Indicative financial premium created through quality service and good customer relationship in a South African hydrocarbon engineering business

A research report submitted by

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ABSTRACT

Increasing profit margins within companies have been studied for many years. Various ways of improving profits have been considered, but a limited amount of work has been done to determine the influence quality of service delivery and customer relationship has on the company's profit margins.

The objective of this study is thus to determine the financial premium that can be generated by service companies through delivering quality service and having a strong customer relationship.

As part of the research, two groups of five candidates each were interviewed by means of semi-structured interviews. The groups represented the customer and the service companies respectively. A qualitative approach was used to capture and evaluate the data. The findings were recorded, reduced and compared to the results of the literature study conducted.

The findings in this research indicate that both customers and service companies support the idea of creating a long-term relationship through quality of service. Both groups interviewed support the conclusion of the literature study that a financial premium can be generated through quality of service and a strong customer relationship. Co-creating value with the customer as well as value adding practices contributed to the premiums that can be generated with branding, with length of service contributing less.

DECLARATION

I, Thomas Cowan, 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.

Thomas Cowan

Signed at Centurion

On the 4th day of November 2015

DEDICATION

To my loving wife and unborn child: Without your love and support, I could not have completed this journey.

ACKNOWLEDGEMENTS

I would like to thank my family for their continued support through my research as well as my supervisor, Rabelani Dagada, and the panel for their guidance.

This research would not have been possible without the valued input of my interviewees who made the time in their busy schedules to see me.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to identify an indicative financial premium that a South African based hydrocarbon engineering company can generate, through quality customer service and a healthy customer relationship with their clients. The outcome of this study indicates the best areas for service companies to focus, taking relationships and quality of service into consideration. This study could possibly assist service companies in adjusting their corporate strategy and culture to improve the profits within their organisations.

1.2 Context of the study

In many companies, the idea of providing good customer service or having a good relationship with your client is preached, but the actual implementation of creating good service and customer relationships and the financial impact it has on the organisation's bottom line remains forgotten.

With the current fast pace in the business environment, employees rarely take a step back from their daily jobs to investigate the impact that their everyday actions towards their clients has on the company's bottom line.

EBIT (Earnings before interest and tax) ratio company valuation method of El Ibrami and Naciri (2012) shows that the everyday actions towards the clients actually have an impact on the value of the company.

Economic Value Added (EVA) also plays an important role in valuing a company. Anvari, Tehrani, and Seraji (2004) claim EVA to be the best indicator of the financial performance of a company.

In an article on business value and corporate governance, Sussland (2004) tries to define Business Value (BV) by comparing it with profit potential of an organisation through interaction of competencies and resources. This profit potential is then further defined as client lists, relationships and brand loyalty, amongst others. Leavy (2004)'s article indicated that the locus of business delivery is changing towards an end user experience which indicates that companies should realise that the experience, service providers and clients are needed to form long-term relationships. Delgado-Ballester and Munuera-Aleman (2005) found that brand trust is rooted in the result of past experience with the brand. They also found a positive association between brand trust and brand loyalty and that both lead to higher brand equity.

The arguments from the articles mentioned above leads us to investigate the financial premium a South African based hydrocarbon engineering company can generate by means of a good customer relationship and quality of service.

1.3 Problem statement

1.3.1 *Main problem*

Define the indicative financial premium South African based hydrocarbon engineering companies can charge their clients for good quality service and customer relationship between the sales team of the service company and the buying team of the client.

In order to solve the main problem, it needs to be broken down into 2 sub-problems.

1.3.2 *Sub-problems*

Sub-Problem 1

Define the indicative financial premium South African based hydrocarbon engineering companies can charge their clients for good quality service provided.

Sub-Problem 2

Define the indicative financial premium South African based hydrocarbon engineering companies can charge their clients if a good customer relationship is maintained.

1.4 Significance of the study

The study could provide guidance to private hydrocarbon engineering companies based in South Africa on the premium they could charge their clients for good customer service and relationships and thus improve their bottom line. This would also lead to the value of the company improving in the long term.

The study would further indicate the areas on which South African hydrocarbon engineering companies should focus to improve their position with their clients and to ensure sustainability of the company.

Neuedorf (2002) evaluates the premium that could be charged for good governance and how that affects the value of listed companies. In theory, he claims that good governance can increase share price by 20%.

The study focuses on defining the financial premium created through good customer service and relationship in a South African hydrocarbon engineering service company.

1.5 Delimitations of the study

The study focuses on private engineering companies operating in the South African hydrocarbon industry. Participants of the study in the client group are large hydrocarbon companies using the services of the smaller private engineering companies.

Investigation of both the management or sales teams of the smaller companies and the procurement or project departments of the larger companies being serviced is evaluated.

The study does not include any international engineering firms that have established offices in South Africa.

Although other sectors might benefit from this study, the focus is purely on the South African hydrocarbon-engineering sector.

1.6 Definitions of terms

- **Hydrocarbon** – Compounds of carbon and hydrogen (Olah & Molnár, 2003).
- **Net asset value (NAV)** – Value of entities' assets minus its liabilities (Bodie, Kane, & Marcus, 2004)
- **Earnings before interest and tax (EBIT)** – indicator of a company's profitability. Revenue minus expenses excluding interest and tax (Bodie et al. 2004).
- **Niche** – A market segment where little to none completion exists (Kleinaltenkamp, Plinke, & Geiger, 2011).
- **Total Quality Management (TQM)** – A process where all aspects of quality within a company gets managed by a single system (Sallis, 2014).

1.7 Assumptions

- The sample team has access to the correct information and is willing and allowed to share it.
- Individuals could be biased towards a certain company for reasons not covered in the study.
- Corruption and bribery is assumed not to have an influence on the perception of the financial premium or relationships.
- Financial value perception might differ in the various management teams.
- A singular event might change the perception of the interviewed teams' perceived financial premium they are willing to pay and it does not give a true reflection.
- Customer relationship might be seen differently in different demographic areas, as most companies evaluated are based in the Gauteng area.
- Most of the companies interviewed operate within a niche environment and the results might not be accurate when a niche environment is not present.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

Gustaffsson, Johnson, and Roos (2006) emphasise customer satisfaction and that it touches on creating value collectively through a number of avenues. These avenues were further explored in a journal article by Cronin, Brady, and Hult (2000) where they relate quality, value and customer satisfaction to consumer behaviour within the retail sector.

The section to follow contains a literature review of the key themes of relevance to the above-mentioned aspects, but the study focuses specifically on the hydrocarbon-engineering sector within South Africa. The first theme focuses on good customer relationships based on research proposition one and the premium service companies can charge their clients for this. It divides good customer relationships into a number of sub-areas. By maintaining control of the sub-areas within a business, the company creates a strong customer relationship. The second main theme investigates the premium generated from offering a good quality service to customers based on research proposition two. This is also broken down into sub-areas that collaboratively deliver quality service to the customer. Focus of the literature study is on hydrocarbon engineering companies within the South African environment. The section concludes with an overview of the findings from the above-mentioned areas.

2.2 Background discussion

Within the engineering industry, a large degree of emphasis is placed on customer satisfaction. This is explored by Askin and Dawson (2000) who discuss the value customer satisfaction adds to the customer's organisation and industry as a whole. They further discuss internal quality within the engineering service company and the positive effect this has in meeting the customer's expectations and creating customer satisfaction. Luo and Bhattacharya (2006) relate customer satisfaction to the market value of the company. They also find a relationship between innovation and customer satisfaction. Customer satisfaction is also related to customer value in an article on customer perceived value by

Eggert and Ulaga (2002). Customer satisfaction is then further related to customer retention by Gustaffsson et al. (2006). McDougall and Levesque (2000) relate customer satisfaction to quality and relationships within the service industry, but a limited number of studies exist that look at the measurable financial premium good quality service and customer relationship creates. From the background research conducted, the need to explore the indicative financial premium generated through good quality service and a strong customer relationship within the South African engineering sector is relevant.

2.3 Indicative financial premium created through good quality customer service

Ray, Muhanna, and Barney (2005) emphasise that delivering good quality customer service has become a strategic imperative for any organisation. They further emphasise the value of having an information technology based system to control customer service feedback. Scotti, Harmon, and Behson (2007) relate good customer service to customer satisfaction and loyalty within the health care industry and further underline the importance of understanding the client's requirements and perceptions through a quality management system. With most service companies becoming ISO accredited for quality management, total quality service (TQS) as described in detail by Sureshchandar, Rajendran, and Anantharaman (2001) forms the core of revolutionary and effective management.

In the Journal of Retailing, Cronin et al. (2000) look at the effects of quality, value and customer satisfaction on consumer behaviour. Some of their findings draw a parallel between customer satisfaction and perceived value that the customers experience.

Kaynak (2003) evaluates the limitation of a quality management system and looks at the performance of various levels of operations performance and the influence a total quality management system has on the overall performance of the company. His research concludes that a total quality management system has a positive influence on the performance of the company, but it needs management support to be effectively implemented.

Sallis (2014) relates quality to pride and passion and then goes further to break quality down into four imperatives. These imperatives are moral, professional, competitive and accountability. He briefly explains the four imperatives and then concludes with two concepts of quality management. These concepts are called procedural and product quality.

From these two concepts, the following sub categories were established that collaboratively make up quality service:

2.3.1 *Administration*

Homburg, Koschate, and Hoyer (2005) find a positive relationship between a customer's willingness to pay and the satisfaction derived from the service delivered. They further explored service delivery and found that companies that had their administration processes working efficiently could have delivered a better service to their customers.

Vigoda-Gadot (2006) explores the correlation between administration on a governmental level and customer satisfaction with service delivery. He compares this to customer trust within a governmental institution. Jacobsen (2006) looks at the influence administration has on politics within a company structure and shows it improves the attitude towards company politics if administrative processes are followed.

Sallis (2014) attributes quality of service to 'measuring up' and product quality. He then derives a parallel between these items and administration. He further explains the 'measuring up' concept as being an administrative exercise that ensures consistency of products or services produced by the company. The quality management system uses an iterative process to ensure that the customers' required standards are met. It makes use of a feedback loop to continuously improve service delivery.

By combining the conclusions of Homburg et al. (2005) and Sallis (2014), a correlation can be made between administration, quality of service, customer satisfaction and willingness to pay a premium for the improved customer service.

2.3.2 *Logistics*

In an article on logistics supplier selection, Jharkharia and Shankar (2005) conclude that the most important aspect of logistics management is compatibility between the supplier and the customer. Walters (2003) explains that measuring performance of logistics is one of the most important factors of the supply chain process. He further states that measuring the performance of logistics is part of the management system that ensures customers are satisfied.

Walters (2003) breaks logistics management down into four questions:

1) What are we doing now?
2) What do we want to do in the future?
3) What is the best way to get there?
4) How do we know we are getting there?

By answering these four questions, companies can ensure they are controlling and measuring their logistics.

Chaovalitwongse, Furman, and Pardolos (2009) go into a lot of detail in formulating the process of optimising a company's logistics. They find that optimising logistics leads to cost savings within the organisation, improved communication between various departments and individuals within an organisation and improved customer service and satisfaction. They make use of various information technology programs to ensure the optimal solution can be generated for the client. They further emphasise that, with technology changing rapidly within this environment, a lot of management's attention is needed to operate efficiently.

Relating logistics management to corporate strategy, Harrison and Hoek (2006) explain how to use supply chain management as a competitive advantage in business. They further indicate that customer expectations have risen in recent times. They attribute this to the fact that they now have better educated clients, more supply options and a larger exposure to the media. Customers also expect a more customer centric approach from the suppliers, with the just in time (JIT) principle being an important area for companies to focus and improve on.

Chiaravelle and Schenck (2007) discuss customer segmentation and the importance of understanding your customer's needs. They state that the most common segmentation factors that need to be assessed are the benefits from the product, price consumers are willing to pay and the media exposure of the clients.

Harrison and Hoek (2006) further explain how logistics management leads to quality of service, customer satisfaction and customer loyalty. They explain the gap theory where gaps can exist between the customers' expectations and the service providers' service. By addressing the gaps indicated in the diagram below, service companies can ensure they meet their customer needs and deliver a quality service.

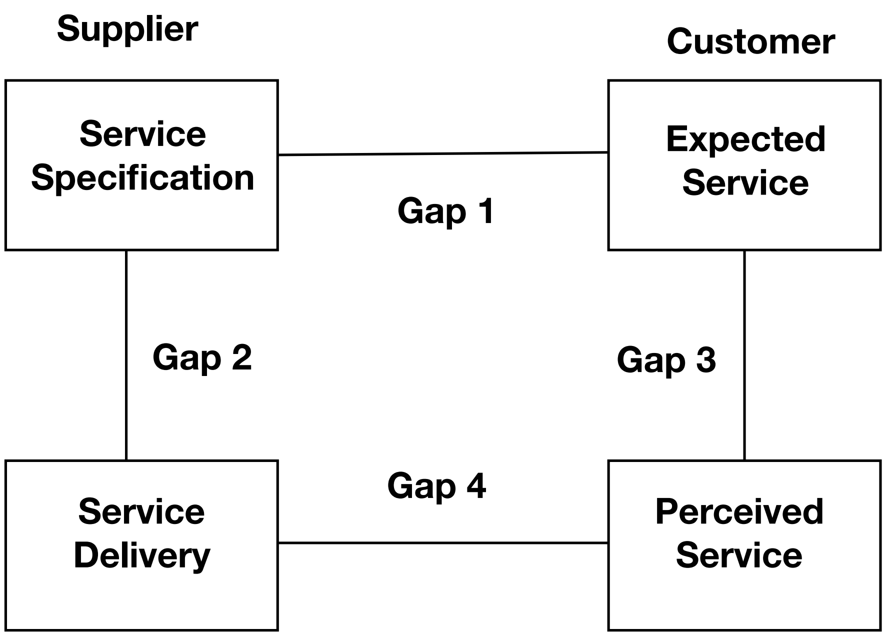

Figure 1- Gap Analysis (Harrison & Hoek, 2006)

Harrison and Hoek (2006) then further show how customer satisfaction leads to customer loyalty. They illustrate that customer loyalty relates directly to the following financial advantages for a company:

- Long term revenue streams
- Tend to buy more than new customers
- Increased spending over time
- Willingness to pay a premium over time
- Cost savings compared to trying to attract new customers

The research conducted shows that improved logistics lead to improved customer service that, in turn, leads to customer loyalty over time and a positive financial impact on the company's bottom line.

2.3.3 *Communication*

Communication forms part of our everyday lives and is becoming increasingly important in the global business environment. With technology improving on a large scale, communication systems are improving rapidly. But with this changing phenomenon, Mooij (2003) looks at the needs of the various international cultures and shows that one size does not fit all when it comes to communication. With the technology employed, the personal touch in communication might go out the window. It is thus of paramount importance that the customer's culture and needs be fully understood from a communication perspective to ensure a quality service is provided.

Khan (2007) makes use of the communication triangle, shown in Figure 2, to explain the communication process during the advertising and sales cycle. This forms a major part of servicing a customer and the feedback is designed to ensure customer needs are realised.

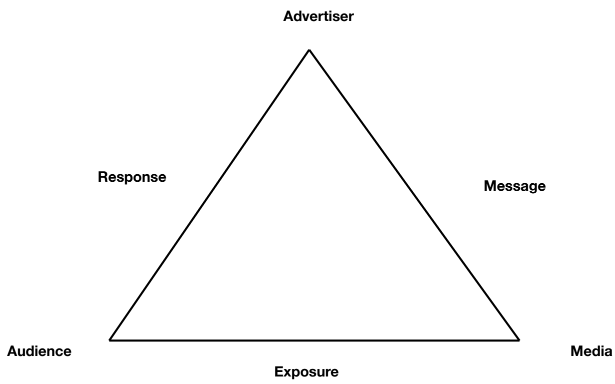

Figure 2- Communication triangle (Khan, 2007)

DeVito (2013) evaluates interpersonal communication between different cultures and concludes by showing what power and influence the correct interpersonal skills can have when applied to the correct situation. The term power is further investigated and the author defines power as the influence a person has over another person's decision-making and actions. Power is then further broken down into different forms of power that contribute to the influence an individual or company has:

Referent Power is obtained when other persons want to be like you. They make decisions based on the fact that they admire you.

Legitimate Power happens when you have a position of power and other people are forced to listen to you based on that.

Expert Power occurs when an individual or group has expert knowledge and this creates a power position, as others need the knowledge.

Information or Persuasion Power is gained when a person communicates logically to persuade the other person to agree and follow his direction.

Reward or Coercive Power occurs when you have the power to reward somebody for their actions through money or any other action that would be rewarding to this person.

The author concludes by showing how the correct use of the various powers can influence decision making by your clients and lead to improved customer service and business results.

From an engineering perspective, both expert power and persuasion power would be very relevant and DeVito (2013) explains, by means of a case study, the strong impact it could have on the company's bottom line within a technical environment.

2.3.4 *Branding*

Delgado-Ballester and Munuera-Aleman (2005) established that in order for companies to get an economic advantage from their brand equity, they need to first establish brand trust. In order to build this trust, a promise centric approach is needed where consistent value is given to clients. From his research, it is also seen that customers will give brands they trust a second chance if they have a negative experience with their products or services.

Murray (2004) explains how brand intelligence of the opposition's brand can assist a company in positioning their brand correctly to influence the decision making of both the client and competitors. He further shows how the Internet can have a large impact on a company's brand presence, brand reach and can create a competitive advantage through strategy formulation based on information gathered on competitors' brands.

Chiaravelle and Schenck (2007) focus on positioning the brand correctly to find the required niche market for the company. This niche market is defined as the group of customers that require the services that the company's offering alone can address. After the niche market has been identified, suppliers need to understand why their customers would want to buy from them as well as to identify areas that will discourage their clients from buying from them. This forms part of an iterative information gathering process that assists companies to offer the best quality service to their customers. The authors also relate brand positioning to ensure a niche market is served, to a financial premium companies can charge for their product or service delivery. This phenomenon is made possible by the fact that competition is removed when a niche is created and maintained and thus the product or service offering becomes less cost sensitive.

Stine (2009) emphasises that quality is important, but not as important as the perception of quality for a brand. He uses no-name products that get sold in the supermarkets as an example and indicates that the same quality product without the brand name sells for approximately 25% less than the product with a brand name coupled to it. He further explains that it is all about the perception of the customer and if there is no magic to the product or service offering, the customer automatically assumes it is cheap and of poor quality. In conclusion, Stine (2009) conducted a survey asking customers about the quality of products received from their suppliers. The answers from the clients indicated that the quality of service from their suppliers was more important to them than the quality of the product they were delivering. It all came down to how the supplier treated the client and the way they made them feel when they purchased from them. He also showed how the customers' perception of quality through the correct branding led to trust and willingness to pay a premium for the quality associated with the brand.

2.3.5 *Consumer Centric Approach*

Macleod (2002) emphasises the importance of a consumer-based approach when products or services are offered. Although target based advertising is a good way of promoting quality goods and services, the supplier has the responsibility of not misrepresenting and misleading the customer with regard to the quality or price of a service or product. He also relates quality of goods or services to consumer behaviour and clearly illustrates that it is a combined approach between the suppliers and consumers to create value.

Hawkins and Mothersbaugh (2010) define consumer behaviour as a study of individuals, groups or companies and the processes they use to select services, experiences or products to satisfy their needs and the impact that these processes has on the society and consumer. They further explain how to design a company's strategy to be consumer-centric and use it as a competitive advantage. According to Hawkins and Mothersbaugh (2010), the four most important aspects of designing a consumer centric corporate strategy is knowing the consumers' behaviour, collecting information on the consumers' behaviour, understanding the complexity and multi-dimensional approach to consumer behaviour and managing the ethical issues that influence the individual, firm and society. They further emphasise that, in order for companies to survive in the competitive market place, they have to provide their target customers with more value than the competitors do.

Kardes, Cronley, and Cline (2011) indicate that service companies should also see value from the customer's perspective and creating the correct consumer perception through exposure, attention, interpretation and memory forms a major part of delivering a quality service to the customer.

The process flow diagram (figure 3) from Hawkins and Mothersbaugh (2010) describes how the marketing strategy is derived from the market information and segmentation and the total product then presented to consumers who make the final decisions. It is thus very important that all aspects of this flow diagram are followed to ensure a customer centric approach.

Figure 3-Consumer centric flow diagram (Hawkins & Mothersbaugh, 2010)

Leavy (2004) stated, while discussing companies and strategy, that we are moving into a world that will become more and more consumer centric and customer focused. He goes further by indicating that value will be co-created by companies and consumers and that relationships will be increasingly important. Gummesson (1994) alluded to this earlier, when he referred to traditional marketing media as being out-dated and suggested that a more focused approach should be placed on maintaining long-term relationships with customers. Motameni and Shahrokhi (1998) further explored this theory by evaluating consumer brand perception to company revenue stream to establish a direct relationship. They also looked at an established brand with a strong established customer base as being an asset worth equity to a company within a global market. More recently, Prahalad and Ramaswamy (2004) continued with this theory of co-creating value between the company and customer and understanding the theory behind it.

Kardes et al. (2011) further evaluate marketing through cross-cultural boundaries and indicate it may differ in demographics, language, non-verbal communication and values. They conclude by showing that in order to be a strong global marketing company, a lot of emphasis should be placed on managing the cultural differences of different consumers and that one size does not fit all when it comes to a consumer based marketing strategy.

Hawkins and Mothersbaugh (2010) show that by understanding your consumers' needs and addressing them with your marketing strategy and service, the consumers feel good about the decisions they take and it creates brand loyalty and repetitive purchases from them. This, in turn, leads to a financial premium for the service company.

2.3.6 *Value Added*

Keeney (2009) explores value-focused decision-making and breaks it down into two basic activities. Activity number one addresses what you want to achieve and activity number two focuses on understanding how to achieve it. He further defines value-focused decision making as a process of starting with the best available option and working towards making it a reality. Keeney (2009) further defines constraint-based decision making as choosing from alternatives given by a third party. Constraint-free thinking is defined as generating your own list of alternatives or changing the existing list with the possibilities being endless.

Keeney (2009) relates value focussed thinking to strategic objectives. Service providers work with their clients to generate high value alternatives. These alternatives are then further explored to formulate value-adding solutions for the end user.

Ulrich (2013) focuses on changing the employee approach not to focus on “what I do” but to rather focus on “what I deliver” to create value for their companies and thus becoming more competitive.

A very important aspect of the value adding approach was described by Cooper and Vlaskovits (2010), who explain the reality of understanding why the customer would think in a certain way and suggests working with him rather than against him to meet his objectives. They also evaluate the option of developing alternative high value objectives with the customer that would add value to both the customer and the service provider.

Ukens (2007) discusses a number of areas where quality of service delivery to the client can be improved, the most relevant areas were:

Logical problem solving where a team from both the customer and service provider work together to find logical solutions to problems.

Alternative solutions to customers’ problems were evaluated as a combined team to find workable options for the service company and the customer.

Removing obstacles focus on a mixed team that work together to remove obstacles within their everyday project environment to jointly create value.

Win-win negotiation where members from both the customer and the service company work together to negotiate a solution to their problems that ensures both parties get value from the solution.

In conclusion, Harris (2013) explains how coproduction of customer service is one of the latest trends where an environment is created where customers service themselves to a certain extent and get satisfaction from the process of being able to obtain results when they need it.

Harris (2013) also indicates that these value-adding exercises offered by service providers should form the basis of negotiation to ensure the increase of profits through value adding processes.

2.3.7 *Research Proposition 1*

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer service.

2.4 Financial premium created through good customer relationships

Customer relationship management is defined by Anderson and Kerr (2002) as a comprehensive approach for generating, preserving and growing customer relationships. They further emphasise that it should form part of the company's core strategy that leads to the company's operations.

Garbarino and Johnson (1999) emphasise the fact that a long term customer relationship is built through trust and commitment rather than instantaneous satisfaction. By establishing the clients' trust, a strong relationship can be built over years.

Anderson and Kerr (2002) further explore customer relationships compared to information technology systems available in the market and conclude that strategy should form the cornerstone of customer relationship management rather than fancy systems. Although the information technology systems form a core part of today's customer relationship management, focus should stay on the customers and on creating a personal experience for them rather than only operating a system.

Kleinaltenkamp et al. (2011) define a business relationship as happening when a service provider and a client have more than one transaction with each other. They further emphasise that the aim of any service company's business relationship should be to ensure future business is maintained for their company. Figure 4 shows the business relationship defined above.

According to Kleinaltenkamp et al. (2011) globalisation has a major impact on business relationships as it expands the geographical areas of potential business relationships as well as increases the expectations of customers that are exposed to international standards.

They break the business relationship down into a behavioural, economic, loyalty, commitment and structured approach to explain the relationships between them.

Following Kleinaltenkamp et al. (2011)'s approach, customer relationships are broken down into the following key indicators:

- Professionalism
- Culture
- Supplier Trust
- Mutual Respect
- Consistency
- Personality
- Length of relationship

These key indicators are further discussed in the sections to follow.

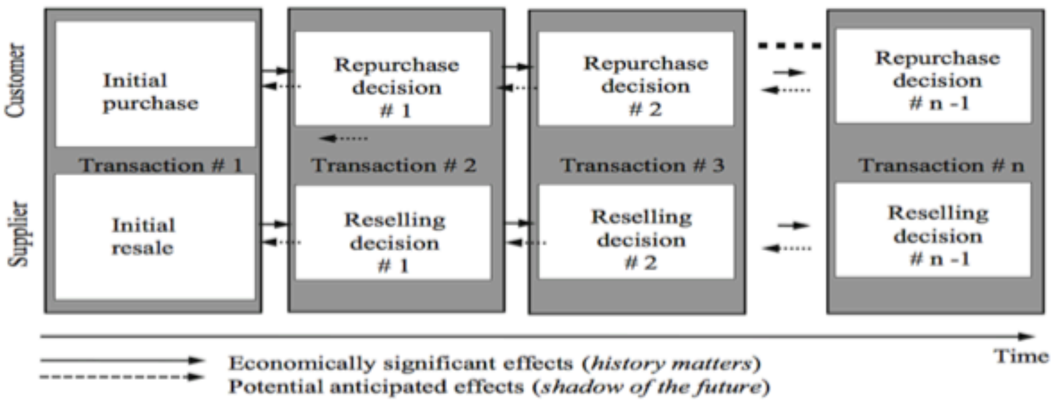

Figure 4- Customer relationship (Kleinaltenkamp et al., 2011)

2.4.1 *Professionalism*

Evetts (2003) partly defines professionalism as being the normative value system within the professional environment. Anderson and Bolt (2013) further define professionalism as workplace behaviours that result in a positive business relationship.

Anderson and Bolt (2013) further explain that individuals should first understand their own personality and attitude through understanding their needs, motivators and irritants before they try to understand the personalities of others. Once an understanding of the self-exploration is achieved, personalities that complement each other can be grouped together to form stronger relationships. He further relates personality to personal values and explains that values differ from one individual to the other. By linking attitude to values and personality, he explains that attitude towards a person can be a major contributor towards building a strong relationship (Anderson & Bolt, 2013).

Kultgen (2011) relates professionalism to morality and then goes further to link it to ethics within the work environment. He explains further that it leads to mutual respect and trust between the parties and becomes a very important business tool that should be used as a competitive advantage.

From the research conducted in this section, professionalism is thus strongly related to having a good customer relationship.

2.4.2 *Culture*

Kardes et al. (2011, p. 303) defines culture as the "patterns of meaning acquired by members of society expressed in their beliefs, knowledge, laws, art, morals, habits and customs". They further summarise culture as the personality of a society. Within a specific culture, cultural values exist that are a collective set of beliefs about what is important, useful and desirable within the minds of the individuals within the society.

Kardes et al. (2011) explains that different cultures are like different market segmentations that require different products and services to meet their needs. If the cultural values of the group serviced are well understood, the correct products and services can be offered to them and thus improve the market penetration within the cultural group.

Like any society, companies also have their own culture that is based on the cultural values that exist within a company. Cameron and Quinn (2006) evaluate the six crucial conditions previous literature found to be of importance to succeed as a company. They further consider a number of successful companies and draw the conclusion that the biggest competitive advantage a company can have is its organisational culture. They further elaborate that the values, beliefs and vision of these companies formed the core of their success and outweighed all the other factors involved.

Cameron and Quinn (2006) indicate that a strong corporate culture reduces collective uncertainties, creates social order, continuity, collective identity and commitment and emphasises a vision for the future. They further show that a good corporate culture is a critical factor for long-term financial success of a company. Cameron and Quinn (2006) also mention that by embedding the values and vision associated with the companies' corporate culture into the employees that service the companies' clients, the management can ensure a good customer relationship is maintained and both employee and customer retention are improved.

2.4.3 *Trust*

Cameron and Quinn (2006) claim that corporate trust is a greater financial asset than money. They further explain that trust is the means and profit is the end.

Monty (2015) focuses on building a relationship based on trust built up with the customer over a period of time. He emphasises how important the becoming a trusted advisor is to the customer. The trusted advisor role should be seen as an extension to their company.

Monty (2015) further defines trust through four core characteristics:

Intent should shift from opportunity focussed to being more customer focused.

Capability refers to knowledge and skills of the product or service you are planning to sell to the customer.

Dedication needs to be aligned towards meeting the clients' needs.

Results refer to delivering what was promised to the client.

By following these characteristics over a period of time, trust will be earned and this will lead to repeat business and clients being less cost sensitive towards the service company.

Harris (2013) explains how a company's reputation should be treated as an asset that is maintained and enhanced on a regular basis. She further relates a company with a good reputation to trustworthiness and explains the positive financial impact trust has on a company's bottom line.

From a client's perspective Johnston, McCutcheon, Stuart, and Kerwood (2004) investigate the improvement of flexibility and planning based on supplier trust and show how this creates a competitive advantage for the customer.

From the research conducted it would thus make sense from a financial and operational perspective for both the customer and the service company to invest in building a relationship based on trust.

2.4.4 *Mutual Respect*

Harris (2013) defines respect as giving somebody recognition or special regard. She further relates respect to professionalism and elaborates on the power of showing respect to your customer. The author further emphasises that in many instances the customer may be of different age, race or religious beliefs and if respect is consistently shown towards this customer, it would contribute towards a strong working relationship.

Anderson and Kerr (2002) emphasise the importance of respecting the customers' privacy at all times. The authors elaborate that this could have a major negative effect on the customer relationship if not adhered to. If the customer realises that his privacy is respected over a period of time, the customer might open up towards you as a supplier and create a stronger relationship.

Cameron and Quinn (2006) relate respect back to culture and indicate the importance of body language within the different cultural sectors. They further explain by using an example of eye contact, where they shows that it is a form of respect in some cultures and in other cultures it is seen as disrespectful to make eye contact. They then conclude by stating the importance of knowing the client and understanding the client's boundaries with regard to respect.

Balle (2014) relates leading with respect for people to a lean, well managed and successful company. He places emphasis on leading a lean organisation and changing the work processes to focus more on the following areas:

Visual Control occurs when the workplace is designed for employees to visually inspect whether the product or service is correct or not.

Individual Skill improvement through iterative processes.

Co-operation between disciplines to improve the process as a whole.

Management can thus improve work processes by trusting and respecting their personnel to improve their skills based on a visual control process. This will lead to less work and improved profit margins for the company.

2.4.5 *Consistency*

Consistency is defined by Kardes et al. (2011) as exhibiting beliefs, attitude and behaviours that are stable and coherent.

Santos and Boote (2003) explore the relationship between expectations and post purchase states and how that affects the consumers' behaviour. They also relate this to providing a quality service to the client through consistently creating customer satisfaction.

Kardes et al. (2011) further explores consistency through the foot-in-door and low-ball technique.

The **foot-in door-technique** makes use of small requests at the start of a relationship and then builds up the relationship while requesting more from the customer over time.

Low-ball technique is where the customer is charged a very low price at the start of the negotiations based on certain assumptions and as the customer requires more from the supplier, the price increases.

Kardes et al. (2011) conclude by showing that by using both of these techniques, the customer will generally be consistent with their initial decision and will have a tendency to accept the increases as they continue negotiations.

Monty (2015) relates consistency to dedication towards a customer and then concludes through linking dedication directly to customer trust and building a strong customer relationship.

Kleinaltenkamp et al. (2011) further expands on this theory by explaining that consistency is one of the expectations of a trustworthy relationship. The author also indicates that only a person that behaves consistently can be considered trustworthy. He further relates self-confidence to trustworthiness and indicates the trustworthiness of a supplier can be directly related to the self-confidence of the employees that interface with the customers. Self-confidence within an employee is then further related to the consistency of delivery from an employee towards customers.

From the research conducted it is thus clear that consistency within a working environment forms an important aspect in building a strong customer relationship.

2.4.6 *Personality*

Cervone and Pervin (2013) explore the theory behind personality and compare it to the practical research examples. They define personality to be “psychological qualities that contribute to an individuals enduring and distinctive pattern of feeling, thinking and behaving.” (, p.8).

According to Cervone and Pervin (2013), the field of personality addresses three issues, namely:

Human universals evaluate the universal features of all humans.

Individual differences want to determine how people differ from each other.

Individual uniqueness tries to explain the uniqueness of an individual by means of theory.

Although personality can be defined in theory and understanding that structure, process, growth and development form the building blocks of a person’s personality, the most important aspect with regard to client relationship is the way a person behaves towards others.

Barret (2009) further evaluates the different personality traits to establish the suitability for different career paths. From his research, he finds that different careers need different characteristics. Although most personality types will be able to cope with different careers to some extent, it may be very frustrating if the career path does not appeal to the individual’s personality.

Kardes et al. (2011) relate personality of the consumer to the product or service that they are buying. By identifying with the client’s self-concept, self-monitoring and impression management, the products or services offered to the client forms part of his personality. To the same extent if the person that services the customer appeals to the three concepts mentioned above, it could have an effect on the willingness to procure the product or service offered.

Kardes et al. (2011) go further to indicate customer personalities change over time as they mature or certain life events trigger a change. By using the Multiple Trait Theory, five basic traits are identified:

1) Surgency
2) Agreeableness
3) Contentiousness
4) Emotional stability
5) Intellect

Consumers can be categorised into these five basic areas as a form of market segmentation. By having an understanding of the area within which the consumer falls, the correct service or product offering can be presented to the customer.

Kardes et al. (2011) also relate the correct market segmentation to increased profit margins within the organisation, as the consumer becomes less cost sensitive when the service appeals to his personality.

2.4.7 *Length of relationship*

Prahalad and Ramaswamy (2004) consider ways of improving the relationship between suppliers and customers are evaluated and demonstrate that a strong relationship cannot be established overnight.

Monty (2015) emphasises that a customer relationship should be based on trust and that trust is earned over time through a continuous improvement process with the client.

Hawkins and Mothersbaugh (2010) explore the perceptions of both the customer and the seller regarding the health of the relationship between them. The result from the survey conducted show that the sellers generally think the relationship is healthier than the customers do, but this gap gets dramatically reduced the longer the relationship has been established.

Liebowitz (2009), in her research on knowledge transfer and employee retention, explains the importance of having the right set of people available at the right time to deliver the companies' long-term goals. She further discusses employee retention and succession planning and the importance of managing them correctly to ensure customer relationships last for a long period of time and do not move around as the employees move from one organisation to the next.

2.4.8 *Research Proposition 2*

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer relationships.

2.5 Conclusion of Literature Review

The literature discussed above reveals that both customer relationship and good quality service have an impact on the operations of the company and need continuous attention from management. It also does not happen overnight and need to be developed over a period of time. The main topics discussed above show that trust, loyalty and consistency are accomplished over a number of years and this, together with a number of other topics, contribute to having a strong customer relationship. The literature also indicates that by adding value to the client's business, the customer's perceived value is improved. Branding forms an important contribution to the perceived satisfaction and creates brand equity for the company. The discussions above lead us to understand that selecting the correct sales and delivery team that corresponds to the client's needs on various levels creates a good relationship and influences the clients perceived value.

2.5.1 *Research Proposition 1:*

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer service.

2.5.2 *Research Proposition 2:*

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer relationships.

CHAPTER 3. RESEARCH METHODOLOGY

In this section, the methodology used to conduct the research was examined. The first step was to look at qualitative research literature. A review of the research design and instrument was assessed, followed by a section on data collection and analysis in relation to the study. The final step was to evaluate the validity and reliability of the data presented by this study.

3.1 Research methodology

This research study used qualitative research methodology, as it was the most appropriate method to evaluate the experiences of the candidates interviewed in order to answer the research propositions posed. Qualitative research is defined as research using methods such as participant observation or case studies that result in a narrative, descriptive account of a setting or practice. Sociologists using these methods typically reject positivism and adopt a form of interpretive sociology (Parkinson & Drislake, 2011).

Due to the conceptual nature of the research, qualitative methodology was the best-suited approach.

Qualitative methodology is also a less structured approach and this gave the interviewees freedom to express themselves in the way that best suited their personalities.

A series of in-depth interviews ranging between 30-40min was conducted with each candidate. Although the questions were open to interpretation to record the experience of each candidate in their own words, there was some structure to the interview to ensure the correct set of data was gathered.

The assumption in this study was that each candidate gave honest and consistent answers based on their experiences.

3.2 Research Design

The research model used was an interpretative study format based on interviews conducted with a number of candidates. In order to obtain the most accurate results from an emotional experience of each interviewee, a personal approach was chosen. The advantages of using this design were the familiarity of an interview as well as it being an informal discussion that gave the interviewee the opportunity to explore his emotions (Parkinson & Drislake, 2011).

The disadvantages of using this design are the fact that the researcher had a major role to play and could have influenced the data obtained.

3.3 Population and sample

3.3.1 *Population*

The population was the procurement teams of South African based hydrocarbon engineering companies that have been established for more than 10 years and who have more than 10 suppliers servicing them.

Table 1 – Sample customers

Company	**Type of business**	**Year Established**
Sasol	Upstream fuel	1950
Puma Energy	Downstream fuel supplier	1999
BMW Fuel SA	Car fuel specialist	1986
Gigajoule	Downstream gas sales	1999

Molopo Energy	Upstream gas developer	1999

The second section of the population focused on the management team of smaller hydrocarbon engineering companies that have serviced the larger organisations mentioned above for more than 10 years.

Table 2 - Sample Suppliers

Company	**Type of Business**	**Year Established**
Frontier Pipelines	Pipeline construction	1976
EPCM Consultants	Oil and Gas Consulting	1999
DP Valve and Pump	Valve refurbishment	1999
Macsteel	Specialist Supplier	1960
CTC Consulting	Corrosion Consulting	1999

3.3.2 *Sample and sampling method*

Senior procurement personnel from the larger companies were interviewed due to the fact that they have been employed for many years and it is assumed they have experience in their fields. From the supply side, the owners of the smaller companies were interviewed to understand the value added to their companies. Interviews were requested by means of e-mail and a telephone call followed. Only one candidate from each company was interviewed as the evaluation method took both the sales companies and buying companies into account. Table 3 describes the interviewed areas of focus further.

Table 3 - Interviews

Company	**Proposed Interview Area**
Sasol	Project Management
BMW SA	Hydrocarbon Department
Gigajoule	Project Department
Puma Energy	Project Department
Molopo Energy	Project Department
Frontier Pipelines	Executive Management
EPCM Consultants	Executive Management
DP Valve and Pump	Executive Management
Macsteel	Executive Management
CTC Consulting	Executive Management

3.4 The research instrument

The structure of the interview is attached in Annexure A. Although it was an informal interview process, it still needed some structure to ensure the correct data was obtained. The advantages of using a semi-structured interview were the fact that it gave the respondents more flexibility to explore their emotions. On the negative side, the respondents could have been reluctant to give a true reflection of their perception due to pressure from their specific companies. Their corporate procedures might also have prevented them from giving out sensitive information for public use.

3.5 Procedure for data collection

Interviews were arranged in advance to suit the management of each company interviewed. Most companies were situated in Gauteng and interviews thus took place at their relevant offices. The interviews were conducted in English to ensure transparency. In order to correctly interpret details and to ensure no data was lost, minutes of meetings as well as the completed template questionnaire was recorded during the interview.

3.6 Data analysis and interpretation

The data analysis process that was followed is governed by Miles, Huberman, and Saldanha (2012). It comprised three sub-processes: data reduction, data display and conclusion (Miles et al., 2012). During the interview process, data was summarised and any inconsistencies were identified. Themes and contradictions were highlighted for further analysis. The set of reduced data was evaluated using matrices. In order to conclude and draw meaning from the data a comparative analysis using a pattern and trend approach was used. Verification of results was made by contacting interviewees again to verify the correctness of conclusions. Data was further evaluated by comparing it to press releases, company annual reports and internal documents.

3.7 Limitations of the study

The study was based on a very small population of individuals and thus having cancelations due to schedule constraints was a real possibility, although every effort was made to ensure meetings were attended, and success was obtained through that process.

3.8 Validity and reliability

3.8.1 *External validity*

External validity relates to the generalisability of data to groups other than the group being researched (Neuedorf, 2002). By generalising the results from this study, other emerging countries and companies can benefit in correctly evaluating the value of the goodwill of their businesses. The results from this study can be generalised for other regions and companies, therefore it is externally valid.

3.8.2 *Internal validity*

The internal validity ensures the data collection process is uniform. In order to ensure internal validity, the study replicated the interview structure for each interview. Although each interview had different supplementary questions, the researcher ensured internal validity was complied with. Evaluating annual reports, talking to other employees and press articles were used to support the internal validity.

3.8.3 *Reliability*

Reliability of the data ensures consistency of results from the research. Running some trial interviews tested the reliability of the data; this gave a good idea of the consistency of the results for the future interviews. After the trial interviews were conducted, the templates were adjusted to achieve the required reliability.

CHAPTER 4. PRESENTATION OF THE RESULTS

4.1 Introduction

This chapter will present the results from the research conducted in a tabulated format. Themes that became present during research are described and shown in the tables. The tables will then be further described and summarised towards the end of the chapter.

4.2 Demographic profile of respondents

The interviewees were deliberately split into client and contractor categories. The clients and contractors identified in the list below have had dealings with each other for at least the past 10 years within the same industry. By taking the approach of interviewing both the client and contractor, the results should not be biased towards one party. It also ensures that one group does not have a bias perception of the value added through their actions. The results of the information gathered would have a positive impact on both the client and contractor as customer relationship and quality of service assists with the efficiency of both parties' businesses.

Table 4 - Interviewees

No	Organisation	Position	Client/Contractor
1	Sasol	Project Manager	Client
2	Puma Energy	Construction Manager	Client
3	Molopo Energy	Project Manager	Client
4	Gigajoule	Project Manager	Client
5	BMW Fuel	Manager	Client
6	Frontier Pipeline Services	CEO	Contractor
7	EPCM Consultants	CEO	Contractor
8	CTC Consulting	MD	Contractor
9	DP Valve and Pump	MD	Contractor
10	Macsteel	CEO	Contractor

*The names of the interviewees have been excluded.

4.3 Results pertaining to research proposition 1

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer service.

The following themes were present in interviews conducted for research proposition 1:

Theme 1

Improving the efficiency of both the service company and the company being serviced.

Theme 2

Improving the quality of service delivery of the service company.

Theme 3

The clients' willingness to pay a premium for this improvement of service delivery.

4.3.1 *Admin*

Table 5 - Admin Research Results

Admin	Client/ Contractor	Theme 1: Improves efficiency	Theme 2: Improves service	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (25%)
BMW SA	Client	Positive	Positive	Positive (15%)
Gigajoule	Client	Positive	Positive	Positive (20%)
Puma Energy	Client	Positive	Positive	Positive (15%)
Molopo Energy	Client	Positive	Positive	Positive (25%)
Frontier Pipelines	Contractor	Positive	Positive	Negative (0%)

EPCM Consultants	Contractor	Positive	Positive	Negative (0%)
DP Valve and Pump	Contractor	Positive	Positive	Negative (0%)
Macsteel	Contractor	Positive	Positive	Negative (0%)
CTC Consulting	Contractor	Positive	Positive	Negative (0%)

In the results obtained from the interviews conducted, it was clear that administration plays a large role in the operation of any company and all of the interviewees indicated this creates the perception that the contractor is in control of his own business. Two of the interviewees also related administration back to governance and control within the business and this adds a lot of value to the service the company is offering.

The table above shows that all the interviewees were in agreement that admin improves efficiency and service delivery of the service business. The clients showed willingness to pay additionally for this item, but the contractors servicing these clients were not in agreement with this. They felt the clients want it, but wont pay additionally for it. They did however agree that it improves the bottom line for the company through improved efficiencies.

Although there are mixed views from the clients and contractors, the research results show clients would be willing to pay in the range of 20% premium for good administration processes.

4.3.2 *Logistics*

Table 6- Logistics Research Results

Logistics	Client/Contractor	Theme 1: Improves efficiency	Theme 2: Improves service	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (20%)
BMW SA	Client	Positive	Positive	Positive (25%)
Gigajoule	Client	Positive	Positive	Positive (15%)
Puma Energy	Client	Positive	Positive	Positive (20%)
Molopo Energy	Client	Positive	Positive	Positive (25%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (20%)
EPCM Consultants	Contractor	Positive	Positive	Positive (15%)
DP Valve and Pump	Contractor	Positive	Positive	Positive (20%)
Macsteel	Contractor	Positive	Positive	Positive (25%)
CTC Consulting	Contractor	Positive	Positive	Positive (20%)

All contractors and clients interviewed agreed that logistics improved the efficiency and service delivery of the service companies. This leads to higher profitability for the companies. Both clients and contractors were also in agreement that the clients would be willing to pay extra for this improvement. The research results show that clients would be willing to pay in the region of 20 to 25% for improved logistics.

4.3.3 *Communication*

Table 7 - Communication Research Results

Communication	Client/Contractor	Theme 1: Improves efficiency	Theme 2: Improves service	Theme 3: Client willingness to pay extra
Sasol	Client	Positive	Positive	Positive (10%)
BMW SA	Client	Positive	Positive	Positive (15%)
Gigajoule	Client	Positive	Positive	Positive (12%)
Puma Energy	Client	Positive	Positive	Positive (17%)
Molopo Energy	Client	Positive	Positive	Positive (15%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (10%)
EPCM Consultants	Contractor	Positive	Positive	Positive (15%)
DP Valve and Pump	Contractor	Positive	Positive	Positive (10%)
Macsteel	Contractor	Positive	Positive	Positive (10%)
CTC Consulting	Contractor	Positive	Positive	Positive (10%)

All the contractors and clients were in agreement that communication improves the efficiency and service delivery of the service company. They also agreed that clients would be willing to pay a premium for this service. The results show that clients would pay between 10 and 15% more for good communication from their service companies.

4.3.4 *Branding*

Table 8 - Branding Research Results

Branding	Client/Contractor	Theme 1: Improves efficiency	Theme 2: Improves service	Theme 3: Client willingness to pay extra
Sasol	Client	Positive	Positive	Positive (20%)
BMW SA	Client	Positive	Positive	Positive (20%)
Gigajoule	Client	Positive	Negative	Negative (0%)
Puma Energy	Client	Positive	Positive	Positive (15%)
Molopo Energy	Client	Positive	Positive	Positive (25%)
Frontier Pipelines	Contractor	Positive	Negative	Negative (0%)
EPCM Consultants	Contractor	Positive	Negative	Negative (0%)
DP Valve and Pump	Contractor	Positive	Negative	Negative (0%)
Macsteel	Contractor	Positive	Negative	Negative (0%)
CTC Consulting	Contractor	Positive	Negative	Negative (0%)

In the table above it shows that the larger corporate clients believe branding has a strong influence on efficiency and service delivery of the service companies and would be willing to pay extra for this component. The contractors servicing these clients as well as the smaller client Gigajoule indicated it does not improve service delivery and they wont pay additional for it. All parties were in agreement that it improves efficiencies that lead to improved profitability. The contractors being smaller private owned companies felt the individuals in the business is a lot more important than the branding of the company and they have their own brand.

Although mixed views were present, most of the clients still indicated they would pay in the range of a 20% premium for improved branding from their suppliers as it gives them comfort that they can execute the service.

4.3.5 *Consumer Centric*

Table 9 - Consumer Centric Research Results

Consumer Centric	Client/Contractor	Theme 1: Improves efficiency	Theme 2: Improves service	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (N/A)
BMW SA	Client	Positive	Positive	Positive (N/A)
Gigajoule	Client	Positive	Positive	Positive (N/A)
Puma Energy	Client	Positive	Positive	Positive (N/A)
Molopo Energy	Client	Positive	Positive	Positive (N/A)
Frontier Pipelines	Contractor	Positive	Positive	Positive (N/A)
EPCM Consultants	Contractor	Positive	Positive	Positive (N/A)
DP Valve and Pump	Contractor	Positive	Positive	Positive (N/A)
Macsteel	Contractor	Positive	Positive	Positive (N/A)
CTC Consulting	Contractor	Positive	Positive	Positive (N/A)

The table above shows that all the interviewees were in agreement that having a consumer centric approach improves efficiency and service delivery of a service company. They were also in agreement that clients would be willing to pay extra for this approach. All of them did however indicate that they could not assign a percentage to this as it's so entrenched into the service offering.

4.3.6 *Value Added*

Table 10 - Consumer Centric Research Results

Value added	Client/Contractor	Theme 1: Improves efficiency	Theme 2: Improves service	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (100%+)
BMW SA	Client	Positive	Positive	Positive (80%)
Gigajoule	Client	Positive	Positive	Positive (50%)
Puma Energy	Client	Positive	Positive	Positive (120%)
Molopo Energy	Client	Positive	Positive	Positive (100%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (60%)
EPCM Consultants	Contractor	Positive	Positive	Positive (80%)
DP Valve and Pump	Contractor	Positive	Positive	Positive (90%)
Macsteel	Contractor	Positive	Positive	Positive (50%)
CTC Consulting	Contractor	Positive	Positive	Positive (100%)

From the interviews conducted, the table above shows that all the candidates believed adding value to the clients business improves efficiencies and service delivery to the client. It was also indicated by all the clients that they would pay a lot more if they service companies add value to their organisations. The contractors also agreed that clients would be willing to pay more for this value adds. Value adding to the customers organisation got the best premiums from all the sub-problems evaluated during the research. Clients and contractors indicated they would pay in the region of 50% and upwards. Some clients indicated even higher premiums as it would add value to their companies and thus there should not be a limit set to the premium payable.

4.4 Results pertaining to research proposition 2

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer relationships.

The following themes came from the research conducted.

Theme 4

Improvement of profitability of both the contractor and the client.

Theme 5

Improvement of the relationship between contractor and the client.

Theme 6

The clients willingness to pay extra for the sub-problem that leads to good customer relationships and the percentage they would be willing to pay.

4.4.1 *Professionalism*

Table 11 - Professionalism Research Results

Professionalism	Client/Contractor	Theme 4: Improves profit	Theme 5: Improves relationship	Theme 6: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (10%)
BMW SA	Client	Positive	Positive	Positive (5%)
Gigajoule	Client	Positive	Positive	Positive (15%)
Puma Energy	Client	Positive	Positive	Positive (5%)
Molopo Energy	Client	Positive	Positive	Positive (8%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (12%)
EPCM Consultants	Contractor	Positive	Positive	Positive (15%)

DP Valve and Pump	Contractor	Positive	Positive	Positive (5%)
Macsteel	Contractor	Positive	Positive	Positive (10%)
CTC Consulting	Contractor	Positive	Positive	Positive (10%)

The table above was constructed from the interviews conducted. It shows that all the candidates interviewed were in agreement that that professionalism improves the profitability of the company and improves the customer relationship. There was also agreement by all parties that the clients would be willing to pay a premium for professionalism. From the research conducted, it shows that approximately 10% premium would be paid for professionalism.

4.4.2 *Culture*

Table 12 - Culture Research Results

Culture	Client/Contractor	Theme 1: Improves profit	Theme 2: Improves relationship	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (3%)
BMW SA	Client	Positive	Positive	Positive (7%)
Gigajoule	Client	Positive	Positive	Positive (5%)
Puma Energy	Client	Positive	Positive	Positive (5%)
Molopo Energy	Client	Positive	Positive	Positive (2%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (8%)
EPCM Consultants	Contractor	Positive	Positive	Positive (5%)
DP Valve and Pump	Contractor	Positive	Positive	Positive (6%)
Macsteel	Contractor	Positive	Positive	Positive (4%)
CTC Consulting	Contractor	Positive	Positive	Positive (5%)

In the above table, all candidates interviewed agreed that culture plays a major role in the profitability of a company. It also improves the customer relationship when the culture for the client and service company is aligned. From the research conducted, it also shows that all candidates believed clients would be willing to pay extra for the correct culture in a company. The premium is estimated to be 5% from the research conducted.

4.4.3 *Trust*

Table 13 - Trust Research Results

Trust	Client/Contractor	Theme 1: Improves profit	Theme 2: Improves relationship	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (50%)
BMW SA	Client	Positive	Positive	Positive (30%)
Gigajoule	Client	Positive	Positive	Positive (20%)
Puma Energy	Client	Positive	Positive	Positive (50%)
Molopo Energy	Client	Positive	Positive	Positive (25%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (30%)
EPCM Consultants	Contractor	Positive	Positive	Positive (40%)
DP Valve and Pump	Contractor	Positive	Positive	Positive (50%)
Macsteel	Contractor	Positive	Positive	Positive (40%)
CTC Consulting	Contractor	Positive	Positive	Positive (50%)

All the interviewees were in agreements that trust forms a major component of customer relationship. This leads to improved efficiencies in a business and improved profits. From the research conducted, all interviewees felt that clients were willing to pay a premium for trust. Trust was the strongest component of a good customer relationship with premiums up to 50% recorded during interviews.

4.4.4 *Mutual Respect*

Table 14 - Mutual Respect Research Results

Mutual Respect	Client/Contractor	Theme 1: Improves profit	Theme 2: Improves relationship	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (N/A)
BMW SA	Client	Positive	Positive	Positive (N/A)
Gigajoule	Client	Positive	Positive	Positive (N/A)
Puma Energy	Client	Positive	Positive	Positive (N/A)
Molopo Energy	Client	Positive	Positive	Positive (N/A)
Frontier Pipelines	Contractor	Positive	Positive	Positive (N/A)
EPCM Consultants	Contractor	Positive	Positive	Positive (N/A)
DP Valve and Pump	Contractor	Positive	Positive	Positive (N/A)
Macsteel	Contractor	Positive	Positive	Positive (N/A)
CTC Consulting	Contractor	Positive	Positive	Positive (N/A)

As shown in the table above, all parties interviewed supported the statement that mutual respect is a very important part of customer relationship and leads to an improved profitability of the company. They also agreed that client would pay a premium for mutual respect in a business environment. This however was mostly linked to trust and all candidates indicated they would not be able to give a separate percentage premium for mutual respect.

4.4.5 *Consistency*

Table 15 - Consistency Research Results

Consistency	Client/Contractor	Theme 1: Improves profit	Theme 2: Improves relationship	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (25%)
BMW SA	Client	Positive	Positive	Positive (10%)
Gigajoule	Client	Positive	Positive	Positive (20%)
Puma Energy	Client	Positive	Positive	Positive (30%)
Molopo Energy	Client	Positive	Positive	Positive (30%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (25%)
EPCM Consultants	Contractor	Positive	Positive	Positive (30%)
DP Valve and Pump	Contractor	Positive	Positive	Positive (20%)
Macsteel	Contractor	Positive	Positive	Positive (30%)
CTC Consulting	Contractor	Positive	Positive	Positive (30%)

From the research conducted, all the candidates agreed that consistency lead to mutual respect and trust that improves customer relationships. They also agreed that this improves profits of the company. All candidates agreed that customers would be willing to pay a premium for consistency in the work place. The estimated premium from the research conducted is between 20 and 30%.

4.4.6 *Personality*

Table 16 - Personality Research Results

Personality	Client/Contractor	Theme 1: Improves profit	Theme 2: Improves relationship	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Positive	Positive	Positive (N/A)
BMW SA	Client	Positive	Positive	Positive (N/A)
Gigajoule	Client	Positive	Positive	Positive (N/A)
Puma Energy	Client	Positive	Positive	Positive (N/A)
Molopo Energy	Client	Positive	Positive	Positive (N/A)
Frontier Pipelines	Contractor	Positive	Positive	Positive (N/A)
EPCM Consultants	Contractor	Positive	Positive	Positive (N/A)
DP Valve and Pump	Contractor	Positive	Positive	Positive (N/A)
Macsteel	Contractor	Positive	Positive	Positive (N/A)
CTC Consulting	Contractor	Positive	Positive	Positive (N/A)

As shown in the table above, all parties agreed that personality of the persons interacting plays a major role in customer relationship. They also indicated that by placing the correct personalities together, it leads to improved profits. Al candidates were in agreement that clients would be willing to pay more when people with the correct personalities service them. They could however not place a percentage premium on personality, as it varies largely from employee to employee.

4.4.7 *Length of relationship*

Table 17 - Length of relationship research results

Length of relationship	Client/Contractor	Theme 1: Improves profit	Theme 2: Improves relationship	Theme 3: Client willingness to pay extra (percentage)
Sasol	Client	Negative	Negative	Negative (0%)
BMW SA	Client	Negative	Negative	Negative (0%)
Gigajoule	Client	Negative	Negative	Negative (0%)
Puma Energy	Client	Negative	Negative	Negative (0%)
Molopo Energy	Client	Positive	Positive	Positive (5-10%)
Frontier Pipelines	Contractor	Positive	Positive	Positive (5%)
EPCM Consultants	Contractor	Positive	Positive	Positive (10%)
DP Valve and Pump	Contractor	Positive	Positive	Positive (5%)
Macsteel	Contractor	Positive	Positive	Positive (10%)
CTC Consulting	Contractor	Positive	Positive	Positive (5%)

From the research conducted, it shows that the contractors felt length of service had an influence on customer relationship and profitability and those customers will pay a premium for this. In contradiction to this, all the clients felt that length of service did not have anything to do with having a good customer relationship. They also felt some contractors take advantage of the fact they have been servicing a client for a long time and become sluggish. Clients indicated that they would not pay a premium for length of relationship. The premium estimated from the contractors was in the range of 5 to 10%.

4.5 Summary of results

The research presented and discussed in this chapter shows a strong support that admin, logistics, communication, consumer centric approach and adding value to a customer's organisation leads to quality of service. It also supports the proposition that clients would pay a premium for these items. Branding had mixed views from the interviews conducted with the major companies supporting the themes and the smaller entities not.

Research proposition 2 was also strongly supported by the interviews conducted. This is shown in the previous chapter where professionalism, culture, trust, mutual respect, consistency and personality were supported by interviewees. They all agreed that this leads to a good customer relationship that leads to profitability on the company. They also agreed that clients would be willing to pay a premium for it. Length of relationship however had some mixed views where the contractors felt it supports customer relationship; profitability and a premium can be charged for it. The clients on the other hand did not agree with this and felt length of relationship did not form part of a good customer relationship. The clients were also not willing to pay a premium for length of relationship.

CHAPTER 5. Discussion of the results

5.1 Introduction

This chapter discusses the consolidated, summarised and reduced data that was recorded from the 10 interviews conducted. The interviewees were management executives from the hydrocarbons engineering sector in South Africa. The interviews were conducted in a semi-structured manner taking the two main research propositions and sub-propositions into consideration. The themes discussed in this chapter are based on the responses received from the participants of the interviews. The themes are then compared to the literature review conducted as part of the research.

5.2 Discussions pertaining to Research Proposition 1: Quality of Service

This section covers the results and discussions from the research conducted on research proposition 1:

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer service.

The results are summarised and related back and compared to the literature study conducted.

5.2.1 *Administration*

The literature study conducted supports the results shown in Chapter 4. Vigoda-Gadot (2006) found a correlation between administration on a governmental level and customer satisfaction. He then goes further to relate good administrative practices to customer trust in the service offering. Jacobsen (2006) shows that good administration within a company improves the employee attitude towards service, as all processes are more transparent. In the same study Jacobsen (2006) also relates strong administration to a better service delivery to the client and thus to improving customer satisfaction.

Homburg et al. (2005) explores the willingness of the customer to pay for a service if customer satisfaction is achieved. From the interviews conducted, all of the customers indicated they would pay additionally for good service through administrative processes.

Both of Sallis (2014)'s concepts of creating consistency through administration are supported by the results from the interviews. All of the interviewees were in agreement that administration feeds into total quality management of a company and leads to consistency of service delivery.

All the candidates interviewed agreed that administration within an organisation improves the quality of service the company can offer to their clients. Some of the interesting findings were that all of the client group interviewees indicated willingness to pay a premium for good administrative processes but all of the contractor's interviews indicated clients never want to pay for the additional service of employing people to do their administrative work. The contractors group also mentioned that the clients go overboard with administrative processes and red tape and this makes it very difficult to service them effectively.

This particular topic thus had mixed views from the two groups. Something that one of the contractors did indicate was that the administration charges could be seen as part of their overheads and if it continuously improves the quality of service they provide to their clients, they might be able to charge a premium for the quality of service they deliver to their clients.

Although mixed views were present during the interviews, the results from the interviews support the literature study conducted. It shows that clients would pay a premium for good administration processes within a service company. The estimated premium from the interviews was in the rage of 10%.

5.2.2 *Logistics*

Jharkharia and Shankar (2005) look at the compatibility between contractors and customers in the logistics sector. They conclude that the selection of the correct logistics supplier improves the whole company's value chain and improves the quality of service to the end user.

Walters (2003) further explains how monitoring logistics performance forms an important aspect of customer service and improve the efficiency of the company.

Chaovalitwongse et al., (2009) investigate optimising logistics and conclude that by optimising logistics, large financial savings can be made by the company, communication can be improved and a better service offering to the client can be maintained.

Harrison and Hoek (2006) further emphasise that efficient logistics management can lead to customer loyalty and customer satisfaction. The authors then relate customer loyalty and satisfaction to an increased revenue stream and length of customer relationship. This leads to improved financial value for the service company.

The results from the interviews strongly support these findings. Most of the candidates interviewed strongly agree that logistics forms a major part of good quality service for them. All of the contractors interviewed have been involved in the project environment and working in other African countries, they also understand the importance of good logistics within an organisation. The general consensus was that it is better to outsource the logistics component of their service to specialist companies that understand the rules of the game.

All of the candidates interviewed agreed that well managed logistics lead to customer loyalty, efficiency and satisfaction. They were also in agreement that this leads to a financial premium for the supplier through length of service and less cost sensitive customers.

All of the clients interviewed indicated they would be willing to pay a premium of up to 20% for good logistics from their suppliers. This would ensure their products and deliverables are delivered on time at the correct locations and reduce the burden on them having to manage it. The candidates from the contractors group also agreed that clients were willing to pay a premium for this service, although their estimated premium was a bit lower than that of the clients.

One of the interviewee's grouped logistics and administration together stating that these activities cannot be divorced and by ensuring your administration of your company is done effectively, an efficient logistics service will follow.

5.2.3 *Communication*

The results obtained from the interviews conducted indicated that both the contractors and clients felt communications was a major component of quality of service. Both groups also agreed that this is one of the areas that are neglected the most and this creates problems in their working environment.

Mooij (2003) looks at various cultures and talks about one size not fitting all when it comes to communication. She also goes further to look at the influence of technology on communication and concludes that although technology helps a lot to ease the communication, it also has a negative impact on the personal touch of communication.

DeVito (2013) further looks at intercultural communication and the importance of understanding the different cultures within the working environment. He further evaluates power and the influence one person can have on another through various forms of power. This all feeds back to understanding different ways of communication and using it as a competitive advantage in business.

The results from the interviews thus agree with the literature study conducted. One of the candidates being interviewed said: "I wish the person I am dealing with on the other side of the e-mail would just pick up the phone and discuss the problem with me". This relates strongly to the literature study and indicates technology can be both an advantage and a burden to quality of service and the clients' satisfaction.

Most of the interviewees agreed that communication was probably the most important aspect of quality of service; without decent communication between all parties, a quality service cannot be delivered.

From a financial premium perspective, both the clients and contractors agreed that communication is worth a lot to them and charging or paying a financial premium for this is not a problem. DeVito (2013) stresses that the power of negotiation, also referred to in his research, contributes to the fact that a win-win situation can be negotiated with the client. All of the clients interviewed agreed that this approach would be acceptable and they do not mind paying a premium as long as they feel they are also getting value from the negotiation.

One of the candidates from Sasol indicated that they actually encourage contractors to improve communication and they pay them to appoint a separate resource to handle their communication with them as a client.

From a premium perspective, it ranged between 10% and 15% premium that would be paid for good communication. A number of the candidates also indicated that they recover the premium very quickly if the project quality is improved.

The results of the interviews conducted thus fully supports the literature study. It shows that communication is instrumental in quality service delivery and that clients would be willing to pay a premium for this.

5.2.4 *Branding*

Delgado-Ballester and Munuera-Aleman (2005) investigated creating economic value from branding. They indicate that, in order to establish brand equity, brand trust first needs to be established through consistent quality of service. They also indicated that clients that trust a brand would be more willing to give them a second chance if they had a negative experience with them rather than change suppliers.

Murray (2004) illustrates how positioning the brand and having knowledge of competitors' brands can have a major impact on the decision making of the company's clients and competitors.

Chiaravelle and Schenck (2007) further explore positioning the brand for a niche market and explain how niche markets can have a positive impact on the companies' profit margins as competition is reduced or eliminated.

Stine (2009) explains that quality is important, but the perception of quality is more important. He shows how companies can charge a premium for branded products by creating a perception of quality that is associated with the brand.

During the interviews conducted, mixed views were given from a branding perspective. The larger clients, with some being listed on the stock exchange, agreed that branding is very important for them as a company, and it is equally important for them to associate with the correct brands. They also went further to support the literature study conducted by saying brand trust and brand loyalty plays a large role in the process of selecting which contractor will service them. The customer further emphasised that loyalty and trust can only be earned over a period of time. Brand positioning was an interesting topic with mixed views from the customers interviewed. Four of them indicated they would select a company based on the quality associated with the brand and be willing to pay a premium for it. One of the customer representatives interviewed, indicated he felt that some of the larger suppliers hide behind their brand and claim to deliver a certain quality, but in reality they do not deliver what they promise.

In contrast to this, most of the smaller contractors servicing the larger clients said they do not think branding is important and the management of the company is the real factor to be considered. They indicated that mostly the clients know them as management and if they had to conduct business under another brand, the clients would follow them and not the brand of the company.

They did however all agree that positioning yourself in a niche market was the best approach to increase profit margins. It was also mentioned that niche markets change very quickly once competition enters the market. Management needs to be very dynamic in realising when it is time to move to a new niche market.

The financial premium question had the same responses with the clients feeling they would pay more for an established brand that they know can service them to the standards they expect. The range they indicated was around 20% premium they would be willing to pay for established brands. The contractors on the other hand indicated they do not think the client would pay extra for their brand and the quality of personnel is more important than having a fancy brand.

The answers from the two groups seem to differ somewhat. The views of both groups however are of relevance and one can contribute the difference in answers to the fact that small and large organisations operate differently. From a branding perspective, the contractors know the brand is important, but they see themselves, the management, as the companies' brand.

The literature study is thus supported from a client's perspective but not from a contractor's perspective.

5.2.5 *Consumer centric approach*

Macleod (2002) emphasises the fact that the consumer should be taken into consideration during a marketing exercise. He further states that service companies should not mislead their customers through advertising but strive to create value with the customer.

Hawkins and Mothersbaugh (2010) explain how a consumer-based strategy should be generated and used as a competitive advantage for the service company. They also relate a consumer-based approach to adding value to the customer.

Kardes et al. (2011) show how creating the right consumer perception through various avenues leads to good customer service.

As discussed in the literature study, Leavy (2004) looked at the ever-changing world and how businesses are becoming more consumer centric and customer focussed. He then went further to state that value will be co-created by companies and consumers and that that relationship will become increasingly important. Prahalad and Ramaswamy (2004) continued this theory of co-creating of value between the contractor and customer and emphasised the importance of it in today's market.

From the interviews conducted, both the contractor group and the client group agreed that teamwork and co-creation is becoming very important in today's business environment. An example was given by one of the contractors where he said they now have a contracting strategy where it is completely open book and all costs associated with the contract are shown to the client and they agreed a profit margin up front that may be charged. This example clearly shows that co-creating value is part of the everyday dealing of the two groups interviewed.

All of the contractors agreed that taking a consumer-based approach to doing business creates a better perception with the clients and can be used as a competitive advantage in their business dealings.

All of the contractors indicated their business goals are to meet the objectives of the clients they service and they most definitely have a consumer centric approach to business. Two of the contractors did however state that, as the company grows, it is difficult to control the approach taken with clients for all employees, but brought it back to creating the correct culture within the organisation. The customer group indicated they could pick up when the culture of the company is more consumer-centric and they take the needs of the customer into consideration. They see this as an important aspect of delivering a quality service to them as a client. Some of the clients also indicated they arrange workshops at the beginning of contracts to ensure the contractors understand their objectives before starting the contract. Some of the contractors also mentioned this and indicated it assists them to know what the clients' objectives are that they should focus on meeting.

They were all in agreement that a premium could be charged for taking a consumer centric approach but it will vary depending on the project. The contractors also indicated it has an impact on their bottom line even if they cannot charge a premium for this. The results from the interviews conducted thus fully supported the literature study done on this topic.

5.2.6 *Value Added*

From the research conducted, the results from the interviews supports Ulrich (2013)'s study to change the focus from "what I do" to "what I deliver," as discussed in detail in the literature study.

Keeney (2009) defines value focussed thinking as starting with the best alternative available and finding a way to make it a reality rather than trying to select from alternatives. He further associated it to constraint free thinking, stating that by using this way of thinking, the employee defines his own list of alternatives to choose from rather than getting a list from someone else.

In Keeney (2009)'s and Cooper and Vlaskovits (2010)'s research, they also elaborate on providing clients with high value alternatives to add value to the organisation and consequently giving them a better service. Results from the interviews conducted strongly agree with this statement, as discussed in detail later on in this section.

During the interviews, two of the contractors gave examples of value adding approaches they have to ensure they deliver value to the clients. The one contractor physically shows the client what amount of money he saves him by doing the project differently and then gets the client to sign off on the saving to indicate he agrees with the saving. He then uses this as a marketing tool to show what value he adds to their organisation. The other contractor places some of his people in strategic positions with the clients at reduced rates to ensure the project runs smoothly and thus creating value for himself and the contractor. This approach aligns with the research of Ukens (2007) and Harris (2013) where obstacles get removed from the customers' organisations to create value together.

One of the customers mentioned an approach where they set a value for a contract and both the contractor and client work to reduce the value of the project and then share in the savings for the project. By taking that approach to doing business they thus create value together and share in the profits together. Cooper and Vlaskovits (2010)'s research strongly agrees with this principle of understanding why the customer does things in a certain way and trying to work with him to add value.

From the interviews conducted, all of the candidates indicated this to be the area where the biggest premium would be available to contractors as they actually save the client money and there is thus money to pay a premium to the contractor.

The financial premiums that were discussed went up to 100% of the contractors' contract value if the projects get executed correctly. Contractors could thus double their contract values through co-creating value with the clients.

The research results for this section thus fully supports the literature study conducted and shows that value adding leads to quality service. Clients would also be willing to pay a premium for this quality.

5.2.7 *Conclusion of Research Proposition 1: Quality of service*

In conclusion, it is clear from the above research and literature studies that quality of service plays a major role in the service offering to clients and a large premium can be generated if this is done to the client's satisfaction. The literature study is also very well supported by the research results.

The research shows that communication, logistics, consumer centric approach can all create a premium. Creating value through branding had mixed views, but brand trust had a positive contribution to the premium created. The biggest contributor towards a financial premium that can be generated as part of quality of service would be in co-creating value and adding value to the client's business. This premium that could be created with the client could go up to 100% of the contract value based on the results from the interviews conducted.

5.3 Discussion pertaining to Research Proposition 2: Customer Relationship

This section discusses the answers received from the interviewees regarding research proposition 2:

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer relationships.

The answers are summarised into three main themes and are related to the sub-problems discussed in the literature study.

5.3.1 *Professionalism*

As previously indicated by Evetts (2003), professionalism is seen as a very important business tool that forms part of the professionals normative value system. It is further linked by Kultgen (2011) to morality and ethics and creates mutual respect and trust between the contractor and customer.

Anderson and Bolt (2013) further explain professionalism as workplace behaviour that leads to positive business relationships. They explore individuals' personalities and emphasises that once a person understands his own personality, it is easier to deal with the personalities of others. This also assists with grouping the correct personalities together. Anderson and Bolt (2013) also relate personality to personal values and shows how this can lead to building a strong relationship.

The results from the interviews conducted aligned with the literature study, most of the interviewees indicated that professionalism forms a major part of a strong relationship between two parties.

A common theme that became evident was mutual respect and trust and they all indicated this could not be separated from professionalism. Ethics was also mentioned a number of times as forming an integral part of professionalism and this aligns closely to the section on morality and ethics by Kultgen (2011).

In alignment with the research of Anderson and Bolt (2013), half of the candidates interviewed emphasised the importance of grouping the correct personalities together to build a strong customer-supplier relationship. Although the interviewees had mixed personality types, they all agreed that some personalities get along better than others.

Some of the interesting findings from the interviews were the fact that two of the interviewees related professionalism to consistency and branding, thus stating that part of being professional in daily business operations, is to be level-headed during business decisions. They then also indicated that this has an effect on brand trust as the customer relates the personal level-headedness to the brand of the company and it creates brand trust.

From the interviews conducted, up to a 10% premium would be paid for professionalism.

5.3.2 *Culture*

Kardes et al. (2011) defines culture as the personality of a society. He further explains different cultures to be like different market segments and the importance of aligning products and services to suit the different segments to obtain market penetration.

Cameron and Quinn (2006) explain that corporate culture is the single biggest competitive advantage for a company and it ensures that all employees are aligned towards the vision of the company. They further indicate that by having the correct corporate culture, the long-term financial success of the company is influenced.

After conducting the research interviews, all of the interviewees were in agreement with the literature study. They all indicated that the alignment of cultures and understanding how to service different cultures are the most important aspects to be focussed on to improve the customer relationship.

Another important theme that was present in the interviews was that each company also forms their own corporate culture, although employees all have different cultures. As a business leader, it is thus very important to establish the required culture for the company. The company culture will be adapted by most of the employees and this will ensure the required culture is present when dealing with clients or suppliers. These results directly support the research of Cameron and Quinn (2006).

A significant statement that was made by one of the interviewees was “through culture, most other aspects of customer relationship can be embedded into your employees”. This statement gives an insight of the impact that culture can have on your customer relationship and is in agreement with Cameron and Quinn (2006).

The average premium customers were willing to pay for an improved culture was around 5%.

5.3.3 *Trust*

Cameron and Quinn (2006) state that corporate trust is a greater financial asset than money is. They further explain that trust is the means and profit is the end.

Monty (2015) further expands on the topic and explains the importance of becoming the trusted advisor and becoming an extension to the customer’s company. He further explains trust is made up of intent, capability, dedication and results.

Harris (2013) explains the notion of company reputation and stresses how this reputation should be treated like an asset. She links trustworthiness to having a positive financial impact on a companies' bottom line.

In accordance with the literature study, it became evident during the interviews that the customer group cannot operate their companies without service from solid suppliers. Most of the companies that were interviewed had plants that never shut down and thus their service companies service them under shutdown conditions. During these shutdowns, supplier trust is extremely important and can have a significant impact on the financial results of their business. They also indicated that they were willing to pay up to 50% more for service companies they know they can trust to execute the job correctly. This correlates strongly to the results obtained in the literature study from Harris (2013).

Johnston et al. (2004) further elaborated on the topic of increasing flexibility and planning through supplier trust. From the interviews conducted, both the service companies and customers were in agreement with this statement. Both groups felt that supplier trust forms a major part of successful project execution. All interviewees agreed that clients are willing to pay a premium for supplier trust to ensure the integrity of their plants.

Supplier trust is thus a large contributor towards obtaining a good customer relationship and creating a financial premium from the customer.

5.3.4 *Mutual Respect*

Harris (2013) defines respect as giving somebody recognition or special regard. She further relates respect to professionalism and shows the power respect can have in working relationships. Anderson and Kerr (2002) explore the importance of respecting a client's privacy to improve the relationship. Although the literature study refers to this in more detail, this section concludes the findings.

The results of the interviews reflected the theories regarding mutual respect, as discussed in the literature study. All of the candidates agreed that mutual respect should form the basis of any business relationship. Five of the interviewees, two from service companies and three from the customer being serviced related mutual respect to culture and indicated that it becomes more important when diverse cultures exist within an organisation. This supports the findings from Cameron and Quinn (2006). They further expanded this theme by stating in today's global economy, understanding the various cultures and the way they show respect is becoming very difficult and should form part of creating a culture for a company.

From a financial premium perspective, both contractors and clients agreed that it will have an effect on the willingness to pay for a service, but it will be very hard to quantify the percentage premium for this topic as it varies considerably from company to company.

5.3.5 *Consistency*

In the literature, Kardes et al. (2011) define consistency as a stable behaviour. They further explore the low-ball and foot-in-door techniques to lure clients and get a consistent response from them.

Although all interviewees agreed that consistency is a very important aspect of customer relationship, they had mixed views on the low-ball and foot-in-door techniques described in detail by Kardes et al. (2011).

All the contractors agreed that by using, especially, the low-ball technique to keep the prices low and negotiate further, was a good selling technique for them. From the customers interviewed, they had mixed feelings. Two of the customers agreed that it is a good basis to negotiate from but the other three customers indicated they want the contractors to allow for all the items they have asked for and keep their prices consistent throughout the project. They do not want the price of their products or services to change as the project gets executed. The contractors evidently reinforced the literature study and research results of Kardes et al. (2011) but most of the customers interviewed were not overly impressed with this way of contracting.

Santos and Boote (2003) relate the relationship between customer expectations, post purchase state and consumer behaviour to each other. They then proceed by drawing a parallel between consistency of service and customer satisfaction, indicating that this has a major impact on meeting the customer's expectations.

In the literature study as well as the interviews, consistency was found to be a prime attribute of building a good relationship. Eight of the research candidates rated it as one of the top attributes.

Consistency was also related to trust and professionalism by six of the candidates indicating that professionalism leads to consistency of service and this leads to supplier trust and a stronger relationship.

All of the candidates indicated there is a financial premium that can be charged by service companies and clients would be happy to pay up to 30% more for service from a company if they know they will constantly get good service from this company.

One of the candidates interviewed from the client group also related consistency to quality and stated "consistency of service leads to a quality product or service being delivered every time on time". He then further indicated that this is what they need and expect from their suppliers and it's worth a lot of money to them.

5.3.6 *Personality*

A short summary of the literature findings is shown in the paragraphs below.

Cervone and Pervin (2013) define personality as an individual's qualities that influence his behaviour. It looks at human universals, individual differences and uniqueness. They further explain that the most important aspect of personality is the way employees respond to their customers.

In Barret (2009)'s research, he compares personality to different career paths and shows how it could have an influence on the efficiency of the employees.

Kardes et al. (2011) further explains that personalities can be segmented into market sectors to ensure that customers can be serviced best. They further illustrate that this leads to increased profits for the company, as the consumer becomes less cost sensitive when the service or product appeals to his personality.

From the ten interviews conducted, six of the interviewees rated themselves to be introverts, three extroverts and one said he was on the border. An interesting phenomenon was that all of the extroverts came from the contractor companies selling their services to the clients. Two of the introverts were from the contractor groups and the rest were from the clients group. The borderline candidate was from the client group and took a very active role in their projects. Although the results was based on the interviewees' perception of themselves and could not be completely accurate, it gave a good indication. All of the candidates interviewed agreed that certain tasks appeal more to their personality than other tasks, they also agreed that they respond better to certain people's personalities. The results from these interviews supports the research referred to in the literature studies by Cervone and Pervin (2013) and Barret (2009).

All of the interviewees agreed that personality plays a major role in the relationship between the contractor and client. They also indicated there is a hidden value that gets paid for this relationship, but it cannot be quantified as it differs from one relationship to the next. The value from these relationships might not be a direct value, but over a period of time, the value will be seen in other areas of business. This aligns with the research of Kardes et al. (2011) as shown in the literature. One of the candidates had a good example where he said if he likes the client that services him and they get along well, he puts in more effort to ensure they get paid on time and once he trusts the contractor, they also do not scrutinise his invoices before they get paid.

5.3.7 *Length of Relationship*

As discussed in the literature, Prahalad and Ramaswamy (2004) evaluate customer relationship over time and indicate a strong customer relationship is not established overnight. They also relate the length of relationship to mutual trust and state this needs to be earned over a period of time. They go further to say a sustainable business model in today's business environment needs to be designed on long-term customer relationships. Monty (2015) supports these views in his research on trust based selling.

Hawkins and Mothersbaugh (2010) further evaluate the health of customer relationships and conclude that the customers think less of the relationship than the service companies at the start, but with time the gap closes.

Liebowitz (2009) explains that employee retention plays a major role in customer relationships and having the right people available at the right time is a major contributor towards a healthy customer relationship.

The results from the research interviews were very interesting and contradicting on this particular topic. In six of the interviews, the candidates supported the long-term relationship and indicated it has an effect on the trust in the supplier and thus leads to a premium for the service offered. On the other hand, in four of the interviews, the candidates actually indicated that if a contractor works for a client for a number of years, they get comfortable with the relationship and this does not add as much value as it did in early years. What is interesting from the results obtained, is that the four interviewees that indicated this phenomena was all from the customer group. From the interviews conducted, it was clear that the length of service for a client was not really important to the clients, but the value that was added to their business. Contractors consequently need to be very careful not to become part of the furniture in the organisation, as clients can easily replace them if they cannot see the value they are adding.

From a financial premium perspective, it is therefore evident that clients are willing to pay more for a good customer relationship and that relationships cannot be built over night. Clients are more interested in getting consistent value from their suppliers than in long-term service.

The results of the interviews conducted show a range from 5 to 10% increase for long established relationships. It should however be noted that 60% of the candidates interviewed would not pay additionally for this.

5.3.8 *Conclusion of Research Proposition 2: Customer Relationship*

In conclusion, the results from research proposition 2 mostly supported the literature study conducted. All of the clients and contractors interviews indicated there is a financial premium that can be charged to a client for a good customer relationship. The indicative premium within the group of interviewees varied between 10% and 100%. Even higher percentages were also seen with the client group actually indicating they would be willing to pay more for a good customer relationship than the contractor group thought it was worth.

Some of the interesting findings from the interviews were the fact that clients felt the length of service was not as important as the value that was added and the quality that they receive consistently from their contractors.

5.4 Summary of the results

In summary the results of the research conducted showed that a premium could be generated from having a strong customer relationship as well as providing a quality service to the customer. The premiums varied with the customer relationship premium varying between 10% and 50%. Quality of service varied between 10% and 100% with value adding being the largest contributor to the premium created.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

This chapter is a summary of the findings and conclusions reached in this study. It mainly focuses on the two research propositions discussed in previous chapters. Recommendations to the stakeholders are discussed and then suggestions for future research are identified.

6.2 Conclusions of the study

The research focussed on the perceived financial premium that could be generated from a good customer relationship with the client and quality service within the hydrocarbon engineering industry in South Africa. This was then broken down into two research propositions. These two research propositions were then further broken down into sub-problems and topics that were discussed in a semi structured interview format.

Research Proposition 1:

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer service.

Sub-problems

Administration, logistics, communication, branding, consumer centric approach and value adding formed part of the sub-problems evaluated in this research.

The results mostly supported the literature study conducted for research proposition 1. Some of the conflicting areas were further evaluated and explained within the context of the study.

The major areas of correlation and conflict are summarised in the section below for research proposition 1.

The interviews delivered mixed views regarding **administration** with most of the clients interviewed supporting the results of the literature study that administration contributes to efficiency and quality of service of the service company. All the clients agreed that they would be willing to pay a financial premium for this improved service. There was however some conflicting views from the contractors interviewed that the clients would not pay additionally for this, but expect it from them in any case. The contractors did however agree that it improves the efficiency in their companies and this leads to improved profits.

The literature study shows that good **logistics** improves the efficiency and quality of service for a business. From the interviews conducted, the results completely correlate with the literature study.

Good **communication** is shown to be the backbone of a successful company in the literature study conducted. The results from the interviews conducted completely supports this proposition.

Although the literature study showed **branding** to be a major part of quality service, the results from the interviews were conflicting. The larger corporate companies correlated to the literature study but the smaller companies were in conflict with it stating it does not have an influence on the quality of their service. Most of the clients did however indicate that they would be willing to pay a premium for branding from their service companies.

The results of the interviews completely correlated to the literature study on having a **consumer centric** approach improved the quality of service delivered and adds value to your business. All interviewees agreed that a premium could be charged, but they found it very difficult to give exact values of the percentage premium.

Adding value to the customers business showed to be the biggest contributor to creating a financial premium through quality of service. The result of the study supports the literature with no conflicting views. Some clients did not even want a top limit to the percentage premium as they felt it could be anything depending on the value added to their company.

In summary results obtained from the research supports the proposition and indicate that a financial premium can be generated from quality customer service within the hydrocarbon-engineering sector in South Africa.

Research Proposition 2:

South African hydrocarbon based engineering companies can charge a premium to their clients for good customer relationships.

Sub-problems:

For research proposition 2, the most important factors that support the research proposition are professionalism, culture, supplier trust, mutual respect, consistency and personality.

The research conducted correlates with the literature study that **professionalism** leads to strong customer relationship and a premium can be charged to clients for this.

Culture also forms a major part of customer relationship and both the literature study and the results from interviews conducted support this. It also shows that a premium can be charged to customers for this.

Both the literature study and the research results agree that **trust** leads to a good customer relationship. This leads to efficiency and improvement of profits within a company. Research results also prove that a financial premium can be charged to the client for this.

Mutual respect is gained over time between the client and the service company. Literature study results and research results support this statement fully. The research also proves that it leads to strong customer relationships and a premium can be charged for it.

Consistency forms a major part of building trust and gaining a good customer relationship. Both the literature study and the research results support this statement. Research also shows that a premium can be charged to the customer for this.

Literature study and research results correlate to show that **personality** has an influence on good customer relationship. Results also proof that a premium can be charged to the client for this.

Although the literature shows **length of service** to have an influence on customer relationship, the research results conflicts with this. It shows that clients feel a number of service companies reduce quality over the years and this has a bad influence on their customer relationship. Research thus contradicts the literature study on this topic and length of service does not have a big influence on the premium clients are willing to pay for a good customer relationship.

6.3 Recommendations

Research conducted indicates that a strong customer relationship and good quality service to clients within the hydrocarbon-engineering sector of South Africa can generate a premium for companies offering their services. It further illustrates that by creating value for the client, value can also be generated for the contractor in sharing the value created.

The research could help service companies within South Africa and abroad to understand the South African hydrocarbons industry and align their service delivery to optimise their profits. It could also assist companies to select the correct individuals to service their clients within this industry and ensure they optimise the relationship through careful surveying and selection.

Service companies within the South African hydrocarbon industry can understand the areas of focus and the importance of creating the correct culture within their companies to ensure their clients are serviced in the required manner.

South African hydrocarbon engineering clients could also understand the consequences of their actions better and streamline their organisations to get the best results from their suppliers. They should also understand the topic of co-creating value with their suppliers and be willing to share the value created with their suppliers, as this will have the best long-term effect for them.

A good example that was given was hosting workshops where contractors and clients explored ways of creating value through understanding each other’s requirements better before a specific contract is started. In this way, they improve communication and create value for both parties involved.

6.4 Suggestions for further research

Branding Strategies

An area that would be very helpful and informative to further study and develop would be relating different branding strategies for different size companies. As a small to medium size enterprise would need to adopt different strategies from the larger listed companies to capture their target market. Geographic locations and cultures would also play an important role in this study.

Service length to performance

A study that investigates the length of service and relates it to performance of the service company towards their clients. Various KPI's (Key Performance Indicators) would have to be identified with the clients that can be measured to track performance against time of service.

Compliance requirements

The research should focus on the compliance requirements of clients in the hydrocarbons engineering sector and compare it to the performance of their contractors. KPI's would again have to be identified with the clients that could be tracked to determine performance against the level of compliance.

Corporate Governance on company value

Research that compares the value of a private company to the amount of corporate governance they have in place. The research has been published for listed companies, but not a lot of work has been done for private companies.

Relationship between management and brand

For small to medium companies where management takes a very active role in the company, would it be possible to create a brand that's not linked to the management of the enterprise? A number of companies would have to be investigated within the specific sector to understand their operations. Clients would also form a major component of the research.

Personality types and strategy

Some work has been done previously on personality types and how they fit into an organisation. An area that has not been given a lot of attention is relating company strategy to the personalities of the group that drives the company strategy. This could help companies to select leaders in the future that aligns with their corporate strategy.

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Appendix A

Letter to interviewees.

Dear Respondent,

I am currently completing my MBA degree at The University of Witwatersrand in Johannesburg. My thesis is on the value of client relationships and track record in a South African company. In order to obtain sufficient data on the topic, it would be much appreciated if I could arrange a 1-hour interview with you to understand your perceptions of this topic.

The interview will only focus on your perception of the topics mentioned above and won't include any confidential information to your company. Confidentiality of the report will be observed and the final report will only be used for academic purposes.

The intent is to have the meeting at your head office at a convenient time.

Thank you in advance for your assistance.

Regards,

Tom Cowan
0824972745

Interview questions?

Clients serviced

Quality Service

For research purposes we have broken quality of service provided by a supplier in the hydrocarbon-engineering sector into the following administration, logistics, communication, branding, consumer centric approach and value adding components.

The questions to follow are based on the items listed above.

1) Do you agree with the breakdown or would you like to add or remove any items from the list?
2) Please give your perception of the percentage premium you would likely pay for each of the items listed above, if it's done to your satisfaction? Also discuss your understanding of the topics mentioned above and give good and bad examples in your industry. The total of the percentages will be added to give an indicative premium that can be charged for good customer service.

Client Relationship

For research purposes, customer relationship has been broken into professionalism, culture, supplier trust, mutual respect, consistency, personality and length of relationship.

The questions to follow are based on the items listed above.

1) Do you agree with the breakdown or would you like to add or remove any items from the list?
2) Please assign a percentage premium you would be willing to pay for each of the items listed above, if it meets your satisfaction? Also discuss your understanding of the topics mentioned above and give good and bad examples in your industry. The total of the percentages will be added to give an indicative premium that would be paid for good customer relationships.

Servicing Companies
Quality of Service

For research purposes we have broken quality of service provided to a client in the hydrocarbon-engineering sector into administration, logistics, communication, branding, consumer centric approach and value adding components.

The questions to follow are based on the items listed above.

1) Do you agree with the breakdown or would you like to add or remove any items from the list?
2) Please assign a percentage premium you would expect to get paid each topic listed, if it's done to your client's satisfaction? Also discuss your understanding of the topics mentioned above and give good and bad examples in your industry. The total of the percentages will be added to give an indicative premium that can be charged for good customer service.

Customer Relationship

For research purposes customer relationship is broken up into culture, supplier trust, mutual respect, consistency, personality and length of the relationship components.

The questions to follow are based on the items listed above.

1) Do you agree with the breakdown or would you like to add or remove any items from the list?
2) Please assign a percentage premium you would be able to charge for each of the items listed above? Also discuss your understanding of the topics mentioned above and give good and bad examples in your industry. The total of the percentages will be added to give an indicative premium that can be charged for good customer relationships.

5.5 Consistency matrix

Table 5: Consistency matrix

Research problem stated here					
Sub-problem	**Literature Review**	**Research questions**	**Source of data**	**Type of data**	**Analysis**
Define the financial premium South African based hydrocarbon engineering companies can charge their clients for good quality service provided?	(Ray et al., 2005) (Sallis, 2014) (Hawkins & Mothersbaugh, 2010) (Kardes et al., 2011) (Keeney, 2009) (Ukens, 2007) (Harrison & Hoek, 2006) (Harris, 2013) (Khan, 2007) (DeVito, 2013)	What indicative premium can South African based hydrocarbon engineering companies charge their clients for good customer relationship?	Respondents in semi-structured interview. Annual reports and press releases.	Qualitative	Data reduction Data display Conclusion

Research problem stated here					
Sub-problem	**Literature Review**	**Research questions**	**Source of data**	**Type of data**	**Analysis**
Define the financial premium South African based hydrocarbon engineering companies can charge their clients if a good customer relationship exists between the sales team of the supplier and the buying team of the client?	(K. Anderson & Kerr, 2002) (Kleinaltenkamp et al., 2011) (Evetts, 2003) (L. E. Anderson & Bolt, 2013) (Kultgen, 2011) (Kardes et al., 2011) (Cervone & Pervin, 2013; Monty, 2015) (Hawkins & Mothersbaugh, 2010) (Liebowitz, 2009)	What indicative premium can South African based hydrocarbon engineering companies charge their clients for good customer service?	Respondents in semi-structured interview. Annual reports and press releases.	Qualitative	Data reduction Data display Conclusion