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An investigation into relationship marketing in South African family businesses

Eboru, Rolland

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An investigation into Relationship Marketing in South African Family Businesses

Rolland Eboru

A research report submitted to the faculty of Business Administration, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree in Master in Management of Strategic Marketing.

February 2014

Abstract

According to the Department of Trade and Industry (DTI) (2004), it is estimated that there is a total of 1.42 million active businesses in South Africa, 84 per cent of which are classified as “family business”. Internationally, family businesses account for 70 per cent of all international businesses and 35 per cent of Fortune 500 companies (Balshaw, 2004). Despite their economic importance, family businesses still find marketing to be a challenge.

Relationships are at the heart of family businesses (Petzinger, 1999; Cooper, Upton and Seaman, 2005). This is because the fundamental DNA (Deoxyribonucleic Acid) a family business is based on a symbiotic relationship between the family and the business. Families, by virtue of their DNA, cultivate deep relationships with people, which include customers, suppliers and even competitors. Hence, in a family business context, these values are transferred into the business by the associated family. This relational approach is often utilised in the marketing strategies that they adopt. This study investigates some of the characteristics of relationship marketing that exist in South African family businesses.

The results from the family businesses surveyed, indicates that they cultivate deep relationship with customers. This characteristic enables these businesses to be highly proficient at both satisfying and retaining customers. However, despite a culture of customer centricity, further findings indicate that such businesses are less proficient regarding their orientation with competitors, as they are often slow to respond to competition, in the market place.

Lastly, the study indicates that family businesses cultivate and maintain a healthy relationship with employees; as such relationships is a prerequisite for customer satisfaction.

Keywords: Family Business, Relationship Marketing, Market Orientation, Development Cycle.

DECLARATION

I, Rolland Eboru, declare that this research report is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment if the requirements for the degree of Master of Management in Strategic Marketing at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

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Rolland Eboru

February 2014

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1 INTRODUCTION

1.1 Purpose of the study

Literature has detailed that marketing practices are critical to the success of a business (Kotler, Keller, Brady, Goodman and Hansen, 2009; Baker and Saren, 2010; Ward, 1997; Drucker, 2001). It has been proposed that family businesses adopt relationship marketing techniques, in their marketing strategy. The purpose of this study is to investigate some of the characteristics of relationship marketing that exist in South African family businesses.

1.2 Context of the study

Christopher, Payne and Ballantyne (2001) define relationship marketing as the type of marketing that focuses on building long-term relationships with customers, individually. According to Blomqvist, Dahl and Haeger (1993), some of the key characteristics of relationship marketing include:

- Individualisation of customers, by treating each customer as an individual;
- Customer retention, with a view to building long term relationships with customers through a process of interaction and communication. Several studies have proven that a higher retention of customers leads to higher profitability (Ang and Butte, 2006; Hansemark and Albinsson, 2004);
- Customer satisfaction, through the provision of high quality service and products that create value for the customer. Whilst good selling to customers is necessary to be profitable, good service is necessary to retain those relationships.
- Fostering long-term relationships with employees, who in turn maintain and manage relationships with customers.

Kotler et al (2009) expand on the definition of relationship marketing, by stating that it is also about building long-term relationships with key stakeholders, not just customers. This is achieved through a process of mutually beneficial exchanges and the fulfilment of promises by parties in the relationship. Both the exchange and fulfilment occur over the lifetime of the relationship, on the basis of trust (Grönroos, 1994). Hence, both trust and

commitment concepts are important principles of relationship marketing. Morgan and Hunt (1994) define trust as the confidence of one party to rely on the other partner's reliability and integrity, while, commitment is defined as an enduring desire to maintain a valued relationship with a partner. Morgan and Hunt (1994) further state that both of these factors are key, for the following reasons:

- Firstly, they encourage marketers to work at preserving the relationship, by cooperating with the exchange partner;
- Secondly, they encourage marketers to adopt a more long-term relational approach, with the exchange partner; and
- Thirdly, they encourage marketers to be prudent in their decisions regarding the exchange partner, as this is reciprocated by the partner.

It is for these reasons that more businesses are migrating away from the traditional style of marketing that focuses on fulfilling a transaction towards adopting a more relational approach, in their marketing. One of such segment of businesses is family businesses.

According to the Department of Trade and Industry (DTI) (2004), it is estimated that there is a total of 1.42 million active businesses in South Africa, 84 per cent of which are classified as "family business". Internationally, family businesses account for 70 per cent of all international businesses and 35 per cent of Fortune 500 companies (Balshaw, 2004). Despite their economic importance, family businesses still find marketing to be a challenge.

Bork (1993) defines a family business as a privately owned business, where the shareholders are related to each other. The shareholders are often descendants of the original founders, as the business has been passed to succeeding generations of the family. These family members not only own and benefit from the business, they also participate in its management. Furthermore, family members are defined as anyone related to the family, by birth or marriage, or related to the officers of the business (Bork, 1993). Hence, many family businesses are small, private and generational (Ward, 1997).

Relationships are at the heart of family businesses (Petzinger, 1999; Cooper, Upton and Seaman, 2005). This is because the fundamental DNA of a family business is based on a symbiotic relationship between the family and the business. This argument is supported by Tokarczyk, Hansen, Green and Down (2007), who found empirical

evidence that further supports customer orientation as a major theme amongst family businesses. Families, by virtue of their DNA, cultivate deep relationships with people, who include customers, suppliers and even competitors. Hence, in a family business context, these values are transferred into business by the associated family. This results in a close dialogue with customers in particular, which often affords such businesses the opportunity to assess and better understands their needs. This relational attribute is further augmented by the generational nature of the business, as the business is able to maintain relationships across multiple generations (Zachary et al., 2011). Collectively, these factors create a formidable advantage for family businesses that supports their survival in the marketplace (Dyer, 2001).

Furthermore, family businesses strive to achieve a high level of satisfaction amongst their customers, as poor customer satisfaction adversely affects the family's reputation. In a family business; the reputation of the family and the business are intertwined (Copper et al., 2005). Hence there is a greater sensitivity amongst the family to maintain the integrity of their name. This often motivates the family to strive for high customer service in the business (Ward, 1988) and in so doing the business develops a good reputation of service delivery amongst its customers. This, in turn, further fosters a deeper relationship with customers and other stakeholders, in the value chain.

1.3 Problem statement

Despite the economic importance of family businesses, there is insufficient information on the marketing techniques adopted by such businesses (Reuber and Fischer, 2011). Furthermore, the availability of information is even worse for South African family businesses.

This study aims to contribute to the limited information by investigating some of the characteristics of relationship marketing that exist in family businesses. The investigation involves assessing the following factors:

- The level of customer retention
- The level of customer satisfaction
- The employee relationship with the business.

1.4 Significance of the study

It is estimated that South Africa has a population of 44.6 million people and an unemployment rate of approximately 35 per cent (DTI, 2004). Since family businesses represent 84 per cent of active businesses in South Africa, they employ a significant majority of the South African labour force.

The following are some of the significant reasons for obtaining an in-depth understanding on how family businesses implement relationship marketing:

- It will assist Government and other agencies in creating appropriate marketing solutions for family businesses.
- Furthermore, it will assist families with family businesses to better understand how marketing contributes to the success of the business.
- Lastly, it will contribute towards the limited literature that currently exists on marketing practices adopted by family businesses.

1.5 Delimitations of the study

The scope of the study is limited to identifying the characteristics of relationship marketing that exist in South African family businesses and in so doing contribute towards the limited literature on the marketing techniques adopted by such businesses.

The sample for this study is purposive. Surveyed respondents were selected based on their experience and their ability to appropriately answer the research questions. Furthermore, surveyed family businesses meet the following criteria:

- Medium-sized businesses with an annual turnover of between R6 million and R100 million. The DTI (2004) defines medium-size businesses according to this turnover criterion;
- Businesses where more than 50 per cent of the voting shares are owned by a family;
- Businesses which are currently owned or managed by at least the second-generation family members; and

- The questionnaire was completed by CEOs and senior executives.

The rationale for delimiting the surveyed family businesses to the above criteria is as follows:

- It is assumed that CEOs and executives alike make the strategic decisions regarding marketing. Hence, they are in a better position to assess the extent to which relationship marketing techniques are adopted in the business.

- For a company to be family-owned, a family needs to own a least 51 per cent of the equity interest in the company. This study adopted this definition when selecting appropriate businesses to be surveyed.

- Businesses which are currently owned or managed by at least the second-generation family members were predominately included in the study.

This study is delimited toward identifying the characteristics of relationship marketing that exist in South African family businesses. No attempt was made to ascertain whether there is any relationship between these factors.

1.6 Definition of terms

There are several definitions of family businesses in literature; these definitions revolve around two main factors: ownership and management.

- According to Friedman (1998), a family business is a company that is owned, controlled and operated by the members of one or several families; this can include siblings, children, grandchildren, cousins, aunts and uncles. For a company to be family-owned, a family needs to own a least 51 per cent of the equity interest in the company (Ibrahim and Ellis, 2003).
- Furthermore, there has to be an involvement from the family, in managing the business.

These factors have been utilised to classify family businesses, in this study.

1.7 Assumptions

The following assumptions are inherent in this study:

- The respondents provide normal perceptions and perspectives;
- The comparison of different marketing practices adopted by different businesses can clearly be made; and
- The research methodology adopted in this study is appropriate for the context of the topic. Furthermore, the methodology allows for consistent results.

1.8 Structure of study

The study is structure as follows:

Chapter 1: This chapter introduces the background as well as the nature of the study. This introduction is then followed by the problem statement, which is despite the economic importance of family businesses; there is insufficient information on the marketing techniques adopted by such businesses (Reuber and Fischer, 2011). Furthermore, the availability of information is even worse for South African family businesses.

It then concludes with the assumptions that underpin the study.

Chapter 2: This chapter introduces the existing literature on family business. The chapter focuses on literature relevant to the study, i.e. marketing in family businesses. A conceptual model is presented and forms the basis of the issues discussed in the study. During the course of the literature, different propositions are presented for the purposes of investigating.

Chapter 3: This chapter focuses on the research methodology of the study. Although the research paradigm for this study is qualitative, certain aspects of the data are analysed using a qualitative methodology, in order to solidify the findings. The researcher is of the opinion that such a combined approach provides a more holistic conclusion. Furthermore, both the research questionnaire and the data collection process are discussed in detail, in this chapter.

Chapter 4: This chapter describes in detail the demographics of the sample. Through the technique of convenience sampling a pool of 60 candidates was identified from within industry. From this pool, 30 completed questionnaires were received from respondents operating is different industries. Results from these respondents are presented, for further analysis in Chapter 5.

Chapter 5: This chapter builds on the empirical data from respondents, presented in Chapter 4. It analyses and discusses the results in the context of the relationship marketing propositions presented in Chapter 2. Both qualitative and quantitative techniques were utilised to analyse data for each category of proposition. This is followed by a summary of other characteristics of relationship marketing identified by respondents that were not identified in literature.

Chapter 6: This is the final section of study. It summaries the findings of the study and in so doing further validates each proposition. The study found substantial evidence to support two propositions, whilst evidence for the other two propositions was fair. The chapter concludes with recommendations to family business executives as well as suggestions for further research.

2 LITERATURE REVIEW

2.1 Introduction

This chapter outlines the literature used to derive the proposition against which the research is conducted. Conceptual models of family business were examined in conjunction with the vast amounts of literature on family businesses. Furthermore, the literature review examines the following:

- Aspects of market orientation in family businesses;
- The stages of marketing development in family businesses; and
- Lastly, examines the characteristics of relationship marketing in family businesses.

2.2 Conceptual Models of Family Business

Ibrahim et al (2003) presents the dual identity family business model, which builds on the foundation of the two system model presented by Tagiuri and Davis (1992), as depicted in Figure 1. In the dual identity framework, an overlap exists between the family and the business system. The focus of the family system is to satisfy the social and emotional needs of the family, while the purpose of the business (system) is to create wealth for the family. This dual identity also illustrates the continuous sharing of resources (i.e. human, financial and social capital) between the two systems.

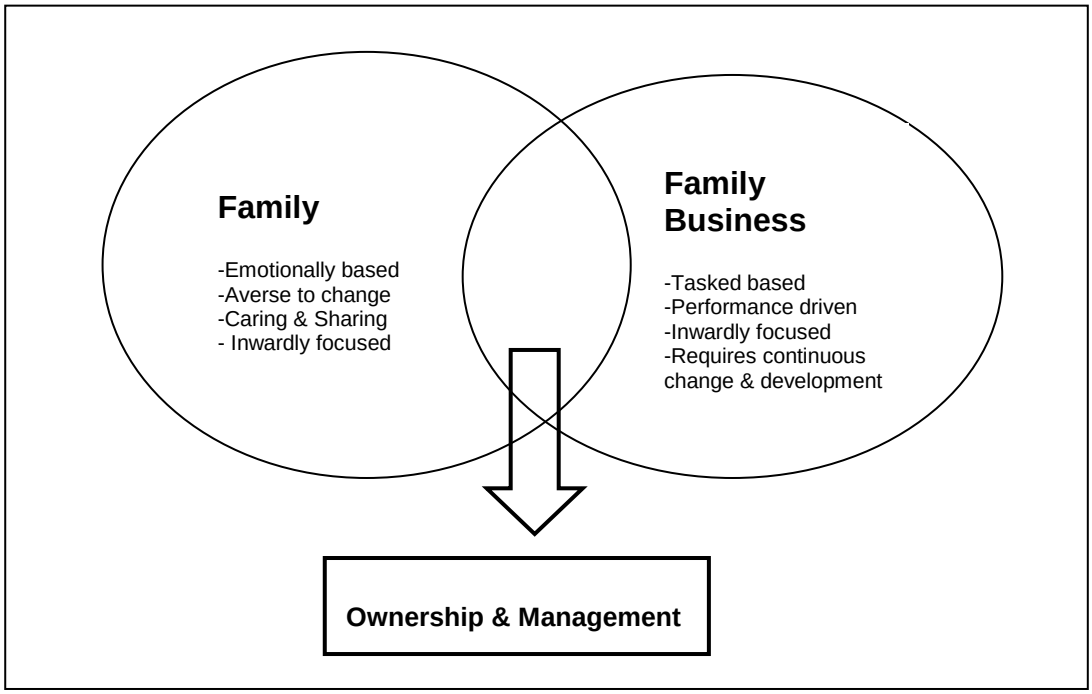


Figure 1: The dual identity family business model [Source: Ibrahim et al (2003)]

The dual identity is a source of the business's competitive advantage; it is also a source of various problems in the family business. Ibrahim et al. (2003) outline some of the problems experienced in a family business, which are caused by its dual identity as being:

- Rivalry between family members; for example, rivalry between founder and siblings;
- Differences in the power and status among family and non-family employees; and
- Emotional frustrations particularly during the succession process because family members are more emotionally involved in their family business, such businesses tend to operate on a higher emotional basis than public companies.

The dual identity, however, creates the following advantages in family businesses (Ibrahim et al., 2003):

- A high level of employee commitment and motivation;
- Faster decision making; and

- A reduction in agency costs which leads to higher economic efficiency.

Stafford et al. (1999) present a sustainable family business model which illustrates that the sustainability of family businesses is a function of both family and business achievements. In addition, the model suggests that there are two important variables: resources and constraints, which should be taken into consideration in the study of family businesses. The definition of resources is presented by the model as follows: the human capital of its family members and employees, the relational capital between the various stakeholders and the assets of the firm (Stafford et al., 1999). Constraints, on the other hand, are defined by the model as the liabilities and debts of the business. According to Ibrahim et al. (2003), the major source of constraints is the dual identity system of ownership and management that exists in family businesses.

The implication of this model is two-fold: firstly, both the business's success and the functionality of the family are important aspects of the sustainability or viability of family businesses; secondly, sustainability depends on the ability of the family and business to cooperate in a manner that does not impede the success of each.

The third family business model considered in this study is the research that describes the development or life cycle of the business and its founder, as depicted in Figure 2 (Neubauer, 2003).

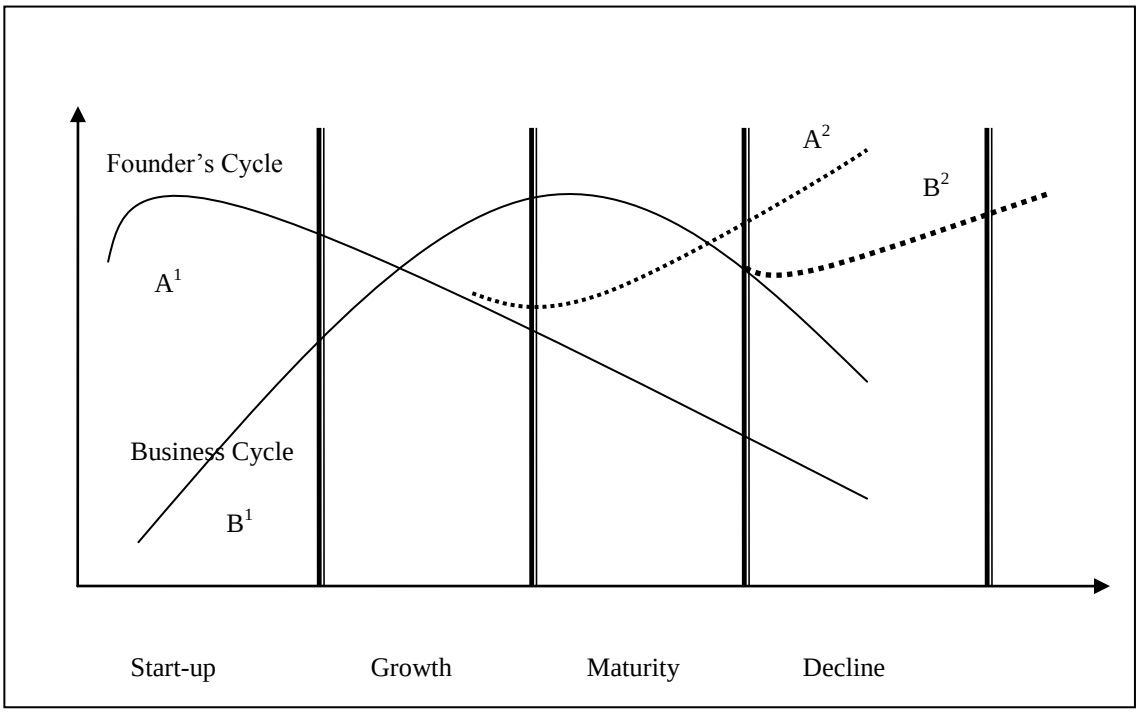


Figure 2: Development Model [Source: Neubauer (2003)]

The first part of the model describes the different developmental stages of a family business, as illustrated by B in Figure 2. The following section describes the stages in detail.

Start-up

This is the earliest stage in a family business. The founder is at the centre of the business and is solely responsible for energising and driving the business to success. The founder invests a great deal of time and resources in the business (Lewis-Enright, 2006). According to Swartz (2006), the business development can be characterised by an opportunistic and intuitive trial-and-error initiative of the founder's dreams and visions. It is for this reason that this stage is also referred to as the pioneering phase. The key challenges that the business faces during this stage are the following: issues regarding survival post its entry into the market, planning, financing and dealing with rational versus the irrational business objectives (Dickinson, 2000).

Expansion

At this stage the growth potential of the business becomes more evident, as it establishes and develops a broad spectrum of activities. It is also at this stage that the business experiences an increased level of complexity in its organisational structure as it expands. Furthermore, the founder's managerial limitations may become more evident, as he/she is unable to cope with the complexities of growing the business (Swartz, 2006). It is for this reason that the founder often considers recruiting a professional manager to assist in the running of the business. Hence, the key challenges for the business during this stage are as follows: the evolution of the owner-manager's role, professionalism, the implementation of organisational systems and policies, and cash management (Dickinson, 2000).

Maturity

The business at this stage is characterised by a professional structure, a stable customer base, a modest growth or decline in its sales, increased competition, and established processes. Key challenges during this stage include achieving a sustainable growth in the business. It is for this reason that succession now becomes crucial, particularly for

the successor and the fresh ideas that he/she brings into the business (Balshaw, 2003), as illustrated by curve B^2 in figure 2 (Neubauer, 2003).

The second part of the model describes the different developmental phases that the founder or the incumbent (the current CEO) goes through, as illustrated by A in Figure 2.

At the start-up stage of the business, the entrepreneur is highly energised and is driven by his/her personal vision for the business. However, over time the founder's mental and physical mobility deteriorates, as does, their motivation for the business, as illustrated in Figure 2.

As the business becomes increasingly complex, in terms of its organisational structure, the founder's limitations regarding managing the growth in the business becomes increasingly evident. According to Neubauer (2003), this may not present an immediate danger for the business during its expansion or maturity stages, as the business may have built-up sufficient internal reserves to sustain the founder's limitations. Over time, this potential risk may become more detrimental to the business and, if succession planning is further postponed or not carried out, this could cause the business to fail.

2.3 Market Orientation in Family Business

Despite their economic importance, family business scholars and practitioners have found the study of marketing in family businesses to be intriguing. This is the case, primarily for two reasons:

- Firstly, although there is sufficient literature on general issues relating to family business, there is insufficient information on the marketing techniques adopted by such businesses (Reuber and Fischer, 2011). Furthermore, the availability of information is even worse for South African family businesses, with regards to the techniques they adopt.
- The second reason is that such businesses have a unique ownership, governance and decision making process in comparison to non-family businesses. According to Tokarczyk et al. (2007), these unique attributes often influences their orientation towards marketing.

In examining differences in the marketing strategies adopted by family businesses and non-family business, Zachary et al. (2011) suggests commencing with an understanding of the differences in market orientation between the two types of businesses.

According to McDonald (2002), market orientation deals with the total alignment of a company's business function towards the satisfaction of a consumer need. It determines how responsive an organisation is to their customers (Kohli, Jaworski and Kumar, 1993), this responsiveness is determined by the culture and values in the organisation (Narver and Slater, 1990). Kotler et al. (2009) further states that an organisation cannot survive without customers; therefore it makes business sense to place customers at the centre of the company. This notion emphasises two main points:

- Focusing on the customer and identifying their needs.
- Establishing a customer centricity culture; this ensures that all the functions are aligned towards achieving this goal.

Market orientation is also not just about the customer, it also involves simultaneously focusing on the competition. The continuous monitoring of the competition enables organisations to shift their operations, in order to continuously exploit weaknesses exhibited by competitors, in the market (Tokarczyk et al., 2007). This in turn, enables the organisation to meet the needs of its customers better than its competitors. Companies that implement a market orientated strategy are able to unlock three main benefits, which are as follows (Kotler et al., 2009):

- They are able to deliver the right product required by customers, which leads to greater production efficiencies.
- The satisfaction of customer needs leads to greater customer retention, which leads to long-term profit maximisation.
- The level of customer-centricity enables the organisation to compete with competitors in a sustainable manner.

The level of market orientation differs for different organisations; this difference can be attributable to many factors (Morgan and Strong, 1998). According to Kohli, Jaworski and Kumar (1993), most organisations lack the resources and systems to support a market orientated approach. Another reason could be attributable to organised resistance or

inter-departmental rivalry within an organisation, which may hinder the delivery of a customer centric solution (Fisher et al., 1997).

Family businesses have a lower market orientation than non-family businesses; this is according to a quantitative examination by Zachary et al (2011). The reason for this finding is the organisational DNA of family businesses.

- The nature of ownership of a family business necessitates that the business has an orientation towards the family. This notion is further supported by Tagiuri and Davis (1992), who state that family businesses tend to support family-orient goals, which include providing jobs and financial security to the members of the family. These responsibilities are borne by family businesses as priorities, sometimes to the detriment of the business.
- Family businesses can be too inwardly focused and in so doing, do not give sufficient attention to external factors, such as competitors (Harris, Martinez and Ward, 1994). According to Zahra et al. (2008), family businesses are often characterised as being conventional and slow to respond to competition in the market place. Furthermore, they have inefficient decision making processes, as key decisions are generally made by the family with the exclusion of non-family members in the business. Research conducted by Short et al. (2009) found evidence to support this notion that family businesses are less competitively aggressive than non-family businesses. This suggests that family businesses may be less orient towards competitive rivalry than non-family businesses.

Based on the literature above, the following proposition is formally proposed, in order to investigate:

Proposition 1: South African family businesses have a low market orientation.

2.4 Stages of Marketing Development in Family Business

Churchhill and Lewis (1983), Scott and Bruce (1987), use growth models to explain the evolution of business activities in a company. According to classical management theories, marketing, like finance or operations, is a subset of range of business functions, and its evolution is correlated with the growth of the business. Hence, it is for this reason

that these models have been adapted to illustrate the marketing challenges encountered at each stage and the solutions adopted by owner-managers to overcome these challenges (Hill, 2001). Furthermore, the models involve five different stages; however only three stages are relevant to the family business discussion. These are as follows: survival, success and resource mature. There is consensus amongst family business scholars and practitioners that the importance of marketing in a business changes as the business passes through these different stages of growth.

The subsequent section of this report explains the nature of marketing that occurs at each growth stage of the business, as illustrated in Figure 2.

Survival - Reactive Marketing

Marketing as a function, does not formally exist at this stage of the business; if it does exist it is often related to the personal characteristics of the founder, who, according to Siu and Kirby (1998), assumes responsibility for all marketing and sales activities in the business. Hooley and Saunders (1993) argue that in particular, the founder's entrepreneurial and market orientation characteristics are important factors that shape marketing functions in a business. Furthermore, Carson (1990) states that the size and the developmental stage of the business can also influence the characteristics of the marketing activities in a business. This stage of the business corresponds with the start-up stage in Figure 2.

Carson (1985) presents three factors that contribute to the lack of marketing at the survive stage of the business cycle; these are as follows:

- Limited resources, which include both finances and time. Most of the founder's resources are dedicated to daily operations and founders are often reluctant to recruit a specialist because of the financial implications. Scase and Goffee (1982) add to this debate by stating that the general life of a small business is based on day-to-day survival rather than following a well though-out marketing plan. This means that, when conditions of uncertainty prevail, a small business will focus on doing activities, instead of engaging in formal strategic planning (Bhide, 1994). Hence, these conditions and limitations manifest themselves in simplistic and informal marketing activities that the founder can manage.

- The lack of marketing expertise, such as research, segmentation, competitor analysis and positioning. Traditionally, research has found that most owner-managers of family businesses tend to have very technical or engineering backgrounds; hence these individuals are unlikely to possess deep marketing competencies. According to Carson and Hill (1992), there are four fundamental competencies that owner-managers of small, medium and micro enterprises (SMME) need to have for decision making on marketing related issues. These are: knowledge, experience, judgment and communication.
- The adverse perception that marketing cannot resolve the challenges currently experienced by the business at this stage of its cycle. Furthermore, owner-managers often perceive marketing as an expense that is difficult to quantify (Siu and Kirby, 1998). Hence, they often ignore marketing activities in favour of other functions.

With regards to the abovementioned factors, Carson (1990) offers a concluding remark on the nature of marketing function at this stage of the cycle: it is likely to be haphazard, informal, loose, unstructured, spontaneous, reactive and structured around industry norms. At this stage of the business the marketing function is biased towards sales and products. Due to vulnerabilities in cash flow, the business attempts to obtain customer acceptance of its products as quick as possible. According to Carlson (1985), the business adopts reactive marketing practices, in terms of reacting to customer enquiries and market changes.

An example of a marketing activity conducted at this stage of the business, involves the founder occasionally meeting with a select pool of prospect customers, with the intention of soliciting a sale. Further examples include word-of-mouth, networking and product marketing. Businesses that have a high orientation towards the products or services that they provide will have a product driven marketing (Carson 1990).

Success – Early Proactive Marketing

At this stage of the cycle, the business has increased its profitability and begins to adopt a more formal approach regarding its affairs. It is therefore, at this stage that the business understands which marketing strategies works and does not work for the business. Hence, as a result of this institutional memory, the marketing practice progresses from an unstructured activity to a more structured and controlled practice.

Therefore, a more proactive approach to marketing begins to emerge. Furthermore, marketing is identified as a key ingredient for growth (Levitt, 1983), by the founder and as a result, professionals are brought into the business to manage the marketing activities. It is important to note that this is the stage when the business has the necessary resources to afford these professionals.

According to Siu and Kirby (1998), at this stage the primary objective of the marketing function, is to develop market share, better understand the competitor landscape, direct selling activities, provide product support and customer service.

Resource Mature – Integrated Proactive Marketing

At this stage of growth, the business is mature and may already be anticipating a decline in market share. Therefore, at this stage the marketing function is fully integrated into the business and becomes inseparable from its strategy. The business develops both market and customer orientation principles that are robust in the organisation. This is further supported by the acknowledgement of managers across the organisation, that marketing is a strategic capability that influences the success of the business. This stage corresponds with the maturity stage, as illustrated in Figure 2.

Furthermore, the marketing functions are focused on developing a new set of products and services that will enable the business to survive the next generation (Siu and Kirby, 1998). In order to achieve this, the marketing adopted has to be proactive and is aligned to achieving a clear objective (Carson, 1985). Therefore, both technical and strategic marketing skills such as marketing research, price determination methodologies, product mix management, advertising planning, proposition positioning and reputation management becomes evident in the business.

Examples of the types of marketing disciplines evident at this growth stage include corporate, digital and consumer marketing.

In summary, marketing in family business is influenced by three main factors, namely:

- The growth stage of the business, as this influences the nature of resources that can be directed towards developing the capability in the business.
- The characteristics of the owner/manager, both in terms of their entrepreneurial aptitude and prior experience in marketing related functions. Both of these factors are

critical for shaping marketing in a business. By virtue of the owner/manager's position in the business, they can adopt a passive or a proactive approach to marketing.

- The environment, which encompasses factors such as industry norms, macroeconomic issues and the competitive landscape that the business operates in. This can also influence the nature of marketing adopted in the business.

2.5 Relationship Marketing

Kotler et al. (2009) define relationship marketing, as marketing that is oriented towards building long-term relationships with key parties. This is achieved by a mutual exchange and fulfilment of promises, based on trust by both parties in a series of interactions over the lifetime of the relationship (Grönroos, 1994). Hence, both trust and commitment constructs are important aspects of relationship marketing. Morgan and Hunt (1994) define trust as the confidence of one party to rely on another party's reliability and integrity, while, commitment is defined as an enduring desire to maintain a valued relationship with a partner. Morgan and Hunt (1994) further state that both of these factors are key for the following reasons:

- Firstly, they encourage marketers to work at preserving the relationship, by cooperating with the exchange partner;
- Secondly, they encourage marketers to adopt a more long-term relational approach, with the exchange partner;
- Thirdly, they encourage marketers to be prudent in their decisions regarding the exchange partner, as this is reciprocated by the partner.

In summary the presence of these factors leads to a better cooperation and higher productivity, amongst all parties, although for most marketers the primary focus of any business relationship is customers. However, Gummesson (2002) states that inherent in the definition of relationship marketing, is the relationship with all stakeholders in the value chain. Therefore, relationship marketing encompasses not only customers but also includes suppliers, intermediaries and other agents in the industry.

In comparison to the traditional forms of marketing, relationship marketing represents a shift away from the pure transactional approach that most traditional forms of marketing are based. According to Venetis and Ghauri (2004), in a transaction based relationship

the customer buys products and services on the basis of a price that they source from multiple suppliers offering similar services. This approach leads to frequent switching between suppliers over time. In this context the traditional marketing approach, aims to attract and satisfy mass customers, in the short term, using elements of the marketing mix (Kotler et al., 2009). Relationship marketing, on the other hand, takes a long-term approach, when developing relationships with customers. It focuses on a relational exchange with continuity and emphasis on the benefits that customers derive from the relationship. Table 1 below; further emphasises the differences between the two forms of marketing.

Table 1: Marketing Comparison [Source: adapted from Grönroos (1994)]

Traditional Marketing  **Relationship Marketing**	
Transactional based	Focus on customer relations
Discontinuous customer contact	Continuous customer contact
Aim is to seek new customers	Aims to retain existing, whilst attracting new customers
Importance of product benefits	Importance of customer benefits
Short time scale	Longer time scale
Less emphasis on service	Higher customer service
The production team takes accountability for quality	Everybody takes accountability for quality
Persuasive communication	Regular communication

Relationship marketing is a cross-functional discipline (Gummesson, 2002). It is interwoven with different processes and transcends the boundaries between specialist and generalist functions in the business. These include sales, products, customer service and leadership. Relationship marketing is dynamic, because it is process oriented (Grönroos, 1994). According to Baker and Saren (2010), business relationships, in particular are long and often takes a lot of effort to manage. Hence, the marketing approach when managing these relationships has to be flexible, in order to accommodate the different seasons in the relationship. Furthermore, the primary focus

for managers, in this context is to keep customers loyal and profitable in an efficient manner.

Gummesson (2002) provides an interesting dimension to the relationship debate, by stating that relationships can be divided into three types:

- Nano relationships: This refers to internal relationships with every department and employee in the organisation. Communication to internal stakeholders is critical because it ensures that employees are informed and prepared to achieve the organisational goals. Furthermore, all employees are part-time marketers and hence have to be motivated to serve customers. The principle of internal communication gives rise to internal marketing strategies. George (1990) claims that an effective internal marketing programme is a prerequisite for a successful marketing strategy with external stakeholders.
- Market relationships: This refers to external stakeholders that the organisation has a primary relationship with. This segment of stakeholders includes customers, suppliers and competitors. The relationship between the organisation and these stakeholders is critical as it has a direct impact on the success of the organisation. For example an organisation must continuously attract and retain customers. In addition, its products and services must also be competitive to exceed the benefits derived from other competitive propositions. In order to achieve this it must also manage the cost of materials that it procures from suppliers. Therefore, collectively these factors have a direct impact on the organisation's profitability.
- Mega-relationships: This refers to relationships with stakeholders with political affiliations, i.e. government, regulators and industry bodies. These stakeholders have the power to influence the regulatory framework, consumer behaviour and competitive dynamics. Although vital, these relationships are partially beyond the control of sales and marketing departments.

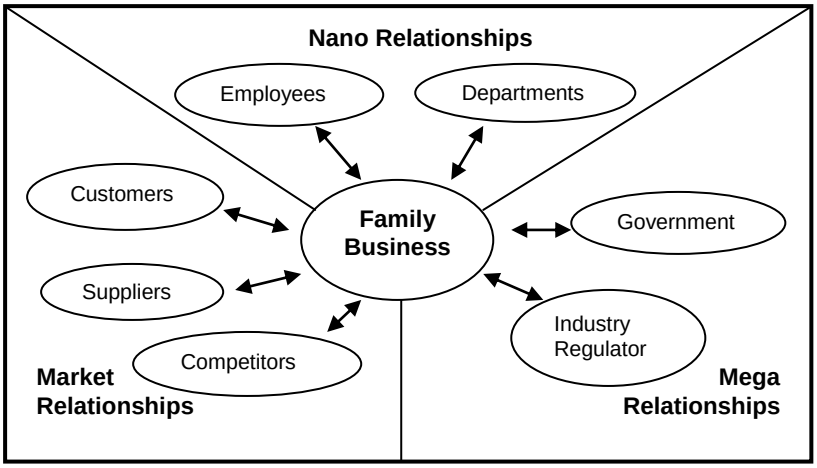


Figure 3: Relationship Exchange [Source: adapted from Morgan and Hunt (1994)]

According to Blomqvist, Dahl and Haeger (1993), some of the key characteristics of relationship marketing include:

- Individualization of customers, by treating each customer as an individual;
- Customer retention, with a view to building a long term relationships with customers through a process of interaction and communication. Several studies have proven that a higher retention of customers leads to higher profitability (Kotler et al., 2009);
- Customer satisfaction, through the provision of high quality service and products that create value for the customer. Whilst, good selling to customers is necessary for profitability, the provision of good services is necessary to retain those relationships.
- Fostering long term relationships with employees, who in turn maintain and manage relationships with customers.

The subsequent section of this study further explains each of these factors and provides a methodology for measuring them.

2.5.1 Customer Retention

The notion of customer retention refers to the extent to which an organisation is able to maintain a relationship with its existing customers (Hansemark and Albinsson, 2004). According to Kotler et al. (2009), it has been proven by both academics and practitioners

that it is more expensive to attract new customers than it is to retain existing customers. The opposite of customer retention is customer churn. Ang and Butter (2006) contribute to the debate by stating that customer churn is a major value destroyer in an organization and the key towards preventing it, is to avoid the attrition of the right customers by establishing a long term relationships with them. The right customers are those that contribute to the achievement of the company's objectives.

In assessing the level of customer retention in an organisation, Ang and Buttler (2006) present the following key processes that contribute to better retention of customers:

- Customer-compliant handling process: studies have shown that companies that effectively manage their complaints process enjoy two benefits. Firstly, they are better placed to resolve customer problems and in so doing retain their customers. Secondly, the process enables them to identify problems that are systematic or repetitive in the organisation and in so doing they can develop solutions to resolve these problems.
- Quality assurance and customer satisfaction measurement process; this process provides insights into whether or not customer expectations are being met.
- Customer retention plans: which can involve the segmentation of customers based on retention efforts similar to the type of segmentation conducted for the acquisition of customers. Post segmentation, specific resources in terms of managerial time and finances can be dedicated towards retaining the right customers.

Based on the literature above, the following proposition is formally proposed, in order to investigate:

> *Proposition 2: South African family businesses have a high customer retention rate.*

2.5.2 Customer Satisfaction

Hansemark and Albinsson (2004) define satisfaction meeting the expectations of a customer through the product or services rendered. Hence, it is this meeting or exceeding expectations that influences the attitude that the customer may have towards a service provider. Customer satisfaction is intertwined with customer retention, as satisfaction increases the ability of an organisation to retain customers. However, not all

retained customers are satisfied customers; according to Eriksson et al (cited in Hansemark and Albinsson, 2004) customer may stay with a particular service provider because there are no other alternatives. Therefore, organisations need to be cognisant that satisfaction on its own does not always lead to retention.

The following characteristics are important when assessing the level of customer satisfaction in an organisation (Kotler et al, 2009):

- Good customer relations: this refers to the existence of trust, transparency and personal contact with customers.
- Quality assurance measures: this ensures that the best quality products and services are delivered consistently to customers. This reinforces the confidence that the customer has in the service provider.
- Customer satisfaction measures: this ensures that the voice of the customer is heard and incorporated into all the processes in the organisation.

Based on the literature above, the following proposition is formally proposed, in order to investigate:

> *Proposition 3: South African family businesses have high customer satisfaction levels.*

2.5.3 Employee Relationship

A good indicator of an organisation's relationship with customers can be determined by the health of the relationship that it has with its employees. Employees are a vital resource in any organisation; not only are they a source of manual and intellectual capital but they also manage and retain relationships with customers. According to Gummesson (2002), a good employee relationship is an antecedent for customer satisfaction.

Characteristics of a healthy employee relationship include the following:

- Long-standing relationship with employees; this can often can transcend multiple generations.
- Multiple levels of relationship with employees, both personal and professional.

- An effective internal marketing programme that provides communication to employees.

Based on the literature above, the following proposition is formally proposed, in order to investigate:

Proposition 4: South African family businesses have good employee relations.

2.6 Relationship Marketing in Family Business

According to Petzinger (1999) and Cooper et al (2005), relationships are at the heart of family businesses. This is because the fundamental DNA of a family business is based on a symbiotic relationship between the family and the business. This argument is supported by Tokarczyk et al. (2007), who found empirical evidence that further supports customer orientation as a major theme amongst family businesses. Families, by virtue of their DNA, cultivate deep relationships with people, which include customers, suppliers and even competitors. Hence, in a family business context, these values are transferred into the business by the associated family. This results in a close dialogue with customers in particular, which often affords family businesses the opportunity to assess and better understands their needs. This relational attribute is further augmented by the generational nature of the business, as the business is able to maintain relationships across multiple generations (Zachary et al., 2011). Collectively, these factors create a formidable advantage for family businesses that supports their survival in the marketplace (Dyer, 2001).

Copper et al. (2005) further builds on this view and identify two types of interaction-oriented factors that family business possess which also contribute to their high orientation of deep customer relationships. These are namely:

- Quick customer response: by virtue of their size and less complex management structure, family businesses are able to respond quickly to customers. Furthermore, some family businesses are able to make decisions quicker than non-family businesses, which have more rigorous decision making processes. The ability to respond quickly to needs, further builds trust and loyalty with customers, which provides an advantage over non-family businesses.

- Family reputation: in a family business the reputation of the family and the business is intertwined. Hence, there is a greater sensitivity amongst the family to maintain the integrity of their good name. This often motivates the family to strive for high customer service in the business (Ward, 1988). In so doing the business develops a good reputation for service delivery amongst its customers. This in turn, further fosters a deeper relationship with customers.

Therefore, these attributes collectively contribute to the competitive advantage that family businesses often leverage over non-family businesses.

With regards to employee relationships, Dyer (2006) suggests that family businesses may have advantages in developing social capital with different stakeholders which include employees, than nonfamily businesses. Family businesses typically cultivate and nurture long-standing relationships with employees across multiple generations (Zachary et al, 2011). A typical case is when an employee joins the business during its start-up phase by the founder. As the business grows, so does the relationship between the founder and the employee. Often the relationship between the two transcends into their personal lives and respective families. The family connection fosters a deeper relationship between the two parties. Furthermore, because of this deep relationship and the institutional knowledge of the business such employees are often entrusted with coaching the successor or the next generation of family executives. Alternatively, other family members of the employee could be employed in the business. Therefore, such ties to the family and the generational factor of the business enable family businesses to maintain a bond with its employees at multiple levels that include both personal and professional aspects.

However, despite the strong bond that family businesses have with employees; such businesses lack an effective internal marketing programme that provides regular communication to all employees. According to Habbershon and Williams (1999) family businesses can be very exclusive when making key decisions in the business. This approach limits the ability of non-family employees to contribute in the business. This in turn influences their ability to be optimal part-time marketers when managing relationships with customers. Therefore, an ineffective internal marketing programme leads to an unsuccessful marketing strategy with external stakeholders.

2.7 Summary

This chapter presents literature on family businesses, with specific reference to the marketing strategies that they adopt. Furthermore, the aim of the chapter was to discuss relationship marketing attributes in such businesses.

After careful consideration of existing literature, the following were identified:

Family businesses have a dual identity: the family and the business. This dual identity is a source of such a business's competitive advantage; it is also a source of various problems in family businesses. Further implications of this identity are two-fold: firstly, both the business's success and the functionality of the family are important aspects of the sustainability or viability of family businesses; secondly, sustainability depends on the ability of the family and business to cooperate in a manner that does not impede the success of each.

These implications are linked to the developmental stages of family businesses, as illustrated in Figure 2. Insights from the figure indicate that both the founder's cycle as well as the business cycle are interwoven. Successful family businesses passes through different stages of development and each stage changes the nature of the business. Therefore, each stage requires a new style of management and strategic thrust (Ward, 1997). Similarly, marketing in family business evolves with the business. It is usually influenced by three main factors, namely:

- The growth stage of the business, as this influences the nature of resources that can be dictated towards developing the capability in the business.
- The characteristics of the owner/manager, both in terms of their entrepreneurial aptitude and prior experience in marketing related functions. By virtue of the owner/manager's position in the business, they can either adopt a passive or a proactive approach to marketing.
- The environment or industry in which the business operates. This can influence the nature of marketing adopted in the business.

Despite literature detailing that marketing practices are critical to the success of a business, family businesses have a lower market orientation than non-family businesses, by virtue of their DNA (Zachary et al, 2011). Conversely, relationships are at the heart of

family businesses (Copper et al, 2005). This is because the fundamental DNA of a family business is based on a symbiotic relationship between the family and the business. Families, by virtue of their DNA, cultivate deep relationships with people, which include customers, suppliers and even competitors. Hence, in a family business context, these values are transferred into the business by the associated family. This results in a close dialogue with customers in particular, which often affords family businesses the opportunity to assess and better understands their needs. These factors create a formidable advantage for family businesses that supports their survival in the market place (Dyer, 2001).

Therefore, despite having a low market orientation, family businesses are good at satisfying and retaining customers. Their DNA also supports cultivating a healthy relationship with employees. In so doing, such businesses are better oriented towards relationship marketing.

2.8 Summary of Research Propositions

On the basis of the literature review, the following is a summary of the main and sub-propositions put forward. The purpose of these propositions is to investigate the characteristics of relationship marketing that exists in South African family businesses.

2.8.1 Proposition One: South African family businesses have a low market orientation

1. South African family businesses have a low customer orientation.
2. South African family businesses have a low competitor orientation.
3. South African family businesses have a low inter-departmental coordination.

2.8.2 Proposition Two: South African family businesses have a high customer retention rate

4. South African family businesses cultivate long term relationship with customers.
5. South African family businesses have a high customer retention rate.

2.8.3 Proposition Three: South African family businesses have a high customer satisfaction levels

6. South African family businesses cultivate and maintain good relations with customers.
7. South African family businesses measure the level of satisfaction of their customers.

2.8.4 Proposition Four: South African family businesses have good employee relations

8. South African family businesses cultivate good relations with their employees.
9. South African family businesses have a long standing relationship with their employees.
10. South African family businesses cultivate multiple levels of relationship with their employees; this includes both professional and personal bonds.

3 RESEARCH METHODOLOGY

3.1 Qualitative Research

The purpose of the study is to investigate some of the characteristics of relationship marketing that exist in South African family businesses. This chapter describes the research methodology that will be utilised in this study, to examine the relationship marketing characteristics in family businesses.

The research paradigm for this study is qualitative in nature. Although, a qualitative technique was primarily utilised to analyse the empirical data, a quantitative technique was also utilised to analyse certain aspects of the data. The rationale for the combination in methodologies is to enable the researcher to triangulate the results of the study and in so doing solidify its conclusions.

A qualitative research is a field of inquiry that involves an interpretative, naturalistic approach to the world (Denzin and Lincoln, 2000). This means that the qualitative researcher studies things in their natural setting, attempting to make sense of or to interpret phenomena in terms of the meaning people bring to them. Such research encompasses the following methods: case study, participatory enquiry, interviewing, participant observation, visual methods and interpretative analysis (Denzin and Lincoln, 2000). Given the characteristics of a qualitative methodology presented in literature (Denzin and Lincoln, 2000; Leedy and Ormrod, 2001), the methodology was considered appropriate for this study, for the following reasons:

- The sample size is small;
- The purpose of the research was to examine and explore; and
- The research was context bound and encompassed personal perceptive.

3.2 Descriptive Research Design

The qualitative design took the form of a content analysis. Content analysis is the detailed and systematic examination of the contents of a particular body of material for the purpose of identifying patterns, themes or biases (Leedy and Ormrod, 2001). An In-depth, semi-structured questionnaire was utilised to collect data. Denzin and Lincoln

(2000) define interviews as a conversation; it is the art of asking questions and listening. The reality in an interview session is created by at least two people. Interviews provide the following benefits:

- Interviews generate useful information about practical experience and its meaning; and

- Interviews allow the researcher to adjust the line of questioning for an immediate follow up. This makes it a dynamic process which permits the researcher to pursue productive and appropriate lines of enquiry (Schmitt and Klimoski, 1991); other forms of data gathering do not provide this advantage.

The researcher took advantage of these benefits during the interview session with various respondents of family businesses, so as to identify and explore the perceptions of the respondents about the nature of relationship marketing adopted in family businesses.

For the quantitative aspect of the study, an algorithm was utilised to analyse the ordinal data. The distribution fitting algorithm assesses the level of important that respondents assign to each surveyed item by algorithmically estimating their respective frequencies (Stacey, 2005). For this technique, structured questions in the questionnaire were utilised to collect data (see Appendix 1).

Questionnaire Design and Instruments

The questionnaire comprise of five different sections.

Section A: General

This is the first is section of the questionnaire and it contains questions relating to the demographics of both the respondent and the business, as this aided the analysis of the results. Some examples of questions in this section include the respondent's age, the nature of the business, its age, the number of employees employed, percentage of family shareholding and the generational stage of the business (1^{st}, 2^{nd}, 3^{rd} or 4^{th}).

Section B: Market Orientation

Kohli, Jaworski and Kumar (1993) as well as Narver and Slater (1990) presents a methodology for measuring market orientation, through the use of a 7 point MARKOR scale. The study utilises a similar scale and inputs were obtained through the questionnaire. This section of the questionnaire consists of three subscales used to measure customer orientation, competitor orientation, and inter-functional coordination. The purpose of which is to measure the extent to which the surveyed business practice the principles of market orientation. Respondents were asked to rate a range of questions on a 7-point scale. More specifically, respondents were asked to indicate the extent to which their business engages in the practice of market orientation or does not, i.e. the scale ranges from 'Very high extent' (7), to 'No extent at all' (1).

Section C: Customer Retention

As a metric for measuring customer relationship strategies in an organisation, Crosby (2002) suggests assessing the following in the company:

- The amount of time spent discussing and making decisions about customer relationships in meetings;
- How frequent are customer data reviewed; and
- The existence of a customer complaint–handling process or policy.

Furthermore, Du Plessis, Strydom and Jooste (2011) present additional metrics for measuring customer retention in a company, this includes the following:

- Calculating the average length of its customer relationships.
- Calculating the retention rate, which is the number of customer retained in a period versus the total number of customers, at the start of a period.
- Calculating the ratio of customer churn, which is the percentage of existing customers who stop purchasing a company's product or service.
- Comparing the marketing expense incurred for retaining and that incurred for acquiring customers.

Therefore, section C of the questionnaire contains additional questions used to calculate the above metrics, in order to measure the extent to which the business surveyed adopts the principles of customer retention.

Section D: Customer Satisfaction

This section also contains a 7 point MARKOR scale used to measure the level of customer satisfaction. The purpose of the scale will be to measure the respondent's opinion on the level in which customers are satisfied with the organisation. Furthermore, Du Plessis et al. (2011) present additional metrics for measuring customer satisfaction in a company; this includes the following:

- Calculating the ratio of repeat purchases by existing customers: this indicates the level of satisfaction amongst existing customers.
- Calculating the referral rate: this is the percentage of customers who recommend the company's product and services to acquaintances.
- Calculating the number of complaints lodged by customers, in a given period.
- Assessing the extent of company resources dedicated towards satisfying customers.

Therefore, section D of the questionnaire contains additional questions used to calculate the above metrics. The result thereof was utilised to assess the extent to which the business surveyed, adopts the principles of customer satisfaction.

Section E: Employee Relationship

This section contains a 7 point MARKOR scale used to measure the level of employee relationship. The purpose of the scale will be to measure the respondent's opinion on the level in which employees are satisfied with the organisation. Furthermore, the following additional metrics for measuring employee relationship were utilised:

- Employee turnover rate.
- The average employment period of retained staff.
- The frequency with which formal communication is disseminated to employees, on issues regarding business strategy, market performance, customer relationships, etc.
- Evidence of a personal bond with employees, beyond the professional relationship.

Section F: Other Information & Ranking

This is the last section of the questionnaire; this section contains both open-end and semi-structured questions, the purpose of which is to identify factors (which are not necessarily raised in literature) that the respondents feel are important factors for relationship marketing. For each factor or variable identified, respondents will further be asked to clarify, how the factor actually contributes (or could possibly contribute) towards the business.

3.3 Population and Sample

This study was conducted with respondents, from 30 different family-run and owned businesses in South Africa. The purpose of the study is to explore the perceptions of both current chief executives and previous incumbents of family businesses with respect to characteristics of relationship marketing in South African family businesses.

The population was identified using the following criteria:

- Medium-sized businesses with a turnover of between R6 million and R100 million. The DTI (2004) defines this turnover as a criterion for medium-sized businesses. Large-size businesses were also considered;
- Businesses where more than 50 per cent of the voting shares is owned by a family;
- Businesses which are currently owned or managed by at least the second generation family members.

The following details the sampling process that was adopted for the study:

1. Initially, a total of 70 candidates, were randomly identified from a database of surveys previously conducted on family businesses. Some of these surveys include Lewis-Enright (2006) and Eboru (2007). In addition, prospective candidates were sourced from industry practitioners, who currently render services to family businesses in South Africa.
2. The prospective candidates were validated against the criteria for family business as stated in section 3.3 as well as to distinguish between suitable and non-suitable candidates for the study. Furthermore, this process enabled the researcher to select

candidates who had the required experience to adequately the research questions adequately. According to Saunders and Lewis (2012) purposive sampling is ideal when collecting qualitative data from a small sample. This sampling strategy enables the researcher to identify or select information that provide the most insight to the research question and in so doing meet the research objectives (Devers and Frankel, 2000).

3. Post the filtering process, the prospective sample was reduced to 60 candidates. The questionnaire was sent to this pool of 60 candidates, of which only 30 respondents completed the questionnaire.
4. A few respondents provided additional comments over and above completing the 7 point MARKOR scale questions, in the questionnaire.

3.4 Data Collection

Prospective candidates were contacted electronically prior to the interviews. This prior communication was utilised to confirm certain family details. In cases where interviews cannot be secured, the questionnaire was sent to the respondent, along with a detailed explanation of the questionnaire.

Upon receipt, all of the completed questionnaires were inspected for missing data. In the event that a questionnaire with missing information was identified, respondents were contacted telephonically to obtain the missing information. The received information was then inserted into the questionnaire on behalf of the respondent.

The primary batch of completed questionnaires was received between August and September 2013. Through a follow-up phone call by the researcher, the second batch of questionnaire was received during the course of October 2013. In cases where respondents requested a personal interview, in order to better understand the study, the necessary interviews were scheduled and completed.

The researcher was mindful at all times of the time taken by the respondents to complete the interview and displayed appreciation for the respondents' contributions. In addition, the questionnaire was sent to each respondent prior to the interview and they were each offered a copy of the findings on completion of the study, on request.

The researcher adopted the following approach towards each personal interview conducted:

- Where possible, the interviews were taped;
- Written notes were taken during all interviews; and
- All interviews were conducted by the researcher.

Table 2: Data Collection Statistics

Questionnaire Activity	**Number**
Number of questionnaires mailed (email, Survey Monkey etc.)	60
Number of questionnaires returned	30
Usable questionnaires	30
Number of conducted interviews	10
Response rate	50%

3.5 Data Analysis

As stated in section 3.1, two different types of analytical techniques were utilised to analyse the data collected. The first is a content analysis (which is a qualitative technique), whilst the second is a distribution fitting algorithm (which is a quantitative technique).

Content Analysis

The content analysis is the first technique used to analyse the data. Such analysis measures the frequency and variety of messages as well as key words from communication. This is further utilized to characterise and compare documents (Merriam, 1998). The following procedure was deployed to analyse the data using this methodology:

- Descriptive codes were created in order to classify the words (Miles and Huberman, 1984). Therefore, each proposition stated in section 2.7, was assigned a master and a sub-code. The sub-codes were used to capture issues raised that were related to a master code. For new factors raised by respondents, new codes were created and assigned to these factors (see Appendix 2).

- Each factor or concept raised by a respondent was assigned a code and the related issues to the code were clustered together. These codes were used to organise the data, thereby facilitating consistent analysis.

- A frequency count for each category of questions was conducted and tabulated. This informed the researcher as to the perceived importance of the identifiable factors for each category.

The numeric data collected from each business was utilised to arithmetically calculate ratios.

Distribution Fitting Algorithm

There have been several critics about the conversion of verbal responses, from ordinal scales (i.e. MARKOR scale) into interval data (Labovitz, 1970; Bendixen and Sandler, 1995; Stacey, 2005). According to Bendixen and Sandler (1995), the assignment of numeric values to ordinal responses is incorrect and can lead to unsubstantiated assumptions. Therefore, in order to avoid this shortcoming, Stacey (2005), suggest the use of an algorithm, which involves the fitting of distributions to the ordinal survey data using the X^2 statistic.

Through the use of a 7 point MARKOR scale, in section B of the questionnaire, respondents rated the level of each surveyed item in their respective businesses. Therefore, these scales provided ordinal data, the distribution fitting algorithm was then

utilised to algorithmically assess the level of importance for each surveyed item, relative to each other. The process includes the following activities (Stacey, 2005):

- Firstly, an estimation of parameters of the survey data. These parameters include the means, standard deviations and the threshold values.
- Secondly, these parameters are then utilised to calculate the expected frequencies for each category of survey items or factors.
- Lastly, the X^2 value is then calculated which measures the goodness of fit between the survey data and a numerical model. The X^2 is calculated through the use of the 'Solver' in Microsoft Excel and the objective is to determine the parameters that will minimise the value of X^2. The reduction of the X^2 value increases the ρ-value. Should the ρ-value be significant then the model parameters are deemed to be a good fit for the survey data. In order words the bigger the p-value above 0.05, there is insignificant difference between the model and the survey data.
- The mean for each surveyed item was summarised in a tabulate manner. The item with the highest mean indicated that it is the most important factor, perceived by respondents.

3.6 Validity and Reliability

According to Riege (2003) reliability refers to the demonstration that the operations and procedures of the research enquiry can be repeated by other researchers, who then achieve similar findings; that is, the extent of findings can be replicated assuming that, for example, interviewing techniques and procedures remain consistent. In other words, reliability refers to the extent that a measure is error-free (Zikmund, 2003). Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure (Colorado State University, 2007). Practicality is concerned with issues such as convenience, economy and interpretability (Cooper and Schindler, 2007).

The techniques utilise to ensure validity, reliability and practicality in the study are discussed in the subsequent sections.

3.6.1 Validity

The primary concern of validity is to ascertain that a test measures what the researcher actually intends to measure. The following forms of validity can be measured: external validity, internal validity and construct validity.

External validity refers to the extent to which a general conclusion can be made from the results of a study (Colorado State University, 2007). Construct validity is determined by the extent to which a measure confirms various related hypotheses, generated from theory founded on the concepts (Zikmund, 2003), whilst, internal validity refers to the extent to which the research findings match reality (Merriam, 1998).

In order to achieve validity in the study, the following were conducted:

- External validity was achieved by using a sample of family business validated by the family business pre-selection criteria, as stated in section 3.3. In addition, all stated company information on the questionnaire was verified with the company's secretary or auditors where possible.
- Internal validity was achieved by presenting the results of the questionnaire to the interviewees and confirming with them the accuracy of the recorded results. Both dependent and independent variables, from the results were presented for confirmation. Furthermore, the results from the content analysis where then triangulated with those of the distribution fitting algorithm.
- Construct validity was achieved by utilising measurement instruments from existing literature that has been utilized to measure the same surveyed item.

3.6.2 Reliability

The primary concern of reliability is to determine the extent to which a measurement is free of random or unstable errors. A measure is therefore considered reliable, if it generates consistent results (Eybers, 2010). Internal consistency is a measure of reliability, on the assumption that items on a measurement scale should measure same construct (Copper and Schindler, 2007). In order to achieve consistency in the study, the following were conducted:

- Both the interviews and the interpretation of the findings were personally administered by the researcher.

- Respondents, irrespective of the medium utilised to complete the survey (i.e. Survey Monkey, Word document) completed identical scales and questions for each category of propositions being investigated.

3.6.3 Practicality

The primary concern with practicality is to determine whether the test is effective (Cooper and Schindler, 2007). It also involves understanding the ease of administrating the test as well as the interpretation of the results. In order to achieve consistency in the study, the following was conducted:

- Presenting the results of the study to some of the respondents and industry practitioners, in order to confirm with them the accuracy of the findings.
- Before finalising the questionnaire, it was tested amongst a sample of mock respondents. Feedback received from these respondents was utilised to refine the final version circulated for completion.
- Respondents were offered multiple methods of completing the questionnaire, in order to make the completion process more convenient.

3.7 Summary

This chapter describes the research methodology adopted in the study. Although the research paradigm for this study is qualitative, a qualitative methodology will be utilised to analyse certain aspects of the data. The researcher is of the opinion that such combination in methodologies solidifies the findings and provides a more holistic conclusion.

The chapter articulates how the above approach will be achieved through design of the questionnaire. The questionnaire has been divided into six different sections. Each of these sections is aligned with a particular category of proposition that will be investigated. The data collected in each section will support the analytical methodologies, namely the content analysis and the distribution fitting algorithm.

Furthermore, the process of data collection from the respondents is presented. This, in conjunction with the processes to ensure validity and reliability of the data, is also presented.

4 PRESENTATION OF RESULTS

4.1 Introduction

The objective of this chapter is to present results from the collected data. The purpose of the literature review is to establish the characteristics of relationship marketing that exists in South African family businesses. This aligns with the survey process, which is aimed at validating these characteristics, by obtaining perceptions and beliefs from respondents regarding them.

The chapter begins by presenting the demographics of the sample. This is followed by the results from the survey questions, which were used to identify relationship marketing characteristics evident in the surveyed businesses. The results from the content analysis are presented first, followed by the results from the distribution fitting algorithm.

4.2 Sample Description

Initially, a total of 70 candidates, were randomly identified from a database of surveys previously conducted on family businesses. Some of these surveys include Lewis-Enright (2006) and Eboru (2007). In addition, prospective candidates were sourced from industry practitioners, who currently render services to family businesses in South Africa.

The prospective candidates were validated against the criteria for family business as stated in the above section and in order to distinguish between suitable and non-suitable candidates for the study. Furthermore, this process enabled the researcher to select candidates who had the required experience in business strategy and marketing, to answer the research questions adequately. Post this filtering process, the total prospective sample was reduced to 60 candidates and the questionnaire was sent to this pool of candidates. From this pool, 30 completed questionnaires were received from respondents, operating in different industries. Table 3 below provides details on the respondents.

Table 3: Summary of Respondents

Name of Business	Business Tenure	Generational status of respondents	Ethnicity - Race
OneCom Digital	12 years	1st Generation (2)	White
Ninos Group	N/A	1st Generation	White
Parvalux SA	20 years	1st Generation	White
Transman	30 years	1st Generation	White
Fred Footwear	11 years	2nd Generation (2)	Black
Kunene Brothers Holdings	35 years	2nd Generation	Black
Kupane Funerals	30 years	2nd Generation	Black
Ruby Boutique Hotel	N/A	2nd Generation	Black
Amka Products	56 years	2nd Generation	Indian
Smollan Group SA	82 years	2nd Generation	White
Kloppers	46 years	2nd Generation	White
Trafalgar Group	40 years	2nd Generation	White
Giuricich Brothers	73 years	2nd Generation	White

Apex Cordset Technologies	25 years	2nd Generation	White
Jawitz Properties	44 years	2nd Generation	White
Olitzki Property Holdings	25 years	2nd Generation	White
Alasil Farms	11 years	2nd Generation	White
Organisation & Management Technology	33 years	2nd Generation	White
Ullman Bros	117 years	2nd Generation 3rd Generation	White
Western Refinishers	40 years	3rd Generation	White
Supreme Printers	54 years	3rd Generation	White
Norman Goodfellows	35 years	3rd Generation	White
Duys Group	53 years	3rd Generation	White
Vineyard Hotel Group	30 years	3rd Generation	White
McCullagh & Bothwell	117 years	3rd Generation 4th Generation	White
Dickinson Group	103 years	4th Generation	White

Further analysis of the ethnicity of the sample indicates that 83 per cent of the businesses and respondents who were interviewed were white, 14 per cent were black and 3 per cent were Indian, therefore, indicating that the sample was not racially and culturally diverse. However, the researcher found it extremely difficult to identify black family businesses that had survived the first generation. This situation reflects the country's political history, which prohibited certain racial classes from entering into business.

Figure 4 below illustrates the generational demographics of family business respondents surveyed:

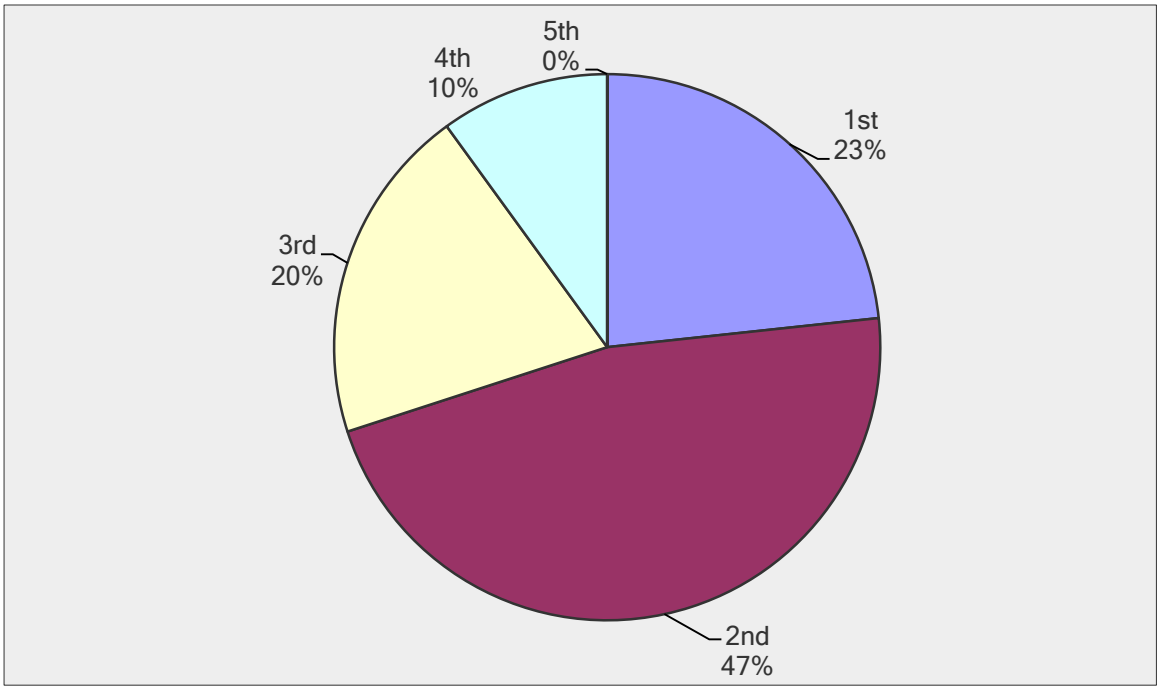


Figure 4: The generational stage of family business respondents

The majority of companies surveyed were currently being managed by second-generation family members. This confirms the literature review, which states that about 30 per cent of family businesses globally, are transferred to second-generation family ownership, and only 13 per cent of such businesses survive to the third generation family owners (Ward, 1988).

These respondents occupy different roles in the organisation; Figure 5 provides a detailed illustration. The majority of the respondents were not solely fulfilling a marketing

role, because the function was relatively small in comparison to other functions, in the businesses.

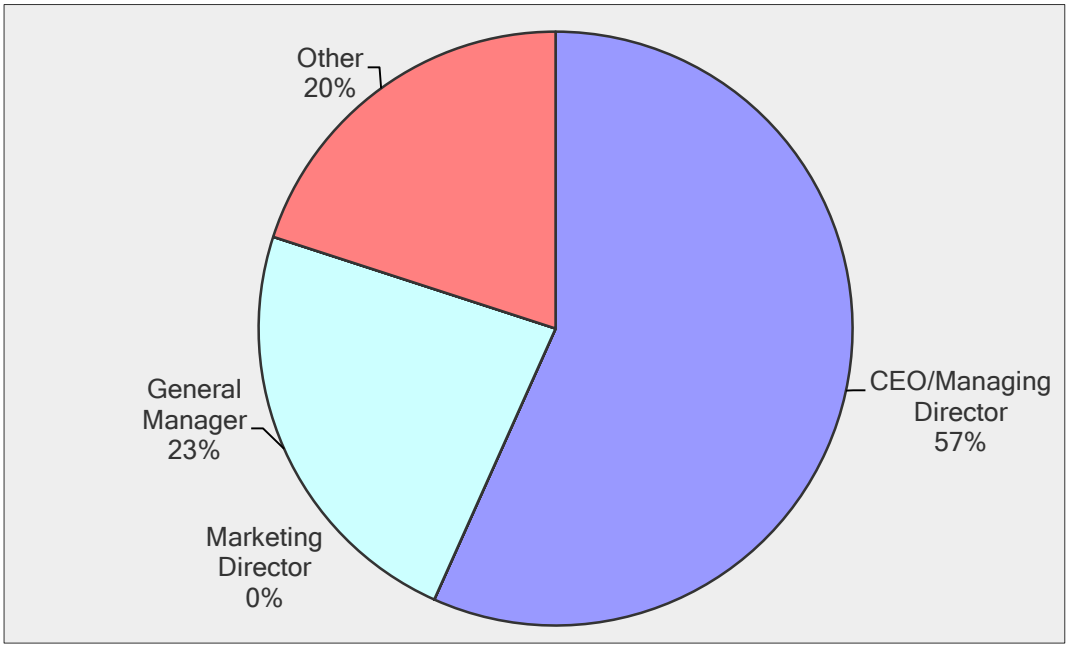


Figure 5: The roles of respondents in the surveyed businesses

Respondents were asked to provide an indication of the annual turnover of their business, and Figure 6 illustrates the turnover analysis. Based on the information received, an analysis was conducted in order to ascertain if a relationship exists between the age of the business and its financial position. Findings from the analysis indicate that there was a positive relationship between the age of the businesses and its turnover. It is the research's opinion that the older businesses had an establish business strategy and model, which attributes to a better financial position, in comparison to the younger businesses.

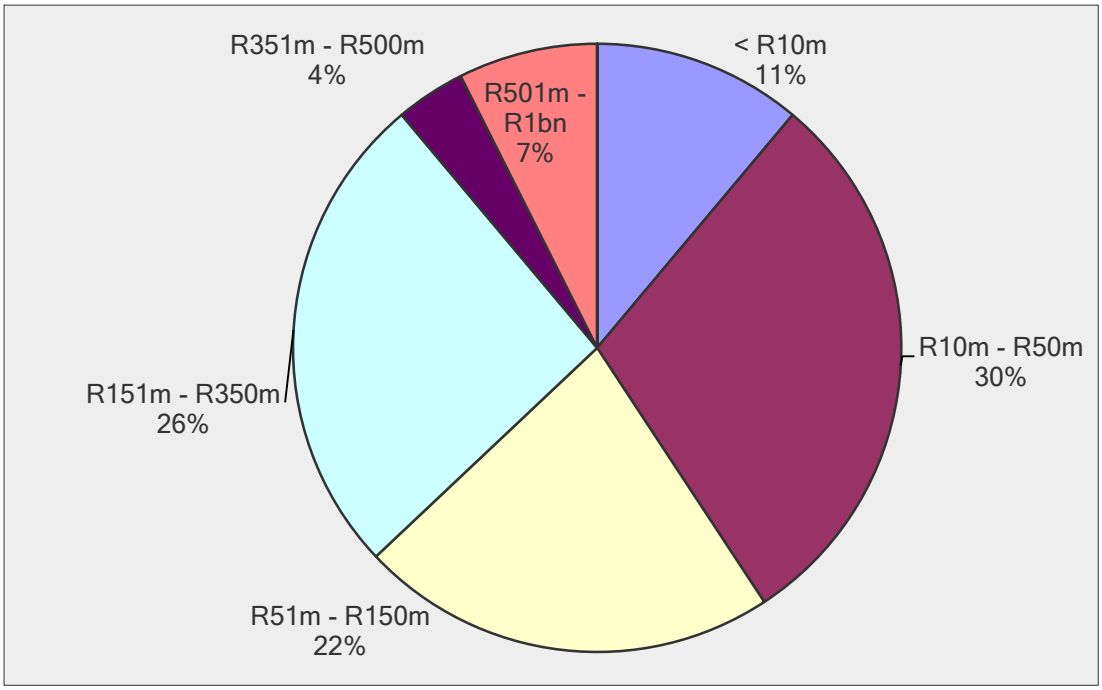


Figure 6: Analysis of turnover of bonus surveyed

Forty six per cent of the surveyed companies operate in the following sectors; manufacturing, wholesale/retail and construction. Figure 7, below provides the full breakdown of the sectors, from the analysis there was no company operating in the financial service sector amongst the surveyed businesses. The sector titled 'Other' in the figure predominantly comprises of companies providing other services, such as logistics, engineering and IT solutions.

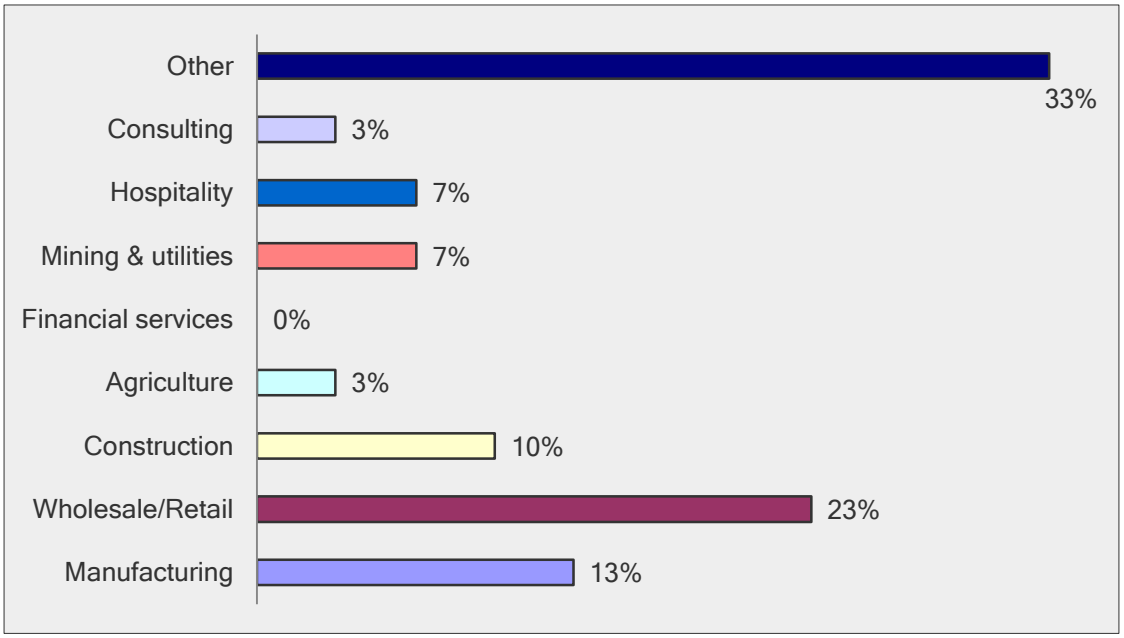


Figure 7: Industry analysis of respondents

4.3 Key Research Themes

Perceptions of Marketing

In order to understand the marketing strategies adopted by businesses surveyed, respondents were asked to describe the type of marketing strategies conducted by the business. Furthermore, this information was also utilised to assess the development stage of the marketing function in the business, as explained in section 2.4 of this study.

Table 4: Frequency counts of themes used to describe marketing activities in the business

Themes mentioned by respondents	**N = 31**	**Percentage**
Trade marketing (trade exhibitions, product demonstrations, account management)	8	26%
Word-of-mouth marketing (client referrals, networking)	8	26%
Direct marketing (client presentations, one-to-one promotions)	6	19%
Outdoor marketing (billboard, event sponsorship)	6	19%
Digital marketing (online, mobile, email)	3	10%

Based on the analysis, 26 per cent of the businesses surveyed conducted activities relating to trade marketing. The rationale for this finding amongst the businesses surveyed is that the majority of the business's customers are companies and not retail customers.

Perceptions of Relationship Marketing

In order to obtain opinions from respondents regarding relationship marketing, respondents were asked to define relationship marketing, within the context of their business. Table 5 depicts the key themes that were utilized by respondents to describe relationship marketing.

Table 5: Frequency counts of themes used to describe Relationship Marketing

Themes mentioned by respondents	**N = 16**	**Percentage**
Cultivating long term relationships with customers and utilising this relational platform to promote services/products	8	50%
Satisfying the needs of your customer, in a manner that ensures high referrals	2	13%
Building a personal and consistent contact with customers	3	19%
Developing a long term, mutually beneficial relationship with all stakeholders (not only customers) that are involved in the business	3	19%

The analysis indicates that 50 per cent if respondents define relationship marketing as a process that involves the developing a long-term relationship with customers. Only, 19 per cent of respondents broaden their definition of relationship marketing beyond customers.

Perceptions of Market Orientation

In order to obtain perceptions regarding market orientation, respondents were asked to rate a series of questions relating to the characteristic of market orientation evident in the business. Table 6 depicts the responses to the questions.

Table 6: Rating averages of Market Orientation Questions (30 respondents)

Related Questions	Rating average from individual rating scale (1 - low to 7 – high)
Q1: The extent to which customers are encouraged to complain about product & services received from the company	5.47
Q2: The extent to which customer centricity is encouraged in the company	5.77
Q3: The extent to which competitive factors are considered in strategy formulation	5.43
Q4: The extent to which environmental scanning is conducted in the company	5.3
Q5: The extent to which findings from the scanning the environment is utilised in decision making.	4.3
Q6: The extent to which inter-departmental co-ordination takes place in the company	4.3

The results from the table indicate that the distribution of ratings is negatively skewed, for this category of questions. This is because most respondents assigned a high rating (5 and above) to the surveyed questions. However, distribution for both question 5 and 6 were more normal. Ninety per cent of respondents (5 and above rating) indicated that their business has a high level of customer centricity. In addition, seventy-three per cent of respondents (5 and above rating) indicated that their business conducts some sort of competitive and industry analysis when formulating their business strategy.

The following are some of the additional comments made by respondents:

"Market orientation is about understanding the environment, which includes influencing factors, industry players as well as customers. Most businesses then to just focus on one aspect of the orientation; which is just the customer and neglect the other aspects".

"The orientation process should be continuous, as things change and hence, one's understanding of the market should reflect the change. Market orientation informs a variety of decisions made in the business, hence an orientation that is outdated leads to suboptimal decisions"

Algorithmic ranking test

In order to test the importance of above factors relative to each other, the 'Solver' algorithm in excel was utilised to determine the parameters of the mean (X^2), where the ρ-value is insignificant thus ensuring a goodness-of-fit between the surveyed data and model. The table below illustrates the results from the algorithm, which have been ranked in descending order. The result indicates that customer centricity is the factor with the highest mean thus indicating that is the most important factor, perceived by respondents.

Table 7: Ranking of Means for Market Orientation Questions

Related Questions	**Means**
Customer centricity is an important aspect in our organisational strategy	0.2585
We encourage customers' comments and complaints because they help us to do a better job	0.2341
We take into consideration competitive factors, when developing our strategy	0.0386
We frequently monitor environmental factors influencing	0.0176

the industry, we operate in	
The level of inter-departmental coordination in the company	-0.2411
Decisions taken within our firm, are informed by environmental factors	-0.3079
ρ-value	**0.4520**

Perceptions of Customer Retention

In order to obtain perceptions regarding customer retention, respondents were asked to rate a series of questions relating to the characteristic of customer retention evident in the business. Table 8 depicts the responses to the questions.

Table 8: Rating averages of Customer Retention Questions (30 respondents)

Related Questions	**Rating average from individual rating scale (1 - low to 7 – high)**
Q1: Level of commitment to customers	6.27
Q2: Customer commitment reflected in marketing budget	4.37
Q3: Length of relationship with high value customers	6.17
Q4: Percentage of customers retained annually	6

Q5: Retention of customer is key for the business	6.3
Q6: Level of managerial time spent on customer related issues in meetings	5.17
Q7: Firm better off if more customers were retained	4.53
Q8: Level of continuous value creating culture for customers	6.10

The results from the table indicate that the distribution of rating is negatively skewed, for this category of questions. This is because most respondents assigned a high rating (5 and above) to the surveyed questions. Eighty six per cent of respondents (5 and above) indicated that their business has a high level of commitment to customers.

In order to further investigate this perception of commitment, respondents were asked how much managerial time, in the business is allocated to making decision about its customers. Eighty per cent of the business surveyed allocated a lot of time (medium to high) to such activities. This is illustrated in Figure 8 below.

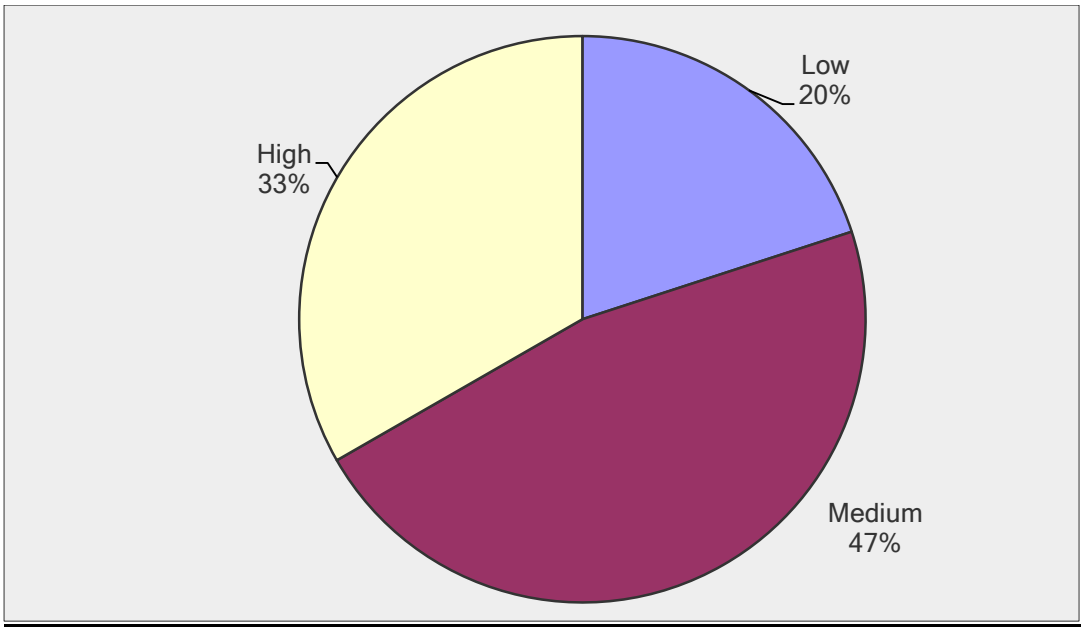


Figure 8: The managerial time spent discussing and making decisions about customer relationships, in meetings

Some respondents make the following comments about customer retention:

"*The retention of customers is often a good indicator on how well the business's customers are satisfied. However, our business has come to realise that not all retained customers are satisfied customers. Hence, it is incumbent upon owners of family businesses to truly validate their assumption of satisfaction amongst their customers".*

"Every business, including family businesses should strive to retain a healthy ratio of their customer base. In our organisation we strive to retain 40% of existing customers, as they contributed 80% of the business's total revenue. Customer retention also creates an annuity income that becomes the foundation for the business".

Algorithmic ranking test

In order to test the importance of the customer retention factors relative to each other, the 'Solver' algorithm in excel was utilised to determine the parameters of the mean (X^2), where the ρ-value is insignificant thus ensuring a goodness-of-fit between the surveyed data and model. The table below illustrates the results from the algorithm, which have been ranked in descending order. The result indicates that the retention of customers being a critical component of the business strategy is the factor with the highest mean thus indicating that this is the most important factor, perceived by respondents.

Table 9: Ranking of Means for Customer Retention Questions

Related Questions	**Means**
Retaining customer is an important part of our business strategy	0.4437
In our firm, we have a strong commitment to our customers	0.3683
Our firm on average, has a long standing relationship with its high value customers	0.2962
We are always looking at ways to create customer value in our products	0.2277
In our firm, a good percentage of our customer base is retained annually	0.1449
In our firm, the level of managerial time spent on discussing and making decisions about the customer is meetings is	-0.3461
Our firm would be a lot better off if the sales team, retained more clients	-0.5189
The commitment to customers, is also reflected in the marketing budget allocated to segment relationship with existing customers	-0.6159
ρ-value	**1.00**

Perceptions of Customer Satisfaction

In order to obtain perceptions regarding customer satisfaction, respondents were asked to rate a series of questions relating to the characteristic of customer satisfaction evident in the business. Table 10 depicts the responses to the questions.

Table 10: Rating averages of Customer Satisfaction Questions (30 respondents)

Related Questions	**Rating average from individual rating scale (1 - low to 7 – high)**
Q1: Regular assessment conducted on customer complaints	5.3
Q2: Quality is defined as the extent to which customers are satisfied with company's products	6.03
Q3: Current level of customer satisfaction for company's products & services	5.63
Q4: Level of which new customers are referred by existing customers	5.3
Q5: Level of repeat purchases made existing customers	5.9
Q6: Quarterly assessment is conducted on customer satisfaction with company	4.2

The results (with the exception of question 6) from the table indicate that the distribution of rating is negatively skewed, for this category of questions. This is because most respondents assigned a high rating (5 and above) to the surveyed questions.

Based on the analysis of responses, 94 per cent of respondents (5 and above rating) agreed with the definition of quality, suggested in the questionnaire. Aligned with this definition, 97 per cent of respondents (5 and above rating) perceived the level of customer satisfaction on the products and services that their business provides to be high.

The following are additional comments made by respondents on customer satisfaction:

"*In order for any organisation to be successful in satisfying its customers, it has to be entrenched in the values and DNA of the organisation. This way it forms part of how the organisation as a whole operates. Secondly, organisations that are successful in satisfying external customers are good at satisfying the needs of internal customers. Internal customers are employees in an organisation who provide services to one another".*

"Repeat purchases of services and products, by existing customers are a good indication of their satisfaction".

Algorithmic ranking test

In order to test the importance of customer satisfaction factors relative to each other, the 'Solver' algorithm in excel was utilised to determine the parameters of the mean (X^2), where the ρ-value is insignificant thus ensuring a goodness-of-fit between the surveyed data and model. Table 11 below illustrates the results from the algorithm, which have been ranked in descending order. The result indicates that the level of repeat purchases made by existing customer is the factor with the highest mean thus indicating that it is the most important factor, perceived by respondents.

Table 11: Ranking of Means for Customer Satisfaction Questions

Related Questions	**Means**
We define quality as an extent to which our customers are satisfied with our products and services	0.299

The level of repeat purchases by existing customers in our firm is	0.192
The current level of satisfaction for our product and service is	0.074
We assess the complaints received from our customers on a regular basis	-0.014
The level of repeat purchases by existing customers in our firm is	-0.078
Our firm assess/measures the level of satisfaction of our customers, at least once every three months	-0.472
ρ-value	**0.99**

Perceptions of Employee Relations

In order to obtain perceptions regarding employee relation, respondents were asked to rate a series of questions relating to the characteristic of the relationship evident in the business. Table 12 depicts the responses to the questions.

Table 12: Rating averages of Employee Relation Questions (30 respondents)

Related Questions	**Rating average from individual rating scale (1 - low to 7 – high)**
Q1: The extent to which employees remain with firm	6.17
Q2: The extent to which both professional and social levels	5.1

of relationship is developed with employees	
Q3: The extent to which a family connection is developed with employees	5.47
Q4: The extent to which of interaction take place with the family members of the employees	3.83
Q5: The extent to which the company's culture supports the development of employee relationship	4.47
Q6: The extent to which employees are valued in the company	5.77

The results from the table indicate that the distribution of ratings is negatively skewed, for this category of questions. This is because most respondents assigned a high rating (5 and above) to the surveyed questions. However, distribution for both question 4 and 5 were more normal. Based on the analysis of responses, 97 per cent of respondents (5 and above rating) indicated that their business, generally has long standing relationship with its employees.

In order to further investigate the level of interaction that exists between the business and its employees, respondents were asked about the nature of internal marketing programs that exists in the business. Only 30 per cent of respondents indicated that their business has a formal internal marketing programme that provides information to all employees. However, despite not having a formal programme, 60 per cent of respondents indicated that their business communicates with employees on a daily to monthly basis as illustrated in Figure 9, below.

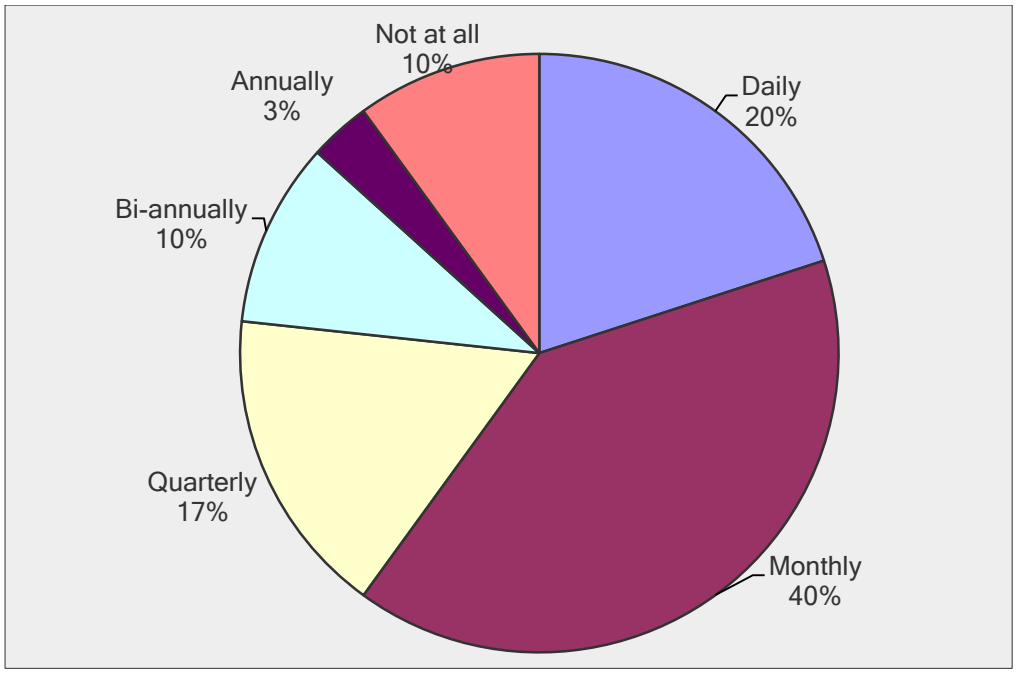


Figure 9: The frequency of communication to all employees

Respondents stated the following about their employee relations:

"*As a family business, we invest heavily in the professional and social relationship with our employees, as they are a valuable resource".*

"Next to the family, our employees are the next important stakeholder. In fact in certain situations the needs of the employees supersede those of the shareholder".

"Our employees are family, some have been with the organisation since its inception and they have a better institutional memory about the business. This characteristic is important for transferring knowledge to new family members, who join the company".

Algorithmic ranking test

In order to test the importance of employee relationship factors relative to each other, the 'Solver' algorithm in excel was utilised to determine the parameters of the mean (X^2), where the ρ-value is significant thus ensuring a goodness-of-fit between the surveyed data and model. The table below illustrates the results from the algorithm, which have been ranked in descending order. The result indicates that the long length of employee relationship is the factor with the highest mean thus indicating that is the most important factor, perceived by respondents.

Table 13: Ranking of Means for Employee Relation Questions

Related Questions	**Means**
In our firm, we have long standing relationships with employees	0.578
In our firm, we regard employees as our best asset	0.336
Our employees are regarded as an extension of the family	0.138
In our firm, we encourage to develop both social and professional levels of relationship with employees	-0.065
In our firm, we actively seek to develop both social and professional employee relationship	-0.39
In our firm, we interact with the family members of our employees	-0.594
ρ-value	**0.99**

Other Findings on Relationship Marketing

In order to ascertain, characteristics of relationship marketing not necessary in literature, respondents were asked to describe relationship marketing, outside the context of existing literature. Table 14 depicts a summary on the response to the question.

Table 14: Frequency counts of themes used to describe Relationship Marketing

Themes mentioned by respondents	N = 17	Percentage
Thorough understanding of the client's needs	3	18%
Personalised interaction (face-to-face engagements)	9	53%
Ensuring high levels of client satisfaction	5	29%

Some respondents highlighted that *"the corner stone of any relationship marketing strategy should be a good understanding of customer needs".*

4.4 Summary

This chapter presents the empirical data collected from respondents. It further describes, in detail, the demographics of the respondents. This description includes ethnicity, the age of the business, its generational stage as well as the industry in which the business operates.

Data for each section of the questionnaire are presented. This was organised in such a manner that aligns with each category of proposition being investigated. The last section of the chapter presents findings from the respondents' prospective that are not identified in literature.

The subsequent chapter, Chapter 5, will analyse the data with the intension of deriving insights on relationship marketing characteristics in family businesses.

5 ANALYSIS OF RESULTS

5.1 Introduction

The objective of this chapter is to discuss the key themes emulating from the collected data. The purpose of the literature review is to establish the characteristics of relationship marketing that exists in South African family businesses. This aligns with the survey process, which is aimed at validating these characteristics, by obtaining perceptions and beliefs from respondents regarding them.

The chapter begins by a brief presentation of the results from respondents on the characteristics of marketing and relationship marketing, evident in their business. This is followed by the interpretation of the results using both the qualitative and quantitative methodologies. Comments from the transcribed interviews, was also utilised to provide additional insight into each factor.

The chapter concludes by summarising the findings of the study.

5.2 Perception of Marketing

Table 4 depicts the key themes that were utilised by respondents to describe the type of marketing strategies conducted by the business.

Qualitative Methodology

The description of marketing strategies provided by respondents suggests that the majority of the businesses are either in the process of developing or have already developed the capability in the business. Therefore, according to the developmental cycle (section 2.4), the majority of the businesses surveyed are currently between the early proactive marketing to the integrated proactive stages of the marketing cycle. Further analysis indicates that the developmental stage is predominantly influenced by three main factors, as follows:

- The nature of the business;
- The size of the business; and
- The age of the business.

The industry that the business operates in provides an important context, as certain sectors require a particular type of marketing. For example the nature of product marketing conducted in the FMCG industry differs from the marketing conducted in the banking sector. There is also a positive correlation between the age of the business (i.e. 3rd, 4th generation) and the level in which the marketing capability is established, in the business. Hence, the longer the generation stage of the business the better developed the marketing function in the business.

Based on the analysis, 26 per cent of the businesses surveyed conducted activities relating to trade marketing. The rationale for this finding amongst the businesses surveyed is that the majority of the business's customers are companies and not retail customers.

Another common strategy amongst the businesses is the use of word-of-mouth marketing, particularly to attract new customers for the business. Most respondents indicated that their business strives to provide a high quality of service to their customers. Therefore, their reputation of providing a good service and customer satisfaction is often shared by existing customers to prospective customers. Furthermore, a respondent stated that "*from a reputational prospective, the family and business reputation are intertwined, hence a positive family reputation creates a platform for the business to leverage*".

5.3 Perception of Relationship Marketing

Table 5 (on page 47) depicts the key themes that were utilized by respondents to describe relationship marketing.

Qualitative Methodology

Fifty per cent of respondents define relationship marketing as a process that involves the developing a long-term relationship with customers. The emphasis of the definition was placed on the customer, this is supported by the following statement from a respondent "*the focus should be on the customer and seeing the customer as a partner. The partnership creates the platform, for promoting products and services*".

Other definitions emulating from respondents include strategies that involve acquiring and maintaining clients. Furthermore, some respondents believed that "*clients can only*

be retained if their needs have been satisfied". Hence, this segment of respondent centred the definition of relationship marketing on customer satisfaction.

Nineteen per cent of respondents broaden their definition of relationship marketing beyond customers. These respondents emphasised that the principles of relationship marketing are applicable to other stakeholders with whom business engages. For example, developing a mutual relationship among employees and suppliers is critical for the survival of the business.

These findings on the definition of relationship marketing are consistent with those provided in literature (Kotler et al 2009; Grönroos, 1994; Morgan and Hunt, 1994). However, not all respondents believed that the definition encompasses all stakeholders; only a few respondents broadly defined relationship marketing in this context.

5.4 Validation of Propositions

5.4.1 Proposition One: Market Orientation

The following propositions identified in literature were put forward in this study.

1. South African family businesses have a low customer orientation.
2. South African family businesses have a low competitor orientation.
3. South African family businesses have a low inter-departmental coordination.

Table 6 depicts the rating averages in response to the market orientation questions and in so doing, investigates the above propositions.

Qualitative Methodology

Narver and Slater (1990) provide three behavioural characteristic that a company should incorporate into its decision making process that will ensure a better orientated organisation, this includes: customer orientation, competitor orientation and inter-departmental coordination. The analysis indicates that the business surveyed adopt a selective approach to market orientation, as most of the business place an emphasis on just the customer. The comments provided by a respondent below further substantiate the finding.

"Market orientation is about understanding the environment, which includes influencing factors, industry players as well as the customers. Most businesses then to just focus on one aspect of the orientation; which is just the customer and neglect the other aspects".

The researcher is of the opinion that the singular approach amongst the business surveyed is attributable to a lack of resources and the systems required to support a holistic market orientation approach. This corresponds with the literature provided by Kohli et al. (1993) that resources, which includes money, managerial skill and time often hinders the implementation of orientation in businesses. Hence, family businesses are no different.

Customer centricity and complaints

Based on the analysis of responses, 90 per cent of respondents (5 and above rating) indicated that their business has a high level of customer centricity. This finding is further supported by 66 per cent of respondents, who agreed (5 and above rating) that their business does encourage customers to complain. Interestingly, only 33 per cent of respondents indicated that their business has a formal customer complains policy, which is contradictory.

Hence, these finding suggests that although the surveyed businesses adopt practices that support customer centricity, however such practices are not formally documented in the business. The lack of an established formal process regarding customers relates to governance. Family businesses, particularly the younger business, lack good governance. However, this improves as the business becomes more institutionalised.

Competitive factors and environmental scanning

Seventy-three per cent of respondents (5 and above rating) indicated that their business conducts some sort of competitive and industry analysis when formulating their business strategy. However, despite this high citation, only 43 per cent of respondents agreed that the decision taken within the business is informed by the results of the analysis. This finding may be interpreted that the businesses surveyed do not fully adopt the competitive aspects of market orientation.

This finding supports the quantitative examination by Zachary et al (2011), who found that family businesses have a lower market orientation than non-family businesses.

Furthermore, they are conventional to respond to competition in the market place (Zahra et al., 2008).

Quantitative Methodology

Algorithmic ranking test

In order to further test the findings from the content analysis, an algorithmic ranking test was conducted on the survey data. Table 7 (on page 49) depicts the highest market orientation factor ranked by respondents. The result indicates that customer centricity is the factor with the highest mean, thus indicating that is the most important factor, as perceived by respondents. This supports the findings from the content analysis conducted.

Summary

In summary, the results from both methodologies are consistent, as they suggest that the businesses surveyed have a high orientation towards their customers. This substantiates the literature provided by Tokarczyk et al (2007) and Cooper et al (2005) that family businesses cultivate deep relationships with customers. Conversely, the combined analysis also suggests that family businesses have a neutral to low competitor orientation as well as inter-departmental coordination, which appears to be consistent with other literature.

5.4.2 Proposition Two: Customer Retention

The following propositions identified in literature were put forward in this study.

4. South African family businesses cultivate long term relationship with customers.
5. South African family businesses have a high customer retention rate.

Table 8 (on page 50) depicts the rating averages in response to the customer retention questions and in so doing, investigates the above propositions.

Qualitative Methodology

The analysis suggests that the retention of customers is a key component, amongst the surveyed businesses. Family business, in particular the younger businesses (i.e. below 2nd generation) rely on retention strategies to survive. Often such businesses are founded with a small segment of customers that contribute significantly to the profitability of the business. Hence, the culture of retention is built into the DNA of the business at the start-up phase of the business, which carries through to its maturity. The comments provided by a respondent below further substantiate the finding.

"Every business, including family businesses should strive to retain a healthy ratio of their customer base. In our organisation we strive to retain 40% of existing customers, as they contributed 80% of the business's total revenue. Customer retention also creates an annuity income that becomes the foundation for the business".

The comment emphasizes the focus on retention and how it creates value for the business in the long term. This finding is supported by the literature suggested by Ang and Butter (2006) which states that customer churn is a major value destroyer in an organization and the key towards preventing it, is to avoid the attrition of the right customers by establishing a long term relationships with them.

Customer commitment

Based on the analysis of the responses, 96 per cent of respondents (5 and above rating) indicated that their business maintains a long term relationships with their customers. In certain cases the length of the relationship spans over 10 years. Furthermore, 86 per cent of respondents (5 and above rating) indicated that their business has a high level of commitment to customers. This finding is supported by the medium to high allocation of managerial time towards making decisions on customer relationship, as illustrated in Figure 8 (on page 52). This indicates that the culture of commitment towards the customer translates into how managers in the surveyed businesses spend their time.

Customer retention

Ninety-six per cent of respondents (5 and above rating) agreed that customer retention is a critical component of their business strategy. This is consistent with the average customer retention rate amongst the surveyed businesses of 75 per cent. With regard to the allocation of marketing resources between attracting and retaining existing customers, the analysis indicates that 77 per cent of the marketing budget of the businesses surveyed is spent on retaining versus attracting. Some of the common strategic levers utilised for retention, as stated by respondents includes:

- Relationship pricing;
- High service and product quality; and
- Personalised interactions.

Interestingly, only 33 per cent of respondents indicated that their business has a formal customer complaints policy. The researcher is of the opinion that this low percentage may be attributable to the size and organisational maturity of the businesses.

Customer value creation

Ninety-six per cent of respondents (5 and above rating) agreed that their business is continuously looking for ways to create customer value in the products and services that they provide to customers. Respondents also "*indicated that continuous value creation is achieved through various factors, depending on the nature of the business"*. However, the following are important ingredients for value creation:

- An intimate understanding of customers and their needs. This not only involves satisfying the present needs of the customer but also anticipating what the future needs will be.
- Product and service innovation, as a service provider must continuous improve on the value delivered to customers.
- A proactive relationship management approach with customers.

Quantitative Methodology

Algorithmic ranking test

In order to further test the findings from the content analysis, an algorithmic ranking test was conducted on the survey data. Table 9 (on page 53) depicts the highest customer retention factor ranked by respondents. The result indicates that the retention of customers being a critical component of the business strategy is the factor with the highest mean, thus indicating that this is the most important factor, as perceived by respondents. This supports the findings from the content analysis conducted.

Furthermore, the high evidence of commitment towards customers and retention of customers through value creation, amongst the surveyed business, suggests that such businesses believe in the principles presented by Kotler et al (2009) that it is more expensive to attract new customers than it is to retain existing customers. Hence, retention creates value whilst customer churn destroys organisational value.

Summary

In summary, the results from both methodologies are consistent: they suggest that the businesses surveyed have a high retention of their customers. This supports the literature provided by Tokarczyk et al. (2007) and Cooper et al. (2005) that family business cultivate deep relationships with customers. This customer centric culture translates into a high level of commitment that the surveyed business exhibit towards customers.

Great emphasis is being placed on retention because it is perceived that it creates value for the business in the long term.

5.4.3 Proposition Three: Customer Satisfaction

The following propositions identified in literature were put forward in section 2.8 of this study.

6. South African family businesses cultivate and maintain good relations with customers.
7. South African family businesses measure the level of satisfaction of their customers.

Table 10 (on page 54) depicts the rating averages in response to the market orientation questions and in so doing, investigates the above propositions.

Qualitative Methodology

"*In order for any organisation to be successful in satisfying its customers, it has to be entrenched in the values and DNA of the organisation. This way it forms part of how the organisation as a whole operates. Secondly, organisations that are successful in satisfying external customers are good at satisfying the needs of internal customers. Internal customers are employees in an organisation who provide services to one another".*

The comment above from a respondent emphasizes two key points, which is firstly the culture of an organisation contributes to the level of satisfaction that customers experience from an organisation. Secondly, culture of satisfaction should be evident in the manner that employees interact with each other, in the organisation. By adopting these principles, family businesses are able to distinguish themselves from non-family businesses.

Customer satisfaction

Based on the analysis of responses, 94 per cent of respondents (5 and above rating) agreed with the definition of quality, suggested in the questionnaire, which is 'quality is the extent to which our customers are satisfied with our products and services'. Some respondents even stated that "*service and product quality should be the cornerstone of any customer retention strategy*". Aligned with this definition, 97 per cent of respondents (5 and above rating) perceived the level of customer satisfaction on the products and services that their business provides is high. This finding is further supported by the following:

- The high level of repeat purchases made by existing customers of the surveyed businesses (as 97 per cent of respondents assigned a 5 and above rating, when asked the question).

- The high referral rate of new clients made by existing customers in the surveyed business (as 97 per cent of respondents assigned a 5 and above rating, when asked the question).

Hence, collectively these findings suggest that the level of customer satisfaction in the business surveyed is high.

Level of satisfaction assessment

Only 46 per cent of respondents (5 and above rating) indicated that their business conducts an assessment on the level of customer satisfaction, at least quarterly. Some respondents stated that "*their assessment is normally conducted, annually"*. Albeit, a low per cent the researcher is of the opinion that this may be attributable to the size and organisational maturity of the businesses surveyed. The low per cent suggest that the surveyed businesses are not proactive enough in meeting the needs of their customers. Conversely, 73 per cent of respondents (5 and above rating) indicated they regularly assess complaints received by customers. This high percentage suggests that the surveyed businesses are proactive during the course of resolving of complaints from customers.

These findings suggest that the businesses surveyed adopt a more reactionary approach, when assessing issues that influence customer satisfaction and only become more proactive during the course of resolving complaints. The researcher is of the opinion that such an approach could hinder their ability to retain customers in the long run.

Quantitative Methodology

Algorithmic ranking test

In order to further test the findings from the content analysis, an algorithmic ranking test was conducted on the survey data. Table 11 (on page 55) depicts the highest customer satisfaction factor ranked by respondents. The result indicates that the level of repeat purchases made by existing customers is the factor with the highest mean, thus indicating that it is the most important factor, as perceived by respondents. This supports the findings from the content analysis conducted.

Summary

In summary, the results from both methodologies are consistent; they suggest that the customer satisfaction level amongst the businesses surveyed is high. This supports the literature provided by Tokarczyk et al. (2007) and Cooper et al (2005) that family businesses cultivate deep relationships with customers. Conversely, the combined results in this section, also suggests that family businesses are reactive in managing the relationship with customers. A more proactive approach is predominantly adopted during the process of resolving a complaint. In order words, outside of a situation that involves a complaint by a customer, family businesses are reactive when managing the relationship with customers.

5.4.4 Proposition Four: Employee Relations

The following propositions identified in literature were put forward in section 2.8 of this study.

8. South African family businesses cultivate good relations with their employees.
9. South African family businesses have a long standing relationship with their employees.
10. South African family businesses cultivate multiple levels of relationship with their employees; this includes both professional and personal bonds.

Table 12 (on page 56) depicts the rating averages in response to the employee relationship questions and in so doing, investigates the above propositions.

Quantitative Methodology

According to Zachary et al. (2011), family business typically cultivates and nurtures long-standing relationship with employees that spans across multiple generations. The analysis indicates that the businesses surveyed value the contributions that employees make to the business. In addition, the relationship between the two is often viewed as a beneficial partnership. The comments provided by respondents below further substantiate the finding.

"Next to the family, our employees are the next important stakeholder. In fact in certain situations the needs of the employees supersede those of the shareholder".

"Our employees are family, some have been with the organisation since its inception and they have a better institutional memory about the business. This characteristic is important for transferring knowledge to new family members, who join the company".

The comments suggest that a family relationship is often established with employees, particularly those that have employed by the business, for long time. Furthermore, in a family business, employees are regarded just as important as shareholders.

Length of relationship

Based on the frequency counts of responses, 97 per cent of respondents (5 and above rating) indicated that their business, generally has long standing relationship with its employees. This finding is further supported by the following:

- The average employee turnover ratio for the businesses surveyed is 20 per cent. Further analysis indicates the turnover ratio for the large-sized businesses surveyed was generally lower than those of the small and medium-sized businesses.
- The total average employment period for full-time employees amongst the businesses surveyed is 9 years.

Hence, collectively these findings suggest that the businesses surveyed maintain a long-term relationship with their employees. According to Gummesson (2002), a good indicator of an organisation's relationship with customers can be determined by the health of the relationship that it has with its employees. Furthermore, a good employee relationship is an antecedent for customer satisfaction.

Multiple levels of relationship

Seventy-three per cent of respondent (5 and above rating) indicated that their business develops both professional and social relationships with its employees. According to a respondent, "*this approach enables the business to foster a stronger bond with its employees*". Furthermore, 53 per cent of respondents indicated that the culture of the organisation supports establishing multiple levels of relationship with employees. This finding is also consistent with 77 per cent of respondents (5 and above rating), who agreed that employees are regarded as an extension of the family. The multiple levels of relationship ensure that there is commitment between the business and its employees. This often motivates both parties to strive for a high customer service.

The ability of family businesses to develop deep social capital with employees is a competitive advantage that family businesses have over non-family business.

Employee communication

George (1990) claims that an effective internal marketing program is a perquisite for a successful marketing strategy with external stakeholders. Findings from the surveyed businesses does not support this claim as only 30 per cent of respondents indicated that their business has a formal internal marketing programme that provides information to all employees. Further analysis indicates a formal programme was more prevalent with the larger size of businesses surveyed, whilst, the smaller businesses rely more on informal programmes to communicate with employees. However, despite not having a formal programme, 60 per cent of respondents indicated that their business communicates with employees on a daily to monthly basis as illustrated in Figure 9 (on page 58).

Quantitative Methodology

Algorithmic ranking test

In order to further test the findings from the content analysis, an algorithmic ranking test was conducted on the survey data. Table 13 (on page 59) depicts the highest employee relationship factor ranked by respondents. The result indicates that the long length of employee relationship is the factor with the highest mean, thus indicating that is the most important factor, as perceived by respondents. This supports the findings from the content analysis conducted.

Summary

In summary the results from both methodologies are consistent; they suggest that employee relationship amongst the surveyed family businesses is good. This supports the literature provided by Zachary et al. (2011) and Dyer (2006) that family business cultivates deep relationships with employees. However, the lack of a formal internal marketing programme appears to be consistent with the literature provided by Habbershon and Williams (1999) that such businesses may not be very inclusive, when making decisions in the business.

Further practical observation indicates that older family businesses (i.e. beyond 3rd generation) have more formal internal marketing programs established in the business. This is because at this stage of its evolution, the business is different to when it was founded. It may still have some family business characteristics but it has transformed into a hybrid of both family business and a professional institution.

5.5 Other findings of Relationship Marketing

Table 14 (on page 60) presents other characteristics of relationship marketing, identified by respondents but was not necessarily raised in literature.

Respondents highlighted that the corner stone of any relationship marketing strategy should be a good understanding of customer needs. A respondent stated that "*too often businesses are not close enough to their customers, this leads to unmet expectations in the service or products that they deliver*". Hence, a good understanding is required on both the short-term as well as the long-term needs of customers. This ensures that there is continuous improvement on what is delivered to the customer.

Subsequent to obtaining a strategic understanding on the needs of the customer, respondents indicated that the insight should lead to the tailoring of engagements with the customer. This is particularly important in the context of relationship marketing. Some respondents stated that the "*use of customer relationship management (CRM) tools have better enabled their business to personalise their marketing to customers*". Therefore, this leads to a high level of customer satisfaction from the products and services that their business provides.

5.6 Summary

This chapter analysed the empirical data from respondents, presented in chapter 4. The results of the analysis were discussed in the context of the relationship marketing propositions presented in Chapter 2.

After careful consideration of the analysis, the following is a summary of the findings:

- According to the developmental cycle (explained in section 2.4, of study), the majority of the businesses surveyed are currently between the early proactive marketing and the integrated proactive stages of the marketing cycle.
- The definition of relationship marketing utilised by respondents, is consistent with the definitions in literature.
- With regard to customer orientation, results from both methodologies utilised in the study indicates that the businesses surveyed have a high orientation towards satisfying and retaining customers.
- With regards to employee relationships, results from both methodologies utilised in the study, indicate that such relationships amongst the surveyed businesses are good.

6 CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

According to the Department of Trade and Industry (DTI) (2004), it is estimated that there is a total of 1.42 million active businesses in South Africa, 84 per cent of which are classified as 'family businesses'. Internationally, family businesses account for 70 per cent of all international businesses and 35 per cent of Fortune 500 companies (Balshaw, 2004). Despite their economic importance, family businesses still find marketing to be a challenge.

Relationships are at the heart of family businesses (Petzinger, 1999; Cooper et al., 2005). This is because the fundamental DNA of a family business is based on a symbiotic relationship between the family and the business. Families, by virtue of their DNA, cultivate deep relationships with people, which include customers, suppliers and even competitors. Hence, in a family business context, these values are transferred into business by the associated family. This relational approach is often utilised in the marketing strategies that they adopt.

The purpose of this study is to investigate some of the characteristics of relationship marketing that exist in South African family businesses. In order to achieve this objective a range of propositions were presented and investigated with respondents from various South African family businesses.

The chapter summarises the results of the propositions investigated. These findings are then followed by recommendations which are centred on the insights obtained from interaction with the businesses surveyed. The chapter closes by listing areas for further research.

6.2 Strength of Support for Proposition One: South African family businesses have a low market orientation

With regards to proposition one, the study found the following:

- The businesses surveyed have a high orientation towards their customers. This supports the literature provided by Tokarczyk et al. (2007) and Cooper et al (2005) that family businesses cultivate deep relationships with customers.
- The businesses surveyed had a low competitor orientation as well as inter-departmental co-ordination, which appear to be consistent with the literature provided by Zachary et al. (2011) and Short et al. (2008).

Hence, based on the combined findings, there was no substantial evidence from the study to disqualify proposition one, therefore suggesting that despite their high orientation towards customers, in general, South African family businesses may have a low market orientation.

6.3 Strength of Support for Proposition Two: South African family business have a high retention of their customers

The study found substantial support for this proposition from respondents. This conclusion was deduced from the following:

Amongst the businesses surveyed, there was evidence of a high level of commitment towards their customers. This evidence was inferred from 96 per cent of the surveyed businesses that maintained a long term relationship with their customers. Furthermore, 86 per cent of the surveyed businesses had high level of commitment towards their customers. This commitment was reflected in the process of continuous value creation, through the products and services that they provide to customers.

In addition there was evidence of a high level of customer retention amongst the businesses surveyed. This evidence was inferred from the average customer retention rate amongst the surveyed businesses of 75 per cent and the 77 per cent allocation of their marketing resources towards retaining versus attracting customers.

This finding is consistent with several literatures which state that relationships are at the heart of family businesses and they cultivate deep relationships with customers (Copper et al. 2005; Tokarczyk et al. 2007; Ward 1988).

6.4 Strength of Support for Proposition Three: South African family businesses have a high customer satisfaction levels

With regards to proposition three, the study found the following:

- The businesses surveyed had a high level of repeat purchases by existing customers. Furthermore, the study found a high level of referrals made by existing customers to prospective customers. Hence, from these findings it may be inferred that there is a high level of satisfaction amongst their customers.
- A few of the businesses surveyed had a formal customer complaints policy and conduct a formal assessment on the level of customer satisfaction, at least quarterly. Therefore, the combination of delayed assessment on satisfaction levels as well as the lack of a complaints policy, suggests that family businesses maybe reactive in managing relationship with customers.

Hence, based on the combined findings, the study found a fair amount of support for this proposition, therefore suggesting that although South African family businesses, in general possess a high level of customer satisfaction. However, this can vary depending on the business. In other words, certain businesses operating in one sector may have a different level of customer satisfaction than other family businesses operating in another sector.

6.5 Strength of Support for Proposition Four: South African family business have a good employee relations

The study found substantial support for this proposition from respondents, as there was a healthy relationship between business surveyed and their employees. This conclusion was deduced from the following:

Amongst the surveyed business there was evidence of a long standing relationship with employees. This evidence was inferred from 97 per cent of the surveyed businesses that have a long standing relationship with their employees, which was further, supported by a low employer turnover rate.

There was evidence of both professional and social levels of relationship being developed with employees amongst the surveyed businesses. This evidence was

inferred from the 73 per cent of the surveyed business that adopt such approach with regards to their employees. Furthermore, 53 per cent of the businesses stated that such relational approach was entrenched in the culture of their organisation.

However, there was limited evidence of a formal internal marketing programme that provides information to all employees. This conclusion was reached because only 30 per cent of the surveyed business had formal internal marketing programme that provide information to all employees.

These findings are consistent with several literatures which state that relationships are at the heart family businesses and they cultivate deep relationships with stakeholders involved in the business.

6.6 Recommendations to Management

The contents of this study would assist owners and managers of family businesses, when developing appropriate marketing strategies for their businesses.

The results of the study indicates that family businesses have a high orientation towards their customers but are less proficient regarding competitor orientation and inter-departmental co-ordination. Hence, family businesses should be cognisant that although market orientation deals with the total alignment of a company's business function towards the satisfaction of a consumer need; however, it is not just about customers. For example, a good orientation on competitors enables companies to identify and exploit weaknesses exhibited by competitors, in the market. This, in turn, enables the organisation to meet customer needs and wants better than its competitors. Therefore, it makes sense to adopt a holistic approach when satisfying the needs of customers.

Despite having an organisational culture that is customer centric, the findings from the study indicate that a lot of customer related policies are often not formalised and documented, in family businesses. This shortcoming makes it difficult to make customer related decisions that are consistent and most importantly, aligned with the organisational strategy. Therefore, such misalignment could potentially threaten the sustainability of the business. Hence, it is important to note that as the business transitions into multiple generations of owners, instilling appropriate governance in the business becomes critical for its success.

Family businesses cultivate and maintain a healthy relationship with employees; as such relationships is an antecedent for customer satisfaction. However, family businesses are still perceived be exclusive when making key decisions in the business. This approach limits the ability of nonfamily employees to contribute in the business. This in turn influences their ability to be optimal part-time marketers when managing relationships with customers. Therefore, an ineffective internal marketing programme leads to an unsuccessful marketing strategy with external stakeholders. Family businesses should strive towards formalising their communication to all employees and in so doing, create an environment of inclusiveness.

Lastly, the study highlights that family businesses who currently are adopting relationship marketing strategies are benefiting. As businesses that adopt this approach to marketing benefit from high levels of customer satisfaction, which leads to retention. Furthermore, the more customers that are retained, the more referrals they make. This observation presents an opportunity for those businesses who haven't adopted relationship marketing. Hence, businesses seeking to adopt this approach, should consider the following (Juttner and Wehrli, 1994):

- Knowing the customer well;
- Focus on providing service quality; and
- Developing value-add services.

Having highlighted the importance of relationship marketing in family businesses, there is still a place for other forms of marketing in the overall strategy. Therefore, a combination of marketing strategies (i.e. transactional and relationship marketing) should be considered, in order to create a solution that is appropriate for the business.

6.7 Suggestions for Further Research

The current sample of 30 respondents could be perceived as a limitation. Further research could be conducted on a wider sample of family businesses in a particular sector. In order to obtain in-depth knowledge of the methodologies common to the sector being assessed

This study can be replicated only on certain generations of respondents. It would be interesting to obtain an in-depth knowledge regarding the perceptions of just second- or third-generation respondents.

This study can be replicated only on certain cultural groups in South Africa. It would be interesting to analyse and compare best practices identified by respondents from different cultural groups (i.e. Indian and Jewish cultures).

This exploratory study employed mainly qualitative methods. Further research employing more quantitative techniques could provide valuable insights.

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APPENDIX 1: INTRODUCTORY LETTER & QUESTIONNAIRE

Dear Sir/Madam

MMSM Project Report for Graduate School of Management

I am an MMSM student at the Graduate School of Management, University of Witwatersrand. I am currently undertaking a Project Report in partial fulfilment of requirements for the degree. The School places great emphasis on this type of research, which forms a significant part of the course.

I am investigating Family Business in South Africa and would like to include your family controlled business in my research. This will entail the completion of a questionnaire, which should take no longer than 30 minutes to complete. I have attached a copy of the questionnaire, which can be returned to me via email (R.Eboru@gmail.com) or post.

My project report is titled: **"An investigation into Relationship Marketing in South African Family Businesses".** I understand that some of the information supplied may be of a confidential nature and as such, all information will be dealt with on a strictly confidential basis.

I thank in advance, for your assistance and cooperation with the above request.

Yours Sincerely

Rolland Eboru

Relationship marketing is defined as the type of marketing that focuses on building long term relationships with customers, individually. Some of the key characteristics of relationship marketing include; customer retention, customer satisfaction, and fostering long term relationships with employees. The purpose of this questionnaire is to investigate these characteristics in family businesses in South Africa.

SECTION A

Please complete this section of the questionnaire to aid in the analysis of the results. Responses are confidential.

Name of contact: _____

Name of business: _____

Address: _____

Email Address: _____

Telephone no: _____

Gender: Male _____ Female _____

AGE GROUP

18-24 ☐

25-34 ☐

35-49 ☐

50+ ☐

TITLE/DESIGNATION

CEO/ Managing Director ☐

Marketing Director ☐

Marketing Manager ☐

Other _____

Section 2: Company Demographic information

This section of the questionnaire should be completed in relationship to the company that the respondent is associated with.

1) How many years has the business been in existence? _____

2) Please state the nature of industry the company operates in (e.g. manufacturing, farming)

_____

3) What percentage of the business is owned or controlled by a family? _____

4) Please state the (family) generational stage of the business: (1st, 2nd, 3rd etc.) _____

5) Please indicate the ethnic background of your family: (Black, Asian, white) _____

6) Please provide an indication of the company's turnover

Amounts	
≤ R10m	
R11m – R50m	
R51m – R150m	
R151m – R350m	
R351m – R500m	
R501m – R1bn	
> R1bn	

7) What is the total number of full time employees, employed by the company: ____

SECTION B: Relationship marketing questions

This section assesses the characteristics of relationship marketing in the company.

Please indicate to what extent the does your business firm engage in the following practices, the rating 1 – low to 7 - high: (Please relate each statement to your company as it currently exists.)

I Customer retention questions

	1	2	3	4	5	6	7
1. In our firm, we have a strong commitment to our customers	1	2	3	4	5	6	7
2. This customer commitment, is also reflected in the marketing budget allocated to segment relationship with existing customers	1	2	3	4	5	6	7
3. Our firm on average, has a long standing relationship with its high value customers	1	2	3	4	5	6	7
4. In our firm, a good percentage of our customer base is retained annually	1	2	3	4	5	6	7
5. Retaining customers is an important part of our business strategy	1	2	3	4	5	6	7
6. In our firm, managerial time is spent on discussing and making decisions about customers in meetings	1	2	3	4	5	6	7
7. Our firm would be a lot better off if the sales forces retained more clients	1	2	3	4	5	6	7
8. We are always looking at ways to create customer value in our product	1	2	3	4	5	6	7

II Customer satisfaction questions

9. We assess the compliants received from our customers on a regular basis	1	2	3	4	5	6	7
10. We define quality as an extent to which our customers are satisfied with our products	1	2	3	4	5	6	7
11. The current level of customer satisfaction for our products and service is	1	2	3	4	5	6	7
12. In our firm, new customers are continously referred to us by existing customers	1	2	3	4	5	6	7
13. The level of repeat purchases by existing customers in our firm is	1	2	3	4	5	6	7
14. Our firm assesses/measures the level satisfaction of our customers, at least once every three months	1	2	3	4	5	6	7

III Employee relationship questions

15. In our firm, we have long standing relationships with employees	1	2	3	4	5	6	7
16. In our firm, we encouraged to develop both social and professional levels of relationships with employees	1	2	3	4	5	6	7
17. Our employees are regarded as an extension of the family	1	2	3	4	5	6	7
18. In our firm, we interact with family members of our employees	1	2	3	4	5	6	7
19. In our firm, we actively seek to develop both social and professional employee relationship	1	2	3	4	5	6	7
20. In our firm, we regard employees as our best asset	1	2	3	4	5	6	7

III Market orientation, general questions

1. we encourage customers' comments and compliants because they help us do a better job	1	2	3	4	5	6	7
2. Customer centricity is an important aspect in our organisational strategy	1	2	3	4	5	6	7
3. We take into consideration competitive factors, when developing our strategy	1	2	3	4	5	6	7
4. In our firm, we frequently monitor environmental factors influencing the industry, we operate in	1	2	3	4	5	6	7
5. Decisions taken within our firm, are informed by environmental factors	1	2	3	4	5	6	7
6. In our firm, the level of inter-departmental coordination is	1	2	3	4	5	6	7

SECTION C: Other customer retention questions

This section aims to clarify customer retention strategies that may have not been covered by questions in section B, which the respondent may feel is important.

1) What is the company's annual marketing budget and what percentage is spent on attracting new customers? _____

- If relevant factor is mentioned
    - Prompt (the intention of the researcher will be to ascertain how retention is being conducted and its contribution to the business)

2) What is the total number of customers in the company? _____

3) What percentage of the above customer based is retained annually? _____

4) How much of managerial time is spent on discussing and making decisions about customer relationships in company meetings? (high, medium or low) _____

- If relevant factor is mentioned
    - Prompt (the intention of the researcher will be to ascertain how much resources is dedicated to retaining customers)

SECTION D: Other customer satisfaction questions

This section aims to clarify customer satisfaction strategies that may have not been covered by questions in section B, which the respondent may feel is important.

1) How satisfied are customers to the company's products & services? _____

- If relevant factor is mentioned
    - Prompt (the intention of the researcher will be to ascertain how the respondent derives the conclusion)

4) How many of the company's employees are directly involved in servicing customers? _____

5) Does the company have a customer compliant handling policy? _____, if answered yes, then how many complaints is received on annual basis? _____

- If relevant factor is mentioned
    - Prompt (the intention of the researcher will be to ascertain whether the company measures satisfaction and to what extent that it is dedicated towards resolving complaints)

SECTION E: Other employee satisfaction questions

This section aims to clarify employee satisfaction strategies that may have not been covered by questions in section B, which the respondent may feel is important.

1) How long (on average) do full-time employees stay with the company? _____, are they generally satisfied? ____

- If relevant factor is mentioned
    - Prompt (the intention of the researcher will be to ascertain how the respondent derives the conclusion)

3) Does the company have a formal internal marketing program that provides communication to its employees? (Y/N) ____

4) How frequently is information regarding the business communicated to all employees? ____

- If relevant factor is mentioned

- Prompt (the intention of the researcher will be to ascertain how internal communication is conducted in firm)

SECTION F: General Questions

This section relates to other characteristics of relationship marketing that have not been covered by questions in section B, which the respondent may feel is important.

1) What marketing strategies does your business adopt?

- If relevant factor is mentioned
    - Prompt (the intention of the researcher will be to ascertain how marketing is being conducted and its contribution to the business)

2) Based on your perspective, how do you define relationship marketing?

- If relevant factors are mentioned
    - Prompt (the intention of the researcher is to fully understand how the respondents perceives relationship marketing to be)

3) What characteristics of relationship marketing does your business adopt?

- If relevant factor is mentioned
    - Prompt (the intention of the researcher will be to ascertain how relationship marketing is being conducted in the business)

APPENDIX 2: SAMPLE LIST OF CODES AND DEFINITIONS

Codes Type	Codes	Definitions
Master code	TM	Trade Marketing
Sub-code	TM – E	Exhibitions, Trade shows, Conferences, product demonstrations
Sub-code	TM – A	Account management, client servicing, after sales-service
Master code	WM	Word – of – mouth Marketing
Sub-code	WM – C	Client referrals, social networking
Master code	DM	Direct Marketing
Sub-code	DM – D	Client presentations, D2C promotions
Master code	DigM	Digital Marketing
Sub-code	DigM – 1	Online, social media, internet
Sub-code	DigM – 2	Mobile advertising, In store screens
Master code	LT	Long term Relationship
Sub-code	LT - customer	Cultivating long term relationship with customers Preserving sustainable relationship with customers

		Fostering long term relationships with clients Long term customer partnership
Sub-code	LT-stakeholder	Building relationships with stakeholders Mutual beneficial relationship with employees
Master code	RM	Relationship Marketing
Sub-code	RM – need	Understanding the needs of the customer Know your customer (KYC) Better understand the client
Sub-code	RM - personal	Personalised interactions Face-to-Face engagements Tailored client reporting and feedback
Sub-code	RM - satisfaction	Consistent satisfaction of customer needs Ensuring high levels of client satisfaction Keeping clients happy with service rendered Meeting and exceeding expectations
Sub-code	RM - retention	Maintaining existing clients Defending your client portfolio Managing current relationships

APPENDIX 3: CONSISTENCY MATRIX

Propositions	**Source of Theory**	**Source of Data**	**Data Analysis Method**
Proposition 1: South African family businesses have a low market orientation	Family businesses exhibit lower market orientation than non-family businesses, this is according to a quantitative examination by Zachary et al. (2011).	Questionnaire, section B	Content analysis Distribution fitting algorithm
Proposition 2: South African family businesses have a high customer retention rate *Proposition 3: South African family businesses have a high customer satisfaction levels*	This argument is supported by Tokarczyk et al. (2007) and Cooper et al. (2005), who found empirical evidence that further supports customer orientation as a major theme amongst family businesses. Families, by virtue of their DNA, cultivate deep relationships with people, which include customers, suppliers and even competitors.	Questionnaire, section B, C & D	Content analysis Distribution fitting algorithm

Proposition 4: South African family businesses have good employee relations	With regards to employee relationships, Dyer (2006) suggests that family business may have advantages in developing social capital with different stakeholders which include employees, than nonfamily businesses. Family businesses typically cultivate and nurture long-standing relationships with employees across generations (Zachary et al. 2011).	Questionnaire, section B &E	Content analysis Distribution fitting algorithm