



**RELATIONSHIP MARKETING FOR ENHANCING CUSTOMER RETENTION:  
A CASE OF SMALL GROCERY RETAIL SHOPS IN MANGAUNG METROPOLITAN  
AREA, FREE STATE**

By

**EMMANUEL IKECHUKWU IWUCHUKWU**

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Supervisor: Dr E.O. Amoakoh

Co-Supervisor: Professor C. Chipunza

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## DECLARATION

I, Emmanuel Ikechukwu Iwuchukwu, passport number \_\_\_\_\_ and student number \_\_\_\_\_, do hereby declare that this dissertation submitted to the Central University of Technology, Free State for the Degree of Master of Management Sciences in Marketing management, is my own independent work and has not been previously submitted to any institution in attainment of any qualification. I further cede the copyright of the dissertation in favour of the Central University of Technology, Free State.

Signature of student: 

Date: 15 September 2020

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## **DEDICATIONS**

I dedicate this dissertation to my late father, George Iwuchukwu Mbakwe and late mother Monica Iwuchukwu Mbakwe (nee Emekama).

## ABSTRACT

Based on the significant role played by small grocery retail shops in social economic development, the increase in the renovation and building of new malls in South Africa in which big chain grocery shops are moving their branches, on one hand creates jobs, and the other hand, has created fierce competition among these big chain grocery stores and small grocery retail shops. As a result, many of these small grocery retail shops have closed within one year from the onset of the business. Observations show that small grocery retail shops lack effective marketing practices such as relationship marketing, which has the potential to enhance customer satisfaction, customer loyalty and ultimately, customer retention. Therefore, the objective of this study was to investigate the relationship marketing practices used to enhance customer retention among small grocery retail shops in the Mangaung Area of Free State province, South Africa. Using descriptive correlational research design, a population of 250 small grocery retail shops provided the data for the research. Simple random sampling method was used to select a sample size of 152 small grocery retail shops. A structured questionnaire with items measured on a likert scale of (1) *Strongly Disagree* to (5) *Strongly Agree*, and some from (1) *To a Very Small Extent* to (5) *To a Very Large Extent* was used to collect the data from the respondents using the self-administered method. Data was analysed using descriptive statistics such as mean, mode, median, correlation and regression. A Pearson and Spearman test was done to determine the relationships. The result from this study shows that many of the small grocery retail shops do not practise relationship marketing in their business operation. The findings further revealed that some of them who practise it do not practise it as effectively as it ought to be, by adopting all the components indicated. The implication for the improvement of relationship marketing among small grocery retail shops was discussed.

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## CHAPTER 1: INTRODUCTION TO THE STUDY

### 1.1 INTRODUCTION

Relationship marketing has been seen in the past few decades as a field of great interest to both scholars and practitioners in business and marketing (Julian, Ahmed, Wel, & Bojei, 2015; Bojei, Julian, Che, & Ahmed, 2013). Relationship marketing practices are often applied by many businesses as a most effective marketing strategy to initiate, build, uphold and improve relationship with customers. It is also applicable when ensuring that a transaction relationship is beneficial to both the customers and the business (Van Tonder & Roberts-Lombard, 2015). The idea behind relationship marketing is that it costs less to retain existing customers compared with recruiting new customers (Blythe, 2013). Furthermore, Rizan, Warokka and Listyawati (2014) argued that businesses are now modifying the way in which marketing is done fundamentally. This becomes obvious by shifting from managing a large customer base to managing a specific customer group. By restructuring their marketing strategy in order to establish, maintain and enhance relationships with the customers, in return, the customers will be retained so that the SMMEs will achieve growth and contribute to national economic growth. This trend can equally be attributed to small grocery retail shops.

According to Perks (2010), the importance of small grocery retail shops in South Africa regarding their contribution to the economy cannot be over-emphasised. This is evident in their role in terms of income generation and reduction of unemployment (Fawzy, Hamieda, Mohamed, Chris, & Sulaiman, 2014). In the Mangaung Metropolitan Area, there is a rapid increase in the number of small grocery retail shops. This development, to a considerable extent, contributes to the economic development of the area. However, there exists widespread fierce competition among these shops, which in many instances affects the performance of many. As a result, some of them encounter challenges that lead to business failure from the onset of their establishment. Various causes of business failure can be identified among them, which include improper marketing practices as experienced by many of these businesses (Arasti, 2011). Therefore, this study proposes to investigate the marketing practices these small grocery retail shops apply to enable them to ward off fierce competition in their business environment in terms of winning customers for retention. Relationship marketing has been suggested to be practised by these shops to win customers and satisfy them for retention. In the literature, relationship

marketing has been defined by various authors. A good example is the definition provided by Kruger and Mostert (2014:37), who defined relationship marketing as “*all the marketing activities that focus on establishing, developing and maintaining successful relationship exchanges between the organisation and its stakeholders*”. To survive, these retailers must pursue relationship marketing practices that could enable them to retain their customers. According to Govender (2013), these relationship marketing practices can be cost-effective, by selling quality products and services, modification of the way in which products are processed, and time management.

## **1.2 PROBLEM BACKGROUND**

The retailing industry has been identified as one of the major industries associated with counterproductive competition amongst themselves in order to achieve a unique competitive advantage, which every business owner strives for, to see consumers supporting his/her business instead of his rivals (Weber & Badenhorst-Weiss, 2016). According to Badenhorst-Weiss and Cilliers (2014), businesses need to identify the competitive advantage they have over their competitors, this is based on thorough study of the market environment, which includes understanding of the customers, the suppliers and the competitors. Therefore, it is important for the small grocery retailer shops to study the market environment in which they are operating and identify marketing practices that they could follow to build competitive advantage in order to retain the customers and survive.

The increase in the renovation and building of new malls in the Mangaung Metropolitan Area of the Free State province is considered a great opportunity for business. This, in turn, has led to the spread of more shops and branches by big retail chain grocery stores across the townships. On the one hand, this expansion creates jobs for a few individuals, while on the other hand it seems to adversely affect many of the small grocery retail shops (Tengeh & Mukwarami, 2017). Furthermore, it creates fierce competition amongst them in terms of not being able to retain their customers, which seems to be a challenge to these small grocery retail shops.

A study was conducted by Ntema and Marais (2012) on the role of informal retail business sector in economic development, specifically, the case of Mangaung township in Bloemfontein of the Free State province of South Africa. Ntema and Marais (2012) reveal

that major challenges faced by these small grocery retail shops are: firstly, fierce competition from big retail stores in township areas. Secondly, lack of cooperation amongst entrepreneurs. Thirdly, widespread lack of business skills and training. Fourthly, selling of low-standard quality products and an inappropriate business environment in general. In support of these findings, a similar study was carried out by Badenhorst-Weiss and Cilliers (2014) on the increase in building of malls in Soweto in South Africa, which revealed that increase in new malls increases competition amongst the small grocery retail shops and the hyper supermarkets. As a result, many of these small grocery retail shops have closed down. Ernest, Ankomah, Tengan and Asamoah (2016) conducted a similar study on challenges to retrofitting and adaptation of existing building within the major Central Business District in Ghana. Their study found that renovation and building of new malls in Accra, Kumasi, and Sekondi-Takoradi District had a negative effect on the informal businesses, because of which many of them have also closed.

Another challenging area that may be facing these small grocery retail shops could be the issue of quality of products and services which seems to be lacking in their operations (Ntema & Marais, 2012). This statement is supported by a study conducted by de Plooy, de Jager and van Zyi (2012), who investigated the drivers of perceived service quality in selected informal grocery stores in Gauteng. The study revealed that many of the owners of these stores do not know or understand what service quality and product quality are, let alone their drivers. According to Amoakoh and Naong (2017), many consumers are willing to pay little price higher in order to get quality goods and services then rather than being offered low- quality products and services at lower prices. The authors further highlight that businesses who provide quality services are using this strategy to build competitive advantage to their business amongst their competitors. These statements are in line with Havenga (2015) who argues that quality products are products that can meet consumers' expectations. A perception by the consumer of service and product quality can make the consumer loyal to the shop to enhance repurchase attitudes and recommend them to other consumers.

According to McGuinness and Hutchinson (2013), the characteristic that distinguish a business-like grocery shops from its rivals depends on several factors that include, firstly, the distinctive competencies and capabilities of the individuals. Secondly, superior quality of goods and services. Thirdly, cost reduction, and fourthly, product differentiation and

processes, which serve as value added for the customer. Weber and Badenharst-Weiss (2016) also assert that distinctive competencies are competitive advantages that provide customers with efficient and effective quality services compared to the rivals. These competences enhance the relationship between the business and the customers; they can be referred to as sustainable competitive advantage in the long run. In other words, small grocery retailer shops could apply relationship marketing skills and practices that will be visible and attractive to the customers in order to retain them. A study conducted by Amoakoh (2016) on hair salons businesses also shows that relationship marketing positively relates to customer retention, customer satisfaction, value creation to the customers, maintaining quality of goods and services, and good interaction with customers, which in turn, speak to profitability, business survival and competitiveness. Therefore, in the context of small grocery retail shops, the goal of relationship marketing is to provide bases for business competitiveness, long-term value, customers satisfaction, and ultimately customer retention for survival and profitability.

### **1.3 PROBLEM STATEMENT**

Against this background, it becomes evidence that the proliferation of retail grocery shops has increased the level of competition amongst grocery retailers in the Mangaung Metropolitan Area of the Free State province. Consequently, many of these shops are facing the challenge of continuous rise in customer turnover rate, leading to poor business performance. The problem is that there seems to be a lack of effective marketing practices, such as relationship marketing, which has the potential to enhance customer satisfaction, customer loyalty and ultimately customer retention. This conceptual perception is synonymous with assertions found in a study conducted by Amoakoh and Naong (2017) on hair salons, which showed that relationship marketing positively relates to retention of customers, business survival, profitability and competitiveness. Although the study was carried out among hair salons, the same results could be expected for small grocery retail shops' practice of relationship marketing for customer retention, given that it also includes product and services

### **1.4 AIM OF THE STUDY**

The aim of this study is to contribute to literature on marketing practices that speaks to relationship marketing for enhancing customer retention among small grocery retail shops in Mangaung Metropolitan Area of the Free State province.

## **1.5 RESEARCH QUESTIONS**

### 1.5.1 Main research question

What are the relationship marketing practices employed by the small grocery retail shops in Mangaung Metropolitan Area of the Free state province to retain customers?

### 1.5.2 Subsidiary research questions

1. What are the relationship marketing practices that exist among small grocery retail shops in Mangaung Metropolitan Area?
2. What elements of customer satisfaction exist among small grocery retail shops in Mangaung Metropolitan Area?
3. What elements of customer retention exist among small grocery retail shops in Mangaung Metropolitan Area?
4. Is there a significant relationship between relationship marketing practices, customer satisfaction, and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area?
5. To what extent does customer satisfaction mediate between relationship marketing practices and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area?

## **1.6 RESEARCH OBJECTIVE**

### 1.6.1 Main research objective

The primary objective of this study is to determine the relationship marketing practices that can be applied to enhance customer retention among small grocery retail shops in Mangaung Metropolitan Area of the Free State province.

### 1.6.2 Subsidiary research objectives

1. To determine the relationship marketing practices that exist among small grocery retail shops in Mangaung Metropolitan Area.
2. To determine the elements of customer satisfaction that exist among small grocery retail shops in Mangaung Metropolitan Area.
3. To ascertain the elements of customer retention that exist among small grocery retail shops in Mangaung Metropolitan Area.

4. To determine the relationship between relationship marketing practices, customer satisfaction, and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area.
5. To ascertain the extent to which customer satisfaction mediates between the relationship marketing practices and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area.

### **1.7 RESEARCH HYPOTHESIS**

H1: There is a relationship between relationship marketing and customer satisfaction used by small grocery retail shops.

H2: There is a relationship between customer satisfaction and customer retention used by small grocery retail shops.

H3: There is a relationship between relationship marketing and customer retention used by small grocery retail shops.

H4: Customer satisfaction mediates the relationship between relationship marketing and customer retention used by small grocery retail shops.

### **1.8 THEORETICAL PERSPECTIVE**

The study is rooted in the Interaction Relationship theory developed by Christopher, Payne and Ballantyne (1991), which states that the primary target of many businesses is to initiate, build and maintain mutually beneficial relationships with selected customers. Product quality and effective customer service are critically important in cementing relationships between the retailer and the customer. This theory is supported by Kuhn and Mostert (2015), who argue that for relationships to exist between the retailers and the consumers, the retailer must make sure that he or she satisfies the needs of the customers. The theory will assist in understanding how small grocery retail shops build relationships with their customers. *(The theory is discussed in detail in Chapter 3).*

### **1.9 SUMMARY OF THE METHODOLOGY**

The study adopted a quantitative approach to research design, data collection and analysis. The target population consisted of 250 small grocery retail shops in the Mangaung Metropolitan Area of Free State province. The sample size was 152 drawn from the population using probability sampling method. The study adopted survey method in collecting the data from the respondents making use of structured questionnaire. Data

was captured using Statistical Package for the Social Science (SPSS) version 21. Descriptive statistics, such as frequency tables, charts and graphs, as well as inferential statistics were used to analyse the data. (*Detail of the methodology used in this study are discussed in Chapter 4*).

## **1.10 RELEVANCE OF THE STUDY**

Apparently, several small businesses such as small grocery retail shops in the Mangaung Metropolitan Area face many challenges ranging from owners lacking managerial skills to either the absence of or ineffective marketing practices within the businesses. Besides, the increase in the building and renovation of malls in which big chain grocery shops open their branches and the proliferation of these small businesses also creates counterproductive competition among themselves in the business environment for customers. Some of the resultant effects of these challenges are loss of customers, premature folding of many of them and the survivors in many instances stagnating. This study specifically focuses on the marketing challenges around relationship marketing practices to be adopted by these small businesses to enhance customer satisfaction, loyalty and ultimate customer retention for competitiveness. The study, therefore, contributes to literature on the appropriate relationship marketing practices which small grocery retail shops in Mangaung Metropolitan Area should practise to build relationships with the customers and achieve customer retention in this fierce competitive environment. The success of the practice of relationship marketing by these small grocery retail shops might also assist other small businesses to adapt this marketing concept to retain their customers for business growth.

## **1.11 DELIMITATION OF THE STUDY**

The delimitation of the study is to define the areas of inclusion and of exclusion by defining the boundaries in the research for the study to be managed effectively. However, the areas of exclusion do not mean that they are unimportant or difficult to research. Rather, the demarcation makes it easier for the research to be managed and focused.

### **1.11.1. Geographic location of the participants**

The study was limited to small grocery retail shop businesses in the Mangaung Metropolitan Area of Free State province which includes Bloemfontein, Botshabelo and Thaba-Nchu.

### 1.11.2. Type of organisation(s)

The study was limited to small grocery retail shop businesses in the Mangaung Metropolitan Area of every nationality, both registered and non-registered.

### 1.11.3. Size of organisation(s)

The study was limited to small grocery retail businesses managed by the owners, that employ more than five but less than 20 employees.

## 1.13 DEFINITIONS OF THE KEY TERMS

### **Relationship marketing**

It is a marketing practice that focuses on initiating, building and cultivating a long-term profitable and mutually beneficial relationship between an organisation and defined customer group (Peck, Christopher, Clark & Payne 2013).

### **Customer satisfaction**

According to Jahanshahi *et al.* (2011), It is the result of a customer's perception of the value received in a transaction or relationship where value equals perceived service quality relative to price and customer acquisition costs.

### **Customer retention**

It can be defined as a business' capability to keep its customers by providing a great customer experience.

### **Customer loyalty**

It is the customers' actions and behaviour to patronise one brand or business over all its rivals.

### **Competition**

Is the ability to maintain a competitive position, meeting the customers' and stakeholders' expectations, continuously eliminating threats and at the same time utilizing opportunities that arise in a competitive environment (Zhang & Gao, 2014).

## **Competitiveness**

It is the capability of a business to produce more products and services that are successfully sold to consumers (Zhang & Gao, 2014). From this angle, competitiveness can be defined in this study as the ability of small grocery retail shops to provide more goods and services and successfully sell it to the consumers.

## **Small grocery retail shops**

It refers to a small convenience shops that are centrally located which has ease accessibility with a range line of merchandise that are more like supermarket stores and operate to late hours.

## **Informal sector economy**

According to International Conference of Labour Statisticians (ICLS) (2013), this economic sector is not taxed, and government also does not monitor their financial activities.

## **SMMEs**

In South Africa, it refers as Small, Medium and Micro Enterprises. According to Le Fleur et al. (2014:9), small business is officially defined in section One of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 and 2004 (NSB Act) as *“a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries whose employees range from fewer than five and up to 200 people.”* In this study, SMMEs therefore mean small grocery retail shops that are independently owned and managed by the owner(s) employing less than 10 people.

## **1.14 LIMITATIONS OF THE STUDY**

The following limitations were identified, which will not reduce the value of the study. Firstly, the study was conducted among selected operators of small grocery retail businesses in the Mangaung Metropolitan area and the customers were excluded because of the difficulties in identifying real customers that shop in these shops in order to avoid selection error. Secondly, the generalisation of the findings of this study to the

entire nation is limited; as a result, the study focuses on a specific provincial area due to time and financial constraints. Therefore, there is risk of geographical bias.

### **1.15 LAYOUT OF THE STUDY**

**Chapter 1:** Introduction and scope of the study.

**Chapter 2:** Review of the literature on SMMEs, small grocery retail shops and their contribution in the economy, followed by defining relationship marketing by starting with its predecessor traditional marketing. Thereafter, the process of relationship marketing is set out, and finally the discussion on customer loyalty.

**Chapter 3:** Examines the literature on relationship marketing components, customer satisfaction and customer retention, the importance of customer satisfaction in building business relationship with the customers and the process of retaining the customers, the linkages between RM, CS and CR. Finally, the research theory is presented.

**Chapter 4:** Description of research design and methodology follows in the study: how data was collected, and the techniques used to analyse the data.

**Chapter 5:** Presents and discusses the empirical findings from the survey which was conducted to determine the relationship marketing practices employed by the small grocery retail shops in Mangaung Metropolitan District to retain the customers.

**Chapter 6:** Presents the conclusion and recommendations based on the literature and findings of the empirical research.

### **1.16 CHAPTER SUMMARY**

This chapter provides an overview of the study. A number of important areas, such as the aim of the study, research questions and research objectives, the problem background and problem statement were stated. The researcher also outlined the research approach and research design that would be followed for data collection and analysis. The researcher hopes that after completion, this project will make a significant contribution to the literature on the application of relationship marketing practices in the retail grocery business.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1. INTRODUCTION**

The previous chapter of the study presented an introduction and background of the study, its aim, problem statement and objectives amongst others. The present chapter will focus extensively on the review of literature by discussing small business (SMMEs), its importance in the economy, the review of South African small grocery retail shops and its socio-economic importance, introduction of a traditional/transactional marketing paradigm as the predecessor of relationship marketing, followed by the definition and the scope of relationship marketing, the difference between relationship marketing and transactional marketing, and the formation of relationships. The chapter concludes with customer loyalty, its importance and benefit for adopting it in the operations of small grocery retail shops to achieve customer retention. The primary aim of the literature review is to generally combine the ideas regarding small grocery retail shops and the marketing practices they should adopt to retain the customers for business competitiveness and sustainability as they face competition from the big chain grocery retail shops.

### **2.2. SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs)**

#### **2.2.1. Definition of SMMEs**

According to the National Credit Regulation (2011), despite the importance of SMME sector and the role it is playing in the economy, in terms of job creation and alleviation of unemployment which has been acknowledged both locally and internationally, the definition of this economic sector is still quite challenging. There is no uniformly accepted definition globally, as every country has its own definition. Berisha and Pula (2015) concur that SMME has three different kinds of definitions which are: definitions by industries, definitions by national law, and definitions by international institutions. In many literatures, SMMEs are referred as Small and Medium Enterprises (SMEs). Tewari, Skilling, Kumar and Wu (2013) emphasise that the international definition stipulates SMMEs definition into three groups, which are; Micro businesses that employ less than 10 employees, Small businesses that employs 10 – 49 employees and Medium businesses that employ 50 – 249 employees. Le Fleur, Koor, Chetty, Ntshangase, Mackenzie and Rawoot (2014)

highlights that SMMEs International's definition is divided into two parts: an economic and a statistic part. According to the author on the economic definition, "a business is regarded as small if it meets the following three criteria: firstly, if it has a relatively small share of the market; secondly, if it is managed by the owners, and the management structures are not formalised but through personalised structure; and thirdly, the business is not part of a larger enterprise but independently owned". In the area of statistical definition, the business is assessed from three dimensions: firstly, the business size in terms of its contribution to the Gross Domestic Product (GDP), employment and export; secondly, comparison of the extent to which the small business contribution has changed over time; and thirdly, the small business economic contribution in comparisons a cross-country event.

In the context of South Africa, small businesses are differently named and defined compared to an international definition. According to the National Small Business Act (1996), small businesses are called "*Small Medium and Micro Enterprises*" (SMMEs). In the area of the definitions between South Africa and international institutions, both agree that SMMEs must be registered for it to be a formal business, and this is important as it allows the government to assess the contribution of the sector to the economy (Mago & Toro, 2013). National Small Business Act (NSBA) (1996) also highlight that micro businesses are categorised based on their operating system as follows; firstly, these businesses mostly employ zero to five employees; secondly, many of them operate in the informal sector; thirdly, many of them do not have fixed business premises or location; and lastly, the annual turnover of many of them is below the Value Added Tax (VAT) recommendation. Meanwhile, some of these businesses voluntarily register for VAT despite their annual turnover not being up to R150 001 as indicated by NSBA.

From both international and national definitions, several interesting characteristics can be seen that make business a small business (SMME); Firstly, many of these businesses are managed by the owners and are independent of big enterprises. Secondly, their daily business activities and operations are not formalised. Thirdly, the business employs few workers. Fourthly, many of the businesses operate in the informal sector of the economy; and lastly, many of them are not registered and do not pay Value Added Tax (VAT).

### 2.2.2. Classification of Small, Medium and Micro Enterprises (SMMEs)

According to the Bureau for Economic Research (2016); the NSB Act of 2003 and 2004, and Sekhametsi (2017), SMMEs in South Africa are classified based on their employment capacity, and asset and income contribution to the economy. These classifications are as follows:

**Survivalist enterprise:** The businesses in this category are considered as pre-entrepreneurial, and their income generation is below the poverty line or minimal income standard level. They include; vendors, hawkers, homebased evening jobs and subsistence farmers. Also, they have low growth potential and most times, it is difficult for them to hire employee; they are categorised as part of the micro-enterprise.

**Micro-enterprise:** The businesses in this category are not formalised in terms of registration, they include minibus taxis, household industries, and spaza shops, they employ zero to five employees. Their annual turnover is below the value added tax registration limit (that is R150 000).

**Very small enterprise:** The businesses in this category are registered and formalised, they employ one to 10 paid employees, but in electricity, construction, mining, and manufacturing sector, they employ up to 20 employees. Their annual turnover depends on the type of industry, which is between R200 000 and R500 000.

**Small enterprise:** The businesses in this group are small enterprises, they are well established compared to very small enterprises, their business practices are well organised and structured. They employ seven to 50 employees and their annual turnover depends on the kind of industry, which is between R2 million to R25 million,

**Medium enterprise:** The businesses in this sector are mostly characterised by the decentralisation of power to additional management branches, their annual turnover depends on the type of industry the business is in, which ranges between R4 million to R50 million. Each business in this category employs up to 100 employees, and in mining, construction, manufacturing, and electricity sector, they can employ up to 200 employees.

Based on the classification of SMMEs as aforementioned, small grocery retail shops fall under SMMEs because they are distinct entities independently owned by one or more

owners. In the classification of the SMMEs it falls under “very small enterprise”, because it employs fewer than 10 employees.

### 2.2.3. Importance of Small, Medium and Micro Enterprises (SMMEs)

The importance and contribution of SMMEs in the economic growth and job creation cannot be over-emphasised. Mahembe (2011) states that irrespective of SMMEs economic development stage, their value and contribution to the economy are being recognised globally. According to the Bureau for Economic Research (2016), SMMEs’ role in every economy is crucial; they are the key drivers of economic growth, innovation and job creation, and in South Africa, government also recognises their importance, which resulted in 2014 the government creating a new Ministry of Small Business Development, with an annual budget of approximately R1 billion, The aim of the Ministry is to facilitate the promotion and development of small businesses (South African Reserve Bank, 2015). The major importance of the SMMEs in the economy is in the area of job creation (Okyere, 2019). According to South African Catholic Bishops’ Conference (2014), governments all over the world are responding to the demands of small businesses by making it easier for them to succeed and grow because they are reorganised as the key drivers of job creation, means of eradicating poverty and one of the potential contributors to GDP growth. Amra, Hlatshwayo and McMillan (2013) reveal that a survey conducted in 2010 regarding SMMEs’ contribution in terms of alleviation of unemployment and job creation showed that South Africa had 5 979 510 small businesses, and out of this number, over 60 percent of the owners did not have a Matric certificate; also 58 percent of these businesses were owned by women.

SMMEs also contribute to the economic growth. According to information from the Deputy Governor of the South African Reserve Bank (SARB), SMMEs’ contribution to the South Africa’s GDP ranges from between 52 percent and 57 percent (Groepe, 2015). According to the Deputy Minister of Trade and Industry, the number of SMMEs in South Africa stands at 2.8 million and their contribution to employment creation at 60 percent. This claim was supported by Mashavira, Chipunza and Dzazi (2019) and Mashavia (2016), who points out that this business sector contributes up to 60 percent in the South African GDP and employs more than half of the workforce in the private sector. The author further argues that it is estimated that 70 percent of the jobs created all over the world come from this sector. Another area of importance of SMMEs is that they create an entrepreneurship

mind-set in the lives of young entrepreneurs and serve as a means for business start-up. Minto-Coy, Cowell and McLeod (2016) highlight that small businesses are believed to be a significant contributor to employment and job creation, with the turn to entrepreneurship among young people adding to the number of small business start-ups across countries. Tewari, Skilling, Kumar and Wu (2013) argue that the SMMEs are the engine of new growth and innovation. In many developing countries, this business sector is the primary source for entrepreneurship, innovation, and competitiveness (Keskin, Senturk, Sungur & Kiris, 2010). Considering the potential of SMMEs, among which are small grocery retail shops, in contributing to the economic development, in terms of employment creation, contribution to economic growth and entrepreneurial orientation, they need a marketing strategy that will help them to retain their customers, thus relationship marketing has been recommended by this study.

#### 2.2.4. Small grocery retail shops in the context of formal and informal sector

The National Small Business Amendment Act (2003) highlight that many of the small businesses in South Africa are informal in nature, they have zero to five employees, with very few assets. This business sector plays a significant role in the economy in promoting growth and reducing poverty and unemployment. Even though these businesses are characterised with small sales and low increments of profit, cumulatively they produce a huge amount of wealth (Ingle, 2013). According to Ligthelm (2013:59), the informal sector is defined as *“small, unregistered businesses operating as street vendors and in-home businesses established on residential sites, often termed ‘spaza shops’ or ‘tuck-shops’ in South Africa.”* In addition, Perks (2010) explains that spaza shops are informal businesses operating from a room in a shack or small bouse where customers stand outside and purchase basic groceries over a counter, as compared to the modern chain grocery shop.

In South Africa, spaza shops are called tuck-shops, but they are, in fact, small grocery businesses (Chipunza & Phalatis, 2019; Phalatsi, 2016). According to Eyewitness news (2016), during apartheid, blacks were crammed together in squalid townships kilometres away from cities, and some residents began to sell staples such as maize meal and cooking oil out of their own homes, the informal stores became known as tuck-shops or *spazas* a slang word that connotes *“just getting by.”* These spaza shops have been identified as one of the most rapidly growing business activities within the informal sector.

In formal townships with poorly developed shopping facilities and in shack settlements with none, the spaza shops are playing an important social economic role in urban black society (Ligthelm, 2013). This indicates that spaza shops are among the businesses in the informal sector that are growing fast in South Africa.

In South Africa, spaza shops play a crucial role both in the township areas and in the rural communities; they sell those grocery items like milk, bread, soap, cooking-oil, cool-drinks and many other products that are in daily demand by the consumers in these towns (Tengeh & Mukwarami, 2017; Phalatsi, 2016). The consumers around these areas support these spaza shops as long as they are competitive in price and sell quality products and services. The spaza shops are mostly positioned within the residential area and respond to the dynamic demands of the people living around these areas (Spaza News, 2010). Although the prices of products in these spaza shops are bit higher than the ones of modern grocery shops, one of the major advantages they offer to the customers is that the customers find it convenient whenever they need those products and services they sell (Ligthelm, 2013). Another benefit is that spaza shops are found near people's homes, mostly in the informal settlements, which makes it easier for consumers to buy the products any time they need it without paying for public transport. Their services are also quick compared to the ones of big chain groceries. In addition, they offer the customers the opportunity to buy on credit without being charged interest, as well as the benefit of price negotiation and long and flexible business hours (Chebelyon-Dalizu, Garbowitz, Hause & Thomas 2010; Ligthelm, 2013).

This study focuses on spaza shops that have been revolutionized by introducing walk-in spaza shops operating in both the formal and informal business sector, which is called "modern spaza shops". According to Basardien, Parker, Bayat, Friedrich and Appoles (2014), within the grocery industry, modern spaza shops are emerging as a common business practice in many areas, they have self-service and walk-in facilities like the ones used by supermarket chain stores, they have a wider range of products displayed on the shelves for customers to make their choice. The authors argue that the modern spaza shops look like a small-scale supermarket or grocery store. Figures 2.1 and 2.2 are typical examples of modern small grocery retail shops.



Figure 2.1: Revolutionized/transformed small grocery shop

Source: southafricantuckshops.com (2019)



Figure 2.2: Revolutionized/transformed small grocery shop

Source: southafricantuckshops.com (2019)

Basardien *et al.* (2014) emphasize that these modern spaza shops provide mostly day-to-day grocery necessities that customers would otherwise have gone to purchase from distant supermarkets. Also, consumers with lower incomes living in townships and rural areas who do not have direct access to big chain grocery retail stores located in the big

cities, shop at these local modern spaza outlets, which are like small-scale grocery stores. (De Plooy, de Jager & van Zyl, 2012).

Therefore, considering the importance of these small grocery retail shops in terms of job creation, alleviating unemployment and poverty and contribution to the economic development in the Mangaung Metropolitan District, they need to be competitive. Thus, this study is aimed at looking at how these small grocery retail shops can build relationship with the customers and ultimately retain them for business growth.

#### 2..2.4.1. Socio-economic importance of small grocery retail shops

The perceived social-economic importance of small grocery retail shops cannot be overemphasized, especially among the less-developed countries such as South Africa, in the area of its contribution to economic growth, creation of self-employment and alleviation of unemployment. A study conducted by Ligthelm (2013) on informal trade in South Africa, which focuses on the performance of small grocery shops/spaza shops, indicates that over half (52.1) percent of the small grocery owners were unemployed when they started their own businesses. The survey further shows that spaza/small grocery shops can be a means of self-employment and a permanent job alternative for those who were unable to secure jobs in the formal economy. The study further highlights that 39.7 percent of these small grocery stores have been in existence for more than five years. Given the prevailing situation of unemployment in the country, small grocery retail shops serve as a means of job creation and unemployment eradication.

Small grocery retail shops also create entrepreneurship in the mind-set among the youth. According to Uzomah and Okoye (2015), entrepreneurship is a dynamic and social process where individuals alone or in collaboration identify opportunities for innovation and act, thereby transforming ideas into practical targeted activities whether in a social, cultural or economic context. One can conclude that by setting up small grocery retail shops by individuals or a group of people, these people are transforming their entrepreneurial ideas into practice, thereby creating their own jobs.

Small grocery retail shops can also serve as a means of development and building of human capital. Human development entails conditions under which individuals can

flourish, meet their basic needs, make choices about their lives and make progress in their own development free from structural or other constraints (Egharevba *et al.*, 2016).

Examining the aforementioned social-economic importance of small grocery retail shops in contribution to the economic growth in the Mangaung Metropolitan District, they need to be competitive. Hence, this study looks on the marketing practices they will adopt to retain the customers. On that account, there is a need for relationship marketing practices.

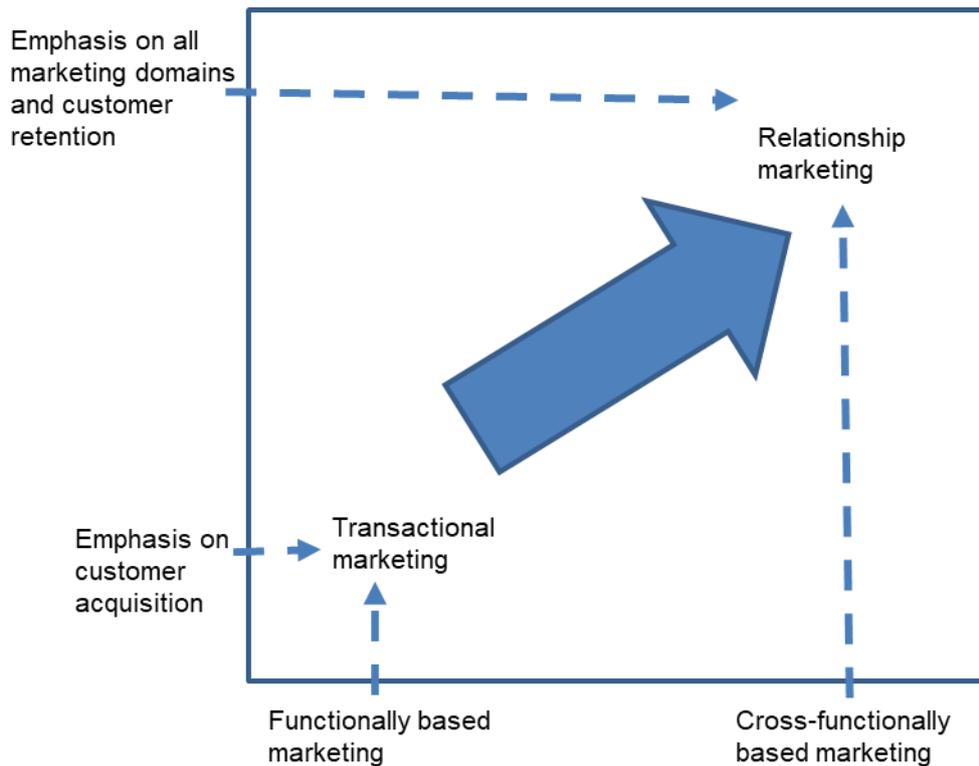
### **2.3. OVERVIEW OF TRANSACTIONAL MARKETING (TM)**

This study focuses on relationship marketing practices that small grocery retail shops could put in practice to retain customers for business growth. The predecessor of relationship marketing, transactional/traditional marketing, is briefly discussed as it is as a result of its shortcoming that brought about the birth of relationship marketing.

#### **2.3.1. Transactional Marketing (TM)**

According to Harker and Egan (2006), the origin of transactional marketing can be traced from micro-economists in North America in the 1950s prior to the Second World War, during which price theory was developed to adopt what they called “oligopolistic competition.” During this period, organisations approached marketing as a set of unconnected transactions between the marketer and customer (Nickels & Wood, 1997). This marketing approach was based on the marketing mix of 4Ps (product, price, place and promotion). The theory was based on “make the sale and find new customers” (Esi, 2012). During this era, marketers were focused on attracting new customers instead of encouraging additional exchange by developing closer relationships with current customers. According to Christopher, Payne and Ballantyne (2002), the 4Ps were the levers that, if managed appropriately, would lead to an increase in demand for the products and services offered by a company. Marketing management aimed at developing strategies that would minimize expenditure on the marketing mix to maximize sales.

## The transition from transactional marketing to relationship marketing



**Figure 2.3: Transition of transactional to relationship marketing**

**Source:** Adopted from Christopher *et al.* (2002) with slight modification.

Figure 2.3 above shows the characteristic differences between transactional marketing and relationship marketing. Transactional marketing lays emphasis on customer acquisition, while relationship marketing emphasises all marketing domains and customer retention. Another point is that transactional marketing is functionally based marketing, while relationship marketing is cross-functionally based marketing. As a result, transactional marketing has given way to relationship marketing.

Some of the limitations of transactional marketing were based on its mass marketing and product standardisation, and the theory and practice therefore assumed that consumers were available in large numbers and all behaved the same. The strategy is based on short-term solutions. The businesses' emphasis and focus were on promoting and selling the products, instead of showing regard for the needs of the customers and on how to satisfy those needs in order to build long-term relationships with the customers (Khalifa, 2014). Because of these shortcomings, it led to the birth of relationship marketing — a marketing strategy that focuses on building long-term relationship with customer and

customer retention (Christopher, *et al.*, 1991). Therefore, relationship marketing seems to be suggested to be appropriate marketing practice for small grocery retail shops which will assist them in building relationships with the customers and retain them.

### 2.3.2. Criticisms of Transactional Marketing (TM)

Relationship marketing scholars have criticized the transactional marketing theories, strategy and its concept. For example, Esi (2012) highlights that many researchers have attacked and criticised transactional marketing mix theory in many occasions. One of the criticisms of this theory was that it is very problematic in applying it outside its original context of the 4Ps (product, price, promotion and place) (Harker & Egan, 2006:218). Another criticism was that the dominating mass marketing is becoming more and more fragmented; customers do not want to remain anonymous anymore and to be treated as such, and they are becoming more sophisticated, while competition is increasing and becoming global (Gronroos, 2016:16).

According to Khalifa (2014), transactional marketing is based solely on the economic dimension (transactional), while relationship marketing is studying jointly the economic and social dimension (relational) approach. This new approach believes that it is less expensive to retain, maintain and service existing customers than conquering new ones. The author further argues that transactional marketing focuses primarily on a competitive edge “product” and its positioning. This approach is gradually giving way to relationship marketing that focuses on customer relations. This argument is in line with Britto (2011) and Luczak (2014), who state that over the past two decades, technology has played a big role in transforming the life of consumers, and customers have better opportunities and low costs switching from one business to another. In maintaining the customers and gaining their loyalty, businesses should adopt relationship marketing practices.

Akroush (2010) points that transactional marketing paradigm did not consider the value of relationship building processes and the attitude of the business stakeholders and their behaviour, thoughts, ideas and needs, Rather it focuses on the marketing mix of 4Ps: product, price, place and promotion, which represents a simpler and narrow-scoped view of the processes of marketing. Guido, Marcati and Peluso (2010) point out that some of the transactional marketing short- comings were its short-term orientation, its functional perspective, and its focus on the producer/seller, rather than on final consumers and other

parts. The actual needs, wants, and expectations of the customers were not perceived as being of paramount importance (Brink & Berndt, 2010).

Another criticism of transactional marketing, according to Brink and Berndt (2010) and Berndt and Tait (2012), was that customers within each segment were served as though they all wanted the same thing, as the founder of Ford Motor Company Henry Ford's replied in one of his comments: "You can have any colour as long as it's black". The strategy employed by the marketers then was persuasive, even when the customer does not want to buy, he or she has to be persuaded to do so. The authors further state that transactional marketing paradigm has no intention of climbing the loyalty ladder, the objective and effort of it was to make sure that sales occurred and that was the end of interaction between the customers and the business. Therefore, the transactional marketing paradigm does not consider the importance of customer satisfaction and customer retention in its marketing strategy.

Egan (2011) feature that transactional marketing theory was developed during the time of economic growth, and currently in many industries business growth is stagnant, and many markets are saturated, perhaps this approach are no longer fit for highly competitive markets. Guido, Marcati and Peluso (2010) concur that as a result of these limitations on the transactional marketing approach, relationship marketing approach was proposed during the 1980s. Therefore, relationship marketing seems to be suggested to be appropriate marketing practice for small grocery retail shops which will assist them in building relationship with the customers and retain them since the competition seems to be high.

## **2.4. RELATIONSHIP MARKETING (RM)**

### **2.4.1. Definition of relationship marketing**

According to Christopher, Payne and Ballantyne (2002), the term relationship marketing and its use can be traced to the industrial and service marketing of the 1980s. Many researchers have proposed different definitions of relationship marketing. Van Tonder and Romberts-Lombard (2015:186) define relationship marketing as *"a marketing approach that businesses can use to develop a long-term association with customers, measure the customers' satisfaction level and develop effective programmes to retain the*

*customer for the business.”* According to Payne *et al.* (2005), relationship marketing comprises all the marketing activities that focus on the development and cultivation of a long-term profitable and mutual relationship that is beneficial between the business and the customers. In the same way, Amoakoh (2016) highlights that relationship marketing is all the marketing practices directed towards attracting customers, building relationships and ultimately retaining them through the promotion of relational exchanges within the business. Furthermore, Futrell (2012:6) defines relationship marketing as *“all the marketing approaches adopted by businesses in order to attract, build and maintain relationships with the customers for business growth.”*

Kruger and Mostert (2014) state that relationship marketing are all the marketing activities that are focused towards establishing, developing and maintaining successful relationship exchanges between the organization and its stakeholders. Correspondingly, Catoin and Tichindelean (2012) stress that relationship marketing is a strategy whose primary aim and objective focuses on satisfying the customers’ needs and making sure that the customers were retained for the business rather than focusing on the point-of-sale transaction. The researchers further highlight that the primary aim of many businesses that practice relationship marketing is to achieve higher rates of customer retention for their businesses. In addition, Berndt and Tait (2012) and Tiemo (2013) state that relationship marketing is all about facilitation and management of the relationship between the business and its customers.

From the definitions, a number of interesting features can be drawn out. Firstly, once prospects are attracted to the business, these prospects must be converted to customers. Secondly, the seller should implement a relationship marketing strategy with the intention of strengthening the relationship with the customers. Thirdly, loyal customers will become clients and referral sources. Fourthly, the business should make sure that it builds a long-term relationship with the customers and enhance it. And finally, the relationship must be beneficial to both the business and the customers and the satisfied customers would become advocates and members of the business. Therefore, for this study, relationship marketing in small grocery retail shops can be defined as a marketing practice followed by small grocery retail shops to build a beneficial long-term relationship with the customers and ultimately retain them for business growth.

#### 2.4.2. The scope of relationship marketing

According to Rahman and Masoom (2012), the relationship marketing paradigm was developed many years ago, as a result of the overlapping traditional marketing practices. The increase in the practice of relationship marketing can be closely traced to the growth of the service industry characterized by long-term customer relationships and focus on customer-firm interaction and customer participation in service outcomes (Gummerus, von Koskull, & Kowalkowski, 2016). Theron, Terblanche and Boshoff (2013) state that increased levels of competition have made it necessary that many businesses are regularly offering new services to customers in order to add value to the customers' transactional benefits. They further state that the primary aim for a business to adopt relationship marketing practices is to provide value to both the customers and the business, and this value could be enhanced by providing new benefits for both parties. Relational benefits are an essential element that relates to customers' perceptions about the service and the service provider (Mackay, Petzen & Mostert, 2014).

According to Futrell (2012), relationship marketing has been positioned as the primary means by which firms can build relationships with customers. The two important concepts in the field of marketing are relationship marketing and customer retention. Relationship marketing is characterized by higher levels of service quality, client satisfaction, support and the retention of profitable clients (Rootman, Tait & Sharp, 2011). This is also referred to by Kuhn and Mostert (2015), who state that the significance of focusing on relationship marketing tactics stems from the notion that building strong customer relationships leads to increased satisfaction, loyalty and customer referrals. Theron, Terblanche and Boshoff (2012) state that to manage a long-term relationship, it is important that businesses develop a clear understanding of the dimensions of such a relationship. Relationship marketing, however, broadened the domain to focus explicitly on the exchange relationship, enhancing the understanding of relationships between sellers and customers, most importantly; it identified constructs that influence the nature of the relationship in market exchanges between sellers and customers (Sashi, 2012). Mostert and De Meyer (2012) emphasise that relationship marketing is characterised by increasing customer satisfaction; lower marketing cost; increased effectiveness because of knowledge of the customer; increased customer dependence on the business; increased customer retention rates, and ultimately higher profits. The researchers further highlighted that relationship marketing also accorded benefits to the consumers on the

following: the consumers may feel more valuable if the business recognizes them and addresses them by name; customers may have a decrease in risk (for example physical, social, financial or psychological risk) associated with dealing with the business, and customers may experience higher status by being associated with the business by personalisation of products or services offered.

From the above discussions, one can conclude that relationship marketing practices are the cheapest and most effective way which businesses can use to build relationships with the customers and retain them for business growth, compete effectively and be profitable in the business. This is supported by Blythe (2013) who contends that relationship marketing is rooted in the idea that it is cheaper to retain an existing customer than to recruit a new one. Therefore, applicability of relationship marketing practices to the operation of small grocery retail shops are not exceptional.

#### 2.4.3. Importance of relationship marketing

Relationship marketing has broadened the domain to focus explicitly on the exchange relationship, enhancing the understanding of the relationship between the seller and the customer (Sashi, 2012). Customer relationship management strategies assist the organisation in obtaining a better understanding of their customers and enable them to alter their service-rendering process to the desired expectation of an individual customer (Van Vuuren, Romberts-Lombard & Van Tonder, 2012). Knowing the customer will enable businesses to serve them better and keep them loyal (Mohammadhossein & Zakaria, 2012). According to Izogo (2013), customers will remain loyal to a business if the value of what they receive is determined to be relatively greater than that expected from competitors. Teong-Jin, Ling and Fern (2016) emphasise customer loyalty as an essential condition of an effective business strategy, an integral element in the relationships marketing that make up the service profit chain. Kuhn and Mostert (2016) indicate that customer loyalty creates an opportunity for businesses to maximize the lifetime value of each customer, thereby increasing their profitability, mostly in a highly competitive business environment, in which sustaining the existing customer base is central for strategic survival.

Van Tonder and Robert-Lombart (2015) state that increased competition within the business environment has necessitated the businesses to search for creative new

approaches to address customer needs, and as such, the implementation of relationship marketing practices has found general acceptance. Theron, Terblanche and Boshoff (2013) claim that the acceptance of the relationship marketing practices has resulted in extensive research and wide implementation in a variety of industries. A study conducted by Makhitha (2017) on the impact of independent retailers' relationship marketing practices on business performance in Soweto in South Africa shows that relationship marketing has an impact on the performance of the retailers positively on the areas of increased profit, increased market shares and customer retention. The study further revealed that relationship marketing assists the retailers to collaborate with their suppliers and to share information for business growth. Kuhn and Mostert (2016) concur that strong customer relationships offer retailers several advantages, including maximized customer lifetime value and decreased customer acquisition costs. It is, therefore, evident from the above perspectives that the application of relationship marketing practices in small grocery retail shops could assist the businesses to serve the customers better and increase the profitability and market share of the business, and ultimately retain the customers.

#### 2.4.4. Benefits of relationship marketing

Various researchers have identified many benefits for both the customers and the business; these benefits are summarized from the following authors: (Kruger & Mostert, 2014; Kuhn & Mostert, 2015; Mackay, Petzer & Mostert, 2014; Blythe, 2013; Roberts-Lombard & du Plessis, 2012).

Some of the benefits of relationship marketing to the customers:

- The customer gains a confidence benefit that relates to feelings of security and comfort with the service business in knowing what to expect in the service encounter.
- The customer gains social benefits, which include personal recognition of customers, a sense of belonging, being known by name, and feelings of familiarity and friendship towards the business.
- Customers feel the trustworthiness of the business provider when it honours its promises.
- It offers customers the benefit of choice reduction because of efficient information and decision-making.

Some of the benefits of relationship marketing to the business:

- It serves as a competitive advantage to the business, which is not easy for competitors to copy.
- It increases market share of the business. When customers are satisfied with the business offering, they will demonstrate loyalty and recommend the business to other people.
- It offers the business the opportunity to serve the customers better and satisfy them by enabling the business to know the needs and wants of the customers.
- It serves as a means for developing more loyalty among customers.
- It also brings sales increases and profit maximisation to the business because it is cheaper to retain an existing customer than to recruit a new one.
- It can serve as an environment to foster innovation solutions, having a forgiving place to test new ideas and aligning the enterprise with customers who value what the business provides.

2.4.5. Some challenges on the application of relationship marketing:

Notwithstanding the benefits of relationship marketing stated, some researchers also highlight some challenges on the application of relationship marketing, It is of importance for small grocery retail shops to know these challenges so that they can be proactive in handling them.

Percy, Visvanathan and Watson (2010) highlight some of the challenges which businesses might face in adopting relationship marketing practices. Their argument is in line with Gordon (1998), although the date might seem to be old, but it is still applicable to the present relationship marketing challenges:

- Planning Relationship Marketing includes knowing where to start, where to go with it and knowing when it is complete.
- Finding best examples to benchmark and emulate in this emerging area where few businesses have developed fully integrated relationship marketing initiatives.
- Identifying the customers on whom to focus and develop the transition plan from the existing base to the desired one.
- Knowing how to become more relevant to customers identified as meriting priority and doing this faster than competitors.

- In some situations, there may be insufficient lifetime value to warrant mutual value, when the business is offering a single product. Relationship marketing practices will work when combined with other products.

#### 2.4.6. Relationship marketing tactics

According to Koi-Akrofi, Koi-Akrofi and Welbeck (2013), relationship marketing tactics are conscious actions taken by a business or person which are designed to cause people to want to buy their goods or services. They often involve psychological aspects geared towards making an individual think he/she should buy their product or service. The researchers also suggested the following tactics which businesses could follow to build relationship with the customers:

- Direct mail: it is an attempt to contact the customer directly without the use of intermediaries, it can be done through text messaging, direct mail, telemarketing and catalogue marketing.
- Tangible rewards: the business should be adding more tangible elements in marketing strategies to bring more loyalty behaviour from the customers, for example product or service quality (Machado, 2014).
- Interpersonal communication: by interacting with a customer to learn how satisfied the customer is, or whether the customer has an unspoken complaint, it serves as a means of obtaining information about the customer's needs.
- Preferential treatment: this includes offering a customer a better price and placing a customer higher on a priority list if there is a queue.
- Membership: it is a means through which the business creates a sense of belonging among the customers through long-term communication; the business builds long-term relationship through this means.

Considering the tactics mentioned, small grocery retail shops can adopt such tactics in their business operation to win customers and build long-term relationships with the customers. For instance, by providing the customers with plastic bags to carry the goods they purchase from them for free and providing them with useful information concerning new product and product innovations.

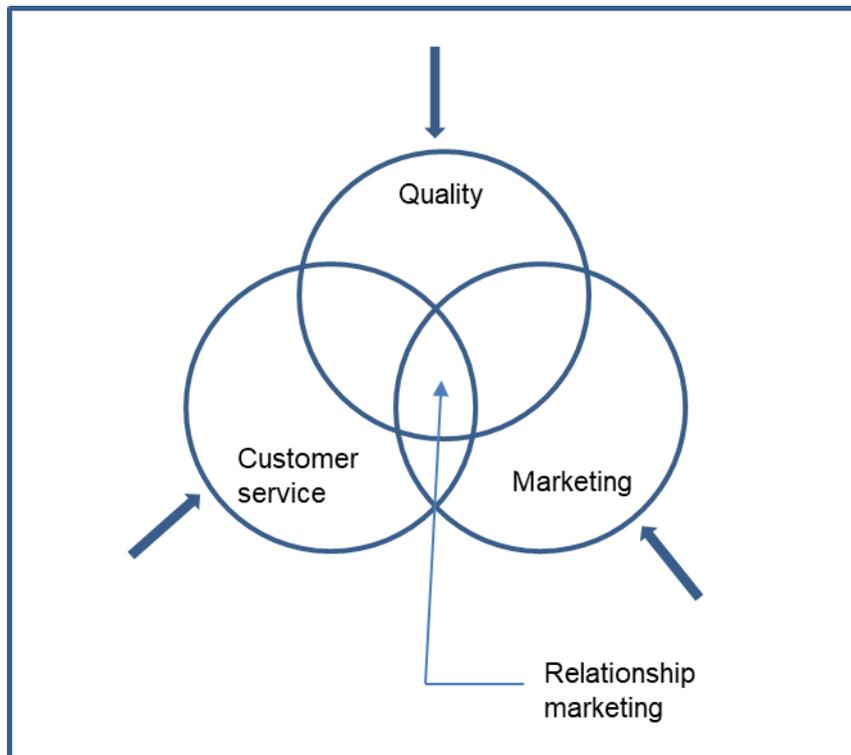
#### 2.4.7. Some empirical findings on relationship marketing (RM)

To justify the importance of relationship marketing to small grocery retail shops in Mangaung Metropolitan District, the researcher considers the empirical findings of some research conducted on relationship marketing. A study conducted by Rootman, Tait and Sharp (2011) on relationship marketing and customer retention in South African banks shows that a significant relationship exists between relationship marketing and customer retention. Handriana (2016) conducted a survey on the role of relationship marketing on Small and Medium Enterprises (SMEs) in Indonesia; the study concluded that trust and relational commitment have a significant effect on building relationships with customers in SMEs. A survey conducted on 139 independent financial advisers in North West province of South Africa by Van Tonder and Roberts-Lombard (2015) on relationship marketing dimensions predicting customer loyalty towards independent financial advisers, reveals that commitment and customer satisfaction are the true predictors of customer loyalty. A study conducted by Alvarez, Casielles and Martin (2011) on the analysis of the role of complaint management in the context of relationship marketing in Spain, concluded that complaint management has positive influence on trust and customer satisfaction. A survey study by Makhitha (2017) conducted among 102 small retailers in Soweto and Johannesburg, South Africa, to determine the relationship marketing practices of independent retailers as well as to determine the impact of relationship marketing practices on business performance, shows that independent retailers engage in a long-term and collaborative relationships, which result in an increase in the number of customers, increase profit and increase market share. However, since little or no existing studies have investigated relationship marketing practices of small grocery retail shops in Manguang Metropolitan Area, and small grocery retail shops face severe competition from large grocery retailers that have entered the townships and rural areas, such small grocery shops could adopt relationship marketing practices as a competitive advantage.

#### 2.4.8. Relationship Marketing (RM): Synergy between quality, customer service and marketing

Relationship marketing is about the combination of quality, customer service and marketing, according to Christopher *et al.* (1991), although this date might seem to be old, the authors' argument is still applicable to the present practices of relationship marketing. They argue that as marketing is concerned with exchange relationships

between the organization and its customers, quality and customer service are the key linkages in this relationship. Figure 2.4 shows the linkages between marketing, customer service and quality that must be exploited to achieve total customer satisfaction and long-term relationship. The diagram will be addressed in detail.



**Fig. 2.4: The relationship marketing orientation: bringing together customer service, quality and marketing.**

**Source:** Adopted from Christopher *et al.* (2002)

The challenge to the organizations is to bring these three critical areas into closer alignment; these areas have been treated as separate and unrelated in the past (Christian *et al.*, 1991). The three areas are discussed in detail below.

#### 2.4.8.1. Quality

The first pillar of relationship marketing, which is *quality*, is a typical approach that is moving from one of final inspection to one of assessing whether critical processes are in control and giving guidance to others in the techniques involved (Christian *et al.*, 1991). A product can provide customers with a certain value, including objects and processes. Consequently, products can be decomposed into tangible goods and intangible services.

Customers' evaluation of product quality is usually based on the gap between product perception and product expectation (Xu, Yu & Zhang, 2018). According to Hassan and Shaharudin (2011), customers differentiate products based on their expectation of the product characteristics, functions, standard, parameter and nature of the product which would lead to a certain level of expectation towards the product. If the product has succeeded in fulfilling the customers' expectation, then the quality level is higher. However, if the product is performing lower than the consumer's expectation, the level of quality will be perceived as lacking or low. The researchers further state that product quality and the customer's satisfaction and loyalty are significantly related. On one hand, a good quality product makes customers happy and more inclined to buy again in the future. In the other hand, a poor-quality product diverts the customers away due to frustration with the past purchase.

Product quality is product features matched with eight dimensions, namely: performance, features, conformance, reliability, durability, serviceability, aesthetics, and customer-perceived quality (Machado & Diggines, 2012). Performance is the product's primary operating characteristic. Features refers to the additional features for the product. Conformance represents the extent to which the product design and its operating features met the established standards. Reliability specifies the probability that the product will be operating properly over a specific period under the stated condition of use (Berdt & Tait, 2012). Durability is the means of the overall amount of time the consumers get to use the product before the product physically deteriorates or until it needs to be replaced. Serviceability refers to the speed, competency, and courtesy to repairs. Aesthetics is how the product appeals to the five senses. Lastly, customer-perceived quality indicates the customer's perception of a product's quality, which it based on the reputation of the firm (Jakpar, Na, Johari & Myint, 2012). Therefore, small grocery retail shops must see product quality from the viewpoint of the customers, otherwise customers will see the products as inferior or low-quality which will make them switch over to the shops' competitors.

#### *2.4.8.2. Customer service*

Customer service, which is the second pillar of relationship marketing, can be seen as the provision of services to customers before, during and after a purchase. Essentially, customer service is any back-up service that the business provides to customers to

maintain their loyalty and secure a sale (Berndt & Tait 2012; Brink & Berndt, 2010). Customer service is concerned with the building of bonds with customers and other markets or groups to ensure long-term relationships of mutual advantage (Christopher *et al.*, 1991). In relationship marketing, customer service must be seen in the context of the supply and marketing channel. This view of the supply and marketing channel suggests that customer service should be seen not only in the context of the business and its relationship with its customers, but also downstream with its ultimate customers, as well as its upstream relationship with suppliers (Berndt & Tait, 2012). According to Brink and Berndt (2010), businesses must keep in mind that it is not the actual service that is of importance, but rather the perceptions that a customer has of the service. Businesses should, therefore, always try to see the overall service from the customers' point of view. Customers have expectations of how they think a service will be provided, and these expectations are based on their past experiences, what they have heard from their friends and family, and what they have seen in the media, either in advertisements or news reports. Hence, for small grocery retail shops to build long-term relationships with their customers, the owners and the employees must anticipate the kind of customer service that the customers expect from them and strive to implement these so that they can retain the customers.

#### 2.4.8.3. Marketing

The third pillar of relationship marketing is marketing according to the American Marketing Association (AMA) (2013), Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Traditionally, marketing has been a process of perceiving, understanding, stimulating and satisfying the needs of specially selected target markets by channelling an organisation's resources to meet those needs. Marketing is concerned with the dynamic interrelationships between a business' products and services, the customer's wants and needs, and the activities of the competition (Christopher *et al.*, 1991).

According to Christopher *et al.* (2002), the new view of relationship marketing emphasizes the organisation of marketing activities around cross-functional processes rather than organisational functions. These views are summarized as:

- A move from functional-based marketing to cross-functionality-based marketing.

- An approach which addresses six key marketing domains, not just the traditional customer market.
- A shift in marketing activity which emphasizes customer acquisition to marketing activities which emphasize customer retention as well as acquisition.

#### 2.4.9. The difference between transactional marketing and relationship marketing

Table 2.1 below shows the differences between transactional marketing and relationship marketing:

<b>Transactional marketing</b>	<b>Relationship marketing</b>
Orientation to single sales	Orientation to customer retention
Discontinuous customer contact	Continuous customer contact
Focus on product features	Focus on customer value
Short-time scale	Long-time scale
Little emphasis on customer service	High emphasis on customer service
Limited commitment to meeting customer expectations	High commitment to meeting customer expectations
Quality as the concern of production staff	Quality as the concern of all staff

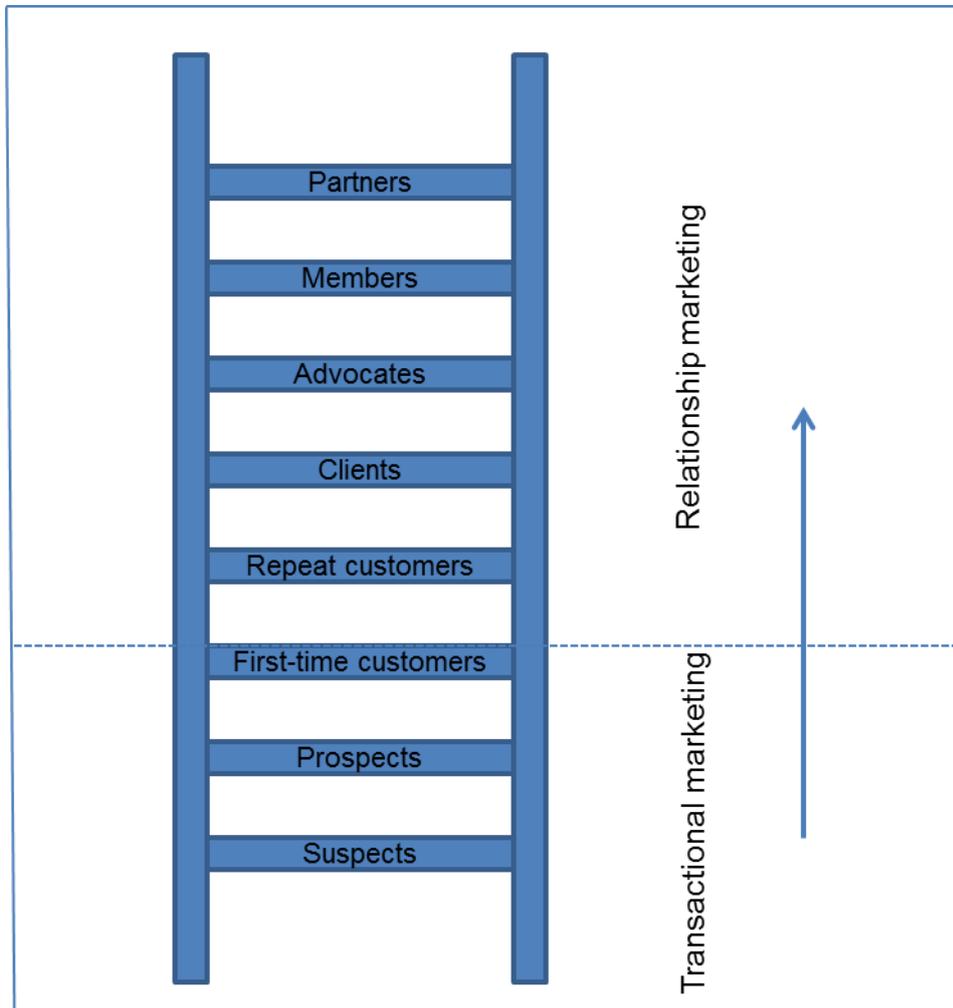
**Source:** Adopted from Egan (2011)

The above table shows that marketing orientation is shifting from transactional marketing where the business is focused on sales and hunting for new customers without retaining the old customers, to relationship marketing where the business orientation focuses on getting the customers, satisfying them and making sure that the business retains them.

#### 2.4.10. Formation of relationships

According to Newell, Wu, Leingpibul and Jiang (2016), relationship marketing is a branch of marketing that focuses on activities that help to develop and sustain loyal and productive associations with other business organizations and customers. The researchers further state that it has become important for businesses to understand how to effectively develop and maintain business relationships. In developing a relationship with the customers, many authors, such as Christopher *et al.* (1991), Harwood, Garry and

Broderick (2008), and Egan (2011) have suggested different rungs customers move up in building relationships. In this study, Figure. 2.5 shows the steps, as adopted from Egan (2011).



**Figure. 2.5: Relationship formation stages**

**Source:** Adopted from Egan (2011)

The above figure illustrates that relationship formation starts from identification of prospects, or the identification of potential customers, which begins the process. Prospects are those consumers who have given some indication that they are likely to purchase the goods or services. First-time customers are the consumers who purchase the goods or service for the first time. It is at this point that relational marketing is seen to diverge from traditional marketing. Traditional marketing views each transaction independently, whereas with relationship marketing, each further transaction is viewed in terms of its history and its anticipated future. The repeat customers are transformed into

clients, who are responsive to business; clients are converted to advocates, who market the business mostly through word-of-mouth recommendation. Advocates are transformed into members, which implies greater affinity with the company, while 'partnership' suggests a relationship on a higher level in which the customer becomes part of the value-creation process (Egan, 2011; Amoakoh, 2016; Berndt & Tait, 2012).

Previous researchers such as Van Tonder and Robert-Lomard (2015) have expressed their view that the basic philosophy of RM assumes that business-customer interactions and strategies can earn and keep the loyalty of the customers. What is more, there are linkages between RM and customer loyalty, and thus, all marketing activities are intended to create customer loyalty. Therefore, customer loyalty has been introduced as an offshoot of RM management through such as service quality, customer satisfaction and retention.

## **2.5. CUSTOMER LOYALTY**

According to Magatef and Tomalieh (2015), loyalty reflects relationship development and retention reflects relationship continuity. In the present marketing practices, market conditions seem to be getting more competitive in different products and services and businesses are using different kinds of loyalty schemes to make sure that they sustained relationships with their customers for business survival and growth. Customer loyalty is an important issue for the success of any retail organization, because it is known that drawing new customers is more expensive than keeping existing ones (Magatef & Tomalieh, 2015; Blythe, 2013).

### **2.5.1. Definition of customer loyalty**

There are several definitions of customer loyalty, but for this study, the following are cited: Egan (2011:57), as well as Berndt and Tait (2012:38), defined customer loyalty as *“the biased behavioural response, expressed with respect to one supplier out of a set of suppliers, which is a function of decision making and evaluation processes resulting in brand or store commitment.”* According to Mackay and Major (2017), customer loyalty is a customer's deep-held commitment to repurchase a desired product or service in the future, regardless of situational influences and marketing efforts that may have the potential to result in switching behaviour and recommending the product or service to other people. Van Tonder and Robert-Lomard (2015) state that loyalty consists of both a

behavioural as well as an attitudinal component. Behavioural loyalty relates to customer's tendency to purchase a specific brand or service on a recurring basis. While attitudinal loyalty refers to customers who are highly involved with and committed to a supplier. Red, Rasoulia, Mirzaei and Sharifipour (2017) concur that behavioural loyalty is considered as number of times and amount of purchases, while attitudinal loyalty is based on preferences, commitment, or purchase intention.

From the definitions, one can conclude that loyalty has two components in performance to relationship: behavioural loyalty which implies how many times a customer is willing to buy a particular product or brand when the need arises and attitudinal loyalty which is the willingness of a customer to be committed to a particular business or supplier.

### 2.5.2. Types of loyalty behaviour

According to Egan (2011), there are three ways of describing loyalty-type and non-loyal customer behaviour:

- **Switching behaviour:** where purchasing is seen as an either-or decision: either the customer stays with you (loyalty) or turns against you.
- **Promiscuous behaviour:** where customers are making a stream of purchases, but still within the context of an either-or decision: either the customer is always with you (loyalty) or flits among an array of alternatives.
- **Polygamous behaviour:** the customer makes a stream of purchases, but their loyalty is divided among several businesses. They may be loyal to your business rather than any other.

### 2.5.3. Loyalty programs employed by businesses

One key relationship-marketing device used in the marketplace today is the customer loyalty programme (Jan & Jager, 2017; Ha & Stoel, 2014). Loyalty programmes are structured marketing efforts that reward, and therefore encourage loyal buying behaviour, which is potentially beneficial to the business. The rewards programmes are offered by the business to customers who frequently make purchases, and the loyalty programme may give a customer advanced access to new products, special sales coupons or free merchandise (Magatef & Tomalieh 2015). According to Egan (2011), customers are surrounded by loyalty programmes. This has been particularly apparent with the rise of the world-wide web; the perceived significance of such programmes seems to have

reached heroic proportions. Designing and managing a loyalty programme in a way that matters to customers is an ever-challenging task for marketers (Ha & Stoel, 2014). Van Vuuren, Roberts-Lombard and Van Tonder (2012) emphasize that businesses need to show customers that they are committed while offering customers the core service benefit. If these issues are addressed correctly, it could lead to the customer developing long-term relations with the business, which will then create loyalty. In addition, Magatef and Tomalieh (2015) concur that customer loyalty is a result of a positive emotional experience, physical-attribute-based satisfaction and perceived value of an experience, which includes the product or services.

#### 2.5.4. Types of loyalty programmes

Magatef and Tomalieh (2015) note that retailers recently adopt different types of loyalty programmes to build, maintain and enhance their relationships with the customer. The researchers highlighted the followings as different types of loyalty programmes businesses adopt:

- **Points system:** it is the most common loyalty programme; in this type, Frequent customers earn points, which translate into some type of reward: discount, gifts, or special customer treatment, based on customer purchases toward a certain amount of points to redeem their reward (Jan & Jager, 2017).
- **Tier system:** offers small rewards as a base offering for being a part of the programme and encourage repeat customer purchase by increasing the value of the rewards as the customer moves up the loyalty ladder.
- **Charging an upfront fee for VIP benefits:** charges one-time (or annual) customers to start collecting points with their purchases; clearly this system is most applicable to businesses that thrive on frequent, repeat purchases.
- **Non-monetary programmes around customers' values:** provides value to customers in other ways than discount and monetary rewards.
- **Partner with another business to provide all-inclusive offers:** this programme understanding customers' lifestyle and their purchase process will help determine which business is a good fit as a partner to reward the loyal customers; providing customers with valued services beyond what the business can offer will grow the companies' network to reach their partners' and customers.
- **Loyalty card programme:** is an incentive plan that allows a retail business to gather information about its customers; customers are offered product discounts,

coupons, points toward merchandise or some other reward in exchange for their voluntary participation in the programme.

- **Frequent buyer programme:** retailers offer the low-cost or free service to the customers if the number of purchases or the total purchase amount reaches a specific limit. This creates the tendency in the customers to make those counts of purchases or the total purchase value to get the offer. It increases the sale of product leading to customer loyalty over a period.
- **Gift card or certificates:** Retailers have introduced gift vouchers with specific amounts and validity in their company. This gift card persuades uncertain buyers to go to the retailer who has issued the gift card and spend the amount. With the available amount of the gift card, the customer will buy the goods worth more than the card value and increase the sale of goods. If the customer likes the store and the availability of goods, then the customer becomes loyal to the business.
- **Return policy for loyal customers:** the retailer offers an extended return policy to loyal customers, which builds confidence in the customers as return is always a major concern of many.
- **Bundled goods:** the seller sells various goods or services together with the main item at no extra cost.

Considering the aforementioned different types of loyalty programmes, small grocery retail shops should adopt some of the loyalty programmes in their business operation for them to be able to attract customers, build relationships with them, satisfy them and ultimately retain them. Thus, Berndt and Tait (2012) aver that loyal customers have an emotional connection with the retailer. Their reasons for continuing to patronise the retailer go beyond the convenience of the retailer's store or the low prices and specific brands offered. They feel such goodwill towards the retailer that they encourage their friends and family to buy from the business.

#### 2.5.5. Advantages of customer loyalty

Several researchers have pointed out many benefits of customer loyalty to a business; these benefits are summarized from the following authors: Berndt and Tait (2012); Magatef and Tomalieh (2015) and Brink and Berndt (2010).

- Loyal customers increase the profitability of the business by their biased repeat-purchase behaviour, or repeat patronage accompanied by a favourable attitude.

- Loyalty programmes provide the company with a wealth of consumer information. While companies can evaluate different purchases, the use of a loyalty programme gives additional information about the type of products that may be purchased together, and whether certain coupons are more effective than others.
- Loyal customers reduce costs associated with consumer education and marketing.
- Retaining customers is less expensive than acquiring new ones, and customer experience management is the most cost-effective way to drive customer satisfaction, customer retention and customer loyalty.
- Loyal customers pass on positive recommendations about their favourite's brands to their friends and relatives.
- Customer loyalty enhances long-term relationships; a retention rate of 80 per- cent means that on average, customers remain loyal for five years, whereas one of 90 percent pushes the average loyalty period to ten years.
- Loyal customers are low-price-sensitive.
- The costs of serving loyal customers are less.

Considering the benefits alluded to, it is important that small grocery retail shops implement a customer loyalty scheme in their business operation for them to attract, maintain and enhance their relationship with the customers.

## **2.6. PERCEIVED PRACTICES OF RELATIONSHIP MARKETING FOR CUSTOMER RETENTION IN SMALL GROCERY RETAIL SHOPS**

Relationship marketing theory suggest that it is more valuable for a retail outlet to invest effort in establishing and preserving long-lasting relationship with customers than to try to attract short-term, discrete transactions (Kuhn & Mostert, 2016). A critical challenge to the survival and future growth of small grocery retail shops is to understand the needs of their customers and ensure that they meet these needs (De Plooy, De Jager & Van Zyl, 2012). Satisfied customers who support a business for a long period tend to impact on the profitability of the organization in several ways, including being loyal. Satisfied customers also spread good news for the business, thereby ensuring repeat customers, and avoiding the need to spend money to attract them (Olorunniwa, Hsu & Udu, 2006). Considering some of the benefits of relationship marketing highlighted, it is of importance to discuss how relationship marketing ought to be practised in small grocery retail shop for them to satisfy the customers and ultimately retain the customers. Therefore, this

section reviews the literature on perceived relationship marketing practices for customer retention in the context of the operations of small grocery retail shops.

Rootman, Tait and Sharp (2011) are of the opinion that banking industries are very competitive, and relationship marketing is a strategy which they can follow in building and maintaining relationships with clients. Customer retention is important for banks as it refers to the maintaining of profitable banking clients. Although the researchers' concentration was on the banking industry, the same also seems to apply to the grocery industry in which competition is also high. On one hand, relationship marketing seems to be a practice which the small grocery retail shops could use to attract, build and maintain relationships with its customers, and on the other hand, customer retention is also important for small grocery retail shops, which is a strategy they can follow in maintaining the profitable customers and keeping them for business growth. Small retail grocery shop owners must understand that for them to build a relationship with their customers and ultimately retain them, it needs efforts and time to achieve it, by making sure that they know what the customers want, their needs and test, their buying behaviour. Building customer relationships and maintaining them takes both time and effort, so that the customer will become confident and loyal in buying the services or products (Chittaie, 2012). It also requires a lot of effort to find out what one's customers need and how one can best deliver it to them. The researcher further acknowledged that loyal customers do not just happen; honesty, reliability, good quality products and excellent customer services establish a strong reputation and build a loyal customer base.

Putting effort in building relationships with their customers and with the intention of retaining them by the small grocery retail shops will accord the business many benefits in terms of sales growth, profitability, positive word-of-mouth, increasing market share, customers becoming loyal, and ultimately, retention, which is in line with Mostert and de Meyer (2012) who argue that organisations can reap numerous benefits from building relationships with customers in the area of increasing customer satisfaction as customers' perceptions of the value they receive increase, lower marketing costs, customers are more likely to support the organization in the future as their satisfaction increases, increased effectiveness because of knowledge of the customer, increased customer dependence on the organisation, increased customer retention rates, and ultimately, higher profits. Bhabhe (2016) and Rahman and Masoom (2012) emphasize that to remain

relevant and viable, a complete paradigm shift and regime change from transactional marketing to relationship marketing must be the main focus of Start-ups and SMMEs which small grocery retail shops are part of. The researcher further highlights that managers and planners need seriously to embark on a regular dialogue with diverse customers. His theory is that businesses must wake up to the realisation that customers have heterogeneous needs and have unique relationships with these individual customers, resulting in satisfied customers. Therefore, building relationships when customers are satisfied will lead to customer loyalty and ultimately, customer retention. Businesses need to have a good understanding of their customer behaviour so that appropriate marketing strategies directed towards relationship building and customer retention can be developed (Jumaev, Kumar & Hanaysha 2012). In this regard, small grocery retail shop owners should have a good understanding of their customers in terms of their buying behaviour, their preferences, needs and wants, and tailor their products and services to the satisfaction of the customers to develop relationship with the customers. Kuhn and Mostert (2016) posit that understanding relational development from the customers' perspective is important to the success of relationship marketing in business-to-consumer markets. Therefore, small grocery retail shop owners should make sure that their marketing strategies are customer-oriented in nature and channel all their business operations to the satisfaction of the customers to build long-term relationships with the customers and finally achieve customer retention.

## **2.7. SUMMARY**

The chapter has looked at the small grocery retail shops in perspective, and their social economic importance in the South African economy. Followed by transactional marketing, by looking at the root of relationship marketing, the perceived problems with the transactional marketing paradigm and the shift to relationship marketing paradigm in marketing management, it looked at the development of relationship marketing and the considerable interest it has created among academics. It demonstrated the difference between relationship marketing and transactional marketing. The scope, importance and benefits of relationship marketing was discussed, as was the formation of relationship marketing and the synergy between quality, customer service and marketing in relationship marketing. followed by customer loyalty and its importance in maintaining business relationships. The next chapter will discuss in detail the relationship marketing components, the mediating variables and the theoretical method adopted on this study.

## **CHAPTER 3: CONCEPTUALISATION OF SELECTED RELATIONSHIP MARKETING COMPONENTS, MEDIATING AND OUTCOME VARIABLES**

### **3.1. INTRODUCTION**

This chapter is a continuation of the literature review. The chapter focused on explaining the relationship marketing components. There are many components of relationship marketing, but for the context of this study, the following are selected based on their applications and importance in many industries such as banking industry, hotel industry, automobile industry. They are explained in detail by starting with service quality as one of the key components of relationship marketing, followed by trust, commitment, friendliness and complaint management. The chapter will explore customer satisfaction as the mediating variable between relationship marketing and customer retention. Thereafter, customer retention will be reviewed, followed by linkages between relationship marketing, customer satisfaction and customer retention. And perceived practices of relationship marketing in small grocery retail shops. Finally, the theory adopted for this study will be explained in detail. This review is done within the context of making sure that small grocery retail customer retention is actualized through relationship marketing

### **3.2. CONCEPTUALISATION OF THE SELECTED RELATIONSHIP MARKETING COMPONENTS**

#### **3.2.1. Service quality**

Service quality has been one of the main drivers of relationship marketing by many researchers. According to Brink and Berndt (2010), Service quality is the ability of an organisation to determine customer expectations correctly and to deliver the service at a quality level that will at least equal these customer expectations. Similarly, Craig, Zafar, Che and Jamil (2015) postulates customer service as the proactive and reactive service provided to the customer in the store. Machado (2014:124) defines service quality as “*a customer’s evaluative judgement about the degree of superiority of service performance.*” A business with high service quality will satisfy customers’ needs while it remains economically competitive (Mohammadhossein & Zakaria, 2012). Service quality is increasingly being perceived as a tool to increase the value for the customer, and as a means of positioning in a competitive environment to ensure customer satisfaction,

retention and patronage (Nyadzayo & Roberts-Lombard, 2010). This implies that service quality is one of the major strategies a retailer can use to differentiate its product from other competitors and build relationships with the customers. Understanding and meeting customers' needs are essential for the success of any business or organisation, no matter how small or how large the business is (De Plooy, De Jager & Van Zyi, 2012). Berndt and Tait (2012) emphasize that delivering on promises is the essence of mutually satisfying relationship, which includes any practices focused on identifying what services and service attributes customers want and providing them to the customers' satisfaction and at a level superior to the competition. According to the authors, this involves any efforts to raise standards and improve service performance, listening to customers' preferences and ensuring that customers' requirements are met in the service delivery.

Quality holds different meaning to every customer at different times in different circumstances: in its generic sense "quality" means meeting identified needs (Draai, 2012). Business must keep in mind that it is not the actual service that is of importance, but rather the perceptions that customers have of the service (Berndt & Tait, 2012). This relates to how customers perceive services; how they evaluate the quality of service received, whether they are satisfied and whether they have received good value (Govender & Naidu, 2011). Hence, customers' perception is based on the way they see the product and services based on their experience and expectations. According to Amoakoh (2016), customer expectations are those that the customer expect as being "should be" and "can be" type services, while customer perceptions are their perception of the performance delivered by the organisation; such as tangibles, reliability, responsiveness, assurance and empathy, which constitute consumers' satisfaction that leads to retention. Customer expectations constitute an integral part of service quality evaluations.

To manage service quality, businesses should make a strategic effort to understand and manage their customer's expectations and perceptions regarding the quality of service provided in their daily business transactions (Bick, Abratt & Moller, 2010). According to Tshin, Tanakinjal and Sondoh Jr (2014), when the performance of the service does not meet customers' expectations, the quality of the service will be judged as low. If the performance exceeds the customers' expectations, the quality of the service will be judged as superior service. Therefore, in any evaluation of service quality, customer

expectations are the key to evaluation. Customers have expectations of how they think a service will be provided, these expectations are based on their past experiences, what they have heard from their friends and family, and what they have seen in the media, either in advertisements or news reports (Brink & Berndt, 2010). Njuguna and Mirugi (2017) state that businesses need to have the capacity to interpret the demand and to identify the type of services which is appropriate to support the different customers need.

According to Naik, Gantasala and Prabhakar (2010), services and products are the two major orientations of business, products on one hand are referred as goods; the physical output of a business, the tangible objects that exist in time and space and it is consumed after purchasing, while services, on the other hand, are less materially based. It is intangible in nature – it cannot be touched, held and so on. The consumption of a service involves the interaction between the producer and the consumer, which means that services are produced and consumed simultaneously. Badenhorst-Weiss and Cilliers (2014) point that competing businesses mostly offer the same products, but in most cases the products differ to some extent. Based on the accompanying services that follow the product, these services can be: the speed of service, credit terms offered, delivery arrangements, personal attention from a salesperson, and product warranties, which are some of the factors that can be used to distinguish one product offering from another.

Considering the analysis, on service quality, one can conclude that service quality helps the businesses to differentiate their business from their competitors, and it serves as a competitive advantage to the business. It is hypothesized that Service quality will lead to customer satisfaction, customer satisfaction will lead to customer loyalty and ultimately lead to customer retention. Thus, small grocery retail shops are not exception; by improving their service quality, they can use it to build competitive advantage to their business, outperform their competitors, satisfy their customers, make them become loyal and ultimately retain them.

### 3.2.2. Dimensions used for evaluating service quality

The dimension of service quality has been assumed to have an impact on relationship marketing by the following authors; (Berndt & Tait, 2012; Brink & Berndt, 2010; Machado & Diggines, 2012; Machado, 2014) who identified five dimensions that consumers use to

assess service quality. These dimensions can assist businesses to focus their marketing strategy well in a specific segment. These dimensions are as follows:

- **Reliability:** this refers to the ability of a business to perform the promised service dependably and accurately and focuses on delivering on promises made by the business. Customers expect businesses to keep their promises, because, if the business does not deliver the core service that customers think they are buying, it will be failing them.
- **Responsiveness:** this is the willingness to help customers and provide prompt service, which implies that the needs of the customer are met in a timely manner, and that the business is flexible enough to customise a service to the specific customer's needs.
- **Assurance:** it refers to the knowledge and courtesy of employees, and their ability to convey trust and confidence.
- **Empathy:** the caring and the individualised attention a business gives its customers, involving confirming for the customer that his/her unique needs and requirements will be met.
- **Tangible:** it includes the appearance of physical facilities (offices, showrooms, consulting rooms) equipment, staff and communication materials; which implies anything physical that indicates to customers the quality of the service that they will receive.

Considering the dimension of service quality, small grocery retail shops can adopt them in their business practices to enhance the business relationships, by making sure that they fulfil their promises to the customers, show willingness to help the customers in their in-store decision making by providing them with accurate and useful information about their products and services; the employees and the owners of the business can also demonstrate to the customers that they are trustworthy and reliable through their actions and behaviour. In addition, the owners can make the physical appearance of their business look clean, and the display of the products adds quality and looks attractive to the customers. However, if these dimensions are absent in the service quality delivery, then there is service failure.

### 3.2.3. Service failure

Service failure has been defined as any service-related problem that occurs during a customer's experience of the organization (Rheeder & Mashaba, 2016). According to Ghatak and Pal (2016), businesses must be proactive enough to evaluate and analyse service failures in time and develop service recovery strategies which adequately mitigate their negative impact on the service system. Most customers are appreciative when they know a business is making a real effort to make things right (Berndt & Tait, 2012; Brink & Berndt, 2010). The authors also highlight some of these service failures which are as follows:

- **Apathy:** this is when the employees convince the customers that they really do not care about the customers' problems, which shows that the employees have lost interest in customers, and the best thing is to replace the employees.
- **Brushing customers off:** this is when service employees try to dispose of the customers, usually because they have something else to do, especially close to lunch time and closing time.
- **Coolness towards customer:** here the service employee is overly formal, unsmiling and officious. The service context in this situation is perceived by the customer as cold and uncaring.
- **Treating customers with condescension:** this is shown when service employees talk down to customers, use words that the customer cannot understand, or shout at customers who cannot speak a certain language well.
- **Robot syndrome:** this occurs when service employees do not even realise that the customer are there, do not acknowledge their presence, and often speak to the social class of the customer rather than direct to the customer.
- **Following the rules:** this occurs when the rules and procedures of a business are created more for the organization's convenience than for the convenience of customers; the rules must be designed from the customer's point of view.
- **Customer turnaround:** this is a way of disposing of customers by directing them to another department in the organization. The business should ensure that a service system that is customer-focused exists in the business.

From the evaluation, small grocery retail owners should adhere to employing workers that are empathic and caring to the customers, make sure that customisation and individual

attention are given to the customers to understand the customers' needs better and satisfy them to minimize service failure and ultimately retain the customers.

#### 3.2.4. Perceived service quality in small grocery retail shop

Service quality is increasingly being perceived as a tool to increase the value for the customer, and as a means of positioning in a competitive environment to ensure customer satisfaction, retention and patronage (Nyadzayo & Roberts-Lombard, 2010). Small grocery retail shops are no exception to this. They should use service quality as a means of differentiating their product from other rivals by identifying the service quality dimension areas that the customers expect from their business, namely: reliability, responsiveness, assurance, empathy and tangibility of the products.

Small grocery retail shops should make sure that they tailor and provide their services to the satisfaction of the customers. Most customers prefer good services to lower price – while others consider situations where they are prepared to pay a little extra to get a better or more efficient services (Amoakoh, 2016). The owners must make sure that they sell quality products that are acceptable to the customers, and the frontline employees must be ready to attend to the customers with undivided attention and make sure that the customers are satisfied with their services to minimize service failure, customer complaints and ultimately retain the customers.

#### 3.2.5. Trust

Van Vuuren, Robert-Lombard and van Tonder (2012) note that trust is an important factor in affecting relationship commitment and customer loyalty. If one party trusts another, such a party is willing to develop a positive behavioural intention toward the other party. According to the authors, when a customer trusts a business or brand, that customer is willing to form a positive buying intention towards the business. Roberts-Lombard, Strachan and du Plessis (2012) argue that relationships comprise a series of transactions which build an awareness regarding a shared relationship through trust and commitment. A higher level of trust and commitment, in turn, are associated with higher levels of customer retention, and this leads to increased organisational profitability. In other words, trust is a strong factor in building relationships between the retailer and its customers.

Parsa and Sadeghi (2015) aver that trust is an integral element of creating, developing and maintaining long-term relationships between buyers and service providers. A

customer will desire a relationship with a specific business if he finds the benefits received to exceed the effort in obtaining benefits (Van Vuuren, Robert-Lombard & van Tonder, 2012). According to Kuhn, Spies and Petzer (2015), trust can be defined as customers' confidence in an organisation's reliability and integrity to refrain from opportunistic behaviour. Amoakoh (2016) described trust as everything to do with the relationship between an individual as a customer and an organisation. Similarly, Kuhn and Mostert (2016) state that trust is a generalized expectancy held by an individual that the word of another can be relied on. In addition, Van der Berg and Martins (2013) concur that Trust is one party's willingness to be vulnerable to another party based on the confidence that the latter party is benevolent, reliable, competent, honest, and open.

Shahid and Azhar (2013) point out that trust is the essential prerequisite on which all authentic business success depends. It is a factual asset that can be devised, and it can also be crippled. The researchers further explain that higher trust offers higher savings in cost, time and quality, as well as improving relationships. Parsa and Sadeghi, (2015) posit that trust is like a bridge between the two goals of developing moral behaviour in marketing and the tendency to create a new way of developed marketing named as relationship marketing. This implies that when trust is lost in business relationships, the bond between the provider and the customer is broken and the relationship between the two parties is lost.

According to Roy, Devlin and Sekhon (2015), for trust to be present in business relationships, it is a consequence of repeated interactions that establish the trustworthiness of the party wishing to be trusted. Roberts-Lombard, Strachan and du Plessis (2012) concur that service providers can also enhance trust by communicating regularly with their customers on aspects such as better deals or better options that will clearly benefit the customer, and by making sure that services are managed in a professional manner without any problems. Thus, the more the customer trusts a business, the higher the value and tendency of using services, the more positively talked about business services (Parsa & Sadeghi, 2015).

Trust can, therefore, be built between the small grocery retail shops and the customers by continued interaction and communication. It is also important for the business owners

to be honest, sincere and benevolent to the customers for them to be able to win their trust and build a relationship with them.

### 3.2.6. Perceived trust in the small grocery retail shops

In the context of this study and the relationship marketing practices, trust is one of the relationship marketing components that owner/managers of small grocery retail shops should strive to build with their customers by adopting the characteristics of trust in their business activities, such as; being honest to the customers, providing them with quality products and services, give customers' right information regarding their products, and making sure that they meet customers' expectations, which may lead to customer satisfaction and ultimately retention. Ko, Rhee, Kim and Kim (2014) note that when a customer is faced with the risk of opportunism by the seller, the act of purchasing by the customer is strongly dependent on the belief that the seller will maintain its promises and instil trust in the mind of the consumer. One can, therefore, conclude that customers' trust is of importance in building long-term business relationships and it is the duty of the business to instil trust in the mind-set of its customers.

### 3.2.7. Commitment

The role of commitment is crucial to a successful relationship. According to Egan (2011), trust and commitment appear inseparable in the relationship marketing debate, which may well indicate that if one or other is missing, the relationship is unlikely to be more than a 'hands off' or transient arrangement. Relationship commitment is at the core of all successful working relationships and it is an essential ingredient in successful long-term relationships (Theron, Terblanche & Boshoff, 2012). According to Roberts-Lombard and du Plessis (2012), commitment is the desire to maintain the relationship and is indicated by an on-going investment in activities that are expected to maintain the relationship into the future.

Van Vuuren, Robert-Lombard and van Tonder (2012) state that commitment operates in the same manner as trust, in that certain levels of commitment are required to initiate the relationship, and as the relationship evolves, so does the existence of commitment. Van Tonder (2016) describes commitment as consumers' belief that the business has their best interest at heart (causing them to want to remain in the relationship), that the business makes annual adjustments to suit their financial needs (causing them to feel

they should remain in the relationship) and that doing business with the practice has been worthwhile (causing them to think they have to remain in the relationship). This implies that for a relationship to exist between the seller and the customer, there must be a commitment from the two parties.

Commitment arises from trust, shared values and the belief that partners will be difficult to replace (Robert-Lombard, Strachan & du Plessis, 2013). These parties in the relationship identify commitment as the key endeavour to develop and maintain their relationship, a high level of commitment provides the context in which both parties can achieve individual and joint goals without fear of opportunistic behaviour (van Vuuren, Robert-Lombard & van Tonder, 2012). According to Roberts-Lombard and du Plessis (2012), commitment may be the outcome of growing trust, or trust may develop following a decision by the parties in the relationship to commit to each other. In other words, commitment in a relationship requires a form of compromise, dedication and fairness between the retailer and the customer for the relationship to exist.

Haghkhah, Hamid, Ebrahimpour, Roghanian and Gheysari (2013) note that committed relationship partners are unlikely to switch to the competitors, and to stabilize the relationship, a high level of commitment would be quite helpful. To develop high level commitment, the consumer should have belief that the retailer does not have any negative intentions and its present or past experiences are believed to be a strong predictor of future intentions. Moreover, the retailer should believe that the consumer will act with credibility and benevolence in future exchanges (Chowdhury, 2012). Al-Hawari (2011) highlights that commitment plays a major role in soothing the behaviour of the partners regardless of the changing environmental condition, commitment is also essential component of a solid and lasting loyal relationship. The researcher further argues that commitment is a lower level of customer loyalty and it is the right way to an ultimate loyal relationship with customers. Thus, one can conclude that commitment is important in developing mutual exchange relationships between the retailer and the consumers, and it is being built through past experiences.

### 3.2.8. Perceived commitment in small grocery retail shops

Commitment, in the context of this study, can therefore be defined as the willingness and enduring desire of the consumer and the small grocery retail shop owner/managers to be

in a mutual long-term relationship that is beneficial to both partners. Small grocery retail shops should have the best interest of the customers at heart, be honest and sincere with customers. These, in turn, will assist in building a bond of commitment in the relationship between the customers and the business. The employees should also not take advantage of the customers' commitment or create a negative impression in the mind-set of the customers by taking opportunity of them, which might generate resentment in the mind of the customers and destroy the relationship.

### 3.2.9. Friendliness

Business friendship does not suddenly occur, nor does it exist in a vacuum, it is because of both personal factors and business reputation. Business friendship occurs when one feels comfortable and pleasant to engage and become “friend” with the other (Gao, Liu & Qian, 2016). According to Govender (2013), service providers are expected to be friendly and provide friendly customer service and a positive experience to the customers, even if the customer may be unfriendly, for unfriendly experiences do not retain customers or make them feel valued enough to repeat their business. Therefore, retailers must be friendly with their customers for them to build relationships with them and ultimately retain them.

Gao, Liu and Qian (2016) agree that business friendship occurs between boundary spanners from exchange partners and lies on a continuum between pure personal friendship and pure business relationship; thus, business friendship in an exchange contains both the business role focusing on the utility from the exchange and the friend role driving normative behaviours that regard the relationship partner as a friend. Foley, Edwards and Schlenker (2014) define friendship as a voluntary relationship, which involves an emotional bond, and the emotional attachment between friends which is reciprocal one. Similarly, Price and Arnould (1999) concur that relationship is a voluntary, personal relationship, typically providing intimacy and assistance, in which the two parties like one another and seek each other's company. Therefore, in the context of this study, business friendliness can be defined as a voluntary reciprocal friendship between the small grocery retail shop owner/manager and the customers.

According to Kou and Powpaka, (2017), Friendships developed prior to engagement in business transactions play an important role in business practice. The statement was

supported by a study conducted by Gao, Liu and Qian (2016), on the determinants and impact of business friendship, which show that business friendship has a positive impact on the business performance measured by sales, the study also found that business friendship has a positive impact on the business performance measured by compliance and word-of-mouth.

#### 3.2.10. Perceived friendliness in the small grocery retail shops

From the discussion above, it is clear that some elements of friendliness are required in the operation of small grocery retail shops for them to be able to build relationship with the customers in this context, namely: the owners and employees must be proactive in attending to the customers with a smiling face and show willingness to assist the customers; the front-line employees must be seen to be responsible for the welfare of the customers; the business should adopt a customer- oriented strategy in providing their service ,and be friendly with the customers; most especially, the first-time buyers, because first impressions matter a great deal in the life of the consumers. to conclude whether the business is friendly-oriented or not.

#### 3.2.11. Complaint management

According to Amoakoh (2016), placing the argument within the context of relational exchange theory, conflict is likely to emerge between a customer and the service provider such that it might destroy any relationship building due to inherent different economic interest which are diametrically opposed. 'Complaint management' can be defined as the way businesses deal with the problems that their customers communicate to them about aspects of their service that generate a certain degree of dissatisfaction (Alvarez, Casielles & Martin, 2010).

Makopo, de Klark and Donoghue (2016) note that when a customer appraises a dissatisfying and stressful market encounter as harmful for his/her personal wellbeing, negative emotions such as anger and sadness could be triggered. This will leave the individual in a state of disequilibrium, which will require the customer to engage in one or more coping strategies to return to a normal state. They further point out the three coping strategies which a customer who is dissatisfied with a product might involve he/herself in, are: private action by warning family and friends, and/or public action by seeking redress, or taking no action by rationalizing and forgetting about the unfortunate experience.

Customer dissatisfaction has the potential to cause negative future decisions – not simply declining to repurchase, but possible damage to the business or reputation of the offending providers (Hsiao, Chen, Choy & Su, 2016). Customers experience dissatisfaction when the service outcome does not meet customers' expectations, which results in service failure (Harrison-Walker, 2012). Vercueil, Petzer, and De Meyer (2010) postulate that service failures result in customer dissatisfaction with a product or service, which leads to customer complaints. Therefore, salespeople need to be available to the customer and must be eager to solve the problem (Brink & Berndt, 2010).

According to Linder, Schmitt and Schmitt (2014), what has been widely neglected by the businesses is the potential benefit of customer complaints for quality improvement. They serve as a way of receiving feedback from customers and are therefore a necessary means for putting into action improvement plans. Liang (2013) concurs that listening to the complaints of dissatisfied customers is an indispensable tool for businesses to acquire information and retain a valuable customer base. In addition, Fan, Miao and Wu (2013) note that handling customer complaints is an important strategy to retain customers, and in the event of service failure, retailers should concentrate on recovery policies. Thus, it is important for businesses to see customers' complaints as one of the strategic means through which they can get information regarding their services and be proactive in handling customers' complaints.

Empirical findings from Kruger and Mostert (2014) on the influence of relationship intention on cell phone users' attitudes towards complaining and complaint behaviour, shows that the majority of respondents who participated in the study had a propensity to complain when they experience service failure, and that respondents with high relationship intentions are more likely to voice a service error to their cell phone network provider than respondents with low relationship intentions. Therefore, small grocery retail shops should see the customer who voices their dissatisfaction with the product or service error they receive from the business as the potential customers who have intention to build a relationship with the business and make sure that they handle the complaint in a way that the customer will be satisfied by the way they treat the complaint.

### 3.2.12. Measures in handling customer complaint

Customer complaints need to be attended to urgently and as soon as possible, to make sure that the problems are rectified and that the customer is satisfied with the manner and ways in which the complaint was handled. Cronin (2010) suggests that businesses can take the following approaches when handling customer service complaints:

- **Quick thinking:** Once you receive a complaint, act immediately. An immediate response is an indication that you value what your customers are telling you.
- **Observe and take note:** Try and be open-minded and understanding about the situation; if possible, take notes and ask questions for clarification.
- **Make an apology:** Regardless of your opinion, offering some form of apology can help. An apology for the inconvenience shows your sympathy and may help to calm the situation.
- **Be composed:** Try to be as calm and composed as possible as some complaints may be face-to-face with an angry customer; remain calm and ensure you give the customer your full attention.
- **Be positive:** Try and take an optimistic approach to the problem and focus on what you can do to help rather than what you cannot do.
- **Think of your business:** While you are dealing with a complaint, show genuine concern. This could help turn the situation into a positive outcome, helping with future business dealings and ultimately aiding your reputation as a service provider.
- **Communicate regularly:** By keeping a customer well-informed if the problem cannot be solved straightaway is important. The customer might become irritated if he/she does not know what is happening, so stay in contact and explain how the situation is being rectified.
- **Own the problem:** If the problem is yours, take responsibility for it and resolve it as best you can. As the first point of contact, the customer will be looking to you for answers, so make sure you address that straight away and do not just leave them hanging on.
- **Discover the reasons:** It is also important to understand why the problem happened so that it can be avoided in the future; make a note of lessons learnt to change the processes to ensure it does not happen again.

### 3.2.13. Perceived complaint management in the small grocery retail shops

Complaint management in the context of this study can be defined as the proactive measures which the small grocery retail shops implement in their business operation to rectify service failure that customers' encounter in purchasing their products and services that make customers feel dissatisfied. The small grocery retail shops should make sure that they handle customers' complaint in a manner that the customer will be satisfied. Customer complaints might arise because of the way in which the product is packaged or from poor service the customer receives from an employee. According to a study conducted by De Plooy, de Jager and van Zyi (2012) on the drivers of perceived service quality in selected informal grocery stores in Gauteng, this shows that some of the owners of these stores do not know or understand what service quality and product quality are, let alone their drivers. Small grocery shops should, therefore, understand what service quality is all about and implement it in their business to minimize customers' complaints. Being proactive in resolving complaints in a timely manner ensures that the customer will be satisfied. The outcome of resolving the problem in a timely and satisfactory way whereby the dissatisfied customer is in turn satisfied, might make the customer be loyal and retain him/her, on one hand. On the other hand, complaints poorly resolved by the management might lead to conflict and negative word-of-mouth to the business which might lead to business failure.

## **3.3. OPERATIONALIZATION OF MEDIATING VARIABLE, OUTCOME VARIABLE AND THEIR LINKAGES TO RELATIONSHIP MARKETING**

### 3.3.1. Definition of customer satisfaction

Several definitions have been formulated to explain the concept of customer satisfaction. Mostert and de Meyer (2012:29) define customer satisfaction as *“the evaluation of a product or service in terms of whether the product or service has met or exceeded consumer needs and expectations.”* Kuhn and Mostert (2016) concur that customer satisfaction is the sense of fulfilment experienced by customers when their needs and expectations are met or exceeded during their encounter with the retailers. In support of this statement, Van Tonder and Roberts-Lombard (2015) state that customer satisfaction is the consumers' fulfilment response, in terms of its judgement that the product or service feature, or the product or service itself provides a pleasurable level of consumption-related fulfilment. Van Tonder and de Beer (2018) shed more light on the definition; they

assert that customer satisfaction is regarded as customers' cognitive beliefs concerning the service expected and experienced as well as the feelings they associate with this event. From the definitions, it is assumed that customer satisfaction is when the product or service provided by a retailer to the customer matches-up or supersedes the customer's expectation. When the performance is below the expectation of the customer, the customer is dissatisfied. According to Van Vuuren, Roberts-Lombard and van Tonder (2012), satisfaction is a customer's emotional response when evaluating the discrepancy between expectations regarding the service and the perception of actual performance. As mentioned earlier, service quality as perceived by the customer is one of the components that would influence the satisfaction of the customer (Brink & Berndt, 2010). Customers' emotions are confronted by his/her experiences after using the services with his/her expectations, desires, individual standards, or a specific model of evaluation: if these expectations are met or exceeded, the customer is satisfied with the services (Bhabhe, 2016). This implies that customers form perception on how the product or service will perform before purchasing it and base their emotions on that. If the performance meets the perception, he/she becomes satisfied, and when the performance does not meet his/her expectations, the customer becomes dissatisfied.

Customer satisfaction is an essential dimension of relationship quality, because customers are unlikely to maintain a relationship with a retailer who cannot fulfil their needs or meet their expectations (Aurier & N'Goala, 2010; Kuhn & Mostert, 2016). Relationships are established through voluntary repeat business between a supplier and a customer where the behaviour is planned, cooperative and intended to continue the mutual benefit of both parties (van Vuuren, Roberts-Lombard & van Tonder, 2012). In relating customer satisfaction to relationship marketing, Amoakoh (2016) presumes that the goal of relationship marketing can be achieved through; understanding customer needs, treating customers as partners, satisfying all customers' needs by employees, and providing the best quality according to customer's individual needs. This means that, for relationship to exist between a business and customer, the customer must be satisfied with the products and services provided by the business. Therefore, small grocery retail shops must make sure that the customers are satisfied with their products and services for them to build a harmonious relationship with the customers. Nauroozi and Moghadam (2015) point out that customer satisfaction provides many advantages for businesses; higher levels of customer satisfaction lead to more loyalty, and it is more beneficial to

maintain a good customer than constantly replacing a customer who has left the business, with new one. Good customer satisfaction influences the profitability of nearly every business, because when customers perceive good product or service, they will typically tell nine to ten people (Ilieska, 2013). customer satisfaction is becoming the guiding principle for establishing marketing tactics as well as developing business relationships (Awan & Rehman, 2014). According to Bhabhe (2016), there is a positive relationship between customer satisfaction and business performance. This implies that for a business to maximize the lifetime of their customers and be profitable, the business must make sure that the customers are satisfied with their products and services.

Nyadzayo and Robert-Lombard (2010) contend that customer satisfaction and loyalty are important for businesses' long-term survival and growth, and most importantly, the positive impact on customer retention and the business performance. According to Velnampy and Siveran (2012), satisfied customers are valuable assets for every organization to gain the customer loyalty and retention. Customer satisfaction is the necessary foundation for every business to retain the existing customers because customers who are unsatisfied with the services received, would not be expecting to have long-term relationships with the business (Khan, 2012). In other words, customer retention can only be achieved in the business when the customers are satisfied with the products and services offered by the business. Thus, small grocery retail shops should make sure that their employees satisfy customers' needs, to retain them.

### 3.3.2. Importance of customer satisfaction

Customer satisfaction is a major concern for many businesses, since it helps the latter to manage customer relationships more effectively through the different strategies of the relationship (Theron, Terblanche & Boshoff, 2013). According to Seiedeh, Saeid and Kwek (2012), customer satisfaction has been recognized as a most important characteristic of long-term customer behaviour, because the more satisfied customers are, the greater the customer retention. Satisfaction is not an end as the use of customer satisfaction surveys and ratings sometimes imply, but an intermediate step in strategies to achieve the goals of many businesses (Sashi, 2012). Naik, Gantasala and Prabhakar (2010) emphasise that organizational requirements of customer satisfaction are the internally based processes, components, standards, and criteria that a business strives to achieve. these are the performance goals and benchmarks set forth by the business,

for the business. In other words, customer satisfaction is one of the primary goals of every business and a mediator between relationships marketing and customer retention in many business relationships.

According to Kim and Lee (2011), when a customer is satisfied with the services or products of a given company, the tendency to be loyal to that company is usually high because of positive reinforcement, and other potential customers are encouraged to do business with the company. They further argue that when a customer is satisfied with a product or service, the customer exhibits three favourable behavioural dimensions, which are: positive word-of-mouth communications, repurchase intentions, and price insensitivity. Fornell, Rust and Dekimpe (2010) concur that satisfaction contributes to positive word of mouth and increased product usage, which in turn boost future consumer spending. This explains how important customer satisfaction is in every business, therefore it is of importance for small grocery retail shops to make sure that their customers are satisfied with the products and services they buy, which in return will enable them to build relationships with the customers. A study conducted by Kassim and Abdullah (2010) on the effect of perceived service quality dimensions on customer satisfaction, trust, and loyalty in e-commerce settings, reveals that customer satisfaction was found to have a significant effect on trust. Both customer satisfaction and trust have significant effects on loyalty through word-of-mouth, while word-of-mouth is an antecedent of repeat visits or repurchase intentions. In the competitive industry, customer satisfaction is considered as the essence of success, and customer satisfaction is important in maintaining a loyal customer base, in which the business profit and growth are stimulated primarily by customer loyalty, and loyalty is a direct result of customer satisfaction (Siddiqi, 2011). Contrary to this statement, Amoakoh (2016) argues that customer satisfaction does not always guarantee a repeat patronisation of a product or service, as customers often switch patronage to competitors each day. Nevertheless, customer satisfaction seems to have a positive impact on the profitability of many businesses.

According to Naik, Gantasala and Prabhakar (2010), lack of customer satisfaction has a larger negative effect on the bottom line of every business, as customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty people. They further state that because of bad services, businesses lose 15 to 20 percent of their

customers every year, and the cost of gaining a new customer is ten times greater than the cost of keeping a satisfied customer. Hanif, Hafeez and Riaz (2010) concur that any business that fails to satisfy its customers effectively and efficiently as its competitors are doing, or outperform them, is likely to lose its market share, customers and investors. This presumes that customer satisfaction is pivotal for business growth, relationships and customer retention, and any business that neglects it in its operation is heading for closure. Thus, small grocery retail shops are not exceptional.

### 3.3.3. Benefits of customer satisfaction to the business

So many benefits have been identified by different researchers on the benefits businesses might reap when the customers are satisfied with their goods and services. These benefits are summarized from the following authors: Machado, (2014), and Machado and Diggins (2012).

- **Positive impact on sales and profitability:** if the customers are satisfied, they are more likely to repurchase again, this repeat purchase behaviour increases profitability and sales figures.
- **Positive word-of-mouth:** when the customer is satisfied with the services her/she receives from a business, the customer becomes an apostle of the business by spreading positive word-of-mouth when his/her friends ask about the product, which brings additional customers to the business.
- **Repeat purchase/loyalty to the business:** if a customer is happy with the service he/she receives from a business, it is more likely that the customer will return to purchase next time from the business when the need for the product arises; this positive experience could cause the customer to become loyal to the business.
- **Protection against competition:** customer satisfaction can protect a business against competition: if customers' needs, wants and desires are met by the business, they are likely to spend a bit more to receive the same satisfaction rather than trying a competitor whose satisfaction is either unknown or not up to the level received from the first business.
- **Healthier working environment:** when customers are satisfied, an organization culture develops whereby employees are challenged to excel and are then rewarded for the effort they put in.
- **Customer feedback:** the benefit of receiving customer feedback is that consumers may identify service-delivery issues within the current structure, by

taking consumers' opinion into account; the business can be viewed as caring and one that values their input.

- **Time saving:** time can be spent improving an already good service instead of fixing the problems caused by bad service.
- **Enhance reputation:** an organization that continuously satisfies its customers develops a reputation in the marketplace and attracts more customers.

#### 3.3.4. Perceived customer satisfaction in small grocery retail shops

Customer satisfaction is the ability of an offer to conform to the expectations of customers (Amoakoh, 2016). Apart from numerous benefits derived from customer satisfaction, it is also important to understand the practical measurement of how it ought to be in the small grocery retail shops to satisfy the customers. The suggestions of Mackay, Petzer and Mostert (2014) are that customer satisfactions are measured in terms of the quality of service or product quality. Customers expect the small grocery retail shops to sell quality products, offer good services, offer them a fair price, be friendly with them and be open in communication with them, also offer them flexible and adjustable services to suit their needs. In addition, handling the customers' complaints promptly. According to Fan, Miao and Wu (2013), perceived customer satisfaction is the overall impression of the relative superiority of a business and its services. This implies that customers compare their expectations with customers' actual service experience to confirm the service quality. Based on this, one can conclude that customer satisfaction exists in small grocery retail shops when the above provisions meet the expectations of the customers.

### 3.4. CUSTOMER RETENTION

Businesses are working hard this day to make sure that they satisfy their customers in order to win their loyalty and ultimately retain them for business growth. Berndt and Tait (2014) state that customer retention is crucial to all businesses for business growth and profitability. Considering the importance of the concept in business, this study views it as dependent on relationship marketing. Thus, it starts the discussion by defining it, its importance and advantages.

#### 3.4.1. Definition of customer retention

Customer retention can result from either overall satisfaction over time or highly positive emotions to the product or service (Sashi, 2012). Different definitions of customer

retention have been proposed by many scholars. Oluseye, Adeniyi, Odunayo and Borishade (2014:276) define customer retention “as the action or movement an organization undertakes for the main purpose of reducing consumers’ anxiety and fear about a product or service to increase the lifespan of a customer.” Craig, Zafar, Che and Jamil (2015) in their own point of view, argue that customer retention is the extent to which customers feel they have demonstrated loyalty and commitment to a store measured through their repeat purchase behaviour. Similarly, Seiedeh, Saeid and Kwek (2012) define customer retention as the future propensity of a customer to stay with the business or service provider. In addition, Rootman, Tait and Sharp (2012) point out that customer retention is the longevity of a consumer’s relationship with a business.

Govender (2013) and Odunlami (2015) indicate that customer retention is more than giving the customer what they expect, because it focuses on exceeding their expectations so that they become loyal advocates for the business. In this modern era, that is highly customer-centric: prioritizing customer metrics such as service quality, customer satisfaction, customer loyalty and customer value is a strategic weapon in attracting and particularly retaining existing customers (Nyadzayo & Roberts-Lombard, 2010). Khan (2012: 107) defines the concept as *the continuity of the business relations between the customer and company*. In shedding lighter on the definitions, Kheng, Mahamad, Ramayah and Mosahab (2010) note that customer retention is the degree to which a client displays repeat purchasing behaviour towards a business, possesses a positive attitudinal disposition towards the business, and considers using only this business when a need for this product or service arises. Based on the definitions, in the context of this study the researcher operationalizes customer retention as a customer’s long-term, continuous, increased support and advocating of a specific business or service provider in general, and specifically, a grocery shop.

#### 3.4.2. Importance of customer retention

According to Odunlami (2015), Customer retention has been shown to be a primary goal in businesses that practice relationship marketing. Customer retention is one of the most important indicators of customer satisfaction (Seiedeh, Saeid & Kwek, 2012). The importance of customer retention is highlighted by considering the benefits it has for the organisation on the area of lower acquisition costs, profit and growth (Mostert & de Meyer, 2010). To achieve business goals in terms of metrics like profitability, market share and

revenue or sales volume that reflect seller needs, customers' needs must first be met (Sashi, 2012). Odunlami (2015) highlights that customers are asset that must be properly kept satisfied, the existence of any business-oriented organization is the performance of business activities that will flow from the organization to identified target customers through the provision of needs-satisfying packages in order to satisfy the needs of the customers, and achieve the stated objectives set by the organization. The researcher further argues that satisfaction of the needs of the respective customers thereby gives room for an opportunity to retain the customer and create customer loyalty for continuous patronage. Going by the researcher's argument, it means that customer retention does not just happen in a business on its own, a business must make sure that all hits business activities are gearing toward satisfying the customer's needs, from the top management to the bottom line, for them to be able to achieve customer retention.

The more a business focuses on customer satisfaction and retention, the more long-term business one will get. It is worthwhile for a business to focus on customer satisfaction strategies no matter how large or small the business is, it is a well-known fact that referrals only come from customers who are "apostles" (Mohsan, Nawaz, Khan, Shaukat & Aslam, 2011). Clark and Melancon (2013) contend that higher levels of customer satisfaction and customer retention will differentiate a business and increase their competitive edge to ultimately improve performance. In this regard, businesses should channel their activities to those business operations that will improve their customer services which will enable them to satisfy the customers and retain them for business growth.

Customer retention is a strong indicator of organizational objectives: the level of customer retention dictates to some extent the level of achievement of organizational objectives. If customers fail to patronize or repeat the purchase of the products of the organization, sales and profitability of the organization will drop, which will adversely affect the entire performance of the business (Odunlami, 2015). In order to achieve this objective, customers must be treated as individual cases requiring unique initiatives to achieve a heightened level of satisfaction with the goal of customer retention and loyalty in mind (Coetzee, 2014). This implies that goods and services must be tailored according to the requirements of customers to satisfy their needs so that the customers will be patronising the business, which in turn will affect the business sales and profitability positively. Molapo (2015) highlights that businesses can only achieve higher profits if they focus on

the long-term value of customers, because the higher the customer retention, the greater the profits. Njane (2013) concurs that businesses with high retention grow faster, supporting the argument of the researcher that 80 percent of every business sale normally comes from 20 percent of its retained customers and clients. Oluseye *et al.* (2014) note that most business organizations invest huge amounts of money, time, strength and energy in developing and maintaining customer relationships, but as soon as they experience expansion and sales growth, they eventually neglect and ignore the customers while pursuing more businesses and let the established relationships fade away. Therefore, businesses should see customer retention as business culture and an ongoing activity which must be incubated in every business activity and always nurtured so that it will enable them to maintain their market share and growth.

#### 3.4.3. Some benefits of customer retention to the business

So many benefits have been identified by various researchers for customer retention to the business, which according to Mostert and de Meyer, (2012); and Rootman, Tait and Sharp (2011), customer retention is an important issue that every business strives to understand and harness and has numerous benefits for the retailer, including high sales, higher profitability, lower cost of acquiring new clients and business growth. In addition, customer retention management helps businesses keep and record customer information, like their goals, needs and events (Mohammadhossein & Zakaria, 2012). In the area of profitability, some authors (Berndt & Tait, 2012; Brink & Berndt 2010; Berndt & Tait 2014) elaborated on the effect customer retention has on the profitability of the business. They are as follows:

- Acquiring a new customer costs more than retaining an existing one.
- Normally 80 percent of the profits are derived from 20 percent of the customers. Therefore, it is important to concentrate on those clients that produce profits, in other words, the existing customers.
- Regular customers tend to place frequent and consistent orders, thereby decreasing the cost of servicing those customers.
- Effects to retain customers make it difficult for competitors to enter the market or to increase their share of the market.
- Improved customer retention can lead to an increased level of employee satisfaction, which leads to employee retention.

- Long-time customers tend to be less price-sensitive, permitting the business to charge higher/fair prices.
- Long-time customers are likely to provide free word-of-mouth advertising and referrals.

#### 3.4.4. Perceived customer retention in small grocery retail shops

From the discussion above on customer retention and its benefits, the small grocery retail shops are assumed to follow strategies that will retain customers, such as attentiveness to the needs of the customers, being friendly with the customers, showing them a sense of hospitality, understanding customers' need and tailoring the goods and services according to their needs. Petzer, Steyn and Mostert (2009) argue that customers may remain with an organization for different reasons, such as managing customer-to-customer interactions, reducing dissatisfaction, and trying to reduce potential defections. In addition, service failures should be managed, and plans need to be put in place for service recovery when failures do occur. The authors further state that by providing the highest level of satisfaction, business could attain higher levels of customer retention. In support of this statement, Amoakoh and Naong (2017) state that businesses need to meet customers' expectations by understanding certain factors which foster customer satisfaction and lead to loyalty and retention: knowing the customers, reaching the customers, meeting their needs and clearly tailoring offerings to suit customers' requirements. Therefore, small grocery retail shops should strive to anticipate a means of satisfying their customers to retain them for survival and profitability of the business.

### **3.5. LINKAGES BETWEEN RELATIONSHIP MARKETING, CUSTOMER SATISFACTION, AND CUSTOMER RETENTION**

It is of importance to discuss the linkages between the independent variable (relationship marketing), mediating variable (customer satisfaction) and the dependent variable (customer retention) in this study, to show how they are related to each other in building business relationships with the customers.

#### 3.5.1. Relationship between relationship marketing and customer satisfaction

There has been significant research to analyse the interrelationship between relationship marketing and customer satisfaction. From the study carried out by Amoakoh (2016) on hair salons, one of the variables tested in the study shows that customer satisfaction is

an outcome of marketing effort that has strong potential to improve relationships with customers. The study was in line with Berndt and Tait (2012), who argue that relationship marketing helps to show the customers that the business cares for its existing customers just as much as its new ones, and that long-term customer satisfaction is the business' main purpose. The authors further state that retention of existing customers is based on customer satisfaction. Therefore, for relationship to exist between a business and the customer, the customer must be satisfied with the goods and services provided by the business. Customers have expectations when they buy from an organisation based on their previous experience; these expectations serve as benchmarks against which actual performance is measured, thereby influencing customer satisfaction, and customers with higher expectations are more likely to develop relationship with organisations (Mostert, Petzer & Weideman, 2016). According to Kuhn and Mostert (2016), satisfied customers tend to spend more with a retailer and to engage in positive word-of-mouth about the business and are likely to return for future purchases. Customer satisfaction is an essential dimension of a relationship, because customers are unlikely to maintain a relationship with a retailer who cannot fulfil their needs or meet their expectations (Aurier & N'Goala, 2010). This presumes that customer satisfaction is crucial for the successful development of customer relationships.

According to Berndt and Tait (2014), most successful marketers understand that key issues in developing competitive advantage include long-term relationships and central to these relationships is maintaining customer satisfaction and creating customer value. The authors further argue that for a business to ensure survival and success, the business must satisfy its customers. Brink and Berndt (2010) note that for an organisation to be focused on customer satisfaction to build relationships with customers, employees' attitude and actions must be customer-oriented, because an employee may be the only contact a particular customer has with the business: in that customer's eyes, the employee is the business. Therefore, businesses who intend building relationships with the customers, must make sure that the employees are customer-oriented, because they represent the image of the business.

### 3.5.2. Relationship between customer satisfaction and customer retention

Customer satisfaction is important for businesses, as it lays the foundation for long-term customer relationships, resulting in loyalty and ultimately retention (Kruger & Mostert,

2014). Seiedeh *et al.* (2012) argue that the more satisfied customers are, the greater the customer retention. Customer satisfaction is a key differentiator and has become an integral part of a business strategy in retaining the customers (Aurier & N'Goala, 2010). In support of this statement, Nader and Rossouw (2016) state that satisfaction is the main factor in the formation of loyalty, because satisfied customers will purchase again and bring long-term benefits for the business. Therefore, customer satisfaction is a very important tool for small grocery retailers in building relationships with their customers and ultimately retaining them.

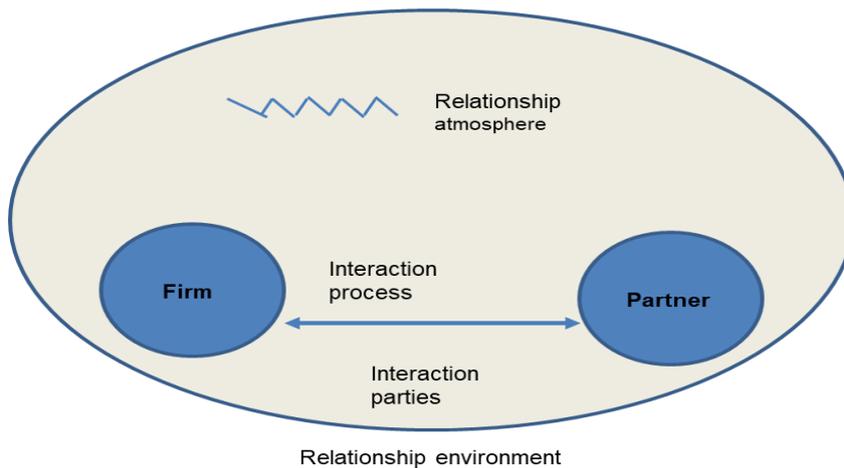
According to Epetimehin (2011), customer retention has been advocated to be the main target of every business as market are becoming more competitive to improve customer retention, companies initiate a variety of activities, including programs on customer satisfaction to retain their customers and maintain their market share. Customer retention is the simplest way, yet one of the most effective ways of measuring customer satisfaction, where satisfaction is measured by the rate at which customers are kept – the 'customer retention rate' (Berndt & Tait 2012). This would imply that customer retention can also serve as a benchmark with which a business can use to measure the rate at which their customers are satisfied with their goods and services, because on the one hand, the more the customers are satisfied, the more eager they are to stay with the business, and on the other hand, the less satisfied the customers are, the more they are switching over to the competitors.

Brink and Berndt (2010) note that one of the key elements of customer retention is customer satisfaction; as a rule, the more satisfied the customer, the more durable the relationship, and the longer this last, the more money the company stands to make. Govender (2013) concurs that customer satisfaction is important for a business image, and satisfied customers are also loyal customers and ensure repeat business, with long-term profit increases to the business. In this regard, Nyadzayo and Roberts-Lombard (2010) emphasize the importance of customer satisfaction and loyalty to the organization's long-term survival and growth, and most importantly, the impact on customer retention and the firm's performance. This presumes that for a business to achieve customer retention and business growth, there must be some level of customer satisfaction existing in the business.

### 3.6. THEORETICAL PERSPECTIVE

There are many theories which have been developed on relationship marketing such as the Social Exchange theory by Homans (1958) and the Relational Exchange theory (Chattananon & Trimetsoonton, 2009). These theories were based on the buyer-seller relationships, the notion that a relationship between two people is created through a process of cost-benefit analysis. In other words, the theories were based on considering the effort a customer makes in achieving what he or she wants. Both theories focus on weighing the cost and benefits of involving in a relationship, but the process of building relationship was not specific. This simply means that the theories did not explain the process which small grocery retail shop businesses could follow to build relationships with the customers and achieve customer retention. The Interaction Relationship theory developed by Christopher, Payne and Ballantyne (1991) explains that the real purpose of a business is to create and sustain mutually beneficial relationships with selected customers, and that customer service and quality are critically important in cementing relationships between the seller and customer. This theory is supported by Kuhn and Mostert (2015), who argue that relationships between sellers and customers come about when sellers respond promptly to and satisfy their customers' needs.

According to Donaldson and O'Toole (2007), the theory contains and combines dimensions of all the theories into a framework that can help researchers and managers analyse, evaluate and plan for relationships. As presented in Figure 3.1. the authors further acknowledge that its base is an assumption that it is beneficial to interact and that relationships are reciprocal, long-term and mutual, which has four dimensions: the interaction process, interaction parties, relationship atmosphere, and the relationship environment. They are explained below.



**Figure 3.1: Interaction model theory**

**Source:** Adopted from Donaldson and O'Toole (2007)

**The interaction process:** Is how the parties to the relationship interact; this interaction tends to be of two types: the short-term episodic exchange, for example, one transaction, and the series of interactions built up into a longer-term pattern of norms and expectations of both parties.

**Interaction parties:** Understanding the interaction between parties, be they organizations or individuals, is a central dimension of relationship analysis.

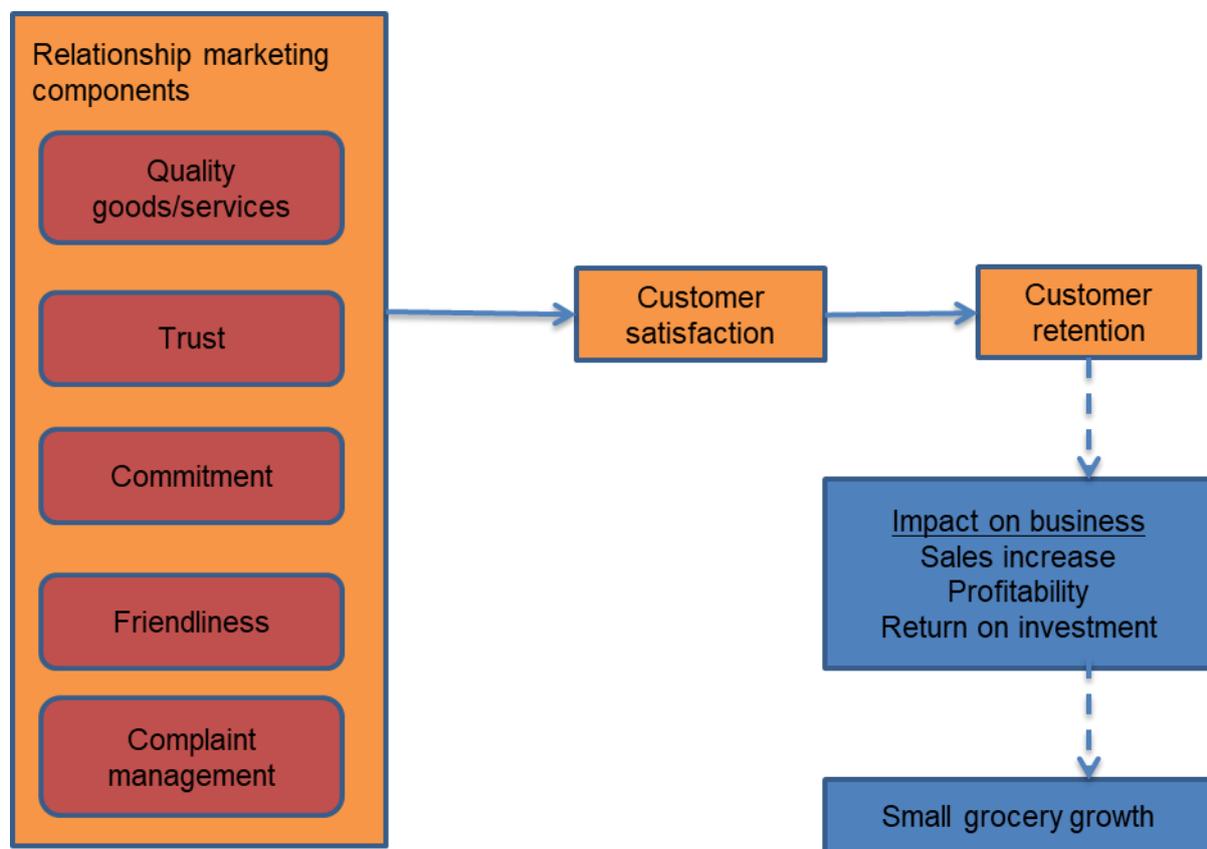
**Relationship atmosphere:** It pervades the exchange; it is characterized by an 'electricity' symbol in Figure 3.1. The atmosphere between individuals affects the relationships and is a mediator there of. In a consumer-organization relationship the atmosphere is fuelled by the perception of a business and how it operates, whereas in organization-organization relationships the atmosphere is perhaps more a feature of the actions taken.

**The relationship environment:** In relationship analysis, the environment is that which affects the relationship rather than the broader environmental analysis conducted for formulating general business strategy.

The theory explains how to achieve relationship marketing by integrating quality, customer service and marketing. In addition, the theory argues that maximizing the lifetime value of a customer is a fundamental goal of relationship marketing. In the context of this study, the theory will assist in understanding how the small grocery retailers form relationships and interact with customers using specific integral relationship marketing components to satisfy their needs and retain them for business growth.

### 3.7. CONCEPTUAL FRAMEWORK

Based on the theoretical perspective review above' that relationship marketing, customer satisfaction and customer retention are the three key practices for retaining the customers, the five main components of relationship marketing reviewed are: quality of goods and services, trust, commitment, friendliness and complaint management as found in Figure 3.2. As a result, a conceptual framework for the study is drawn below. A conceptual framework in research forms the platform from which research questions and objectives are drawn.



**Figure 3.2: Relationship marketing model (Self compilation)**

Figure 3.2 hypothesises that when small grocery retail shop owners apply or adopt relationship marketing components such as quality of goods and services, trust, commitment, friendliness, and complaint management in their businesses, they will achieve customer satisfaction and ultimately customer retention. The result of customer retention, it is assumed, will lead to business growth in terms of sales increases, profitability and return on investment.

### **3.8. SUMMARY**

This chapter began with discussion of the relationship marketing components selected for this study, followed by operationalization of the variables, then by the linkages from relationship marketing to customer satisfaction and customer retention. Thereafter came the discussion on perceived practices of relationship marketing in small grocery retail shops. Finally, the chapter presented the details of the theory adopted in the study to make sure that relationship marketing is achieved in small grocery shops.

## **CHAPTER 4: RESEARCH METHODOLOGY**

### **4.1. INTRODUCTION**

The previous chapter reviewed relevant literature and outlined the theoretical framework of the study. This chapter focuses on the research methodology and design for the study. The chapter discusses the research philosophy/paradigm. This is followed by a discussion of the research approach, design, population, sampling and sample size, data collection method, and data analysis method adopted. Thereafter, validity and reliability issues of the data collection instrument used are discussed. Finally, ethical issues of the study are highlighted.

### **4.2. MAIN RESEARCH QUESTIONS**

As stated in Chapter 1, this study focused on ascertaining the relationship marketing practices employed by the small grocery retail shop in Mangaung Metropolitan Area of Free State Province to retain customers. Specific research questions that were formulated from the main question were:

1. What are the relationship marketing practices that exist among small grocery retail shops in Mangaung Metropolitan Area?
2. What elements of customer satisfaction exist among small grocery retail shops in Mangaung Metropolitan Area?
3. What elements of customer retention exist among small grocery retail shops in Mangaung Metropolitan Area?
4. Is there a significant relationship between relationship marketing practices, elements of customer satisfaction, and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area?
5. To what extent does customer satisfaction mediate the relationship between relationship marketing practices and elements of customer retention in small grocery retail shops in Mangaung Metropolitan Area?

### 4.3. RESEARCH OBJECTIVE

#### 4.3.1. The primary objective of the study

The primary objective of this study is to determine the relationship marketing practices applied by small grocery retail shops in Mangaung Metropolitan Area to enhance customer retention.

#### 4.3.2 Subsidiary research objectives

1. To determine the relationship marketing practices that exist among small grocery retail shops in Mangaung Metropolitan Area.
2. To determine the elements of customer satisfaction that exist among small grocery retail shops in Mangaung Metropolitan Area.
3. To ascertain the elements of customer retention that exist among small grocery retail shops in Mangaung Metropolitan Area.
4. To determine the relationship between relationship marketing practices, elements of customer satisfaction, and elements of customer retention among small grocery retail shops in Mangaung Metropolitan Area.
5. To ascertain the extent to which customer satisfaction mediates the relationship between relationship marketing practices and elements of customer retention in small grocery retail shops in Mangaung Metropolitan Area.

### 4.4. RESEARCH PHILOSOPHY/PARADIGM

The origin of the word *paradigm* could be traced to Kuhn (1962), who coined the word to mean a philosophical way of thinking, a worldview that embodied the beliefs of scientists. According to Punch (2014:14), paradigm is defined as “*a set of assumptions about the world, and about what constitute proper topics and techniques for inquiring into the world.*” This suggests the way of looking at the world, or the researcher’s beliefs about the world that he or she lives in. Punch argues further that paradigm simply means what is the “reality” like (ontology), what is the relationship between the researcher and that reality (epistemology), and what methods can be used for studying the reality (methodology). The literature mentions two major paradigms, namely: positivism (associated mostly with quantitative methods) and interpretivism/constructivism (associated mostly with qualitative methods), according to the works of Punch (2014). In the context of this study, these two most common paradigms are discussed briefly.

#### 4.4.1. Positivism research paradigm

Positivism is regarded as “scientific method” or “science research” which was propounded by French philosopher, Auguste Comte, who interprets it as a doctrine that defines observation and reason as a means of understanding behaviour (Shah & Al-Bargi, 2013). This school of thought believes that true knowledge should be based on experience of senses which can only be obtained by observation or experiment, by testing hypotheses or testing formulated research questions. Positivists hold a deterministic philosophy in which causes determine effects or outcome (Creswell, 2014). For example, in this study, it is assumed that if small grocery retail shops adopt relationship marketing practices in their business operations, it will affect their customer retention positively. This means that positivists aim at uncovering general laws of relationships and/or causality that apply to all people.

Positivism’s **ontological** position holds that “reality is out there” in the world independent of the researcher and is covered through scientific and conventional methodology (Sheh & Al-Bargi, 2013). Regarding **epistemology**, positivists have a view that, the phenomena being inquired about have an independent existence and can only be discovered via exclusively and objective research. On **methodology**, they adopt quantitative research methods (Wagner, Kawulich & Garmer, 2012). At the same time, positivists systematize the knowledge generation process with the help of quantification, which enhances precision in description of parameters and the identification of relationships among them, it lends itself to quantitative research method. (Creswell & Creswell, 2018).

#### 4.4.2. Interpretivism research paradigm

Interpretivism research paradigm is considered as constructivist, naturalist, humanistic and anti-positivist, which emerged in contradiction to positivism for the understanding and interpretation of human and social reality (Shah & Al-Bargi, 2013). This approach concentrates on the meanings people assign to situations and behaviour, which they use to make sense of their world, and these meanings are considered important to understanding human behaviour (Punch, 2014). This paradigm believes that individuals seek to understand the world in which they live and work in, by developing subjective meanings of their experiences, assigning meanings directed towards certain objects or things (Creswell, 2014). These meanings are varied and multiple, leading the researcher

to look for the complexity of views rather than narrowing meanings into a few categories or ideas.

Interpretivists' **ontology** means that "reality" is socially constructed (Mertens, 2009). In other words, the researcher and the participants are involved in the research. On **epistemology**, the interpretivists believe that the inquirer and the inquired are fused into a single entity (the researcher and the participant), and their interaction leads to certain findings (Sheh & Al-Bargi, 2013). Regarding **methodology**, interpretivists believe in qualitative research methods (Wagner, Kawulich & Garmer, 2012). This paradigm relies heavily on the participants' views of the situation being studied (subjective) which makes it important for the researcher to understand participants' thinking and feelings, as well as their verbal and non-verbal communication (Creswell & Creswell, 2018). The Interpretivism paradigm is subjective in nature, and it is associated with qualitative research approach.

Considering the analysis of the two paradigms above, this study rests mainly in the domain of positivistic research paradigm (quantitative approach) for the following reasons: Firstly, the researcher identified a theory, developed hypotheses and research questions, selected relationship marketing constructs and tested them against the reality of empirical facts. Secondly, the study had a large sample size of small grocery retail shops and the results of quantitative method could be generalised to similar areas. The choice of research paradigm determines the research approach and design, thus the research approach and design adopted in this study is discussed below (Bryman, 2012).

#### **4.5. RESEARCH APPROACH**

According to Creswell (2014), research approaches are plans and the procedures for research that span the steps from broad assumption to detailed methods of data collection, analysis and interpretation. Creswell also states there are three approaches to research, namely: quantitative, qualitative and mixed method. In this study, the researcher adopted quantitative approach (positivist paradigm) to quantify data collected from small grocery retail shops and to ensure that study outcomes from the sample can be generalized to a large population of small grocery retail shops in Mangaung Metropolitan Area. A quantitative approach mostly makes use of questionnaires to

generate data that are revised and tabulated in numbers (Creswell & Creswell, 2018). Therefore, in this case, questionnaire was developed, piloted and distributed to participants independent of the researcher for data collection.

#### 4.5.1. Quantitative method

Bless, Higson-Smith and Sithole (2013) posit that the quantitative method emerged from the philosophical belief that the world runs according to natural laws and that the role of the scientist is to uncover or discover these pre-existing laws. In other words, it is assumed that truth is absolute and independent of the human being that searches for it. This method makes use of either experimental (cause and effect) or non-experimental methods, wherein hypotheses are formulated, and the data collected either support or refute these hypotheses (Shah & Al-Bargi, 2013). The quantitative method generates data by making use of one of the following ways: experiment, observation and surveys (Wiid & Diggins, 2013). The study adopted survey method in generating data from small grocery retail shops in Mangaung Metropolitan Area. The method relies extensively on numbers and statistics in the analysis and interpretation of findings that are generalized from a large sample to the population (Bless, Higson-Smith & Sithole, 2013). The importance of this method is: it deals with a large sample that could be representative of the population, the result can also be generalized to the population, and it can be applied to other situations (Amoakoh, 2016). In addition, the hypotheses or research questions are tested (Shah & Al-Bargi, 2013).

#### 4.6. RESEARCH DESIGN

According to Kumar (2014), a research design is the road map that one decides to follow during one's research journey to find answers to one's research question as validly, objectively, accurately and economically as possible. It is a procedural-cum-operational plan that details what and how different methods and procedures are to be applied during the research process. This study adopted a descriptive correlational research design. The design is normally used to describe any characteristics of existing situations, identify relationships between variables or determine whether differences exist between variables (Hair, Wolfinbarger, Ortinau & Bush, 2008). This design is also necessary when the knowledge of a phenomenon under a study is unclear (Wiid & Diggins, 2013). Like small grocery retail shops in Mangaung Metropolitan Area of Free State where there is no empirical evidence on whether there is existence of relationship marketing practice or not,

the researcher applied descriptive correlational research design to get information about the phenomenon and suggest better marketing practices that could be put in practice for small business growth.

#### **4.7. POPULATION**

Population in a research consists of a comprehensive number of individuals, units or items that can become objects for observation (Wiid & Diggines, 2013). The target population for a study is the group about whom a researcher wants to draw conclusions (Babbie, 2014). The targeted population for this study consisted of owners and employees of small grocery retail shops (modern spaza shops) situated in the towns located in Mangaung Metropolitan Area of the Free State Province. Free State Development Corporation Annual Report (2013 - 2014) provided an estimate of about 250 small grocery retail shops in the afore-mentioned metro municipality. Therefore, the total population for the study was 250 small grocery retail shops.

#### **4.8. SAMPLE SIZE**

Taherdoorst (2016) and Phrasisombath (2009) opines that, to generalize findings from sample to population, the sample must be a representative of the population. McDaniel and Gates (2008) also suggest that it is important to take a large sample size in relation to the size of the population so that the result can be generalized to the population. In support of this suggestion, Gogtay (2010) states that sample size calculations enable researcher to draw strong robust conclusions from the limited amount of information and generalization of results. In the context of this, a sample size calculator was used to determine the required sample size. The determination process required setting the confidence interval at 5%, while confidence level was set at 95%, and the population was 250, which gives 152 as the sample size.

#### **4.9. SAMPLING PROCEDURE**

##### **4.9.1 Sampling**

According to Bryman (2012), sample is the segment of the population that is selected for investigation, and it is a subset of the population. Wiid and Diggines (2013) note that the primary requirement for a sample is that it must be as representative of the population as possible. Churchill and Brown (2007) concur with the assertion that, for a sample to be

useful and be representative of the population, it must have all the properties of the population it represents. Bryman (2012) highlights that the need to sample is one that is almost invariably encountered in research. The author also adds that the method of selecting samples may be based on a probability or a non-probability approach.

#### 4.9.2. Sampling methods

Babbie (2014) asserts that sampling method is the process of selecting observations in a research. Phrasisombath (2009) concurs with the assertion that, sampling involves the selection of several study units from a defined study population. Bryman (2012) also notes that there are two main types of sampling designs or methods, namely: probability or random sampling and non-probability sampling.

##### *4.9.2.1. Probability sampling method*

According to Tustin, Ligthelm, Martins and Van Wyk (2010), in probability sampling every element in the population has a known, non-zero probability of selection. In other words, every element of the population has equal opportunity of being selected. The merits of this sampling method are: the population is well defined, and it reduces elements of sample bias (Bless, Higson-Smith & Sithole, 2013). In addition, the results can be generalised to the population. (Zikmund & Babin, 2010). Cant, Gerber-Nel, Nel and Kotze (2008) emphasize that the challenges encountered in using this method is that it might be expensive to administer in terms of cost and time; the author also highlighted that it requires a large sample size, above all, a population list is needed.

##### *4.9.2.2. Nonprobability sampling method*

In nonprobability sampling, the probability of any member of the population being selected is unknown, the technique of selecting the unit is based on personal judgment or convenience (Clow & James, 2014). Nonprobability sampling method is used when the necessary population lists are not available, it is also using smaller population size, and the method is cheaper and faster, compared to probability sampling method (Bless, Higson-Smith & Sithole, 2013; Zikmund & Babin, 2010). According to Cant, Gerber-Nel, Nel and Kotze (2008), some of the challenges faced in using nonprobability sampling method is that it is difficult to estimate how the sample represents the population, also the generalization of the results to the population to some extent are questionable; above all, there is always an element of bias in the sample.

Considering the analysis of the two-sampling methods, simple random sampling method was used in this study. The researcher made use of data that is available at the Free State Development Corporation (FDC) (2013-2014) for the number of small grocery retail shops in Free State by districts. Numbers were assigned to the shops randomly from 01 to 250 by using computer generate random numbers, and the sample size of 152 small grocery shops was selected from it. The importance of this method to this study is that firstly, each sample units was randomly selected from the population making use of computer-generated random numbers; secondly, the population was well defined, 250 small grocery shops in Mangaung Metropolitan Area; thirdly, sample biases were taking care of; and finally, the result from the study was generalised to the entire population.

#### **4.10. DATA COLLECTION**

Clow and James (2014) state that data collection is the systematic approach to gather information to make research decision. The authors further highlight that the quality of those decisions is dependent on the quality of data obtained. According to Churchill and Brown (2007), there are three methods of collecting quantitative research data, namely: survey method, observation method, and experiments method. The study adopts the survey method, which according to Denscombe (2013), it is used when the researcher wants information relating to groups of people: what they do, what they think, and who they are. A structured questionnaire was designed to collect the quantitative data needed to determine the relationship of the variables.

##### **4.10.1. Sections of the questionnaire**

The research questionnaire was divided into six sections and was based on the objectives and the research questions of the study.

**Section A:** General questions on demographics (for example: *Male or female?*).

**Section B:** General questions on business information. (For example: *Form of business ownership? Age of business?*).

**Section C:** This section was linked to research question number one and was structured to assess the awareness of small grocery retail shops on what relationship marketing mean to them and how they perceive it. (For example: *Relationship marketing means a marketing strategy used to develop long-term relationship with the customers*). The participants could choose from the likert scale developed.

**Section D:** Was structured to assess the relationship marketing practices used by the small grocery retail shops in Mangaung Metropolitan District such as service quality, trust, commitment, friendliness and complaint management. (For example: *Does the business employees pay individualized attention to the customers?*), the participants could choose from the Likert scale developed.

**Section E:** This was focused on the elements of customer satisfaction in small grocery retail shops in Mangaung Metropolitan Area. (For example: *To what extent does the business tailor its products to meet the needs of the customers?*).

**Section F:** This was focused on the elements of customer retention in small grocery retail shops in Mangaung Metropolitan Area. (For example: *The business operation focuses on retaining existing customers*). The participants could choose from the Likert scale developed.

#### 4.10.2. Pilot Study or Pre-testing questionnaire

Kolb (2008) indicates that it is important that the draft questionnaire be tested and refined on a small sample of people representing the investigation group to check both the content and wording of the questions. Before the main questionnaire was distributed to the respondents, the questionnaire was tested through a pilot study on eight (8) small grocery stores, who did not participate in the final study, to ensure readability and clarity of the instruments. Pre-testing a research instrument entails a critical examining of the understanding of each question and its meaning as understood by a respondent. It is carried out under actual field conditions on a group of people like the study population (Kumar, 2011).

Pre-testing of the research instrument enables the researcher to identify the challenges that might occur on collecting the main data and correct it on time before the start of the study. Wiid and Diggins (2013) observe that the usefulness of pre-testing or piloting of the questionnaire is that It enables the researcher to determine how long a respondent will take to complete the questionnaire, also to ascertain whether the instructions on the questionnaire are clear and understandable. It also helps to be sure whether the flow of the questionnaire is natural and conversational. In addition, it assists in checking whether the questions work as intended and are understood by those individuals who are likely to respond to them (Hilton, 2015). From the pilot study, it has emerged that the respondents understood the questions clearly and thus there was no need to change the questions. It

was also noted that the time taken to complete the questionnaire was within the prescribed time frame, and the respondents also understood the instructions and were familiar with the issues in the items.

## **4.11. VALIDITY AND RELIABILITY**

### **4.11.1. Validity**

According to Punch (2014), as far as measuring instrument is concerned, the important issue is to assess the qualities built into it. The two main technical criteria to assess it are reliability and validity of the instruments. Validity is the ability of an instrument to measure what it is designed to measure, which refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration (Kumar, 2014). According to the author, there are three types of validity in quantitative research, namely: content validity, concurrent and predictive validity, and construct validity. For this study, content validity and construct validity were applied, because concurrent and predictive validity are used in a situation where a scale is developed as an indicator of some observable criterion, unlike small grocery retail shops for which no scale has yet been developed for the relationship marketing in the province.

#### *4.11.1.1. Content validity*

Content validity focuses on making sure that measuring instruments used in the study covers the investigative questions guiding the study (Punch, 2014). To make sure that content validity was achieved, the research sought inputs from other researchers and statisticians who have wide experience in terms of research. In addition, the supervisors who are well experienced and well-grounded in research also added their own inputs to make sure that quality output needed from the study was achieved. The steps taken in this study to make sure that content validity was achieved is in line with Bless, Higson-Smith and Sithole (2013), who posit that in the absence of relevant literature, like this study where little or no research has been done on small grocery shops in Mangaung, the researcher can ask other researchers with experience in the relevant research area to evaluate the content validity of this study's measuring instrument. With the above measures, this study meets the requirements for content validity.

#### 4.11.1.2. Construct validity

Clow and James (2014) state that construct validity focuses on assessing how well the measurement captures the constructs or concepts under consideration and how well it logically connects to underlying theories. Punch (2014) concurs with this assertion and further highlights that construct validity assesses how measurement conforms to theoretical expectation in the context and shows relationships with other constructs which can be predicted and interpreted within this context. In the literature, the application of relationship marketing theories shows that relationship marketing can influence customer satisfaction, which in turn could influence customer retention. Therefore, this study meets the requirements for construct validity.

#### 4.11.2. Ensuring Reliability of the Instruments

Kumar (2014:216) defines reliability as “*the degree of accuracy or precision in the measurements made by a research instrument.*” In other words, an instrument is reliable if it yields equivalent results when used by different researchers at different times to measure a construct. Punch (2014) also adds that reliability is a central concept in measurement, which basically means consistency. To ensure the reliability of the study, the researcher simplified the questions in the questionnaire by avoiding ambiguous words that the respondents would find difficult to answer. The questions were also short and simple in a manner that the respondents could easily read and so answer the questions. Furthermore, in assuring reliability of the data, errors such as selection error, subject response error, measurement instrument bias and information collection bias, were taken care of through the measures set out in the following sections.

##### 4.11.2.1. Selection error

Petrie and Sabin, (2010) and McDaniel and Gates (2008) posit that this type of error occurs when subjects are not representative of the population to which the findings will be applied. To take care of this error, only operators of small grocery retail shops were selected in this study.

##### 4.11.2.2. Subject response bias

These biases occur when the participants answer at random, or they deliberately give false information because of mistrust, fear or a desire to confirm or social pressures (Clow & James: 2014). In taking care of this, the questions were rephrased on sensitive issues

in a positive manner, and a letter from the University was also given to respondents that assured them of their anonymity and confidentiality. In addition, the questionnaire was hand-delivered to the respondents and more explanation was given to them at the same time.

#### *4.11.2.3. Measurement instrument bias*

McDaniel and Gates (2008) state that this error occurs from the design of the questionnaire whereby the respondents find the questions or elements of the questionnaire difficult to understand. To avoid this bias, simple English Language was used to avoid misinterpretation, the pre-tested questionnaire also revealed that the respondents would not find the questionnaire difficult to answer. Therefore, there was no need for the researcher to rephrase the questions.

#### *4.11.2.4. Information collection bias*

According to Smith and Noble (2014), this bias can occur when a researcher's belief influences the way information or data is collected, or as a result of defective instruments such as closed questions on topics about which little is known. In avoiding this bias, the questionnaire was subjected to review by getting inputs from the statistician and other researchers who have grounded knowledge in relationship marketing. Similarly, the questions were pre-tested. In addition, the data was collected at one point in time. The internal consistency reliability of the instrument was determined by a statistical test called Cronbach Alpha value, by which, according to Wiid and Diggins (2013), if internal consistency is greater or equal to 0.700, it means that the instrument is reliable.

## **4.12. DATA ANALYSIS**

Quantitative data are analysed using statistics, and the way this is done is governed by the research questions (Punch, 2014). In this study, data collected was captured, cleaned and analysed using Statistical Package for the Social Science (SPSS) version 21. The data was statistically analysed using measures of central tendency: mean, mode, median, percentages, and correlation model to determine the relationships between relationship marketing practices and customer satisfaction, as well as the relationship between customer satisfaction and customer retention. Specifically, inferential statistics or Pearson and Spearman tests were done to determine the hypothesised relationships

depending on data normality. Finally, a multiple regression analysis was used to determine the effect size of the hypothesised relationships.

#### **4.13. ETHICAL CONSIDERATION**

According to Kolb (2008), ethics provide a system that helps a person to determine what is right and good from what is wrong and bad. These concepts are directly applicable when conducting any research. Claire, Craig and Sello (2016) state that ethical issues are concerned with whether the behaviour of the researcher conforms to a code or a set of principles. This study adheres to all prescripts of conducting ethically sound research, such as confidentiality and anonymity of information by attaching a covering letter to the questionnaire that was obtained from the University, which assured the respondents of their anonymity and confidentiality. Furthermore, the researcher also obtained institutional ethical clearance form from the faculty. In addition, the right to privacy and dignity of all the parties involved in the study was maintained. Finally, the researcher avoided bias and made sure that findings were correctly reported.

#### **4.14. CONCLUSION**

In this chapter the method used in the empirical study were discussed. A positivist paradigm was followed which is rooted on quantitative method of data collection. The instrument for data collection (questionnaire), the method for collecting the data and how the data will be analysed was also discussed. The results and analysis of the data collected will be addressed in the next chapter.

## **CHAPTER 5: ANALYSIS, RESULTS AND DISCUSSION**

### **5.1 INTRODUCTION:**

This chapter presents the analysis, interpretation, and discussion of the findings from the field data collected with structured questionnaires administered to the small grocery retail shops in Mangaung Metropolitan Area, in the Free State Province. Descriptive statistics were used in the analyses, such as: tables and simple percentages, bar charts, and pie charts. Finally, correlation and regression analysis were used to understand the relationships of the variables selected on the study.

### **5.2 DESCRIPTIVE STATISTICS**

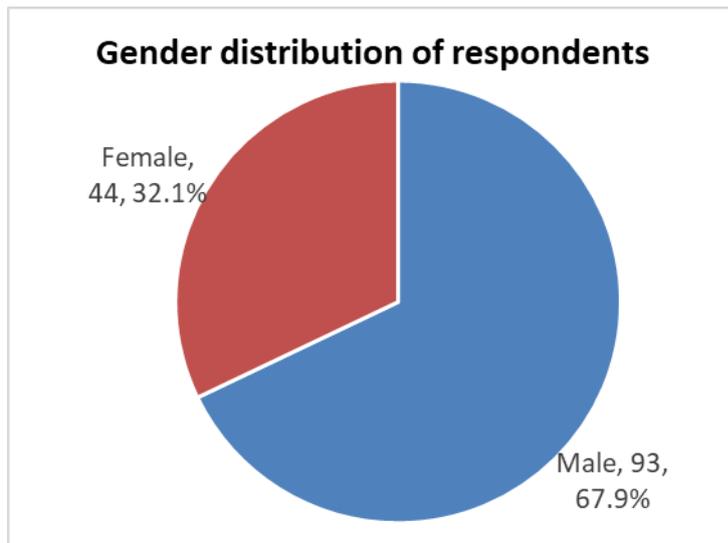
Descriptive statistics was used in this section to analyse the distribution of the response rate on the demographic. The results are presented using pie and bar charts. According to Kozak, Hartley, Wnuk, and Tartanus (2015), pie charts and bar charts are used to present simple statistics results in research for easy understanding.

#### **5.2.1 Response Rate**

The questionnaires were administered to a sample of 152 small grocery retail shops and 137 questionnaires were completed and returned, representing 90% response rate.

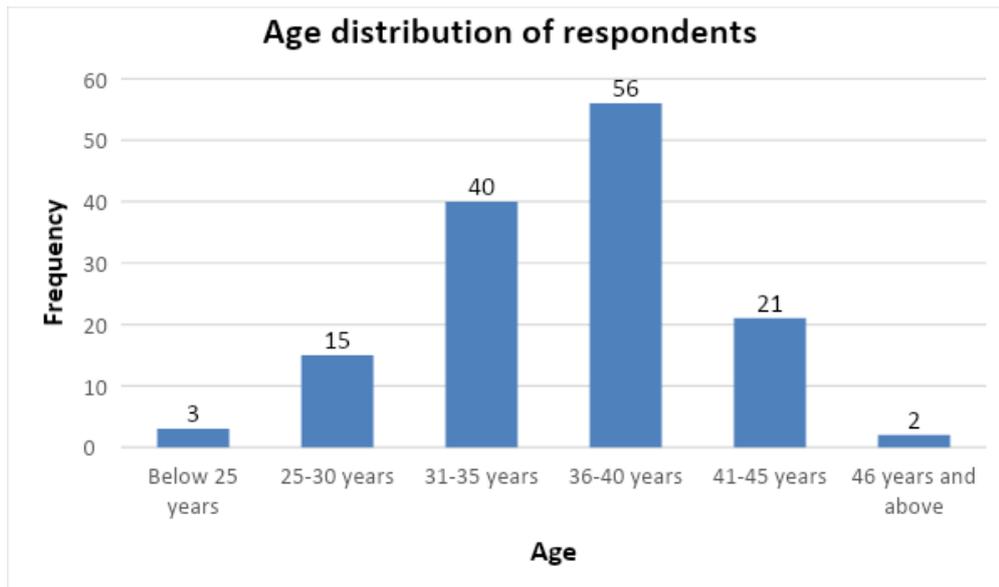
### **5.3 DEMOGRAPHIC VARIABLES**

The results in Figure 5.1 show that the research was dominated by male respondents (67.9%) and female respondents were fewer (32.1%). This could mean that the findings are more inclined to the perceptions of males than females. The reasons could be deduced from the cultural, social and economic perspectives. Culturally, in many families' set-up, males are the breadwinners to support the family, while from a social and economic point of view, it demonstrates the high rate of unemployment among males, and that the males seemingly have much business mind-set than the female counterparts to engage in such small businesses.



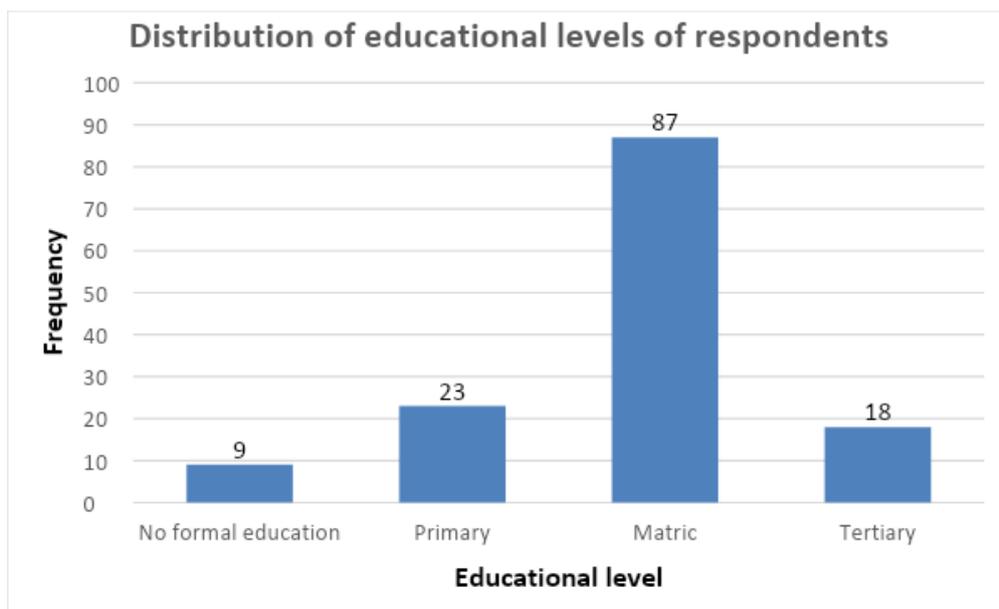
**Figure 5.1. Gender distribution of respondents.**

The results in Figure 5.2 show that the 36-40 years age group was the most represented in the study (56,40.9%) with the 31-35 years age group coming second (40,29.2%). The result shows a multi-faceted reason that this industry is mostly dominated by adults and middle-aged people. First, apart from unemployment reasons, one other reason could be as a result of financial capital that is involved in opening the business, which inhibits the youth. Second, the 36-40 years group may have a more developed entrepreneurial mindset than the youth as an advantage to enable them to open their businesses. This view is alluded to by Gielnik, Zacher and Wang (2018), to argue that adults are more likely to turn entrepreneurial intentions into entrepreneurial activity.



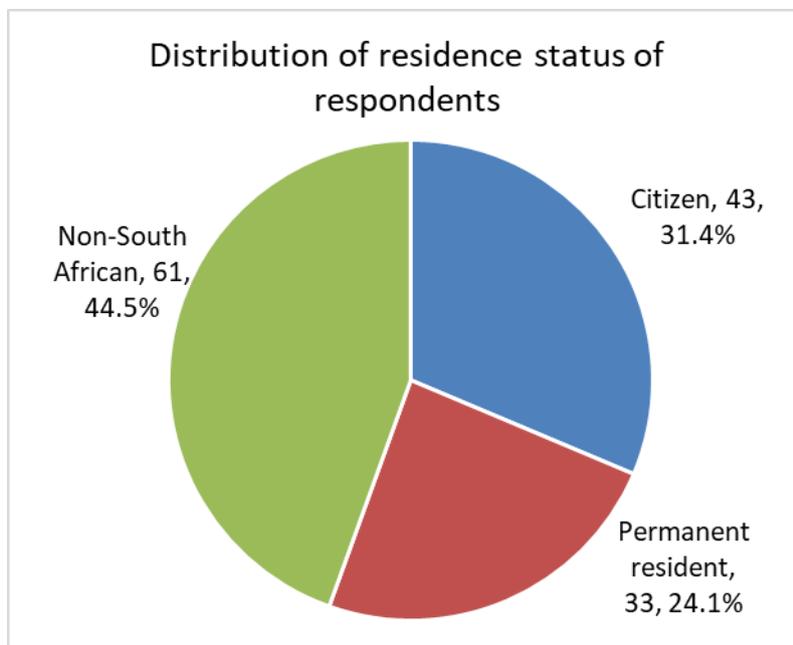
**Figure 5.2. Age distribution of respondents.**

Regarding the educational qualification of the respondents, the results in Figure 5.3 show that very few of the respondents had any education beyond matric, with 87 out of 137 (63.5%) having matric as the highest level of education. Only 18 out of the 137 respondents (13.1%) had some form of tertiary education. This confirms the findings of Amra, Hlatshwago and McMillan (2013) that many of the SMMEs operators have matric as their highest educational level.



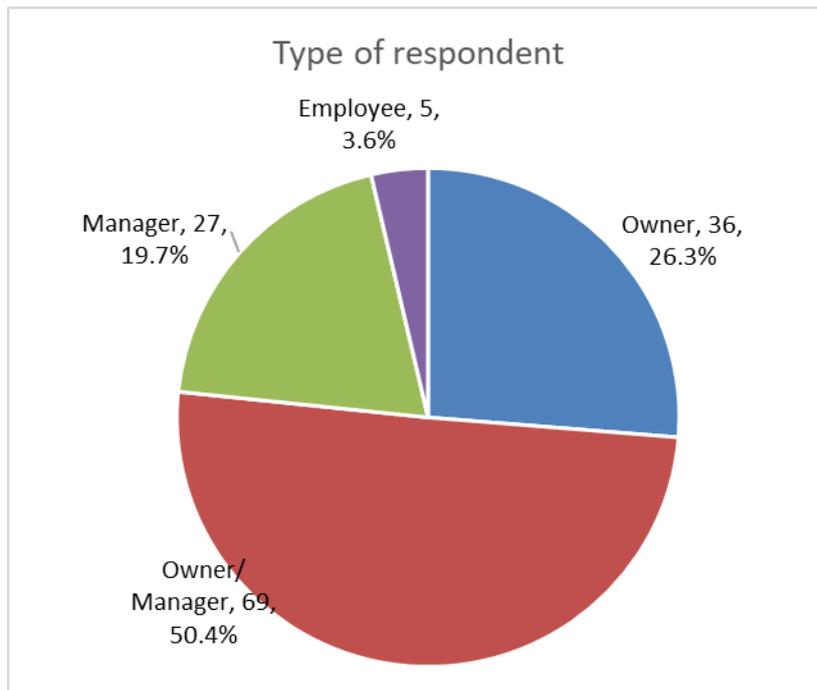
**Figure 5.3. Distribution of educational levels of respondents.**

As regards the residential status of the respondents, results in Figure 5.4 show that only 31.4% of the respondents were South African citizens. with 24.1% being permanent residents and 44.5% being non-South Africans. This result confirms the study of Chipunza and Phalatsi (2019) and Fawzy *et al.* (2014), which revealed that non-South Africans are most dominant in the small grocery retail business in the Free State province. The dominance of the non-South Africans in this business may be the fact that either some take the advantage of the asylum-seekers policy of the country to set up small businesses; or some from the neighbouring countries come to the country for a greener pasture to earn a living. One other reason could be that several of these people have financial background, as compared to the locals, to establish these small businesses.



**Figure 5.4. Distribution of residence status of respondents.**

On the type of respondents, results in Figure 5.5 show that 50.4% of the respondents were owner-managers of their businesses, with 26.3% being just owners, whilst 19.7% were just managers and 3.6% are employees of the businesses. The result confirms earlier findings from the literature that many of the small grocery retail shops businesses are being managed by the owners with few employees (Ligthelm, 2013).



**Figure 5.5. Distribution of types of respondents.**

## 5.4 BUSINESS CHARACTERISTICS

This section looks at the general characteristics of the businesses involved in this study. The characteristics are divided into “size and shape” and “financials”. The Results in Table 5.1 show the general summary of size and shape attributes of the businesses included in the study while the results in Table 5.2 show the general financial standing of the businesses studied.

### 5.4.1 Business size and shape characteristics of the study sample

Table 5.1 shows that the most dominant forms of business in the study sample are the sole proprietor (48.9%) and family business (39.4%). Very few are partnerships (10.9%) and only one was a company. This finding is consistent with the earlier claim that small grocery businesses are very small enterprise businesses in nature in terms of size, employment and business form (Bureau for Economic Research, 2016; Sekhametsi, 2017). The sole proprietors and family businesses tend to be small in nature, hence most businesses in the sample had 1-5 employees (85.4%) with the majority having been in business for between 1 and 5 years (60.6%), with another 29.2% having operated for between 6 and 10 years. Only 7.3% of the businesses had been in business for at least 11 years. The results in terms of number of years in business also conform with the

findings in the literature that these small grocery retail shops are emerging modern spaza shops which started newly in the industry of grocery business (Basardien *et al.*, 2014).

Table 5.1. Business size and shape characteristics of the study sample

Business size and shape		Frequency	Percentage
B6. Form of business	Sole proprietor	67	48.9%
	Partnership	15	10.9%
	Family business	54	39.4%
	Company	1	0.7%
B7. Number of employees	1 - 5	117	85.4%
	6 - 10	18	13.1%
	11 and above	2	1.5%
B8. Age of Business	Less than one yr.	4	2.9%
	1 -5	83	60.6%
	6 - 10	40	29.2%
	11 yrs and above	10	7.3%
B9. Business training obtained	None	44	32.1%
	Apprenticeship	75	54.7%
	Short courses	12	8.8%
	Post-matric	6	4.4%
B13. Business Geographical area	Bloemfontein	89	65.0%
	Botshabelo	21	15.3%
	Thaba-Nchu	27	19.7%

Regarding business training, most of the respondents had apprenticeship training (54.7%), with 32.1% having no form of business training at all, and 8.8% having attended short courses, whilst only 4.4% having post-matric qualifications. These findings show that many of these small grocery retail shop operators only obtained business training from others of their counterparts, followed by a large proportion not obtaining any business training at all, which seems to be one of the major contributors to the failure of many of these businesses as supported by the study of Ntema and Marais (2012), that many of the small grocery retail shops lack business skills which relationship marketing

is among them. Most of the businesses studied were in the Bloemfontein area (65.0%) with Botshabelo and Thaba-Nchu contributing 15.3% and 19.7% respectively.

#### 5.4.2 Business financial characteristics of the study sample

As far as business financial performance is concerned, it is shown in Table 5.2 that most of the businesses are small-scale, with mainly daily sales in the range of R1001-R2000, which is 46.0%. This is followed by 24.1% having daily sales of R2001-R3000. Some of the businesses (23.4%) even have daily sales below R1000. Only 6.6% indicated that they had daily sales between R3001-R4000.

Table 5.2. Business financial characteristics of the study sample

<b>Business financials</b>		<b>Frequency</b>	<b>Percentage</b>
B10. Estimate daily sales	Less than R1000	32	23.4%
	R1001-R2000	63	46.0%
	R2001-R3000	33	24.1%
	R3001-R4000	9	6.6%
B11. Estimate monthly gross profit	Less than R10000	80	58.4%
	R11000-R20000	35	25.5%
	R21000-R30000	8	5.8%
	R31000-R40,000	8	5.8%
	R41,000 and above	6	4.4%
B12. Estimate business's percentage profit for the previous year	Loss	25	18.2%
	Break even	56	40.9%
	Less than 3%	30	21.9%
	4-7%	9	6.6%
	8-11%	9	6.6%
	12-15%	4	2.9%
	16% and above	4	2.9%

The results also show that 58.4% of the businesses had gross monthly profit less than R10000 and 25.5% had between R11,000-R20,000. Very few of the businesses

interviewed had monthly gross profit over R21,000. The results also indicate that 18.2% of the businesses were operating at a loss with 40.9% just breaking even and 21.9 having profits less than 3%. In general, most of the businesses were not making much profit which can be attributed to improper marketing practices like relationship marketing. However, the result confirms the earlier findings from the literature that these small grocery retail shop businesses are characterised with small sales and low increments of profit but cumulatively they make a lot of wealth (Ingle, 2013).

### **5.5 RELIABILITY ANALYSIS OF LIKERT SCALED CONSTRUCTS**

The reliability statistics of the constructs in this study are presented in Table 5.3. A construct is deemed to be a reliable measurement of the intended variable if the items in it have high internal consistency, that is, if their Cronbach's Alpha statistic is greater or equal to 0.700 (Wiid & Diggines, 2013).

The results in Table 5.3 shows that all the constructs have Cronbach's Alpha statistics greater than 0.700 hence they all have high internal consistency. This means that the latent factors developed by combining items under each construct into one variable are reliably measure the intended variable.

Table 5.3. Reliability statistics.

Construct	Number of items	Cronbach's Alpha	Comment
<b>Awareness and perception of relationship marketing</b>			
General knowledge on the meaning of relationship marketing	3	0.777	High internal consistency
Perceptions of relationship marketing	3	0.789	High internal consistency
<b>Relationship marketing practices</b>			
Service Quality	8	0.916	High internal consistency
Trust	5	0.858	High internal consistency
Commitment	7	0.899	High internal consistency
Friendliness	6	0.906	High internal consistency
Complaint Management	9	0.928	High internal consistency
<b>Customer satisfaction</b>			
Customer satisfaction	7	0.921	High internal consistency
<b>Customer Retention</b>			
Customer Retention	7	0.894	High internal consistency
<b>Overall questionnaire</b>			
All Likert Scaled Questions	55	0.981	High internal consistency

The overall Cronbach's Alpha statistic for all the Likert scaled items, which is equal to 0.981, is also high, meaning that the items had high internal consistency.

## 5.6 AWARENESS AND PERCEPTION OF RELATIONSHIP MARKETING

This section discusses the respondents' general awareness and perceptions of relationship marketing. The section is divided into two subsections that address general knowledge on the meaning of and perceptions on relationship marketing.

### 5.6.1 General knowledge on the meaning of relationship marketing

Results in Table 5.4 show that only 49.6% agree or strongly agree that relationship marketing relates to marketing strategies used to develop long-term relationship with the

customers with 56.2% indicating that it relates to marketing activities employed to attract, satisfy and retain the customers. The results also show that most (60.6%) believe that relationship marketing relates to marketing practices directed towards providing value to the customers in order to retain them.

Table 5.4. Knowledge of relationship marketing.

Knowledge of relationship marketing		Disagree/ Strongly Disagree	Neutral	Agree/ Strongly agree	Mean	Std Dev	Latent Factor Coefficient
C14. Marketing strategies used to develop long-term relationship with the customers	Count	14	55	68	3.67	1.10	0.867
	%	10.2%	40.1%	<b>49.6%</b>			
C15. Marketing activities employed to attract customers, satisfy and retain the customers	Count	20	40	77	3.72	1.16	0.873
	%	14.6%	29.2%	<b>56.2%</b>			
C16. Marketing practices directed towards providing value to the customers in order to retain them	Count	24	30	83	3.71	1.18	0.757
	%	17.5%	21.9%	<b>60.6%</b>			
Cronbach's Alpha					0.777		

In general, there are mixed views of what relationship marketing is as the percentages in agreement with the statements are not overwhelming. Which seems to imply that many of the small grocery retail shops do not understand what relationship marketing practice mean let alone practicing it.

### 5.6.2 Perceptions about relationship marketing

The results in Table 5.5 show that perceptions about relationship marketing are not overly positive as only 59.9% indicated that it is a perfect marketing strategy to communicate goods and services to the customers with 49.6% saying that it is a good marketing strategy that can be used to differentiate goods and services from the competitors and 50.4% agreeing or strongly agreeing that it is a marketing strategy used in building loyalty to the business. The findings in one hand, indicate that more than half of the small grocery retail shop owners do perceive relationship marketing as one of the perfect marketing practices that can be used to communicate goods, differentiate goods from the competitors and build loyalty with the customers. In the other hand, the result also shows

that almost half of them do not perceive it as a good marketing practice to build relationship with the customers and achieve retention as stated in the literature by some authors, for instance; van Tonder and Roberts-Lombard (2015) who posit that relationship marketing practices are mostly applied by businesses as fundamental strategy to create, uphold and improve relationship building with customers to achieve retention. Therefore, the researcher suggests that small grocery retail shops must practice relationship marketing in their business operations in order to achieve customer retention and business growth.

Table 5.5. Perceptions of relationship marketing.

Perceptions about relationship marketing		Disagree/ Strongly Disagree	Neutral	Agree/ Strongly agree	Mean	Std Dev	Latent Factor Coefficient
C17. It is a perfect marketing strategy to communicate goods and services to the customers	Count	18	37	82	3.77	1.11	0.805
	%	13.1%	27.0%	<b>59.9%</b>			
C18. It is a good marketing strategy that can be used to differentiate goods and services from the competitors	Count	28	41	68	3.58	1.17	0.859
	%	20.4%	29.9%	<b>49.6%</b>			
C19. It is a marketing strategy used in building loyalty to the business	Count	27	41	69	3.54	1.19	0.851
	%	19.7%	29.9%	<b>50.4%</b>			
Cronbach's Alpha					0.789		

## 5.7 RELATIONSHIP MARKETING PRACTICES THAT EXIST IN THE SMALL GROCERY RETAIL SHOPS IN MANGAUNG METROPOLITAN AREA

Relationship marketing practice is made up of five constructs, namely, service quality, trust, commitment, friendliness and complaint management. The general perceptions about these dimensions of relationship marketing among small grocery retail shops in the Mangaung Metropolitan Area are presented in the sections that follow. After discussing the practices individually, a comparison is made in order to determine which ones tend to have higher levels of practice than other.

### 5.7.1 Relationship marketing practice's dimension of service Quality

The relationship marketing dimension of service quality has eight items, and these are summarised in Table 5.6 below. The eight items have high internal consistency (Cronbach's Alpha=0.916) hence reliable in measuring the intended construct.

Table 5.6. Relationship marketing practice of service quality.

Relationship marketing – Service Quality		Disagree/ Strongly Disagree	Neutral	Agree/ Strongly agree	Mean	Std Dev	Latent Factor Coefficient
D20. We focus on providing acceptable quality products to the customer, for example, product brands that customers want	Count	13	38	85	3.78	0.98	0.679
	%	9.6%	27.9%	<b>62.5%</b>			
D21. We show willingness to assist the customers	Count	7	40	90	3.84	0.89	0.846
	%	5.1%	29.2%	<b>65.7%</b>			
D22. Promises to the customers are well delivered	Count	10	45	82	3.72	0.93	0.787
	%	7.3%	32.8%	<b>59.9%</b>			
D23. Employees pay individualized attention to the customers	Count	22	42	73	3.54	1.00	0.842
	%	16.1%	30.7%	<b>53.3%</b>			
D24. We show trust to the customers in terms of product quality	Count	32	24	81	3.53	1.13	0.860
	%	23.4%	17.5%	<b>59.1%</b>			
D25. We stick to appointments with the customers	Count	32	31	74	3.44	1.14	0.823
	%	23.4%	22.6%	<b>54.0%</b>			
D26. We tailor the products to the satisfaction of the customers	Count	31	34	72	3.45	1.15	0.793
	%	22.6%	24.8%	<b>52.6%</b>			
D27. We show confidence to the customers regarding our products	Count	21	26	90	3.69	1.10	0.743
	%	15.3%	19.0%	<b>65.7%</b>			
Cronbach's Alpha					0.916		

The percentages of those agreeing or strongly agreeing range between 52.6% and 65.7% which is in the moderate levels of agreement. The means are also above 3 (neutral) but none is above 4 (agree). These results mean that service quality is not overwhelmingly high for this study sample. This result is in line with previous literatures. For instance, authors like Ntema and Marais (2012) and de Plooy, de Jager and van Zyi (2012) who found that many of the owners of these small grocery retail shops do not know or understand what service quality and product quality are, let alone their drivers. However,

according to the finding from the literature also, service quality is one of the key components of relationship marketing. Service quality is increasingly being perceived as a tool to increase the value for the customer, and as a means of positioning in a competitive environment to ensure customer satisfaction, retention and patronage (Nyadzayo & Roberts-Lombard, 2010). In any case, in the event of this contradictions, it is suggested that, small grocery retail shops must practice it in their businesses in order to satisfy the customers and ultimately achieve customer retention even though the findings show that the concept is not overwhelmingly used.

### 5.7.2 Relationship marketing practice’s dimension of trust

The relationship marketing dimension of trust has five items with high internal consistency (Cronbach’s Alpha=0.858) hence reliable in measuring the intended construct. Just like the service quality construct, the means are above 3 (neutral) and close to 4 which indicates a positive leaning towards the cultivation of trust but still not marginally so. The result is summarised in table 5.7 below.

Table 5.7. Relationship marketing practice of trust.

<b>Relationship marketing – Trust</b>		Disagree/ Strongly Disagree	Neutral	Agree/ Strongly agree	Mean	Std Dev	Latent Factor Coefficient
D28. Is reliable in providing quality products to the customers all the time	Count	12	32	93	3.83	0.94	0.802
	%	8.8%	23.4%	<b>67.9%</b>			
D29. Is reliable in fulfilling its promises to the customers always	Count	15	40	82	3.69	0.97	0.814
	%	10.9%	29.2%	<b>59.9%</b>			
D30. Takes responsibility for any bad product or service offered to a customer	Count	27	36	74	3.48	1.13	0.838
	%	19.7%	26.3%	<b>54.0%</b>			
D31. Gives customers the right information regarding their products always	Count	21	36	80	3.58	1.10	0.818
	%	15.3%	26.3%	<b>58.4%</b>			
D32. Employees behave in a manner that will instil confidence in customers	Count	11	53	73	3.56	0.90	0.722
	%	8.0%	38.7%	<b>53.3%</b>			
<b>Cronbach's Alpha</b>					<b>0.858</b>		

The percentages of those agreeing or strongly agreeing range between 53.3% and 67.9% which is in the moderate levels of agreement. These results mean that trust, like service quality, is not convincingly high for this study sample. This shows that almost half of the respondents do not practice trust in their businesses, which contradicts the findings from the literature like; van Vuuren, Robert-Lombard and van Tonder (2012), who note that trust is an important factor in affecting relationship commitment and customer loyalty. Also, Shahid and Azhar (2013), supported their claim and further highlighted that trust offers higher savings in cost, time and quality, as well as improving relationships. Hence, the researcher suggests that small grocery retail shops who do not practice trust in their business operations could adopt it as one of their relationship marketing practices in order to achieve customer loyalty and retention since there is no total disagreement by the respondents.

### 5.7.3 Relationship marketing practice's dimension of commitment

The relationship marketing dimension of commitment has seven items with high internal consistency (Cronbach's Alpha=0.899) hence reliable in measuring the intended construct, as summarised in table 5.8 below. The pattern of results is not different from that of service quality and trust (means are above 3 and closer to 4). The percentages of those agreeing or strongly agreeing range between 51.8% and 60.6% which is in the moderate levels of agreement. These findings show that some of the small grocery retail shops are not practicing commitment in their businesses, which is inconsistent with the findings in the literature like; Al-Hawari (2011) who posits that commitment is one of the important components of a solid and lasting relationship. Be that as it may, the researcher suggests that small grocery retail shops could consider commitment as one of the relationship marketing components in their businesses by making sure that they are committed to the customers in rendering quality products and services in order to retain the customers.

Table 5.8. Relationship marketing practice of commitment.

Relationship marketing Commitment		Disagree/	Neutral	Agree/	Mean	Std Dev	Latent Factor Coefficient
		Strongly Disagree		Strongly agree			
D33. Has the best interest of customers at heart in providing their requirements	Count	12	43	82	3.80	1.02	0.779
	%	8.8%	31.4%	<b>59.9%</b>			
D34. Commits itself to offering product or service specifications of the customers	Count	13	44	80	3.77	0.96	0.793
	%	9.5%	32.1%	<b>58.4%</b>			
D35. Employees are committed to providing quality services to the customers	Count	14	45	78	3.77	1.02	0.835
	%	10.2%	32.8%	<b>56.9%</b>			
D36. Sticks to time in meeting customers for appointments.	Count	20	46	71	3.51	0.98	0.786
	%	14.6%	33.6%	<b>51.8%</b>			
D37. Is always honest when dealing with customers	Count	19	35	83	3.74	1.06	0.824
	%	13.9%	25.5%	<b>60.6%</b>			
D38. Is sincere in meeting customers' preferences.	Count	20	43	74	3.55	1.01	0.745
	%	14.6%	31.4%	<b>54.0%</b>			
D39. Delivers services according to customers' concerns.	Count	19	38	80	3.70	1.13	0.768
	%	13.9%	27.7%	<b>58.4%</b>			
Cronbach's Alpha					0.899		

#### 5.7.4 Relationship marketing practice's dimension of Friendliness

The relationship marketing dimension of friendliness has six items with high internal consistency (Cronbach's Alpha=0.906) hence reliable in measuring the intended construct, as summarised in table 5.9. The results show slightly higher percentages of those agreeing or strongly agreeing when compared to the other dimensions discussed above (between 50.4% and 78.1%) which are still moderate levels of agreement.

Table 5.9. Relationship marketing practice of friendliness.

Relationship marketing – Friendliness		Disagree/Strongly Disagree	Neutral	Agree/Strongly agree	Mean	Std Dev	Latent Factor Coefficient
D40. Provides friendly services to the customers	Count	8	22	107	3.99	0.84	0.743
	%	5.8%	16.1%	<b>78.1%</b>			
D41. Shows friendly interaction with the customers	Count	13	27	97	3.88	0.96	0.743
	%	9.5%	19.7%	<b>70.8%</b>			
D42. Employees provide positive responses when solving customers' problems	Count	9	52	76	3.63	0.83	0.848
	%	6.6%	38.0%	<b>55.5%</b>			
D43. Makes the customers feel valued at every point in time	Count	16	34	87	3.66	0.98	0.848
	%	11.7%	24.8%	<b>63.5%</b>			
D44. Employees attend to the customers with smiles on their faces	Count	22	38	77	3.65	1.09	0.884
	%	16.1%	27.7%	<b>56.2%</b>			
D45. Employees display a responsibility towards the welfare of the customers.	Count	26	42	69	3.42	1.00	0.886
	%	19.0%	30.7%	<b>50.4%</b>			
Cronbach's Alpha					0.906		

The means are also below 4 but much greater than the neutral score of 3, which means that there is a general inclination towards positive levels of friendliness in the study sample. This concurs with the observation by Govender (2013), that businesses are expected to be friendly and provide friendly customer service and a positive experience to the customers even if the customer may be unfriendly for them to build relationship with them.

#### 5.7.5 Relationship marketing practice's dimension of Complaint management

Table 5.10 is the last dimension of relationship marketing, which is complaint management, it has nine items with high internal consistency (Cronbach's Alpha=0.928) hence reliable in measuring the intended construct. The results show similar patterns of agreement as with the other four dimensions outlined above. The percentages of those agreeing or strongly agreeing range between 50.4% and 69.3% which are moderate levels of agreement.

Table 5.10. Relationship marketing practice of complaint management.

Relationship marketing Complaint management		Disagree/ Strongly Disagree	Neutral	Agree/ Strongly agree	Mean	Std Dev	Latent Factor Coefficient
D46. Treats customer complaints with fairness	Count	4	38	95	4.04	0.90	0.760
	%	2.9%	27.7%	<b>69.3%</b>			
D47. Gives full attention to customer complaints	Count	8	40	89	3.82	0.90	0.755
	%	5.8%	29.2%	<b>65.0%</b>			
D48. Employees are helpful whenever customers show dissatisfaction	Count	6	50	81	3.74	0.85	0.815
	%	4.4%	36.5%	<b>59.1%</b>			
D49. Accept responsibility for the customers' disappointment.	Count	46	20	71	3.22	1.33	0.809
	%	33.6%	14.6%	<b>51.8%</b>			
D50. Sees customer complaints as a means of getting information from the customers regarding their services	Count	43	22	72	3.36	1.37	0.822
	%	31.4%	16.1%	<b>52.6%</b>			
D51. Sees customer complaints as a means of improving service quality	Count	43	25	69	3.38	1.28	0.849
	%	31.4%	18.2%	<b>50.4%</b>			
D52. Makes the customers aware of the policy to deal with conflict situation	Count	31	29	77	3.46	1.12	0.789
	%	22.6%	21.2%	<b>56.2%</b>			
D53. Resolves complaints swiftly	Count	20	35	82	3.66	1.08	0.813
	%	14.6%	25.5%	<b>59.9%</b>			
D54. Resolves complaints to the customers' satisfaction	Count	16	37	84	3.74	1.09	0.813
	%	11.7%	27.0%	<b>61.3%</b>			
Cronbach's Alpha					0.928		

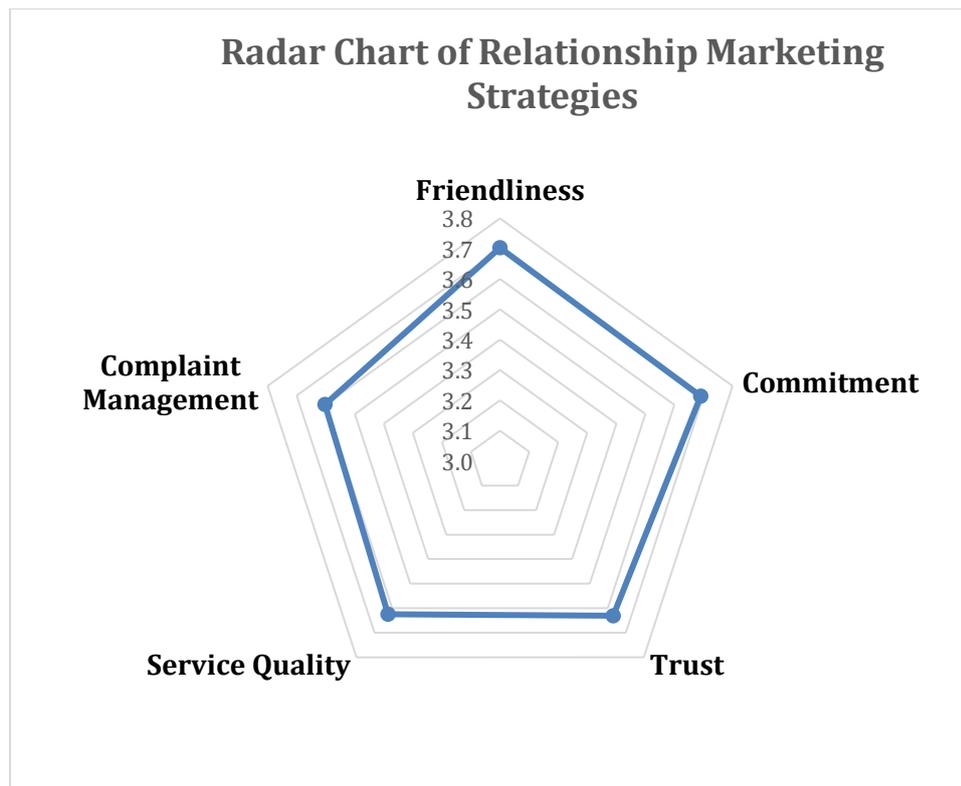
The mean scores are all above 3 with the mean of item D46 (Treats customer complaints with fairness) having a mean of 4.04 which means that the respondents were quite positive about their fairness in dealing with customer complaints. The finding supports the literature for instance; Fan, Miao and Wu (3012) note that handling customer complaints fairly is an important strategy to retain customers, and in the event of service failure, retailers should concentrate on recovery policies.

## 5.8 COMPARISONS OF THE RELATIONSHIP MARKETING PRACTICES THAT EXIST IN THE SMALL GROCERY RETAIL SHOPS IN MANGAUNG METROPOLITAN AREA

This section seeks to compare the relationship marketing practices that exist among small grocery retail shops in Mangaung Metropolitan Area in order to determine which ones are most practiced. The research question being addressed is:

*What are the relationship marketing practices that exist among small grocery retail shops in Mangaung Metropolitan Area?*

In order to address this research question the mean scores of the latent factors for each of the five relationship marketing dimensions are compared. The latent factors or variables that represent each of the five constructs of relationship marketing are calculated as weighted averages of the items that fall under them. The means of such latent variables are then compared.



**Figure 5.6. Radar Chart of Relationship Marketing Strategies.**

The radar chart (figure 5.6) shows that friendliness and commitment are the more practiced relationship marketing strategies as they are furthest from the centre of the chart with complaint management being the least practiced (closest to the centre). However,

the radar chart is fairly balanced (almost the shape of a regular pentagon), indicating that all items are of similar importance.

## **5.9 ELEMENTS OF CUSTOMER SATISFACTION**

This section seeks to assess the levels of customer satisfaction among small grocery retail shops in the Mangaung Metropolitan Area. The research question being addressed reads:

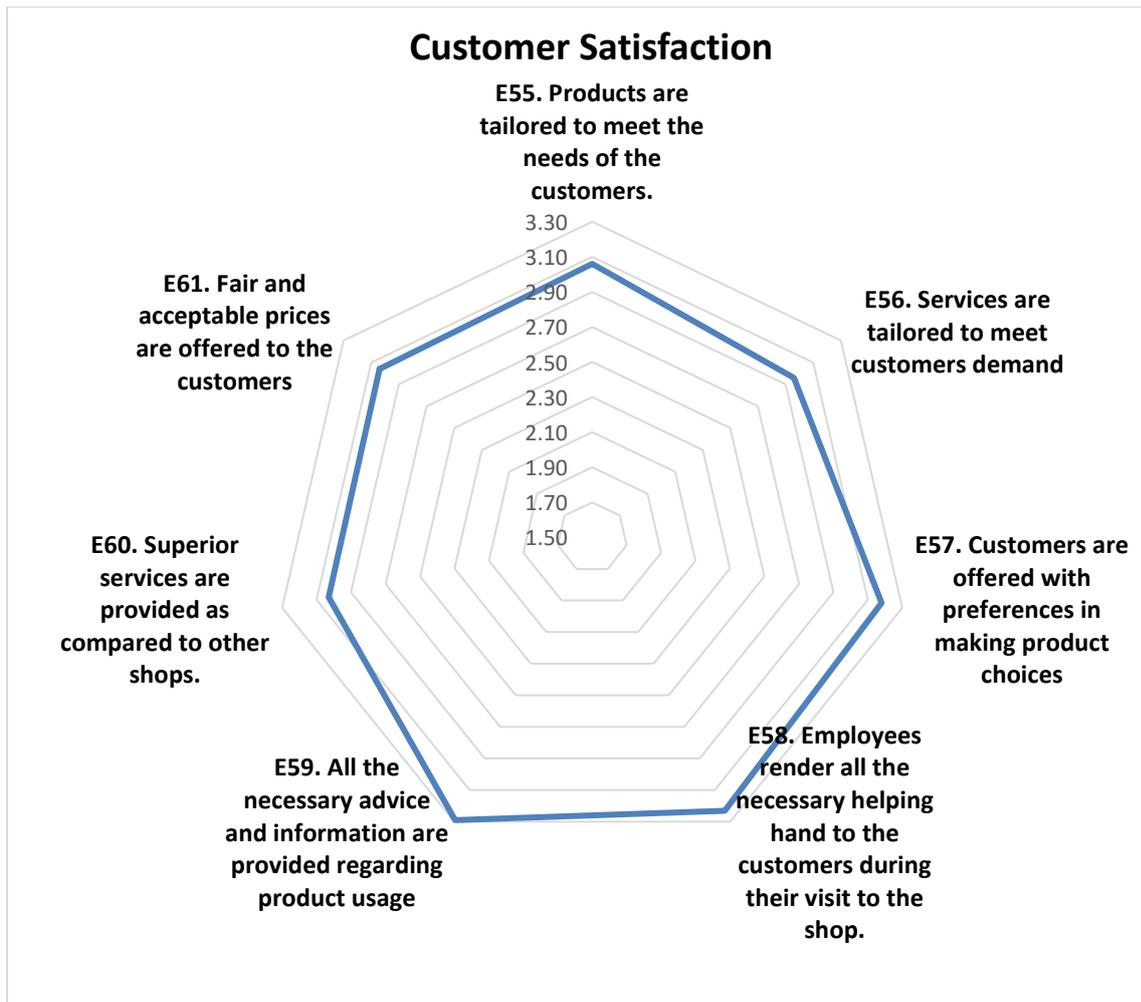
*What elements of customer satisfaction exist among small grocery retail shops in Mangaung Metropolitan Area?*

Customer satisfaction is a key construct of the model of the study and its summary results are presented in Table 5.11 below. When compared to the dimensions of relationship marketing, customer satisfaction seems to be lower as far as the percentages of customers satisfied to a large or very large extent are concerned. The percentages of those satisfied to a large or very large extent range between 35.0% and 45.3%, with the means also very close to three (satisfied to a moderate extent). The result confirms the study of Ntema and Marais (2012) and Havenga (2015) which conceptualized that many customers are mostly at times not being satisfied with the small grocery retail shop business services and operations because many of them sell low standard quality products and inappropriate business environment. Therefore, small grocery retail shops should improve in their product quality standard and business environment in order to satisfy the customers and ultimately gain customer retention.

Table 5.11. Customer satisfaction.

Customer satisfaction		To a Small/Very small extent	To a Moderate extent	To a Large/Very large extent	Mean	Std Dev	Latent Factor Coefficient
E55. Products are tailored to meet the needs of the customers.	Count	46	30	61	3.06	1.30	0.822
	%	33.6%	21.9%	<b>44.5%</b>			
E56. Services are tailored to meet customers demand	Count	50	25	62	2.96	1.33	0.862
	%	36.5%	18.2%	<b>45.3%</b>			
E57. Customers are offered with preferences in making product choices	Count	38	43	56	3.18	1.14	0.817
	%	27.7%	31.4%	<b>40.9%</b>			
E58. Employees render all the necessary helping hand to the customers during their visit to the shop.	Count	35	48	54	3.23	1.13	0.850
	%	25.5%	35.0%	<b>39.4%</b>			
E59. All the necessary advice and information are provided regarding product usage	Count	31	51	55	3.29	1.12	0.747
	%	22.6%	37.2%	<b>40.1%</b>			
E60. Superior services are provided as compared to other shops.	Count	48	38	51	3.03	1.26	0.827
	%	35.0%	27.7%	<b>37.2%</b>			
E61. Fair and acceptable prices are offered to the customers	Count	47	42	48	3.04	1.33	0.842
	%	34.3%	30.7%	<b>35.0%</b>			
<b>Cronbach's Alpha</b>					<b>0.921</b>		

The construct of customer satisfaction has high internal consistency (Cronbach's Alpha=0.921), which means that the items measure the customer satisfaction variable reliably.



**Figure 5.7. Radar Chart of items of customer satisfaction.**

Figure 5.7 shows that, in terms of the means, customer satisfaction items that are most practiced (highest means) are E59 (All the necessary advice and information are provided regarding product usage), E58 (Employees render all the necessary helping hand to the customers during their visit to the shop) and E57 (Customers are offered with preferences in making product choices). A fairly balanced radar chart (almost circular) is an indication of equal importance to all the items being compared. In this regard, although some of the items have higher means (E57, E58 and E59), none is overwhelmingly more important.

## 5.10 ELEMENTS OF CUSTOMER RETENTION

This section seeks to assess the levels of customer retention among small grocery retail shops in the Mangaung Metropolitan Area. The research question being addressed reads:

*What elements of customer retention exist among small grocery retail shops in Mangaung Metropolitan Area?*

Customer retention is the ultimate response variable in the study. Customer satisfaction is a mediating variable on the effects of relationship marketing on customer retention. The descriptive statistics results for this construct are presented in Table 5.12 below. As far as the items that constitute the construct of customer retention are concerned, their percentages of or positive responses (agree or strongly agree) have moderate scores ranging from 51.5% to 67.2%.

Table 5.12. Customer retention.

Customer Retention		Disagree/ Strongly Disagree	Neutral	Agree/ Strongly agree	Mean	Std Dev	Latent Factor Coefficient
F62. Focuses on retaining existing customers	Count	7	41	89	3.85	0.86	0.748
	%	5.1%	29.9%	<b>65.0%</b>			
F63. Provides value for customers' money paid in terms of product provided	Count	8	50	79	3.72	0.88	0.841
	%	5.8%	36.5%	<b>57.7%</b>			
F64. Has employees who have better insight into the retail grocery shop	Count	30	36	71	3.50	1.11	0.804
	%	21.9%	26.3%	<b>51.8%</b>			
F65. Products meet the customers' acceptable product standard.	Count	20	30	87	3.65	0.97	0.790
	%	14.6%	21.9%	<b>63.5%</b>			
F66. Consistently strives to develop relationship with customers	Count	22	23	92	3.74	1.06	0.794
	%	16.1%	16.8%	<b>67.2%</b>			
F67. Focuses on building relationships with customers.	Count	17	45	75	3.66	1.06	0.796
	%	12.4%	32.8%	<b>54.7%</b>			
F68. Makes sure that beneficial relationship lasts long with the customers	Count	16	44	77	3.66	1.09	0.724
	%	11.7%	32.1%	<b>56.2%</b>			
Cronbach's Alpha					0.894		

The seven items that make up the construct of customer retention have high internal consistency (Cronbach's Alpha=0.894), indicating high reliability in the latent factor that measures this construct.

As far as the magnitudes of the means are concerned, results in Figure 5.8 show that F62 (Focuses on retaining existing customers), F66 (Consistently strives to develop relationship with customers) and F63 (Provides value for customers' money paid in terms of product provided) are the leading customer retention practices observed but the other items are very close to these leading to a fairly balanced radar chart (almost a regular heptagon). Which implies that small grocery retail shops in Mangaung Metropolitan Area are practicing (F62, F63, and F66) in their business operation. The radar chart indication also shows that all the items are of equal importance.

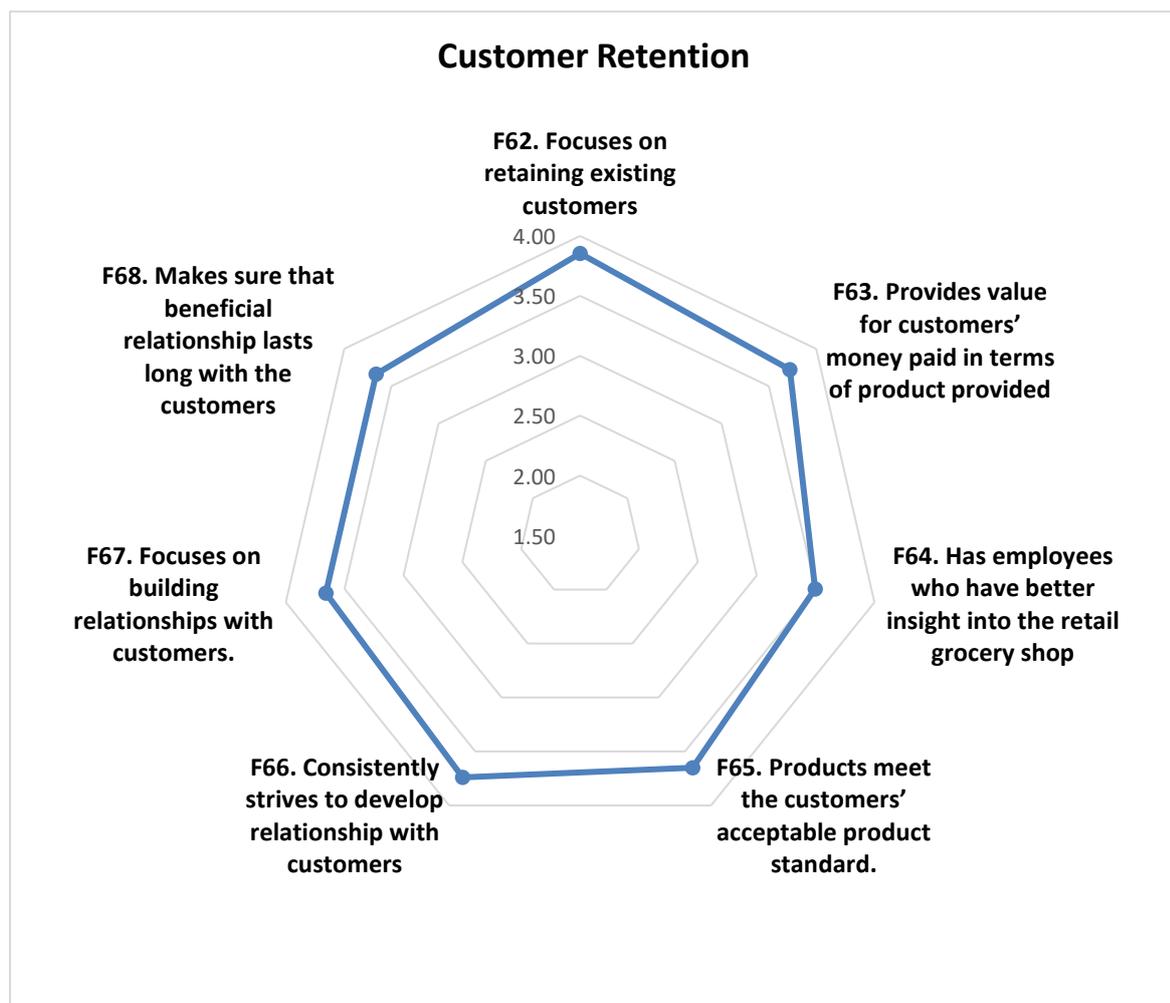


Figure 5.8. Radar Chart of items of customer satisfaction.

## **5.11 RELATIONSHIP BETWEEN RELATIONSHIP MARKETING PRACTICES, CUSTOMER SATISFACTION, AND ELEMENTS OF CUSTOMER RETENTION**

This section seeks to assess association between relationship marketing practices, customer satisfaction, and elements of customer retention among small grocery retail shops in the Mangaung Metropolitan Area. The research question being addressed reads:

*Is there a significant relationship between relationship marketing practices, customer satisfaction, and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area?*

Correlation and regression analysis are used to address this research question. First, the regression of customer satisfaction on relationship marketing practices is carried out followed by the regression of customer retention on customer satisfaction.

### **5.11.1 Correlation analysis of customer satisfaction, customer retention and relationship marketing practices**

Results in Table 5.13 show that all relationship marketing variables are significantly correlated with customer satisfaction and customer retention (all p-values < 0.001). The relationship marketing variables are also significantly correlated among themselves.

Table 5.13. Correlations of customer satisfaction, customer retention and relationship marketing practices.

Pearson's Correlations			Relationship Marketing					Customer Satisfaction
			Service Quality	Trust	Commitment	Friendliness	Complaint Management	
Relationship Marketing	Trust	Correlation	0.848**					
		p-value	<0.001					
		N	136					
	Commitment	Correlation	0.764**	0.751**				
		p-value	<0.001	<0.001				
		N	136	137				
	Friendliness	Correlation	0.797**	0.786**	0.739**			
		p-value	<0.001	<0.001	<0.001			
		N	136	137	137			
	Complaint Management	Correlation	0.809**	0.785**	0.796**	0.787**		
		p-value	<0.001	<0.001	<0.001	<0.001		
		N	136	137	137	137		
Customer Satisfaction		Correlation	0.737**	0.718**	0.731**	0.734**	0.795**	
		p-value	<0.001	<0.001	<0.001	<0.001	<0.001	
		N	136	137	137	137	137	
Customer Retention		Correlation	0.733**	0.746**	0.746**	0.723**	0.757**	0.800**
		p-value	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001
		N	136	137	137	137	137	137

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The results in Table 5.13 also show that the correlations are of high effect size (all correlations > 0.700). It is also important to point out that correlations only measure one-on-one relationships without considering the moderating effects of the other variables. Multiple linear regression will find the relationships between the variables after considering how the independent variables confound each other in the ultimate effect on the response variable.

### 5.11.2 Regression of customer satisfaction on relationship marketing practices

Using forward selection regression, results in Table 5.14 show that Model 1 entered complaint management as the most significant independent variable affecting customer satisfaction. Model 2 added Friendliness as the second most significant relationship marketing practice affecting customer satisfaction and Model 3 added commitment as the final significant relationship marketing practice affecting customer satisfaction. The final model (Model 3) contained complaint management (B=0.519, t=4.873, p-value<0.0001), friendliness (B=0.276, t=2.543, p-value=0.012) and commitment (B=0.269, t=2.480, p-value=0.014) in that order of effect to customer satisfaction.

Table 5.14. Forward selection regression of customer satisfaction on relationship marketing practices.

Dependent Variable: Customer Satisfaction		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	R <sup>2</sup>	
Relationship marketing practices	Model 1	(Constant)	-0.156	0.221		-0.707	0.481	0.634
		Complaint Management	0.906	0.060	0.796	15.228	0.000	
	Model 2	(Constant)	-0.584	0.246		-2.371	0.019	0.664
		Complaint Management	0.656	0.093	0.576	7.062	0.000	
		Friendliness	0.360	0.105	0.280	3.429	0.001	
	Model 3: Final Model	(Constant)	-0.774	0.254		-3.053	0.003	0.679
		Complaint Management	0.519	0.106	0.456	4.873	0.000	
		Friendliness	0.276	0.108	0.214	2.543	0.012	
		Commitment	0.269	0.108	0.215	2.480	0.014	

The R2 value of the final model is 0.679 which means that these three relationship marketing practices account for 67.9% of customer satisfaction. From Model 1 it can be seen that complaint management alone explains 63.4% of customer satisfaction, adding friendliness to the model explains 66.4% and adding commitment would make the three

independent variables explain 67.9% of customer satisfaction. The other independent variables, trust and service quality, do not significantly improve the contribution of the regression model to customer satisfaction.

## **5.12 REGRESSION OF CUSTOMER RETENTION ON CUSTOMER SATISFACTION AND RELATIONSHIP MARKETING PRACTICES**

The research question addressed in this section reads:

*To what extent does customer satisfaction mediate between relationship marketing practices and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area?*

Customer retention is the response variable in this case with the five relationship marketing practices as independent variables and customer satisfaction as a moderating variable. The first step of the analysis was to find if any of the five relationship marketing practices impact on customer retention. This can be achieved through multiple regression analysis. The results in Table 5.15 (Model 3 or final model) show that Complaint Management ( $B=0.259$ ,  $t=3.063$ ,  $p\text{-value}=0.003$ ), Trust ( $B=0.293$ ,  $t=3.460$ ,  $p\text{-value}=0.001$ ) and Commitment ( $B=0.296$ ,  $t=3.189$ ,  $p\text{-value}=0.002$ ) significantly impact on customer retention while the other two relationship marketing practices (friendliness and service quality) are not included in the model.

Table 5.15. Forward selection regression of customer retention on relationship marketing practices.

Dependent Variable: Customer Retention		Unstandardized Coefficients	Standardized Coefficients		t	p-value	R <sup>2</sup>	
			B	Std. Error				Beta
Relationship marketing practices	Model 1	(Constant)	1.267	0.185		6.843	0.000	0.574
		Complaint Management	0.671	0.050	0.758	13.448	0.000	
	Model 2	(Constant)	0.861	0.194		4.450	0.000	0.633
		Complaint Management	0.398	0.075	0.449	5.294	0.000	
		Trust	0.383	0.083	0.393	4.625	0.000	
	Model 3: Final model	(Constant)	0.655	0.198		3.310	0.001	0.660
		Complaint Management	0.259	0.085	0.293	3.063	0.003	
		Trust	0.293	0.085	0.301	3.460	0.001	
		Commitment	0.279	0.087	0.286	3.189	0.002	

A direct regression model of Customer Retention on customer satisfaction yielded the results in Table 5.16. The results show that Model 3 is a significant relationship between the two variables ( $B=0.622$ ,  $t=15.517$ ,  $p\text{-value}<0.001$ ). The  $R^2$  value, which is equal to 0.641, indicates that customer satisfaction accounts for 64.1% of the variation in customer retention.

Table 5.16. Regression of customer retention on customer service.

Dependent Variable: Customer Retention	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	1.747	0.131		13.318	<0.001
Customer Satisfaction	0.622	0.040	0.800	15.517	<0.001
R <sup>2</sup> =0.641					

A regression model fitted including the relationship marketing practices and customer satisfaction as independent variables yielded the results in Table 5.17.

Table 5.17. Forward selection regression of customer retention on relationship marketing practices and customer service.

Dependent Variable: Customer Retention			Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R <sup>2</sup>
			B	Std. Error	Beta			
Customer satisfaction and Relationship	Model 1	(Constant)	1.740	0.131		13.325	<0.001	0.647
		Customer Satisfaction	0.626	0.040	0.804	15.658	<0.001	
	Model 2	(Constant)	1.119	0.171		6.532	<0.001	0.704
		Customer Satisfaction	0.432	0.053	0.555	8.151	<0.001	
		Trust	0.337	0.066	0.346	5.077	<0.001	
	Model 3: Final Model	(Constant)	0.904	0.184		4.910	<0.001	0.720
		Customer Satisfaction	0.363	0.057	0.466	6.336	<0.001	
		Trust	0.241	0.073	0.248	3.298	0.001	
		Commitment	0.210	0.075	0.215	2.788	0.006	

The results in Table 5.17 show that, in the presence of customer satisfaction, complaint management ceases to be a significant factor affecting customer retention. This means that customer satisfaction has significant moderating effects on the effects of complaint management on customer retention. Customer satisfaction does not have significant moderating effects on the other two relationship marketing practices, namely trust and commitment as these still remain significant in the presence of customer satisfaction.

### **5.13 SUMMARY**

This chapter discussed fully the empirical findings of the study, the result was presented by using pie chart and bar chart in analysis of the demographic variables, followed by discussions on business information in terms of size, shape and income, which was presented in table forms. A Cronbach's Alpha statistic was used to test the constructs internal consistency and reliability analysis which all the constructs showed high alpha coefficient of more than 0.700. which shows that the constructs are reliable and consistency in their measurements. Pearson Correlations and Regression analysis was conducted to test the relationships of the variables. The results revealed the all relationship marketing variables are significantly correlated with customer satisfaction and customer retention. The next chapter presents the conclusion and recommendation for future research.

## CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

### 6.1 INTRODUCTION

The previous chapter presented the analysis and discussion of the empirical findings of the study. This chapter briefly presents conclusions of the research based on the literature review. Thereafter, conclusions based on the empirical findings in Chapter 5 are set out; finally, recommendations to policy makers, small grocery retail shops and for future research are made.

### 6.2 CONCLUSIONS BASED ON LITERATURE REVIEW

Detailed review of the literature was carried out. It was revealed from the literature that relationship marketing is mostly used in many industries like the banking industry, motor and hotel industries to build relationships with the customers and achieve customer retention for business growth. Nonetheless, in small businesses like small grocery retail shops, scanty research has been done on relationship marketing to examine the type of relationship marketing components they use in their business operations and the reasons for choosing those components, if there are any. It was against this backdrop, that this study was initiated to understand the type of relationship marketing practices used by these small grocery retail shops.

From the literature, it was justified in the empirical evidence that relationship marketing positively affects customer retention both in large businesses and small businesses as argued by the following researchers: Rootman, Tait and Sharp (2011), Handriana (2016), Van Tonder and Roberts-Lombard (2015), Alvarez, Casielles and Martin (2011), and Makhitha (2017). The theoretical perspective of this study was formed from the literature reviewed. In the literature, relationship marketing was defined as “*an approach business takes to develop a long-term association with customers, measure the satisfaction level and develop effective programmes to retain the customers for the business*” (van Tonder & Roberts-Lombard, 2015: 186). The approach can adopt some of the relationship marketing practices components which includes – service quality, trust, commitment, friendliness and complaint management (Nyadzayo & Roberts-Lombard, 2010; van Vuuren, Roberts-Lombard & Van Tonder, 2012; Fan, Miao & Wu, 2012). The literature review shows that the main reason behind relationship marketing practice was that it is cheaper to maintain existing customers than to recruit new ones. For example,

relationship marketing practices serve as a competitive advantage to many businesses that practise it. Further, it helps to increase the market share through friendly interaction between the business and the customers, thereby, customers become loyal to the business. Hence, interaction relationship theory was adopted to guide the study.

### **6.3 CONCLUSIONS BASED ON THE EMPIRICAL RESULTS ON RESEARCH QUESTIONS**

In this section, results of the study conducted were presented by answering the research questions formulated for the study. Each research question is presented in the relevant sections below with a summary of the findings and conclusion.

6.3.1 Research question one: What are the relationship marketing practices that exist among small grocery retail shops in Mangaung Metropolitan Area?

To answer this question, a Radar Charts (Figure 5.6 in Chapter 5) were obtained, and the mean scores of the latent factors for each of the five relationship marketing components were compared. The variables that represent the five constructs were calculated as weighted averages of the items that fall under them. The results showed that friendliness and commitment were the more practised relationship marketing components by the small grocery retail shops, as they are furthest from the centre of the chart. The result of the Radar Chart also revealed that complaint management was the component of relationship marketing least practised by the small grocery retail shops. The shape of the Radar Chart, which looks like a regular pentagon, indicates that the chart is balanced, which means that the five relationship marketing components items compared are of similar importance.

Based on the above findings, it was concluded that there is an existence of friendliness and commitment among small grocery retail shops, and the three other components (service quality, trust and complaint management) were not practised effectively by them, resulting in small grocery retail shops not performing better in their relationship marketing practices.

6.3.2 Research question two: What elements of customer satisfaction exist among small grocery retail shops in Mangaung Metropolitan Area?

To address this question, which is the key construct of the model that mediates between the independent and dependent construct of the study, Table 5.11 and Radar Chart (Figure 5.7) in Chapter 5 were obtained. Table 5.11 showed that the percentage of customers satisfied to a large or very large extent was low (35.0% and 45.3%). It revealed that most of the customers were satisfied to a moderate extent. The construct of customer satisfaction was of high internal consistency (Cronbach's Alpha = 0.921).

A Radar Chart (figure 5.7) was used to test the seven sub-questions/items (Q55 – Q61, see Table 5.11) developed for the construct to understand the items that are being practised by these small grocery retail shops. The result revealed that in terms of the means, the items that are most practised that have the highest means were Q57, Q58 and Q59. In other words, these three items are the ones mostly practised by small grocery retail shops in Mangaung. A fairly circular balance of the Radar Chart also indicated that the seven items compared were of equal importance.

Based on the results, it is therefore concluded that in small grocery retail shops in Mangaung, questionnaire items number Q57, Q58 and Q59 (*Customers are offered with preferences in making product choices; Employees render all the necessary helping hand to the customers during their visit to the shop; All the necessary advice and information are provided regarding product usage*) are mostly practised. While, questionnaire item number Q55, Q56, Q60 and Q61 (*Products are tailored to meet the needs of the customers; Services are tailored to meet customers demand; Superior services are provided as compared to other shops; Fair and acceptable prices are offered to the customers*) were not effectively practised, resulting in them not satisfying the customers adequately.

6.3.3 Research question three: What elements of customer retention exist among small grocery retail shops in Mangaung Metropolitan Area?

This question was to assess the levels of customer retention among small grocery retail shops as customer retention was the outcome variable of this study. Table 5.12 and Radar Chart (Figure 5.8) in Chapter 5 were obtained to address the question. Table 5.12 revealed that the percentage of positive responses to the seven question items tested

(Q62 – Q68 see Table 5.12) were of moderate scores ranging from 51.5% to 67.2%. The seven items used to test the construct have high internal consistency (Cronbach's Alpha = 0.894).

To identify the leading items in this construct that are mostly practised by these small grocery retail shops, the Radar Chart (Figure 5.8) was used. The result showed that question item number Q62, Q63 and Q66 were the leading customer retention practices observed by these small grocery retail shops. The remaining four items were very close to the chart, which implies that they are not well observed. The chart has a fairly balanced shape of regular heptagon showing that the seven items compared were of equal importance. Therefore, the level of customer retention that exist in small grocery retail shops were of a moderate level. In other words, retaining of customers by the small grocery retail shops is not high.

6.3.4 Research question four: Is there a significant relationship between relationship marketing practices, customer satisfaction, and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area?

This question seeks to assess association between relationship marketing practices, customer satisfaction, and elements of customer retention among small grocery retail shops in the Mangaung Metropolitan Area. The question was addressed using correlation and regression analysis. Correlation of customer satisfaction on relationship marketing was carried out first, and the result in Table 5.13 e obtained. The result revealed that all relationship marketing components are significantly correlated with customer satisfaction and customer retention (all p-values < 0.001). The relationship marketing components were also correlated among themselves. Table 5.13 also showed that the correlation among the variables were of high effect size (all correlation > 0.700). Therefore, all the relationship marketing components used in this study are of importance to be implemented by small grocery retail shops in order to satisfy the customers which will ultimately lead to achieving customer retention.

In order to understand the moderating effects of the independent variables on the effect on the response variable, forward selection regression in Table 5.14 in Chapter 5 were carried out. The result revealed that in Model one complaint management has significant

effect in affecting customer satisfaction. In Model two, friendliness was added to complaint management as the most significant relationship marketing practice component that is affecting customer satisfaction, while in Model three, commitment was added to Model two. The order of effect of the three components were complaint management ( $B=0.519$ ,  $t=4.873$ ,  $p\text{-value}<0.0001$ ) friendliness ( $B=0.276$ ,  $t=2.543$ ,  $p\text{-value}=0.012$ ) and commitment ( $B=0.269$ ,  $t=2.480$ ,  $p\text{-value}=0.014$ ). The three components account for 67.9% of relationship marketing practice affecting customer satisfaction. The other two components (service quality and trust) as also revealed by regression results, do not have significant effect on customer satisfaction. It is concluded that complaint management, friendliness and commitment are the three key components of relationship marketing practice that promote customer satisfaction of small grocery retail shops in Mangaung Municipality Area.

6.3.5 Research question five: To what extent does customer satisfaction mediate between relationship marketing practices and elements of customer retention among owner-managers in small grocery retail shops in Mangaung Metropolitan Area?

Table 5.15 in Chapter 5 were obtained to find out if any of the five relationship marketing practice components impact on customer retention. Using multiple regression analysis. The result shows that complaint management, trust and commitment have significant impact on customer retention. The order of effect of the three components were Complaint Management ( $B=0.259$ ,  $t=3.063$ ,  $p\text{-value}=0.003$ ), Trust ( $B=0.293$ ,  $t=3.460$ ,  $p\text{-value}=0.001$ ) and Commitment ( $B=0.296$ ,  $t=3.189$ ,  $p\text{-value}=0.002$ ). the other two relationship marketing components (friendliness and service quality) were not included in the model. In other words, complaint management, trust and commitment are the elements of relationship marketing practice that have significant impact in achieving customer retention in small grocery retail shops.

To ascertain the impact of customer satisfaction on customer retention. Using the direct regression model the result was shown in Table 5.16 in Chapter 5. The two variables were measured; customer retention (dependent variable) and customer satisfaction (constant variable), the result revealed that the two has a significant relationship. ( $B=0.622$ ,  $t=15.517$ ,  $p\text{-value}<0.001$ ). the  $R^2$  value (0.641) indicated that customer satisfaction accounts for 64.1% of the variation in customer retention.

Table 5.17 in Chapter 5 showed the forward selection regression of customer retention on relationship marketing practices and customer service. The result shows that in the presence of customer satisfaction, complaint management ceases to be a significant factor affecting customer retention, which implies that customer satisfaction has significant moderation effects on the effects of complaint management on customer retention, while on the other, two relationship marketing practice components (trust and commitment) of customer satisfaction do not have significant moderating effects. Therefore, it is concluded that customer satisfaction has big influence on customer retention. This could mean that to achieve customer retention in small grocery retail shops, customers must be satisfied.

## **6.4 RECOMMENDATIONS**

The need for this study was based on the fact that many small grocery retail shops are being faced with marketing challenges in their businesses that resulted in most of them not retaining customers, while many have already closed within a short period from the onset of the business. Going through the literature review, the results, findings, and conclusions reached were based on scientifically and systematically conducted research work, and the following recommendations are stated for practice and for future research. Please note that these recommendations are not presented in any order of importance.

### **6.4.1 Recommendations for practice**

- Based on the findings both from literature reviewed and empirical findings in this study, it is therefore recommended that small grocery retail shops should learn to adopt relationship marketing practices in their business operations.
- The marketing environment is evolving and changing fast; this study therefore recommends that small grocery retail shops involve marketing experts in their business operations.
- There have been few identified problems small grocery retail shops owned by some of the youth face: they are faced with challenges such as lack of skills in marketing, entrepreneurship, marketing management, general business and financial management. They talk less about the awareness and knowledge of relationship marketing that is virtually scant, and above all lacks the financial outlay

for expansion. Thus, small grocery retail shops owned by some of the youth in the province will continue to suffer this huge setback if nothing is done about it, considering its socio-economic importance in alleviating unemployment and poverty among the greater proportion of them. Therefore, it is recommended that the provincial government should assist the youth in rendering support to enable them to achieve the entrepreneurial knowledge they possess by using marketing practices such as relationship marketing.

- It is recommended that the provincial government must organize workshops and seminars for these small grocery retail shop owners to equip them with knowledge on how to run and manage their business operations to be competitive to gain more customers for retention. This recommendation is imperative since the highest qualification attained by many of the owners of small grocery retail shops is matric.

#### 6.4.2 Recommendation for future research

The following are proposed recommendations for future research based on the findings from the study.

- There is the need for replicating this research study in other provinces of South Africa so that a large sample size can be incorporated, which will assist in generalization of the result to the entire country.
- There can also be a need to conduct qualitative or mixed study to gain more insight and meaningful information from the small grocery retail shops, as this study adopted only a quantitative approach.
- Further studies can be also carried out to understand why Free State province's small grocery retail shops are not implementing some of the elements of relationship marketing practice in their business operations.
- Finally, further research could be done to specifically find out why most of the small grocery retail shops are owned by foreigners.

## **6.5 SUMMARY**

This chapter briefly discussed the conclusions drawn from the findings of the study and recommendations for future research were also made.

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**ANNEXURE A**



**FACULTY RESEARCH AND INNOVATION  
COMMITTEE**

**FACULTY OF MANAGEMENT SCIENCES  
RESEARCH ETHICS APPROVAL LETTER**

**Date: 16 April 2019**

This is to confirm that:

Applicant's Name	Emmanuel Ikechukwu Iwuchukwu.
Supervisors' Name[s] for Student Project (where applicable)	Dr Amoakoh & Prof C Chipunza
Level of Qualification for Student Project (where applicable)	Masters of Management Sciences: Marketing
Title of research project	<b>Relationship marketing practices for enhancing customer retention of small grocery retail shops in Mangaung Metropolitan area, Free State</b>

Ethical clearance has been provided by the Faculty Research and Innovation Committee in view of the CUT Research Ethics and Integrity Framework, 2016 with reference number **10/2018**

The following special conditions were set:

- None
- Specific conditions

The following specific conditions apply:

1. \_\_\_\_\_ NA \_\_\_\_\_
2. \_\_\_\_\_ NA \_\_\_\_\_
3. \_\_\_\_\_ NA \_\_\_\_\_ We wish you success with your research project.



Professor P. Rambe  
(Deputy FRIC Chairperson)

## ANNEXURE B

### COVER LETTER



#### Dear Respondent

May I please use a few minutes of your time to solicit your kind attention and response to this questionnaire. Your responses would be your perceptions to the on-going investigation into the **Relationship marketing practices for enhancing customer retention of small grocery retail shops in Mangaung Metropolitan area, Free State.**

The success of small grocery retail shops in the area of study is seen to be important for job creation and contribution to economic growth of the central region of South Africa. In addition, this study contributes to literature on the relationship marketing by suggesting on the relationship marketing practices small grocery shops could adopt to achieve customer retention for business success and growth.

You are considered as one of many resourceful participants to respond to this questionnaire. Your responses to these questions will be treated with utmost confidentiality, your name is not needed anywhere in this survey. Please note that this study is a fulfilment of the requirements for a master's degree in marketing management at the Central University of Technology, Free State.

Yours faithfully,

Emmanuel Ikechukwu Iwuchukwu.

## ANNEXURE C QUESTIONNAIRE

### SECTION A: DEMOGRAPHIC INFORMATION

The demographic information in this study is needed for statistical purposes only, e.g.; gender, age, etc. Please indicate your response to each item by **ticking (✓)** the appropriate box applicable to you.

1.	Gender	1 Male	2 Female	3 Other, specify			
2.	Age group	1 Below 25	2 25 - 30	3 31 - 35	4 36 - 40	5 41 - 45	6 46 and above
3.	Education level	1 No formal education	2 Primary	3 Matric	4 Tertiary	5 Other, specify	
4.	Nationality	1 South Africa	2 Permanent Resident	3 Non-South African			
5.	Type of respondent	1 Owner	2 Owner/Manager	3 Manager	4 Employee	5 Other, specify	

### SECTION B: BUSINESS DETAILS

Below is a list of business profile information. Please indicate your responses to each of the items by **ticking (✓)** the appropriate box applicable to your business.

6.	Form of business	1 Sole proprietor	2 Partnership	3 Family business	4 Company	
7.	Number of employees	1 1 - 5	2 6 - 10	3 11 and above		
8.	Age of business	1	2 1 - 5	3 6 - 10		4

		Less than one yr.				11 yrs and above		
9.	Business training obtained	1 None	2 Apprenticeship	3 Short courses	4 Post-matric	5 Others, specify		
10	Estimate daily sales	1 Less than R1000	2 R1001-R2000	3 R2001-R3000	4 R3001-R4000	5 R4001 and above		
11	Estimate monthly gross profit	1 Less than R10,000	2 R11,000-R20,000	3 R21,000-R30,000	4 R31,000-R40,000	5 R41,000 and above		
12	Estimate business's percentage profit for the previous year	1 Loss	2 Break even	3 Less than 3%	4 4-7%	5 8-11%	6 12-15%	7 16% and above
13	Business geographical area	1 Bloemfontein	2 Botshabelo	3 Thaba-Nchu				

### SECTION C: AWARENESS AND PERCEPTION OF RELATIONSHIP MARKETING.

Below is a list of statements on your understanding of relationship marketing. Please indicate your level of agreement or disagreement with each of the statements by **ticking** (✓) the appropriate box.

		Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
<b>AWARENESS OF RELATIONSHIP MARKETING</b>						
<b>What does relationship marketing mean to you?</b>						
14.	Marketing strategies used to develop long-term relationship with the customers	1	2	3	4	5

15.	Marketing activities employed to attract customers, satisfy and retain the customers	1	2	3	4	5
16.	Marketing practices directed towards providing value to the customers in order to retain them	1	2	3	4	5
<b>What is your perception about relationship marketing?</b>						
17.	It is a perfect marketing strategy to communicate goods and services to the customers	1	2	3	4	5
18.	It is a good marketing strategy that can be used to differentiate goods and services from the competitors	1	2	3	4	5
19.	It is a marketing strategy used in building loyalty to the business	1	2	3	4	5

#### SECTION D: COMPONENTS OF RELATIONSHIP MARKETING PRACTICE

Below is a list of statements that represent marketing practices used by businesses in their operations. For each statement, please indicate your level of agreement or disagreement by **ticking (✓)** the appropriate box that is applicable to your business operations.

		Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
	<b>QUALITY SERVICE</b>					
	<b>In my business</b>					
20	We focus on providing acceptable quality products to the customer, for example, product brands that customers want	1	2	3	4	5
21	We show willingness to assist the customers	1	2	3	4	5

22	Promises to the customers are well delivered	1	2	3	4	5
23	Employees pay individualized attention to the customers	1	2	3	4	5
24	We show trust to the customers in terms of product quality	1	2	3	4	5
25	We stick to appointments with the customers	1	2	3	4	5
26	We tailor the products to the satisfaction of the customers	1	2	3	4	5
27	We show confidence to the customers regarding our products	1	2	3	4	5
<b>TRUST</b>						
	<b>My business</b>					
28	Is reliable in providing quality products to the customers all the time	1	2	3	4	5
29	Is reliable in fulfilling its promises to the customers always	1	2	3	4	5
30	Takes responsibility for any bad product or service offered to a customer	1	2	3	4	5
31	Gives customers the right information regarding their products always	1	2	3	4	5
32	Employees behave in a manner that will instil confidence in customers	1	2	3	4	5
<b>COMMITMENT</b>						
	<b>My business</b>					
33	Has the best interest of customers at heart in providing their requirements	1	2	3	4	5
34	Commits itself to offering product or service specifications of the customers	1	2	3	4	5

35	Employees are committed to providing quality services to the customers	1	2	3	4	5
36	Sticks to time in meeting customers for appointments.	1	2	3	4	5
37	Is always honest when dealing with customers	1	2	3	4	5
38	Is sincere in meeting customers' preferences.	1	2	3	4	5
39	Delivers services according to customers' concerns.	1	2	3	4	5
<b>FRIENDLINESS</b>						
	<b>My business</b>					
40	Provides friendly services to the customers	1	2	3	4	5
41	Shows friendly interaction with the customers	1	2	3	4	5
42	Employees provide positive responses when solving customers' problems	1	2	3	4	5
43	Makes the customers feel valued at every point in time	1	2	3	4	5
44	Employees attend to the customers with smiles on their faces	1	2	3	4	5
45	Employees display a responsibility towards the welfare of the customers.	1	2	3	4	5
<b>Complaint management</b>						
	<b>My business</b>					
46	Treats customer complaints with fairness	1	2	3	4	5
47	Gives full attention to customer complaints	1	2	3	4	5

48	Employees are helpful whenever customers show dissatisfaction	1	2	3	4	5
49	Accept responsibility for the customers' disappointment.	1	2	3	4	5
50	Sees customer complaints as a means of getting information from the customers regarding their services	1	2	3	4	5
51	Sees customer complaints as a means of improving service quality	1	2	3	4	5
52	Makes the customers aware of the policy to deal with conflict situation	1	2	3	4	5
53	Resolves complaints swiftly	1	2	3	4	5
54	Resolves complaints to the customers' satisfaction	1	2	3	4	5

### SECTION E: CUSTOMER SATISFACTION

Below is a list of statements on various business practices meant for customers. Please indicate the extent to which your organisation does each of the following practices for its customers by **ticking (✓)** the appropriate box.

	To a Very Small Extent 1	To a Small Extent 2	To a Moderate Extent 3	To a Large Extent 4	To a Very Large Extent 5	
<b>Customer Satisfaction</b>						
<b>In my business</b>						
55	Products are tailored to meet the needs of the customers.	1	2	3	4	5
56	Services are tailored to meet customers demand	1	2	3	4	5
57	Customers are offered with preferences in making product choices	1	2	3	4	5

58	Employees render all the necessary helping hand to the customers during their visit to the shop.	1	2	3	4	5
59	All the necessary advice and information are provided regarding product usage	1	2	3	4	5
60	Superior services are provided as compared to other shops.	1	2	3	4	5
61	Fair and acceptable prices are offered to the customers	1	2	3	4	5

## SECTION F: CUSTOMER RETENTION

Below is a list of statements on practices used by businesses to keep their customers. Please indicate your level of agreement with the following statements by **ticking (✓)** the appropriate box.

		Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
	<b>Customer retention</b>					
	<b>My business</b>					
62	Focuses on retaining existing customers	1	2	3	4	5
63	Provides value for customers' money paid in terms of product provided	1	2	3	4	5
64	Has employees who have better insight into the retail grocery shop	1	2	3	4	5
65	Products meet the customers' acceptable product standard.	1	2	3	4	5
66	Consistently strives to develop relationship with customers	1	2	3	4	5
67	Focuses on building relationships with customers.	1	2	3	4	5

<b>68</b>	Makes sure that beneficial relationship lasts long with the customers	1	2	3	4	5
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**THANK YOU FOR YOUR TIME AND RESPONSES**