Zeithalm et al. (1988a: 35), which stated that customers entertain an expectation on the dimensions of the SERVQUAL model followed by an observation of the actual performance which, in turn, leads to their perception of the quality of service delivered. Parasuraman et al. (1985: 46) developed a theory of the “Gaps” model of service quality, in which service quality is viewed as the gap between the expected level of service and customers’ perceptions of the actual service received. This model was supported by Zeithalm et al. (1988a: 35) and is depicted in Figure 3.7.

Figure 3.7: Integrated Gaps model of service quality

Source: Parasuraman et al. (1985: 44)
The Gaps model presented by Parasuraman et al. (1985: 44-47) identified four “gaps” within organizations (marketers) that could adversely affect service delivery. The model identifies possible areas of failure resulting from the service provided and seeks to assist management with root-cause analysis to determine the reasons for failure.

**Gap 1:** Not understanding customers’ expectations of the service required. This is the gap between what organizations perceive to be their customers’ expectations and what the customers expected.

**Gap 2:** This is the difference between an organization’s perception of their customers’ expectations and the translation of those perceptions into a service quality offering; characterized by the absence of total management commitment to service excellence.

**Gap 3:** This is the difference between service quality standards or specifications and the actual service quality delivered to customers.

**Gap 4:** This is the difference between the organization’s commitment to service quality and the actual service quality delivered. Organizations must caution against over commitment as this may raise false expectations and lead to adverse effects once actual service delivery is known.

A fifth gap, **Gap 5**, refers to the difference between the customer’s expectation of service and the perceptions of the actual service quality performance. Parasuraman et al. (1985: 46) emphasised that organizations should strive to close Gap 5 as this is the gap that will determine customer’s perception of the service quality delivered.

### 3.6 CONCLUSION

Chapter 3 provided an overview of critical concepts within the field of marketing, both to goods and service organizations. Detpak South Africa is positioned in a goods and services environment and an understanding of these concepts is imperative for the organization to achieve its strategic vision and objectives. It was further noted in Chapter 3 that although the key concepts of customer relationships, customer value, customer satisfaction and service quality are closely related, they are uniquely
different and these were individually analysed and discussed. In summary, by satisfying customer requirements through an appropriate marketing mix and quality service, organizations can create superior customer value that will set them apart from rivals within a fiercely competitive environment. Satisfied customers will seek to repurchase, which will enhance the profitable relationship between the customer and the organization.

Chapter 3 concludes the theoretical study on business-to-business marketing and critical concepts within the field of marketing. Chapter 4 will discuss the research design and methodology followed in this study.
CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

Chapter 1 identified and discussed the main problem and sub-problems that this research study seeks to resolve. Chapter 2 and 3 presented a literature study on key concepts and theory applicable to this research.

Chapter 4 will address the research design and methodology applied within this research. The chapter will commence with an overview of research and its key characteristics followed by an in-depth review of the different types of research available. Hereafter a discussion will follow on the research design and methodology used within this study, followed by the tests of reliability and validity. The chapter will conclude with an overview of data analysis.

4.2 RESEARCH DEFINED

It has been argued by numerous authors that there is no consensus in the literature on how research should be defined as research could mean different things to different people (Collis & Hussey 2003: 1; Martins et al. 1996: 5; Dane 2011: 3). Table 4.1 presents a number of definitions offered by various authors.

Table 4.1: Research defined

<table>
<thead>
<tr>
<th>Citing</th>
<th>Research defined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dane (2011: 3)</td>
<td>A critical process for asking and attempting to answer a question about the world</td>
</tr>
<tr>
<td>Blumberg et al. (2005: 4)</td>
<td>A systematic inquiry whose objective is to provide the information that will allow for managerial decision making and problem solving</td>
</tr>
<tr>
<td>Source</td>
<td>Definition</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Leedy &amp; Ormrod (2010: 2)</td>
<td>A systematic process of collecting, analysing and interpreting information in an attempt to understand the phenomenon in which we are interested or concerned.</td>
</tr>
<tr>
<td>Zikmund (1994: 6)</td>
<td>To generate accurate information for use in decision making.</td>
</tr>
<tr>
<td>Collis and Hussey (2003: 1)</td>
<td>Research is a process of enquiry and investigation, is systematic and methodical and increases knowledge.</td>
</tr>
</tbody>
</table>

In light of the above definitions, research can be broken down to the following key defining characteristics:


- **Investigates of a problem** (Sekaran 1992: 4; Maylor & Blackmon 2005: 5; Collis & Hussey 2003: 2; Martins *et al.* 1996: 6)

- **Solves a problem** (Maylor & Blackmon 2005: 5; Sekaran 1992: 4-5; Collis & Hussey 2003: 2; Leedy & Ormrod 2010: 3).

### 4.3 TYPES OF RESEARCH

Collis and Hussy (2003: 10) referred to many different types of research and classified them according to:

- The purpose of the research – the reason for conducting the research
- The process of the research – the data collection and analysis methods
- The logic of the research – whether you are moving from the general to specific and vice versa
- The outcome of the research – whether there is an attempt to solve a specific problem or a general contribution to knowledge
Table 4.2: Classification of main types of research

<table>
<thead>
<tr>
<th>Type of research</th>
<th>Basis of classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploratory, descriptive, analytical or predictive research</td>
<td>Purpose of the research</td>
</tr>
<tr>
<td>Quantitative or qualitative research</td>
<td>Process of the research</td>
</tr>
<tr>
<td>Deductive or inductive research</td>
<td>Logic of the research</td>
</tr>
<tr>
<td>Applied or basic research</td>
<td>Outcome of the research</td>
</tr>
</tbody>
</table>

Source: Adapted from Collis & Hussey (2003:10); Leedy & Ormrod (2010: 31-32, 94-96); Blumberg et al. 2005: 10-25)

The different types of research cited above will now be discussed:

4.3.1 Exploratory, descriptive, analytical and predictive research

When classifying research according to its purpose, it can be described as either exploratory, descriptive, analytical or predictive.

- **Exploratory research** is conducted when there is a shortage or lack of previous research on a specific problem or issue. The aim of exploratory research is to look at patterns and ideas rather than to test or confirming a hypothesis (Collis & Hussey 2003: 10; Dane 2011: 7).

- **Descriptive research** is used to obtain information on the characteristics of a particular problem at hand and to describe the phenomena as they exist (Collis & Hussey 2003: 11). A descriptive study seeks to find answers to the questions of who, what, when, where and how (Blumberg et al. 2005: 10).

- **Analytical or explanatory research** is appropriate for data that is quantitative and data that requires statistical analysis to abstract meaning (Leedy 1989: 89).

- **Predictive research** aims to generalise from the data analysis to predict certain phenomena on the basis of hypothesised relationships (Collis and Hussey 2003:12; Blumberg et al. 2005: 12).

4.3.2 Quantitative or qualitative research

Collis and Hussey (2003: 13) defined quantitative research as a process of collecting and analysing numerical data and applying statistical analysis. Leedy and Ormrod (2010: 94) further defined quantitative research as a process of answering questions about relationships between variables with the purpose of explaining, predicting and...
controlling phenomena. Qualitative research is defined by Dane (2011: 81) as a nonnumeric analysis concerning quality rather than quantity. Collis and Hussey (2003: 13) built onto the definition from Dane (2011: 81) by defining a qualitative approach as being more subjective and involving the examination and reflection of perceptions to gain an understanding of social and human activities. Leedy (1997: 105) differentiated between quantitative research and qualitative research by referring to quantitative research as research that ends with confirmation or disconfirmation of the hypotheses that were identified and tested, whereas qualitative research ends with a tentative answer or hypotheses of what was observed. Table 4.3 depicts a list of characteristics of quantitative and qualitative approaches.

Table 4.3: Characteristics of quantitative and qualitative approaches

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose of research</td>
<td>• To explain and predict &lt;br&gt; • To confirm and validate &lt;br&gt; • Testing of theory</td>
<td>• To describe and explain &lt;br&gt; • To explore and to interpret &lt;br&gt; • Build theory</td>
</tr>
<tr>
<td>Nature of reality</td>
<td>• Objective and singular, apart from the researcher</td>
<td>• Subjective and multiple as seen by participants in a study</td>
</tr>
<tr>
<td>Nature of research</td>
<td>• Focussed view &lt;br&gt; • Known variables &lt;br&gt; • Established guidelines &lt;br&gt; • Predetermined methods &lt;br&gt; • Detached view</td>
<td>• Holistic view &lt;br&gt; • Unknown variables &lt;br&gt; • Flexible guidelines &lt;br&gt; • Emergent methods &lt;br&gt; • Personal view</td>
</tr>
<tr>
<td>Language of research</td>
<td>• Formal &lt;br&gt; • Impersonal voice &lt;br&gt; • Uses of accepted quantitative words</td>
<td>• Informal &lt;br&gt; • Personal voice &lt;br&gt; • Use of accepted qualitative words</td>
</tr>
</tbody>
</table>
### Nature of data and method of collection

<table>
<thead>
<tr>
<th>Numeric data</th>
<th>Textual and/or image-based data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative large sample</td>
<td>Informative, small sample</td>
</tr>
<tr>
<td>Standardized instruments</td>
<td>Loosely structured or non-standardized observations and interviews</td>
</tr>
</tbody>
</table>

### Analysis of date to determine meaning

| Statistical analysis | Search for themes and categories |
| Stress on objectivity | Acknowledgement that analysis is subjective and potentially biased |
| Deductive process | Inductive process |

### Communication of findings

<table>
<thead>
<tr>
<th>Numbers</th>
<th>Words</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistics, aggregated data</td>
<td>Narratives, individual quotes</td>
</tr>
<tr>
<td>Formal voice, scientific style</td>
<td>Personal voice, literary style</td>
</tr>
</tbody>
</table>

Source: Adapted from Leedy & Ormrod (2010: 96); Collis & Hussey (2003: 49)

### 4.3.3 Deductive and inductive research

#### 4.3.3.1 Deductive research:
A study in which the conceptual and theoretical structure is developed and tested by empirical observation, moving from the general to the particular (Collis and Hussey 2003: 15).

#### 4.3.3.2 Inductive research:
A study in which theory is developed from observation of empirical reality, thus moving from the particular to the general (Collis and Hussey 2003: 15).

### 4.3.4 Applied or basic research
Basic research is considered to be the most academic form of research as it seeks to contribute to knowledge, rather than to solve a specific problem for an organization.
Research is conducted to improve the understanding of general issues without immediate application (Collis and Hussey 2003: 13). Applied research is conducted to apply the findings to solve a specific and existing problem. The problem-solving nature of applied research means that the research is conducted to reveal solutions for specific questions relating to action, performance or policy needs (Blumberg et al. 2005:13).

4.4 RESEARCH DESIGN AND METHODOLOGY

Mouton (2001: 55) argued that researchers often confuse the terms ‘research design’ and ‘research methodology’ and noted that these terms are uniquely different within the research project. Table 4.4 summarizes the differences between research design and research methodology.

Table 4.4: The differences between research design and research methodology

<table>
<thead>
<tr>
<th>Research design</th>
<th>Research methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on the end product: What study is planned and what is the objective result?</td>
<td>Focuses on the research process and the tools and procedures to be used</td>
</tr>
<tr>
<td>Point of departure: Research problem or questions</td>
<td>Point of departure: Specific tasks at hand (data collection or sampling)</td>
</tr>
<tr>
<td>Focus on logic of research: Evidence required to address the research question or problem adequately</td>
<td>Focuses on the individual steps in the research process and most objective procedures to be employed</td>
</tr>
</tbody>
</table>

Source: Adapted from Mouton (2001: 56)

4.4.1 Research design

The research design is a master plan that specifies the methods and procedures for collecting and analysing the needed information for solving the research problem (Zikmund 1994: 43). Zikmund (1994: 43) noted the importance of the researcher selecting the appropriate research design and identified four basic testing techniques for descriptive and casual research: surveys, experiments, secondary data and observation.
Four design components were used to optimize this research to obtain the necessary information to solve the research problem at hand:

- Exploratory research
- Secondary data
- Primary data
- Questionnaires

4.4.1.1 Exploratory research
Zikmund (1994: 40) stated that exploratory research is usually conducted during the initial stages of a research process in an attempt to narrow the scope of the research topic into clearly defined problem statements which will allow the user to clearly formulate a research design.

During the exploratory research, discussions were held with two groups of stakeholders: employees and customers. The employee group was further divided into four respective groups: divisional management, front-line sales, internal customer support and operations including manufacturing and distribution. A further secondary data study was conducted on business-to-business marketing with specific reference to customer satisfaction, customer relationships, customer value and service quality. Information gathered from the listed stakeholders and a general understanding of the key concepts of business-to-business marketing assisted with the final research problem, research design and questionnaire design.

4.4.1.2 Secondary data
A comprehensive literature review was conducted to obtain a full understanding of the key aspects within business-to-business marketing and in an attempt to address the main research problem and sub-problems. The literature review was undertaken to better understand the key concepts that would affect a reliable and valid questionnaire. The key concepts are listed below:

- Business-to-business marketing: a strategic overview
- Customer relationship management
- Customer value
- Customer satisfaction
• Customer loyalty
• Service quality

4.4.1.3 Primary data
Primary data is collected through the application of descriptive research. Collis and Hussey (2003: 11) noted that descriptive research is conducted to identify and obtain information on the characteristics of a particular problem or issue. In this study, descriptive research obtained primary data to address the research problem of identifying an operational model that will enhance customer satisfaction levels at Detpak South Africa.

4.4.1.4 Questionnaires
Questionnaires are cheaper and less time consuming than conducting interviews and facilitate the collection of large samples (Collis & Hussey 2003: 174). Imperative to the study was the large geographic area of the selected sample, which is spread across South Africa. With Detpak South Africa and the researcher situated in Gauteng, South Africa, it was found that questionnaires were the most appropriate method for collection of primary data.

Questionnaires were distributed by electronic mail and face-to-face. Once the respondents had completed the questionnaire, they were offered three ways to return the questionnaires to the user:
• In a sealed envelope to the distribution company at the time of the next delivery
• In a sealed envelope presented to the sales executive on their next customer call
• Emailed to the company secretary for collection

Questionnaires were collected and delivered to the researcher anonymously.

It can be concluded that the research design provides the blue print for carrying out the research. Once this blue print has been established it is important to develop a systematic procedure that requires a planned, objective and goal-orientated research methodology (Mouton 2001: 56).
4.4.2 Research methodology

Leedy and Ormrod (2010: 12) defined research methodology as the general approach that the researcher undertakes in carrying out the research project. Mouton (2001: 56) noted that research methodology focuses on the research process and the different tools and processes that could be used. This section will focus on the population, sample selection and sample response rate for this study, followed by the design and development of the measuring instrument.

4.4.2.1 Population, sample and sample response

(a) Population

Emory and Cooper (1991: 242) defined the population as the total collection of elements about which we wish to make some inference. Leedy (1997: 203) further stated that the results obtained through a survey are no more trustworthy than the quality of the population or representative sample from the population. The representative population for addressing the main research problem of improving customer satisfaction at Detpak South Africa includes the current active customer base of 112 customers across all market segments. This study is only applicable to the disposables market segment, which constitutes the selected sample.

(b) Sample selection

The sample selected was based on a sample size of 92 customers currently being serviced by Detpak South Africa within the disposables market. This sample size was subsequently adjusted to 84 to exclude disposable clients outside the borders of South Africa.

Collis and Hussey (2003: 155) list elements of a good sample as being:

- Chosen at random with every member in the population having an equal chance of being chosen
- Large enough to satisfy the requirements of the investigation undertaken
- Unbiased

The sample selected for this study included the entire population of disposable customers within South Africa. It can thus be stated that the sampling method used was convenience sampling due to geographical location.
(c) Realised sample
Blumberg et al. (2005: 254) noted that biased results originate from three types of errors: sampling error, non-response error and response error. From the distributed 84 questionnaires, 62 questionnaires were completed and returned, which yielded a response rate of 73.8%. Thereafter, three questionnaires were rejected due to a response error of non-completion in full. Due to the anonymity of respondents, none could be contacted to obtain missing information. After eliminating these three questionnaires, the response rate was adjusted to 70.2%. The response rate of 70.2% on a sample size of n=59 was found to be an acceptable representation of the population. Table 4.5 below summarizes the demographic characteristics of the respondents. The sample of n=59 (70.2% response rate) was well supported by the Detpak South Africa management team and deemed to be an acceptable representation of the disposable market population currently being supplied by Detpak South Africa.

Table 4.5: Demographic characteristics of realised sample

<table>
<thead>
<tr>
<th>Variable</th>
<th>Respondents</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>37</td>
<td>62.7</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
<td>37.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>59</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 – 39 years</td>
<td>28</td>
<td>47.5</td>
<td></td>
</tr>
<tr>
<td>40 + years</td>
<td>31</td>
<td>52.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>59</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td><strong>Management level</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower</td>
<td>5</td>
<td>8.5</td>
<td></td>
</tr>
<tr>
<td>Middle</td>
<td>20</td>
<td>33.9</td>
<td></td>
</tr>
<tr>
<td>Senior</td>
<td>34</td>
<td>57.6</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>59</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

4.4.2.2 The measuring instrument
- Keep questions simple
- Avoid jargon or specialist language
- Phrase each statement or question to have one meaning only
- Avoid vague, descriptive words such as “large” and “small”
- Only include relevant statements or questions
- Avoid questions or statements that require calculations
- Keep questionnaire as short as possible

Mouton (2001: 100) referred to measuring instruments within human science as instruments such as questionnaires, observations, observations schedules, interviewing schedules and psychological tests, which could be applied to collect data by either using existing instruments or an instrument of the researcher’s own construction.

The questionnaire used within this research was based on previous research studies as well as the researcher’s self-constructed questionnaires. The questionnaire was structured as follows:

- A covering letter on an official letterhead of the Nelson Mandela Metropolitan University was used to inform respondents of the research and its importance
- Section A: Customer value, customer satisfaction at dimensional level, overall customer satisfaction and loyalty was measured using a 5-point Likert-type scale ranging from highly disagree (1) to highly agrees with statement (5).
- Section B: This section requested the respondent to indicate the level of importance associated with the listed customer satisfaction attributes at dimensional level. A 5-point Likert-type scale was used ranging from not that important (1) to highly important (5).
- Section C consisted of four questions to measure biographical data as depicted in Table 4.5.

4.5 VALIDITY AND RELIABILITY CONSIDERATIONS

4.5.1 Reliability

A measuring instrument is considered to be reliable if its repeated application yields consistent results when the entity being measured hasn’t changed (Leedy & Ormrod 2010: 29; Zikmund 1994: 288; Collis & Hussey 2003: 56). Zikmund (1994: 288) and Peterson (1994: 382) identified two categories of reliability coefficients: those based
on longitudinal data (test-retest reliability coefficient) and those based on cross-sectional data (internal consistency reliability coefficient). Peterson (1994: 382) suggested the most commonly used reliability coefficient as coefficient alpha (also known as Cronbach’s alpha), a test for internal reliability and used to calculate the internal reliability of this research. Table 4.6 represents the general guidelines for interpreting alpha values as proposed by Peterson (1994: 385-390) and supported by Hair \textit{et al.} (2003: 172).

Table 4.6: Interpreting Cronbach’s alpha reliability coefficient

<table>
<thead>
<tr>
<th>Alpha coefficient range</th>
<th>Strength of association</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; .6</td>
<td>Poor</td>
</tr>
<tr>
<td>.6 &lt; .7</td>
<td>Moderate</td>
</tr>
<tr>
<td>.7 &lt; .8</td>
<td>Good</td>
</tr>
<tr>
<td>.9</td>
<td>Excellent</td>
</tr>
</tbody>
</table>

Source: Adapted from Peterson (1994: 385-390) and Hair \textit{et al.} (2003: 172)

4.5.2 Validity

Validity is concerned with the effectiveness of the measuring instrument – does it really measure what the researcher intended it to measure (Blumberg \textit{et al.} 2005: 380; Zikmund 1994: 290; Collis & Hussey 2003: 186)? Numerous authors have agreed to three basic approaches to validity:

- **Content validity:** When the scale appears to provide adequate coverage of the concept, experts accept content validity
- **Criterion validity:** An attempt by the researcher to answer the question: Does my measure correlate to other measures of the same construct?
- **Construct validity:** Construct validity occurs during statistical analysis when the empirical evidence is consistent with the theory about the concepts. (Zikmund 1994: 290-292; Leedy & Ormrod 2010: 28; Blumberg \textit{et al.} 2005: 380)

The questionnaire used within this research (Annexure A) was developed prior to the commencement of distribution to sample respondents. The questionnaire was presented to senior management and academics in the field of business and economic science to confirm the validity thereof.
4.6 DATA ANALYSIS

Data analysis is preceded by the process of data collection by means of the measuring instrument and succeeded by interpretations of the collected data to address the research problem identified. The method of analysis is dependent whether the data is quantitative or qualitative. Statistics is a body of methods that is applied to quantitative data when faced with uncertainties (Collis & Hussey 2003: 195). Collis and Hussey (2003: 253) noted that the main problem of analysing qualitative data is that there is no clear and accepted set of conventions for analysis as there is for quantitative data.

This research followed a positivistic paradigm and collected quantitative data for descriptive statistical analyses. Collis and Hussey (2003: 198) noted that descriptive statistics includes data in tables, charts, graphs and other diagrammatic forms, which allows for patterns and relationships to be identified and described. Four main groups of techniques can be used within descriptive statistics:

- Presenting frequencies
- Measuring locations
- Measuring dispersion
- Measuring change

The results from the primary study were collected for data analysis by means of descriptive statistics.

4.7 CONCLUSION

This chapter provided an overview of the research design and methodology applied within this research. The different types of research available to the researcher were discussed followed by the research design of this research. A section on research methodology followed a description of identification the population, the selected sample and response rate. A brief discussion of the measuring instrument, a questionnaire, was followed with the breakdown of the composition of the questionnaire used within this study. The validity and reliability of the questionnaire was discussed, with further analysis on reliability to be discussed in Chapter 5. The
chapter concluded with a brief overview of descriptive statistics and useful techniques that could be applied. The results of these techniques and empirical results of the measuring instrument will be presented in Chapter 5.
CHAPTER 5
DATA ANALYSIS OF THE EMPIRICAL STUDY

5.1 INTRODUCTION

The research design and methodology for this research was discussed in Chapter 4, including a discussion on the measuring instrument used within this research - the questionnaire. In this chapter, descriptive statistics will be used to analyse the quantitative data obtained from the respondents’ questionnaires. The different phases of analysis will be discussed, with an assessment of the hypothesised relationships. The results presented and analysed in this chapter will enable the researcher to draw conclusions and recommendations that will be presented in Chapter 6.

This chapter will commence with the aspects of data preparation that were conducted prior to data analysis, followed by a discussion on the reliability of the measuring instrument. The data will be analysed and interpreted in accordance to the structure of the questionnaire. Descriptive statistics will be used to present the results obtained from the questionnaires in terms of the following measurements:

- Perceived customer value
- Customer satisfaction at dimensional level
- Overall customer satisfaction
- Customer loyalty

This chapter will conclude with a review of the statistically significant correlations as listed below and represented by the hypothesis model depicted in Chapter 1:

- Perceived customer value and overall customer satisfaction
- Customer satisfaction at dimensional level and overall customer satisfaction
- Overall customer satisfaction and customer loyalty

5.2 DATA PREPARATION

All questionnaires returned from respondents were scrutinized for completion. As discussed in Chapter 4, three questionnaires were rejected due to a response error
of **non-completion in full**. Only one questionnaire was received after the cut-off date and was discarded for data analysis.

An MS-Excel worksheet was used to record all information obtained from the questionnaires. Once all the data was coded and captured it was arranged in a suitable format to analyse using the software programme Statistica version 11.

### 5.3 RELIABILITY OF MEASURING INSTRUMENT

A measuring instrument is considered to be reliable when it yields the same results with repeated application when the entity being measured has not changed. Internal consistency reliability was assessed by applying Cronbach’s alpha. Cronbach’s alpha is a formulation used to determine reliability based on the internal consistency of a multi-item scale. Cronbach’s alpha was used in this study to determine the internal consistency and reliability of the measuring instrument that was used to test the nine hypotheses of the model depicted in Figure 1.2. Peterson (1994: 381,385) noted that alpha values of not less than 0.7 are generally acceptable. Table 5.1 depicts the alpha values of this study.

<table>
<thead>
<tr>
<th><strong>Variable</strong></th>
<th><strong>Cronbach’s alpha</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer perceived value</td>
<td>0.83</td>
</tr>
<tr>
<td>Product quality</td>
<td>0.75</td>
</tr>
<tr>
<td>Communication</td>
<td>0.85</td>
</tr>
<tr>
<td>Price</td>
<td>0.83</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.73</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.87</td>
</tr>
<tr>
<td>Sales support</td>
<td>0.78</td>
</tr>
<tr>
<td>Customer service</td>
<td>0.83</td>
</tr>
<tr>
<td>Cumulative customer satisfaction</td>
<td>0.86</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>0.87</td>
</tr>
</tbody>
</table>

As depicted in Table 5.1 the Cronbach’s alphas are well above the recommended 0.7 and it can thus be concluded that the independent variables used to measure overall customer satisfaction and loyalty are reliable.
5.4 ANALYSIS AND INTERPRETATION OF DATA
This section will use descriptive statistics to analyse the primary data collected. The mean, as a measure of central tendency, frequency distribution, tables and graphs will be used as descriptive statistical tools. This section is constructed in three sections:
Section A: Biographical data
Section B: Customer value and customer satisfaction at dimensional level
Section C: Overall customer satisfaction and customer loyalty

5.4.1 Biographical data
The biographical data obtained from the questionnaires included:
- Gender
- Age
- Level of management
- Geographical representation

In Chapter 4, this biographical data was listed in Table 4.5. Figure 5.1 below indicates the split between male and female respondents, representing 62.7% and 37.3% respectively.

Figure 5.1 Gender composition

Source: Author’s own construction based on primary data obtained
Figure 5.2 represents the respondents' level of management. It is important for the information obtained through the measuring instrument to reflect the response of the decision makers amongst the sample. Of the respondents, 91.5% were found to be either in middle management or senior management positions, which reinforces the importance of the gathered information.

Figure 5.2: Respondents’ level of management

![Bar chart showing the distribution of respondents by level of management](attachment:chart.png)

Source: Author's own construction based on primary data obtained

Figure 5.3 depicts the respondents’ distribution across two geographical categories: Gauteng and the remaining eight provinces within the borders of South Africa. Of the respondents, 73% were geographically situated within the borders of Gauteng. It can be concluded from this data that Detpak South Africa has the opportunity to significantly increase its market footprint in the remaining provinces of South Africa.
Figure 5.3: Geographical representation

Source: Author's own construction based on primary data obtained

5.4.2 Measurement of customer value and customer satisfaction at dimensional level

The objective of this research is to assess the perceived levels of customer satisfaction within the disposables market for Detpak South Africa through the development of an operating model to promote customer satisfaction. A secondary objective, identified in Chapter 1, is to use benchmarking to compare the perceived levels of customer satisfaction within the disposables market against competitive activity measured across the same independent variables. This section will analyse the independent variables customer value and customer satisfaction at dimensional level. Customer satisfaction at dimensional level consists of the following attributes:

- Product quality
- Communication
- Price
- Reliability
- Responsiveness
- Sales support
- Customer service
Thereafter, the data obtained from the measuring instrument for **overall customer satisfaction** and **customer loyalty** will be analysed and presented. The final part of this section will analyse how respondents’ rate the **importance of the respective customer satisfaction attributes**.

The mean, as a measure of central tendency, was used to analyse the data, both for Detpak South Africa and for competitors. The criteria used to assess the mean result are displayed below:

- Mean between 1 and 2.33: Low position rating
- Mean between 2.34 and 3.66: Medium position rating
- Maximum 3.67 and 5: High position rating

### 5.4.2.1 Customer value

The questionnaire consisted of five items to measure customer value and is depicted in Table 5.2.

**Table 5.2: Customer value**

| Item code | Questionnaire item                                                                 | Mean  
|-----------|-----------------------------------------------------------------------------------|-------
| PER1      | Compared to alternative companies, the company offers attractive product costs    | Detpak South Africa: 3.24 | Competitor: 3.19 |
| PER2      | Compared to alternative companies, the company charges me fairly for similar products | 3.36  | 3.53 |
| PER3      | Comparing what I pay to what I might get from competitive companies, I think the company provides me with good value | 3.51  | 3.41 |
| PER4      | Compared to alternative companies, the company offers a value proposition that offers a competitive advantage | 3.54  | 3.25 |
| PER5      | The company regularly enquires on how to improve perceived value within their product and service offering | 2.93  | 3.32 |

Interpretations of the respondents’ answers allow for the following observations:
From the five measures used to measure customer value, none of the ratings were in the high category for either Detpak South Africa or its competitors.

The lowest rating recorded was PER5: The company regularly enquires on how to improve perceived value within their product and service offering. This measurement will directly impact the strategic objectives for Detpak South Africa identified in Chapter 1: enhancement of customer satisfaction levels and sustainable growth.

A higher score rating was obtained by Detpak South Africa on PER4, which indicates that Detpak South Africa overall has a value proposition that positions it above its competitors, giving the company a competitive advantage.

5.4.2.2 Product quality

The questionnaire consisted of four items to measure product quality, the results of which are presented in Table 5.3.

Table 5.3: Product quality

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Detpak South Africa</th>
<th>Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUA1</td>
<td>Product quality confirms to specifications</td>
<td>4.29</td>
<td>3.59</td>
</tr>
<tr>
<td>QUA2</td>
<td>Product packaging is well marked and suitable for my distribution requirements</td>
<td>3.78</td>
<td>3.69</td>
</tr>
<tr>
<td>QUA3</td>
<td>The company brands is associated with a high level of product quality</td>
<td>4.36</td>
<td>3.31</td>
</tr>
<tr>
<td>QUA4</td>
<td>Product quality is consistent over each purchase</td>
<td>4.12</td>
<td>3.53</td>
</tr>
</tbody>
</table>

Interpretations of the respondents’ answers allow for the following observations:

- All of the measures scored a high rating
- All four measures of product quality scored higher than competitors
- Brand awareness is strongly associated with product quality: mean of 4.36.
- Product quality to specification scored 4.29, which is characteristic to the following possible factors:
o Strong communication from the market to the factory in terms of customer requirements
o Strong internal control procedures translating the requirements to a process
o Strong internal quality measurements and assurance

- Product quality could possibly afford a competitive advantage strategy for Detpak South Africa.

5.4.2.3 Communication
The questionnaire consisted of six items to measure communication, the results of which are presented in Table 5.4.

Table 5.4: Communication

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean n=59</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Detpak South Africa</td>
<td>Competitor</td>
</tr>
<tr>
<td>COM1</td>
<td>The company communicates sufficiently with customers</td>
<td>3.19</td>
<td>3.51</td>
</tr>
<tr>
<td>COM2</td>
<td>The company utilizes effective communication channels</td>
<td>3.39</td>
<td>3.59</td>
</tr>
<tr>
<td>COM3</td>
<td>- confirmation of orders received</td>
<td>2.73</td>
<td>3.56</td>
</tr>
<tr>
<td>COM4</td>
<td>- the availability of stock to deliver on order</td>
<td>2.71</td>
<td>3.46</td>
</tr>
<tr>
<td>COM5</td>
<td>- status update on back-orders</td>
<td>2.58</td>
<td>3.53</td>
</tr>
<tr>
<td>COM6</td>
<td>- price adjustments</td>
<td>3.25</td>
<td>3.41</td>
</tr>
</tbody>
</table>

The company communicates well in terms of:

Interpretations of the respondents' answers allow for the following observations:

- In terms of benchmarking against competitors, Detpak South Africa could improve on communication
- All ratings were positioned within a medium score rating
- Three of the six measurements are directly related to communication between internal sales, distribution, and the customer
The three most critical measures underperforming against competitors’ ratings are:
- Communication in respect of status on back orders (27% below competitors)
- Communication in respect of confirmation of orders received (23% below competitors)
- Communication in respect of the availability of stock available for delivery (22% below competitors)

Overall communication scored a mean rating of 2.83

Figure 5.4 below depicts the difference gaps between Detcak South Africa and competitors with respect to communication.

5.4.2.4 Price

The questionnaire consisted of four items to measure price, the results of which are presented in Table 5.5.

Source: Author’s own construction based on primary data obtained
Table 5.5: Price

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean n=59</th>
<th>Detpak South Africa</th>
<th>Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRI1</td>
<td>The price charged by the company is fair and market related</td>
<td>3.36</td>
<td>3.61</td>
<td></td>
</tr>
<tr>
<td>PRI2</td>
<td>The price charged by the company is consistent to the value offered by the product and service offering</td>
<td>3.46</td>
<td>3.47</td>
<td></td>
</tr>
<tr>
<td>PRI3</td>
<td>The company is open for price negotiation</td>
<td>2.78</td>
<td>3.15</td>
<td></td>
</tr>
<tr>
<td>PRI4</td>
<td>The company is flexible in terms of price promotions to grow and penetrate a target market</td>
<td>3.37</td>
<td>3.37</td>
<td></td>
</tr>
<tr>
<td>PRI5</td>
<td>Price adjustments are negotiated to obtain best value for the company and respondent</td>
<td>3.14</td>
<td>3.34</td>
<td></td>
</tr>
</tbody>
</table>

Interpretations of the respondents’ answers allow for the following observations:

- All findings for Detpak South Africa are recorded as medium findings
- Price benchmarking between Detpak South Africa and competitors are fairly similar, with Detpak South Africa rating slightly below competitors
- Most significant difference in benchmarking is PRI3: The Company is open for price negotiation. This could possibly be related to the strong brand awareness identified in 5.4.2 above.
- Identical levels of activity were recorded with respect to price promotions
- No clear competitive advantage was recorded with respect to price

5.4.2.5 Reliability
The questionnaire consisted of four items to measure reliability, the results of which are depicted in Table 5.6.
Table 5.6: Reliability

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean</th>
<th>Detpak South Africa</th>
<th>Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>REL1</td>
<td>Delivery of products are made on time as promised</td>
<td>2.76</td>
<td>3.61</td>
<td></td>
</tr>
<tr>
<td>REL2</td>
<td>Delivery of products are made in full against purchase orders</td>
<td>2.88</td>
<td>3.63</td>
<td></td>
</tr>
<tr>
<td>REL3</td>
<td>In general, the company provides deliverables as promised</td>
<td>3.51</td>
<td>3.59</td>
<td></td>
</tr>
<tr>
<td>REL4</td>
<td>A differentiated basket of goods is readily available</td>
<td>3.29</td>
<td>3.58</td>
<td></td>
</tr>
</tbody>
</table>

Interpretations of the respondents’ answers allow for the following observations:

- All findings for Detpak South Africa recorded as medium findings
- Measures REL1 and REL2 had the lowest ratings and largest negative difference from competitor ratings
- REL1: Delivery of products is made on time as promised (23% below competitors). Various factors could impact this measurable adversely, some of which could include:
  - Over commitment from the sales team
  - Distribution channel constraints and bottlenecks
  - Poor forecasting
  - Production constraints
  - Capacity oversell
- REL2: Delivery of products is made in full against purchase orders (21% below competitors). Various factors could impact this measurable adversely, some of which could include:
  - Order capture error
  - Production short falls.
  - Loading constraints and capacity.
  - Limited stock availability invoiced across numerous customer demands.
  - Damaged goods in transit.
  - Data integrity
Figure 5.5 depicts the gap between Detpak South Africa and competitors with respect to reliability.

Figure 5.5: Reliability gap

![RELIABILITY GAP](image)

Source: Author’s own construction based on primary data obtained

5.4.2.6 Responsiveness

The questionnaire consisted of four items to measure responsiveness, the results of which are presented in Table 5.7.

Table 5.7: Responsiveness

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean n=59</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Detpak South Africa</td>
</tr>
<tr>
<td>RES1</td>
<td>The company promptly responds to my requests</td>
<td>3.08</td>
</tr>
</tbody>
</table>
Interpretations of the respondents’ answers allow for the following observations:

- Of the five measures of customer value none of the ratings were in the high category for either Detpak South Africa or its competitors
- The findings for Detpak South Africa were significant lower than its competitors
- RES4 measured a difference in competitive ratings of 27%. The prompt response to the processing of credit notes could be the root cause of a number of contributing factors, some of which could include:
  - Administrative procedures within the value chain
  - Price administration with appropriate communication channels throughout the organization
  - Internal delays between distribution and account administration
  - Internal delays between account administration and the processing of credit notes department
  - Delays in appropriate levels of approval

Delays in the processing of credit notes could have adverse effects on business relationships. As account statuses might not be updated due to non-processing of credit notes, accounts might be blocked from supply which could lead to non-delivery of goods required.

- RES1 – RES3 and RES5 scored ratings of between 16% to 18% below competitors
- Responsiveness scored the lowest rating from all measurable items, with an overall mean of 2.83.

5.4.2.7 Sales support
The questionnaire consisted of seven items to measure sales support, the results of which are presented in Table 5.8.

<table>
<thead>
<tr>
<th>RES</th>
<th>The company promptly responds to competitive activity</th>
<th>2.78</th>
<th>3.31</th>
</tr>
</thead>
<tbody>
<tr>
<td>RES3</td>
<td>The company promptly responds with new sales leads and quotations</td>
<td>2.93</td>
<td>3.56</td>
</tr>
<tr>
<td>RES4</td>
<td>The company promptly responds to the processing of credit notes</td>
<td>2.51</td>
<td>3.44</td>
</tr>
<tr>
<td>RES5</td>
<td>The company promptly responds to account administration queries</td>
<td>2.83</td>
<td>3.46</td>
</tr>
</tbody>
</table>
Table 5.8: Sales support

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean Detpak South Africa</th>
<th>Mean Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAL1</td>
<td>The company representatives have the knowledge to answer my questions</td>
<td>3.36</td>
<td>3.73</td>
</tr>
<tr>
<td>SAL2</td>
<td>The company representative understands my market requirements</td>
<td>3.36</td>
<td>3.71</td>
</tr>
<tr>
<td>SAL3</td>
<td>The company representative actively seeks to grow the current basket offering</td>
<td>2.88</td>
<td>3.56</td>
</tr>
<tr>
<td>SAL4</td>
<td>The company properly handles any problems that may arise</td>
<td>3.27</td>
<td>3.46</td>
</tr>
<tr>
<td>SAL5</td>
<td>Employees address my complaints in a friendly manner</td>
<td>3.73</td>
<td>3.56</td>
</tr>
<tr>
<td>SAL6</td>
<td>The company representatives regularly calls upon my company to review service performance, opportunities within the market and demand management</td>
<td>2.76</td>
<td>3.42</td>
</tr>
<tr>
<td>SAL7</td>
<td>The company sells more than a product; it sells knowledge and information</td>
<td>3.19</td>
<td>3.49</td>
</tr>
</tbody>
</table>

Interpretations of the respondents' answers allow for the following observations:

- **SAL5**: Employees address my complaints in a friendly manner, scored a high rating of 3.73. Friendliness and courteous behaviour is associated with the people element within the marketing mix as identified in Chapter 2. Courtesy is also one of the ten elements identified by Parasuraman (1985) in the world renowned SERVQUAL model.

- **SAL3**: The company representative actively seeks to grow the current basket offering, scored significantly (19%) lower than the competitors. One of the core strategies identified in Chapter 1 is sustainable growth. Growing the basket of goods offered to customers should contribute positively to sustainable growth with limited acquisition costs in an attempt to attract the market with promotional activities.

- **SAL6**: The company representatives regularly calls upon my company to review service performance, opportunities within the market and demand
management, scored a significantly lower rating than the competitors (19%). It is imperative for organizations to constantly measure their respective performance to ensure:

- Identification of competitive activity
- Customer satisfaction levels with current performance
- Areas for possible improvement
- Identification and measurement of value proposition
- Opportunities to strategically growth market share
- Adequate demand forecasting to smooth production spikes

Parasuraman (1985: 47) noted the importance of knowing your customer by incorporating this key element within the SERVQUAL model.

5.4.2.8 Customer service

The questionnaire consisted of seven items to measure customer service, the results of which are depicted in Table 5.9.

Table 5.9: Customer service

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean n=59</th>
<th>Detpak South Africa</th>
<th>Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>SER1</td>
<td>The company embraces the ‘we can’ approach to customer service</td>
<td>3.22</td>
<td>3.44</td>
<td></td>
</tr>
<tr>
<td>SER2</td>
<td>The company displays willingness to listen and provide assistance</td>
<td>3.54</td>
<td>3.85</td>
<td></td>
</tr>
<tr>
<td>SER3</td>
<td>The company understands my specific service requirements</td>
<td>3.34</td>
<td>3.73</td>
<td></td>
</tr>
<tr>
<td>SER4</td>
<td>The contact person always listens with the intent of understanding</td>
<td>3.44</td>
<td>3.80</td>
<td></td>
</tr>
<tr>
<td>SER5</td>
<td>The company is committed to service excellence</td>
<td>3.24</td>
<td>3.78</td>
<td></td>
</tr>
</tbody>
</table>

Interpretations of the respondents’ answers allow for the following observations:
• From the five measures of customer value none of the ratings were in the high category for Detpak South Africa whilst four measures were in the high rating category for competitors. This is a clear indication of competitive threat for Detpak South Africa.

• SER5: The company is committed to service excellence recorded a difference in rating from competitors of 14.3%. Of the respondents, 40.7% rated a score of 4 and higher to Detpak South Africa, while 64.4% of respondents rated a score of 4 and higher to competitors.

5.4.3 Measurement of overall levels of customer satisfaction and customer loyalty

5.4.3.1 Overall customer satisfaction

The questionnaire consisted of five items to measure customer value, the results of which are presented in Table 5.10.

Table 5.10: Overall customer satisfaction

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean</th>
<th>Detpak South Africa</th>
<th>Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVE1</td>
<td>Overall how satisfied are you with the total product offering</td>
<td>3.73</td>
<td>3.36</td>
<td></td>
</tr>
<tr>
<td>OVE2</td>
<td>Overall I am satisfied with the perceived levels of customer service</td>
<td>3.29</td>
<td>3.42</td>
<td></td>
</tr>
<tr>
<td>OVE3</td>
<td>Overall I am satisfied with the after sales service and support</td>
<td>3.39</td>
<td>3.58</td>
<td></td>
</tr>
</tbody>
</table>

Interpretations of the respondents’ answers allow for the following observations:

• OVE1: Overall how satisfied are you with the total product offering has a high level rating. Benchmarking against a competitive rating of 3.36, Detpak South Africa has a preferred rating of 3.73 which is indicative of a total effort from the company to satisfy customers continuously and over time.
• OVE2: **Overall I am satisfied with the perceived levels of customer service** has a rating of 3.29, 3.96% below the rating obtain for competitive benchmarking. This is a clear reflection of the results obtained for the independent variable customer services in Table 5.1 above.

• OVE3: **Overall I am satisfied with the after sales service and support** has a rating of 3.39, 5.2% below competitive benchmarking.

### 5.4.3.2 Customer loyalty

The questionnaire consisted of five items to measure customer value, the results of which are presented in Table 5.11.

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean n=59</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Detpak South Africa</td>
</tr>
<tr>
<td>CUS1</td>
<td>I say positive things about the company to other people and companies</td>
<td>3.75</td>
</tr>
<tr>
<td>CUS2</td>
<td>I would recommend the company to those who seek my advice with regards to related product and service offerings</td>
<td>3.66</td>
</tr>
<tr>
<td>CUS3</td>
<td>I would promote the company and brand within the target market</td>
<td>3.78</td>
</tr>
<tr>
<td>CUS4</td>
<td>I intend to continue to do business with the company</td>
<td>4.08</td>
</tr>
<tr>
<td>CUS5</td>
<td>I intend to do more business with the company by growing the current basket offering</td>
<td>3.71</td>
</tr>
</tbody>
</table>

Interpretations of the respondents’ answers allow for the following observations:

- 80% of the measures are rated high above 3.66
- CUS4: **I intend to continue to do business with the company**, 67.8% of respondents rated this measurement at 4 and above.
- CUS5: **I intend to do more business with the company by growing the current basket offering** scored a high rating of 3.71. This measurement is an indication of the growth potential within the current customer base.
5.4.4 Measurement of the level of importance of customer satisfaction attributes

Table 5.12 depicts the mean ratings obtained from the measuring instruments on how the respondents rated the relevant customer satisfaction attributes, as detailed below:

Table 5.12: Customer satisfaction attributes - level of importance

<table>
<thead>
<tr>
<th>Item code</th>
<th>Questionnaire item</th>
<th>Mean n=59 Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMP1</td>
<td>Product quality</td>
<td>4.80</td>
</tr>
<tr>
<td>IMP2</td>
<td>Customer service</td>
<td>4.78</td>
</tr>
<tr>
<td>IMP3</td>
<td>Responsiveness</td>
<td>4.85</td>
</tr>
<tr>
<td>IMP4</td>
<td>Price</td>
<td>4.61</td>
</tr>
<tr>
<td>IMP5</td>
<td>Reliability</td>
<td>4.90</td>
</tr>
<tr>
<td>IMP6</td>
<td>Communication</td>
<td>4.53</td>
</tr>
<tr>
<td>IMP7</td>
<td>Sales support</td>
<td>4.47</td>
</tr>
</tbody>
</table>

Interpretations of the respondents’ answers allow for the following observations:

- **Reliability**, **responsiveness** and **product quality** attracted the three highest ratings in terms of importance levels. Table 5.13 depicts comparative results:

Table 5.13: Comparative results of the three highest ranking customer satisfaction attributes

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Level of importance rating</th>
<th>Attribute ranking</th>
<th>Competitive ranking on attribute</th>
<th>Percentage difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality (QUA)</td>
<td>4.90</td>
<td>4.14</td>
<td>3.53</td>
<td>17%</td>
</tr>
<tr>
<td>Responsiveness (RES)</td>
<td>4.85</td>
<td>2.83</td>
<td>3.48</td>
<td>-19%</td>
</tr>
<tr>
<td>Reliability (REL)</td>
<td>4.80</td>
<td>3.11</td>
<td>3.61</td>
<td>-14%</td>
</tr>
</tbody>
</table>
From the data presented in Table 5.13 the following observations can be made:

- **Product quality**: A strong position of competitive advantage may exist with a high expectation realized by respondents and a measurable element both rating a high ranking and a positive difference to competitive activity of 17%.

- **Responsiveness**: With a level of importance of 4.85 the attribute of responsiveness can be seen as both an opportunity and a threat, this due to Detpak South Africa realizing a response rate of only 2.83 for this measurable, 19% below its competitors. These results indicate an opportunity for improvement that would further improve customer satisfaction. At the same time, this position allows for a threat due to the strong perception of this attribute by respondents over Detpak South Africa’s competitors. This might lead to barriers to entry, which will need to be identified with appropriate strategy execution.

- **Reliability** was ranked the highest at a mean ranking of 4.90. Reliability, just as with responsiveness, could be seen as both an opportunity and a threat. As this was measured to be the most important attribute by respondents a primary focus should be to increase customers’ perceptions about the attribute of reliability and thus close the gap of 17% between Detpak South Africa and its competitors.

With the exceptionally high level rankings from respondent as depicted in Table 5.12 the user has constructed a frequency distribution, measured in percentage representation of the sample size of 59, depicted in Figure 5.6. Measures were consolidated to display information categorized as rankings less than 3, 4 and 5.
Figure 5.6: Percentage frequency distribution on customer satisfaction attributes - level of importance

Source: Author’s own construction based on primary data obtained

5.5 CORRELATION COEFFICIENT ANALYSIS

Correlation analysis measures the linear relationship between two variables to determine whether there is an association between them. The null hypothesis asserts that two variables are not correlated and the alternative hypothesis asserts that the variables are correlated. The closeness of the correlations between variables is expressed by the correlation coefficient \( r \). The value of \( r \) can range from -1 to +1, described as follows:

- -1: Perfect negatively correlated which refers to a situation where once variable indicates a positive movement the opposite variable will show a negative movement
• 0: No correlation present between two variables
• +1: Perfect positively correlated which refers to a situation where once there is a positive movement in one variable the opposite variable will also move positively (Evans 2007: 70-71)

It is important for Detpak South Africa to understand the relationships between:

• Customer value and overall customer satisfaction
• Customer satisfaction at dimensional level and overall customer satisfaction
• Overall customer satisfaction and customer loyalty

Understanding these relationships will steer strategic decision making efforts towards the strategic objectives identified in Chapter 1, namely:

• Market share increase – Market growth
• Value creation
• Enhancing customer satisfaction levels – Customer satisfaction
• Enhancing customer loyalty – Customer loyalty

For the purpose of the study, correlation coefficient analysis was conducted to establish the relationships for the following hypotheses:

5.5.1 Customer value
H₁: There is a positive relationship between customer value and overall customer satisfaction. Correlation coefficient analysis calculated \( r = 0.716 \) indicative of a very strong correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:

\[ H_{a1}: \text{Perceived customer value has a positive impact on cumulative customer satisfaction.} \]

5.5.2 Customer satisfaction at dimensional level
Customer satisfaction at dimensional level has been broken down into seven customer satisfaction attributes, each measuring their respective relationship with overall customer satisfaction as presented below:
5.5.2.1 Product quality
H^2: There is a positive relationship between product quality and overall customer satisfaction. Correlation coefficient analysis calculated $r = 0.391$ indicative of a moderate correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Ha^2: Product quality has a positive impact on cumulative customer satisfaction.

5.5.2.2 Communication
H^3: There is a positive relationship between communication and overall customer satisfaction. Correlation coefficient analysis calculated $r = 0.778$ indicative of a very strong correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Ha^3: Communication has a positive impact on cumulative customer satisfaction.

5.5.2.3 Price
H^4: There is a positive relationship between price and overall customer satisfaction. Correlation coefficient analysis calculated $r = 0.653$ indicative of a medium practical significance. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Ha^4: Price has a positive impact on cumulative customer satisfaction.

5.5.2.4 Reliability
H^5: There is a positive relationship between reliability and overall customer satisfaction. Correlation coefficient analysis calculated $r = 0.765$ indicative of a very strong correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Ha^5: Reliability has a positive impact on cumulative customer satisfaction.

5.5.2.5 Responsiveness
H^6: There is a positive relationship between responsiveness and overall customer satisfaction. Correlation coefficient analysis calculated $r = 0.764$ indicative of a very strong correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Hₐ₆: Responsiveness has a positive impact on cumulative customer satisfaction.

5.5.2.6 Sales support
H⁷: There is a positive relationship between sales support and overall customer satisfaction. Correlation coefficient analysis calculated $r = 0.759$ indicative of a very strong correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Hₐ₇: Sales support has a positive impact on cumulative customer satisfaction.

5.5.2.7 Customer service
H⁸: There is a positive relationship between customer service and overall customer satisfaction. Correlation coefficient analysis calculated $r = 0.812$ indicative of a very strong correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Hₐ₈: Customer service has a positive impact on cumulative customer satisfaction.

5.5.3 Overall customer satisfaction
H⁹: There is a positive relationship between overall customer satisfaction and customer loyalty. Correlation coefficient analysis calculated $r = 0.718$ indicative of a very strong correlation. It can therefore be accepted that the null hypothesis is rejected and the alternative hypothesis accepted:
Hₐ₉: Customer service has a positive impact on cumulative customer satisfaction.

5.6 CONCLUSION

The purpose of this chapter was to complete a statistical analysis on the primary data obtained through the measuring instrument. Descriptive statistics were used to present data analysis in the form of tables and graphs.

Correlation coefficient analysis was conducted to establish relationships amongst respective variables. It was found that the following variables all had a positive correlation:
• Customer value and overall customer satisfaction
• Product quality and overall customer satisfaction
• Price and overall customer satisfaction
• Communication and overall customer satisfaction
• Responsiveness and overall customer satisfaction
• Reliability and overall customer satisfaction
• Customer service and overall customer satisfaction
• Sales support and overall customer satisfaction
• Overall customer satisfaction and customer loyalty

Customers’ expectations on the level of importance of customer satisfaction attributes were analysed and presented. This information will provide important conclusions to identify the attributes that customers view as most important.

Benchmarking was used to determine the competitive activity in the market for Detpak South Africa, which will allow for conclusions on important aspects such as:

• Opportunities for value propositions and creation of barriers to entry
• Opportunities to improve customer perceptions on customer satisfaction, customer value and customer loyalty
• Possible threats within the market place
• Competitive advantage analysis
• Critical areas for improvement
• Strategy identification in line with business strategies identified in Chapter 1
• Resource allocation

Chapter 6 will present final comments and recommendations based on the results presented in this chapter. This chapter will also propose an operational model to enhance customer satisfaction at Detpak South Africa.
CHAPTER 6
CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

Chapter 5 provided an overview on the results obtained from the analysis conducted on the primary data collected through the measuring instrument.

This chapter commences with a review of the study followed by an evaluation of the empirical findings that addressed the research objectives and hypotheses. The next section will present the interpretation of the empirical results obtained through the measuring instrument and the process of data analysis to enable recommendations for improvement. The purpose of this study was to assess the perceived levels of customer satisfaction and to apply benchmarking techniques to propose an operational model to improve customer satisfaction. This will allow Detpak South Africa to identify a possible value proposition that will contribute to a competitive advantage in the disposable packaging market. The chapter will conclude with a proposed operational model for improving customer satisfaction for Detpak South Africa.

6.2 REVIEW OF THE STUDY

The study was conducted to determine the perceived levels of customer satisfaction benchmarked against competitors to obtain a competitive position for Detpak South Africa. Customer satisfaction was categorized into two main attributes, namely customer value and customer satisfaction at dimensional level.

It was established from the literature that customer satisfaction can be distinguished as transactional satisfaction or as cumulative satisfaction and it was then stated that this study will embrace the concept of cumulative satisfaction for research purposes. Thus, eight hypotheses were developed from the research objectives to test the dimensions of customer value and customer satisfaction at the dimensional level most likely to influence overall customer satisfaction. A further hypothesis was developed
to test the relationship between overall customer satisfaction and its impact on customer loyalty. The measuring instrument used to obtain primary data was a self-constructed questionnaire that was developed after a secondary literature review. The total respondents to the questionnaire delivered a sample of n=59. The data was analysed using descriptive statistics and correlation efficiency analysis. Reliability of the measuring instrument was measured by calculating the Cronbach’s alpha coefficients for all variables. The results concluded that all variables recorded Cronbach’s alpha coefficients of above 0.7. It can therefore be confirmed that the measuring was found to be reliable.

Correlation coefficient analysis was used to determine the relationships between independent and dependent variables. The independent variables - customer value, product quality, price, customer service, sales support, communication, reliability and responsiveness - were tested for a hypothesized relationship with overall customer satisfaction as dependent variable. Also, the independent variable, overall customer satisfaction was tested for a hypothesized relationship with the dependable variable customer loyalty.

The results for each of these hypothesis relationships were tested through the statistical process correlation coefficient analysis. The results obtained revealed that all hypotheses tested were positivity correlated and summarized in Table 6.1:

<table>
<thead>
<tr>
<th>Variable 1</th>
<th>Variable 2</th>
<th>Correlation coefficient: r</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality</td>
<td>Overall customer satisfaction</td>
<td>0.391</td>
<td>Moderate correlation</td>
</tr>
<tr>
<td>Customer service</td>
<td>Overall customer satisfaction</td>
<td>0.812</td>
<td>Very large/strong correlation</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Overall customer satisfaction</td>
<td>0.764</td>
<td>Very large/strong correlation</td>
</tr>
<tr>
<td>Sales support</td>
<td>Overall customer satisfaction</td>
<td>0.759</td>
<td>Very large/strong correlation</td>
</tr>
<tr>
<td>Price</td>
<td>Overall customer satisfaction</td>
<td>0.653</td>
<td>Medium practical significance</td>
</tr>
<tr>
<td>Communication</td>
<td>Overall customer satisfaction</td>
<td>0.778</td>
<td>Very large/strong correlation</td>
</tr>
<tr>
<td>Overall customer satisfaction</td>
<td>Customer loyalty</td>
<td>0.718</td>
<td>Strong correlation</td>
</tr>
</tbody>
</table>

Table 6.1: Hypothesized relationships with cumulative customer satisfaction
From Table 6.1 it can be concluded that:

- **Product quality** has a moderate positive relationship with **overall customer satisfaction**
- **Price** has a medium positive relationship with **overall customer satisfaction**
- **Customer service, responsiveness, sales support** and **communication** have strong positive relationships with **overall customer satisfaction**
- **Overall customer satisfaction** has a strong positive relationship with **customer loyalty**

### 6.3 INTERPRETATION OF RESULTS AND RECOMMENDATIONS

It was concluded in section 6.2 that there is a statistical significant relationship between the independent and dependent variables identified. Knowing the importance of the relationship, Detpak South Africa can now focus on strategies to improve the independent variable to achieve company objectives. Considering the strategic objectives identified in Chapter 1, the results obtained from the data processing and the results presented through the use of descriptive statistics, the following recommendations are proposed for improving the overall levels of customer satisfaction for Detpak South Africa.

#### 6.3.1 Customer value

An opportunity exists for Detpak South Africa to position itself as market leader in customer value as a value proposition. Currently neither Detpak South Africa nor its competitors are rated high on this independent variable. Chapter 2 discussed the evolution of the marketing concept and it was noted that Detpak South Africa is embracing the transformation from a marketing era to an era of relationship management. With this in mind it is important to review the lowest scoring measurement, **the company regularly enquires on how to improve perceived value within their product and service offering**. The rating obtained from respondents for Detpak South Africa on this measurement was 2.93 compared against
the competitive rating of 3.32. Embracing the theories of relationship management, it is recommended that Detpak South Africa build a sound understanding of their customers’ needs and how they perceive the value of the total offering afforded to them. This will assist with adjusting opportunities for improvement prior to the product and service offering being executed. Detpak South Africa should focus on improving the total offering delivered against the price offered as this will improve the customers’ perception of the value they receive.

6.3.2 Product quality

Detpak South Africa has an opportunity to utilize the dimension of product quality as a possible point of competitive advantage. The mean response received on the measurements of product quality was 4.14 against a competitive rating of 3.53. It is recommended that Detpak South Africa develop a value proposition with product quality as the corner stone when, firstly, pitching for new business growth, secondly during price adjustments and, thirdly, when growing the current customer basket.

6.3.3 Communication

Communication allows for an opportunity to improve overall customer satisfaction relative to the ratings receives on competitive activity. An opportunity exists for Detpak South Africa to improve on the internal communication after order confirmation. Best practices ensure that customers are updated with all advances in the supply chain. Customers can place their order requirements through various channels: sales person, electronic mail, facsimile, hand delivery and the internet. It is possible for customer orders not to reach the intended recipient and it is therefore important for Detpak South Africa to acknowledge receipt of orders to enable clients to raise a query when no notice of receipt is received. Once an order has been loaded onto the electronic system the distribution department is responsible for picking and dispatching of the goods. From the ratings received, customers have indicated a response lower than competitors with regards to the communication process when stock is not available for delivery. Not informing a customer of an ‘out of stock’ or short delivery situation could be extremely frustrating and potentially costly for customers.
Customers also commit to their clients and incur supply chain costs to ensure their clients do not run out of stock. Detpak South Africa has an opportunity to reduce and even exceed the current gap between itself and competitors in terms of this measurement. In the event a product item is placed on back order due to ‘out of stock’ situations, customers need to be regularly updated on the status of their outstanding orders. Receiving responses such as “it will be manufactured on Monday” is not adequate enough; the customer must be told when commitment to delivery will take place. A continuous update of the status on the back order is imperative, as an excessive time lapse might place the customer in a position where he is forced to search for alternative supply and substitute the product offering.

The overall mean rating for the measurable variable communication was 2.97 compared to a competitive rating of 3.51. Of the respondents, 93.2% responded with a rating of 4 and above for the importance of communication, indicative of the importance of closing the communication gap between Detpak South Africa and its customers.

6.3.4 Price

Both Detpak South Africa and its competitors were rated in a middle rating category, with Detpak South Africa recording a 3.22 rating and competitors 3.40. One measurable recorded a 13.3% negative difference to that of a competitive rating: The company is open for price negotiation. This measurable strongly relates to the theory on customer relations, where it was noted by Dibb et al. (2012: 20) that relationship marketing is a mutually beneficial agreement between customers and suppliers in which the focus is directed at value enhancement through the creation of a satisfying exchange. A blunt objection against any form of price negotiation or limited negotiation could be perceived as an arrogant approach and does not contribute positively to building customer relations. Although Detpak South Africa has scored a medium rating it is noted that there is a gap between customers’ perceptions about the openness of price negotiation between the company and its competitors. As identified in 6.3.2, Detpak South Africa could utilize product quality as a value proposition whilst doing price negotiations, due to the high response from respondents relative to that of competitors. However, a balance should be found between a position
of being arrogant and refusing negotiations and the position of engagement in negotiations with a strong value proposition.

6.3.5 Reliability

Detcak South Africa scored an average rating of 3.11 against the competitors’ rating of 3.61. From the four measures of reliability, two measured fairly equal to that of competitors. The two factors that deserved further analysis were:

- Delivery of products are made on time as promised
- Delivery of products are made in full against purchase orders

Numerous factors could have a positive or negative impact on these two variables. To improve them, a comprehensive root-cause analysis would need to be conducted through the value chain to determine possible causes and associated root cause analysis. Key to a root cause analysis and in line with customer relations orientation the process should incorporate at least the following elements:

- Defining and understanding the customers’ expectations and requirements
- Forecasting
- System reliability
- Data integrity
- Capacity planning
- Communication, both internal and external
- Realistic commitment to the customer, follow-up and execution

There is an opportunity for improvement on the above two key variables. As seen in Table 6.2 there is a significant gap between respondents’ rating for Detcak South Africa and the competitors’ position.
Table 6.2: Reliability gap between Detpak South Africa and competitors

<table>
<thead>
<tr>
<th>Reliability measure</th>
<th>Detpak South Africa</th>
<th>Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery of products are made on time as promised</td>
<td>2.76</td>
<td>3.61</td>
</tr>
<tr>
<td>Delivery of products are made in full against purchase orders</td>
<td>2.88</td>
<td>3.63</td>
</tr>
<tr>
<td>Overall reliability</td>
<td>3.11</td>
<td>3.61</td>
</tr>
</tbody>
</table>

6.3.6 Responsiveness

Responsiveness received the lowest rating in terms of performance, as seen in Table 5.7. Overall, the mean rating for Detpak South Africa was recorded at 2.8 against a competitive rating of 3.48, 19% below competitive rating. Five measures were used to measure responsiveness with all five measures indicating a significant negative difference to competitive ratings. Four of the five measures had a mean rating of below 3 with the fifth element recording a 3.08 rating.

It is imperative for Detpak South Africa to turn this competitive threat into an opportunity to improve customer satisfaction. Responsiveness includes neither capital expansion nor additional expenses; responsiveness requires the entire organization to understand the requirements from customers and the best practices required to achieve these requirements. The measures of responsiveness were identified in Table 5.7. Possible corrective measures that could be considered include, amongst others:

- Empowered decision-making by frontline employees
- Accountability for actions taken and non-actions taken
- Embracing a lean culture within the internal processes of Detpak South Africa to obtain imperative information such as product costing, material availability, lead times and technical approval, faster and more reliably
- Embracing the principles of customer relations as a business philosophy
- Effective internal communication between functional departments
- Removal of ring-fencing within functional departments. Everyone within the organization should understand and embrace the importance of keeping customers satisfied to ensure customer loyalty and retention.
• Establishing a culture of ownership within the organization to ensure adequate interrelations amongst all departments
• Clear strategic objectives and vision throughout the organization.

6.3.7 Sales support

From the seven measurable used to measure sales support, the following obtained a rating of below 3:

• The company representative actively seeks to grow the current basket offering. A rating of 2.88 was obtained for Detpak South Africa against a 3.56 rating for competitors.
• The company representatives regularly call upon my company to review service performance, opportunities within the market and demand management. A rating of 2.76 was obtained for Detpak South Africa against a 3.42 rating for competitors.

These two measures are directly related to the strategic objectives of sustainable growth, enhanced customer relationships and customer loyalty. Knowing and understanding your customers’ business and the market is imperative to ensure that opportunities within the market place are identified and executed accordingly.

Two further measurables require further discussion:

• The company representatives have the knowledge to answer my questions. A rating of 3.36 was obtained for Detpak South Africa against a 3.73 rating for competitors.
• The company representative understands my market requirements. A rating of 3.36 was obtained for Detpak South Africa against a 3.71 rating for competitors.

Respondents view the above two measurables almost identically for both Detpak South Africa and for its competitors. The rating for competitors is slightly higher than Detpak South Africa’s and places their ratings in the higher rating level compared to a medium rating level for Detpak South Africa. This position could be a threat to Detpak South Africa as it could allow competitors to seek a competitive advantage and value
proposition from these two variables. To combat the gap, the company could consider some of the following approaches:

- Continuous improvements through training, informal and formal, with focus on the following dimensions:
  o Product and product offering knowledge
  o Opportunities within the market identification
  o Key account management - customer knowledge and customer relations
- Less complicated internal processes and systems to obtain necessary information quicker with faster response time to customers
- Interactive discussions between functional departments through the removal of ring-fencing. Allowing transparency amongst functional departments with an embraced approach to customer satisfaction will allow frontline employees to understand a broader spectrum of the business and have answers more readily available with a faster response time.

6.3.8 Customer service

Five measures were used to measure customer service as presented in Table 5.9. From the results obtained it was noted that Detpak South Africa underperformed against competitors on all five measures. Four of the five measures obtained ratings at a high level for competitive activity against a medium level for Detpak South Africa as is presented in Table 6.3:

<table>
<thead>
<tr>
<th>Sales support measure</th>
<th>Detpak South Africa</th>
<th>Competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company displays willingness to listen and provide assistance</td>
<td>3.54</td>
<td>3.85</td>
</tr>
<tr>
<td>The company understands my specific service requirements</td>
<td>3.34</td>
<td>3.73</td>
</tr>
<tr>
<td>The contact person always listens with the intent of understanding</td>
<td>3.44</td>
<td>3.80</td>
</tr>
<tr>
<td>The company is committed to service excellence</td>
<td>3.24</td>
<td>3.78</td>
</tr>
</tbody>
</table>

These measurements allow a competitive advantage for Detpak South Africa’s competitors. The above measurements have a common business philosophy:
customer relations. Customer relations, as discussed in Chapters 2 and 3 of the literature review, noted a number of imperative elements:

- Product and service quality is the responsibility of all within the organization
- Multi-level relationships within the organization
- Mutually beneficial agreements
- Tailored relationship management programmes

All four above elements have a direct or indirect impact on the four measurables identified in Table 6.3. By embracing the principles within a customer relationship orientation, Detpak South Africa will close the gap between its respective sales support ratings and that of its competitors.

6.3.9 Overall customer satisfaction

The overall customer satisfaction was rated closely for both Detpak South Africa and competitors:
- Detpak South Africa: 3.33
- Competitors: 3.45

The measuring instrument: **Overall how satisfied are you with the total product offering** however scored significantly higher than competitive scoring, which strengthens Detpak South Africa’s market position.

6.3.10 Customer loyalty

There is a strong positive difference between the ratings obtained from respondents on customer loyalty between Detpak South Africa 3.8 (high rating) and competitors and 3.35 (medium ratings). The results obtained from respondents indicate a market position in which Detpak South Africa can increase their market share and obtain sustainable growth:

- I intend to continue to do business with the company: 4.08 high rating
- I intend to do more business with the company by growing the current basket offering: 3.71 high rating.
6.4 PROPOSED OPERATIONAL MODEL TO ENHANCE CUSTOMER SATISFACTION

The primary objective of this study, as noted in Chapter 1, is to propose an operational model to enhance customer satisfaction levels for Detpak South Africa. Eight independent variables were identified to test their relationship to overall customer satisfaction and it was found that all eight variables had a statistically significant relationship to overall customer satisfaction. These variables are listed below:

- Customer value
- Product quality
- Price
- Customer service
- Responsiveness
- Reliability
- Sales support
- Communication

An operational model for improving customer satisfaction levels for Detpak South Africa is presented below and depicted in Figure 6.1. The model was constructed following a detailed literature review on the research topic together with an analysis of the data presented from the measuring instrument.

**Step 1:** Embracing the principles of a customer relations business philosophy, the company actively seeks to determine the expectations of the customer and not what the company can offer or produce.

**Gap 1:** This gap refers to the difference between product and service expectations from the customer and the product and service offering that the company can commit to.

**Step 2:** The company seeks to determine how its product and service offerings can accommodate or best fit the requirements and demands of the customer.
**Gap 2:** The difference between the committed product and service delivery and the actual product and service delivered.

**Step 3:** The actual product and service delivery to the client.

**Step 4:** This step involves the review of the product and service offering provided, the adjustment if required, commitment from the team with regards to the adjustment and the communication of the adjusted product service and offering, both internal and external.

Figure 6.1: Operational model to improve customer satisfaction levels at Detpak South Africa

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMER EXPECTATIONS:</td>
<td>COMMITMENT TO CUSTOMER:</td>
<td>PRODUCT AND SERVICE OFFERING DELIVERED TO CUSTOMER</td>
<td>PRODUCT AND SERVICE REVIEW, ADJUSTMENT, COMMITMENT AND COMMUNICATION</td>
</tr>
<tr>
<td>VALUE PRODUCT QUALITY COMMUNICATION PRICE RELIABILITY RESPONSIVENESS SALES SUPPORT CUSTOMER SERVICES</td>
<td>VALUE PRODUCT QUALITY COMMUNICATION PRICE RELIABILITY RESPONSIVENESS SALES SUPPORT CUSTOMER SERVICES</td>
<td>VALUE PRODUCT QUALITY COMMUNICATION PRICE RELIABILITY RESPONSIVENESS SALES SUPPORT CUSTOMER SERVICES</td>
<td>VALUE PRODUCT QUALITY COMMUNICATION PRICE RELIABILITY RESPONSIVENESS SALES SUPPORT CUSTOMER SERVICES</td>
</tr>
</tbody>
</table>

**Source:** Researcher’s own construction
6.5 RECOMMENDATIONS FOR FUTURE RESEARCH

This research was confined to measuring customer satisfaction and promoting an operational model for improving customer satisfaction for Detpak South Africa. It is recommended that the scope of this research be broadened to include all paper and board manufactures and even all packaging manufacturers within the borders of South Africa.

It is important for all employees within the organization to embrace the principles of total company commitment as a key characteristic of the business philosophy of customer relations. Employees across various functional departments are, in their own capacity, internal customers. It is further recommended that a study be conducted on the satisfaction levels internally for Detpak South Africa to ensure a culture of total commitment to customer satisfaction, both internally and externally.

6.6 FINAL REMARKS

Superior customer satisfaction remains a key component to a competitive advantage in a fierce market environment. There have been numerous studies indicating that superior customer satisfaction contributes towards repurchasing behaviour, leading to customer retention and customer loyalty, and ultimately contributing positively to financial returns. The results presented in this study have indicated a strong overall perception of customer satisfaction. Analysis of the attributes of overall customer satisfaction has provided evidence that there are opportunities and threats in the current market position for Detpak South Africa.

An operational model has been proposed to assist Detpak South Africa to increase its levels of customer satisfaction. These measures, the researcher argues, are important in striving towards a system of continuous evaluation, adaption and refocus to improve customer satisfaction. The researcher believes that this model is not only suitable for Detpak South Africa but could be used as a tool within the packaging industry of South Africa.
REFERENCES


