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Determinants of successful Relationship Marketing with Parastatals in South Africa

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

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ABSTRACT

Globalisation is of great concern for manufacturing industries in developing countries. The need to gain and keep a competitive advantage in local markets is becoming a key issue experienced by most manufacturers in South Africa. This is especially true in the Electrical Power Sector of South Africa, when considering products from abroad can be imported for much cheaper than the cost of local manufacturing.

Given this context, this research focuses on understanding determinants that affect relationship marketing with parastatals in South Africa, as a strategy to gain a competitive advantage. Standardised open-ended interviews were conducted with five (5) employees in the procurement department of a parastatal and five (5) employees from a supplier, to explore the determinants that affect relationship marketing with parastatals in South Africa.

The findings of the research suggest that the relationship between a supplier and a parastatal is affected by various determinants. Suppliers seek to do business with parastatals because it is profitable. In order for suppliers to be considered by parastatals to engage in a relationship, they need to comply with government regulations.

Thereafter, determinants that affect the continuation of the relationship are complete customer satisfaction; meeting and exceeding customer expectations; the continuous creation of customer value; willingness to cooperate in achieving the parastatal's objectives; and lastly the supplier's ability to negotiate win-win scenarios if the two parties are experiencing conflict situations.

Although the findings from this research cannot be generalised to all parastatals in South Africa, they do suggest that relationship marketing is a complex phenomenon and many determinants need to be considered in order to be successful.

DECLARATION

I, Gideon Francois Jordaan, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Gideon Francois Jordaan

Signed at Johannesburg

On the 2nd of March 2009

DEDICATION

First of all I would like to dedicate this research to my Saviour, Your invisible guiding Hand still remains an enigma, please accept this humble offering as an effort to multiply my coins.

To my parents, how to say thank you when mere words seem to dilute and fall short of the sacrifice, selfless love, patience, indestructible foundation and support from which I am allowed to catapult myself forward. Please understand the abstract and all encompassing representation of these simple words: from the bottom of my heart I thank you for everything.

To my partner, thanks for sharing me with this effort, your love and support is what maintained me through this challenge, you remain the love of my life. To all those not mentioned, as the poet John Donne said: *"No man is an island, entire of itself ...".* Thank you sincerely.

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CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

South Africa is on a multibillion-rand development drive preparing to host the 2010 FIFA World Cup, for which the government is investing heavily in building or upgrading ten (10) world-class stadiums, and on the energy, transport and telecoms infrastructure needed for this massive event (MediaClub.com, 2008). Competition for companies (local and abroad) to get business from government; are at an all time high. The government's budgeting of a massive R372-billion for upgrading and building new infrastructure over the next three years is set to be a powerful growth driver for South Africa's Infrastructure Developing, Maintenance and Manufacturing Companies (IDMMCs), and its infrastructure spending plans are attracting growing interest from the investment community (MediaClub.com, 2008). This situation pressures companies to pay special attention to the powerful role of relationship marketing in context of doing business with governmental institutions; also referred to as parastatals. Against this background, this research aims to establish and understand the factors that contribute towards successful relationship marketing with parastatals within South Africa. Coupled with these opportunities is a worldwide financial crisis that forces big multinational companies to look at global opportunities to secure their short-term survival.

For these reasons, the purpose of the research is to assist the IDMMC industry in understanding which determinants are deemed most important by parastatals and should therefore receive the most focus and attention. It will also establish a base for South African relationship marketing in the IDMMC industry sector on which there is limited academic research and knowledge available.

Finally, this research will assist IDMMC industries in identifying relationship marketing strategies for parastatals, which is highly competitive, globally.

1.2 Context of the study

Increasingly, a key goal of marketing is to develop deep, enduring relationships with all people or organisations that could directly or indirectly affect the success of a firm's marketing activities (Kotler and Keller, 2006). This has transformed marketing strategies where companies have attempted to engage their suppliers and buyers in long-term relationships with varying degrees of success (Kothandaraman and Wilson, 2000). Wilson (1995) emphasise that the expectations of performance have increased, making the development of a satisfactory relationship even more difficult. Similarly, Bulger (2005:55) explains "in order to deliver on the promise of goods and services offered, relationship marketers must reach and adapt to each customer as an individual".

The ability to retain customers is far cheaper for companies than to attract new ones. Many customers want to be relationship customers to simplify their purchasing decision. The result of increasing customer loyalty can boost employee morale and productivity. Loyal customers serve as excellent salespeople for attracting new customers (Gupta 2007).

However, Barnes (1994:561) purport that "the concept of relationship marketing, while not new, has found ready acceptance in a marketing world where it has become patently obvious that strategic competitive advantage can no longer be delivered (if it ever could) on the basis of core product characteristics and where corporate profitability has been shown to be linked closely with satisfying existing customers".

Finally, companies need to continuously communicate with their customers. This will result in long-term customer relationships continuously purchasing products and services from the offering company, increasing the customer lifetime and reducing the marketing cost of acquiring new customers. In order for companies to gain a competitive advantage they will need to develop a firm understanding of their customers, their needs, their motivations, and their unique situations; so that appropriate relationship strategies can be implemented and customised solutions can be found. It is equally vital to managers who require a better understanding of the relationship between

satisfaction and the duration of the provider-customer relationship to identify specific actions that can increase retention and profitability in the long run (Bolton, 1998). Thus, the relationship between the company and customer needs to be managed carefully while competing companies are trying to attract these very same customers for their own organisations. Bejou *et al.* (2006:196) agrees by stating that "Customer Relationship Management (CRM) is the strategic application of the processes and practices of CRM by firms serving customers, which incorporates relevant differences in business practices, competition, regulatory characteristics, country characteristics, and consumer characteristics to CRM strategies to maximize customer value".

These assertions are forcing organisations to establish sound relationship marketing strategies, as the time and resources spent in attracting new customers and retaining current customers in competitive marketplace are substantial. Additionally, nothing static survives and relationship marketing strategies should adapt to an increasingly changing global economy.

For the purpose of the research, relationships within the relationship marketing paradigm are placed in three categories: business-to-business-; business-to-customer-; and lastly, business-to-government relationships. This research focuses on the latter.

1.2.1 *Background to the study*

The definition of Relationship Marketing, although debated in various sources, can be broadly defined as a marketing activity that aims to build mutually satisfying long-term relationships with key parties – customers, suppliers, distributors, and other marketing partners – in order to earn and retain their business (Kotler and Keller, 2006; Gummesson, 1997; Eriksson and Mattsson, 2002). There is wide agreement that relationship marketing is different from traditional approaches to managing exchanges (Hennig-Thurua and Hansen, 2000). (See table1).

Table 1: Key differences between the concepts of relationship marketing and transactional marketing (Hennig-Thurua and Hansen, 2000)

Criterion	Relationship marketing	Transactional marketing
Primary object	Relationship	Single transaction
General approach	Interaction-related	Action-related
Perspective	Evolutionary-dynamic	Static
Basic orientation	Implementation-oriented	Decision-oriented
Long term vs. Short term	Generally takes a long term perspective	Generally takes a short term perspective
Fundamental strategy	Maintenance of existing relationships	Acquisition of new customers
Focus in decision process	All phases focus on post-sales decisions and actions	Pre-sales activities
Intensity of contact	High	Low
Degree of mutual dependence	Generally high	Generally low
Measurement of customer satisfaction	Managing the customers base (direct approach)	Monitoring market share (indirect approach)
Dominant quality dimension	Quality of interaction	Quality of output
Production of quality	The concern of all	The primary concern of production
Role of internal marketing	Substantial strategic importance	No or limited importance
Importance of employees for business success	High	Low
Production focus	Mass customisation	Mass production

According to Grönroos (2004:99): “Customers do not only look for goods or services, they demand a much more holistic offering including everything from information about how to best and safest use a product to delivering, installing, repairing, maintaining and updating solutions they have bought. And they demand all this, and much more in a friendly, trustworthy and timely manner. Moreover, the core product is less seldom than the elements surrounding the

core reason for dissatisfaction".

Consequentially, success in retaining customers becomes a key determinant in an organisation's ability to achieve long-term competitive advantages. The success of relationship marketing affect and is affected by each episode of interaction (Eriksson and Löfmarck-Vaghult, 2000). The focus of relationship marketing is based on the post sales activities with the view of gaining customer satisfaction, which in return leads to long-term customer retention (Hennig-Thurua and Hansen, 2000). Eriksson and Löfmarck-Vaghult (2000) found that the purchase development of customers increases customer retention, in particular if the customer who purchases more is also satisfied. Thus, the challenge is for organisations to retain customers through the quality of their interaction episodes to ensure complete satisfaction.

The broad public uses infrastructure and their safety is a great concern. The challenge to retain customers is much greater for organisations competing in infrastructure maintenance, manufacturing and development, where the core offering is the ability to provide goods and complete a complicated project (which has numerous logistical and financial complexities) of the highest quality in a limited time. Many things can and will go wrong which puts a lot of pressure on the relationship with the customer.

IDMMCs generate and sell infrastructure development implementations and goods to their customers, by assisting their clients to achieve goals set out by government through the analysis of existing challenges or developing and constructing of new infrastructure. The construction companies' competitive advantage over their rivals lies in the fact that they can leverage their cumulative experience gained from previous projects from which they can develop industry best practises coupled with outsider's perspectives (reputation). Consequently, retaining and partnering with customers is becoming the only competitive differentiator for these organisations.

IDMMCs are no different from any other field of construction. IDMMCs fall under the category of the construction industry, as they are asked by clients to improve, manufacture and maintain infrastructure or to generate completely

new solutions, manage their implementation, and construct these large capital budget projects. A lot of responsibility vests with companies in this industry. The assets used to complete a project are extremely expensive; therefore the need to implement best practises in all aspects of their business is critical to their survival and longevity, part and parcel thereof is the effective management of relationships.

1.2.2 *South African construction sector*

According to Pirie (2007) in the last 20 consecutive quarters the construction industry has been growing at a rate exceeding the South Africa economic growth rate. In the first quarter of 2007 the construction industry grew by 21,3% compared to an average growth of 15,1% in 2006 (The South African Association for Consulting Engineers, 2007). This means that a larger amount of work is available to companies traditionally competing for a limited number of projects, which place the company in the position to increase its market share profitably; if the correct marketing strategy is implemented.

1.2.3 *The South African context*

According to the MediaClub.com (2008) South Africa is on a multibillion-rand development drive to remedy the skewed implementation of infrastructure during the apartheid years, and to meet the demands of a booming economy and growing population. Most of the funding comes from the South African national government. Government has further courted foreign direct investment to lure investors into areas that need infrastructure, and foreign companies often build, own and operate facilities.

Funds will be allocated as follows (MediaClub.com, 2008):

- ESKOM – R84 billion for energy generation, transmission and distribution.
- Transnet – R47-billion for improvements of harbours, ports, railways and a petroleum pipeline.

- The Airports Company of South Africa (Acsa) - R5.2-billion for airport improvement.
- The Dube Trade Port - R19.7-billion for water infrastructure.

Therefore, IDMMCs that compete with each other for projects need to establish how to develop and gain long-term relationships with parastatals, as their source for a sustained income and profits.

1.3 Problem statement

The problem statement in the research can be divided in the main and sub problems.

1.3.1 *Main problem*

The Research Problem is to identify the determinants that affect successful relationship marketing with parastatals in South Africa and to determine the relative importance of these determinants.

The reason for conducting this investigation is to determine whether there are common themes that would lead to successful relationship marketing as to help IDMMCs to understand these elements for the purpose of devising relationship marketing strategies when dealing with parastatals.

1.3.2 *Sub-problems*

The research is broken down into two separate sub-problems:

- The first sub-problem is to determine what determinants influence the successful relationship marketing in South African parastatals responsible for infrastructure development.
- The second sub-problem is to establish the relative importance of theses determinants to the parastatal.

1.4 Significance of the study

The building of strong customer relationships has been suggested as a means for gaining a competitive advantage (McKenna, 1991; Reichheld, 1993; Vavra, 1992). According to Czepiel (1990:19) “strong customer relationships are particularly important because of their inherently interpersonal focus and the relative lack of objective measures for evaluating (service) quality”. Establishing, developing and maintaining successful relational exchanges will be especially important for organisations competing in infrastructure maintenance, manufacturing and development where their main source of income comes from parastatals, which in return can directly affect their growth and development potential.

In order for IDMMCs to develop effective relationship marketing strategies, they need to understand the variables and factors that contribute to the establishment, development and the maintenance of long-term relationships with their customers. The aim of this study is to help IDMMCs to try and become aware of the causes of relationship marketing, institute strategies and to retain customers. Implementing these strategies could result in increased sales, increase profitability and gain greater competitive advantage through its marketing efforts. Thus, this research will assist IDMMCs to gain some practical insight into the relationship issues important to parastatals and will enable the IDMMCs to refine and enhance their relationship strategies accordingly, once the gap in their relational marketing strategies have been identified.

1.5 Delimitations and limitations

1.5.1 *Delimitations*

The research was subjected to the following delimitations:

- The research focused on one Parastatal. The organisation is the largest electrical utility in Africa.

- This research focuses on a IDMMCs (or supplier).
- Five (5) procurement staff at the parastatal was surveyed to determine factors that affect successful relationship marketing.
- Additionally, five (5) employees from a supplier were selected for participation in the survey.
- Lastly, the research did not look at marketing strategies beyond the scope of relationship marketing.

1.5.2 *Limitations*

As defined above limitations are to limit from many therefore the researcher's limitation is subject to a qualitative approach.

A qualitative approach was used to conduct the research. For this reason, the outcomes of the research are based upon the opinions of members of the organisations and the findings of the research are therefore only be applicable to the organisation in question.

Owing to these limitations, they are: the findings from the research cannot be generalised because of possible bias of the data (but as a sample be representative), but it is hoped that organisations facing similar challenges and similar environment will be informed by this research.

1.6 Definition of terms

Table 2: Table of abbreviations

Term	**Meaning**
CRM	Customer Relationship Management
IDMMC	Infrastructure Development and Maintenance Companies
RM	Relationship marketing
Parastatal	A government owned institution

1.7 Assumptions

Allen (1992:65) defines assumption as “the act or instance of assuming”. The assumptions of this research are:

- Sample of people interviewed will answer set questions truthfully
- Procurement is done through the parastatals procurement policy
- Input of parastatals done through interviews is a representative sample of other parastatals.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

In this literature review, the first section deals with the characteristics, nature and benefits of relationship marketing; as well as government markets.

The second section provides an overview of the variables influencing relationship marketing identified in the literature such as customer expectations, drivers of satisfaction, customer loyalty, customer profitability, customer value, customer commitment, conflict resolution, shared values, cooperation, competitive environments and government regulations.

The final section of the literature review deals with specific factors that affect parastatals, such as government regulations; customer value; customer satisfaction; customer expectations; customer profitability; customer loyalty; customer commitment; cooperation; conflict resolution; competitive markets; and lastly, shared values.

2.2. Relationship marketing

2.2.1. Characteristics of relationship marketing

According to Knox *et al.* (1999) the term “Relationship Marketing” was first coined by Berry in the early 1980s, who described it as the gathering, co-ordinating and analysing accurate data on customers, and the development of marketing strategies that personalise the relationship and maximise the benefit to the organisation by focussing greater resources on higher value. They explain that Relationship Marketing’s purpose is to integrate marketing, sales and service functions through business process automation, technological solutions and information resources to maximise each customer contact. Additionally, Kotler and Armstrong (2004) define Relationship Marketing as the

overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. Grönroos (2004) describes relationship marketing as the notion that besides the value of products and/ or services that are exchanged, the existence of a relationship between two parties creates additional value for the customer and also for the supplier or service provider. Grönroos (2004) advocates that an on-going relationship offers the customer security, a feeling of control and a sense of trust, minimized purchasing risks, and the reduced costs of being a customer. Shani and Chalasani (1992:34) define RM as “an integrated effort to identify, build up and maintain a network with individual customers for the mutual benefit of both sides”. Ballantyre *et al.* (1991) write that RM is as much about keeping clients as it is about getting them in the first place. They further explain that the aim is to provide unique value in chosen markets, sustainable over time. Accordingly RM is a strategy where the customer is placed at the centre with the aim of retaining his loyalty, and indirectly motivating him to act as a marketing agent through word of mouth.

The literature indicates that there is an agreement that Relationship Marketing differs from other marketing approaches in that their core focus is on customer retention rather than gaining new customers (Crosby and Stephens, 1987; Reichheld and Sasser, 1990; Heskett *et al.,* 1994; Rust and Oliver, 1994; Sheth, 1996) . According to Gummesson (1997) these old values have not killed the new ones, just pushed them into a corner from which they make recurrent efforts to break out. Crosby and Johnson (2000) echoes these sentiments and claims that Relationship Marketing is necessary due to increased customer choice, changing competitive boundaries and internet competitors; and so modern companies require different marketing strategies to increase their market share.

It is important to distinguish between two types of Relationship Marketing when analyzing the factors that affect successful relationship marketing: Market-based Relationship Marketing and Network-based Relationship Marketing (Moller and Halinen, 2000).

- Market-based RM can be characterised as managing the company's client base, with the major challenge is to treat large customers individually and still profitably. The key managerial concern is the internal procedures of the customer portfolio analyses, using databases and technology to manage customer interface, and restructuring the marketing organisation according to RM thinking (Moller and Halinen, 2000).
- Network-based Relationship Marketing, in contrast, can be briefly described as the management of interdependencies between business actors. There the tasks and challenges of management involve broader and deeper interaction with external partners, both customers and stakeholders. The key questions concern the 'how to' coordinate activities with different actors and how to mobilise and control critical resources through relationships with them. Customer relationships are treated more individually, and are also more complex than in the case of Market-based RM (Moller and Halinen, 2000).

In terms of this research, the focus is on Market-based Relationship Marketing, which for the purposes of this research, is broadly defined as an intentional marketing strategy aimed at facilitating long-term relationships with key customers in order to keep and increase the episodes of purchasing.

Thus, inherently Relationship Marketing is fundamentally different from Traditional Marketing Management in that the customer relationship is the focal unit of interest, where as in Traditional Marketing Approaches the focus is on the transaction (Moller and Halinen, 2000). These customer relationships will allow business to function, profitably and sustainably. McNaughton *et al.* (2001) states that customer relationship management is "a company-wide business strategy to deliver a highly personalised service that exceeds customer expectations and maximises customer life-time value". As with any relationship the success thereof strongly correlates with commitment and trust. Relationship commitment and trust is influenced by relationship termination cost, relationship benefits, shared values, communication and opportunistic behaviour (Morgan and Hunt, 1994). Subsequently, companies need to act in the correct manner

as to create an environment that is conducive to create values such as commitment and trust with their customers. Equally, Herbst (1999) contends that trust is important to relational exchange because relationships characterised by trust are so highly valued that parties desire to commit themselves to such relationships.

Therefore, Relationship Marketing can only be productive or useful if mutual trust and commitment exist between the company and their customers. For this reason, Johns and Perrot (2007) believes a lack of trust often results in inefficient and ineffective performance as the transaction costs (verification, inspections and certifications of their trading partners) mount. Accordingly, companies will need to interact with their customers in an attempt to cement their customer's trust and commitment (a never-ending process), with the aim to create customer satisfaction, which in return will give the company the ability to increase their sales in a way that benefits the organisation and thus stay competitive.

Sorce (2002:2) furthers the argument for customer satisfaction, in that "satisfied customers were shown to defect to other brands or providers at relatively high rates, strategists looked to creating a greater commitment with the customer". Consequently, in context of this study, it is imperative that IDMMCs understand the importance of Relationship Marketing and the need to create customer satisfaction in order to retain them.

Furthermore, it is important to note that from the above definitions it can be positively concluded that Relationship Marketing forms part of the core of any successful marketing strategy that aims to sustain and further their market share. Relationship Marketing is very intense, meticulous strategic approach that needs intuition and correct information to execute successfully. IDMMCs need to apply their intellect and experience to harvest, understand and blend information relevant to their customer that can be acted upon in order to create customer satisfaction, loyalty and commitment.

2.2.2. The nature of relationships in business

Kotler and Keller (2006) argue that in many cases the company is not seeking an immediate sale, but rather to build a long-term supplier-customer relationship. The traditional marketing approach is largely transaction orientated because their purpose is to close a specific sale (Kotler and Keller, 2006). Gupta (2007) argues that there exist various types of firm-customer relationships. For starters, a latent relationship always exists and either the firm or the customer or both may want to activate that relationship or choose not to do so (Gupta, 2007). Activated relationships may have the intent to either be transactional or relational (Gupta, 2007). Gupta (2007) further states that the issue is not whether there are a relational strategy but if it is a relationship strategy or transactional strategy. Relational intent may have either a passive mode or an active mode, this doesn't affect the relationship but the transaction suffers as a result thereof. He illustrates goal of relationship marketing as per table 3:

Table 3: Firm-customer relationship (Gupta, 2007)

		Firm's Effort Based on		
		Active relational intent	Passive relational intent	Transactional mode
Customer or User	Active relational intent	1	4	7
	Passive relational intent	2	5	8
	Transactional mode	3	6	9

According to table 3, segment nine (9) illustrates what happens if both the customer and the firm's intention are purely based on a transactional mode. In this mode the customer is just the value of goods and services received (Gupta, 2007). The transactional marketing triangle can be illustrated as follows:

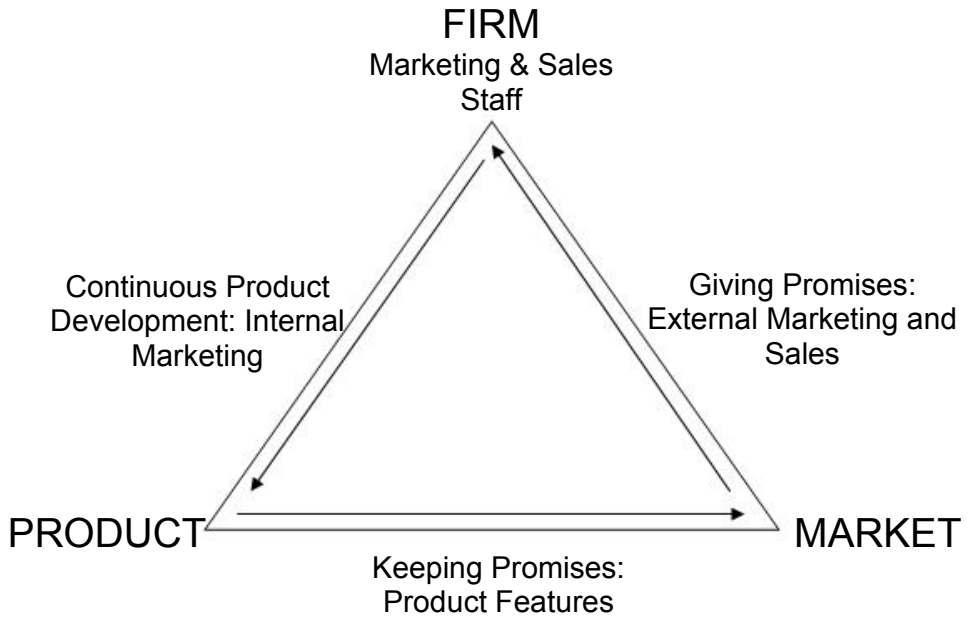


Figure 1: Transactional marketing angle (Gupta, 2007)

Relationship marketing's goal however is that of relational intent as illustrated by segment one (1) in table 3. The customer value added through the relationship becomes the new core. Customer's value is perceived by (Gupta, 2007):

- The physical product. This includes all the tangibles such as the design, features, performance, reliability, conformance, durability, operating costs, serviceability and aesthetics.
- Service. This includes the assurance of financing, ordering, delivery,

installation, training and consulting, after sales service, guarantees and operational support.

- Personnel. This includes empathy, reliability, responsiveness, initiation, trust, courtesy and communication.
- Image. The associations made with the company and the credibility of their offering.

In return, Customer's value will affect the loyalty towards the company; propensity of customers to switch to another company; willingness to pay a premium price and the likelihood of complaining externally when problems arise (Gupta, 2007). Figure 2, illustrates the relational marketing triangle:

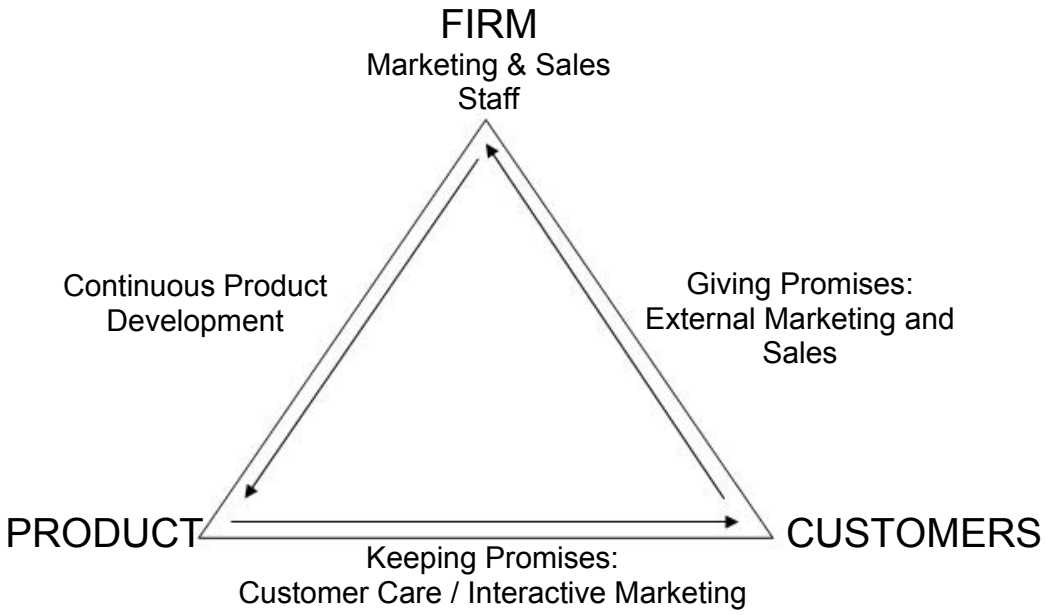


Figure 2: Relational Marketing Triangle (Gupta, 2007)

For the purpose of this study, the researcher aim to determine the factors that affect or inhibit both the customer and the IDMMC in reaching an active relational intent as well as the successful implementation thereof.

2.2.3. The benefits of relationship marketing

With increasing worldwide competitive conditions which are taking the form of hyper-competition in a growing number of markets (D'Aveni, 1994), are enhancing the firms' attention towards their customer's behaviour, in order to manage and reinforce market relationships. Couple this with the invention of the internet, and the general population access to information; the result is a more informed buyer that has greater expectations from their suppliers than ever before. More choices exist when purchasing a product or service, with fairly little distinction between the quality and price of products on offering. It therefore becomes increasingly important to have alternative means of adding value besides product and price strategies. One strategic factor that can be used to create perceived value is that of relationships between companies and their customers. Parvatiyar and Sheth (1992) suggest that alliances and partnering arrangements are formed either for strategic or operational purposes. According to (Naidu *et al.*, 2000:210) "... strategic purpose alliances strive to improve the effectiveness of the organisation by providing entry into new markets, help develop successful new products, improve the market position, and help in achieving rapid acceptance of new marketing programs by its customers. These in turn should increase customer loyalty and further improve the market position of a (company)... Operative purpose alliances are aimed at increasing marketing and organisational efficiency of the (company) by reducing operating and developmental costs, reduce cycle time for introducing new and innovative products, achieve quality benchmarks, increase productivity and improve the (company's) operating processes, etc..." With this paradigm shift the importance of two-way relationships becomes key, with continuous feedback from clients as to what their needs are, how the company can satisfy these needs and what improvements can be made with regards to their value offering.

Gwinner, *et al.* (1998) concludes that building a strong, loyal customer base is increasingly the focus of many businesses as they see the tremendous bottom-line value of doing so. While Reichheld (1993) showed a dramatic increase in

profits from small increases in customer retention rates; his studies showed that as little as a 5% increase in retention had impacts as high as 95% on the net present value delivered by customers with a low of 35%. Other studies done by consultants such as McKinsey have shown that repeat customers generate over twice as much gross income than new customers (Winer, 2001). Sawhney *et al.* (2004) states that realising the increasing importance of customer orientation, companies from all types of industries, ranging from manufacturing to information, are exploring relationship building as a promising means of differentiation, competition, and revenue growth opportunities.

The core of relationship marketing is that it should create mutually beneficial associations. A study on the benefits of Relationship Marketing for the customer was done by Gwinner *et al.* (1998) and they concluded that relationship marketing has four unique benefits: social, psychological, economic, and customisation benefits.

- Social Benefits. Several respondents reported that customers receive social benefits as a result of having developed a relationship with a particular provider. That is, in addition to the benefits received in the delivery of the core service, a kind of fraternization often occurs between customers and employees (Gwinner *et al.*, 1998).
- Psychological Benefits. A second set of relational benefits reported by respondents can be described as psychological benefits. Respondents indicate that there is often a comfort or feeling of security in having developed a relationship with a provider. This feeling of reduced anxiety, trust, and confidence in the provider appear to develop over time and only after a relationship has been established between the customer and the organisation (Gwinner *et al.*, 1998).
- Economic Benefits. A third category of relational benefits emerging from the data analysis involves economic considerations. One type of economic benefit relates to discounts or price breaks for those customers who have developed a relationship with an organisation. In addition to monetary benefits, a nonmonetary timesavings benefit was identified. A different type of timesavings can also occur as the result of developing a

relationship with a particular provider—time is saved in searching for another provider (Gwinner *et al.*, 1998).

- Customisation Benefits. The final category of relational benefits identified relates to customisation of the service offering. That is, for their regular customers many service providers may tailor their service to meet particular needs. In some cases this may be perceived by customers as preferential treatment (Gwinner *et al.*, 1998).

It is important to note that from that relationship marketing are indeed applicable to IDMMCs. They are highly specialised company's whose main source of income relies on their ability to win contracts from parastatals. To gain and retain these contracts they need to have good relationships with their customers, parastatals.

2.2.4. Government Markets

The factors discussed below are generic factors that mostly affect relationship marketing in Consumer-, Business- and Global Markets. Kotler and Keller (2006:230) state "there are few differences between the buying behaviour of profit-seeking companies and government institutions". Due to the limited research on relationship marketing with Governmental Institutions, these generic factors need to be used as guidelines to determine what factors affect successful relationship marketing with parastatals in South Africa.

Kotler and Keller (2006:12) argue, "Government purchasing is done through bids, with the lowest bid being favoured, in absence of extenuating factors". As will be discussed in Paragraph 2.3.12, parastatals in South Africa have extenuating factors that need consideration; such as government regulation in the form of employment equity and BBBEE.

Kotler and Keller (2006) further discuss that government organisations are major buyers of goods and services. Most of the time parastatals award contracts to lowest bidder, but in some cases they make allowance for superior quality or a company's reputation for completing contracts (Kotler and Keller,

2006).

All spending decisions are subject to public review, and therefore selling to government is characterised by a lot more administrative effort than selling to other markets, bureaucracy, regulations, decision-making delays and red-tape (Kotler and Keller, 2006).

2.3. Factors influencing Relationship Marketing

2.3.1. Introduction

Diverse factors influence Relationship Marketing. Gummesson (1995) claims that customers do not buy goods and services; they buy offerings that render services that create value. As the economic environment has changed, so have the marketing theories of customer motivation and satisfaction. The main elements of the concept have been illustrated by several authors through a comparison of relationship marketing with the competitive concept of transactional marketing (Hennig-Thurua and Hansen, 2000). Diller (2000) has identified seven key principles of relationship marketing; individualisation, information, investment, interactivity, integration, intention, and selectivity. These in turn influence the customer's decision to purchase or switch suppliers. Accordingly, Kotler and Keller (2006) claim the development of strong relationships requires an understanding of the capabilities and resources of different groups, as well as their needs, goals and desires. Some of these factors are primarily under the influence of the organisation, whereas others are determined and influenced by the external environment in which they operate and are under the control of customer expectations, drivers of satisfaction, loyalty, profitability, customer value, differences in the competitive environments, technological infrastructure and political systems (Ramaseshan *et al.*, 2006).

Likewise, in their study of 173 females and 163 males in diverse industries

Gremler *et al.* (2002) identified a number of factors that affect relationship marketing to consumers. They argue that the constructs of customer satisfaction, commitment, and trust as dimensions of relationship quality influence customer loyalty, either directly or indirectly. In addition, the authors argue the special relevance social benefits have, above and beyond the technical quality of the service, in influencing relationship marketing outcomes (Gremler *et al.,* 2002).

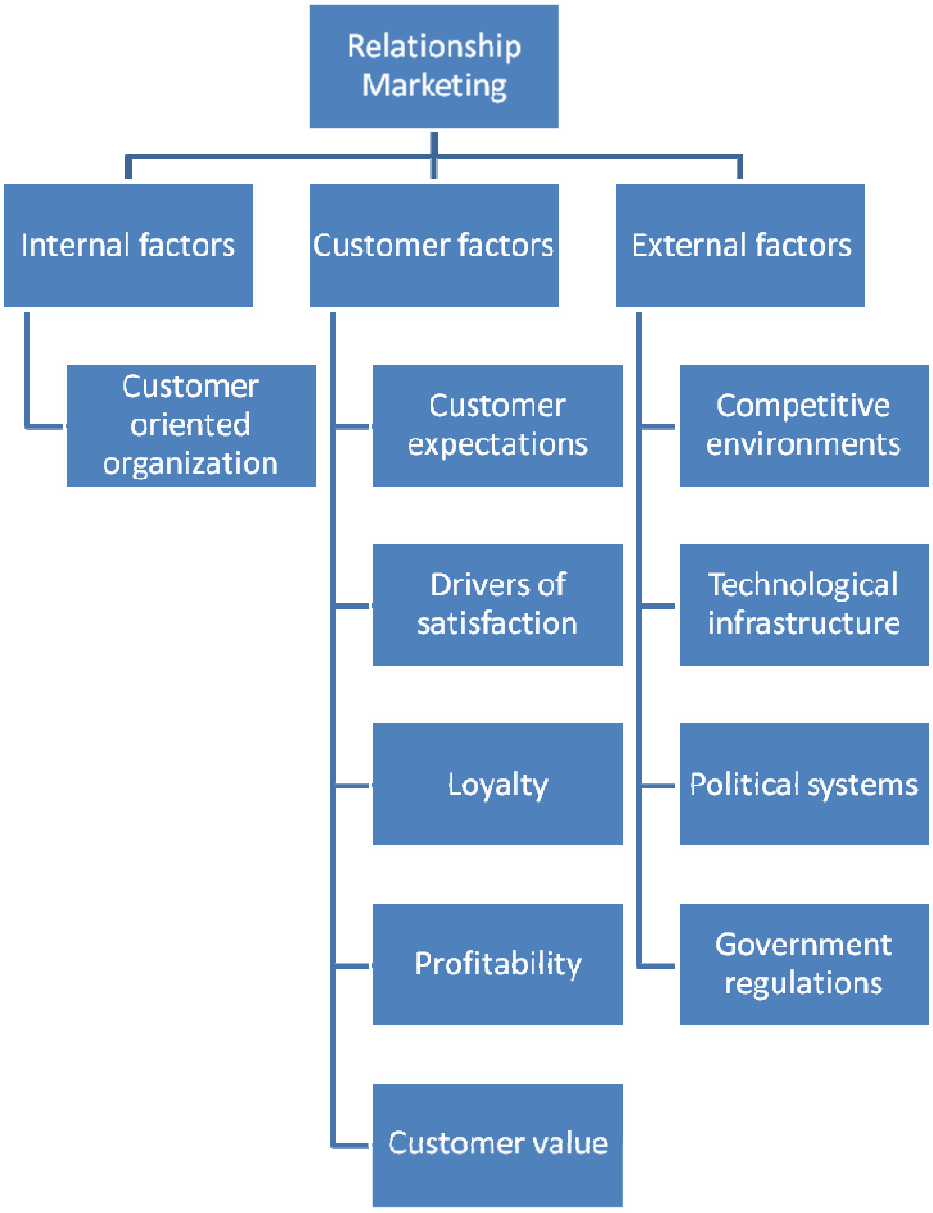


Figure 3: Factors that affect relationship marketing (adapted from Ramaseshan *et al.*, 2006)

Likewise, Ndubisi (2007) puts forward that a wide range of factors exists that affects Relationship Marketing. They include trust, commitment, communication and conflict handling. Relationship Marketing is further affected by socio-economic factors, such as age, gender and income of the customer; however these factors are more applicable when selling to the individual instead of business-to-business and business-to government relationships. Finally, the author asserts, customer loyalty as the building block of any successful relationship marketing effort. Equally, Morgan and Hunt (1994) believe that customers are more likely to have a long-term relationship with companies if there are shared values, cooperation, trust and commitment from both parties.

In the following sections of the literature review some of these drivers will be discussed in greater detail.

2.3.2. The influence of customer satisfaction on Relationship Marketing

This research aims to establish the factors that affect relationship marketing with parastatals. This section of the literature review aims to establish a relationship between customer expectations, drivers of satisfaction, customer loyalty, customer profitability, customer value, customer commitment, conflict resolution, shared values, cooperation, competitive environments, government regulations and relationship marketing.

Winer (2001) claims that the overall goal of a relationship program is to deliver higher level of customer satisfaction than competing firms. Dubelaar and Wahyuningsih (2004) have established a link between customer satisfaction, the repurchase of the same offering, recommendation to other people, and ultimately increased sales. According to Babu (2004) consumers have so many choices to make compared to ten or even twenty years ago. Today as always, business growth depends heavily on loyal customers who return because they are satisfied with the product and/or service they have received (Babu, 2004). Initially all focus was on the product or service being offered. More recently

customer satisfaction has augmented into a determinant of profitability and long-term relationships with customers (Winer, 2001; Dubelaar and Wahyuningsih, 2004; Babu, 2004; Kotler, 2004; Hennig-Thurua and Hansen, 2000).

Advanced Merchant Services (2005) defines customer satisfaction, as “an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables that correlate with satisfaction behaviours such as return and recommend rate. The level of satisfaction can also vary depending on other options the customer may have and other products against which the customer can compare the organisation's products”. Therefore, the degree of satisfaction a person experiences may determine the profitability of the company offering the goods or services.

MORI (2004) identified six key drivers of customer satisfaction, namely delivery, timeliness, professionalism, information, staff attitude and physical environment. They propose that the most important drivers are in hierarchal order: delivery, timeliness, professionalism, information (feedback on progress), staff attitude and lastly the physical environment. Citizens First (2000) explain that the drivers of satisfaction are the most critical determinants of satisfaction with an institution. Providing good service on each dimension guarantees high service-quality ratings from customers (Citizens First, 2000). The key drivers characterise business services across the board. They further explain that companies will enhance their service delivery by using them; but if possible they should their own research in order to gain both clarity and certainty (Citizens First, 2000). They conclude that each type of business faces different opportunities and limitations and that business should asses their performance against competitors with similar offerings rather than against any overall aggregate (Citizens First, 2000). According to Costabile (2000:1) “it is possible to claim that three decades of research into customer satisfaction have demonstrated the causal connection between satisfaction - built up as a result of market transactions that confirm the performance expectations of the

customer - and trust; as well as their influence on repurchase decisions, and thus on loyalty".

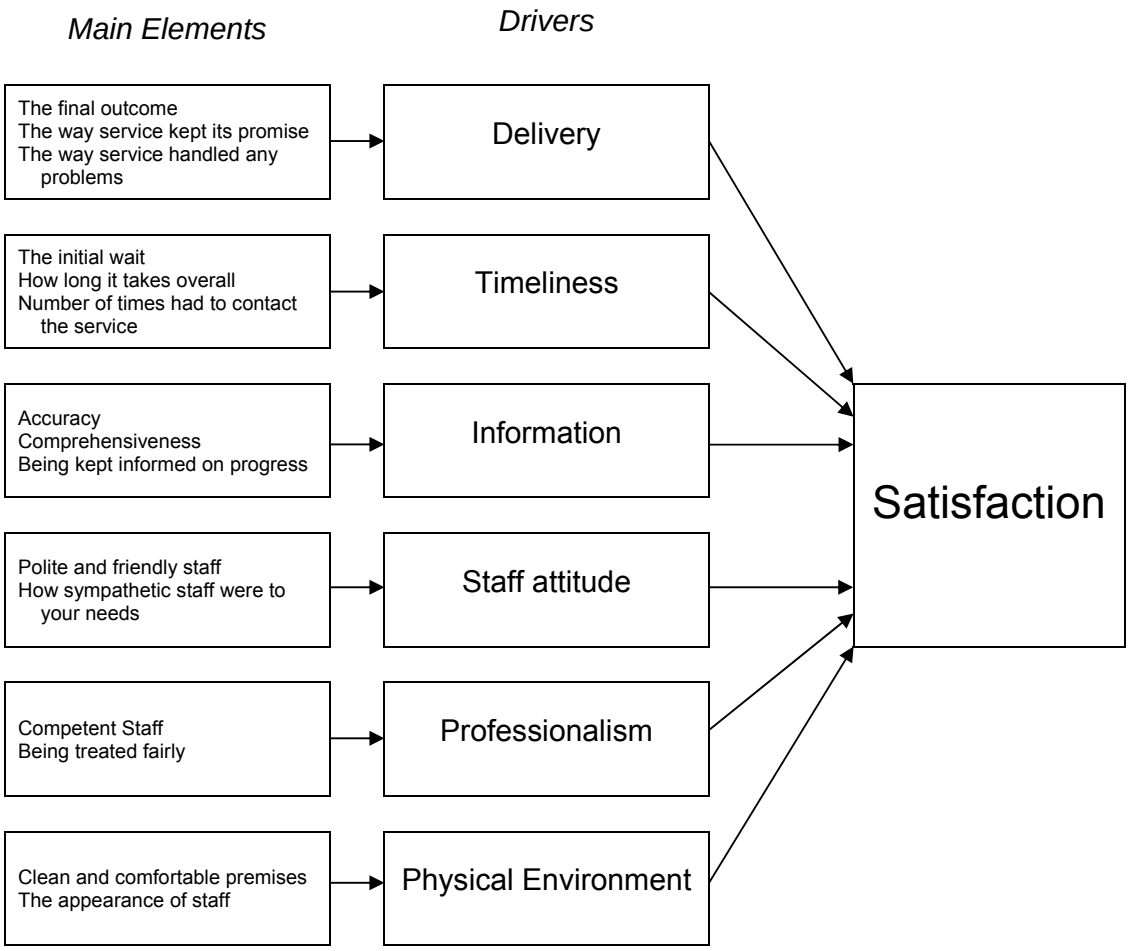


Figure 4: Key drivers of customer satisfaction (MORI, 2004)

Customer satisfaction thus plays an important role in the retention of customers and ultimately contributes to the successful relationship between the customer and the firm. It is thus fair to state that customer satisfaction is one of the key factors that need to be implemented correctly in order to guarantee successful relationship marketing.

2.3.3. The influence of customer expectations on Relationship Marketing

It is widely accepted that meeting customer expectations has an influence on

the relationship with the customer, their feeling of well being and security and, ultimately, also some bearing on their remaining loyal to the company (Hlavinka, 2005; Mittal and Sheth, 1996). Anderson *et al.* (1996) is in agreement with this sentiment and strongly believes that there is a correlation between retaining customers and meeting, or exceeding their expectations. Dasu and Rao (1999) holds with this view and reasons that customers stay with companies because their expectations are met; but they further suggest that if companies fail to do so, they have a window of opportunity to rectify this through service recovery. However, Inman *et al.* (1999) argues that it is not necessary to exceed customer expectations to increase preference, receiving an expected level of bad service does not reduce preference, rational customers may rationally choose an option with lower expected quality, even if all no quality attributes are equal, and paying more attention to loyal, experienced customers can sometimes be counterproductive.

Hlavinka (2005) identified ten key customer expectations, they are:

1. Be accessible
2. Do it right the first time
3. Keep your promises
4. Tell me what to expect
5. Follow up
6. Ensure I deal with trained and informed employees
7. Do what I ask promptly
8. Be responsive to what I need
9. Treat me courteously
10. Be socially responsible and ethical

Besides the ten key customer expectations, Mittal and Sheth (1996) further propose Figure 5 as a framework for dealing with customer expectations. When dealing with a customer, a company has three paths to choose from: accommodation, alteration or abandonment (Mital and Sheth, 1996).

Accommodation can be defined as satisfying customer's needs and wants (Kotler and Keller, 2006). The accommodation response has generally taken

three forms: product or service innovations; segmentation, niching and positioning; and total quality management (TQM), quality and the customer satisfaction movement (Mittal and Sheth, 1996). Product/service innovations have been the primary means to meeting customer expectations of consumers (Kotler and Keller, 2006). Segmentation has been the second accommodation mechanism, especially when needs; wants and expectations increase in expectations among consumers (Mittal and Sheth, 1996). TQM have become a major initiative to meet customer expectations.

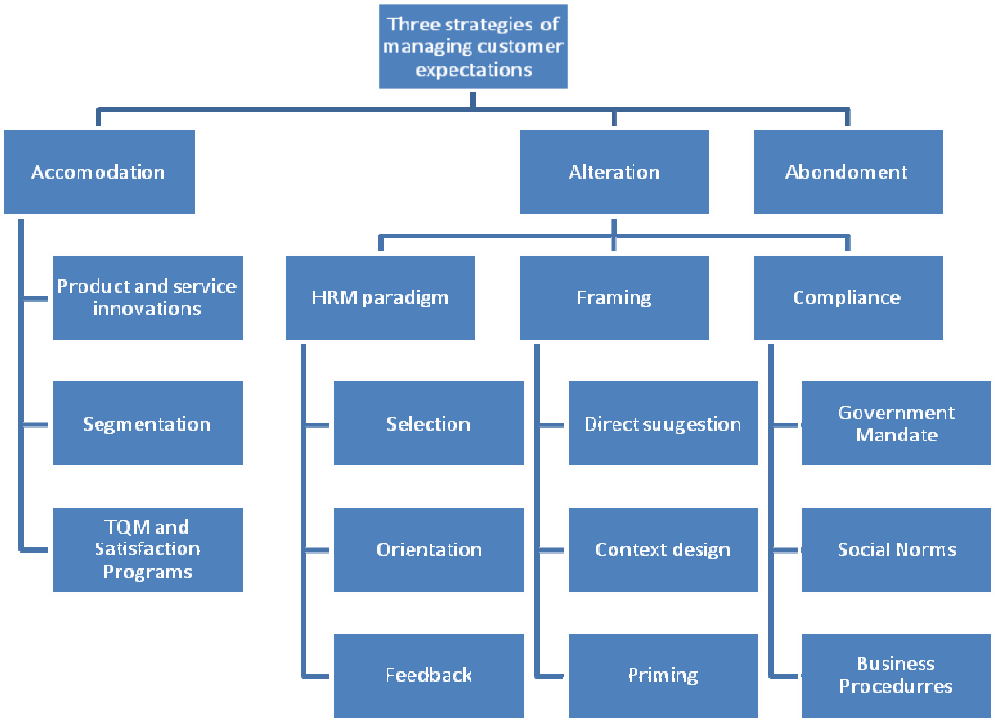


Figure 5: Managing customer expectations (Mittal and Sheth, 1996)

Alterations can be defined as the enhancement of your product or service as to meet or exceed customer expectations (Mittal and Sheth, 1996). Alterations are divided into three paradigms: human resources, framing and compliance. Human Resource paradigm is defined as the strategic, integrated interventions designed to elicit commitment and to develop resourceful humans (Storey,

1992). Framing is the perspective people employ to view a scene, and perspectives are known to change the view (Mittal and Sheth, 1996). Compliance is defined as, the behaviour by subjects or actors that conform to the requirements of behavioural prescriptions (Young, 1979).

Abandonment is the decision to let a customer go.

As stated above; customer expectations play a pivotal role when companies try to maintain and establish a relationship with their customer. It can therefore be concluded that customer expectations does affect relationship marketing.

2.3.4. The influence of loyalty on Relationship Marketing

Jeon and Yi (2003) define loyalty as repeated purchases or services during a certain period of time. Costabile (2000) further explains customer loyalty as the strongest form of relations between a customer and firm. He further explains that it is identified by enhanced reciprocity; sustained by a high perception of equity and fairness, and thus characterised by attitudes and behaviours stronger than the “conventional loyalty” to that of a partnership.

According to Griffin (2002) increased loyalty can bring cost savings to a company in at least six areas; reduced marketing costs, lower transaction costs such as contract negotiation and order processing, reduced customer turnover expenses, increased cross selling success leading to larger share of customer, more positive word of mouth, and reduced failure costs. She further explains that the following reasons should be taking into account for making a first time customer a life time buyer; sales go up because the customer is buying more from you, you strengthen your position in the marketplace when customers are buying from you instead of your competition, marketing costs go down when you don’t have to spend money to attract a repeat customer, since you already have him, as a satisfied customer he tells his friends thereby decreasing your need to advertise, you are better insulated from price competition because a loyal customer is less likely to be lured away by a discount of a few dollars, and lastly a happy customer is likely to sample your other product lines thus helping you achieve a larger share of customer. Reichheld (1996) concurs and further

state that the longer a customer stays with a company, the more that customer is worth. He explains the longterm customers buy more, take less of a company's time, are less sensitive to price, and bring in new customers; they have no acquisition or start-up cost.

Ehrenberg (1988) explains that researchers measures five types of behaviour during certain time intervals to optimize loyalty in a marketplace, they are; the percentage of customers buying a brand; number of purchases per buyer; the percentage of customers continuing to buy a brand; the percentage of customers that stay loyal and lastly; the percentage of buyers who also buy other brands. Costabile (2000), further proposes the figure below as a dynamic model for customer loyalty:

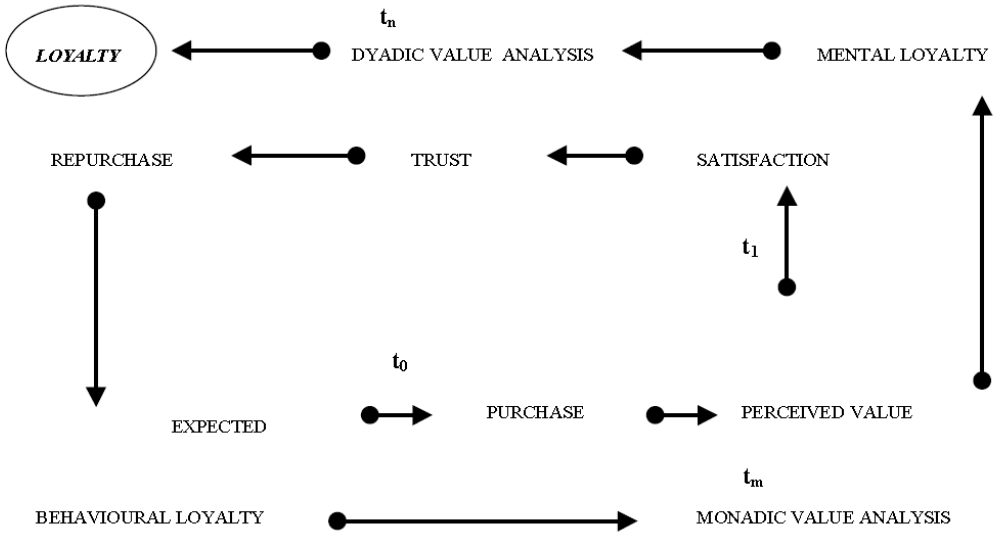


Figure 6: A dynamic model of customer loyalty (Costabile, 2000)

Costabile (2000:1) describes the development of customer loyalty as: "the customer relationship life-cycle as a continuum, along with relational, cognitive and behavioural constructs overlap, to arrive – through successive sedimentation – at a multidimensional construct: customer loyalty". This view is supported by studies conducted by Grayson *et al.* (1992); Oliver (1997); Costabile (1998); Bitner (1995) and Blois (1999). Costabile's (2000) model

identifies four stages in a relationship.

Firstly there is an expected value in relative terms, given by the ratio between the expected benefits and costs which it is believed have to be sustained for the acquisition and enjoyment of the benefits, the perception of which is influenced by the comparison with the available alternatives (Costabile, 2000).

Next is the perceived value after purchase and use, related to expected value to derive the perception of satisfaction or dissatisfaction, and adopted as the dominant reference for evaluating the acquisition and consumption experience and the firm (Costabile, 2000).

Thereafter the perceived value, which occurs after the first experiences of usage, and compared with the competitors' offer considered during the relationship life-cycle (Costabile, 2000). It is also defined as the 'monadic value' to emphasise the subjective component of the customer (monad) performing the evaluation, by comparing experiences, and expectations towards the evoked or evaluated set of alternatives (Costabile, 2000). The perception of monadic value emerges from the comparison of the value experienced with the value expected by the firm's competitors.

Lastly is the perceived equity value (Costabile, 2000). This is the ratio between the value that the customer has obtained (ratio between its perceived outputs and inputs) and the value that the firm has obtained during the lifetime of the relationship (Costabile, 2000). It is also defined as 'dyadic value', to emphasise the essential nature of the comparison within the 'customer-firm' dyad, in the view of the equity over the course of a specific relationship (Costabile, 2000).

Jeon and Yu (2003) further suggest that loyalty programs can be used to strengthen the "dyadic value" and increase customer loyalty. They explain a "loyalty program as a marketing program that is designed to build customer loyalty by providing incentives to profitable customers, based on the following propositions; customers may want more involving relationships with products that they purchase; a proportion of these customers show a tendency to be loyal; they are profitable; it is possible to reinforce these customers' loyalty

through a loyalty program.

Costabile (2000) further explains that in the light of the customer relationship model, customer buying behaviour stages can be illustrated as in figure 7.

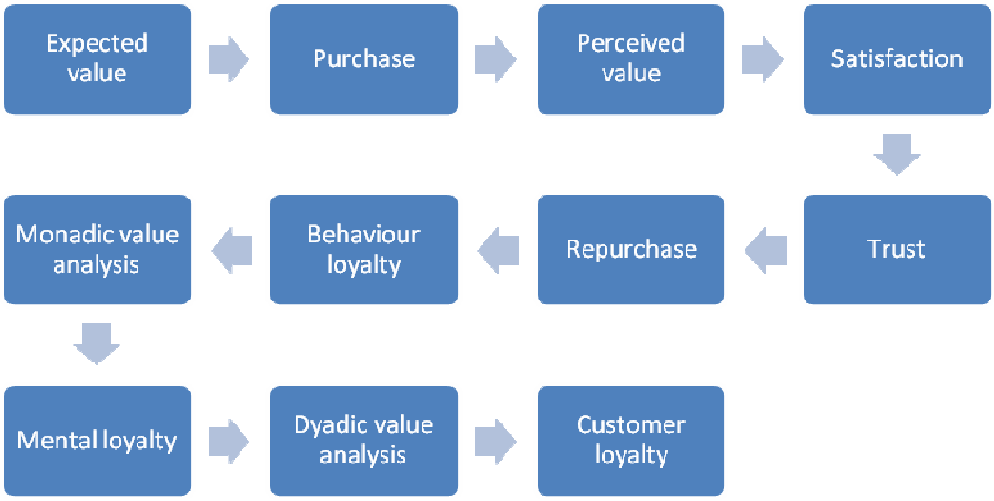


Figure 7: A model of customer buying behaviour (Costabile, 1998)

Customer loyalty is thus a multidimensional construct consisting of two behavioural dimensions (behavioural loyalty and co-operative behaviours) and three cognitive dimensions (trust, monadic value and dyadic value, with a latent dimension given by the co-operative attitude) (Costabile, 2000). It can be defined as either a behaviour outcome from or a necessary factor needed to establish and maintain successful relationship marketing.

2.3.5. The influence of customer profitability on Relationship Marketing

According to Bnet.com (2008) customer profitability can be defined as the degree to which a customer or segment of customers contributes toward an organization's profits. Exogen (2008) defines customer profitability as the matching, assignment and/or allocation of company revenues and costs to its customers in order to understand relative profitability. Pfeifer *et al.* (2004) define

customer profitability as the difference between the revenues earned from and the costs associated with the customer relationship during a specified period. Kotler and Keller (2006) explains that customer profitability is a person, household or company that over time yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting selling and servicing that customer.

Exogen (2008) further explains that customer profitability has shown to be produced primarily by a small proportion of customers, perhaps 10% to 20%, who generate up to 80% of a company's profits. Up to 40% of customers may generate only moderate profits, and the other 40% may be loss making (Exogen, 2008). Day and Van den Bulte (2002) argues that the diversity of customer needs and the diversity of customer profitability or life time value may enhance the benefit to a company of targeting and serving in a more focused manner.

According to Foster *et al.* (1996) the reason to focus on customer profitability is because revenue is not always a true reflection on the contribution of the net income; some customers contribute more than others to the net income of the firm. Pfeifer *et al.* (2004) further argues that it is important to distinguish high-profit relationships from low- or negative-profit relationships in order for the firm to react appropriately and improve overall firm profitability. Peppers and Rogers (1997) concur and state that some customers are more equal than others.

Foster *et al.* (1996) explains the customer-cost hierarchy as follows:

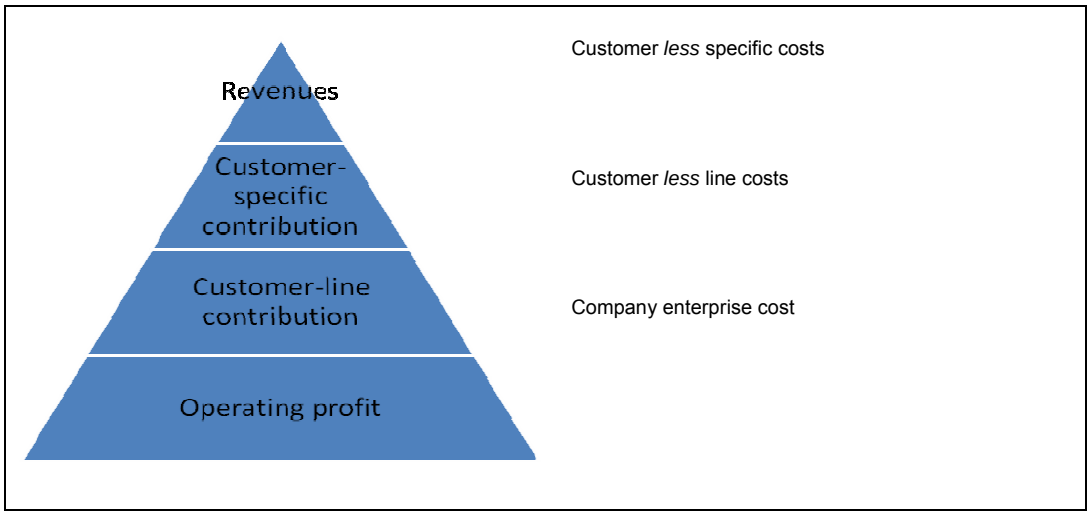


Figure 8: Customer cost hierarchy (Foster *et al.*, 1996)

Pfeifer *et al.* (2004) explains for cost management purposes, customer- line costs and company enterprise costs need not be assigned to individual customers. In line with the aforementioned view Foster *et al.* (1996) state that the company's total operating income will be less, than the sum of total customer specific contributions.

For the purpose of this study, the perceived and actual value of customers plays a definitive role in the efforts and resources used to acquire and maintain a long-term relationship with a profitable customer. Customer profitability serves as a motivation to pursue and maintain a relationship with a customer.

2.3.6. The influence of customer value on Relationship Marketing

Kotler and Keller (2006) argues that the most successful companies aren't those who emphasize their making and selling activities, but those that see themselves as part of a value delivery process. Gupta (2007) defines customer value by means of two equations:

Equation 1: Customer value (Gupta, 2007)

Customer's value	≈	Core Solution	+	Additional Benefits
		Price	+	Relationship Costs
Customer's value	≈	Core Value	±	Added Value

Gupta (2007) goes further to explain that customers make decisions based on the physical value, economic value, social value and psychological value gained from purchasing goods or services. He explains the physical value as the performance benefits in comparison with the physical risks; the economic value as the economic benefits as opposed the financial risks; the social value as the social benefits in comparison to the social risks and lastly; the psychological value as the self-esteem benefits opposed to the psychological risks. He categorizes the delivery as per the figure below:

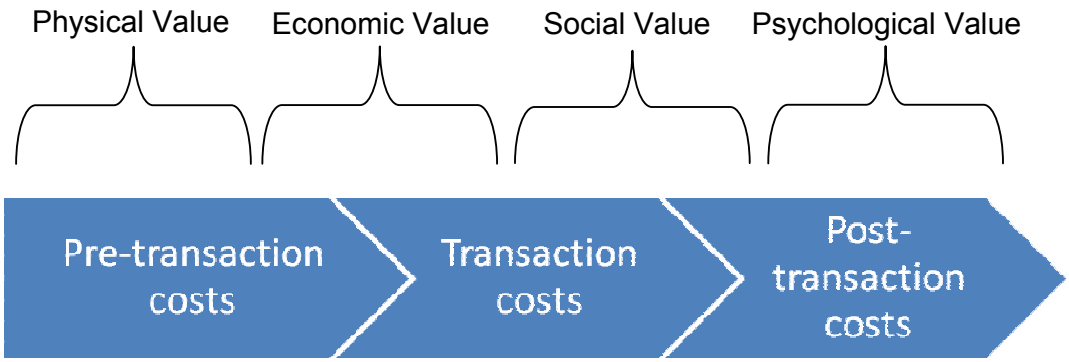


Figure 9: The delivery of value (Gupta, 2007)

Porter (1985) proposed the value chain as a tool of identifying ways to create more customer value. Kotler and Keller (2006) describe this model as an illustration that every firm is a synthesis of activities performed to design,

produce, market, deliver and support its product. The model consist out of nine activities, five of them can be classified as the primary activities and four of them as the support activities. The five primary activities are: inbound logistics; operations; outbound logistics; marketing and sales; and service. The four support activities are: the firm's infrastructure; human resource management; technology development and procurement.

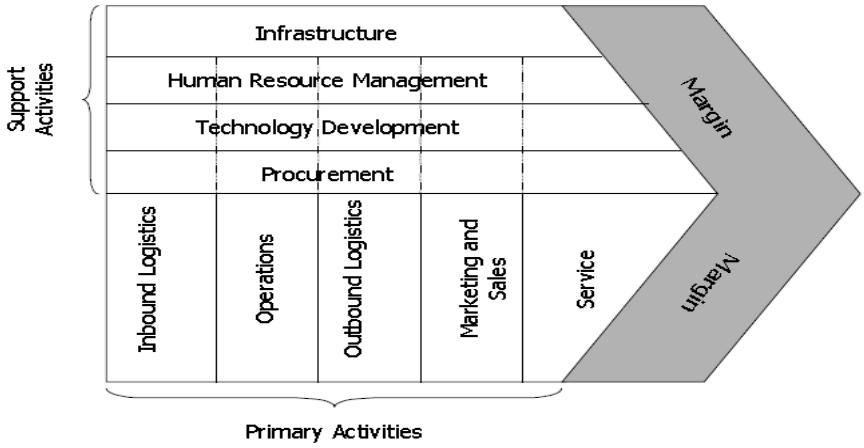


Figure 10: Michael Porter's Value Chain

According to Hammer and Champy (1993) a firm's ability to add value depends on how well each department coordinates it activities in line with core business processes. They define these processes as; the market sensing process; the new offering realization process; the customer acquisition process; the customer relationship management process and lastly; the fulfilment management process. Magnet (1994) argues that many companies today have partnered with suppliers and distributors to create a superior value chain. Kotler *et al.* (2002) propose Figure 10 as a model to capture value.

According Kotler and Keller (2006) the holistic marketing framework is designed to address three key management questions:

1. Value exploration – How can a company identify new opportunities?
2. Value creation – How can a company efficiently create more promising new value offerings?
3. Value delivery – How can a company use its capabilities and infrastructure

to deliver the new value offerings more efficiently?

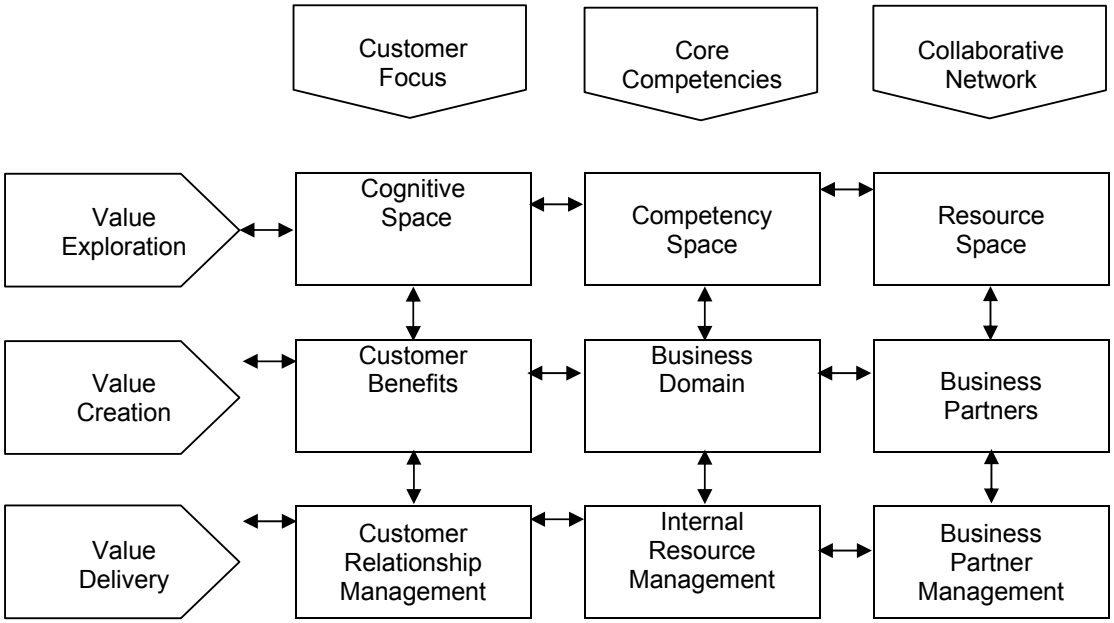


Figure 11: A holistic marketing framework (Kotler *et al.,* 2002)

From the description above it is evident that the strategic planning of a company to add value for customers is a contentious issue. Many experts have different opinions on how to achieve this "added value". From a Relationship Marketing perspective it is crucial for companies to capture, create and add value to their offerings. This is done to minimize the risks, as describe by Gupta (2007), for the purchase of an offering and maximise the benefit for customers. Companies that have the ability to do this greatly improve their competitive advantage and the marketer's task to gain and maintain customers.

2.3.7. The influence of conflict handling on Relationship Marketing

According to Baron and Byrne (2003) and Boulding (1963) conflict can be defined as a process in which an individual or group perceives that others have taken or will soon take actions incompatible with its own interests. Guetzkow and Gyr (1954) as well as Priem and Price (1991) explained that there should be a distinction between conflicts based on task an entity is performing and

conflicts based on the stakeholders' interpersonal relations. Barnden (2001) further explains that relationship conflict exist when there are interpersonal incompatibilities among various parties, which includes tension, animosity and annoyance; and task conflict exist when there are disagreements among parties about the content about the content of the task being performed, including differences in viewpoints, ideas and opinions.

Baron and Byrne (2003) describes the key elements of conflict as: opposing interests between the two sides; belief by each side that the other will or has already taken actions contrary to their interests; recognition of these interests; and actions that interfere with the other side's interest.

Barnden (2001) argues that conflict has a siginficant influence on group processes and outcomes, the biggest of which is disatisfaction. As previously discussed, customer satisfaction is one of the key elements of Relationship Marketing. Thus in order to be succesful with relationship marketing, companies need to be succesful in conflict handling or resolution. Pruitt and Carnevale (1993) endorses bargaining as the best method of conflict resolution. Baron and Byrne (2003) explains the process of bargaining as opposing sides exchanging offers, counteroffers, and concessions, either direclty or through representatives.

Tactics for accomplishing this goal includes; beginning with an extreme initial offer (favouring the one side more than the other); the "big lie" technique (misrepresenting a situation as to gian more benefit); and convincing the other side that you have a way out (you can get better terms elsewhere) (Thompson, 1998). Robinson *et al*. (1998) however warns against the unethical tactics of negotiations and its devastating effect on longterm relationships, these tactics include: attacking on an opponent's network; false promises; misrepresentation and inappropriate information gathering.

When dealing with relationship marketing the ideal agreement is that of a win-win or integrative agreements outcome. Baron and Byrne (2003) suggest the following table as tactics for reaching an integrative agreement:

Table 4: Tactics for reaching an integrative agreement (Baron and Byrne, 2003)

Tactic	Description
Broadening the pie	Available resources are increased so that both sides can obtain their major goals.
Non-specific compensation	One side gets what it wants; the other side is compensated on an unrelated issue.
Logrolling	Each party makes concessions on low priority issues in exchange for concessions on issues it values more highly.
Bridging	Neither party gets initial demands, but a new option that satisfies the major interests of both sides is developed.
Cost cutting	One party gets what it desires, and the costs to the other party are reduced in some manner.

Conflict mostly happen when things do not go according to plan or agreement. In the ideal world this would never happen, but because of the numerous variables that can contribute to non-performance or conflict; this happens almost daily. The ability to handle this conflict in a constructive manner will greatly improve a company's ability to salvage relationships with their customers. It is therefore evident that companies that seek a long term relationship with their customers need to pay special attention towards conflict handling and their ability to create win-win situations when agreements and performances deviate from the agreed path. It however seems that failure (omission or ignoring customers) to act in conflict circumstances could destroy relationships between customers and businesses.

2.3.8. The influence of commitment on Relationship Marketing

Herscovitch and Meyer (2001) defined commitment as a force that binds an individual to a course of action of relevance to one or more targets. They further argue that commitment is distinguishable from exchange based forms of motivation and from target-relevant attitudes and can influence behaviour even in the absence of intrinsic motivation or positive attitudes (Herscovitch and Meyer, 2001).

Kaiser *et al.* (2007) define lifetime customer commitment as a deep, long-term customer loyalty built on consistent interactions and satisfaction over long

periods of time. According to Fullerton (2003) and Helfert *et al.* (2000), customer commitment is a key variable in marketing relationships. They further explain that when customer commitment is based on shared values, it has uniformly positive impact on customer loyalty; and when it is based on switching costs and dependence it has mixed effects on customer loyalty (Kaiser *et al.*, 2007). Developing a customer's commitment in business relationships do pay off in increased profits, customer retention, and willingness to refer and recommend (Helfert *et al.,* 2000). Bansal *et al.* (2004) identified three distinguishable components of commitment as per table 5.

Table 5: Components of commitment (Bansal *et al.*, 2004)

Commitment Type	Description
Affective commitment	A desire-based attachment to the organisation
Continuance commitment	Cost-based attachment where a customer feels he or she has to stay with a supplier
Normative commitment	An obligation based attachment to the organisation

Meyer and Smith (2000) explain affective commitment as the reflections on an emotional attachment to, identification with and involvement in an organisation. Gruen *et al.* (2000) further explain that in a consumer context, this affective force binds the consumer to the service provider out of desire. Gilliland and Bello (2002) describes the aforementioned as loyalty commitment. According Garbarino and Johnson (1999); Bello and Gilliland (2002); Morgan and Hunt (1994); trust and satisfaction act as drivers of affective commitment.

Bansal *et al.* (2004) define continuance commitment as a constraint based force binding the consumer to the service provider out of need. They further explain that it reflects the fact that consumers stay with a service provider because they feel they have to. Similarly, Bendapudi and Berry (1997) discuss the notion of a continuance commitment as a relationship in which consumers believe they cannot end a relationship because of economic, social, or psychological costs.

Continuance commitment is associated with the perceived cost associated with discontinuing a course of action and with the perception that there is a lack of alternatives available (Allen and Meyer, 1997; Herscovitch and Meyer, 2001). Bendapudi and Berry (1997) argued that consumers stay in stay in these relationships because of either the perceived or real implications associated with switching costs, dependence on the service provider, and a lack of attractive alternative partners.

Bansal *et al.* (2004) define normative commitment as a force that binds a consumer to the service provider out of perceived obligation. Meyer and Smith (2000) go further and explain it as a sense of obligation on the part of the employee to maintain membership in the organisation. Within the consumer context, normative commitment results in consumers staying with a service provider because they feel they ought to (Bansal *et al.*, 2004). Normative commitment develops through socialization when individuals internalize a set of norms concerning appropriate behaviour (Allen and Meyer, 1997). According to Fishbein and Ajzen (1980) social influences are captured in subjective norms; which they define as person's perceptions that people important to him or her desire the person to perform or not perform a behaviour. Bansal *et al.*, (2004) argue that subjective norms pressure people to conform, which then lead them to feel they ought to conform. They further argue that in cases where continuance commitment is low, affective commitment had a significant impact on compliance behaviours (Bansal *et al.,* 2004). Bansal *et al.* (2004) further states that consumer switches companies or service providers when both affective and continuance commitment are low; and when continuance commitment is high, affective commitment will not influence switching behaviours.

Customer commitment influences the way customers behave towards an organisation (Bansal *et al.,* 2004). In a research conducted by Meyer and Allen (1997) they concluded that individuals feel bound to an organisation because of three reasons: they want to; they feel they ought to; and because they feel they have to. Adams and Jones (1997) correlate but name these three types of

commitment as: an attraction type, a moral type and a constraint type.

Bansal *et al.* (2004) argue that there are different tactics that service firms may use to develop commitment among their customers; the first step being identifying which type of commitment the consumer reflects. When dealing with Normative and continuance commitment the following strategies may be followed.

1. Normative relationships - Because normative commitment appears to be influenced by significant others, service providers could use tactics that emphasize the social visibility of using a certain service provider (Bansal *et al.,* 2004). Their findings suggest that normative commitment is also influenced by affective commitment, which in turn primarily dictated the customer's trust in the reliability and integrity of the service (Bansal *et al.,* 2004). Berry and Parasuraman (1991) argues that developing trust are critical to effective services marketing as the customer usually buys the service before experiencing it.
2. Continuance commitment – This type of commitment develops as a result of the costs associated with switching. There are a number of marketing practices that firms may use to engender continuance commitment. Bansal *et al.* (2004) suggest customer loyalty programs; and penalties incurred by customers if they remove themselves before a contract's expiration.

In conclusion it must be noted that commitment rarely takes place solely in the three forms described here. The three types of commitment integrate and overlap; they move through cycles depending on various variables facing the customer at a specific stage of purchasing goods or services. However, commitment is an expected behaviour when seeking a relationship and companies should therefore seek to facilitate the process and desired outcome of customer commitment.

2.3.9. The influence of shared values on Relationship Marketing

Within the context of relationship marketing, shared values are displayed

internally in the organisation as well as externally, which include the nature and conduct used when dealing with customers. For the purpose of this research we will be focusing on the latter.

Francis (2006) states that values are social DNA. He explains that it makes us who we are, it creates compatibility, and incompatibility, and values helps us create a legacy of heirs (Francis, 2006). Rokeach (1973) defined values as an enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence. He explains further that values tend to be general and not tied to a specific object, rather they transcendentally guide actions and judgements across specific objects and situations, and beyond immediate goals to more ultimate end-states of existence (Rokeach, 1972). Haugh and McKee (2001) state that in this way values guide, not only action, but also shape attitudes, comparisons, evaluations and justifications both for the individual and towards others. Values themselves are multi-dimensional and incorporate motivational, cognitive, affective and behavioural components (Rokeach, 1972).

According to Haugh and Mckee (2001) the most common values in organisations can be defined according to ‘hard’ and ‘soft’. ‘Hard’ values include ambition, obedience, aggressiveness, achievement, success, competition, risk and force. ‘Soft’ values include concepts of loyalty, trust, co-operation, compassion, tolerance, employee welfare, social welfare and religion. In both cases, a full explanation of what is meant by each value is not incorporated into the findings. In a study conducted by McDonald and Gandz (1992) derived a set of 24 shared-value dimensions relevant to North American business; they included adaptability, social equality and include modes of behaviour such as autonomy, co-operation, courtesy, economy, humour, moral integrity and obedience.

Hoekstra *et al.* (1999:44) state that it is “a management orientation which maintains that firms establish relationships with selected individual target customers with whom superior customer values are designed, offered, redefined and realized in close cooperation with other partners in the marketing

system such as suppliers and intermediaries, in order to realize long-term profits through customer satisfaction, partner- and employee satisfaction". They refer to the aforementioned as the customer concept that include the design of values; which in turn is offered, redefined and realized in close cooperation with partners in the marketing system such as customers, suppliers and intermediaries (Hoekstra *et al.*, 1999).

A good example of values when dealing with customers comes from VDOT's Mission, Shared Values and Ethics. They are described as follows:

- Be responsive to customer needs, consider what VDOT does in terms of how it benefits our customers, and treat customers with respect, courtesy, and fairness.
- Commit to safety and continuous improvement in everything we do, learning from mistakes and successes alike
- Trust, respect, support, and encourage each other
- Respect and protect the public investment
- Make decisions based on facts and sound judgment and accept accountability for our actions
- Strengthen our expertise in using information, tools, and technology to achieve high performance and stay on the cutting edge
- Think ahead, acting and planning creatively for today and tomorrow

Research by Harvard Business School over the last three decades has shown that winning organisations (Stakeholder, 2003) have the following in common: they have clear and focused strategies for delivering results (as opposed to products or services) to all stakeholders; they develop a set of value profit chain relationships designed to nurture feelings of trust, loyalty, commitment and ownership amongst key stakeholder groups; they establish strong cultures based on shared values that are innovative and amenable to change but, most importantly, are totally aligned with the results-focused strategy; and lastly they drive the business only through measurements and incentives designed to deliver the strategy. Stakeholder (2003) further states that companies should treat their employees as customers and customers as their employees.

In a speech by Kevin Francis (2006), CEO of CenterBeam, he states that setting, communicating and reinforcing your company's values to your staff is a constant process, but this is just the first audience for your value message because your company goes to market to buy and sell, and this is where a strong, value-based foundation will mean the difference between success and failure. He goes further and says that selling a service is selling a relationship and a successful relationship must be founded on shared goals and shared values and sharing is communication (Francis, 2006). He explains that their customers have rewarded CenterBeam mightily, because they built their shared service offering on a foundation of shared values which created shared success.

From the above literature study it is evident that the shared values of an organisation are a determining factor for how good or bad the company will treat their customers. According to Kennedy and Wilson (1999) employees, customers, and suppliers approach a transaction with a basic set of beliefs and values associated with how they do business. These behavioural fundamentals produce observable characteristics in the trading parties handling of the transaction (Kennedy and Wilson, 1999). Repeated observations of these characteristics create a trustworthy reputation for the other party (Kennedy and Wilson, 1999). Trustworthiness increases business flexibility, reduces risk, saves managerial time, and reduces monitoring costs (Kennedy and Wilson, 1999).

By understanding the challenge a customer faces; and acting according to the priorities, as determined by the customer; in a manner acceptable to the customer goes a great deal to cement the relationship between the customer and the company.

2.3.10. The influence of cooperation on Relationship Marketing

Cooperation is behaviour in which groups work together to attain shared goals (Baron and Byrne, 2003). According to Baron and Byrne (2003) the reason groups partake in this behaviour is because cooperation can be highly

beneficial; through this process, groups of people can attain goals they could never hope to attain by themselves.

Baron and Byrne (2003) also explain the occurrence of social dilemmas. These are situations in which entities can increase their individual gains by acting in a purely selfish manner but if all parties involved follow suit the outcome is reduced (Komorita and Parks, 1994). An example of this is Figure 11, the prisoners' dilemma. This model is used to determine the factors that tip the balance towards trust and cooperation or mistrust and competition (Insko *et al.*, 2001). The prisoner dilemma can be explained as follows (Baron and Byrne, 2003):

- There are two persons, and each can choose either to cooperate or to compete.
- If both cooperate, then they both experience large gains.
- If both compete both experience much smaller gains, or actual losses.
- If one chooses to compete and the other chooses to cooperate, the first person experiences much larger gains than the second, trusting one and vice versa.

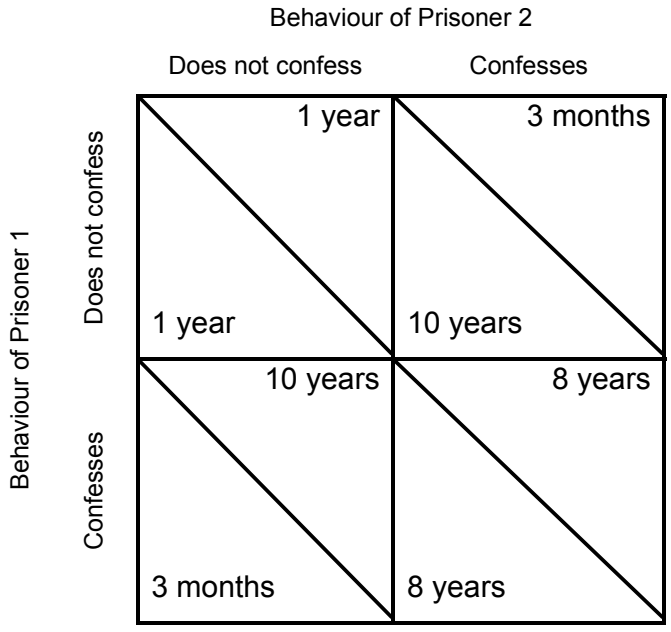


Figure 12: The prisoner's dilemma (Baron and Byrne, 2003)

According to Baron and Byrne (2003) the main factors that influence cooperation are reciprocity, orientations and communication.

2.3.10.1 Reciprocity

Reciprocity is defined a basic rule of life, suggesting that individuals tend to treat others as these persons have treated them (Pruitt and Carnevale, 1993). Day and Montgomery (1999) explain because marketing invites voluntary exchange; reciprocity is therefore at the core of its relationships. Reciprocity holds that people owe one another duties because of their prior actions (Gouldner, 1960). To this extent parties will engage in exchange relationships by providing something of value to a relevant other with the expectation of receiving something of value in return (Johnson and Pervan, 2000). Relationships are maintained so long as the benefits received outweigh the costs incurred; in other words a fundamental outcome of the act of reciprocity is stable and sustainable exchange (Becker, 1986). Huang and Wan (2005) explain that there is three kinds of reciprocity theories can be applied to the crucial step in the formation of relationship marketing: positive reciprocity, instrumental reciprocity and strong reciprocity.

Positive reciprocity occurs when an action that has a positive effect upon someone else is reciprocated with an action that has approximately equal positive effect upon another (Suranovic, 2001). McCabe *et al*. (2003) describes positive reciprocity as the costly behaviour of a customer that rewards a company based on both the gains from exchange to the customer as well as the customer's belief about the intentions motivating the action of the company. In other words, in business terms it amounts to offering a service or goods in exchange for reward in proportion thereof. Both parties perceive the exchange of the offering and the compensation thereof as being fair.

Sobel (2005) explains that it is more traditional to view reciprocity as the result of optimizing actions of selfish agents. Responding to kindness with kindness in

order to sustain a profitable long-term relationship or to obtain a (profitable) reputation for being a reliable associate (Sobel, 2005). Sobel, 2005 further explains that companies forgo short-term selfish gains because being nice (equilibrium strategy) will lead to nice treatment in the future. The equilibrium strategy originated from the game theory; it a set of strategies if no party can do better by unilaterally changing his or her strategy (Leyton-Brown and Yoav, 2008). Each strategy in an equilibrium strategy is a best response to all other strategies in that equilibrium (Leyton-Brown and Yoav, 2008). Sobel (2005) argues this approach is based on the belief that actions taken by a company in the present influences future benefits. An example of instrumental reciprocity is when a company bribes a government official, by giving him some sort of reward with the hope of being awarded future business.

Fehr *et al.* (2000) explains the essential feature of strong reciprocity is a willingness to sacrifice resources for rewarding fair and punishing unfair behaviour even if this is costly and provides neither present nor future material rewards for the reciprocator. Rabin (1993) also explain that whether an action is perceived as fair or unfair depends on the distributional consequences of the action relative to a neutral reference action. For example, a company giving discount for early payment and asking interest for late payment; or a customer awarding penalties for late delivery of goods as specified by a contract.

Huang and Wan (2005) concludes by suggesting the following guidelines in connection with reciprocity:

1 Fostering positive reciprocity relationship, shunning or weaken negative reciprocity relationship is the first vital suggest to marketers;
2 To enhance the positive reciprocity effect in time horizon, based on instrumental reciprocity theory, marketer should base on long term marketing plan instead of short term.
3 To improve the positive reciprocity effect in macro context, strong reciprocity such as industry self-discipline and third party punishment such as intervention of government are the third vital hint to marketers.

2.3.10.2 Market Orientation

Kara *et al.* (2005) argues that for businesses to achieve superior performance, they must develop and sustain a competitive advantage. The nature of a competitive advantage has transformed market power and economies of scale to capabilities that enable business to consistently deliver superior value to its customers (Kara *et al.*, 2005). Kara *et al.* (2005) argues further that business is market-oriented when its culture is systematically and entirely committed to the continuous creation of superior customer value; this necessitate collecting and coordinating information on customers, competitors, and other significant market influencers to use in constructing that value. Kohli and Jaworski (1990) state that market orientation provide a fuse focus for the efforts and projects of individuals, thereby leading to superior performance. There is a strong relationship between market- and business performance, which include profitability, customer retention, sales growth and new product success (Kara *et al.*, 2005).

The heart of marketing orientation is its customer focus (Kara *et al.,* 2005). According to Shapiro (1988), customer-orientation is the dissemination of information about customers throughout an organisation, formulation of strategies and tactics to satisfy market needs inter-functionally and achievement of a sense of company-wide commitment to these plans. Kohli and Jaworski (1990) define customer orientation as a concept that represents the degree to which customer information is both collected and used by the business unit. Similarly, Desphande *et al.* (1993), define customer-orientation as a set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, employees, in order to develop a long-term profitable enterprise. Kara *et al.* (2005) argue that to create superior value for buyers continuously requires that a seller understand a buyer's entire value chain, not only as it is today but also as it evolves over time; buyer value can be created at any point in the chain by making the buyer either more effective in its markets or more efficient in its operations.

Employees of a market-oriented business spend substantial time with their

customers. Kara *et al.* (2005) explain that market-driven businesses endlessly monitor their customer commitment by making improved customer satisfaction an ongoing objective. This is done in order to maintain the relationships that are vital to delivering superior customer value; they pay close attention to service, both before and after sales (Kara *et al.,* 2005).

Kohli and Jaworski (1990) argue the importance of market intelligence in relation to market-oriented business and state that market orientation is an organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation-wide responsiveness to this intelligence. Market intelligence not only pertains to monitoring customers' needs and preferences, but it also includes an analysis of how consumers might be affected by factors such as government regulation, technology, competitors, and other environmental forces (Kara *et al*., 2005). The need to take action in response to this information acquired is key, failure to do so accumulate to nothing.

The acquisition, generation and application of customer's feedback form an integral part of Relationship Marketing. Therefore the market orientation of a company does qualify as a key factor that influences the success of a relationship marketing effort and strategy.

2.3.10.3 Communication

Business Communication encompasses a variety of topics, they are: marketing, branding, customer relations, consumer behaviour, advertising, public relations, corporate communication, community engagement, research and development, reputation management, interpersonal communication, employee engagement, online communication, event management, professional communication and technical communication.

Da Valenzuela (1992) defines communication as any act by which one person

gives to or receives from another person information about that person's needs, desires, perceptions, knowledge, or affective states. Communication may be intentional or unintentional, may involve conventional or unconventional signals, may take linguistic or nonlinguistic forms, and may occur through spoken or other modes (Da Valenzuela, 1992).

Clutterbuck (2001) explains four categories for communication activity, strategic communication planning; effective management of communication activity; experience/ability/skills of communication professionals; and lastly the high quality communication medial tools. He argues that the performance of the communication function, in isolation, cannot account for the success or failure of the company or communication program; it is the communication competence, nor just of the communication function, but of the business as a whole, that determined its success. Further on, four communication related factors are present in all successful companies' communication strategies, they are: clarity of the purpose; effective interfaces; effective information sharing; and lastly consistent leadership behaviour (Clutterbuck, 2001).

1. Clarity of purpose - Successful companies and initiatives tended to focus on a few key messages and constantly reinforce them.
2. Effective interfaces – is the level of trust and openness in various key interfaces: between leaders and employees, between managers and direct reports, within teams, and even between the business and its customers. In a business with effective interfaces, employees can ask for information and receive honest, useful answers.
3. Effective sharing of information - Information sharing is effective when systems and networks enable managers and employees to have the right information at the right time to do their jobs, to share opinions and discuss ideas, and to circulate best practice and learn from each other.
4. Consistent communication behaviour of leaders - Leaders' behaviour need to be consistent with what they are saying, both formally and informally. Leaders must also be good communicators themselves, so they can tell the business story convincingly.

Kankaanranta and Louhiala-Salminen (2007) found the following factors to play a role in successful business communication initiatives:

1. Knowing the role of the other party more important than knowing the 'culture'.
2. Assuming the other party's perspective important.
3. Knowing the business-specific vocabulary essential, other lexical items and grammar less essential.
4. Clarity and explicitness more important than directness or politeness 'communication know-how' essential in business know-how.

Williams (2008) explain that successful communication strategies give a company strategic direction and priorities; a competitive advantage; ability to implement successful change management; the ability to generate and distribute knowledge; and lastly increase the company's reputation as a whole. He suggests the following diagram to illustrate the critical success factors of communication:



Knowledge



Communication Objectives

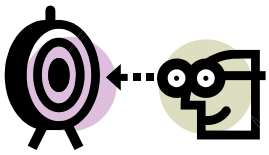


Figure 13: Critical Success Factors (Williams, 2008)

From the literature review on cooperation it can be derived that cooperation; that consists out of reciprocity, orientation and communication; influence the relationship and the manner in which the customer will perceive and respond towards the company.

2.3.11. The influence of competitive markets on Relationship Marketing

Von Mises (1963), states that in the market economy, competition manifests itself in the fact that the sellers must outdo one another by offering better or cheaper goods and services, and that the buyers must outdo one another by offering higher prices. He further explains that it means the opportunity to serve the consumers in a better or cheaper way without being restrained by privileges granted to those whose vested interests the innovation hurts (Von Mises, 1963). Crnjak-Karanović *et al.* (2005) explain that workable competition is a vital component of the market system leading to greater efficiency and human welfare. Hunt (2000) defines competition in markets as the constant struggle among firms for comparative advantage in resources that will yield marketplace positions of competitive advantage for some market segments and, thereby, superior financial performance. Hunt (2000) further explain that in the economic sense it may range from perfect competition in which numerous firms produce or sell identical goods or services to oligopoly in which a few large sellers with substantial influence on the market compete for business.

According to Turtor2U (2008) the degree to which a market or industry can be described as competitive depends in part on how many suppliers are seeking the demand of consumers and the ease with which new businesses can enter and exit a particular market in the long run. There are various degrees of competition within markets in the one extreme we have an abundance of sellers (perfect competition) that has little control on the market price and on the other extreme we have a monopoly that has a lot of discretion when setting prices. Tutor2U (2008) explains that in many sectors of the economy markets are best described by the term oligopoly - where a few producers dominate the majority of the market and the industry is highly concentrated. They also explain the occurrence of a duopoly, where two firms dominate the mark*et al*though there may be many smaller players in the industry (Tutor2U, 2008). It can be illustrated as follows:

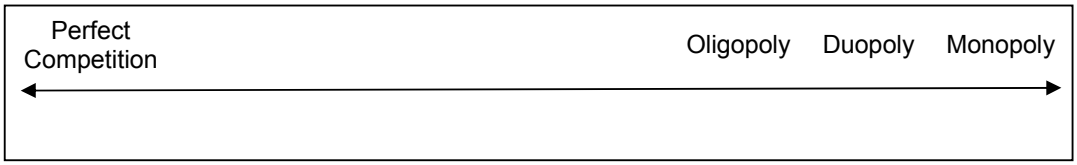


Figure 14: Illustrative scale of various markets

According to Fourie and Mohr (2006) perfect competition occurs when none of the market participants can influence the price of their offering. In order to explain the occurrence of perfect competition, it is necessary to make certain assumptions:

- Many suppliers each with an insignificant share of the market (Tutor2u, 2008)
- An identical output produced by each firm. Consumers perceive the products to be identical (Tutor2u, 2008).
- Consumers have perfect information about the prices all sellers in the market charge – so if some firms decide to charge a price higher than the ruling market price, there will be a large substitution effect away from this

firm (Tutor2u, 2008).

- All firms are assumed to have equal access to resources and improvements in production technologies achieved by one firm (Tutor2u, 2008).
- There are assumed to be no barriers to entry and exit of firms in long run (Tutor2u, 2008).
- No externalities in production and consumption so that there is no divergence between private and social costs and benefits (Tutor2u, 2008).

Tutor2U (2008) explain that in the short run the equilibrium market price is determined by the interaction between market demand and market supply. Even though perfect competition rarely takes place, market environments move between the extremes as illustrated by Figure 12.

Perfect competition rarely takes place, if ever. However firms need to be active in ensuring a competitive advantage in order to maximise profits. The need for a relationship between the customer and firm becomes increasingly important when various suppliers offer homogeneous products in a market place. Relationship marketing there for becomes part of an effort to add value to the customer in order to gain a competitive advantage and make more profits, either through increased sales or premium price strategies.

2.3.12. The influence of government regulations on parastatals in South Africa

Kotler and Keller (2006) state that in most countries government organisations are major buyers of goods and services. Government generally buys through a public tender process that involves the submission of a bid form a service or goods company; offering products that comply to the technical specifications as requested by the tender documents. In most cases they award the contract to

the lowest bidder but in some cases; especially with regards to the electrical power sector government will focus on additional factors such as a company's reputation and ability to complete contracts on time. Government purchasing is guided by regulations. In South Africa a specific field of legislation that guides additional preference besides technical compliance and price is that of Black Economic Empowerment Policies.

As previously noted, the South African government has invested R17.4 billion in infrastructure development; partly to secure a successful 2010 FIFA World Cup and partly as an ongoing effort to uplift and develop South Africa as a whole (GCIS, 2008). Most of the public spending needs to adhere to legislation endorsing and furthering black economic empowerment. For the scope of the research it is not the intention of the researcher to judge the above mentioned legislation but merely to discuss the contents of thereof. In a nutshell, the BBBEE strategy ensures government procurement supports black economic empowerment and SMME's as well as interventions to promote such procurement practices in the private sector, including (GCIS, 2008):

- An Act that allows for the formalisation of guidelines and codes, and the establishment of an advisory council.
- the formalisation of partnerships and charters with the private sector, which set targets
- the use of a "balanced scorecard" approach for gauging progress

The legislation involved with preferential procurement includes: The Preferential Procurement Policy Framework Act 5 of 2000; and The National Small Business Act 102 of 1996. According to GCIS (2008), The Preferential Procurement Policy Framework Act 5 of 2000, recognises that the Government, as the largest buyer of goods and services in the economy, has the responsibility to use its purchasing power to support BBBEE, small enterprises and labour-intensive construction and give effect to a preferential procurement policy for that the tendering process is made more accessible to black people; tenders are "unbundled" into smaller tenders to allow smaller enterprises to bid for work; and lastly a point system is introduced to award tenders on the basis of the

combination of price and preference for targeted groups.

GCIS (2008) further explain the National Small Business Act 102 of 1996 (amended 2003) is introduced to provide an enabling environment for SMMEs and to establish institutions to provide support to black entrepreneurs. In order for companies to maximise their chances to get business from government they need to comply with the aforementioned legislations.

Many companies selling to government have not made use of a marketing orientation; instead they anticipate government needs and projects participate in the product specification phase; gather competitive intelligence; prepare bids carefully; and lastly produce strong communications to describe and enhance their companies' reputations (Kotler and Keller, 2006). It thus becomes clear that in order to gain business from government institutions; traditional marketing approaches may not be successful. In particular strategies such as advertising, promotions may be perceived as excessive. Marketing a business to government will therefore be influenced, almost solely, on companies' ability to create and maintain relationships with decision makers within that organisation; in order to add value and create a competitive advantage.

2.4. Summary of Literature Review

The literature highlights the complexity of relationships and the difficulty of creating the right mix for successful relationship marketing. Within this framework relationship marketing is not a marketing strategy that can exist in isolation but requires the support of all departments within the business in order to gain maximum impact. The offering the company presents to his potential and current client should be competitive and updated frequently as to present further scope to strengthen existing- and develop new relationships. The old notion of a good product selling itself; is no longer applicable due to the abundance of similar goods and services with similar features, similar prices and similar quality.

With the lowering of entry barriers for multi-national companies into previous inaccessible markets; together with the escalation of competitive markets; companies need to seek other means to add perceived or actual value to their customers. Besides the traditional approaches such as price strategies and constant innovations, which remain relevant; relationship marketing offers an additional activity to maintain and attract new customers. In the past there was a scarcity of information on the performance of goods and services; with the advent of the Internet, this has been replaced by an information overload and heightened awareness of goods and services in the marketplace. The result thereof is a consumer that expects more from their suppliers and greater difficulty in convincing costumers of a company's premium offering.

The cost of attracting new customers versus the cost of maintaining current clientele is considerable. To minimise the cost of turnover and increase competitiveness, organisations need to understand the factors that affect customer relationships. Based on the literature, some of the key factors that affect relationships marketing between various parties are:

- The need to keep customers satisfied;
- The need to meet and exceed customer expectations;
- The need to establish and maintain customer loyalty;
- The need to increase customer profitability;
- The need to constantly create customer value;
- The need to appropriately deal with customer conflict;
- The need to establish affective commitments with customers;
- The need to establish and improve on shared values with customers;
- The need to cooperate with clients;
- The need to have applicable strategies to deal with competitive markets;
- Considerations and compliance with government regulations when dealing with parastatals in South Africa.

This research aims at providing IDMMCs involved with parastatals in South Africa with an understanding of factors deemed important by them in determining a relationship (see paragraph 1.1). The findings of this report will

enable organisations to respond to these relationship marketing strategies and practises. More importantly, with the opening up of the South African economy and world economic crisis the need to retain customers is felt far more acutely globally, government spending is down and the demand for big contracts increasing.

Based on the literature some factors that affect relationship marketing have been identified and the aim of this study is to establish which of these factors are relevant to South African companies in the infrastructure, development, maintenance and manufacturing industry. Thus, the following research questions are proposed:

2.4.1 Research question 1

What are the required determinants for relationship marketing dealing with Parastatals in the South Africa?

2.4.2 Research question 2

How are these criteria ranked according to importance for parastatals?

CHAPTER 3: RESEARCH METHODOLOGY

This chapter describes the methodology followed in completing the research. It explains and justifies the choice of research methodology and includes the selection of the population and the data analysis procedure followed.

3.1 Qualitative research paradigm

This study investigates the determinants that affect successful relationship marketing with parastatals in South Africa, by conducting research on a parastatal. To align the results obtained in this research with the theory discussed in the previous chapter, a qualitative rather than a quantitative research methodology was chosen for this study.

According to McMillan and Schumacher (2001:395) a "qualitative research is inquiry in which a researcher collects data in face-to-face situations by interacting with selected persons in their settings". Qualitative research methods are focused on the socially constructed nature of reality, to stress the relationship between the researcher and the object of study, as well as to emphasise the value-laden nature of the inquiry (Kruger *et al.,* 2007).

Kruger *et al.* (2007) further explain that qualitative data are presented in language instead of numbers; the researcher tries to understand the significance that respondents attach to their environment. The method is based on flexible and explorative methods because it enables the researcher to change the data progressively so that a deeper understanding of what is being investigated can be achieved (Kruger *et al.,* 2007). This approach further aim to establish an insider's view by talking to subjects or observing their behaviour in a subjective way; they believe that firsthand experience of the object under investigation produces the best data (Kruger *et al.,* 2007). Qualitative research methods are holistic, and suited to work with a dynamic and changeable nature of reality; it further facilitates the study of small samples of people, studied by means of in-depth methods. This

methodology was applied in the research.

3.1.1 Advantages of qualitative research

Leedy and Ormrod (2001) explain that a number of differences exist between quantitative and qualitative research methods, these differences include: purpose of the research; the nature of the research process; methods of data collection; the reasoning used to analyse data; and lastly, the communication of the findings.

To be able to determine the factors that affect relationship marketing with parastatals in South Africa, the researcher needed to gain inside criteria and perceptions of the key players in the relationship. Thus according to Kruger *et al.* (2007), the most appropriate method to use is that of qualitative research methodologies. Qualitative research methodologies enables the researcher to gain better insight into the perspectives of the key decision makers as to which factors they deem most necessary when dealing with relationship marketing. The researcher has the opportunity to ensure that the answers the interviewee gives to the research questions and researchers interpretation thereof correlates; by communicating it back to the interviewee for confirmation.

People's perception of reality differs. The individual nature of people in general and their perceptions and customised views as to what makes relationship marketing affective, is another reason why the researcher chose to use qualitative research methodologies. As previously stated, Kruger *et al.* (2007) explain that qualitative research methods are holistic, and suited to work with a dynamic and changeable nature of reality.

Qualitative research methodologies increase the chances of the researcher to discover phenomena that would have otherwise gone undetected (Miles and Huberman, 1984). Miles and Huberman (1984) further explain that words have an advantage over numbers in that words, when organised into stories or incidents is far more convincing to a reader than a page full of numbers.

3.1.2 Disadvantages of qualitative research

Despite the advantages of qualitative research, there are disadvantages too. Some of the fiercest criticism is that qualitative research methodology is neither precise, objective, lacks rigor and is less forceful than quantitative research methodology (Yin, 1984; Gummesson, 1991). A further concern is that it focuses on the perception of an individual that cannot be proven statistically as correct (Bell, 2006).

Qualitative data is ambiguous and open to interpretation, which can lead to the researcher's bias or preconceived ideas to influence the interpretation of the data. If this happens, it will compromise the quality of the research conducted (Huberman and Miles, 1984).

The sample size used in qualitative research is much less that that used in quantitative research. The danger thereof is that the small sample size is presumed to be representative of the industry, and applied to similar organisations (Leedy and Ormrod, 2001).

The researcher attempted to counter these concerns by:

- Confirming with interviewees the meaning of their responses.
- Ensuring that the interview process did not deliberately lead the interviewees.
- Ensuring that the questions were unambiguous and precise.

Even though qualitative research has it disadvantages, for the purpose of this study it is the most relevant method to use; because it assists the researcher in gaining an in-depth understanding of the human experience in relation to the phenomenon.

3.2 Research Design

A researcher may choose to investigate a topic either because it is intrinsically important or because it is contextual research. A topic is sometimes investigates for its importance as a representative example of a larger population of a similar phenomenon or event, in which case it is research of universal importance.

The purpose with the first option is an in-depth description and explanation of the specific phenomenon. Examples are case studies; in-depth interviews participant observation and historical analysis. The purpose of the second option is to study a representative number of phenomena or people and then to generalise.

Standardised open-ended interviews were conducted with employees in the procurement department from the parastatal; and one of their suppliers. As the research sought to elicit the experiences and opinions of the different respondents the use of standardised open-ended interviews allowed the increased comparability of responses; data are complete for each person on the topics addressed in the interview (Cohen *et al.*, 2001).

The interview consists out of three sections; Section A contains questions about the correspondents' gender, age, education level, and position in the organisation. Section B contains eight (8) questions; with which the researcher sought to extract the experiences and opinions of the different respondents to best suit an individual respondent's personal experiences and perceptions regarding the determinants that affect successful relationship marketing with Parastatals in South Africa. The last Section, section C respondents were asked to review certain determinants that could influence their decision to form a relationship with their suppliers according to their perceived importance. These factors were placed in a ranking scale and limited to eleven (11), from which the respondents had to rank the factors according to importance.

The questions and the interview process are included in Appendix A and B.

Further, the following actions were undertaken to ensure that the research was completed without bias:

- Informed consent will be gained from all participants;
- Interviews are completed on a voluntary basis;
- Steps are undertaken to ensure that the participants' right to privacy is guaranteed; and
- The researcher adheres strictly to the interview protocol.

3.3 Population and sample

3.3.1 Population

The intent was to select a parastatal operating in South Africa and a supplier to the parastatal, as the population of this research. The parastatal chosen is responsible for the generation, transmission and distribution of electricity in South Africa. The supplier used provides high voltage cable, conductor, insulators, transmission poles and transformers to the parastatal.

The researcher contacted the parastatal and supplier to confirm that they would be willing to participate with the research. The aim was to interview five (5) respondents working in the procurement department of the parastatal and five (5) respondents of the supplier. After approval, the researcher conducted his research at the parastatal and supplier's premises.

3.3.2 Sample and sampling method

Leedy and Ormord (2005) states that in order to be able to understand the respondents' perceptions, perspectives and understanding of a phenomenon, the researcher should use between five (5) to twenty-five (25) respondents. Consequently, the researcher conducted interviews with five (5) respondents

from a parastatal and five (5) respondents from a supplier.

A personal contact of the researcher was asked as the contact person within the parastatal. The contact was given the background and aims of the research to be conducted and participation was requested. To obtain a representative sample of the procurement department's views and opinions, the researcher conducted interviews with buyers, senior buyers and the line manager.

At the supplier a personal contact of the researcher was asked as the contact person within the supplier. The contact was given the background and aims of the research to be conducted and participation was requested. To obtain a fully representative sample of supplier's views and opinions, the researcher conducted interviews with a director, three (3) managers and one (1) clerk.

A convenience sampling approach was employed to select respondents (McMillan and Schumacher, 2001). The researcher acknowledges the greater likelihood of error due to experimenter or subject bias (McMillan and Schumacher, 2001). The researcher thus only picked respondents who worked in the procurement department of the parastatal. The main reason is to gain greater insight into the factors that affect relationship marketing with parastatals through employees in the parastatal that deal with suppliers on a daily basis.

The reasons for using this sampling method were because it is less costly and time-consuming; it is easier to administrate; it usually assures a high participation rate; and lastly generalisations is possible to similar subjects (McMillan and Schumacher, 2001).

Table 6: Profile of respondents of the parastatal

Description of respondent type	Number sampled
Line Manager	1
Senior Buyer	2
Buyer	2

Table 7: Profile of the respondents of the supplier

Description of respondent type	Number sampled
Director	1
Manager	3
Clerk	1

3.4 The research instrument

The researcher made use of a standardised open-ended interview technique. According to Cohen *et al.* (2001:271) standardised open-ended interviews are defined as: "The exact wording and sequence of questions are determined in advance. All interviewees are asked the same questions in the same order". Respondents were asked to answer the same questions, thus increasing the comparability of responses (Cohen *et al.,* 2001). Data were complete for each person on the topics addressed in the interview (Cohen *et al.,* 2001). This reduced the effects and bias when several respondents were used (Cohen *et al.,* 2001). It further permitted decision-makers to see and review the instrumentation used in the evaluation; and lastly it facilitated the organisation and analysis of the data (Cohen *et al.,* 2001).

The researcher acknowledges the little flexibility in relating the interview to particular individuals and circumstances; and that the standardised wording of questions may constrain and limit naturalness and relevance of questions and answers (Cohen *et al.,* 2001). In order to curb these weaknesses, the respondents' answers were explored to identify any misconception, variations or doubts from both the researcher and respondent's perception, by validating the respondents' interpretation and the researcher's understanding thereof.

As previously stated, the interview consisted out of three sections; Section A

contained questions about the correspondents' gender, age, education level, and position in the organisation. Section B contained seven (7) questions; which the researcher sought to extract the experiences and opinions of the different respondents to best suit an individual respondent's personal experiences and perceptions regarding the factors that affect successful relationship marketing with Parastatals in South Africa. The last Section, section C respondents was asked to review certain factors that could influence their decision to form a relationship with their suppliers according to their perceived importance. These factors were placed in a ranking scale and limited to eleven (11), from which the respondents had to rank the factors according to importance.

3.5 Procedure for data collection

The researcher contacted the parastatal and the supplier to confirm that they are willing to participate in the study. They affirmed their willingness. After approval was obtained from the research panel, the parastatal and supplier were formally contacted and informed of the purpose of the study, as well as an overview of what would be covered.

The researcher used his contacts in both organisations to select respondents to take part in the interview. The nominated respondents were contacted via the contact person, telephonically and through e-mail. The expected duration of the interview was discussed. After confirmation of availability, the researcher communicated a letter of thanks via e-mail and proceeded to book a specific date, time and place. It was decided that their work premises will be best suited and most convenient to conduct the research at.

During the interview the researcher made notes of the answers to the questions posed. The interview started with a brief introduction and discussion of the background to the research to ensure the nature of the phenomena is clearly understood. The structure of the interview was as previously discussed (see paragraph 3.4). The researcher made every effort to remain objective and not

impose his personal preferences on the answers to the questions given.

3.6 Data analysis and interpretation

3.6.1 Content analysis

The technique used for the analyses of the eight (8) interview questions was content analysis. Kruger *et al.* (2005:221), define "content analyses as a quantitative analysis of qualitative data". They also explain that the technique involves counting the frequencies and sequencing of particular words, phrases or concepts in order to identify keywords or themes (Kruger *et al.*, 2005). They further explained four (4) steps in performing a content analysis; they were (Kruger *et al*. 2001:222-224):

1. Define the phenomenon;
2. We should define the universe of appropriate media and choose the sampling methods in terms of which the terms of the chosen media should be sampled;
3. We should provide a description in which the units of analysis should be decoded, and lastly;
4. We must train coders properly.

After each interview the data was analysed by transcribing the notes taken during the interview and tabulated according to key factors identified. Based on the frequency at which certain factors reappear, patterns were established. The tabulated date was synthesised; which allowed the factors to be identified from the various responses obtained. This allowed the researcher to and presents the results; as well as the importance of the factors.

The various weights attributed to the factors in the rank-order questionnaire were added together, and the factors were then ranked according to the least cumulative weight to the most cumulative weight.

3.7 Limitations of the study

- No attempt was made to select a random sample of respondents.
- Although recommendations for suppliers were made based on the research interview, no suppliers were interviewed for the research of the study.
- Other parastatal procurement departments were not included.
- The sample was chosen from only one procurement department at one power station, with a limited amount of respondents (5).

3.8 Validity and reliability

According to McMillan and Schumacher (2001:407) validity refers to "the degree to which the explanations of phenomena match the realities of the world". They further explain that validity addresses the following questions (McMillan and Schumacher 2001:407):

- Do researchers actually observe what they think they observe?
- Do researchers actually here the meaning what they think they hear?

Similarly, reliability refers to the consistency of measurement; the extent to which the results are similar over different forms of the same instrument or occasions of data collection (McMillan and Schumacher, 2001)

3.8.1 External validity

McMillan and Schumacher (2001:167) define external validity of "the results, as the extent to which the results and conclusions can be generalised to other people and settings". Three strategies can be followed to establish external validity to diverse contexts and situations (Leedy and Ormrod, 2000):

1. The study of a real life setting;

2. Choosing a representative sample, and lastly;

Attempting to generalise findings from this research is possible, as similar factors that affect relationship marketing would typically be encountered in other parastatals. Therefore, the results of the research could apply to other parastatals; although it cannot be generalised due to the low sample size.

3.8.2 Internal validity

Internal validity expresses the intent to which extraneous variables have been controlled or accounted for (McMillan and Schumacher, 2001). In order to ensure the internal validity of the research, the researcher took the following steps:

- The respondent was not influenced by the researcher;
- The respondent was free to make comments as they wished;
- The researcher remained objective and neutral during the interview, as well as during the analysis of the data;
- The data was examined for patterns based on regularity with which specific the factors recurs in the in the interview feedback.

3.8.3 Reliability

To ensure reliability, the researcher took the following steps:

- Making use of the same interview technique and questions for all respondents.
- Applying the same systematic approach during data analysis.

3.9 Summary of Research Methodology

The researcher introduced the research methodology in this chapter, to be used according to research design; population size and sample; the research instrument; procedure for data collection; data analysis and interpretation;

limitations of the study; and lastly the validity and reliability.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

This research seeks to identify the determinants that affect successful relationship marketing with parastatals in South Africa. The approach used to complete the research was based on two phases: qualitative main study, and a rank-order questionnaire. The findings are presented in a manner suited to this approach. This chapter presents the results from the standardised open-ended interviews and the rank-order questionnaire, while the results are discussed and interpreted in the final two chapters.

4.2 Demographic profile of respondents

4.2.1. Parastatal

4.2.1.1 Introduction

It was decided to interview at least one employee in each position for this exploratory research. The wide variety of respondents ensured that the results were unbiased to a single demographic group and instead reflected a group conscience of the employees working in the procurement department of the parastatal. It is also a true reflection of the determinants they perceive as being most important when dealing with relationships with their suppliers.

The respondents varied in age, gender, education level and job level with their parastatal.

4.2.1.2 Presentation of sample demographic profile

The five (5) employees interviewed covered a diverse spread of the company's procurement department, which is representative of the demographic groups in

the organisation. Therefore, the responses gained are representative of the views of the procurement department's workforce. The table and graphs below represent the respondents' demographic groups.

Table 8: Demographic breakdown of respondents of the parastatal

Gender	**Male**		**Female**	
	3		2	
Age	**20-29**	**30-39**	**40-49**	**50+**
	2	3	0	0
Education level	**Matric**	**Post Matric**	**Masters**	**PhD**
		5		
Job level	**Buyer**	**Senior Buyer**	**Line Manager**	
	1	3	1	

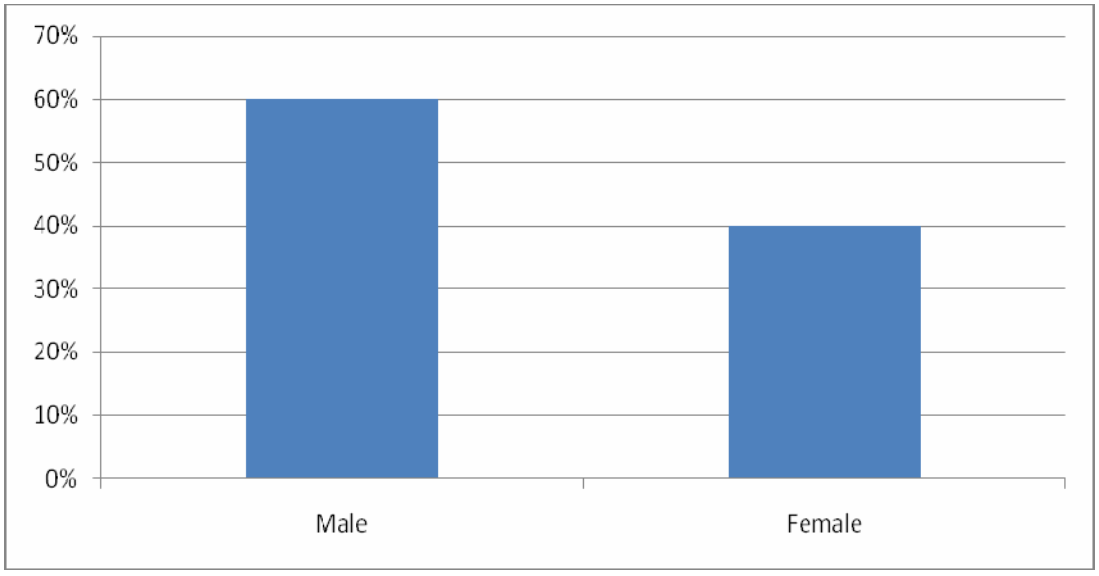


Figure 15: Gender profile of respondents

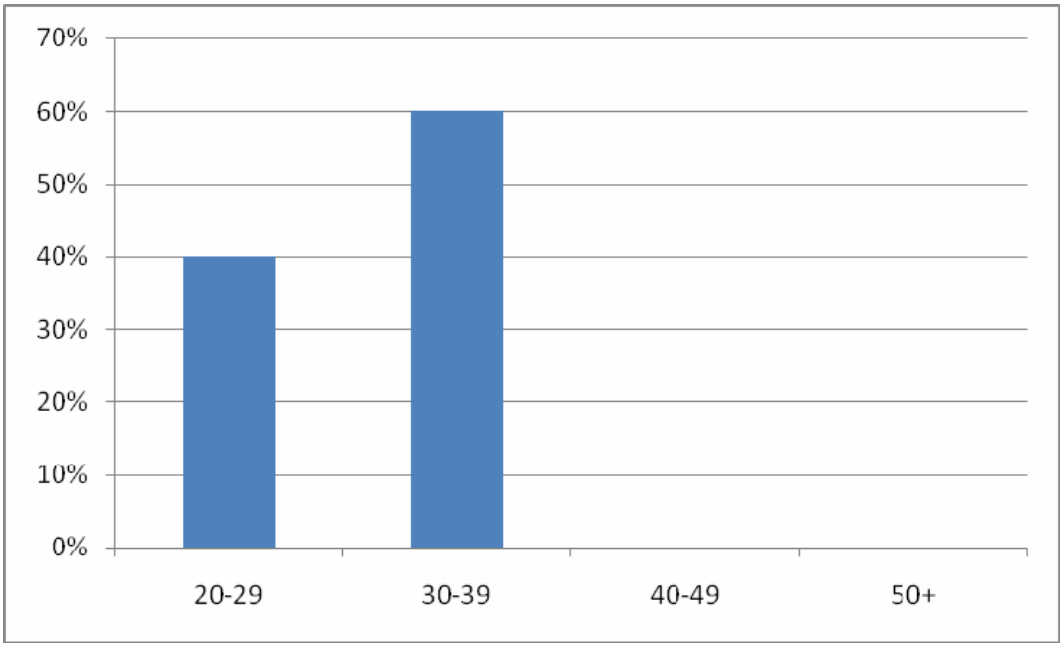


Figure 16: Age group profile of respondents

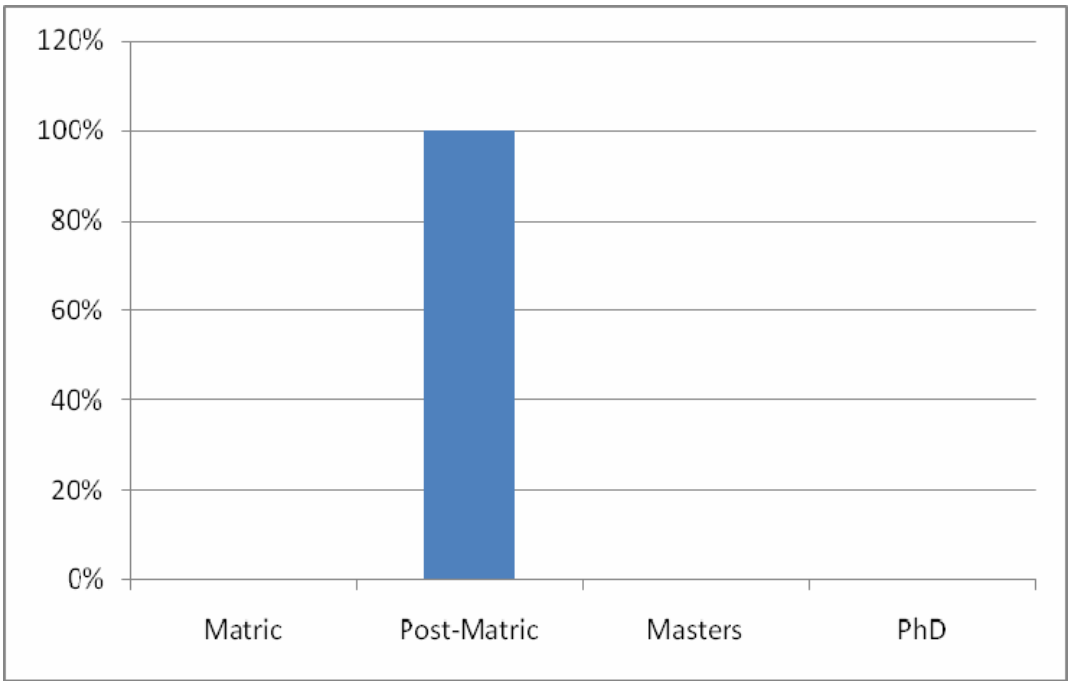


Figure 17: Education level of respondents

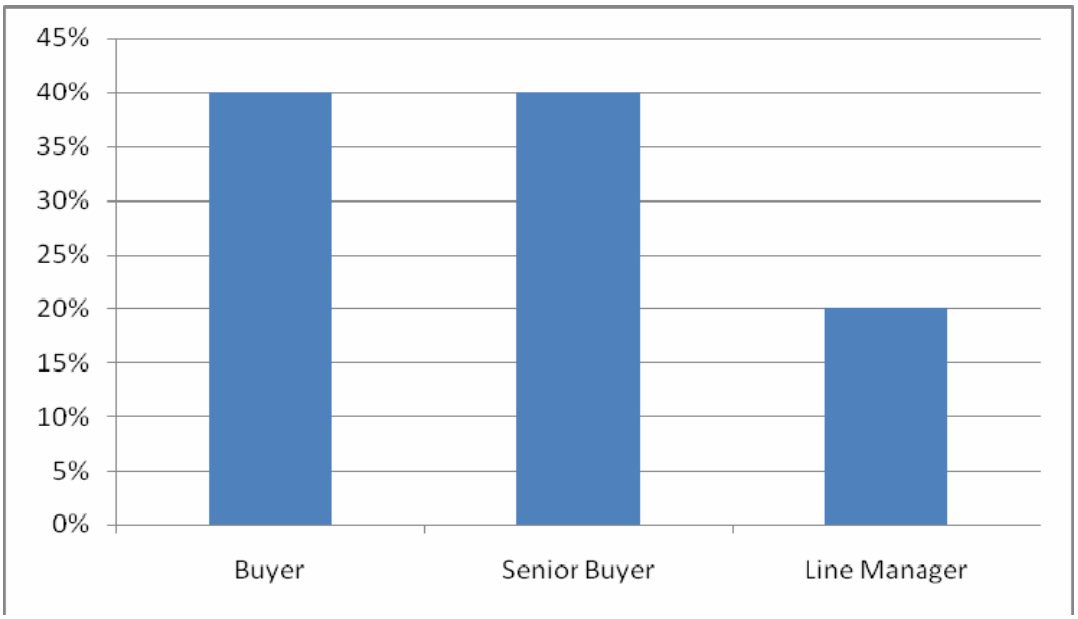


Figure 18: Job level of respondents

Table 7 and Figures 15 to 18 illustrate the fact that the interviewed employees were from a wide variety of ages, gender and job level.

4.2.2. Supplier

4.2.1.3 Presentation of sample demographic profile

The table and graphs below represent the respondents' demographic groups.

Table 9: Demographic breakdown of respondents of the suppliers

Gender	**Male**		**Female**	
	4		1	
Age	**20-29**	**30-39**	**40-49**	**50+**
	2	0	3	0
Education level	**Matric**	**Post Matric**	**Masters**	**PhD**
	1	1	3	
Job level	**Junior**	**Manager**	**Director**	
	1	3	1	

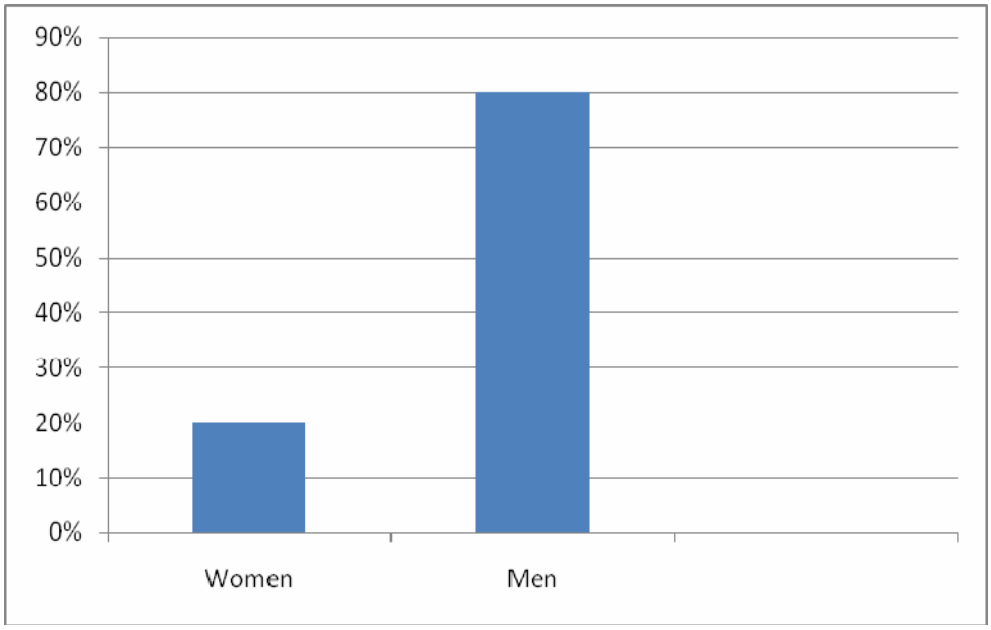


Figure 19: Gender profile of the respondents of the supplier

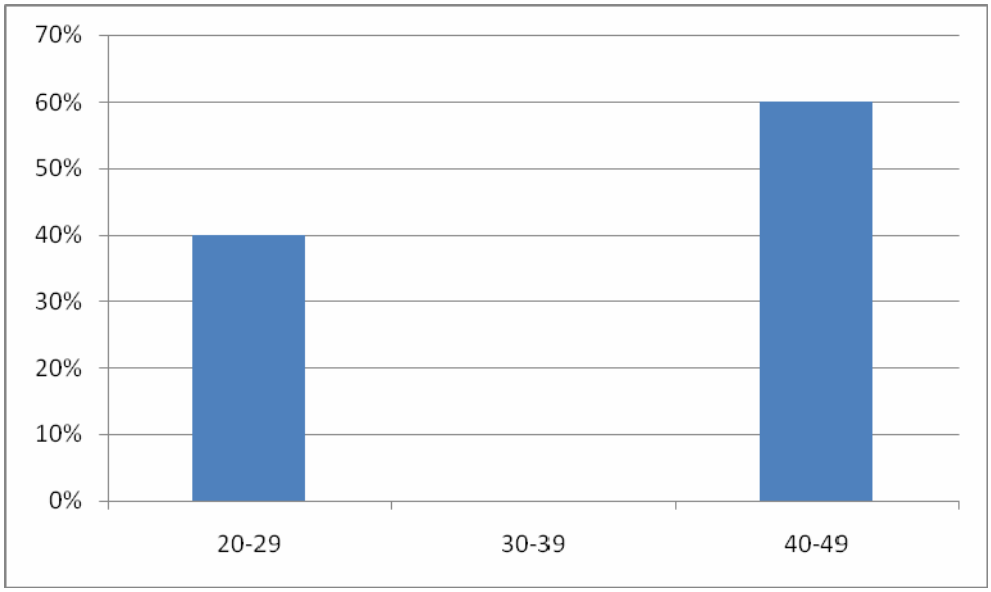


Figure 20: Age group profile of respondents of the supplier

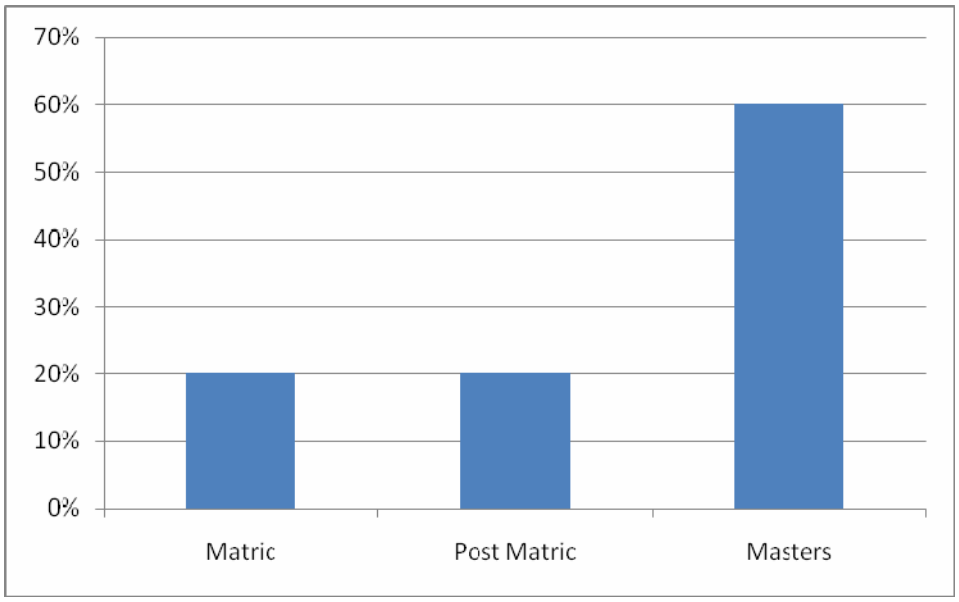


Figure 21: Education level of respondents of the supplier

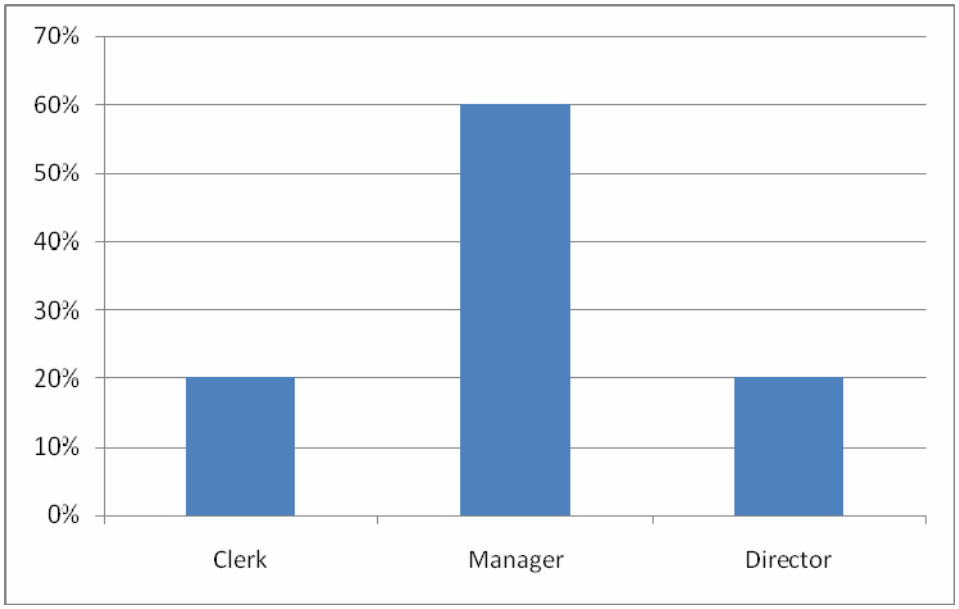


Figure 22: Job level of respondents of the supplier

Table 9 and Figures 19 to 22 demonstrate that the interviewed employees were from a wide variety of ages, gender and job level.

4.3 Results pertaining to interviews

4.3.1 Introduction

This section identifies the key themes stemming from the standard open-ended interview process. A total of five (5) interviews were conducted with the parastatal, two (2) with buyers, two (2) with senior buyers and one (1) with the line manager in charge of procurement. A total of five (5) interviews were conducted with the supplier, one (1) with the director, three (3) with managers and one (1) with a clerk.

The content analysis, as described by Kruger *et al.* (2005) was used to place responses in group themes, which identified common factors. This analysis allows the researcher to interpret and discuss the results.

4.3.2 Presentation of results

The interview was designed to facilitate discussions with respondents and to provide a starting point for the interview. The questions were intended to address the various determinants from the literature review to identify which of these determinants were relevant to the process of relationship marketing with parastatals in South Africa. The purpose of the questions was also to extract all other points regarding the subject. The interview's questions to the parastatals are summarised as per table 10.

Table 10: Interview questions to parastatals

Number	Question	Determinant
1	What role does government legislation, such as Black Economic Empowerment and Affirmative action plays in your decision to use a certain supplier?	Government regulations
2	Why do you believe suppliers wish to do and continue to do business with your parastatals?	Customer profitability
3	Before a supplier delivers goods and services, what are your expectations of the supplier, besides the match between your request and physical offerings? In other words, what kind of conduct do you expect from your customer?	Customer expectations
4	When a supplier delivers goods and services, what factors do you take in consideration before you feel satisfied with his or her performance?	Customer satisfaction
5	For arguments sake, let's say two customers offer you the exact same product, at the exact same price, what factors would you take into consideration for choosing the one over the other?	Customer value
6	Let's say things are going wrong, and your supplier is not performing as per schedule, what steps need to be taken for you to keep your faith in their abilities, and how would this affect your attitude towards giving them future business?	Conflict resolution
7	Does there come a time when you perceive yourself as being loyal to a supplier and what factors do you think influences this behaviour?	Loyalty and commitment
8	Would you say that when a supplier shows understanding of the challenges you are facing as a parastatal and tries to assist you in solving the problem, it affects your decision to give them future business?	Cooperation

The interview's questions for suppliers can be summarised as per table 11.

Table 11: Interview questions to suppliers

Number	Question	Determinant
1	What role does government legislation, such as Black Economic Empowerment and Affirmative action plays in your decision to use a certain supplier?	Government regulations
2	Why do you wish to do and continue to do business with your parastatals?	Customer profitability
3	What do you believe is the parastatal's expectation of the supplier, besides the match between thier request and physical offerings? In other words, what kind of conduct do you expect from your customer?	Customer expectations
4	When a supplier delivers goods and services, what factors do the parastatals take in consideration before they feel satisfied with your performance?	Customer satisfaction
5	For arguments sake, let's say two customers offer a parastatal the exact same product, at the exact same price, what factors would you think do they take into consideration for choosing the one over the other?	Customer value
6	Let's say things are going wrong, and you are not performing as per schedule, what steps need to be taken to ensure the parastatal keep your faith in their abilities, and how would this affect your attitude towards giving you future business?	Conflict resolution
7	Does there come a time when you perceive the parastatal as being loyal to you and what factors do you think influences this behaviour?	Loyalty and commitment
8	Would you say that when a supplier shows understanding of the challenges faced by a parastatal and try to assist them in solving the problem, it affects their decision to give you future business?	Cooperation

The responses to these questions posed to the parastatals can be summarised as follows:

Table 12: The responses of parastatal's respondents

	Parastatal respondents				
Respondent	**1**	**2**	**3**	**4**	**5**
Government Regulations	BBBEE crucial readdress injustices of the past. Act guides purchasing procedures and platform for complaints.	Comply government regulations to be considered. Follow guidelines Procurement Act when awarding contracts.	Follow guidelines setout Procurement act. Supplier need to comply.	Supplier needs to be BBBEE compliant. We contract after gone through a financial and technical adjudication, as stipulated my government regulations.	BBBEE is necessary to readdress the injustices of the past. Support this effort, and are compelled by law to adhere to the regulations.
Customer Profitability	Buy in bulk. Sustains their company.	Payment terms	Buy in bulk, organised and structured.	Profit.	Sustains their company.
Customer expectations	Continuous updates. Advance warnings of delays.	Continuous updates. Accurate information.	Accessibility. Continuous updates.	Keeping promises (Time frames). Continuous updates.	Same delivery as ordered. Timely delivery. Correct packaging.
Customer satisfaction	Delivered on time, right place, correct packaging.	Promises kept. Early warnings of delays. Professionalism.	Correct marking of goods when delivered.	Same quality as ordered. Professionalism	Same quality as delivered. Correct packaging. Delivered on time.
Customer Value	Payment terms, delivery time, past performances.	Split order in two and give each supplier equal share.	Past performances.	Payment terms and delivery times.	Supplier's reputation.
Conflict Resolution	Face-to-face meetings. Solutions. Little impact.	Impose penalties. Frequency will determine the influence.	Timely warning. Use somebody trustworthier in future.	Enforce penalties. Supplier provides solutions. Supplier untrustworthy or incompetent not considered for future business.	Rarely deal with these issues. Give chance to redeem themselves.
Loyalty and commitment	No favouritism. Tender process transparent. Past performance holds some weight but not as much as price and delivery time when adjudicating.	No favouritism. Cheapest price wins.	No favouritism. Do however trust some suppliers more than others because of past track record.	Continuous delivery on promises.	Base decision on offer. No favouritism.
Cooperation	Yes. Introducing new products. Change technical specification to accommodate in future tenders. Supplier temporary competitive advantage.	Rarely happens. Probable no effect.	Introducing new products. Change technical specifications.	Don't discuss interdepartmental problems with suppliers.	Contract determines level of cooperation. Don't discuss problems with suppliers. Can get fired.

The responses to the questions posed to the suppliers can be summarised as follows:

Table 13: Responses of supplier's respondents to questionnaire

	Supplier				
	1	2	3	4	5
Government Regulations	BBBEE compliant crucial. Had to sell shares black investors regain business.	Need to be BBBEE complaint. Good - gave me opportunity to get this job.	Need to be compliant. BBBEE bad - artificial system.	Need to be BBBEE compliant.	Need to be BBBEE compliant.
Customer Profitability	Eskom biggest client. Easier sell locally - logistical reasons.	Payment terms - important for cashflow.	Increase turnover - secure loans for future projects.	Buy in bulk, more profit.	How else will we make money?
Customer expectations	Regular updates, follow-ups and honouring timeframes.	Feedback on the status of their order.	Deliver on time. Warn of delays on time.	Quality of product compliant. Delivered on time.	To keep our promises.
Customer satisfaction	Early warning of delays, product compliance and correct markings on packaging.	Managing of the process from order to delivery, with regular updates. Correct packaging and timely delivery.	Delivering goods without defects on time.	Delivering on our promise of quality goods.	Clearly marking the final goods to ease the unpacking. Delivering the goods on time.
Customer Value	Past service levels and payment terms	Relationship with ESKOM and past performances.	Delivery time.	Payment terms and delivery time.	Best reputation
Conflict Resolution	Open communication. Updates and early warnings of delays. Continuous delays - detrimental.	Face-to face discussions. No effect happens often.	Decrease chances for future business.	Try to avoid delays, inform immediately. Don't know usually dealt with by directors.	Director meets them and solve problem. Don't know the influence it has on future business.
Loyalty and commitment	Yes, continuous satisfactory performances and interaction.	Never become loyal. All about price, quality and delivery time.	Yes, continuous good performance.	Yes, provide them with great service.	Don't know, usually win tenders if prices are the cheapest.
Cooperation	Yes, introduction of new products. Competitive advantage.	Yes, provide alternative solution as, faster delivery etc.	Yes, has to do with service levels we provide them.	No. Don't discuss problems with parastatals.	Never been involved. Probably will.

4.4 Results pertaining to the rank-order questionnaire

The findings from the literature review were used to compile the rank-order questionnaire, in order to explore determinants that affect successful relationship marketing with parastatals in South Africa.

To confirm the findings from the interviews, the rank-order questionnaire was given to the respondents after the interview was completed. They were asked to view and rank the factors that affect relationship marketing from one (1) to

eleven (11), one being the most important and eleven being the least important of the five. The results are shown below in Tables 12 and 13.

Table 14: Raw data results of the rank-order questionnaire as per parastatal

Factors	Buyer	Senior Buyers			Line Manager	Total	Ranking
		1	2	3			
Customer value	5	5	2	3	7	22	4
Loyalty	6	6	8	5	4	29	6
Customer expectations	8	10	7	8	6	39	7
Customer profitability	10	9	10	7	9	45	10
Commitment	3	4	4	4	2	17	3
Customer Satisfaction	2	2	3	2	1	10	2
Cooperation	4	3	5	6	5	23	5
Competitive environments	7	8	9	9	11	44	9
Shared values	11	11	11	10	10	53	11
Conflict resolution	9	7	5	11	8	40	8
Government regulations	1	1	1	1	3	7	1

Thus, the results from the parastatal's respondents are:

1. Government regulations
2. Customer Satisfaction
3. Commitment
4. Customer value
5. Cooperation
6. Loyalty
7. Customer expectations
8. Conflict resolution
9. Competitive environments
10. Customer profitability

11. Shared values

Table 15: Raw data results of the rank-order questionnaire as per supplier

Factors	Clerk	Managers			Director	Total	Ranking
		1	2	3			
Customer value	4	3	3	2	2	14	2
Loyalty	8	5	7	11	7	38	7
Customer expectations	3	4	2	3	4	16	4
Customer profitability	11	10	11	10	11	53	11
Commitment	5	7	6	6	5	29	6
Customer Satisfaction	2	2	4	4	3	15	3
Cooperation	6	6	5	5	6	28	5
Competitive environments	10	11	10	9	10	50	10
Shared values	9	8	9	7	9	42	9
Conflict resolution	7	9	8	8	8	40	8
Government regulations	1	1	1	1	1	5	1

Thus, the results from the supplier's respondents are:

1. Government regulations
2. Customer value
3. Customer Satisfaction
4. Customer Expectations
5. Cooperation
6. Commitment
7. Loyalty
8. Conflict resolution

9. Shared values
10. Competitive environments
11. Customer profitability

4.5 Summary of the results

Five (5) respondents of the parastatal's procurement staff and five (5) of the supplier's staff were asked in a standard open-ended interview to identify determinants that affect successful relationship marketing with parastatals in South Africa. This contributed to the parastatal's decision to make use of a certain supplier. Subsequently, they were asked to rank the eleven (11) most important factors in a rank-order questionnaire, which was used as confirmation of the responses that they gave in the preceding interview.

The parastatal and supplier's respondents used in the study were from varied backgrounds, which were typical of the company's demographic profile and thus yielded a representative indication of which determinants affect successful relationship marketing for the entire procurement staff of the parastatal; as well as the supplier.

The parastatal and supplier's respondents agreed upon the fact that government legislation was an important contributing determinant to their decision-making process when choosing. The results further indicated that customer value and satisfaction was regarded as a basic requirement and not as a differentiating factor between suppliers. Both groups of respondents identified customer profitability as the least important reason to maintain a relationship with a supplier, according to the parastatals view. Consequently, the most important determinant for suppliers to maintain a relationship with the parastatal is that of government legislation.

When discussing the above, it is vital to mention the determinants that were found to drive parastatals away from their suppliers. One determinant being

uncooperative suppliers that leads to delays in delivery. The other determinant is an un-responsive supplier during conflict situations. These are the two most important determinants that led them to pursue goods and services from other suppliers in the market.

Generally, the results from the interviews suggest that employees of the parastatal and supplier have a good knowledge of the factors that affect the parastatal's relationship with the suppliers. They include meeting and exceeding customer expectations; customer satisfaction; cooperation; loyalty; customer value; conflict resolution; and lastly but most importantly government regulations.

The consistent responses obtained from the rank-order questionnaire indicate that the issue of relationship marketing is of vital importance and that understanding these determinants that influence the relationship are complex and multifaceted. The findings indicate that there was an overlap between the answers given by the buyers, senior buyers and the line manager. However, there was also great conformity in perception between the three. Similar results were derived from the interviews with the supplier.

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CHAPTER 5: DISCUSSION OF THE RESULTS

The purpose of this chapter is to evaluate and interpret the research findings presented in the previous chapter. Furthermore, the themes obtained from the empirical data are analysed in terms of (and compared) with the literature reviewed researched in Chapter 2.

5.1 Demographic profile of respondents

5.1.1 Introduction

The responses of the interviewees and the results of the rank-order questionnaire were analysed in terms of four demographic categories: age, gender, education level, and job level. These findings are discussed under the various demographic headings in this section of the report and, where necessary, highlighted again in the discussion of interviews and rank-order questionnaires.

In general, very few differences between the different demographic groups were noticed, indicating that different demographic groups have similar views on determinants that affect successful relationship marketing. The influence of age on the determinants that affect relationship marketing can not be conclusively determined due to the small sample size used in the study. However, these findings are still indicative of the perceptions of the employees' sub-populations.

5.1.2 Age

5.1.2.1 Parastatal

A number of differences were noticed between the different age groups. According to the rank-order questionnaire the two issues of contention that influence the parastatal's decision to do business with a supplier are: loyalty; and the strength of a relationship between a parastatal and a supplier. These findings are not surprising; as both of the employees that disagreed with their

older counterparts were in their early twenties. The younger employees said that they neither feel loyalty towards a particular supplier nor do they feel that the strength of their relationship influences their decision to choose one supplier above another. The most logical assumption is that they had less exposure to the various suppliers and not enough time to thus establish meaningful relationships. Employees in their thirties, on the other hand strongly agreed that these factors play a role. This can be justified on the assumption that it is human nature to form a bond with an entity through familiarity and continuous cooperation.

It should be noted that commitment as discussed here differs from commitment and loyalty discussed later in this chapter. The above mentioned commitment refers to a non-reciprocal commitment that favours the parastatal and not the supplier.

Similarly, the younger generation indicated less emphasis on customer expectations than the older generation. Again this finding is not surprising and a similar argument can be postulated to explain this phenomenon. Older employees have more experience when dealing with suppliers and thus understand the importance of their suppliers being accessible; doing things right the first time; suppliers keeping their promises; disclosing realistic expectations; doing follow-ups; skill level of the staff; prompt response to requests; finding solutions to the parastatals needs; being courteous and also being socially and ethically responsible. These views, expressed by young employees, resemble the ideological state, in which they operate. The researcher is of the opinion that in time their current views will be readjusted and customised to reflect a more realistic perception of their working environment and the interdependent factors that shape success.

A further difference was the importance of customer commitment towards the respondents, which corresponds with a level C-P as described by Dr Clare Graves. The C-P level of existence is characterised by an operant conditioning learning system, with egocentric thinking, a survival motivational system with the aim of gaining power (Graves, 1974). This a common level of existence for

age groups in their early twenties.

The only notable difference between the different age groups was that the 20 – 29 year age old group placed less emphasis on supplier loyalty; customer expectations; the influence relationships with suppliers have on their decision-making process and the need of customers to show commitment towards them.

5.1.2.2 Supplier

The results were not indicative of any distinctive difference between various age groups with regards to factors that affect relationship marketing with parastatals in South Africa.

5.1.3 Gender

5.1.3.1 Parastatal

The fact that the sample was fairly well represented by both the male and female population group is an indication of the equal employment policies regulating government institutions.

The results were not indicative of any distinctive difference between these two groups with regards to factors that affect relationship marketing with parastatals in South Africa.

5.1.3.2 Supplier

The results were not indicative of any distinctive difference between these two groups with regards to factors that affect relationship marketing with parastatals in South Africa.

5.1.4 Education level

5.1.4.1 Parastatal

All of the respondents had a post matric qualification. Therefore a comparison between education level and responses is not possible.

5.1.4.2 Supplier

One of the respondents had matric; the rest all had a post matric qualification. The results were not indicative of any distinctive difference between education levels with regard to factors that affect relationship marketing with parastatals in South Africa.

5.1.5 Job level

5.1.5.1 Parastatal

Incidentally, the two younger employees were senior buyers and as described in Section 5.1.2 the key differences between, the buyers and line managers, is their perception of the importance of customer expectations, loyalty, influence of relationships on their decision making ability; and their supplier's commitment towards them.

5.1.5.2 Supplier

The results were not indicative of any distinctive difference between job levels with regard to factors that affect relationship marketing with parastatals in South Africa.

5.1.6 Conclusion of demographic profile of respondents

The most significant differences were observed between the ages of the employees within the parastatal. This finding has no significant implication on the factors that affect relationship marketing with parastatals in South Africa.

5.2 Discussion pertaining to interviews

5.2.1 Introduction

In this section, the synthesised themes from the interviews are discussed and

compared to the literature review and, subsequently, preliminary conclusions were drawn. To bring the section to a conclusion the parastatal's awareness of relationship marketing is discussed.

Once again, it needs to be noted that the emphasis of this research was placed on qualitative research, whilst the rank-order questionnaire served as confirmation of the results obtained from the interviews. The interviews allowed the researcher to probe more deeply into the determinants of successful relationship marketing with parastatals. This was done with follow-up questions and thus a richer understanding of the determinants that affect successful Relationship Marketing with parastatals; was gained and compared to the answers obtained from the analysis of the rank-order questionnaire.

The responses from the interviewees were content-analysed in tabular form, from which specific themes have converged and are summarised under eight distinct headings, namely:

- Government Regulations
- Customer Profitability
- Customer Expectations
- Customer Satisfaction
- Customer Value
- Conflict resolution
- Commitment and loyalty
- Cooperation

These findings provide confirmation that traditional transactional marketing approaches are no longer effective in gaining and keeping customers. In effect, this forces the supplier to revise their marketing strategies.

5.2.2 Government regulations

From the responses to question one (1) (see Appendix A and B), all respondents confirmed that government regulations played a decisive role in the relationship between the parastatal and suppliers. The parastatal decide to begin, maintain or terminate relationships with suppliers according to the guidelines set out in government regulations. This, they believe, is the main determinant that affects successful relationship marketing with parastatals, and initiates a relationship with a supplier. Government regulations also act as a guideline for the limitations of the relationship.

The parastatal's respondents indicate that unless the BBBEE criteria are met they cannot establish a relationship with a supplier. These views expressed by respondents indicate the support of the National Small Business Act 102 of 1996 (amended 2003) that was introduced to provide an enabling environment for SMMEs and to establish institutions to provide support to black entrepreneurs. It further correlates with the GCIS (2008) view that the BBBEE strategy ensures government procurement supports black economic empowerment and SMME's as well as interventions to promote such procurement practices in the private sector.

Respondents further mentioned that they are content with the legislation. They said that BBBEE is crucial to address the injustices left by the Apartheid legacy. They further explained that most of their supplying companies are middle men that are BBBEE compliant, and that these middlemen source their products from non-compliant "white" companies. They therefore believe that BBBEE benefits a broad spectrum of ethnic groups within South Africa.

Similarly, the respondents from the supplier express similar views pertaining to the role of government regulations with regards to successful relationship marketing. Respondent one (1) also mentioned that they had to sell a portion of their company to black investors in order to regain their market share.

Although all respondents from the supplier agreed that a supplier needs to be BBBEE compliant, interesting responses came from respondents two (2) and three (3). Respondent two (2) argued that BBBEE legislation is very good and created an opportunity for him to be employed by the supplier; whilst respondent three (3) argued that it is an artificial system that does not encourage entrepreneurship and economic development, but instead it simply allows previously disadvantaged people to leech off an established system, decreasing the slice of the pie without first making the pie bigger.

To conclude, it seems as though when dealing with parastatals in South Africa, government regulations are cast in stone. The need to comply is critical. Therefore, suppliers seeking to establish a relationship with parastatals, both local and abroad, need to comply with BBBEE and Affirmative Action policies. This can be defined as the first barrier of entry. The need to establish strategic partnerships with local black businesses when seeking a relationship with parastatals in South Africa; enjoys more emphasis locally than any other region in the world.

5.2.3 Customer profitability

Question two (2) (see Appendix A and B) explores customer profitability as a determinant of relationship marketing with parastatals in South Africa. All of the respondents agreed that suppliers wish to do business with parastatals because it is profitable. Other reasons mentioned ranged from sustainability, logistics, and payment terms.

Respondent three (3) from the supplier mentioned that doing business with the parastatal was good for their balance sheet because of the large quantities that are purchased. This assists the supplier greatly to secure loans for future projects.

Respondent one (1) of the supplier mentioned that it was easier to deliver goods, from a logistic and delivery point-of-view, within South Africa, than from across national borders.

All respondents view the parastatal as a major client that contributes considerably to the overall sustainability of the supplier. It is therefore worthwhile for a supplier to establish a relationship with a parastatal, because of their contribution to the supplier's bottom line.

Payment terms were also mentioned as a reason to establish a relationship. According to respondent two (2) of the parastatal, the parastatal pays a deposit on goods ordered and the difference is settled with a letter of credit. A letter of credit is a financial instrument issued by banks that ensures full payment to a supplier, for goods delivered, as soon as a certificate of acceptance is issued by the parastatal. This concurs with the view of respondent two (2) of the supplier; he mentioned the need for a healthy cashflow in the IDMMMC industry and the benefit of the payment terms presented by the parastatal.

To conclude, customer profitability is the main reason suppliers wish to do business with the parastatal. The benefits include the fact that parastatals buy in large quantities which are beneficial to the supplier's cashflow, also enabling them to secure loans and ensuring long-term business sustainability.

5.2.4 Customer expectations

There is a strong correlation between the responses from the respondents to question three (3) (see Appendix A and B) Hlavinka's (2005) (see section 2.3.3) ten key customer expectations. The following expectations are mentioned: being accessible; doing things right the first time; keeping your promises; communicating realistic expectations; doing follow-ups; dealing with informed employees; and prompt response to requests.

Respondent one (1) of the parastatal explained that there is usually a time delay of between 12-20 weeks from the signing of the contract to the delivery of the goods. The ideal is that goods are delivered within the agreed timeframe, if not receiving continuous updates and early warnings of delays are essential. This corresponds with need to be accessible, doing things right the first time, keeping your promises, communicating realistic expectations, doing follow-ups

and prompt response to requests.

Another determinant for consideration includes the need to have well informed employees that can successfully provide the necessary services to meet the parastatal's expectations. Respondent four (4) of the parastatal mentioned that it is frustrating when you call a supplier to get information and they forward you from one department to another.

The responses from the supplier's respondents indicate that they are aware of the parastatal's expectations and that they make an effort to meet them.

The remaining key expectations mentioned by Hlavinka (2005) (be responsive to your clients needs, treat them courteously; and be socially and ethically responsible) was not mentioned per se. The researcher believe that these factors are common practice and therefore not worth mentioning by the respondents. The researcher however believes that these determinants are in fact important when meeting the parastatal's expectations.

It therefore seems that customer expectations play as an important a role in the business-to-parastatal relationship as it does in other transactional relationships. Parastatals require continuous updates on the status of their orders, as well as early warnings if possible delays that may occur.

5.2.5 Customer Satisfaction

Question four (4) (Appendix A and B) explores the determinant customer satisfaction. The reasons given by respondents for the need of customer satisfaction ranged from the technical compliance of the offering, the timeframe in which the transaction is completed (or early warnings of delays), and the correct packaging and marking of goods when delivered. Failure of the above influences the parastatal's decision when deciding to discontinue their relationship with a supplier.

This is consistent with the literature reviewed, which argues that successful relationship marketing depends on a company's abilities to keep their

customers satisfied (Winer, 2001).

Providing the parastatal with accurate, comprehensive information on the progress of their goods and/or services; were identified by the parastatal's respondents as an important element in deriving satisfaction from the final outcome of a supplier's delivery. The continuous accurate and comprehensive update on progress of delivery was identified by MORI (2004) as a key driver of customer satisfaction.

Furthermore, respondents indicated that timeliness of a delivery results in customer satisfaction. They emphasise the speed of delivery from order to delivery as an important aspect when choosing to use a supplier. A history of delays places the supplier in disrepute and is detrimental for their long-term relationship outlook with the parastatal. MORI (2004) made similar findings.

The professionalism of the supplier plays a critical role. Due to South Africa's apartheid legacy, a lot of controversy surrounds issues pertaining to race. All of the respondents were black, and feel strongly about being treated justly and not as inferior as this was the case in the past. It must be noted that where you have white-black interaction; special attention must be paid to the way information is communicated, so that the content which is communicated is neither patronising nor has nuances of prejudice.

This peculiar observation is fuzzy with references to unspecific blue collar, white employees singled out as culprits. This issue needs to be closely monitored by suppliers as not to let their ability to perform; be damaged through insensitivities and racial prejudice.

The supplier's respondents had similar views to those expressed above, with the exception of the issues relating to professionalism. It is a noteworthy consideration for suppliers trying to establish or maintain relationships with parastatals in South Africa.

The parastatal's respondents mentioned that they are willing to switch to a different supplier, in order to gain higher levels of customer satisfaction. They acknowledge that doing business with parastatals is profitable and that those

who deliver high levels of customer satisfaction benefit the most through their relationship with parastatals. The parastatal's main reason for not pursuing a relationship with a supplier is "empty promises"; lack of information or progress updates; long delays on when delivering; incompetent staff and unprofessional conduct and communication from a supplier.

5.2.6 Customer value

Question five (5) (see appendix A and B) asked both the parastatal and the supplier what they think the differentiating factors between suppliers are, if neither price nor the technical compliance of products are taken into consideration. The intent of this question is to determine the influence customer value on relationship marketing with parastatals in South Africa.

All of the respondents, except respondent (2) two of the parastatal, mentioned either or all of the following: payment terms, time of delivery or the company's reputation. This concurs with Gupta's (2007) (see section 2.3.6) view that customer's value is the core value plus the added value. The question neutralised the core value (core solution/price) of the offering.

Through deductive reasoning it is possible to confirm that suppliers add value to their offering by either stipulating easier payment terms or shorter delivery times. This gives them an advantage when competing in a highly competitive tender.

However, the researcher did not explore to what extent this enables the supplier to ask premium prices or offer lesser quality products. From responses to other questions, the researcher can determine that price followed by technical compliance is still the most important factors when deciding to award a tender to a supplier.

The supplier's reputation plays a pivotal role in swinging a deal that is greatly contested towards a supplier. A supplier's reputation is build through continuous satisfactory performances that meet and exceed the parastatal's expectations.

To conclude this section, a supplier competing in a very competitive bid furthers

their chances through their reputation, easier payment terms for the parastatal and shorter delivery time of goods. The weight of each of these factors' influence on the parastatals decision and the interplay between them needs to be investigated further in order to be conclusive.

5.2.7 Conflict resolution

With regards to question six (6) (see appendix A and B), most of the respondents agree that prevention is better than cure, and that a timely warning of delays greatly adds toward the prevention of conflict. However, in the case of conflict, the best way to resolve it is by face-to-face meetings.

Respondent one (1) of the parastatal indicated that she prefers for herself and her supplier to sit down and discuss solutions as soon as possible. Most of the respondents of the parastatal also mentioned that they expect the supplier to provide them with solutions as soon as conflict arises.

What is evident is that the failure to act by a supplier could be costly. In the contract they sign when awarded a tender there are provisions made for the imposition of penalties. It includes the annexation of their performance bond. The performance bond is usually in the region of ten percent of the contract's value, which they are compelled to put down at the initiation of an awarded contract.

The respondents from the parastatal indicated that delays occur regularly. If the supplier discusses the delays with them in advance, it has little influence on their future business outlook. Failure to act is very detrimental and can influence the parastatal to terminate a relationship and seize the performance bond of the supplier. They also mentioned that continuous failure to deliver on time is detrimental to the supplier's ability to gain future business.

Suppliers must avoid delays; if this is not possible they must inform the parastatal in advance. During a conflict scenario, it is best to meet the relevant employee at the parastatal in a face-to-face meeting, with prepared solutions to the situation, and to discuss them during the contact session. Failure to act,

results in the seizure of the supplier's performance bond and the termination of the relationship with the parastatal.

5.2.8 Commitment and loyalty

Question seven (7) (see appendix A and B) explores the role of commitment and loyalty on relationship marketing with parastatals in South Africa.

The parastatal's respondent did not perceive loyalty and commitment as an important determinant. They indicated that the obligations of both parties are stipulated in their signed agreement and that they are not allowed to have favourites.

They indicate that the tender process is transparent and that all suppliers have an equal opportunity to gain business if they comply with government regulations and if their prices are the cheapest and their products are technically compliant to the parastatal's request.

In contradiction, most of the supplier's respondents believe that the parastatal do show loyalty and commitment towards them. This occurs when they have a good track record based on a history of satisfactory performances.

Consistent with the literature reviewed (see section 2.3.4 and section 2.3.8) loyalty and commitment is a behaviour that businesses seek from their customers and not necessarily vice versa. The repercussions of showing favouritism by employees of the parastatal could cost them their jobs. Loyalty and commitment are not determinants per se, but a supplier's reputation may tip the scale either.

5.2.9 Cooperation

The responses to question eight (8), exploring the determinant cooperation, are as follows:

Within the context of the parastatal, a parastatal's problem or challenge is to buy goods or services at cheaper price to make their budget go further. The

goods and services still need to satisfy their needs. Their needs are based on the mandate from government to maintain, repair and expand the national electrical grid. Suppliers achieve this through introducing cheaper alternatives or new developments of, to name one example, insulators.

Respondents of the parastatal indicated that they appreciate suppliers who come to introduce new products to them. These products need to meet the criteria of either a longer life-span or a cheaper alternative that will still satisfy the parastatals needs.

The ability of suppliers to anticipate and provide solutions to the parastatals problems distinguishes them from their competitors. Respondents one (1) and four (4) stated that by providing parastatals with more promising value offerings; they gain the opportunity to change the technical specifications of products required and may for the time being, have the competitive advantage.

This is consistent with the literature reviewed, which argues that the most successful companies aren't those who emphasize their making and selling activities, but those that see themselves as part of a value delivery process (Kotler and Keller, 2006; Gupta, 2007).

Most of the respondents of the supplier agreed to the importance of cooperation and indicated that it is a never ending process that requires the input of the company across the board. They are aware of the interaction required between the parastatal and themselves and the benefit of finding solutions in conjunction with the parastatal for the challenges that they face. They indicated the mutual beneficial effect it had on their ability to do repetitive business with parastatals over an extended period of time.

In conclusion, cooperation takes on a different meaning than its traditional connotation when dealing with parastatals. Cooperation in this context relates to the suppliers ability to present new products and services that is either cheaper or a longer life-span than current products in use. It requires the supplier to keep in-touch with new developments and to represent them convincingly enough to the parastatal.

5.3 Result pertaining the rank-order questionnaire

The results of the rank-order questionnaire are tabulated below. Consistent responses were obtained from the participants, indicating that there was over-riding determinants that influenced relationship marketing with parastatals.

In general, the results indicate that the supplier correctly ranked the determinants that were important to the parastatal, with the exception of commitment. The parastatal ranked commitment at third place whilst the supplier ranked commitment at sixth place.

Table 16: Summarised responses to rank-order questionnaire

Ranking	Parastatal	Supplier
1	Government regulations	Government regulations
2	Customer Satisfaction	Customer value
3	Commitment	Customer Satisfaction
4	Customer value	Customer Expectations
5	Cooperation	Cooperation
6	Loyalty	Commitment
7	Customer expectations	Loyalty
8	Conflict resolution	Conflict resolution
9	Competitive environments	Shared values
10	Customer profitability	Competitive environments
11	Shared values	Customer profitability

This is inconsistent with the views expressed by the respondents from the parastatal in the standard open-ended interview. During the interviews they indicated that they do not place a lot of importance on loyalty and commitment

towards a supplier, which they interpreted as favouritism.

The researcher assumes that the parastatal see commitment as a synthesised theme that include both customer satisfaction and meeting the parastatal's expectations, in return for the remuneration the supplier receives from the transaction with the parastatal. Further research is needed to conclusively support this assumption.

5.4 The parastatal's awareness of relationship marketing

Even though the parastatal was not aware of the term "relationship marketing"; they definitely knew the factors that affect their relationship with suppliers. Their responses agreed to a large extent with the views expressed by the supplier's respondents as well as the factors discussed in the literature review, especially factors such government regulations, customer value, customer satisfaction, customer expectations, and cooperation.

5.5 Conclusion

The results from this research are especially important when viewed in the context of the government's budget of R372-billion for upgrading and building new infrastructure over the next three years (MediaClub.com, 2008).

Five distinct factors were identified as an important influence on the success of relationship marketing to parastatals: government regulations; customer satisfaction; customer expectations; customer value; and cooperation. It is important to note that these determinants are directly under the supplier's control. From this the researcher concludes that a supplier can gain a competitive-advantage by mastering these determinants when dealing with parastatals. In return the supplier can expect long-term repetitive business from the parastatal.

The findings further provide empirical evidence which suggests that in this parastatal gender and job level demographic attributes play an insignificant role in determining factors that affect relationship marketing, as similar factors were mentioned by all respondent types.

Furthermore, evidence is put forward that indicates that commitment and loyalty are not effective determinants. If suppliers do not act during times of conflict and bring a solution to the fore front, it can have a detrimental effect on their relationship with the parastatal. Therefore, suppliers need to realise, that it is crucial for them to communicate problems and provide early warnings of delays to the parastatal.

It is also important to note that the parastatal's commitment levels are influenced by customer satisfaction. However, the respondents indicated that customer satisfaction was not the most important determinant in their decision to remain with a supplier, but instead, the need for suppliers to be compliant with government regulations is. It is believed that customer satisfaction however, is a necessity to maintain a relationship with parastatals, as there are numerous suppliers that comply with BBBEE regulations.

The least effective relationship marketing determinant identified by respondents was customer profitability. This factor can rather be viewed as a motivational factor for suppliers to establish and maintain relationships with parastatals.

In conclusion, the findings of the research provide guidelines for IDMMCs that wish to maintain and establish relationships with parastatals to implement policies and strategies to strengthen its relationship with parastatals.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1. Introduction

This chapter summarises the key findings from the respondents interviewed during the course of the research forming an overall conclusion of the study. Based on the outcomes, recommendations for those responsible for relationship marketing are proposed. Finally, recommendations for future research are suggested, based on limitations imposed on this research and findings that were uncovered during the research.

6.2 Conclusions of the study

6.2.1 Introduction

With the reality of the global financial crisis; this research aims to identify and assist suppliers to understand the determinants that affect relationship management with parastatals. In turn these determinants influence the decision-making process of parastatals to establish, maintain or end relationships with suppliers.

Thus five (5) standardised open-ended interviews were conducted with personnel who worked in the purchasing department of a parastatal. The respondents were representative of the parastatal purchasing department's demographic background. Additionally, interviews were conducted with five (5) employees from a supplier. This was done to verify the level of understanding of the determinants by employees in charge of the maintaining relationship with the parastatal.

The parastatal that was used in the research represents one of the largest

parastatals in South Africa. They are responsible for the repair and maintenance of the electrical power grid in South Africa. This responsibility includes the generation, transmission and distribution of electricity in South Africa.

The supplier that was used in this research was a supplier of high, medium and low voltage electrical products which includes products such as transformers, cables, conductor, insulators and wooden transmission poles.

A content analysis was conducted on the responses obtained from the interviews. The interviews formed the empirical data used to identify key determinants that affect relationship marketing with parastatals in South Africa. The identified determinants were used to confirm or reject successful relationship marketing strategies developed in the literature review.

The inferences made in this research are important considerations for suppliers seeking or currently doing business with the parastatal.

6.2.2 The main findings regarding research question 1: What is the required determinants for relationship marketing when dealing with Parastatals in the South Africa?

The findings in this research coincides with the findings in the literature review, with regards to the determinants that influence successful relationship marketing between a company and its customer. The research findings further highlight the limited effectiveness of the transactional marketing approach, as discussed in Section 1.2.1.

In this context, the research identified the following underlying determinants that play an important part in successful relationship marketing with parastatals:

6.2.2.1 Government regulations

Question 1 (Appendix A and B) dealt with the role of government regulations as a determinant when dealing with parastatals in South Africa. The results of this question was presented in Section 5.2.2.

With regards to government regulations as a determinant of relationship marketing with the parastatal in South Africa it was concluded that, when dealing with parastatals in South Africa, government regulations are cast in stone. The need to comply is crucial.

Suppliers that seek to establish or maintain a relationship with the parastatal, both local and abroad, need to comply with BBBEE and Affirmative Action policies. This can be described as the first barrier of entry.

The need to establish strategic partnerships with local black businesses when seeking a relationship with parastatals in South Africa; enjoys more emphasis locally than in any other region of the world.

6.2.2.2 Customer profitability

Question two (2) (Appendix A and B) dealt with the role of customer profitability as a determinant when dealing with parastatals in South Africa. The results of this question was presented in Section 5.2.3.

Customer profitability is identified as the main motivational factor for suppliers to pursue a relationship with the parastatal. Suppliers want to do business with parastatals because they purchase goods in large quantities, which are beneficial to their cashflow, as well enabling them to securing loans and ensure long-term sustainability.

6.2.2.3 Customer expectations

Question three (3) (Appendix A and B) dealt with the role of customer expectations as a determinant when dealing with parastatals in South Africa. The results of this question were presented in Section 5.2.4.

Customer expectations have as an important role in the business-to-parastatal relationship, as it does in other business relationships. Parastatals require continuous updates on the status of their orders, as well as early warnings if possible delays may occur.

6.2.2.4 Customer satisfaction

Question four (4) (Appendix A and B) dealt with the role of customer satisfaction as a determinant when dealing with parastatals in South Africa. The results of this question were presented in Section 5.2.5.

The parastatal's respondents mentioned that they are willing to switch to a different supplier, in order to gain higher levels of customer satisfaction. They acknowledge that doing business with parastatals is profitable and that those who deliver high levels of customer satisfaction benefit the most through their relationship with parastatals. The parastatal's main reason for not pursuing a relationship with a supplier is that of "empty promises"; lack of information or progress updates; prolonged delays on estimated delivery time; incompetent staff members and unprofessional conduct and communication from a supplier.

6.2.2.5 Customer value

Question five (5) (Appendix A and B) dealt with the role of customer value as a determinant when dealing with parastatals in South Africa. The results of this question were presented in Section 5.2.6.

A supplier partaking in a very competitive bid enhance their chances of success via their reputation, easier payment terms for the parastatal and shorter delivery time. The weight of each of these factors' influence on the parastatals decision making process as well as the interplay between them needs to be investigated further in order to form a definitive conclusion.

6.2.2.6 Conflict resolution

Question six (6) (Appendix A and B) dealt with the role of conflict resolution as a determinant when dealing with parastatals in South Africa. The results of this

question were presented in Section 5.2.7.

Suppliers must avoid delays; if this is not possible they must inform the parastatal well in advance. During a conflict scenario, it is best to meet the relevant employee from the parastatal in a face-to-face meeting, with prepared solutions to the problematic situation. Failure to act, results in the seizure of the supplier's performance bond and the termination of the relationship with the parastatal.

6.2.2.7 Commitment and loyalty

Question seven (7) (Appendix A and B) dealt with the role of government regulations as a determinant when dealing with parastatals in South Africa. The results of this question were presented in Section 5.2.8.

Consistent with the literature reviewed (see section 2.3.4 and section 2.3.8) loyalty and commitment is a behaviour that businesses seek from their customers and not necessarily vice versa. The repercussions of showing favouritism by employees of the parastatal could cost them their jobs. Loyalty and commitment are not determinants per se, but a supplier's reputation may tip the scale in his favour.

6.2.2.8 Cooperation

Question eight (8) (Appendix A and B) dealt with the role of government regulations as a determinant when dealing with parastatals in South Africa. The results of this question were presented in Section 5.2.9.

Cooperation has a different meaning than its traditional connotation when dealing with parastatals. Cooperation in this context relates to the suppliers ability to present new products and services which are either cheaper or have a longer life-span than the current products in use. This requires the supplier to keep in-touch with new developments and to represent them convincingly to the parastatal.

6.2.2.9 Conclusion

From the research it is derived that the determinants of relationship marketing with parastatals in South Africa are thus:

1. Government regulations
2. Meeting and exceeding customers expectations
3. Satisfying customer's needs
4. Creating customer value for the parastatal
5. Cooperation

The above-mentioned determinants correspond with the findings of the rank-order questionnaire of both the parastatal and the supplier with the exception of the parastatal viewing non-reciprocal commitment as very important to them.

Thus, the challenge remains for the supplier to comply with government regulations, meet and exceed customer expectations, to satisfy the customer's needs, create value, and cooperation in order to maintain and establish relationships with parastatals; whilst seeking to maximise customer profitability and maintain a competitive advantage above its competitors.

6.2.3 The main findings regarding research question 2: How are these criteria ranked according to importance for parastatals?

The results of the rank-order questionnaire were discussed in section 5.3. The parastatal ranked the eleven determinants that affect relationship marketing with parastatals in South Africa as follows:

1. Government Regulations
2. Customer Satisfaction
3. Commitment
4. Customer value

5. Cooperation
6. Loyalty
7. Customer expectations
8. Conflict resolution
9. Competitive environments
10. Customer profitability
11. Shared values

The ranking of commitment at 3rd place is inconsistent with the responses of the parastatal to question seven (7) (see appendix A and B; section 5.2.8). The researcher assumes that the parastatal sees commitment as a synthesised theme that includes both customer satisfaction and meeting the parastatal's expectations, in return for the remuneration the supplier receives from the transaction with the parastatal. Further research is needed to conclusively support this assumption.

6.3 Recommendations

Berry (1980) emphasised the need for organisations to develop marketing strategies that personalise the relationship with a customer to maximise the benefit to the organisation.

In a mushrooming infrastructure development, manufacturing and maintenance sector (as is currently happening in South Africa) parastatals are the key stakeholders for the survival and growth of companies operating in this arena of business. Suppliers depend on parastatals to gain business and maximise profits. Consequently, the establishment and maintenance of relationships with these entities are is the most important activity for IDMMCs. This is done to secure the ongoing long- and short-term survival of their organisations.

It is believed that this research is of value to suppliers of goods and services to parastatals in South Africa. It may serve as a guideline for suppliers on how to improve their relationship marketing strategies and further their competitive advantage.

The following recommendations are proposed, based on the research's findings. They should be perceived as initial concepts that need further exploration. The recommendations are targeted at suppliers.

Suppliers in the IDMMC industry desiring to establish and maintain relationships with parastatals in South Africa, can further their chances by understanding the determinants that affect relationship marketing with parastatals. The following guidelines can be taken into consideration to implement these determinants successfully:

- Transactional marketing strategies should be replaced with relationship marketing strategies. These strategies should focus on making government regulations work for the organisation, creating customer value, exceeding customer expectations, keeping customers satisfied and introducing new products to the parastatal.
- When delivering goods to the parastatal's stores. packaging plays a vital role in the parastatal's satisfaction. The supplier must communicate with the employees at the parastatal's stores and ask them how they would like the goods to be marked and packed for delivery.
- At the signing of a contract, a discussion should take place on how the parastatal would prefer to be kept in the up-to-date. Possible communication methods may include a weekly e-mail with comprehensive information on the status of goods ordered by the parastatal.
- Be honest. Warn parastatals in advance if there are expected delays. From the study it was concluded that early warnings of delays lessen the impact of late delivery on the perceived dissatisfaction of the parastatal.
- Allow extra time for possible delays of the delivery of goods when accepting a contract. This ensures that the supplier has some leeway if

he is expecting delays in delivery, as opposed to suffering the consequences of late delivery.

- Pay attention to the manner in which employees of your organisation communicate to the parastatal's staff. The content of the conversation should neither be patronising nor prejudicial.
- Suppliers can note companies that do business in the private sector in order to learn from their relationship marketing strategies. The research showed that there is an overlap between the business-parastatal relationship and other business relationships.
- Rather find black investors than make use of BBBEE middlemen. As concluded from the research, price plays an important role when competing in a tender. By making use of BBBEE middlemen, the company compromises its competitive position. They either have to lower their mark-up price on goods or out-price themselves because of the added commission that needs to go to the BBBEE middleman.
- To remain the supplier of choice and to achieve maximum customer profitability, the supplier is encouraged to continuously improve their customer value offering, which includes constant product innovation and high quality of service level. This should be presented to the parastatal convincingly and frequently. By changing the technical specifications of products needed for electrical construction, the supplier temporarily creates a competitive advantage for himself.
- Relationship marketing should not be isolated from the strategic objectives of the organisation. The responsibility of maintaining the relationship with the parastatal is the priority of all employees in the organisation, not just the marketing department.

6.4 Suggestions for further research

This research focused on exploring factors that affect relationship marketing with parastatals in South Africa and aimed to assist suppliers in understanding these factors so that they can meet their objectives. The following areas are

recommended for further investigation, based on themes that were uncovered in the process of compiling the research and fell outside the stated delimitations of this research. Investigating these would broaden the understanding of relationship marketing.

6.4.1 Factors that affect relationship marketing with parastatals in Africa

The sample used in this study was limited to South African and South African based suppliers. Amongst others, the following variables could be explored to determine whether the same or different variables apply:

Southern African parastatals;

- East African parastatals;
- North African parastatals;
- Parastatals in hyperinflation economies (Zimbabwe);
- Cross national parastatal-to-supplier relationships in Africa
- Global suppliers-to-African parastatal relationship marketing

A suggested research question could be phrased as follows:

- Do the factors that affect relationship marketing differ amongst various parastatals in Africa?

The findings of such research would indicate the extent to which common factors can be generalised to larger population segments and highlight the differences between the sub-sample groupings.

6.4.2 Using quantitative research techniques to investigate factors that affect the relationship marketing with parastatals

The use of a qualitative framework for the study yielded rich and in-depth data from a small sample size of individuals interviewed. Making use of a number of different quantitative methods would further validate the findings of this report.

From the results of a survey questionnaire that would be sent out to a large target group, factor or cluster analysis could be used to identify additional information relevant to the factors that affect relationship marketing with parastatals. A factor analysis would yield broad underlying themes from a wider population, while a cluster analysis would distinguish if there were further sub-groupings of individual needs within this larger population. Thus, a potential research topic could be:

- Determine the most important factors that will influence a parastatal's decision to form a long-term relationship with a supplier.

6.4.3 Identifying the profile of employees that can successfully form relationships with customers

The aim of this study was to investigate the factors that affect the relationship marketing of parastatals in South Africa. However, the relationship marketing process also lends itself to an important investigation topic. This study would identify which profiles of employees are most likely to form long-term relationships with customers to assist with the implementation of relationship marketing strategies. The study would concentrate on establishing the extent to which a consistent understanding of these personality profiles is understood and aligned with the organisation's business objectives. Possible research questions could be:

- What is the profile of personnel most likely to be successful with relationship marketing?
- How consistently are the profile requirements understood by those responsible for recruiting relationship marketers?

6.4.4 Determining of similarities between the factors affect relationships from a social psychological perspective versus factors that affect relationships from a relationship marketing perspective

The research was performed from a “relationship marketing” perspective. The researcher however believes that the underlying principals of successful business relationships between companies are very similar to the principals of successful personal relationships. By the bridging of these two academic fields and proving a strong link between the factors that influence relationships in both cases, more insight can be gained as to how to optimise relationships.

- What are the similarities between business-business and personal relationships? What contribute to the success or failure thereof?
- How can these similarities assist in filling the gaps between these different fields of research?
- Which approaches are more or less effective for managing different business-to-business type of relationships?

The findings of research based on relationship principals may increase the public’s understanding of business relationships and encourage them to form reciprocal relationships with companies, and vice versa.

6.5 Concluding remarks

Organisations in the global economy are increasingly reliant on long-term relationships with their customers for sustainable advantage, which has resulted in a shift from transactional marketing strategies to the more holistic approach of relationship marketing. Organisations are competing with each other to retain their customers and to keep their loyalty and commitment. This has led to innovative marketing strategies, where companies are forced to develop and establish a long-term relationship with customers. Add to the aforementioned the prospect of gaining business from governmental institutions; which is the largest buyer of goods and services in most countries. Accordingly, this study aimed to establish which determinants affect relationship marketing with parastatals in South Africa.

Insight into the determinants and variables that affect relationship marketing

with parastatals was gained through the use of in-depth interviews with a parastatal organisation in South Africa. Responses were analysed and evaluated against findings and opinions derived from the literature review.

This study has begun to form an understanding of the determinants that affect the successful relationship marketing to parastatals in South Africa. It highlights the ineffectiveness of the transactional approach that used to be adequate a few decades ago. Interviewees from the parastatal revealed that companies that can achieve customer satisfaction, can meet and exceed customer expectations, constantly improve customer value, present new innovative products, and comply with government regulations are most likely to maintain and establish relationships with parastatals. Further, it was shown that determinants such as loyalty, commitment and trust were more sought after by suppliers than parastatals.

On the basis of these findings and the limited availability of literature on determinants that affect parastatals in South Africa; it is hoped that this new knowledge will provide valuable insight into the determinants affecting the establishment, maintenance and development of these relationships. It is further hoped that companies will consider the recommendations proposed.

These recommendations will further aid them in successfully incorporating the findings into their management policies, as to promote the importance of these relationships, in order to gain a long-lasting competitive advantage.

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APPENDIX A

The researcher will begin the interview by introducing himself and describing the aim of the research. It will be explained upfront that any information shared by the respondent will be in the public domain should it be published. However, the company name and individuals' names will be kept anonymous.

In an attempt to enhance consistency and therefore reliability, the following short paragraph will be read to each interviewee, giving a brief background to the research and clarifying any potential misinterpretations:

> *"Thank you for agreeing to contribute to this research study. The interview will not last longer than an half an hour. Your contributions will be anonymous, neither your name nor company name will be linked to any statements or comments made.*
>
> *The research aims to identify determinants that affect relationship marketing with parastatals in South Africa and establish their relative importance. This will be done by using your parastatal and will include interviews with five (5) of your colleagues in charge of procurement. In this specific interview I will be drawing on your experiences within your parastatal to answer a number of questions that I have developed based on literature research. Please feel free to raise any new or different aspects, which you feel are applicable to you as this is an important part of the research. Please, also bear in mind that it is important to focus on how things actually happen in your environment, even if this may be different to formal company guidelines.*
>
> *I would like to remind you again that the information discussed in the interview will be in the public domain once the research report is completed, however, your name will not be linked to any information shared during the interview."*

Questions addressed to procurement department's employees:

A. Biographical Information

What is your gender?	Male		Female	
What is your age?	20-29	30-39	40-49	50+
What is your education level?	Matric	Post matric qualification	Masters	PhD
What is your position within the department?	Junior	Middle	Senior Management	

B. Interview Questions

Number	Question
1	What role does government legislation, such as Black Economic Empowerment and Affirmative action plays in your decision to use a certain supplier?
2	Why do you believe suppliers wish to do and continue to do business with your parastatals?
3	Before a supplier delivers goods and services, what are your expectations of the supplier, besides the match between your request and physical offerings? In other words, what kind of conduct do you expect from your customer?
4	When a supplier delivers goods and services, what factors do you take in consideration before you feel satisfied with his or her performance?
5	For arguments sake, let's say two customers offer you the exact same product, at the exact same price, what factors would you take into consideration for choosing the one over the other?
6	Let's say things are going wrong, and your supplier is not performing as per schedule, what steps need to be taken for you to keep your faith in their abilities, and how would this affect your attitude towards giving them future business?
7	Does there come a time when you perceive yourself as being loyal to a supplier and what factors do you think influences this behaviour?
8	Would you say that when a supplier shows understanding of the challenges you are facing as a parastatal and tries to assist you in solving the problem, it affects your decision to give them future business?

C. Ranking questionnaire

Which of the determinants below are the most important with regards to your relationship between you and your suppliers? Please rank from 1-11, 1 being the most important.

Customer value	
Loyalty	
Customer expectations	
Customer profitability	
Commitment	
Customer Satisfaction	
Cooperation	
Competitive environments	
Shared Values	
Conflict resolution	
Government regulations	

APPENDIX B

Opening statement to respondent of the supplier

"Thank you for agreeing to contribute to this research study. The interview will not last longer than an half an hour. Your contributions will be anonymous, neither your name nor company name will be linked to any statements or comments made.

The research aims to identify determinants that affect relationship marketing with parastatals in South Africa and establish their relative importance. This will be done by using your company and will include interviews with five (5) of your colleagues. In this specific interview I will be drawing on your experiences within your parastatal to answer a number of questions that I have developed based on literature research. Please feel free to raise any new or different aspects, which you feel are applicable to you as this is an important part of the research. Please, also bear in mind that it is important to focus on how things actually happen in your environment, even if this may be different to formal company guidelines.

I would like to remind you again that the information discussed in the interview will be in the public domain once the research report is completed, however, your name will not be linked to any information shared during the interview."

Questions addressed to supplier's employees:

A. Biographical Information

What is your gender?	Male		Female	
What is your age?	20-29	30-39	40-49	50+
What is your education level?	Matric	Post matric qualification	Masters	PhD
What is your position within the department?	Junior	Middle	Senior Management	

B. Interview Questions

Number	Question
1	What role does government legislation, such as Black Economic Empowerment and Affirmative action plays in your decision to use a certain supplier?
2	Why do you wish to do and continue to do business with your parastatals?
3	What do you believe is the parastatal's expectation of the supplier, besides the match between thier request and physical offerings? In other words, what kind of conduct do you expect from your customer?
4	When a supplier delivers goods and services, what factors do the parastatals take in consideration before they feel satisfied with your performance?
5	For arguments sake, let's say two customers offer a parastatal the exact same product, at the exact same price, what factors would you think do they take into consideration for choosing the one over the other?
6	Let's say things are going wrong, and you are not performing as per schedule, what steps need to be taken to ensure the parastatal keep your faith in their abilities, and how would this affect your attitude towards giving you future business?
7	Does there come a time when you perceive the parastatal as being loyal to you and what factors do you think influences this behaviour?
8	Would you say that when a supplier shows understanding of the challenges faced by a parastatal and try to assist them in solving the problem, it affects their decision to give you future business?

C. Ranking questionnaire

Which of the factors below are the most important with regards to your relationship between you and your suppliers? Please rank from 1-11, 1 being the most important.

Customer value	
Loyalty	
Customer expectations	
Customer profitability	
Commitment	
Customer Satisfaction	
Cooperation	
Competitive environments	
Shared Values	
Conflict resolution	
Government regulations	