

The influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship

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

Johannesburg, 2016

ABSTRACT

The South African Automotive industry contributes 7% of the country's GDP. It is part of the global automotive industry as most of the local original equipment manufacturers (OEMs) are linked to or owned by global manufacturers. The South African automotive component suppliers are also part of this international automotive market by virtue of supplying components to these automotive OEMs. The purpose of the study is to investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. Qualitative research (semi-structured interviews) was used to conduct the research. In this study, the findings indicate that costs, quality and on-time delivery have an influence on South African automotive component suppliers' customer relationship. The study concludes by highlighting the importance of competitive priorities such as costs, quality and on-time delivery in mediating relationship between South African automotive component suppliers and their customers or original equipment manufacturers.

DECLARATION

I, CYRIL SABELO GUMEDE, 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 Management in Strategic Marketing Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

CYRIL SABELO GUMEDE

Signed at

On the day of 20.....

DEDICATION

I dedicate this research report to my late parents, Mr. Jeffrey Mphaseni Gumede and Mrs. Sarah Nganeni Gumede for their persistent love, support and for teaching me everything I needed in order to survive in life. I would not have achieved what I have in my social, work and academic life without their contribution.

May God be with them.

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to the following people for their contribution in this research:

1. To my Strategic Marketing Management colleagues or group members, Lesego Funde, Lipalesa Kolane, Kopano Mwali and Keshantha Naidoo for their consistent support and encouragement.
2. To my wife Mrs. Sanelisiwe Gumede and my children, Kwanda Gumede, Zamanguni Gumede and Siphesihle Gumede for their love and understanding.
3. To the South African automotive component suppliers for their input into this research.
4. Lastly, to my supervisor Jennifer Croll for her guidance and encouragement, and for her sustained interest during the entire period of the research.

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1. INTRODUCTION

In the past 20 years, the South African Automotive industry has been converted into a globally competitive and integrated industry which produces and sells excellent products to the domestic and international markets. The local original equipment manufacturers and its related businesses have developed to be the key stakeholder to manufacturing production in the country. This is supported by (Lamprecht, 2015, p. 6) where he stated that:

“The domestic automotive industry is a vital contributing element to the success of the national economy and the sustainable growth of the country at large. Manufacturing output accounts for 15% of the country’s GDP and the automotive industry accounts for about 30% of manufacturing output.”

The local component suppliers are part of the above-mentioned contribution. The importance of their contribution cannot be ignored, especially in the light of “the vision of doubling vehicle production in the country to 1.2 million units per annum by 2020.” (Lamprecht, 2015, p. 7). This is the Automotive Production and Development Programme’s (APDP’s) key objective. In addition to this, APDP seeks to accomplish considerably advanced levels of local content, preservation of jobs and other wide-ranging support for the country’s economy in general. The relationship between automotive component suppliers and their customers (South African automotive original equipment manufacturers) is very important.

It is in this instance that this research investigates the influence of costs, quality and on-time delivery on South African automotive component suppliers’ customer relationship.

1.1. Purpose of the study

The purpose of the study is to investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. It highlights the importance of competitive priorities such as costs, quality and on-time delivery in mediating relationship between South African automotive component suppliers and their customers. The study can also be used as a guide to the automotive suppliers in terms of directing them to these competitive priorities so that they can enhance their relationship with their customers or South African automotive original equipment manufacturers. This relationship is very important in ensuring that the South African automotive industry does not miss the opportunity to grow in line with the South African Government's Automotive Production Development Programme's (APDP) key objective of attaining vehicle production of 1.2 million units per annum by 2020.

1.1.1. Theoretical Objective

1. To conduct a literature review on the influence of costs on South African automotive component suppliers' customer relationship.
2. To conduct a literature review on the influence of quality on South African automotive component suppliers' customer relationship
3. To conduct a literature review on the influence of on-time delivery on South African automotive component suppliers' customer relationship

1.1.2. Empirical Objective

The research objective is to investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship.

1.1.3. *Research Objective 1*

Investigate the influence of costs on South African automotive component suppliers' customer relationship.

1.1.4. *Research Objective 2*

Investigate the influence of quality on South African automotive component suppliers' customer relationship.

1.1.5. *Research Objective 3*

Investigate the influence of on-time delivery on South African automotive component suppliers' customer relationship.

The next section focuses on the context of this research proposal. This is important as it sheds some light on the South African Automotive industry.

1.2. Context of the study

South Africa does not exist in isolation from the world. The same applies to its economy. It is part of the global economy. In agreement with the country's open economy, the South African motor manufacturers and their component suppliers have been swiftly incorporated into the global business environment. The international business environment is highly competitive. For example, it is stated that:

“The domestic original equipment manufacturers are no longer forced to purchase from local component manufacturers or suppliers. These original equipment manufacturers are therefore able to bring in their foreign sourced components duty-free due to duty credits that are obtained via the Import Export Complementations (IEC) component of the MIDP.” (Barnes, 2000, p. 9)

This is the impact of the global business environment. Competition is the key challenge that is affecting South African Automotive component suppliers. This competition is predominantly on costs, quality and on-time delivery. South African Automotive component suppliers are functioning in a totally free global market economy, with no trade obstacles to protect them from aggressive global competitors. Their business environment is influenced by the fact that the South African Automotive industry is dominated by international manufacturers like BMW, Ford Motor Company, General Motors, Mercedes-Benz, Nissan, Toyota and Volkswagen. These manufacturers have major vehicle and engine production plants in South Africa. They produce for both the domestic and exports/global market. BMW, Ford Motor Company and Nissan have plants in Gauteng or Pretoria. General Motors, Mercedes-Benz and Volkswagen have plants in Eastern Cape (Port Elizabeth and East London respectively). Toyota's plant is base in Durban (KZN). The South African automotive component suppliers or manufacturers provide components to these global original equipment manufacturers (OEMs).

From the above, it can be noted that South African component manufacturers or suppliers play an important and useful role in the automotive industry and their input cannot be overlooked. However, it is argued that:

“Although the industry is important to South Africa, it poses critical supply chain management challenges for local manufacturers and it is internationally uncompetitive. The majority of companies in the industry do not only operate with low levels of collaboration, but are also not market sensitive or reactive to the changing market.” (Ambe & Badenhorst-Wess, 2013, p. 2).

The above-mentioned automotive component manufacturers' situation directly affects the South African original equipment manufacturers that are also under pressure to:

1. Achieve their volume or market share targets,
2. Produce quality products that meet international standards
3. Reduce production costs,

4. Meet and exceed international customer demands in terms of on-time delivery and
5. Achieve profit targets

The above points are crucial if the South African automotive suppliers are to have a positive relationship with their customers or South African original equipment manufacturers. It is in this instance that the focus of this research report is to investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. This investigation is viewed from the perspective of the South African automotive component suppliers or manufacturers.

As stated above, the context of this study is the South African automotive industry. Due to the compact nature (highly organised and structured) of this industry, it is feasible to conduct this research which seeks to highlight and elevate the key predictors of South African automotive component suppliers' customer relationship. South African automotive industry has been chosen because it is one of the important industries in the South African economy. South African automotive industry contributes:

"7.2% of South Africa's Gross Domestic Product (GDP) which is equal to R 3 796.5 billion; 32% of South African manufacturing output in terms of vehicle and component production; 29 715 Average monthly employment by vehicle manufacturers; 82 790 Employment by automotive component sector; R6.92 Billion capital expenditure – vehicle manufacturers; R2.7 Billion capital expenditure – component sector; 644 504 - Total South African new vehicle sales per annum; 566 083 - Total South Vehicle production; 276 873 - Total South African new vehicle exports; R70.0 billion - Total South African vehicle exports; R45.7 billion – Total value of automotive component exports." (Lamprecht, 2015, p. 5)

The following section focuses on the problem statement.

1.3. Problem statement

As stated above, the South African automotive sector is the spine of the manufacturing sector. It is one of the most vital sectors that creates jobs and drives economic growth and competitiveness. South African original equipment manufacturers are intricately allied with global original equipment manufacturers and hence they are subjected to global market conditions which constrain or drive profitability or growth. These global original equipment manufacturers are fixated on persistent cost cutting projects to decrease prices via proficiency enhancements, better-quality productivity and placement of their manufacturing facilities closer to their customers in order to improve delivery on time and avoid high logistics costs and risks in terms of volatile currencies. By virtue of supplying components to the South African OEMS, the South African automotive component manufacturers are not immune to these global market conditions. This clearly implies that the South African Automotive component suppliers need to deliver at globally competitive levels in terms of quality, costs and on-time delivery in order to sustain or maintain their relationship with their customers.

1.3.1. Main problem

The problem statement is as follows:

Investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship.

1.3.2. Sub-problems

Sub-problem 1

Investigate the influence of costs on South African automotive component suppliers' customer relationship.

Sub-problem 2

Investigate the influence of quality on South African automotive component suppliers' customer relationship.

Sub-problem 3

Investigate the influence of on-time delivery on South African automotive component suppliers' customer relationship.

1.4. Significance of the study

Research has indicated that there is a general consensus that manufacturing competitive priorities can be articulated in terms of at least four simple elements: Low costs, quality, on-time delivery and flexibility (Fine & Hax, 1985; Wheel Wright, 1984).

The South African automotive original equipment manufacturers and automotive component suppliers or manufacturers need each other in order to guarantee optimum proficiency and competitiveness. In addition, it is important that a healthy relationship exists between these two key stakeholders in the South African automotive industry. Prior research has indicated that "organizations need suppliers to help in minimizing costs, improving quality and on-time delivery"(Van Weele, 2010, pp. 254-255). It is argued that "companies are not competing against other companies these days, but they utilize their relationship with their suppliers to fight with their competitors. For example, Toyota and its suppliers will clash with Ford and its suppliers for global competitive advantage." (Fawcett, Ellram, & Ogden, 2007, p. XVii).

There has not been any academic study that has investigated the key competitive priorities that are essential in mediating the relationship between South African automotive suppliers and their customers, which are South African automotive original equipment manufacturers. Furthermore, there has not been any academic research that has highlighted these competitive

priorities (costs, quality and on-time delivery) as a predictor or mediator of the South African Automotive component suppliers' customer relationship.

It is in this instance that this study seeks to investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. In so doing, this study intends to highlight to the South African Automotive component suppliers the foundation of their relationship with their customers (South African automotive original equipment manufacturers). In addition to the above, the study also contributes to the automotive industry library of research by providing new ideas which are part of this research's findings. The findings and recommendations of this study are shared with the senior management of the automotive industry. Thus, this study can provide guidance or be used as an input to their strategic management decisions.

1.5. Delimitations of the study

The delimitations of this study are as follows:

1. As stated above, this research only focused on the South African automotive component suppliers. The target was active members of NAACAM because they are privy to the daily issues of component industry and they are easy to access.
2. The following provinces were the main focus of the study:

Gauteng:

Table 1: Key Features - 2014

	Gauteng
Capital	Johannesburg
Population (% of SA total of 54.0 million)	12.91 million (23.9%)
GDP Contribution as % of SA total GDP of R3 796 billion	33.5%
OEMs manufacturing plants	BMW SA NISSAN SA FORD MOTOR COMPANY OF SOUTHERN AFRICA
Number of Automotive Component companies	200

Source: South African Automotive Export Manual 2015

KwaZulu Natal:

Table 2: Key Features - 2014

	KwaZulu Natal
Capital	Msunduzi (Pietermaritzburg)
Population (% of SA total of 54.0 million)	10.69 million (19.8%)
GDP Contribution as % of SA total GDP of R3 796 billion	16.1%
OEMs manufacturing plants	Toyota SA Motors
Number of Automotive Component companies	80

Source: South African Automotive Export Manual 2015

Eastern Cape:

Table 3: Key Features - 2014

	Eastern Cape
Capital	Bisho
Population (% of SA total of 54.0 million)	6.79 million (12.6%)
GDP Contribution as % of SA total GDP of R3 796 billion	7.6%
OEMs manufacturing plants	Volkswagen Group SA Mercedes-Benz SA General Motors Southern Africa Ford Motor Company of Southern Africa engine plant
Number of Automotive Component companies	100

Source: South African Automotive Export Manual 2015

3. The other six provinces were excluded due to the fact that they do not have automotive industry key players.
4. Only identified senior management of the automotive component supplier/ manufacturers and original equipment manufacturers were interviewed in this research

1.6. Definition of terms

The following are the terms and abbreviated acronyms that are extensively used in this research:

- *Costs* – in the context of this research, this refers to manufacturing cost-related categories such as labour costs, productivity costs, capacity utilisation, inventory reduction and the actual price of the product itself (Ward, McCreery, Ritzman, & Sharma, 1998).
- *Quality* – refers to Garvin’s “eight-dimensional framework: performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality. (Garvin, 1987)
- *On-time delivery* – refers to the organisations’ capability and capacity to deliver in line with the set schedule or even before the due date if necessary. Some manufacturing organisations prefer to get their delivery just-in-time (Ward et al., 1998).
- *Automotive industry* – Industry that manufactures motor vehicles and automotive components.
- *Automotive components industry (ACI)* – this is the industry that produce and sell automotive components
- *Automotive component manufacturers (ACMs)* – manufacture/produce and sell components to original equipment manufacturers (OEMs).
- *Automotive component suppliers (ACSs)* – same as above. This acronym is used interchangeably with ACMs in this research
- *Automotive production and development programme (APDP)* – replaced Motor Industry Development Programme (MIDP). Its key objective is to fast-track growth of automotive vehicle production to 1.2-million vehicles per annum by 2020 with related components manufacturers. This will also enable the automotive manufacturers to increase the local content of units that are assembled in South Africa.
- *Completely built-up units (CBUs)* – these are imported units from overseas

- *Completely knocked-down units (CKDs)* – these are locally built or assembled units
- *Department of Trade and Industry (DTI)* – This is the department that facilitate trade and investment in South Africa.
- *Gross Domestic Product (GDP)* – yardstick used to measure the country's economy. It reflects the size of the economy or the rand value of all products produced in a country over a particular time frame.
- *Gauteng* – is one of the provinces in South Africa. It is the hub of the South African Economy
- *Motor Industry Development Programme (MIDP)* – this programme was started in 1995 to assist the automotive industry in South Africa to adapt to the global business environment. Before 1995 the automotive industry was protected via tariffs. In essence this programme was intended to assist the automotive industry to be globally competitive.
- *National Association of Automotive Component and Allied Manufacturers (NAACAM)* – Creates platforms for component manufacturers to articulate policies that will assist them. These platforms include lobbying with Government and other industry stakeholders on automotive industry related issues like trade agreements, quality standards, incentive schemes or support, BBBEE and other programmes or challenges facing the industry.
- *National Association of Automobile Manufacturers South Africa (NAAMSA)* – leading body that compiles and supplies statistical information about the South African motor industry.
- *Original equipment manufacturers (OEMs)* – these are motor vehicle assemblers like VW, General Motors, BMW, Mercedes, Nissan, etc.
- *Original equipment suppliers (OESs)* – These are suppliers that supply parts and accessories to the original equipment manufacturers.

1.7. Assumptions

This research report has the following assumptions:

People who were interviewed:

1. Were senior executives of the automotive industry.
2. Were industry experts and had the experience to deal with any questions posed to them.
3. Were willing and prepared to share any information that might help to solve whatever issues or challenges are experienced by the automotive component manufacturers or suppliers.

2. LITERATURE REVIEW

2.1. Introduction

The South African automotive industry is one of the main contributors in the South African manufacturing industry. In fact, it is used as one of the country's economy indicator. This industry has developed and is now viewed as one of the most important manufacturing areas (Bandyopadhyay, 2011).

At a global level, South Africa is also counted as one of the most important automotive manufacturing regions. The other global regions include North America, Asia Pacific, Western Europe, Eastern Europe, Japan and South America (Lamprecht, 2015).

The South African motor industry is dominated by international manufacturers like Toyota, Ford Motor Company, General Motors, Volkswagen (VW), BMW, Mercedes Benz, Nissan. South African motor industry strategic strategies are crafted and finalised in Japan, USA and Europe. The South African automotive industry has exploited this global experience brought about by these major Japanese, American, European, and other global automotive companies in the country. However, despite the benefits, the industry has also experienced a highly challenging environment in terms of competing at a global level. This refers to its competitiveness in terms of price, quality, infrastructure, labour costs, production, innovation and technology. The South African automotive component industry is directly affected by this as it contests against low-priced imported parts from these developed countries as well as other emerging markets. (Ambe & Badenhorst-Wess, 2013)

In addition to the above, it is also disclosed that most South African automotive component suppliers do not only function with low levels of co-operation or teamwork, but are also not market-oriented or globally competitive (Mphahlwa, 2008). Moreover, South African original equipment manufacturers import most of their components from their sister or own organisations overseas. As a result, South African automotive component suppliers are forced to cut prices and are

constrained by too much inventory and other market challenges. (Lamprecht, 2009)

Furthermore, M. J. A. Naude (2009) included the following as the key component suppliers' challenges in South Africa: South African Ports' high costs; Rail transport not reliable and capable to meet the required demand on time; Labour issues; shortage of skilled employees or personnel; termination of orders; unnecessary stock or inventory; costs related to the upgrading of old technology; attaining the required levels of BBBEE score as prescribed by the OEMS and South African government and bargaining power of original equipment manufacturers to cut prices.

In addition to the above, Barnes (2000) also listed the following areas as the main issues affecting the South African automotive component suppliers: finance stability; innovation capacity; capability to change products; new product development – capacity; adherence to international performance standards; costs; quality and delivery dependability. The last three are highlighted as priority issues.

It is also confirmed that costs related to transport contribute 53.2 per cent of the logistics bill in South Africa. Economies of scale are cited as another issue facing the suppliers the South Africa (Viljoen, 2012).

According to the Autoworld's report (2010), the South African Automotive component suppliers are still not known for the service that is internationally competitive or world-class. Their service levels still leave much to be desired and they still have a long way to go if they are to meet the demands of the international customer. This may be one of the key issues that hamper the South African Automotive component suppliers from sourcing new customers from the emerging markets like Eastern Europe, South America, India and China (Autoworld, 2010).

Another factor or challenge is the introduction of international or world-wide purchasing and culture of making 'a global car'. This influenced the original manufacturers not to buy locally. There is a need for the South African component suppliers or manufacturers to sell some stake to foreign direct

investors or global companies so that they can become part of this global procurement (Barnes, 2000).

As Buzzavo (2008) states, the following pressures affect the South African automotive component industry:

1. Shrinking demand and aggressive competition
2. Sophisticated and demanding international customers with amplified choices
3. Reduced profitability and high and ever increasing fixed costs
4. Latest developments in communication and information technologies.

2.2. Background Discussion.

As stated in the earlier section, this study investigates the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. The relationship between the South African automotive component suppliers and its customers is important if the South African automotive industry is to compete internationally. The rationale behind this is to put a spotlight on these key elements (costs, quality and on-time delivery) of competitiveness as drivers of customer relationship so that the industry can use them to prepare for the future, which is the APDP's 2020 vehicle production of 1.2 million units.

In a highly competitive environment, a good relationship with customers is very important for an organisation to succeed. It is in this instance that customer relationship should be viewed as a core element of a company's marketing strategy to grow sales and profits. (Thatte, Rao, & Ragu-Nathan, 2013)

The following section focuses on customer relationship and how it is influenced by the costs, quality and on-time delivery in a business-to-business environment, particularly in the automotive industry.

2.3. Supplier's Customer Relationship

Tan, Kannan, and Handfield (1998) view customer relationship management as a key component of marketing management practices. Day (2000) adds by stating that committed relationships are the best competitive advantage due to their intrinsic barriers to competition and good relationships between suppliers and their customers (firms) are crucial for competitiveness in the market place.

According to Sukati, Hamid, Baharun, and Yusoff (2012) customer relationship encompasses the entire collection of practices that are applied for the sake of handling customer complaints, developing strong and lasting relationships with customers, and enhancing customer satisfaction.

Research has also indicated that the organisation's culture of building good relationships or associations with customers can be vital in maintaining a competitive edge in the market (Hogan, Lemon, & Rust, 2002; Mithas, Krishnan, & Fornell, 2005).

Global opportunities, challenges and the continued pressure for cost control, quality, on-time delivery have compelled suppliers to develop long-term relationships with their customers (Beth et al., 2003). Wagner, Coley, and Lindemann (2011) support this by citing that firms that assess suppliers normally consider tangible performance measures like costs performance, product/service quality, delivery dependability and flexibility. These measures drive the long-term supplier's relationship with its customers or manufacturing firms. Ambe and Badenhorst-Wess (2013) add that sustaining good relationships with customers is gradually being seen as a key factor in maintaining a competitive advantage.

2.4. Theoretical Framework and Conceptual Research Model

This research is grounded on Social Exchange theory. This theory competes with transaction cost theory. According to Pieter van Donk, van der Vaart, Ambrose, Marshall, and Lynch (2010), social exchange theory and transaction

cost theory are suitable as a base for explaining types of trading or economic relationships in industrial marketing.

Social exchange theory advocates a collaborative relationship where trust and commitment are the key pillars in ensuring a successful relationship between two exchange partners (Liu, Luo, & Liu, 2009). Social exchange theory has the following key elements that are critical for a long-term relationship: reciprocity between two parties or partners in terms of action and behaviour, trust and commitment to each other for a successful common goal, dependency, reward and prevention of penalties as benefits for both parties (Autry & Golicic, 2010).

As Burt, Petcavage, and Pinkerton (2010) put it, social exchange theory is in direct contrast to transaction cost theory where:

1. Relationship is based on transaction or price
2. There is a low level of trust
3. There is a short-term relationship
4. There is no connection between the two parties after transaction
5. There is no sharing of information (forecasts, costs or any other data)

Based on the above, this research has adopted a collaborative relationship approach as opposed to a transactional relationship approach. Monczka (2010) states that at a global level, most manufacturing firms and suppliers have noted the importance of working together, in order to attain cost, quality and on-time delivery. This is called collaboration. Collaboration occurs when two or more parties cooperate to sustain a transactional or trading relationship over a long time. In this relationship both suppliers and their customers support each other with a common objective of delivering cost effective and quality product at the scheduled time. According to Burt et al. (2010), the main weakness of this collaborative relationship is the amount of head count or human resources, time and effort required to develop and sustain this type of relationship.

The following table illustrates some of the differences between transactional relationships and collaborative relationships approach:

Table 4: Transactional Relationship vs. Collaborative Relationship

Key Elements/Attributes	Transactional Relationship	Collaborative Relationship
Trust	No	Yes
Commitment to each other	No	Yes
Communication	Potential for conflict	Means of strengthening the relationship
Connection	Independence	Interdependence
Relationship	Very Low	Very High
Focus Area	Transaction or Price	Total Cost
Period or time of relationship	Short term	Long term
Quality	Low or little focus	Very high focus

Source: Burt et al. (2010)

A collaborative relationship approach is vital in building a long-term relationship between suppliers and their customers. O'Neill and Naude (2011) admit that in manufacturing industries like the automotive industry, where suppliers value adds have a huge contribution to the production of the final product, the competitiveness of original equipment manufacturers hinges on supplier performance in relation to cost, quality and on-time delivery.

The following section highlights the conceptual framework or model of the research.

2.4.1. Conceptual Research Model/Framework

The research illustrates the causal relationship between the following:

Competitive Priorities:

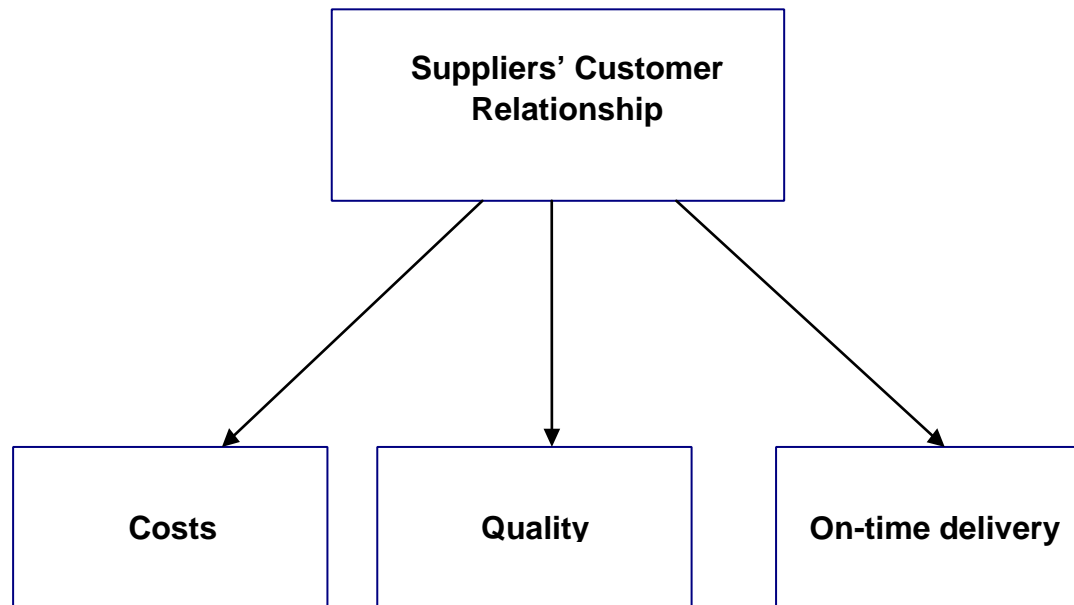
- Costs
- Quality
- On-time delivery and

Outcome Factor:

- Suppliers' customer relationship

The following conceptual research model proposes that suppliers' customer relationship is influenced or driven by costs, quality and on-time delivery. Figure 1 below shows the proposed conceptual model.

Figure 1: Conceptual Research Model



Source: Generated by the researcher

2.5. The influence of costs on South African automotive suppliers' customer relationship

As there has not been any study conducted specifically on South African Automotive suppliers about the above-mentioned subject, this section highlights the influence of costs on supplier-buyer or customer relationship. This presupposes that this is also applicable to South African Automotive context.

The sub-problem is:

Investigate the influence of costs on South African automotive component suppliers' customer relationship.

2.5.1. Definitions and types of costs that are associated with supplier-customer relationship

According to Cespedes (1995), there are three types of customer costs that are associated with supplier- customer relationship. These costs are:

- i. Operations Costs
- ii. Acquisition costs and
- iii. Direct product cost

Gyrna (1988) indicates that operations costs are costs that are intrinsic in the customer firm's main business. These costs include expenses for manufacturing and downtime, R&D and internal organisation or management. In addition to this, Webner (2011), states that the three essential components of production costs are labour, material and manufacturing overheads.

Ellram (1996) defines acquisition costs as experienced in obtaining and storing product. These costs entail overheads related to ordering, delivering and keeping products. They also include expenditures such as monitoring supplier performance, management and communication.

Direct product cost is the real price charged by the supplier for the core products retailed to a customer firm. Due to the fact that cost is simple to

measure, it has habitually attracted more attention from business customers or buyers (Shah & Regassa, 2010).

Gyrna (1988) reiterates that when these costs (direct product, acquisition, and operations costs) are put together, they have a huge influence on suppliers' customer relationship.

In supporting the above, Grundy (1996) argues that the ever more competitive global environment is driving manufacturing firms to pursue new methods to reduce costs of all types.

In building relationships with their suppliers, companies are focusing more on working with suppliers that can assist to bring value by committing to lower their customer-firm's costs (Wilson, 1995).

Noordewier, John, and Nevin (1990) suggest that creating value by reducing costs *enhances* the effects of supplier-customer relationship. "Creating value for customers is the heart of relationship marketing" (Anderson, 1995). Even though value may come from a diverse activities and sources, one significant area appears to be the reduction of a customer firm's costs (Wilson, 1995).

As it is known that an approximately 56% of the average manufacturing firm's budget is expended on materials, substantial opportunities for cost savings may be recognised by building relationships and working with suppliers that conduct themselves in a way that will assist in reducing a customer firm's costs (Heberling, 1993).

2.5.2. Theoretical approaches for costs reduction

Two approaches have been used to drive down costs. These approaches are adversarial and collaborative (Wilson, 1995). Adversarial approaches encompass order procedures that put several suppliers against one another in an effort to reduce prices (Marquardt, 1988).

Collaborative approaches propound a joint effort between the buyer and supplier to reduce acquisition and operating costs. This approach advocates that total costs (direct product, customer acquisition and operational costs) can be reduced through a close working relationship between the supplier and the buyer. (Kalwani & Narayandas, 1995).

The most important point to note here is that the adversarial approaches' attention is on reducing the actual price of the product, whereas, the collaborative movement is about minimising total costs which include direct product costs, acquisition and operational costs through the joint effort of both the supplier and the buyer or customer (Minahan, 1996).

In industrialised areas, a growing focus is being dedicated to reducing "total costs," not just the actual price or direct product cost of a supply. Developing methods to lower a customer firm's operations and acquisition costs has been an essential point of competing for many organisation (Cespedes, 1995).

Cannon and Homburg (2001) support the above by pointing the focus on the costs incurred in business relationships, suggesting that the only way for making value is to lower costs in commercial exchange. They also acknowledge the following three sources of relationship costs: - direct costs, acquisition costs and operations costs. Furthermore, they propose that a supplier's success in reducing a customer firm's cost in each of the three categories leads the customer to expand its business with the supplier. Their conclusion is that lowering costs is one of the key sources of value in customer relationships.

Furthermore, (Min, 1994) contributes to the above by arguing that profit maximisation cannot be attained without cost reduction. The company must therefore get a low-cost supply base where it can reduce its actual purchase price of the product, documentation cost, transportation cost, communication cost, import duty costs and cost of investigating the potential supplier's financial background and past performances.

2.5.3. Research Question 1

Based on the above, the research question is: Do costs have an influence on South African automotive component suppliers' customer relationship?

2.6. The influence of quality on South African automotive suppliers' customer relationship

This section reviews the influence of quality on South African automotive suppliers' customer relationship. Since there is no literature or research that has been conducted on this subject, the focus is on quality as a key driver of supplier-customer relationship.

2.6.1. What is quality

Quality has been defined by various quality experts as "Fixed right first time", "Adherence to requirements", "Fitness or suitability for use", "Meeting customer needs and expectations", "Good use or value for money", "Customer service" (Basu, 2004, p. 4).

Phusavat and Kanchana (2007) associate quality with low defect rate, dependability or consistency, qualification or accreditation and product performance. Juran and Godfrey (1999) apply the customer viewpoint in describing quality. They view quality as the capability to satisfy or deliver to customer's requirements or standards. According to Miltenburg (2005) in the manufacturing environment, quality is associated with 'conformance to specifications' and essential customer requirements. Ishikawa (1989) links quality with a product that is economical, most valuable or beneficial and at all times satisfactory and acceptable to the customer.

Garvin (1987, p. 1037), views quality in terms of "eight-dimensional framework: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality." The first six are traditionally observed in manufacturing, hence they are very important in terms of the supplier's customer relationship as they represent the potential platform for competition.

2.6.2. The importance of quality in building customer-supplier relationship

Min (1994) states that the most vital factor that leads to overseas sourcing is due to the quality of foreign products (which is high) coming out of the insistence on quality-at-the-source. In accordance with this, the buyer should check whether potential suppliers are certified for strict quality assurance or not and have processes in place for preventing quality failures. Furthermore, as Laske (1992) recommended, the customer firm needs to assess whether they can schedule a quality team visit to evaluate the supplier's quality commitment and technical capability.

In a period where fierce competition is prominently enabled by technology, the necessity of supplying satisfactory product or service quality requires that firms have to pay attention to issues of refining, assessing and monitoring their product/service quality (Voss, Johnston, Fitzgerald, & Sylvestro, 1990). One approach to quantify or assess quality is via customer complaints and customer surveys. Quality assessment or measurement is crucial to all managers and marketers who are customer facing and this includes suppliers in the automotive industry (Chapman, Murray, & Mellor, 1997)

Finally, Zineldin (2005, p. 432) states, "customer loyalty and maintenance of customer relationship depends on how well a product and service measures up to the customer's original expectations of quality." Awwad, Al Khattab, and Anchor (2013) support this by asserting that quality enables companies to heighten their competitiveness and stimulate customer relationship by meeting customers' requirements or expectations.

2.6.3. Research Question 2

In line with the above, the research question is: Does quality have an influence on South African automotive component suppliers' customer relationship?

2.7. The influence of on-time delivery on South African automotive suppliers' customer relationship.

As indicated in the definition of terms section, on-time delivery refers to the organizations' capability and capacity to deliver in line with the set schedule or even before the due date if necessary. Some manufacturing organisations prefer to get their delivery just-in-time (Ward et al., 1998).

According to Stock and Lambert (2001, p. 43) "on-time delivery, delivery accuracy, length of lead-time and inventory service level, are frequently used delivery service variables" Bask, Spens, Forslund, Jonsson, and Mattsson (2008) support this by asserting that on-time delivery, in conjunction with the elements of delivery time, delivery stability and delivery flexibility are all facets of lead time.

Furthermore, on-time delivery is described as an evaluation of process and efficiency in the supply chain which checks the amount of completed goods or services supplied to customers on time and as requested. It assists in determining how proficiently the supplier is meeting the customer's contracted deadlines (Fawcett et al., 2007). It is stated that the major challenge in terms of its length as well as the supplier's commitment in as far as on-time delivery services, which comprise customer follow-up or expediting services, are delays in terms of transport and the consequent increase in terms of lead times which affect the successful enactment of just-in-time principles. In selecting the best suitable supplier, the firm should evaluate the extent or the length of the lead-time or the efficiency in terms of meeting delivery schedule (Min, 1994).

In addition to the above, Bask et al. (2008) states that lead times are very important to customer firms as they enable them to operate in an orderly manner and timeously in their production system, more particularly if they use a just-in-time system. Therefore, meeting the customer's needs, together with obeying or sticking to lead times, is an important priority in building and maintaining customer relationship.

2.7.1. Research Question 3

In line with the above, the research question is: Does on-time delivery have an influence on South African automotive component suppliers' customer relationship?

2.8. The impact of these key competitive priorities on the growth of the South African Automotive industry.

In this section, the focus is on the impact these key competitive priorities (costs, quality and on-time delivery) have on the growth and competitiveness of the South African automotive industry. The generally unattractiveness of automotive component suppliers in South Africa has adverse consequences for future local procurement engagements in relation to APDP's key objectives. (Barnes, 2000).

If the original equipment manufacturers continue to source their components from their sister organisations overseas or other cheaper emerging markets, the local automotive component suppliers will suffer and not be able to sustain their businesses for the long term (Ibid, 2000)

M. Naude and Badenhorst-Weiss (2011) argue that it seems that for the stakeholders in the South African automotive component industry to survive, they would need to review and alter their existing strategies. They state clearly that past approaches or strategies will not work in the future

2.9. Conclusion of Literature Review

This literature review has attempted to capture the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. From this literature review it can be inferred that the relationship between South African automotive component suppliers and its customers is important if the South African automotive industry is to compete internationally.

Research Question 1:

Research Question 1: Do costs have an influence on South African automotive component suppliers' customer relationship?

Research Question 2:

Research Question 2: Does quality have an influence on South African automotive component suppliers' customer relationship?

Research Question 3:

Research Question 3: Does on-time delivery has an influence on South African automotive component suppliers' customer relationship?

3. RESEARCH METHODOLOGY

This chapter states and explains the methodology that was applied in this research. According to Bryman (2015, p. 52) methodology is “the study of procedures for carrying out research.” In the main, this chapter identifies and describes the following sections in detail: the research strategy or methodology (section 3.1), the research design (section 3.2) as well as the procedure and methods (section 3.3).

In addition to the above, the reliability and validity measures (section 3.4) employed in this research are fully stated and explained. Finally, the technical and administrative limitations of the research procedure and methods (section 3.5) are highlighted in this chapter.

3.1. Research methodology/paradigm

Bryman (2015) describes research strategy as a general angle to the conduct of social research. In supporting this, Saunders (2011) states that research strategy is the overall plan of how the researcher will seek to answer the research question(s). Furthermore, Goodenough and Waite (2012) concur that research strategy is the general approach to carrying out research. Research strategy entails qualitative research strategy, quantitative research strategy and mixed method research strategy.

Qualitative research was used in this research to determine the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. According to Bryman (2015), qualitative research is described as the research that gathers data in words' form. Normally it is utilised for exploring, describing, identifying or explaining social phenomena. argues that qualitative research is a method for exploring and comprehending the meaning people assign to a social or human problem. In addition to this, Goodenough and Waite (2012) contends that qualitative research is the type of research that utilises qualitative data collection and flexible designs. This research methodology is suitable for my study because it

is exploratory in nature. Qualitative research approach also enables this research to get an in-depth understanding of the research topic at hand through the words and opinions of the identified senior management or executives of the automotive component industry (As cited in (Lapan, Quartaroli, & Riemer, 2012)).

Ambe and Badenhorst-Wess (2013), in their research study entitled “challenges of locally manufactured vehicle supply chains in South Africa” have used qualitative research. The purpose of their research was to investigate the challenges experienced by locally assembled vehicle supply chains in South Africa. They selected this research approach because their study was exploratory in nature. They indicated that qualitative research enabled them to get new understandings, discover new thoughts and/or develop and increase knowledge in terms of challenges experienced by locally assembled vehicle supply chains in South Africa.

In addition to the above, M. Naude and Badenhorst-Weiss (2011) also applied qualitative research in their study called “Supply chain management problems at South African automotive component manufacturers.” The objective of the study was to investigate supply chain management problems of the automotive component manufacturers. The study conducted semi-structured interviews with Senior Executives of two major original equipment manufacturers in order to get a better understanding of the supply chain management problems experienced by automotive component manufacturers in South Africa. This qualitative approach, according to the researchers, resulted in more in-depth insight into the supply chain management problems.

Finally, Ambe (2014, p. 2) also applied qualitative research in his research. The purpose of the research was to “investigate key indicators for optimising supply chain performance of light vehicle manufacturers in South Africa.” The study employed both qualitative and quantitative approaches. Triangulation was obtained by utilising both structured (quantitative) and unstructured interviews (qualitative) to enable the respondents to air their views and justify their responses. This, according to the researcher enabled more insight into the study. The qualitative part of this study is more relevant to this chapter.

As stated above and in the light of the above-mentioned researchers, qualitative research was suitable for this research as it enabled the researcher to explore or investigate in more details the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship.

3.2. Research Design

Neuman (2011) maintains that research design is a guide used on issues involved in designing a study and developing a strategy during the research process. In supporting this, Bryman (2015) views research design as a type of blueprint that is followed in conducting the research. Goodenough and Waite (2012) also agree that it is a structure or plan to direct research activity. Broadly, research design entails the following five types of research designs: longitudinal, cross-sectional, case study, comparative and experimental.

This research or study followed a cross-sectional design. Saunders (2011) describes cross sectional research as the study of a specific phenomenon at a particular point time. According to Neuman (2011), cross-sectional research design collects data at one point in time and generates a type of "snapshot" of social life. Bryman (2015) agrees with the above by stating that it entails collecting data at a single point in time or over a short period of time. Cross-sectional design was suitable as the research also required the collection of data over a short period of time.

Furthermore, Ambe and Badenhorst-Wess (2013) has applied cross-sectional design in their journal article where the data was collected over a brief period of time. A total of fifteen in-depth interviews were conducted from six original equipment manufacturers. The purpose of this research was to investigate the challenges experienced by locally assembled vehicle supply chains in South Africa. This design was chosen because of its cost effectiveness and enabled the researcher to complete the research over a short lead time.

In addition to this, Herbst and Merz (2011) applied cross-sectional design in their study. The purpose of this research was to develop an industrial or B2B

Brand Personality Scale that will assist industrial marketers to promote and manage their brands. This method was selected because it allowed the researcher to conduct the research at a single or particular point in time. Lastly, Rathilall and Singh (2011) also utilised this design in their study. The objective of their research was to identify the strengths and weaknesses of the current lean and manufacturing process in improving quality and productivity at an automotive component manufacturing organization in Durban – South Africa. Their reason for choosing this design was that their study was descriptive and in the form of a survey conducted at a single point in time.

Based on the above, cross-sectional design was applied in this study as it is cost effective and not time consuming. The research was conducted at a particular point in time and was not longitudinal.

3.3. Population and sample

3.3.1. *Population*

Blanche, Durrheim, and Painter (2006) state that target population is the bigger pool from where sampling elements are drawn and also where findings are generalised. Goodenough and Waite (2012) add by arguing that target population is the cosmos of elements from where the sample is drawn. Saunders (2011) supports the above by maintaining that target population is the complete set of cases where a sample is taken.

The target population for this research was the automotive component suppliers or manufacturers in South Africa who are producing and selling components to the original equipment manufacturers. Naude (2011) has applied this target population in his research. The objective of the study was to investigate supply chain management problems of the automotive component manufacturers. His target population comprised automotive component manufacturers in South Africa. He selected this population group because it plays a key role in the South African automotive industry by supplying components or parts to the locally assembling original equipment manufacturers (OEMs). This group was

very important in providing better information and more insight into supply chain management problems than this target population as they are the main key stakeholders. Ambe and Badenhorst-Wess (2013, p. 1) also used this target population when they investigated “challenges of locally manufactured vehicle supply chain in South Africa.” Their selection of this group was based on its role in the South African automotive industry and expertise or experience. Lastly, Amojee and Steyn (2015, p. 1) utilised this target group where he sought “to establish the influence that supply chain sources of knowledge have on innovation within developing country automotive component manufacturing”. His target population was automotive component manufacturing firms. His selection was based on the fact that these component manufacturers were representative of the local automotive component industry.

From the above, it can be inferred that was therefore beneficial for this research to also utilise this target group as it is a key stakeholder in the South Africa automotive industry.

3.3.2. Sample and sampling method

Neuman (2011) contends that sampling is a small set or section which has been selected from a large pool or population. According to Bryman (2015), sampling is the part or subset of the population which is chosen for a study. It is a section of the population. Saunders (2011) concurs with this as he also describes it as a subdivision or portion of a bigger population.

The following are the type of sampling: non-probability, purposive sampling, snowball sampling, and quota sampling.

Purposeful sampling was used in this research due to the time limit and the nature of the study. Purposeful sampling is done to increase the utility of information obtained from *information-rich* key informants or groups to study. In other words, these samples are chosen because they are likely to be knowledgeable and informative about the phenomena the researcher is investigating. Blanche et al. (2006) acknowledge that purposive sampling specifies that sampling depends not only on accessibility, convenience and

preparedness to participate, but that respondents who are representative of the population are nominated. Goodenough and Waite (2012) attest to this by propounding that purposeful sampling is the selection of a sample of participants according to the needs of the research study or theoretical considerations. This is supported by Bryman (2015) where he asserts that purposeful sampling alludes to a sample that is selected according to numerous criteria like experience or knowledge or age in relation to the objectives of the research.

Purposive sampling was suitable and beneficial to this research as the researcher interviewed specific senior executives of the automotive component manufacturers in order to get an in-depth insight about the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship.

Rathilall and Singh (2011) applied purposive sampling in their study. The purpose of the study was to identify the strengths and weaknesses of the current lean manufacturing process in improving quality and productivity. Purposive sampling was utilised to gather data from sample members that are reflective of the population.

Herbst et al (2011) also used purposeful sampling in their in-depth interview study. The purpose of the study was to develop an industrial or B2B Brand Personality Scale that would assist industrial marketers to promote and manage their brands. The researchers state that in this sampling, industry experts/managers were chosen due their experience and knowledge of industrial market. They also chose four academic experts to validate the classification of brands into diverse cells. They were chosen because of their skills in marketing and their understanding or expertise on B2B branding.

Furthermore, Ambe et al (2013) also utilised purposive sampling. The purpose of this research was to investigate the challenges experienced by locally assembled vehicle supply chains in South Africa. The purposive sampling technique was utilised so as to focus on those respondents who are expert in terms of knowledge about supply chain management and operations. This

sampling enabled the researcher to only focus on the relevant respondents who are custodians of the required information; hence specific respondents were nominated according to their specific seniority and strategic occupation in the supply chain.

As stated above, purposive sampling was beneficial in this research as it enabled the researcher to gain more insight from knowledgeable and experience senior executives of the automotive component manufacturers in South Africa.

As stated above, specific senior executives of the automotive component manufacturers in South Africa were interviewed in this research. The following table shows the profile of the respondents.

Table 5: Profile of respondents

Company	Respondents	Position in Company
Company A (KZN)	Respondent 1	Manager: Localization
Company B (KZN)	Respondent 1	General Manager
Company C (Gauteng)	Respondent 1	Managing Director
Company D (KZN)	Respondent 1	Manager: Production
Company E (KZN)	Respondent 1	General Manager
Company F (Eastern Cape)	Respondent 1	General Manager
Company G (Gauteng)	Respondent 1	General Manager
Company H (Gauteng)	Respondent 1	Manager: National Sales
Company I (Gauteng)	Respondent 1	Manager: Production
Company J (Eastern Cape)	Respondent 1	Director
Company K (KZN)	Respondent 1	Manufacturing Executive
Company L (KZN)	Respondent 1	Manager: Operations
Company M (Eastern Cape)	Respondent 1	Director
Company N (Gauteng)	Respondent 1	Head: Business Operations
Company O (Gauteng)	Respondent 1	Manager: Purchasing

3.4. The research instrument

Zikmund, Babin, Carr, and Griffin (2012) describe data collection instruments as the means by which researchers collect the data that is needed for the research project. They are basically devices for gathering information suitable to the research project. According to Bryman (2015), the data collection instrument refers to the interview schedule questionnaire. He also associates it with a self-competition questionnaire. Wagner et al (2012) add to this by asserting that the research instrument is a method a researcher utilises to gather data. Qualitative data collection instruments entail observation schedules and interview schedules.

An interview schedule was adopted in this research. Bryman (2015) describes an interview schedule as an interface in which the researcher poses to an individual respondent chains of questions relating to specific types of views or facts. In addition to the above, Saunders (2011) states that the interview schedule is a tool in which a researcher personally meets the respondent, uses the interview questionnaire as a guide, discusses and records the responses. Wagner et al (2012) views interview schedule as a simple structure that provides direction in terms of how one conducts the interview. Interview schedule was suitable in this study as acted as a guide to the researcher and also empowered him to personally interact with respondents or informants.

Furthermore, both Zikmund et al. (2012) and Saunders (2011) agree that data can be gathered utilising semi-structured and unstructured interviews (these two are qualitative data collection instruments) or structured interviews which is a quantitative data collection instrument.

In describing the above research data collection instrument structure, Bryman (2015) argues that semi-structured interviews encourage relaxed conversation in exploring specific themes and questions. He continues to state that semi-structured interviews are utilised in exploratory studies to give more information or insight about the research idea.

As stated, due to the exploratory nature of this study, semi-structured face-to-face interviews were used to conduct this research. Face-to-face interviewing is appropriate where depth of meaning is vital and this research sought to gain insight and understanding in terms of the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. Blanche et al. (2006) supports this by asserting that the most common types of interviews are semi structured interviews, where you develop an 'interview schedule', or list of key topics or perhaps sub-topics beforehand.

Ambe et al (2013) applied semi-structured interviews in their research on automotive supply chain in South Africa. The purpose of this research was to investigate the challenges experienced by locally assembled vehicle supply chains in South Africa. Semi-structured face-to-face interview questionnaire were used to collect the data between June 2012 and September 2012. The researcher used semi-structured interviews to promote informal discussion on specific topics or themes and questions.

Naude (2011) also used semi-structured interviews to investigate supply chain management problems in the South African automotive component manufacturers. The interviews were conducted with senior executive leadership of leading South African Automotive Original Equipment Manufacturers. According to the researcher these semi-structured interviews were conducted so as to get better understanding of supply chain problems affecting automotive component manufacturers in South Africa.

It is in this instance that this research also opted to use semi-structured interviews as the research is exploratory in nature and semi-structured interviews enabled the study to explore in detail and get more insight into “the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship.”

Lastly, this research instrument (semi-structure questionnaire) was adopted from the previous research (Boyer, 2002; Ward, 1998). However, it was amended to suit this research. Check the attached instrument in the appendix.

3.5. Procedure for data collection

Wagner (2012) argues that data collection alludes to the collection of information to help the study to respond to research questions. According to Bryman (2015) data collection is the procedure of collecting the basic data that the researcher will utilise to get to the conclusion or findings of the study.

Neuman (2011) maintains that data collection refers to careful gathering of qualitative and quantitative data and evidence in accordance with the instructions or conventional procedures. Data collection method entails ethnography, participant observation, interviews, focus groups and documents.

As stated semi-structured face-to-face interviews were applied in this research. The researcher followed the following data collection procedures: the researcher had face-to-face interview with the respondents, all interviews were recorded via a cell phone and ideas, words and phrases were transcribed and noted down. Telephone contact or interviews were also used for those that cannot honour the appointment and notes were jotted down during the conversation.

Blanche et al. (2006) state that an interview is an interpretive approach to research. It is a natural way of interrelating with people. Neuman (2011) contends that interviews are a co-production of a researcher and respondents. Informants are active participants whose in-depth feelings, and collaboration are key elements of a discussion process that uncovers meanings ascribed to the study. Saunders (2012) views interviews as the combined concept for semi-structured and unstructured interviews destined to produce data.

The data collected is be stored in two hard drives, which are kept in two separate "safe boxes" in my house. No other person has access to these safe boxes.

3.6. Data analysis and interpretation

Goodenough and Waite (2012) view data processing as a breaking up of information into smaller components and viewing the whole in relation to these small parts. According to Bryman (2015) data processing refers to the procedure of making sense of the information in order to respond to the research question. It entails assessing the data and how they combine to make sense and provide meaningful insight. Saunders (2011) says that data processing is an analysis of fragmented data to explain the meaning and relationship of these component parts. In general data processing and analysis involves coding, thematic analysis, data fragmentation, transcribing, narrative analysis and content analysis.

This research applied transcribing and thematic analysis. Saunders (2011) describes transcribing as the written record of informants' views in responding to the research question, or informants' conversation with one another in their own words. Bryman (2015, p. 385) supports this by stating that, "it is the written translation of an audio-recorded interview or focus group session." As stated above, transcribing was used in this research where ideas, words and phrases from the recorded interviews were noted down. Blanche et al. (2006) also prefer written notes.

In addition to this, thematic analysis was also utilised in this research. The data was segmented into units of meaning reflecting the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship" as depicted by the key senior executives in the automotive component industry. The '*thematic analysis* made it easier for the researcher to assign meaning to the data. Bryman (2015, p. 578) describes thematic analysis as "the extraction of key themes in one's data." Goodenough and Waite (2012) support this where they propound that it is a method where data is coded, labelled and combined together into similar themes or phrases so as to derive meaning out of it.

Ambe et al (2013) applied thematic analysis in their study. The purpose of this research was to investigate the challenges experienced by locally assembled

vehicle supply chains in South Africa. Thematic analysis assisted the researchers to derive concepts and identify pattern and themes in the data.

3.7. Limitations of the study

The limitations of the research are as follows:

1. Due to the qualitative nature of the research and time constraint it will not be possible to interview all the senior management executives. This study would not claim to have exhausted all the issues related to “the influence of costs, quality and on-time delivery on South African automotive component suppliers’ customer relationship,” even though the targeted respondents are industry experts.
2. Any results or recommendations that are generated by this study should be used as a guide and not as a prescribed solution
3. The research is not exhaustive and hence it is not able to provide an all-inclusive solution to the South African automotive component suppliers’ relationship with their customers.

In terms of period, this research (data collection) was conducted between January and March 2016. Accessing respondents was not an issue as the topic speaks to the issues that are directly affecting the South African Automotive Components manufacturers and all identified respondents were interested to participate.

3.8. Validity and reliability

3.8.1. *Reliability Measures*

Bryman (2015) argues that reliability measures refer to approximation of the constancy of measurements. Saunders (2011) states it is the extent to which data collection methods leads to trustworthy findings. In this research, informants or respondents were contacted to determine particular information which might not have been clear to make sure that the results replicate their

views and not those of the researcher. The key industry experts were also contacted to sense-check some results in order to avoid the misinterpretation of the results. Consistency and stability of the instruments used to conduct this research were also based on the previous research. According to Neuman (2011), reliability alludes to the consistency and stability in which the instrument gauges the concept that assist to examine the goodness of a measure. Reliability seeks to ensure that the findings are credible.

3.8.2. Validity Measures

Saunders (2011, p. 595) describes validity measures as “the extent to which a scale or measuring instrument measures what is intended to measure”. Goodenough and Waite (2012) state that it is the point to which what is witnessed or assessed is similar to what was claimed to be observed or examined supports this. In principle, this refers to the accuracy of the research reports.

In this research, for internal validity, sets of semi-structured interview questions were primed and thoroughly crisscrossed to enable validity of the results and a consistent approach. Blanche et al. (2006, p. 90) describe internal validity as “the extent to which causal conclusions can be drawn”.

Even open questions were rehearsed to ensure the natural feel during the interview in order to create a comfortable environment for the respondent during the interview. The content validity is very important in this case.

In addition to this, for external validity, the semi-structured questionnaire was sense-checked by experienced researchers and other industry experts in the automotive industry. This was to ensure that the research is focusing on what it is aimed at and is depicting what it is supposed to portray. Neuman (2011) indicates that external validity refers to whether one can generalise the findings that are obtained in a particular environment with a specific small group outside that location. This talks to ecological validity. Saunders supports this by explaining that external validity is the degree to which results can be assumed from one group to another. In fact, as Goodenough and Waite (2012) suggest, it

is the extent to which the outcome of the research is relevant to real world situations.

3.8.3. *External validity*

As indicated earlier, for validity, the questionnaire was sense-checked through a pilot study. This was to ensure that the research was focusing on what it was aimed at and was depicting what it was supposed to portray.

3.8.4. *Internal validity*

Sets of semi-structured questionnaires were prepared and thoroughly checked to ensure validity of the findings and consistent approach. This is important, particularly for those questionnaires that were hand delivered to respondents during meetings and conferences. The content validity is critical in this case.

3.8.5. *Reliability*

In this research, respondents were contacted to ascertain specific information, which might not have been clear to ensure that the findings reflect their views and not those of the researcher. The key industry stakeholders or experts were also consulted to investigate some findings further so that the researcher does not misinterpret the results.

4. PRESENTATION OF RESULTS

4.1. Introduction

In this chapter, the following are presented:

1. Results pertaining to research question 1
2. Conclusion regarding research question 1
3. Results pertaining to research question 2
4. Conclusion regarding research question 2
5. Results pertaining to research question 3
6. Conclusion regarding research question 3
7. Summary of the results

4.2. Results pertaining to Research Question 1

4.2.1. The influence of Costs on South African automotive component suppliers' customer 'relationship.

Research question 1: Do costs have an influence on South African automotive component suppliers' customer relationship?

The following table indicates the response from different South African automotive component suppliers on the following guiding question: "how influential is costs control in your relationship with your customers?"

Table 6: Responses on Costs Control

Company A
Costs control is very important for any business; it is a key factor in the company's profitability. In our case, as we are part of Toyota's and General Motor's supply chain, it is very important that we manage our costs so that we remain competitive against other suppliers. OEMs use costs as one of the key factor in selecting a supplier and they continuously evaluate suppliers based on their costs competitiveness.
Company B
One of the most important steps in the automotive supplier evaluation is financial evaluation. We were evaluated on the basis of our sound financial controls. In other words, how well we managed our costs. OEMs deal with suppliers that are competitive in terms of costs. That is, suppliers that will assist them in reducing costs in their supply value chain.
Company C
Automotive OEMs track all costs associated with each of their suppliers on a regular basis. This is what they call overall spent per supplier. They monitor these supplier's costs in order to control their own costs. Their key strategic objective is to reduce costs in their supply value chain. It is in this instance that they prefer suppliers who will assist them in reducing costs. A supplier can only assist in this case if it is able to manage its own costs.
Company D
The automotive OEMs deal with suppliers that are tight in terms of controlling costs. They know that costs control is one way of ensuring that the business is

competitive and sustainable. Based on this, costs control is very important in our organization as it is one way in which we are evaluated by the Automotive OEMs.

Company E

We are a global supplier to the automotive industry. Our costs management principle is influenced by the need to reduce costs through continuous improvements processes. This is aimed at being competitive in our operations in terms of total costs. The automotive manufacturers are very serious about lowering or reduction of costs when you deal with them.

Company F

Any business that does not control costs is bound not to be profitable and if you are not profitable, you cannot be sustainable or have a future going forward. OEMs deal with sustainable businesses as they have a long term view of their businesses due to the contract that they have with their customers. They also understand that costs control is one of the components of competitiveness in the automotive industry. They are expecting all their suppliers to be competitive in terms of costs. This is one of the obligations in dealing with them.

Company G

As automotive suppliers in South Africa we are expected to be competitive in terms of costs. This does not only refer to the actual price of the product but to the costs for the whole operation. In other words, we need to monitor and manage our costs as our competition is not only in terms of the final price but in the way in which we financially managed the whole operation.

Company H

Financial stability is very important for any business. Without costs control we are bound to be bankrupt as a company. One of the first things that the automotive OEMs look at when they are evaluating a supplier is the financial health of the company. How do we manage our costs is very important in determining or mediating our relationship with the automotive OEMs.

Company I

Without costs control we won't be able to have competitive pricing. The OEMs use open book approach when it comes to pricing. They want to know all total costs that are linked to the final price of the component. Thus, when evaluating the supplier, they look at the entire operation in terms of costs control or competitiveness.

Company J

Our relationship with the OEMs hinges on how competitive we are in terms of costs. This is very critical as it affects the bottom line or profitability. OEMs work with the suppliers that are committed in lowering costs of all types in their operations.

Company K

For any business to be costs competitive, it needs to manage or control its costs throughout its manufacturing operation. No automotive OEMs will deal with us if we are not costs competitive. Therefore, costs control is highly influential in our relationship with customers.

Company L

The main objective of automotive OEMs' supply chain department is the

reduction of costs in the supply value chain. Automotive OEMs always look for suppliers who are very tight in their costs control and efficient in manufacturing operation.

Company M

Competitive pricing is a requirement to the automotive OEMs. To have competitive pricing you need to manage costs in your business. Automotive OEMs are not only interested in your final price but also your total costs of operations.

Company N

In our operation, costs control plays a major role in our profitability. Costs control and profitability enable us to be competitive in our pricing to our customers.

Company O

Faurecia believes in offering its customers quality and cost effective or competitive components. Therefore, costs control is highly influential in building relationship with customers as it indicates a well-managed business.

The second guiding question was on costs competitiveness. It sought to find out:

1. What is it that the South African OEMs are looking at in terms of costs competitiveness in evaluating the supplier? and
2. How does that affect the supplier's relationship with its customers or OEMs?

The following table depicts the response from different South African automotive component suppliers on the above-mentioned questions:

Table 7: Costs Competitiveness

<p>Company A</p>
<p>To the OEMs costs competitiveness is not only about the actual price of the component but it is about the total costs from production to the actual delivery of the product or component. For example, reduction of production costs is one area that they consistently look at. They fully understand that with reduced production costs the results will be the competitive pricing of the component. It is in this instance that we religiously and continuously look at the labour costs and quality of our staff; and material costs to be used. This assists us in reducing production costs and it enables us to build a very solid and long-term relationship with our customers as we deliver quality product at the right price.</p>
<p>Company B</p>
<p>They look at manufacturing related costs such as labour costs, productivity costs, capacity utilization, inventory reduction and the actual price of the product itself.</p>
<p>Company C</p>
<p>They look at all the components of manufacturing costs. That is, direct labour costs, direct material costs and manufacturing overheads.</p>
<p>Company D</p>
<p>They focus on total costs in our manufacturing operations. This includes direct</p>

labour, direct material and manufacturing overheads.

Company E

They look at total costs of doing business with them. This would include all manufacturing costs as well as logistics costs. By scrutinizing these costs, they depict whether you are competitive as a supplier or not. Their view is a long-term one. They would not entertain any short-term idea of offering them a discount in your final or actual price of the component.

Company F

They look at the overall total costs in the operation. For them to be competitive requires all their suppliers to look for ways of reducing costs in all their aspects of operation. This refers to costs of labor, material or manufacturing overheads as well as logistics.

Company G

They look at our entire manufacturing processes. This would include how we use our labour force; handle our material; logistics and the whole manufacturing administration. They look at efficiencies in all these areas.

Company H

They look at operations, acquisition and direct product costs.

Company I

They look at what drives these total manufacturing costs. The focus is on manufacturing cost elements like raw material, labour, machinery equipment,

maintenance, transportation and administration. For us to remain costs competitive, the vehicle manufacturers expect us to show commitment in lowering all the above-mentioned costs so that we do not pass these expenses to them. By doing this we are adding value to their business.

Company J

More than 50% of expenses in manufacturing come from material, so this will be one of their focuses. They will also look at costs related to labour which is also second highest costs and other indirect costs related to the management of the business. Remember that South African automotive manufacturers are part of global automotive markets, so it is important for them to be costs competitive against other markets. This can only happen if their supply value chain is also competitive in terms of costs.

Company K

They look at our cost of production compared to other automotive suppliers. This entails labour, material, machinery/tools and logistics costs. The OEMs will not appoint us as their suppliers if our total costs of production is higher than our competitors.

Company L

OEMs look at total costs of manufacturing a product. This sets a tone for the final price. They know that the final price will also be high if the cost of manufacturing the product is high.

Company M

Cost competitiveness is viewed in relation to the overall costs of producing a

product or component in the automotive industry. The final price is derived from these costs. Automotive OEMs' assessment is based on how costs effective are their suppliers in terms of labour, material, equipment or tools and transport or logistics.

Company N

The final price of the product can only be competitive if the cost of producing a component is lower. Therefore, the OEMs look at the total costs of producing a product. This entails both direct and indirect manufacturing costs.

Company O

Cost competitiveness refers to the overall costs that influence the final price. These are labour, material, tooling and logistics costs. Manufacturing overhead costs are included in this evaluation.

In responding to the question: 'what is it that the South African OEMs are looking at in terms of costs competitiveness in evaluating the supplier and how does that affect the supplier's relationship with its customers or OEMs, the respondents listed labor, material and manufacturing overhead costs. Some suppliers mentioned equipment or machinery and logistics or transportation costs. Others bundled these costs as direct and indirect manufacturing costs. The next guiding question was:

'You have touched on numerous components of manufacturing costs that are important in reducing production or total costs, can you expand on these costs?'

The following table depicts the response from the listed South African automotive component suppliers on this question:

Table 8: Suppliers Elaboration on Components of Manufacturing Costs

Company A
<p>We need to monitor labour costs. If OEM finds out that our labour costs are higher than other suppliers, we won't be in their consideration list or they can just discontinue their relationship with us. Secondly, material costs are another area that we monitor. Just like the OEMs we cannot survive if we don't monitor our material costs.</p> <p>Therefore, reduction of labour and material costs fulfil one of our key focus area, which is customer service or building long-term relationship with the OEMs or customers by meeting some of their supply chain objectives which are to reduce labour and inventory costs.</p>
Company B
<p>The OEMs look at the total costs of doing business with the suppliers. They look at all the components of manufacturing costs and compare these costs against other suppliers locally and globally. They only work with suppliers that are dedicated in lowering total costs rather than offering discount on the actual price. It is in this instance that we put a lot effort to find ways to reduce our labour, productivity and inventory costs.</p>
Company C
<p>Direct labour costs refer to all costs related to assembly workers who are directly linked to the production of our units or components. Direct materials costs refer to costs of raw material that will be part of the finished product after production. This, in simple terms, is inventory costs. Manufacturing overhead costs talk to indirect labor costs like supervisors and material handling team, indirect material costs and other indirect manufacturing costs. Management of all these costs is very important to the automotive OEMs. It signals to them that</p>

they are dealing with a supplier that will assist them in reducing their own costs.

Company D

Total manufacturing costs is the combined costs incurred in producing a component. If these costs are high the end or final product actual price will be high. Therefore the OEMs focus more on the overall costs behind the actual price. They are expecting suppliers to lower these costs so that they can remain.

Company E

This talks to the entire operations costs from labor, material, overhead or administration costs. Logistics costs will also be scrutinized as part of supply chain management.

Company F

We need to make sure that our costs of labour, material and other manufacturing as well as logistics costs are competitive in the South African automotive industry. If we are not competitive, these OEMS may decide to use other suppliers who are cheaper than us like in Thailand or China.

Company G

The South Africa automotive industry is expecting us to be globally competitive in terms of our entire operations. They compare us with other global suppliers. For example, they would look at our labour forces in terms of headcount against the volume that we produce and they calculate labour cost per unit. They will compare this figure with another supplier elsewhere in the world. They will do the same with material costs as well as manufacturing overheads costs.

Company H

Operations costs represent expenses related to manufacturing and idle time as well as labor and overheads related to management. Acquisition costs cover the expenses related to material order, transportation and storage. This will also include the costs of managing our own suppliers. The last area that they look at is the direct product cost, which is our actual price that we charge as a supplier to the automotive manufacturer.

Company I

Raw material amounts to 50% of the cost of automotive produced component. The rest of the percentages is shared between labor, equipment, transportation and administration.

Company J

There is an effort between the automotive OEMs and their suppliers to drive down costs in order to remain competitive. The focus is on total costs and not the actual price of the components. The OEMs believe in working together with the suppliers to find ways of reducing costs related to material, labour, logistics/transportation and even the management of the entire operations.

Company K

The objective of the automotive OEMs is to reduce costs associated with manufacturing vehicles. This will enable them to be globally competitive in their pricing of vehicle in the market. Therefore, they encourage their suppliers to reduce costs in terms of labour, material and even logistics.

Company L

South Africa is a highly unionized market compared to other global markets. As a result, labour costs tend to be high due to unions demanding high salaries for their employees. Automotive OEMs through labour bargaining councils, always try to lobby their suppliers and other industry stakeholders to come up with reasonable offers, which will not inflate the salaries. Labour costs are highly monitored in the automotive industry. The same applies with material costs as this carries the large proportion of manufacturing costs. The OEMs' main objective is to reduce costs in order to remain competitive.

Company M

Labour and material costs contribute a lot in determining the final price. This also includes the logistics costs. Therefore, OEMs make sure that they scrutinize these costs when evaluating their suppliers before they appoint them.

Company N

There is a drive to reduce labour, material and logistics costs in the automotive industry in order to ensure competitiveness. OEMs use suppliers to compete in the market. They know that if their suppliers are competitive in terms of labour, material and transportation costs, they will also be competitive in their final price of their components.

Company O

Competitiveness in terms of labour, material, tooling and logistics costs leads to a better final price of the product and higher margins in terms of profitability.

The last guiding question in this section was on the influence of the actual or final price of the product or component in the South African automotive suppliers' relationship with their customers. The guiding question was as follows:

'What about the actual price of your products or components. How does this influence your company's relationship with customers?'

Table 9: The influence of the actual or final price of the component.

Company A
The focus of the OEMs is not on the actual price of the component. It is on the total costs across the entire supply value chain. The assumption is that if all these costs are managed across the value chain, the actual price of our product or components will be competitive. Therefore, it is not only about direct costs or actual price. Operations and acquisition costs also have a major influence in cementing the relationship between the OEMs and us.
Company B
They do look at the actual price of the component. However, they always ask for more details. That is, how your price is derived? They fully understand that the final or actual price of the component is a function of operations and acquisition costs. If you want to have access and build relationship with the automotive OEMs, you have to prove to them how your facility is geared towards reducing or lowering total costs.
Company C
The actual price of the component is the outcome of all manufacturing costs. If you monitor and control direct labour costs, direct material costs as well as manufacturing overhead costs, your actual price of the product or component

will be competitive and accepted by the automotive OEMs. This will definitely enhance your relationship with them.

Company D

They do look at the actual price but they look at it in conjunction with the actual costs, which are your direct labour, direct material and other direct charges. Therefore, they want to see the details or costs of all resources used in the production of the component. When you deal with the OEMs you need to be transparent and provide all the details related to your input costs. This is called collaborative approach as you are working with them to reduce or lower their costs. Without this approach, you won't have a strong and long-term relationship with the OEMs.

Company E

We are in a collaborative relationship with the OEMs. We are not in a transactional relationship where the actual price is the final determining factor in terms of our relationship with them. Collaborative relationship means working together with the OEMs to lower or reduce costs in the entire operations in order to remain competitive in the market. By doing that, the actual price will be competitive.

Company F

The way you manage total costs at all levels of your operation determine the final price of your product. That is how OEMs operate. They do not only look at their operations, they look at their supply value chain, which includes suppliers. They know that if they can encourage and influence suppliers to reduce costs everywhere in their operations, the final price of the product will not be an issue. In other words, if their suppliers are competitive in terms of costs, they will also

be competitive in their final pricing of their vehicles.

Company G

You need to understand that raw material is estimated to be about 47% of the vehicle costs. This is the biggest cost driver in the automotive industry and the second one being labour. When you present the final price of the component to the OEMs they ask for more details on the costs for material and labour as well as tooling price.

Company H

The actual price is the results of all other costs. Manufacturers look at the actual price of the component as the short-term transactional relationship. They want a sustainable relationship that will provide value in their business over a long period. That is why their focus is on the reduction of total costs in the entire supply chain business.

Company I

Actual price is not the only determining factor in terms of the relationship between a supplier and the manufacturer in the automotive environment. The focus is on building a long terms relationship with a supplier that is committed to reduce total manufacturing costs. Concisely they want to deal with a supplier that is costs competitive. They are not in a transactional relationship but in a collaborative relationship.

Company J

The focus is on minimizing the total costs. The actual or final price of the component can only be reasonable if the other costs are competitive.

Company K

The final price is a function of the overall manufacturing costs. The lower the manufacturing costs, the lower the final actual price of the component.

Company L

OEMs' objective is to reduce costs. Therefore, their focus is on costs competitiveness throughout the operation. This, to them, leads to the competitive actual price of the component.

Company M

Final price of the component is derived from labour, material and tooling costs. OEMs always check these costs when evaluating suppliers. If these costs are high, the supplier is said to be uncompetitive and may not get OEMs' business.

Company N

The relationship with the OEMs is not only based on the final price of the component. It is about minimizing costs in the entire operation. This is done to ensure that the price of the vehicle is competitive. OEMs believe in long-term collaborative relationship. Their relationship is not based on the final transaction.

Company O

OEMs like to see all costs related to the production of the component. Transparency is very important when you deal with the OEMs. The supplier needs provide all the details related to the input costs. They want to work with suppliers in order to reduce or lower their costs. Without this approach, the

supplier will not have long-term relationship with the OEMs

4.2.2. Conclusion regarding research question 1

Most suppliers have indicated that costs control is very important in influencing their relationship with their customers. They have stated that it is one of the key factors that are used by the automotive vehicle manufacturers (OEMs) when they evaluate and select suppliers. In addition to this, they have also cited that automotive OEMs work with suppliers who are competitive in terms of costs and committed in lowering total costs from production to the actual delivery of the product or component. According to suppliers, this is called costs competitiveness. In their view, costs competitiveness refers to the overall costs that influence the final price of the component. These overall costs relate to labour, material, equipment or tooling, logistics or transport and manufacturing overheads.

Lastly, most suppliers conclude by stating that automotive OEMs' focus is on building a long terms relationship with a supplier that is committed to reduce total manufacturing costs. OEMs want to deal with a supplier that is costs competitive. They are not in a transactional relationship but they are in a collaborative relationship. That is, they want a sustainable relationship that will provide value in their business over a long period. In conclusion, they agree that costs have an influence on South African automotive component suppliers' customer relationship.

4.3. Results pertaining to Research Question 2

4.3.1. *The influence of quality on South African automotive component suppliers' customer 'relationship.*

Research question 2: Does quality have an influence on South African automotive component suppliers' customer relationship?

The first guiding question was ‘how are your products or components perceived by your customers in terms of quality?’

The responses from the listed automotive suppliers are shown on the table below:

Table 10: Responses on how products or components are perceived by OEMs in terms of quality

Company A
Quality in our operation is an obligation. It is a culture we need to live if we are to survive as an automotive business. Remember we are supplying to two international OEMs who are exporting to the global markets. It is therefore important that our product is of high quality as we don't want any vehicle recall to happen because of our component. Our product is still perceived to be of high quality in the market and that's why we still have this relationship with our customers.
Company B
We are ISO9001:2008 certified. We are actually one of the only two telematics or tracking device companies that have received this certification in South Africa. This is a proof that we are committed to manufacture and supply products and services that are of high quality to our customers. Our customers are aware that we are a highly established and respected brand in the market and hence are well received and perceived to be of high quality.
Company C
Our products are highly respected by our customers, as we are ISO 9001: 2008 certified. We have implemented and maintained quality management systems that meet the standards of ISO 9001. We take pride in the quality of our

products and the service that we provide to our customers.

Company D

We are ISO/TS 16949 certified. This is the highest automotive quality standard qualification. The automotive OEMs do not deal with any supplier that does not have this certification. In addition to this we are also ISO 9001 certified. Quality is incorporated in our management system. Based on this, our products are highly respected in the market.

Company E

Our quality target or goal is Zero PPM. Zero PPM means zero defect in a million or 0/1000 000. Our customers or vehicle manufacturers have stated clearly that it is obligatory for us to achieve this target. Therefore, to us it is not a matter of perception but a must that we supply quality product to our customers as this is a contract that we signed. We are expected to implement quality management system, which is documented and certified according to ISO/TS 16949:2002. This is an automotive required accreditation. Suppliers who don't have this certification or quality standards are unlikely to have any business or relationship with the OEMs as they may lead to excessive costs to their customers.

Company F

We are expected to adhere to the quality control standards governed by automotive quality control policies. It is in this instance that we are TS 16949, ISO 9000 and ISO 9001 certified. These are automotive related required quality accreditations. Based on the above, our products or components are perceived to be of high quality.

Company G

Our products are highly regarded in the market in terms of quality. By virtue of supplying to the automotive industry we are expected to produce quality product. It is in the contract. We are TS 16949 accredited and this is an obligation. Any supplier that deals with the automotive needs to have this accreditation which is obtained through an independent quality assessor.

Company H

We believe that superior quality is a precondition for us to be competitive in the automotive industry. It is mandatory for our product to be of high quality. Last year (2015) Autoliv was recognised as the supplier of the year in terms of safety and quality. This is how our products are perceived by our customers.

Company I

Our relationship with the OEMs is due to the fact that we produce quality products. This is the binding factor between the OEMs and us. We have to abide by international standards of safety and quality as our products are safety related components.

Company J

As a supplier, we have an obligation to achieve zero ppm quality targets from the automotive OEMs. This is the only way in which we can have a long-term relationship with automotive vehicle manufacturers. This clearly indicates to you that it is an obligation for our products to be of high quality. We have quality management system that subscribes to ISO/TS 16949:2000.

Company K

Our tracking device meets OEMs quality requirement. Our company is ISO/TS 16949: 2000 accredited. OEMs will not allow any end of the line component that is not compatible with their vehicles.

Company L

We are ISO 9001 and ISO TS 16949 certified. OEMs perceive our products or components to be of high quality.

Company M

We have won several awards from the OEMs. We were the first battery manufacturer to win quality management system 0157 part II listing and Ford Q101 rating. This is an indication that OEMs perceive our product to be of high quality.

Company N

In 2014 we won the best supplier award from Tata and Toyota. This award was based on quality, cost and delivery. This is OEMs' perception of our products.

Company O

Our objectives in terms of quality are to attain 15 ppm and our excellence objectives are zero defects. We are also IS TS 16949. Our products or components are perceived by the OEMs to be high quality standards.

Most suppliers responded in the above by stating that quality is the culture in their organization. The follow up question was asked to check:

‘How durable and reliable are their products or components and how influential is this in their relationship with their customers/OEMs?’

The following table shows their response:

Table 11: Responses to how durable and reliable are their products or components and how influential is this in their relationship with their customers/OEMs?’

Company A
Our components are as durable and reliable as the life cycle of the vehicle. It is our obligation to make reliable product. We manufacture electrical harnesses, which are the electrical wiring of the car. This is a very critical component in a vehicle. There is an element of safety in it and hence we have to make sure that it is reliable and of high quality. If we produce unreliable components we will not have any long relationship with the OEMs as it will be costly for them to do business with us.
Company B
Our products are enduring and robust. They are compatible with vehicle electronics. They do not interfere with it. They are manufactured to withstand the operational harsh conditions of this country. Our customers perceive our products to be reliable and dependable and that’s why we have a long lasting relationship with them.
Company C

We would not be working with the automotive OEMs if our products are not durable and reliable. Durability and reliability of a product or component indicates quality. These are elements of quality. Automotive OEMs deals with suppliers that manufacture durable and reliable product because of the long-term nature of vehicle product life cycle.

Company D

A product life cycle of a vehicle is normally 6 to 7 years. In addition to this, we as suppliers are expected to supply new components for 10 years after the vehicle has been discontinued. Therefore, it is important that we produce product of high quality. In this operation, we produce components that are durable and reliable due to the nature of the business that we are in. We cannot have any relationship with the automotive manufacturers if our products are poor in terms of quality.

Company E

Durability and reliability in our case means that our components can endure any pressure or conditions that they are designed for. It means quality. We are ISO/TS 16949:2002 certified. We have quality management system or processes that we have put in place to ensure that we produce durable and reliable product. This is non-negotiable in terms of our relationship or contract with the OEMs.

Company F

We are expected to keep records related to quality inspection and test for our products or component for a period of 15 years after production. We are also obliged to make these records available to the OEMs as and when required. This should give you an indication of how durable and reliable our products are. It is an obligation for us to produce quality products. If we fail, we will lose this

business.

Company G

Products like Towbar, Bullbar and exhaust system has to be durable and reliable due to the conditions that these components go through once they are fitted into the car. Imagine a Towbar breaking while pulling a trailer. The quality has to be spot-on. If not the issue of safety may be compromised and our business with the OEMs will be in jeopardy.

Company H

When you produce safety related components like airbags, it is important that you produce durable and reliable products. You are actually dealing with the safety of millions of people who are driving a car that is fitted with this component. Our products are thus durable and reliable as we subscribe to the zero defect quality policy. This has been confirmed by the OEMs but we continue to improve our quality processes in order not to drop the ball. We are also ISO/TS 16949 certified which is a global automotive quality management accreditation

Company I

Our products are durable and reliable. You cannot talk about quality in your product without durability and reliability. Our products are designed to withstand all conditions that the vehicle is exposed to. Imagine trying to brake the car and it does not stop. The car has to stop when the brakes are applied. Therefore, our components have to perform as expected over a specified period in line with warranty.

Company J

Durability and reliability are part of quality elements. You cannot talk of quality

without mentioning these two features. Our products are tested to be durable and reliable in line with automotive quality standards. They are “fit for performance, use or purpose”.

Company K

Our products meet quality requirements. OEMs would not accept them if they are below standards. Durability and reliability are part of quality standards.

Company L

Our products are durable and reliable. They would not meet quality requirements if they are below standards. They are tested to endure all conditions that the vehicle goes through in its product life cycle.

Company M

The vehicle cannot start without the battery. Our battery has to be reliable and durable in line with its product life cycle. Our relationship with the OEMs will be in jeopardy if our products do not meet customer expectation.

Company N

Our products meet automotive quality standards. Durability and reliability are components of quality. OEMs would not accept any component that is not fit for performance

Company O

Our target is zero defects. As a supplier to global OEMs it is an obligation to produce durable and reliable products. Our relationship with automotive OEMS

is highly influenced by quality components that we produce.

The next guiding question that was asked to each of these suppliers was: 'How important is your product's conformance to design specifications? And how does this affect your relationship with customers? The following table depicts their response.

Table 12: How important is your product's conformance to design specifications.

Company A
It is very important. We do not have design authority. We operate under the licence of YAZAKI, which is a global 1 st tier supplier to Toyota. They have designed these specifications in line with Toyota's requirement. We have to ensure that our components conform to these specifications as failure to do so may compromise the safety of Toyota and General Motors customers.
Company B
Conformance to design specification is very important. This is how we assess and define quality in our products. If our products are not conforming to the design specification, they may temper with vehicle electronics and this is very dangerous to the end user of the vehicle. We do not want our vehicle telematics to clash with the vehicle on-board computer or any other electronic safety component as this may lead to the burning of the vehicle. If this happens, our relationship with the OEMs will be ruined.
Company C
We have to adhere to the specifications and tolerances stipulated by the designer of the product, otherwise the component fitted into a vehicle will cause problems in the car and our customers (the OEMs) will not be happy with the

quality of our production. Remember that quality is also defined as conformance to specifications.

Company D

We are manufacturing vehicle components that are safety critical. Conformance to design specification is not only important to the OEMs that we are supplying but to the end-user customers in terms of safety in their vehicles. Conformance to design specifications means that we have also adhered to quality standards.

Company E

Conformance to design specification is very important as we are supplying to the vehicle manufacturers. If our components are not adhering to the design specification or quality, they may lead to the recall of all vehicles fitted with our components as these vehicles may expose the end-user customers into risk in terms of safety.

Company F

This very important as our components makes the vehicle engine to run. Without them the car will not move. The issue of safety is also important here but also failure to conform to design specification means producing a product that does not meet quality standards and therefore our business with the OEMs will be at risk.

Company G

It is in our contract with the OEMs that we will comply with their design specifications. We will not change it unless we get a written notice to that effect from their designer authority. Non-conformance to design specifications is violation of quality standards and a breach of contract. The OEMs will not tolerate that deviation.

Company H

It is very important. Airbags, night vision system, and seatbelt devices are safety features. We have to make sure that these components are 'fit for purpose or use'. For example, we need to make sure that the airbag will deploy when required to as per its design specification. If our airbags do not conform to the design specification, this would mean that they don't meet the required safety and quality standards. This may compromise customers' lives, all vehicles may be recalled, and this would not only ruin our relationship with the OEMs but our image in the market.

Company I

This is very imperative, as design specification is one way of measuring whether a product meets the required quality standards. Not conforming to design specification without any written permission from the design authority may mean a component with a defect. The OEMs will not accept any defected product or component to be fitted into their vehicles as this may lead to a risk in terms of safety and financial liability resulting from a recall.

Company J

Deviating from design specification is not allowed in the automotive industry. It is tantamount to not meeting quality standards, our customers may fit components that may cause problems in their vehicles, and this could lead to unnecessary financial liabilities.

Company K

The product will not meet quality standards if you deviate from design specification. Automotive OEMs will not accept this.

Company L

Meeting design specification is not negotiable. It is part of quality standards. You need to have a written permission from the design authority if you want to deviate from the design specification. Any component that is not in line with design specification is a defect.

Company M
It is part of quality process to meet design specification. It is very important in the automotive industry. The car may burn if our batteries do not conform to design specification and this may lead to financial liabilities.
Company N
Conforming to design specification is meeting quality standards. Any component that does not meet the required quality standards may lead to vehicle recall in the market. This may also lead to financial penalties.
Company O
Conforming to design specification is very important. It is the first step of meeting quality requirements. Automotive OEMs would not deal with a supplier that deviate from design specification as this will affect the quality of their vehicles.

The issue of not adhering to the required quality standards was also prompted as a follow up question. This was done in order to check its implications and how this will affect the South African Automotive suppliers' relationship with their customers. The table below indicates their responses:

Table 13: What is the implication of not conforming to the required quality standards to your company in terms of customer relationship?

Company A
Our reputation as an automotive supplier will be negatively affected in the market. If we do not conform to the required quality standards, we will lose both current customers as well as potential future customers.
Company B
We have global customers like Land Rover and Jaguar. All their units are pre-fitted with Altech Netstar cyber-sleuth supreme system prior to the delivery. These are highly expensive vehicles and hence we cannot risk our reputation by not conforming to the required quality standards. We do not want to lose this business.
Company C
Non-conformance to design specifications may ruin our business and we may be delisted as a supplier not only to Ford Motor Company but to other OEMs as these manufacturers do speak to each about their suppliers.
Company D
If it is found that most of the parts or components that we supplied are not meeting the required standards, all those affected vehicles may be recalled. In other words, all the customers with those affected vehicles will be at risk in driving those vehicles.
Company E

We have a policy or what is called supply chain management guideline, which was instituted by the automotive OEMs. In that handbook, it is stated that a supplier that has a recurring problem in terms of quality can be withdrawn completely from the contract or business opportunity. This means we will not even be considered for the future business opportunity.

Company F

We are supplying to Mercedes Benz here in South Africa. They are producing a C-Class, which is exported to global market. The volume is more than 90 000 to 100 000 units per year. Our relationship with them will be ruined if we do not meet the required quality standards. This will not only affect our South African market but the global community where this car is being exported. We do not want Mercedes vehicles to be recalled in the market because of our failure to conform in terms of the required quality standards. When cars are recalled because of our components, we will lose a lot of money as we have assured our customer that we will take the responsibility in terms of payment should any of our product or component be faulty. OEMs would not be financially liable should their vehicles be recalled because of our components.

Company G

Our components will be rejected by the automotive OEMs. They will be deemed not fit for use as they don't meet quality standards. It is also anti-regulatory in terms of SABS to produce a product or a component that does not meet the specified quality standard, hence we may even be challenged by government and you don't want to go there.

Company H

The implication of not conforming to the required quality standards is loss of

business, financial liabilities or penalties and increased costs.

Company I

Risking end-user customers' lives, liabilities from customers/OEMs/ government and reputation in the market.

Company J

It means we have breached our contract. We have manufactured a component with defects. This implies that we may be financially penalized or our contract may be terminated if we are not conforming to the required quality standards as the OEMs may be forced to recall all vehicles fitted with components that are full of defects.

Company K

It implies the loss of current and future business. It also means financial loss and end of our relationship with our customers.

Company L

It means financial loss as components that are not adhering to design specification will be rejected by the OEMs. It also means our breach of contract in our relationship.

Company M

Vehicles may not even start if our batteries have defects and are not in line with design specifications. We may also have financial penalties. This may put our

relationship with the OEMs at risk.
Company N
Conforming to design specification is meeting quality standards. Any component that does not meet the required quality standards may lead to vehicle recall in the market. This may also lead to financial penalties.
Company O
Our relationship with the OEMs will be at risk if we deviate from design specification as this will affect the quality of their vehicles. We may also incur financial losses due to vehicle recalls.

4.3.2. Conclusion regarding research question 2

In responding to whether quality has an influence in their relationship with customers, most suppliers indicated that all automotive OEMs expect their suppliers to be ISO9001 and ISO/TS16949 certified. These are the highest international automotive quality qualification. The automotive OEMs do not deal with any supplier that does not have this certification. According to the respondents, all automotive suppliers are expected to implement quality management system, which is documented and certified according to ISO/TS 16949:2002. This is an automotive required accreditation. Suppliers who don't have this certification or quality standards are unlikely to have any business or relationship with the OEMs. It is in this instance that they agree that quality has an influence on South African automotive component suppliers' customer relationship.

4.4. Results pertaining to Research Question 3

4.4.1. *The influence of on-time delivery on South African automotive suppliers' customer relationship*

Research question 3: Does on-time delivery have an influence on South African automotive component suppliers' customer relationship?

The first guiding question was 'Is delivery on due date or on-time delivery one of the clauses in your company's contract with customers?'

The responses from the listed automotive component suppliers are shown on the table below:

Table 14: Is delivery on due date or on-time delivery one of the clauses in your company's contract with customers?

Company A
We are part of the supply value chain that feeds into the export market. These OEMs have an obligation to meet their export targets or agreement with the European, Asian and other African markets. They have to deliver their vehicle on schedule to their customers. For them to achieve this we need to delivery our components on time. In is in this instance that on-time delivery is one of the clauses in our contract with these OEMs. We have to be consistent in meeting the due dates. That is why I indicated to you that we have no room for industrial strikes in this business.
Company B
Yes, the automotive OEMs are very strict in terms of due date or on-time delivery. This is part of the contract. They have an obligation to deliver the vehicles on time to their customers. Therefore, as we are part of their supply value chain we are also obliged to adhere to their delivery dates. If we do not,

our relationship will be at risk.

Company C

The automotive OEM business is target driven. They have daily, weekly, monthly and yearly targets. As part of their supply chain, we are also forced to meet their due dates and deliver our components on time. Failure to do this will delay the whole supply value chain and at the end the OEM will not be able to meet their delivery due dates. It is in this instance that on-time delivery is part of our contract with the automotive OEMs. It is one of the binding elements of the contract.

Company D

It is our mission to be acknowledged as one of the preferred supplier in terms of costs reduction, quality and on-time delivery. We work day and night to make sure that we deliver our components on time to our customers. Even though this is part of the contract but we have institutionalized as part of our standards to deliver our products and service on-time

Company E

There is a guideline governing how we must deliver our components to the automotive OEMs. It is part of the contract. We have to deliver according to OEMs' requirements or demand. This includes the quantity, frequency and time schedule. We are obliged to meet the due dates or deadline.

Company F

Delivery dates and quantity required are vital important in the automotive industry. These are part of the contract. In the contract the quantities, dates and

times of deliveries are clearly stated. There is no room for mistakes. During peak season when the market is booming some delivery dates includes weekends and public holidays. We still need to adhere to that schedule, as it is part of the contract or our relationship with the OEMs.

Company G

Yes, on-time delivery is in our contract. For example, it is stated in our contract that Bosal is expected to deliver on time all their components as set in the contract in terms of volume, place and time and this is the rule unless otherwise specified.

Company H

Yes, it is. As part of our manufacturing strategy, our component assembly plants are located closer to our customers. This assists us in meeting this requirement of delivering on time. We follow their 'just-in-time' policy, which means we only deliver as when required in terms of date, time and quantity.

Company I

In a business-to-business environment, contracts are important to determine the rules of engagement so that each party knows what to do and when. Yes, the issue of on-time delivery is the most important factor in our relationship with OEMs hence it is part of the contract agreement. In the automotive industry, on-time delivery is one of the competitive priorities.

Company J

Delivery due dates are part of the contract we have with the OEMs. These dates are binding. On-time delivery in the automotive industry is a competitive priority. The OEMs have a mandate to meet their delivery schedule with their

own customers and they rely on their suppliers to meet these deadlines.

Company K

OEMs work with due dates or targets. On-time delivery is part of the contract or relationship that we have with our customers.

Company L

We are bound to meet the due dates. It is part of our agreement with the OEMs. It is one of the cornerstones of our relationship with our customers.

Company M

OEMs are target driven. They are very strict with on-time delivery. This is written in our contract with them.

Company N

One of the supplier evaluation criteria that is used by the automotive OEMs is on-time delivery. They make sure that all their suppliers fulfil this element. It is in this instance that this is in our contract.

Company O

On-time delivery is part of competitive priorities that OEMs use. As a global supplier, we have to meet their due dates in terms of delivery so that they too can meet their customer delivery targets.

Automotive components suppliers were also asked about production lead-time and to explain whether it was influential in their relationship with their customers. Check the table below for the guiding question and the response.

Table 15: What about production lead-time? Is it a key priority in your relationship with your customers?

Company A
We are part of these OEMs' MPS (master production schedule). This means we are part of their monthly and yearly volume forecast. Our production lead-time is derived from their forecast. We need to provide our components in month A for month C. In other words, if the vehicle is required in March we need to supply our component in January. Thus, production lead-time is a key priority and we have to adhere to it.
Company B
Our production lead-time is influenced by demand from the OEMs. We are part of their production forecast even though we provide what is called 'end of the line product'. Production lead-time is a key priority and that is why we also have to work closely with our own suppliers so that they understand the obligation to meet this production lead-time.
Company C
We are part of their supply chain and hence our production lead-time is derived from their production master plan. This indicates that production lead-time is very important and it is a priority for us in order to meet the required deadline or on-time delivery.
Company D

Production lead-time is very important for us as supplier. We need to make sure that our production lead-time is aligned with that of our customers. For example, Ford's production lead-time is month C for E. That is, when you go to Ford dealer in March 2016 to order your car they can tell you that you will be able to take your vehicle delivery in May 2016. For them to be able to do that we need to make sure that our production lead-time feeds into that system. Our production lead-time will be Month A for Month B, which means we produce in January to deliver to Ford in Month B. They will in turn start their production in Month C to deliver in Month E.

Company E

Production lead-time is a key priority. Based on the production and delivery schedule that we need to adhere to, our production lead-time needs to be on point and be aligned with OEMs master production plan. We need to make sure that we plan in advanced to avoid causing havoc in the system on not delivering on time.

Company F

This is very important as we produce to order. We are operating in a lean manufacturing environment. Any delay from our side may delay the whole supply value chain. Therefore, it is important that we consistently manage our production lead-time in order to satisfy the OEMs material demands and provide competitive edge to their manufacturing operation. Our production lead-time ensures that our customer does not carry unnecessary inventory as we follow the OEM's just in time policy.

Company G

Our production lead-time is a key priority. We are bound by the need to fit into

the OEMs' supply chain. We need to make sure that do not cause any delay in terms of supply due long lead-time on our side. We operate under just-in-time environment and thus we need to respond faster and meet the demands of the market.

Company H

Yes, it is a key priority. Remember that we need to deliver our components by following 'just-in-time' principle. This means that we need to have shorter lead-times, which feed into the OEMs' production lead times. Any delay will cost our customers time and money.

Company I

In the automotive industry, lead-time is important. Our lead-time is influence by the demand from the OEMs. It is one of evaluation elements that they look at in assessing the supplier. The shorter the lead time the better in order to enable the OEMs to carry less inventory but at the same time meet their delivery due date. Production lead-time is one the competitive edge in the automotive industry as it has a direct impact on customer satisfaction.

Company J

It is very important. As an automotive supplier, we need to make sure that we are aligned with the OEMs in terms of production lead times. Shorter and more reliable production lead times improve competitive edge in the automotive industry. We always look for ways in which we can reduce and improve our production lead-time. We do not want to delay OEMs' production by failing to produce and deliver our components on time.

Company K

<p>Shorter lead-time is the competitive edge in the automotive industry. Suppliers with shorter lead-time have an advantage compared to others in terms of relationship with the OEMs.</p>
<p>Company L</p>
<p>This is very important. Our production lead-time is part of the contract we have with the OEMs. Our selection is based on the promise we made to them.....shorter lead-time.</p>
<p>Company M</p>
<p>We are aligned with the OEMs' lead-time. Our production lead-time need to satisfy our customer's production schedule. Any delay may lead to OEMs not meeting their customers' delivery date.</p>
<p>Company N</p>
<p>As an automotive supplier, shorter and reliable production lead time is very important to us as we supply to the automotive OEMs that are target or deadline driven.</p>
<p>Company O</p>
<p>Shorter production lead-time is our competitive priority. We cannot have a long-term relationship with vehicle manufacturers without this.</p>

The last guiding question in this section focussed on the implications of on-time delivery non-conformance in terms of customer relationship. The table below presents response from the listed respondents:

Table 16: What are the implications of on-time delivery non-conformance for your company in terms of customer relationship?

Company A
If we do not adhere to the on-time delivery, we will constrain the whole supply value chain and our customers may lose their export business for having failed to meet their delivery due dates and this will definitely cripple our relationship with them.
Company B
On-time delivery is one the important requirement in the automotive industry. This is one of the factors that is evaluated during the supplier selection phase. We are dealing with the OEMs that are supplying to the export as well as high-end market in terms of customer segment. For these customers on-time delivery is very important. Therefore, on-time delivery non-conformance is unacceptable and it will definitely affect our relationship with automotive OEMs.
Company C
In simple terms, it means we may lose our business with Ford and this may affect our reputation with other OEMs as they sit on a monthly basis in the OEM purchasing council meeting where the performance of automotive suppliers is discussed. If your name as a supplier gets mentioned negatively in that meeting you are out for good in the automotive industry.
Company D
Well as I have indicated above, we are part of their production master plan schedule. Any delay or failure to deliver on time on our side, affects the whole production schedule. The OEM will not be in a position to meet their daily,

weekly, monthly and yearly target. They may lose business and we may lose our business as well as they cannot tolerate any supplier that misses deadline. It may be the end of our relationship with them.

Company E

Paying heavy financial penalties to the automotive OEMs and ending up losing our automotive component business to other efficient automotive suppliers.

Company F

If we fail to deliver our components on time, we will be affecting the whole supply value chain. It means the OEMs will not be able to satisfy the needs of their own customers. It means we are not competitive in our operation. It means a breach of contract on our side as a supplier to the automotive manufacturer.

Company G

Financially, on-time delivery non-conformance is not good at all. Firstly, it is stated in our contract that if we miss our delivery due date we will pay a penalty of 1% the order to the OEM. The second issue is that if we continue to miss the deadline we may lose this business.

Company H

This means delaying the production of vehicles at OEM level. It means the OEMs may also not meet their delivery schedule or deadlines. It means they may lose a lot of business, more especially in the export markets. It means we may also be financially sanctioned in line with the contract or our business relationship with the OEMs may also end.

Company I
Customer dissatisfaction from the OEMs to end-user vehicle customers, financial penalties as stipulated in the contract, loss of business or contract with the OEMS.
Company J
Failing to deliver on time is not acceptable in the automotive industry. In our case, it means breach of contract, which may lead to financial penalties as we would have delayed the whole supply value chain and we may even lose our business with the automotive OEMs. It means we are not reliable and competitive as an automotive supplier.
Company K
It means financial penalties and the possible loss of current and future business.
Company L
It means breach of agreement in terms of delivery on time and financial losses incurred through penalties.
Company M
It means we are not competitive as on time delivery is one of the competitive priorities in the automotive industry.
Company N

It means possible loss of relationship and business with the automotive OEMs.

Company O

On-time delivery is one of our competitive priorities. Failing to deliver on time would cost the company more money in terms of penalties. This will lead to lower profit than budget.

4.4.2. Conclusion regarding research question 3

Most suppliers have stated that on-time delivery is an obligation to the automotive OEMs as it is part of the signed contract agreement. According to the respondents, failure to deliver on time is not acceptable in the automotive industry. It is regarded as a breach of contract as it means they are not reliable and competitive as automotive suppliers. It leads to financial penalties, loss of business relationship and profit for automotive suppliers. Most suppliers have cited that on-time delivery is one of the competitive priorities in the automotive industry. It is in this instance that most respondents concur that on-time delivery has an influence on South African automotive component suppliers' relationship with their customers or OEMS.

4.5. Summary of the results

In terms of costs, most suppliers equated the reduction of total costs with long-term relationship or collaborative relationship with automotive OEMs. They argued that the final or actual price of the component is a short-term or transactional relationship. The relationship with the OEMs is not only based on the final price of the component. It is about minimizing total costs in the entire operation. This is done in order to ensure that the price of the vehicle is competitive. According to most suppliers or respondents, automotive OEMs believe that competitiveness in terms of labour, material, tooling and logistics costs leads to a better final price of the product and higher margins in terms of

profitability. In addition to this, the suppliers agreed that their relationship with the OEMs hinges on how competitive they are in terms of costs.

Concerning quality, most suppliers confirmed that it is obligatory for them to implement and maintain quality management systems that meet the standards of ISO 9001 and ISO/TS 16949. They argued that they could not have any business relationship with the automotive OEMs without these accreditations. These are automotive required quality accreditations. According to most respondents, these accreditations are a proof that automotive suppliers are committed to manufacture and supply products and services that meet automotive global quality standards. They also confirmed that the implication of not conforming to the required quality standards is financial liabilities or penalties, increased costs and a loss of business.

Finally, most suppliers indicated that on-time delivery is part of their contract with the automotive OEMs. They highlighted that they are expected to deliver on time all their components as set in the contract in terms of volume, place and time. According to respondents, automotive OEMs have an obligation to meet their delivery schedule with their own customers and they rely on their suppliers to meet these deadlines. Based on this, they have confirmed that on-time delivery is one of the most important and influential factor in their relationship with the automotive OEMs.

5. DISCUSSION OF THE RESULTS

5.1. Introduction

This chapter discusses and explains the results pertaining to:

1. Research question 1
2. Research question 2
3. Research question 3
4. Conclusion or summary related to the results.

5.2. Discussion pertaining to Research Question 1

The results pertaining to research question 1 relate to the influence of costs on South African automotive suppliers' customer relationship. Costs control; cost competitiveness; operations costs; acquisition costs and direct costs or the actual or final price of the components or products were the sub-themes that came out during the interview. These are highlighted in the discussion below.

5.2.1. *Costs Control*

The first sub-question in this section was on costs control. The respondents were asked: "how influential is costs control in your relationship with your customers." Most suppliers indicated that costs control was very important in their operations as it enabled them to remain competitive against other suppliers. They cited that it was important for them to be competitive in terms of costs as they compete against global or international suppliers. This in line with what Ambe and Badenhorst-Wess (2013) stated in this research where they argued that South African Automotive component industry is directly affected by global competition as they contest against low priced imported parts from the developed countries as well as other emerging markets.

In addition to this, they highlighted the fact that one of the most important steps in the automotive supplier evaluation is financial evaluation. In other words, how

well they manage their costs. They emphasised the fact that OEMs deal with suppliers that are competitive in terms of costs, that is, suppliers that will assist them in reducing costs in their supply value chain. One of the suppliers stated that one of the key strategic objectives of the OEMs is the reduction of costs in their supply value chain. This supplier continued to argue that cost control is one of the components of competitiveness in the automotive industry. OEMs expect all their suppliers to be competitive in terms of costs and it is one of the obligations in dealing with them. This concurs with O'Neill and Naude (2011) where they argue that the competitiveness of original equipment manufacturers hinges on supplier's performance in relation to costs.

Furthermore, most suppliers stated clearly that their relationship with the OEMs hinges on how competitive they are in terms of costs in the entire operation. They asserted that OEMs, when evaluating a supplier, look at the entire operation in terms of cost control or competitiveness. This is in line with Wagner et al. (2011) where they indicate that firms that assess suppliers normally consider tangible performance measures like costs performance, product/service quality, delivery dependability and flexibility. These measures drive the long-term supplier's relationship with its customers or manufacturing firms.

Lastly, the suppliers confirmed that OEMs work with the suppliers that are committed to lowering costs of all types in their operations. They maintain that for South African automotive suppliers to be cost competitive, they need to manage or control their costs throughout their manufacturing operations. They acknowledged that no automotive OEMs would work with them if they were not cost competitive. Therefore, they concur that cost control is highly influential in their relationship with their customers. As Wilson (1995) puts it, in building relationships with their suppliers, companies are focusing more on working with suppliers that can assist to bring value by committing to lowering their customer-firm's costs.

5.2.2. Cost Competitiveness

The second sub-question was on cost competitiveness. It sought to find out what is it that the South African OEMs are looking at in terms of costs competitiveness in evaluating the suppliers and how that affects the suppliers' relationship with their customers or OEMs. Most suppliers, irrespective of their geographical areas, acknowledged that for the OEMs cost competitiveness is not only about the actual price of the component but it is about the total costs from production to the actual delivery of the product or component. According to the suppliers interviewed, these costs include labour, material, machinery equipment, maintenance, logistics or transportation and manufacturing overheads. These suppliers indicated that management or lowering of the above-mentioned costs leads to a competitive final or actual price of the product. This enhances or strengthens their relationship with the OEMs.

The above is in line with the literature reviewed in this research which acknowledges that direct costs, acquisition costs and operations costs are the three sources of relationship costs. According to Cannon and Homburg (2001), a supplier's success in reducing a customer firm's cost in each of the three above-mentioned cost categories leads the customer to expand its business or relationship with the supplier.

In addition to the above, the literature review also highlighted that profit maximisation cannot be obtained without cost reduction. The company must therefore get a low-cost supply base where it can reduce its actual purchase price of the product by lowering production or operations cost, documentation cost, transportation cost, communication cost, import duty costs and cost of investigating the potential supplier's financial background and past performances. The reduction of all these costs leads to cost competitiveness. The above-mentioned costs are in line with the definition of costs as propounded by Ward et al. (1998) in the literature review where they state that costs entails manufacturing cost related categories such as labour costs, productivity costs, capacity utilization, inventory reduction and the actual price of the product itself.

Lastly, most suppliers cited that they were operating in a globally competitive environment. They were expected to be globally competitive in terms of costs related to their entire operation. Failure to meet this global requirement may lead to South African automotive OEMs to source from their country of origin.

5.2.3. The influence of the actual or final price of the component

This section focused on the influence of the actual or final price of the component on the automotive component suppliers' relationship with their customers or OEMs. In the literature review the final price is reviewed as direct costs. According to Shah and Regassa (2010), direct cost is the actual price charged by the supplier for the component or product sold to the customer organisation.

The research results indicate that most suppliers confirmed that the focus of the automotive OEMs was not only on the actual price of the component but it was on the total costs across the entire supply value chain. One supplier in Kwa-Zulu Natal put it concisely that it was not only about direct costs or actual price but operations and acquisition costs also have a major influence in cementing the relationship with the OEMs. Cespedes (1995) concurs with this by stating that in industrial areas, an increasing focus is being devoted to reducing total costs, and not just the real price or direct product cost of what is being supplied.

In addition to the above, suppliers in Gauteng and the Eastern Cape concurred with this by stating that the actual price of the component is derived from all manufacturing costs. They continued to argue that if suppliers monitor and control their direct labour costs, direct material costs, logistics costs as well as manufacturing overhead costs, their actual price of the product will be competitive and accepted by the OEMs. In their view, this will enhance their relationship with their customers or OEMs. This is supported by Cannon and Homburg (2001) who argue that lowering direct costs, acquisition costs and operations costs is one of the key sources of value in customer relationships.

Furthermore, most suppliers in KZN added that they are in a collaborative relationship with the automotive OEMs. They are not in a transactional

relationship where the actual price is the final determining factor in terms of relationship. They stated that collaborative relationship means working together with the OEMs to lower or reduce costs in the entire operation in order to remain competitive in the market.

The above-mentioned responses from the suppliers are also in line with theoretical approaches for cost reduction as discussed in section 2.4.2 of the literature review. In this section, it is stated that the collaborative approach is about lowering total costs which entail direct product costs, acquisition and operational costs through the joint effort of both the supplier and the buyer or customer (Kalwani & Narayandas, 1995). Collaborative approach can also be associated with what Šonková (2015) calls relationship marketing. The following table depicts the difference between transactional vs relationship marketing as indicated by the automotive suppliers:

Table 17: Transactional Marketing vs. Relationship Marketing

	Transactional Marketing	Relationship Marketing
Emphasis on	Short-term relationship	Building relationship Long-term
Costs	Focus on final price	Focus on total costs
Relationship	One-sided	Collaborative or partnership

Source: (Šonková, 2015)

5.2.4. Conclusion regarding the influence of costs

Finally, based on the results from the interviewed suppliers, it can be concluded that costs have an influence on the South African automotive component suppliers' customer relationship. According to suppliers this is caused by the fact that the South African automotive industry is part of the global automotive industry. The automotive industry's global market has exerted enormous cost pressures on both OEMs and suppliers through the value chain. The suppliers

highlighted that OEMs globally are transparent and determined to drive down costs when sourcing components. The suppliers confirmed that as South African OEMs are part of this global environment, they also want to deal with suppliers that are costs competitive. Their focus is on building a long-term relationship with suppliers that are committed to reducing total costs. This confirms the collaborative or relationship marketing that exists between the suppliers and the OEMs. As Šonková (2015) puts it, the main objective of a collaborative or relationship marketing strategy is to form or develop durable long-term relationships.

5.3. Discussion pertaining to Research Question 2

The results pertaining to research question 2 relate to the influence of quality on South African automotive suppliers' customer relationship. Quality perception; durability and reliability as well as conformance to design specifications were some of the themes that came out during the interview.

5.3.1. OEMs' perception of automotive suppliers' product or components in terms of quality

The first sub-question was 'how are your products or components perceived by your customers in terms of quality?'

Most suppliers, irrespective of the region or province, cited that quality is an obligation in dealing with the OEMs. They indicated that they are ISO 9001: 2008 and ISO/TS 16949 certified. These accreditations are obtained through independent assessors. According to these suppliers, ISO/TS 16949 is the global and highest automotive quality standard certification or qualification. According to Franceschini (2011), this certification was created to meet the demanding need of the automotive suppliers. In addition to this, Ostadi (2010) argues that ISO/TS 16949 eradicates redundancy and cost administrative problems caused by numerous standards formerly enforced in different geographic regions or countries. The suppliers stated clearly that the automotive OEMs do not deal with any supplier that does not have this

certification. They indicated that they are expected to implement a quality management system, which is documented and certified according to ISO 9001 and ISO/TS 16949:2002. It is in this instance that they believe that their products or components are perceived to be of high quality and highly respected in the market.

Furthermore, most suppliers that were interviewed used automotive awards to indicate how their components were perceived by the OEMs. One supplier interviewed in Gauteng indicated that in 2015 his company was recognised as the supplier of the year in terms of safety and quality. Another supplier in the Eastern Cape cited that they were the first battery manufacturer to win quality management system on part listing and Ford Q101 rating. In addition to this, one supplier in Gauteng also confirmed that they won the best supplier award from Tata and Toyota. This award was based on quality. According to these suppliers, the above-mentioned awards confirmed OEMs' perception of their products in terms of quality. The awards also confirmed that they produced or manufactured products that met their customer's performance expectation or needs. Awwad et al. (2013) concur with this by stating that quality allows companies to enhance their competitiveness and stimulate customer relationships by meeting customers' requirements or expectations.

5.3.2. The influence of durability and reliability of components in suppliers' relationship with their customers

The second sub-question was on 'how durable and reliable are your products or components and how influential is this in your relationship with your customers/OEMs?'

Most suppliers equated durability and reliability with quality. They indicated that durability and reliability are elements of quality. In the literature review, durability and reliability are listed as part of eight-dimensional components of quality (Garvin, 1987). The suppliers unequivocally stated that it was in their contract agreement with the OEMs to produce or manufacture durable and reliable components. They cited that their components were manufactured to withstand the operational harsh conditions to which that vehicles are exposed. In addition

to this, they maintained that their components have to be durable and reliable in line with the warranty period that has been promised to the customer by the OEMs.

Furthermore, according to these suppliers, OEMs deal with suppliers that manufacture durable and reliable products because of the safety critical nature of vehicle components as well as the long-term nature of vehicle product life cycle. These suppliers highlighted that durability and reliability meant quality and one cannot talk about quality without mentioning these two features or components of quality. They cited that their products are tested to be durable and reliable in line with automotive quality standards. As Basu (2004) and Miltenburg (2005) put it, quality is defined as meeting customer requirements and expectations. Their relationship with the OEMs would be in jeopardy if their products do not meet customer expectation in terms of quality standards. This could lead to the loss of business. This clearly implies that their relationship with their customers or automotive OEMs is highly influenced by quality components that they produce.

5.3.3. Importance of product's conformance to design specification

According to Golder, Mitra, and Moorman (2012), quality entails adherence to design specifications. Most suppliers concurred with this as they indicated that quality is also defined as compliance to specifications and it is one method of measuring whether a product or component meets the required quality standards. According to the suppliers, conformance to design specifications is very important as failure to do so may lead to their product not meeting the required quality standards.

Moreover, most respondents argued that conformance to design specification is not only important to the OEMs but to the end-user customers in terms of safety. Non-adherence to design specification may compromise vehicle customers in terms of safety. This may lead to recall of vehicles that are fitted with such components, which is a costly exercise for both OEMs and suppliers. Ishikawa (1989) associates quality with a product that is economical, most valuable or beneficial and, at all times, satisfactory and acceptable to the

customer. Most suppliers confirmed that non-conformance to design specification is a violation of quality standards and a breach of contract. They argued that it is not allowed in the automotive industry as it is tantamount to producing components with defects. According to suppliers, OEMs will not accept any defective product or component to be fitted into their vehicles as this may lead to risks in terms of safety and financial liability resulting from product or vehicle recall.

In summary, most suppliers agree that the implication of not conforming to the design specification is huge as it means:

1. Anti-regulatory in terms government SABS
2. Breach of contract or agreement
3. Not meeting the required quality standards
4. Not meeting customer expectations
5. Financial liabilities for both OEMs and the suppliers
6. Negative reputation in the market
7. Possible loss of business for the suppliers and OEMs.
8. Financial liabilities and increased costs for both OEMs and the suppliers

5.3.4. Conclusion regarding the influence of quality

The results show that quality in the South African automotive industry is influential in determining the relationship between the suppliers and their customers or OEMs. The suppliers have acknowledged that they have to meet global quality standards if they are to sustain their relationship with their customers. It is a prerequisite and an obligation for them to have ISO 9001 and ISO/TS 16949: 2000 accreditations in order to be selected as a component supplier in the automotive industry. According to the suppliers interviewed, these are global quality standards and indicate that the supplier has followed documented global quality management systems in manufacturing the component.

In addition to the above, quality is viewed by the automotive suppliers from the perspective of the customer. This is in line with Juran and Godfrey (1999),

where they describe quality from a customer viewpoint. They view quality as the ability or capability to deliver or meet customer's requirements or standards. Šonková (2015) also adds to this by arguing that when a customer is happy with the quality of the product provided, the relationship tends to be stronger and this infers that it will also last longer and be profitable. This clearly supports the suppliers' viewpoint that quality is very important in their relationship with their customers as it is linked with meeting their expectation or requirements.

Furthermore, suppliers have acknowledged that quality is one of the competitive priorities in the automotive industry. It is used by the OEMs as one of the criteria to qualify their potential automotive component suppliers. Awwad et al. (2013) highlight that quality allows companies to enhance their competitiveness and strengthen customer relationship. According to suppliers, quality is viewed as even more important than the price of the component. In supporting this, Čater (2010) cited that suppliers must note that quality is the rational motivator for customer relationship. By providing superior quality products, suppliers can tie up their customers especially in a business-to-business manufacturing environment where product or component acquisition or sourcing is the main rationale to be in a relationship.

In summary, it can be argued that the findings from the suppliers confirm that quality has a huge influence on South African automotive suppliers' customer relationship.

5.4. Discussion pertaining to Research Question 3

The results pertaining to research question 3 relate to the influence of on-time delivery on South African automotive suppliers' customer relationship. On-time delivery agreement or contract, production lead-time and the implication of on-time delivery non-compliance were the sub-topics that emerged during the interview.

5.4.1. On-time delivery as part of automotive suppliers' contract with OEMs

The first sub-question was 'Is delivery on-time delivery one of the clauses in your company's contract with customers or OEMs?'

As Fawcett et al. (2007) put it, on-time delivery entails the assessment of the process and efficiency in the supply value chain which looks at the amount of completed goods or services supplied to customers on time and as requested. This highlights how proficient the supplier is in meeting the customer's contracted deadlines.

In addition to the above, on-time delivery is defined as the requirement of a supplier to deliver based on an agreed plan and specific time. In a business-to-business automotive environment, a manufacturer can compete in terms of reliability and on-time delivery compared to competitor organisations (Muhammet, 2014). Most automotive suppliers that were interviewed confirmed that delivery due dates or on-time delivery was part of the contract that they have with their customers or automotive OEMs. They cited that they are part of the OEMs delivery schedule. According to suppliers, the automotive OEMs' business is target driven. They have daily, weekly, monthly and yearly targets. Based on this, the automotive components suppliers are also forced to meet their due dates and deliver their components on time to the automotive manufacturers. Failure to adhere to the due dates will delay the whole supply value chain and as a result, the OEMs will not be able to meet their own delivery due dates.

Furthermore, suppliers also indicated that on-time delivery is one of the valuable components of automotive competitiveness. This is in line with what the researchers have hinted in the literature review. In supporting this, Naqshbandi (2012) highlights that on-time delivery is one of the most important competitive priorities in today's business environment. Automotive manufacturers are prepared to work with the suppliers that are reliable in terms of meeting delivery due dates as they follow just-in-time policy in their operation. This means that suppliers need to deliver only as and when required in terms of

date, time and quantity. It is in this instance that on-time delivery is part of their contract with the automotive OEMs. According to suppliers, any deviation from the specified delivery schedule will put their relationship with their customers at risk.

5.4.2. Production lead-time as a key priority in suppliers' relationship with their customers

The second sub-question was 'is production lead-time a key priority in your relationship with your customers?'

In responding to this, automotive suppliers stated that their production lead-time is important and a key priority as it is derived from the OEMs' forecast. According to suppliers, their production lead-time is part of OEMs' master production schedule (MPS). They cited that their production lead-time needs to be on point and be aligned with the OEMs' plan so as to avoid causing havoc in the system or not delivering on time. As Colicchia (2010) puts it, turbulences and instabilities in supply and production lead-times are described as the chief causes of supply chain risk. The automotive suppliers indicated that it was important that they consistently manage their production lead-time in order to satisfy the OEMs material demands and provide a competitive edge to their manufacturing operation. In supporting this, Spiegler, Naim, and Syntetos (2015) argue that the key objective of suppliers is to effectively satisfy customer demand so as to reduce stock out rate and to lower operating costs.

Finally, most suppliers asserted that OEMs operate under a just-in-time environment and thus they too need to respond faster to meet the demands of the automotive market. The suppliers stated that the shorter the production lead-time the better as this allows the OEMs to carry less inventory but at the same time meet their delivery due dates. According to suppliers, shorter production lead-times leads to a competitive edge in the automotive industry as suppliers with reliable and shorter lead-time have an advantage compared to others in terms of the relationship with their customers or OEMs. This is in accordance with what Bask et al. (2008) say, where they stated that lead times

are crucial to customer firms because they aid them to operate in an orderly and timeous way in their production system.

5.4.3. The implications of on-time delivery non-conformance in terms of customer relationship

The last guiding sub-question was ‘what are the implications of not adhering to on-time delivery for your company in terms of customer relationship?’

According to suppliers, the following are the implications of not adhering to on-time delivery:

1. Delaying or constraining the whole automotive supply value chain. This means that the OEMs will not be able to meet the delivery dates of their own customers.
2. Breach of contract as on-time delivery is one the clauses that are in the signed contract.
3. Paying heavy financial penalties to the automotive OEMs. Some suppliers indicated this to be 1% of the order.
4. Losing the business as on-time delivery is one the competitive priorities in the automotive industry and OEMs use it as one of the evaluation criteria during the supplier selection phase.

In summary, suppliers conclude that non-adherence to on-time delivery is not acceptable in the automotive industry as it leads to OEMs and end-user vehicle customers dissatisfaction. According to suppliers, this may also cause a strained relationship with their customers or OEMs as it signals that they are not reliable and competitive in their operation.

5.4.4. Conclusion regarding the influence of on-time delivery

In this study, automotive suppliers highlighted on-time delivery as one of the automotive competitive priorities. Ho (2010) lists on-time delivery as the second most popular measure used by the manufacturers or decision makers in assessing and choosing the most suitable supplier. Most automotive suppliers

concur with this by stating that on-time delivery is one of the evaluation elements that OEMs look at in assessing the supplier. They also added that it is one of the most important components of competitiveness in the automotive component industry. According to the suppliers, any non-compliance in meeting on-time delivery expectations will have a negative impact in terms of their reputation and relationship with their customers or OEMs. In supporting this, Prajogo (2012) maintains that on-time delivery can lead to a supplier's competitive edge as it has a direct impact on customer relationship and or customer satisfaction.

From the above, the findings of this study confirm that on-time delivery has a positive influence on South African automotive suppliers' customer relationship.

5.5. Conclusion

This chapter has discussed and explained the results pertaining to the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. The findings in this study is in congruence with prior research (literature review) in that the automotive components suppliers confirmed that costs, quality and on-time delivery were the most important competitive priorities in the automotive industries. The results also reveal that these automotive competitive priorities were equally important in mediating the relationship between South African automotive component suppliers and their customers or OEMs even though they were discussed separately (in three sub-research questions). Most suppliers confirmed that costs, quality and on-time delivery are the most important measures or criteria used by the automotive OEMs to assess and select automotive components suppliers.

In addition to the above, the results also highlight that the only way for South African component suppliers to build and sustain their relationship with their customers or automotive OEMs is to consistently manage and/or reduce total costs, improve quality and be flexible and reliable in terms of on-time delivery.

Furthermore, the findings also indicate that the automotive suppliers' relationship with automotive OEMs is not a transactional one but a collaborative

one and is premised on relationship marketing. Both parties in this relationship are committed to each other. According to suppliers, automotive OEMs in South Africa want a sustainable relationship that will provide value in their business over a long period. This means that their focus is not short-term oriented but it is long-term oriented. According to Sonkova (2015), relationship marketing entails collaboration between the suppliers and their customers and it stresses the importance of offering cost effective and excellent quality products as well as reliable and on-time delivery to customers by improving efficiencies in the entire operation and its supply value chain.

Finally, the results have responded to the research questions by confirming that costs, quality and on-time delivery have a huge influence on the South African automotive component suppliers' customer relationship. The automotive component suppliers have indicated in this research that their relationship with their customers or OEMs hinges on their commitment to reduce total costs in their entire operation; consistently offer quality products or components as well as to deliver these components on time and in the correct quantities as stipulated in their agreement with their customers.

6. CONCLUSIONS & RECOMMENDATIONS

6.1. Introduction

The purpose of this research was to investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship. This chapter focuses on the conclusion of the study, recommendations and suggestions for further research.

6.2. Conclusions of the study

The findings in this study confirmed that costs, quality and on-time delivery are the most important competitive priorities in the South African automotive industry. According to the research, competitive priorities can be explained using five basic elements: "low cost, quality, delivery time, flexibility and innovativeness" (Jitpaiboon, Gu, & Truong, 2016, p. 2). In addition to this, they argued that competitive priorities are important operational dimensions that companies or firms must have in order to satisfy their customers. In this research, the findings or results have confirmed that costs, quality and on-time delivery are the most important measures or criteria used by the automotive OEMs to assess and select automotive components suppliers.

Furthermore, the findings also reveal that South African component suppliers can only build and sustain their relationship with their customers or automotive OEMs if they reliably and constantly lower their total costs, improve quality and are dependable or trustworthy in terms of on-time delivery. The following table summarises some of the sub-elements of costs, quality and on-time delivery that were highlighted by South African automotive component suppliers in this research:

Table 18: The influence of costs, quality and on-time delivery

Costs Influence	Quality Influence	On-time Delivery Influence
Reduction of production costs	Ensure product performance as expected	Quick and short delivery time
Reduction of Labour costs	Produce product with expected durability	Ensure that delivery due dates are met.
Reduction of manufacturing overheads	Produce product with expected reliability	Short production lead time
Reduction of material and logistics costs	Compliance to design specifications	Reduce production cycle time
Improving productivity and capacity utilisation	Product serviceability – ease to service product	Follow just-in-time production schedule
Monitoring of direct product costs or price	Customer expectation – promptness in responding to customer complaints.	Delivery the right quantities at the right time as per the agreed contract

Source: generated by the researcher

Moreover, the findings in this study also highlight the importance of collaborative and/or long-term relationships between the South African automotive component suppliers and their customers or automotive OEMs. This is confirmed by the automotive suppliers where they state that their relationship with automotive OEMs is not based on the final transaction price but it is a collaborative relationship which is long-term oriented. According to South African automotive component suppliers, automotive vehicle manufacturers in South Africa want a sustainable relationship that provides value in their business over a long period. Walter, Ritter, and Gemunden (2001) state that the main objective for suppliers and their customers to engage in a long-term

relationship is to collaborate in a manner that creates value. This is supported by the industrial marketing research literature where it is stated that, in this long-term relationship, the suppliers are treated as an extension of their customers' manufacturing operations. The boundaries are also blurred in this collaborative relationship as both parties are beneficiaries (Baraldi, Proenca, Proenca, & Mota de Castro, 2014). In addition to the above, the findings of this study also linked the collaborative relationship with relationship marketing. It is stated in the industrial marketing literature that relationship marketing involves teamwork between the suppliers and their customers and it underlines the significance of lowering costs; offering high quality products and on-time delivery to customers by ensuring efficiencies in the entire supply value chain operation (Šonková, 2015).

Finally, the findings of this research also highlight the importance of global competitiveness in the South African automotive industry. As stated in chapter one, South African OEMs are international companies. They are directly subjected to global market conditions which constrain or drive profitability or growth. Based on this, these OEMS are forced to engage on continuous cost cutting missions to lower their prices through efficiency or operational improvements, high quality productivity and placement of their production plants closer to their main customers in order to circumvent high logistics costs and ensure delivery on time. The South African automotive component manufacturers in this study have confirmed that they are not immune to the above-mentioned global market conditions. It is in this instance that they confirm that they are expected to perform at globally competitive levels in terms of 'costs, quality and on-time delivery' in order to sustain or maintain their relationship with their customers.

6.3. Recommendations

This study has highlighted costs, quality and on-time delivery as predictors or mediators of the South African Automotive component suppliers' customer relationship. Understanding the importance of costs, quality and on-time delivery is critical for the South African Automotive component suppliers. The pressure from global automotive manufacturers for the delivery of low cost and high quality products or components at the right time or at due date from suppliers is very high. Based on the above, it is therefore recommended that the senior operations and industrial marketing managers of the South African Automotive component suppliers incorporate these competitive priorities as some of the pillars of their supply chain and industrial marketing strategy. In this way, these competitive priorities can be utilised as drivers for decisions related to manufacturing production, labour, capacity, equipment or technology, material and logistics, manufacturing overheads, quality, delivery schedules and business development or customer relationship management. The reason for this is that there is an obligation for all key stakeholders from operations to business development or marketing department to work together to meet customer expectations. This implies that the South African automotive component suppliers need to be customer focused or market oriented if they are to be globally competitive in this automotive environment.

The second recommendation to the South African automotive component suppliers' senior automotive executives is the communication of these automotive competitive priorities (cost, quality and on-time delivery) to all the employees in their organisations. The findings in this study indicate that cost reduction, continuous improvement of quality and delivering on time to the customers are part of South African automotive component suppliers' manufacturing strategy. However, there is a need for internal marketing of these competitive priorities to all employees at all levels within the organisation. This will assist them in ensuring that there is a clear understanding of the importance of these competitive priorities throughout the organisation. It will also ensure what is called "strategic consensus". Strategic consensus happens when managers or employees at "different levels within a company agree on the

importance of competitive priorities such as cost, quality and on-time delivery” (Kathuria, Porth, Kathuria, & Kohli, 2010, p. 883)

In addition to the above, the findings of this study indicate that South African automotive component suppliers also operate in an ever-changing globally competitive environment. This means that their customers or OEMs will continue to demand more cost effective and high quality products or components to be delivered just in time and in the correct quantities. As their relationship hinges on meeting the above-mentioned global customer demands, it is recommended that the automotive component suppliers senior management continuously invest in skills upgrading or training. The focus of this training must be on financial and management accounting, lean manufacturing, management/supervisory skills and customer relationship management in a business-to-business environment. This training will assist in improving efficiencies and lowering costs as well as understanding and meeting customer needs or demands. The training will also consistently empower these automotive suppliers with the capability to adapt to the latest trends in manufacturing and industrial marketing.

6.4. Suggestions for further research

This study adopted a purposeful sampling which was suitable and beneficial for the research as specific senior executives of the automotive component manufacturers were interviewed in order to obtain an in-depth insight about the influence of costs, quality and on-time delivery on South African automotive component suppliers’ customer relationship. The study only used 15 respondents as it was based on qualitative research. It is therefore suggested that future research should use a quantitative research where a bigger pool of more than two hundred and fifty respondents can be interviewed in order to get views that are representative of the size of the automotive suppliers.

Secondly, this research only focused on the views of the South African automotive components manufacturers or suppliers. The future research must

also get the views of the senior management of the South African automotive original equipment manufacturers.

Thirdly, this study investigated the influence of only three components of competitive priorities. That is, costs, quality and on-time delivery. Flexibility and innovation are the latest additions in the definition of competitive priorities (Ward et al., 1998). In addition to this, the future research should also investigate whether these competitive priorities are equally important from the perspective of the automotive suppliers or OEMs. In other words, can they be ranked in their order of importance once selected as the organisation's focus or strategic choice.

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APPENDIX A: Actual Research Instrument

The University of Witwatersrand
Graduate School of Business Administration
Cell: 079 874 3777
Email: sabelo.gumede@hotmail.co.za
Date: August 2015



Dear Sir/Madam

RE: Request for a Research Interview

I am a post-graduate student at the University of Witwatersrand – Graduate School of Business Administration, undertaking a Master of Management in the field of Strategic Marketing. The topic of my research is “The influence of costs, quality and on-time delivery on South African automotive component suppliers’ customer relationship”.

In order to accomplish my research objectives, the focus of my interview will be on whether the following competitive priorities have any influence on South African automotive component suppliers’ customer relationship:

- Costs
- Quality
- On-time delivery

This is to kindly request you to allow me to have an interview with you. Your response will be of great value to the research.

Please be advised that your identity and feedback will be kept confidential.

Yours Sincerely

Cyril Gumede

STUDY SUPERVISOR

Jennifer Croll

The following section will be filled by the researcher during the interview. This questionnaire is strictly for research purpose only.

SECTION A: GENERAL INFORMATION

The section is asking your background information. Please indicate your answer by ticking (X) on the appropriate box.

A1 Please indicate your sector

Automotive Original Equipment Manufacturers (Assembler)	
Automotive Component Manufacturers (First tier supplier)	
Automotive Component Manufacturers (2 nd tier supplier)	

A2 Please indicate the location of your company

Gauteng Province	
KwaZulu Natal Province	
Eastern Cape Province	

A3 Please indicate your designation or position in the company

Director: Manufacturing	
Director: Operations	
Director: Purchasing	
General Manager: Plant Manufacturing or Operations	

General Manager: Purchasing or Logistics	
Manager: Plant or Production Operations	
Manager: Strategic Planning	
Manager: Purchasing or Logistics	
Other (Specify):	

A4 Which organizational structure does your company occupy?

Owner or Holding Company	
Subsidiary	
Subdivision or Branch	
Fully independent owned company	
Other (Specify):	

A5 Who are your target customers in South Africa?

Automotive original equipment manufacturers (Locally Assembling OEMs)	
Automotive first tier component suppliers	
Automotive aftersales market or wholesalers	
Fully independent owned company	

Export Market	
Other (Specify):	

SECTION B

The aim of this section is investigate the influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship."

1. The influence of Costs on South African automotive component suppliers' customer relationship.

- a. How influential is the reduction of production costs in your company and how does it affect your company's relationship with customers?
- b. What is the influence of material costs in your company? Is it key in your dealings with your customers?
- c. How does capacity utilization and labour productivity influence your company's relationship with customers?
- d. What is the impact of the costs of acquiring and storing products in your company? How does this influence on your customers?
- e. Is the actual price of your product key in your relationship with your customers?

2. The influence of Quality on South African automotive component suppliers' customer relationship."

- a. How are your product or components perceived by your customers in terms of quality?
- b. Is manufacturing a product with high performance part of your company's culture?
- c. How durable and reliable are your company's products? How influential is this in your relationship with your customers?
- d. Is your product serviceable in the market?
- e. What is the perception of your customer service and how important is this in your relationship with customers?
- f. How prompt is your company's response to your customer complaints?
- g. How important is your product's conformance to design specifications? And how does this affect your customers?
- h. What is the implication of not conforming to the required quality standards to your company in terms of customer relationship?

3. The influence of On-time Delivery on South African automotive component suppliers' customer relationship."

- a. What is the expected delivery time for your customers?
- b. Is delivery on due date or on-time delivery one of the clause in your company's contract with customers?
- c. Is production lead time a key priority in your company? How does this affect your customers
- d. What are the implications of on-time delivery non-conformance for your company in terms of customer relationship?

Appendix B

Consent Form adopted from the University of Bolton

(<https://www.bolton.ac.uk/Students/.../ResearchEthics/Forms/RE5.doc>)

The University of Witwatersrand
Graduate School of Business Administration
Cell: 079 874 3777
Email: sabelo.gumede@hotmail.co.za
Date: September 2015



RESEARCHER: Cyril Gumede

QUALIFICATION: Master of Management in the field of Strategic Marketing

RESEARCH TOPIC: The influence of costs, quality and on-time delivery on South African automotive component suppliers' customer relationship".

RE: COMPLETION OF CONSENT FORM

1. I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.

3. I agree to take part in the above study.

Note for researchers:

Include the following statements if appropriate, or delete from your consent form:

4. I agree to the interview / focus group / consultation being audio recorded

5. I agree to the interview / focus group / consultation being video recorded

6. I agree to the use of anonymised quotes in publications

Name of Participant

Date

Signature

Name of Researcher

Date

Signature