Developing a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business financing environment

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“For I know the plans I have for you declares the Lord, plans to prosper you and not to harm you, plans to give you hope and a future” – Jeremiah 29:11

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ABSTRACT

In the business-to-business (B2B) financing industry, financiers offering financing to SMEs are finding it increasingly difficult to attract new customers and to retain existing customers. One way of attracting and retaining customers is by creating superior customer satisfaction, as it is believed that customer satisfaction leads to loyalty which ultimately results in customer retention. Customer satisfaction could also be an important indicator as to whether customers would want to build long-term relationships with financiers. With the current tendency towards the standardisation of financing products and services, building and maintaining relationships with customers is becoming increasingly important as a way to distinguish financiers from their competitors and, concurrently, to ensure survival. However, not all customers want to build long-term relationships with financiers. It is therefore important that financiers should identify those customers who have positive relationship intentions and focus their marketing efforts on these customers.

The primary objective of this study was to develop a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business (B2B) financing environment. The descriptive research of this study is based on information gathered through quantitative, self-administered electronic surveys that were distributed among a South African financier's (Business Partners Limited) customer database. In total, 120 SME respondents participated in the study, resulting in a final realisation rate of 12%.

Results from this study indicate that the relationship intention measuring scale used in this study was valid and reliable in the B2B context within the financing environment. Results also show a significantly large positive relationship between respondents’ overall satisfaction and their loyalty towards Business Partners Limited (BPL), as well as a significantly large positive relationship between respondents’ loyalty and retention towards BPL. In addition, respondents with high relationship intentions showed higher overall satisfaction with loyalty and retention towards BPL than those respondents with moderate and low relationship intentions. Furthermore, the results indicated that respondents with moderate relationship intentions have higher overall satisfaction with BPL than those respondents with low relationship intentions. Respondents with moderate relationship intentions also displayed higher loyalty and retention towards BPL than those respondents with low relationship intentions.

The results furthermore showed positive linear relationships between respondents' relationship intentions and their overall satisfaction with BPL, between respondents' relationship intentions and their loyalty towards BPL, as well as between respondents' relationship intentions and their retention towards BPL. The results did not point to any clear parallels between respondents’
business size and their overall satisfaction, loyalty or retention. However, this study found positive relationships between respondents’ relationship intentions and their satisfaction, loyalty and retention. It is especially noteworthy that customers showing high relationship intentions overall, also showed a higher inclination to be satisfied, to be loyal and to become repeat customers (thus indicating retention).

It is therefore recommended that financiers should rather use their customers’ relationship intentions and not their business size as focus, because strong positive relationships exist between respondents’ relationship intentions and their overall satisfaction, loyalty and retention. It is furthermore recommended that financiers should focus their marketing efforts and spending on customers with high relationship intentions as these customers tend to show higher satisfaction, loyalty and retention than those customers with moderate and low relationship intentions.

Future research may consider using the relationship intentions measuring scale found to be valid and reliable in this study to other B2B contexts to determine the applicability thereof in other industries. Also, future research could consider testing the antecedents of relationship intentions, such as perceived brand equity, perceived organisation equity and perceived channel equity to determine the influence thereof on customers’ relationship intentions. Finally, the study can be replicated under financiers’ B2C customers to determine whether relationship intentions are also applicable to these customers in the financing environment.
OPSOMMING

Finansierders wat finansiering aan SME’s in die besigheid-tot-besigheids- (“B2B”) finansieringsindustrie bied, vind dit toenemend moeilik om nuwe klante te werf en bestaande klante te behou. Een manier om klante te verkry en te behou is om uithemende klantediens te lewer, aangesien klantetevredenheid na lojaliteit lei en op sy beurt tot klanteretensie aanleiding gee. Klantetevredenheid kan ook ‘n belangrike aanwyer wees van klante se voorname om langtermynverhoudings met finansierders te bou. Met die huidige neiging na die standaardisering van finansieringsprodukte en -dienste, is die bou en instandhouding van verhoudings met klante toenemend belangrik as ‘n manier vir finansierders om hulself van hul mededingers te onderskei, en sodoende hul oorlewing te verseker. Alle klante stel egter nie belang daarin om ‘n langtermynverhouding met hul finansierders te bou nie. Dit is derhalwe belangrik dat finansierders moet onderskei tussen daardie klante wat ‘n verhouding wil bou (dus, diegene met verhoudingsvoornemens) en dié wat nie daarin belangstel nie, en om bemarkingspogings op klante met verhoudingsvoornemens te rig.

Die primêre doelwit van hierdie studie was om ‘n klanteretensieraamwerk daar te stel deur die invloed van verhoudingsvoornemens op klantetevredenheid, lojaliteit en retensie van SME’s in die besigheid-tot-besigheid finansieringsomgewing te bepaal. Die beskrywende navorsingskomponent van hierdie studie is gebaseer op inligting wat verkry is vanuit ‘n kwantitatiewe, self-geadministreerde elektroniese opname wat gebruik gemaak het van ‘n Suid-Afrikaanse finansierer (Business Partners Limited) se klantebasis. In totaal het 120 SME respondente deelgeneem aan die studie, wat in ‘n realiseringskoers van 12% gelewer het.

Die bevindinge van die studie dui daarop dat die verhoudingsvoornemensmeetskaal wat vir die studie gebruik is, geldig en betroubaar is in die besigheid-tot-besigheidskonteks binne die finansieringsomgewing. Die bevindinge het ook daarop gedui dat ‘n beduidende positiewe verhouding tussen respondentse se algehele tevredenheid en hul lojaliteit jeens Business Partners Limited (BPL), sowel as ‘n beduidende groot positiewe verhouding tussen respondentse se lojaliteit en retensie teenoor BPL. Hiermee tesame het die respondentse met hoë verhoudingsvoornemens hoër algehele tevredenheid met lojaliteit en retensie teenoor BPL getoon, teenoor respondentse met matige en lae verhoudingsvoornemens. Verder is daar bevind dat respondentse met matige verhoudingsvoornemens hoër algehele tevredenheid, lojaliteit en retensie jeens BPL toon as respondentse met lae verhoudingsvoornemens.

Die bevindinge het verder getoon dat ‘n positiewe liniêre verhouding bestaan tussen respondentse se verhoudingsvoornemens en hul algehele tevredenheid met BPL, asook wat betref respondentse se verhoudingsvoornemens en hul lojaliteit teenoor BPL; en tussen
respondente se verhoudingsvoornemens en hul retensie teenoor BPL. Die bevindinge kon geen ooglopende verhouding vasstel tussen respondente wat ondernemings van verskillende groottes verteenwoordig aan die een kant, en algehele tevredenheid, lojaliteit en retensie aan die ander kant nie. Daar is wel positiewe verhoudings gevind tussen respondente se verhoudingsvoornemens en hul tevredenheid, lojaliteit en retensie. Dit is opmerklik dat klante met hoë verhoudingsvoornemens algeheel ‘n hoër geneigdheid getoon het om tevrede, lojaal en ‘n herhaalde (retensie-) klante te word.

Daarom word aanbeveel dat finansierders eerder hul bemarkingspogings fokus op klante se verhoudingsvoornemens en dat hul nie die grootte van klante se ondernemings as onderskeidingsmaatstaf gebruik nie, omdat daar ‘n sterk positiewe verhouding tussen respondente se verhoudingsvoornemens en algehele tevredenheid, lojaliteit en rentensie bestaan. Verder word aanbeveel dat finansierders alle bemarkingsinisiatiewe en besteding fokus op klante met hoë verhoudingsvoornemens, omdat hierdie klante hoër vlakke van tevredenheid, lojaliteit en rentensie toon in vergelyking met klante met matige en lae verhoudingsvoornemens.

Toekomstige navorsing kan oorweeg om die verhoudingsvoornemensmeetskaal wat in hierdie studie geldig en betroubaar bevind is, in ander besigheid-tot-besigheidskontekste te toets om die toepasbaarheid daarvan in ander industrieë te bepaal. Ook kan toekomstige navorsing fokus daarop om die invloed van ander aspekte wat verhoudingsvoornemes voorafgaan, soos waargenome handelsmerkekweit, waargenome organisasie-ekwiteit en waargenome kanaalekwiteit (“channel equity”) op klante se verhoudingsvoornemens te bepaal. Laastens kan die studie gedupliseer word in die konteks van ander finansierders se besigheid-tot-klante (“B2C”) met die oog daarop om vas te stel of verhoudingsvoornemens ook van toepassing is op hierdie klante in die finansieringsomgewing.
LIST OF KEY TERMS AND DEFINITIONS

- **Relationship intention**

  Relationship intention is “willingness of a customer to develop a relationship with a firm while buying a product or a service attributed to a firm, a brand, and a channel” (Kumar, Bohling & Ladda, 2003:667).

- **Customer satisfaction**

  Customer satisfaction is described as: “customers’ feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or corollary) in relation to their expectations” (Kotler & Keller, 2007:66). Satisfaction also refers to a customer’s evaluation of the degree to which a product or service has fulfilled a need or goal, resulting in a pleasurable state of mind (Oliver 1999, quoted in Nijssen & Van Herk, 2009:96).

- **Customer loyalty**

  Loyalty can be viewed as continuation or repetitive sales, either as a result of benefits offered to attract customers by means of incentives or as a result of a deeply held commitment towards the business or both (Kotler & Armstrong, 2008:20; Pont & McQuilken, 2005:347).

- **Customer retention**

  Customer retention refers to the process of retaining fewer, but more profitable customers, based on loyalty and mutual commitment (Christopher et al., 2004:6-7; Little & Marandi, 2005:27).

- **Small and medium enterprises (SMEs)**

  SME refers to Small and Medium Enterprises – more specifically, these enterprise sizes can be viewed as: micro; very small; small; medium. In South Africa, SMEs are categorised on the basis of number of employees, sales volume and value of assets (Cronjé et al., 2004:45). SMEs are accordingly characterised as businesses with fewer than 200 employees. Small enterprises employ fewer than 50 employees, while medium enterprises employ between 50 and 200 employees (Nieman, 2006:9). Generally, a SME has an annual turnover of less that R5 million and capital assets of less than R2 million (Strydom et al., 2002:314; Cronjé et al., 2004:45; Nieman, 2006:9). From a qualitative point of view, a general requirement is that the owner must be part of the management of the business (Cronjé et al., 2004:45).
• **Financiers**

A financier is a person or business who makes an investment in a business and/or lends money to a business. Usually this involves large sums of money. Such an investment also typically entails a combination of private equity and venture capital (Covas & Den Haan, 2012:1266; Fatoki & Odeyemi, 2010:128). It can also include mergers and acquisitions as well as a blend of investment banking, management buyouts; corporate finance, or asset management (Moore Stephens, 2013; Covas & Den Haan, 2012:1266; Fatoki & Odeyemi, 2010:128). The investment is paid back with interest and backed with collateral of some form (Covas & Den Haan, 2012:1266). In this study, financiers refer to debt financiers and equity financiers as the two main sources of finance to SMEs in South Africa (Fatoki & Odeyemi, 2010:128).

• **The South African financing industry**

The financial services industry in South Africa that specifically provides finance to SMEs mainly comprises the public sector, the commercial banking sector, donors, Non-Government Organisations (NGOs) and the private sector (UCS, 2011:44). Although different sources of finance for SMEs exist, in most countries the commercial banking sector (as debt financiers) and equity financiers are the main source of finance to such enterprises (The Banking Association of South Africa, 2013). Debt financing can be defined as a means (in the form of a loan) of lending money that is repayable with interest over a period of time. The lender does not gain ownership in the business; however, collateral is required to secure the amount borrowed after the borrower and lender have agreed on an amount and borrowing rate (Covas & Den Haan, 2012:1266; Fatoki & Odeyemi, 2010:13). Equity financing, in contrast, describes a process whereby money is exchanged for a share of the business and therefore allows the business to obtain funding without incurring debt, so that it does not have to pay back a specific amount at any particular time (Covas & Den Haan, 2012:1264).
Table of Contents

ACKNOWLEDGEMENTS ................................................................................................................ I

ABSTRACT ................................................................................................................................. III

OPSOMMING ........................................................................................................................... V

LIST OF KEY TERMS AND DEFINITIONS .............................................................................. VII

CHAPTER 1: CONTEXTUALISATION OF THE STUDY ................................................................. 1

1.1 INTRODUCTION .................................................................................................................. 1

1.2 BACKGROUND TO THE STUDY ....................................................................................... 1

1.3 OVERVIEW OF SMEs AND THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA ......................................................................................................................... 3

1.4 PROBLEM STATEMENT ...................................................................................................... 11

1.5 OBJECTIVES OF THE STUDY ........................................................................................... 12

1.6 RESEARCH METHODOLOGY ............................................................................................ 14

1.7 CHAPTER OUTLINE .......................................................................................................... 16

1.8 CONCLUSION ..................................................................................................................... 18

CHAPTER 2: CONCEPTUAL AND THEORETICAL DEVELOPMENTS IN RELATIONSHIP MARKETING .................................................................................................................... 19

2.1 INTRODUCTION ................................................................................................................ 19

2.2 DEFINITION AND DEVELOPMENT OF RELATIONSHIP MARKETING .................. 19

2.3 CONCLUSION ..................................................................................................................... 52

CHAPTER 3: RELATIONSHIP INTENTION ............................................................................ 54

3.1 INTRODUCTION ............................................................................................................... 54

3.2 RELATIONSHIP INTENTION ........................................................................................... 55

3.3 CONSTRUCTS OF RELATIONSHIP INTENTION ............................................................. 57
3.4 CONCLUSION .................................................................................................................. 80

CHAPTER 4: CUSTOMER SATISFACTION, SATISFACTION DRIVERS AND OVERALL SATISFACTION .......................................................................................................................... 82

4.1 INTRODUCTION ................................................................................................................... 82

4.2 THE DISTINCTION BETWEEN CUSTOMER SATISFACTION AND OVERALL SATISFACTION ................................................................................................................................. 83

4.3 CUSTOMER SATISFACTION DEFINED ............................................................................... 84

4.4 OVERALL SATISFACTION ..................................................................................................... 92

4.5 CONCLUSION ...................................................................................................................... 106

CHAPTER 5: LOYALTY AND RETENTION .................................................................................... 107

5.1 INTRODUCTION ................................................................................................................... 107

5.2 LOYALTY DEFINED ............................................................................................................. 107

5.3 CATEGORIES OF LOYALTY ................................................................................................ 113

5.4 TYPES OF LOYALTY ........................................................................................................... 116

5.5 RELATIONSHIP LADDER OF LOYALTY ............................................................................ 117

5.6 CUSTOMER RETENTION ................................................................................................... 118

5.7 BENEFITS OF CUSTOMER RETENTION ........................................................................... 125

5.8 CONCLUSION ...................................................................................................................... 127

CHAPTER 6: RESEARCH METHODOLOGY .............................................................................. 129

6.1 INTRODUCTION ................................................................................................................... 129

6.2 MARKETING RESEARCH .................................................................................................. 129

6.3 THE MARKETING RESEARCH PROCESS .......................................................................... 132

6.4 CONCLUSION ...................................................................................................................... 167

CHAPTER 7: RESULTS .............................................................................................................. 169
List of Tables

Table 1.1: Classification of SMEs in South Africa.................................................. 5
Table 1.2: Summary of the research population and sample .............................. 15
Table 2.1: The development of relationship marketing theory .......................... 20
Table 3.1: Differences between transactional and relational approach ............. 56
Table 3.2: Customers’ involvement as a requirement for relationship marketing success............................................................................................................. 61
Table 4.1: Distinction between customer satisfaction and overall satisfaction .... 83
Table 4.2: Definitions of customer satisfaction ...................................................... 84
Table 4.3: Summary of factors contributing to overall satisfaction ................. 106
Table 5.1: Definitions of loyalty ........................................................................... 108
Table 5.2: Distinctions between attitudinal and behavioural loyalty ............... 113
Table 5.3: Overview of loyalty ............................................................................ 115
Table 5.4: Summary of definitions of customer retention ............................... 119
Table 6.1: An overview of the marketing research process proposed by various authors............................................................................................................. 133
Table 6.2: Differences between qualitative and quantitative research ............ 141
Table 6.3: Comparison of various survey types ............................................... 144
Table 6.4: Summary of differences between various questionnaire types ......... 146
Table 6.5: A distinction between the various scales of measurement .......... 148
Table 6.6: Parallel between research objectives, questionnaire section and research proposal ........................................................................................................ 151
Table 6.7: Comparison of probability sampling techniques ......................... 157
Table 6.8: Sample plan for this study ................................................................ 159
Table 6.9: Summary of reliability estimates ................................................................. 160
Table 7.1: Realisation rate .......................................................................................... 170
Table 7.2: Sample profile .......................................................................................... 172
Table 7.3: Reclassification of respondents selecting “other” industry operation ....... 174
Table 7.4: Final classification of respondents according to the industry of operation... 175
Table 7.5: Categorising respondents according to business size ............................. 177
Table 7.6: Confirmation of the factors measuring relationship intentions ............... 179
Table 7.7: Cronbach’s alpha values associated with the relationship intentions factors .................................................................................................................. 183
Table 7.8: Overall relationship intentions mean score .............................................. 183
Table 7.9: Categorisation of respondents according to level of relationship intentions .................................................................................................................. 184
Table 7.10: Effect sizes of expectations factor and overall relationship intentions according to business size .......................................................................................... 185
Table 7.11: Respondents’ expectations when choosing a financier ........................... 187
Table 7.12: Confirmation of the factor measuring Expectations ................................. 188
Table 7.13: Cronbach’s alpha values for the expectation factors .............................. 192
Table 7.14: Effect sizes of expectation factors when choosing a financier according to relationship intentions level .......................................................................................... 193
Table 7.15: Effect sizes of expectation factors when choosing a financier according to business size .................................................................................................................. 196
Table 7.16: Respondents’ satisfaction with BPL ......................................................... 198
Table 7.17: Effect sizes of satisfaction factors according to relationship intentions level .................................................................................................................. 199
Table 7.18: Effect sizes of satisfaction factors according to business size ............. 202
Table 7.19: Paired samples t-test when comparing expectations and satisfaction factors for the total sample ........................................... 204

Table 7.20: Paired samples t-test when comparing expectations and satisfaction factors based on relationship intentions ........................................... 206

Table 7.21: Descriptive statistics, p-values and d-values for different business sizes comparing respondents’ expectations when choosing a financier with satisfaction with BPL ........................................................................... 208

Table 7.22: Respondents’ overall satisfaction with BPL ........................................... 211

Table 7.23: Confirmation of the factor measuring overall satisfaction ........................................... 212

Table 7.24: Cronbach’s alpha value for the overall satisfaction factor ........................................... 212

Table 7.25: Mean score of the overall satisfaction with BPL measuring scale ........................................... 213

Table 7.26: Effect sizes of the overall satisfaction factor according to relationship intentions ........................................... 213

Table 7.27: Correlation between respondents’ relationship intentions and overall satisfaction with BPL ........................................... 214

Table 7.28: Effect sizes of the overall satisfaction factor according to business size ........................................... 215

Table 7.29: Respondents’ loyalty towards BPL ........................................... 216

Table 7.30: Confirmation of the factor measuring loyalty ........................................... 217

Table 7.31: Cronbach’s alpha value for the loyalty factor ........................................... 217

Table 7.32: Overall Loyalty mean score ........................................... 218

Table 7.33: Effect sizes of the loyalty factor according to relationship intentions levels ........................................... 218

Table 7.34: Correlation between respondents’ relationship intentions and loyalty towards BPL ........................................... 219

Table 7.35: Effect sizes of the loyalty factor according to business size ........................................... 220
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.36</td>
<td>Correlation between respondents’ overall satisfaction and loyalty towards BPL</td>
<td>220</td>
</tr>
<tr>
<td>7.37</td>
<td>Respondents’ retention towards BPL</td>
<td>222</td>
</tr>
<tr>
<td>7.38</td>
<td>Confirmation of the factor measuring retention</td>
<td>223</td>
</tr>
<tr>
<td>7.39</td>
<td>Cronbach’s alpha value for the retention factor</td>
<td>223</td>
</tr>
<tr>
<td>7.40</td>
<td>Overall retention mean score</td>
<td>224</td>
</tr>
<tr>
<td>7.41</td>
<td>Effect sizes of the retention factor according to relationship intentions</td>
<td>224</td>
</tr>
<tr>
<td>7.42</td>
<td>Correlation between respondents’ relationship intentions and retention towards BPL</td>
<td>225</td>
</tr>
<tr>
<td>7.43</td>
<td>Effect sizes of the retention factor according to business size</td>
<td>226</td>
</tr>
<tr>
<td>7.44</td>
<td>Correlation between respondents’ loyalty towards BPL and retention towards BPL</td>
<td>226</td>
</tr>
<tr>
<td>7.45</td>
<td>Correlation between respondents’ overall satisfaction and loyalty towards BPL</td>
<td>220</td>
</tr>
<tr>
<td>7.46</td>
<td>Respondents’ retention towards BPL</td>
<td>222</td>
</tr>
<tr>
<td>7.47</td>
<td>Confirmation of the factor measuring retention</td>
<td>223</td>
</tr>
<tr>
<td>7.48</td>
<td>Cronbach’s alpha value for the retention factor</td>
<td>223</td>
</tr>
<tr>
<td>7.49</td>
<td>Overall retention mean score</td>
<td>224</td>
</tr>
<tr>
<td>7.50</td>
<td>Effect sizes of the retention factor according to relationship intentions</td>
<td>224</td>
</tr>
<tr>
<td>7.51</td>
<td>Correlation between respondents’ relationship intentions and retention towards BPL</td>
<td>225</td>
</tr>
<tr>
<td>7.52</td>
<td>Effect sizes of the retention factor according to business size</td>
<td>226</td>
</tr>
<tr>
<td>7.53</td>
<td>Correlation between respondents’ loyalty towards BPL and retention towards BPL</td>
<td>226</td>
</tr>
<tr>
<td>8.1</td>
<td>Linking objectives, questionnaire, main findings, conclusions and recommendations</td>
<td>260</td>
</tr>
</tbody>
</table>
List of Figures

Figure 3.1: Framework of discussion on relationship intention ........................................ 57
Figure 3.2: Service recovery process .............................................................................. 75
Figure 3.3: Customers’ perceptions of switching costs ..................................................... 78
Figure 4.1: Instrumental and interpersonal factors influencing overall satisfaction with a business relationship ....................................................................................... 94
Figure 5.1: Four categories of loyalty ............................................................................. 114
Figure 5.2: Relationship ladder of loyalty ..................................................................... 118
Figure 5.3: The relationship life-cycle ........................................................................... 121
Figure 5.4: The phases from acquisition to retention ..................................................... 122
Figure 6.1: Determining when to conduct marketing research ..................................... 131
Figure 6.2: The marketing research process .................................................................. 134
Figure 6.3: Types of research designs .......................................................................... 136
Figure 6.4: Types of secondary data sources ................................................................. 139
Figure 6.5: Distinction between various quantitative and qualitative approaches ........ 141
Figure 6.6: Procedure for developing a questionnaire ................................................... 145
Figure 6.7: The sampling process ................................................................................ 153
Figure 8.1: Framework depicting the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier. ................................................................. 259
CHAPTER 1: CONTEXTUALISATION OF THE STUDY

1.1 INTRODUCTION

The aim of this chapter is to present the research problem within the appropriate contextual setting. Also, the current chapter explains how the problem will be addressed in the course of the thesis. The chapter will commence by presenting the background to the study, followed by an overview of contextual information on the financial services industry in South Africa as well as SME customers. The problem statement and the primary and secondary objectives directing the study are provided next, followed by a brief overview of the methodology that guided the research. Chapter 1 concludes with a short overview of the chapters that comprise the thesis.

1.2 BACKGROUND TO THE STUDY

Many businesses invest in relationship marketing with a view to create, sustain, and enhance close relationships with their customers with the expectation that such relationships will give rise to greater satisfaction, repurchase intentions and therefore positive financial outcomes for these businesses (Mende, Bolton & Bitner, 2013:125). Not only does building relationships with customers result in improving customer value (Christopher, Payne & Ballantyne, 2004:821), but if successful, the establishment of long-term relationships could contribute towards sustained, increased profits to the business because satisfied customers are likely to spend more on other products offered by the business, and also tend to spread positive word-of-mouth (Rese, Hundertmark, Schimmelpfennig & Schons, 2013:305; Kruger & Mostert, 2012:41).

Nijssen and Van Herk (2009:96) explain that customer satisfaction can be viewed as a customer’s evaluation of the degree to which a product or service has fulfilled a need or goal, resulting in a pleasurable state of mind. Not only do successful businesses need to achieve superior customer satisfaction in order to survive, but striving towards greater levels of customer satisfaction is also important for a number of other reasons, including the notions that customer satisfaction is positively linked to customer loyalty and commitment, that satisfied customers spread positive word-of-mouth, and since highly satisfied customers are more forgiving, they also show greater tolerance for mistakes (Ndubisi & Wah, 2005:546). An increasing number of businesses are focusing on customer satisfaction with the ultimate aim of building long-term relationships between the customer and the business, to develop what is also known as loyalty in customers (Liang &
CHAPTER 1: Contextualisation of the study


Marketing scholars view the primary goal of relationship marketing as gaining and promoting loyalty (Homburg, Müller & Klarmann, 2011:808; Newell, Belonax, McCardle & Plank, 2011:308; Bodet, 2008:156). Loyalty can be conceptualised as repatronage over a period of time by a customer who chooses to support one business more often even though various competing alternatives exist (Egan, 2004:40). Businesses therefore need to do their utmost to convert customers to being loyal, in order to gain their commitment to one business (or brand) all the time (Kotler & Armstrong, 2008:190).

Businesses’ reward for creating loyalty is customer retention. Retaining customers is crucial because businesses that succeed in retaining their customers not only understand why certain customers defect, but they are also able to make appropriate adjustments to their future marketing strategies in order to retain existing customers (Evans, O’Malley & Patterson, 2004:288). Little and Marandi (2005:27) regard customer retention as a process aimed at keeping customers by winning their loyalty based on mutual commitment between the business and its customers. Businesses are increasingly directing their focus towards greater efforts at retaining existing customers due to the cost implication of acquiring new customers. Peelen (2005:239) supports this view by explaining that retention can be viewed as a means of holding on to customers by promoting customer loyalty. Benefits of focusing marketing efforts on customer retention include the fact that the business has already established a bond of trust with existing customers; it is therefore much easier to persuade these customers to increase their spending (Little & Marandi, 2005:13). Further benefits include increased profits, willingness of customers to pay price-premiums, up-selling and cross-selling and positive customer behaviour (Calik & Balta, 2006:136; Leverin & Liljander, 2006:235; Brink & Berndt, 2004:34; Evans et al., 2004:277).

However, although businesses can benefit from relationship marketing strategies aimed at increasing customer satisfaction, loyalty and ultimately retention, it does not necessarily follow that all customers would need or want to establish long-term relationships with businesses (Delport, Steyn and Mostert, 2011:278). Businesses should accordingly identify those customers who would like to establish long-term relationships with them: that is, customers with relationship intentions (Delport et al., 2011:278). Mende et al. (2013:125) and Kruger and Mostert (2012:41) concur that since some customers may show an indifference towards relationship-building efforts, businesses need to distinguish between different types of customers based on their relationship intentions.
CHAPTER 1: Contextualisation of the study

Kumar et al. (2003:668-667) have introduced the relationship intentions concept by defining it as: “the willingness of a customer to develop a relationship” with a business while buying a product/service or brand. Kumar et al. (2003:670) accordingly suggest five constructs that can be used to measure customers’ relationship intentions, namely: Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss. The importance of studying relationship intentions is lodged in the notion that relationship intentions moderate the association between lifetime duration (loyalty) and profitability, therefore enabling marketers to identify and predict the potential of customers to remain with the business for longer (Kumar et al., 2003:668-670). Thus, it makes sense for businesses to invest and build relationships with customers who show high relationship intentions.

The following section provides an overview of the financial services industry as well as SMEs in South Africa in order to provide the context of the current study. This discussion is followed by the problem statement that directs this study.

1.3 OVERVIEW OF SMEs AND THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

This study sets out to develop a framework for depicting the influence of SME customers’ relationship intentions based on their satisfaction with, loyalty to and potential retention to a financier. The financing industry (in a business-to-business or B2B context) was specifically chosen as this industry is situated within the broader service industry; it has been found that relationship marketing is generally more applicable and successful in service industries and the B2B environment where greater involvement from the side of the business is required due to perceived risk taken by customers (Palmatier, 2008:71; Osaki, 2007:79-80; Liang & Wang, 2005:65).

It is well-known amongst role-players in the industry, including economists, policy makers, economists, and business professionals, that SMEs are the driving force of economic growth (Fatoki & Odeyemi, 2010:128). Not only does a healthy SME sector contribute towards the economy by creating more job opportunities, growing exports and presenting innovation opportunities and entrepreneurship skills, that in turn generate higher manufacturing volumes, but the active role of SMEs especially in developing countries translates that they can be seen as the drivers through which growth intentions can be realised (Underhill Corporate Solutions)(UCS, 2011:7).

Regarding SMEs in South Africa, it is projected that there are between 2,4 and 6 million SMEs operating in the country (UCS, 2011:9). The UCS (2011:8) furthermore estimates that 91% of
recognised business entities in South Africa are SMEs, contributing between 52% and 57% towards the GDP and providing approximately 56% to 61% of private sector employment in the country (Fatoki & Odeyemi, 2010:128). Considering the importance of SMEs in the country’s economy, a closer look at SMEs in South Africa is required.

1.3.1 SMEs classification in South Africa


SMEs are furthermore classified according to business size (micro, very small, small and medium) based on a number of indicators including the their annual turnover, total number of full-time paid employees and total gross asset value (Nieman, 2006:5; The National Small Business Amendment Act of 2003, [26/2003]). The National Small Business Amendment Act of 2003 (26/2003) provides an official explanation of small business in South Africa covering all industries of the economy as well as all types of businesses (Nieman, 2006:4). The Act does not, however, stipulate which of these indicators (annual turnover, total number of full-time paid employees, total gross asset value or a combination of the indicators) should be used to determine the size of a business. Existing indicators (number of employees, turnover and/or total assets) therefore seem to be fairly arbitrary as the Act (26 of 2003 as amended) defines SMEs differently depending on the industry under scrutiny as well as by means of the business’ number of employees, annual turnover and gross asset value. Additionally, the indicators set for gross asset value differ from industry to industry in terms of the classification of the business as micro, very small, small and medium (Nieman, 2006:5; National Small Business Amendment Act of 2003 [26/2003]). For example, a business with a total gross asset value of R6 million (excluding property) that is classified under transport, storage and communications is categorised as a “medium” sized business, while a business within the mining and quarrying industry with the same gross asset value is categorised as a “small” business. Another example is that of a business operating in the catering, accommodation and other trade industries whose total turnover per annum is R6 million, in which case the business will be categorised as “small” whereas it would be categorised as medium if it operated in the agricultural industry. Table 1.1 provides an overview of the classification of SMEs in South Africa according to industry.
### Table 1.1: Classification of SMEs in South Africa

<table>
<thead>
<tr>
<th>Industry</th>
<th>Size or class</th>
<th>Total full-time equivalent of paid employees (Less than)</th>
<th>Total annual turnover (Less than)</th>
<th>Total gross asset value (fixed property excluded) (Less than)</th>
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</thead>
<tbody>
<tr>
<td><strong>Agriculture</strong></td>
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<td>Very small</td>
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<td>Micro</td>
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<tr>
<td><strong>Mining and Quarrying</strong></td>
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<td>Medium</td>
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<td>Micro</td>
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<td><strong>Manufacturing</strong></td>
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<td><strong>Electricity, Gas and Water</strong></td>
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<td>Medium</td>
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<td>Micro</td>
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<td><strong>Construction</strong></td>
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<td>Medium</td>
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<td><strong>Retail and Motor Trade and Repair Services</strong></td>
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<td>Medium</td>
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<td><strong>Wholesale Trade, Commercial Agents and Allied Services</strong></td>
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<td>Medium</td>
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<td>Small</td>
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<td><strong>Catering, Accommodation and other Trade</strong></td>
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<td>Medium</td>
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<td><strong>Transport, Storage and Communications</strong></td>
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<td><strong>Finance and Business Services</strong></td>
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<tr>
<td><strong>Community, Social and Personal Services</strong></td>
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In view of the relative vagueness of the criteria that are used for determining the size of a business, the number of employees will be used in this study to distinguish between business sizes. The reason for using the number of employees is because it is the only criterion identifying SMEs size that is consistent across all industries (with the exception of the agricultural industry, where SMEs with fewer than 10 employees are categorised as very small instead of fewer than 20 employees, as is the case with all the other industries, and where SMEs are categorised as medium with fewer than 100 employees instead of fewer than 200 employees, as is the case with other industries).

According to UCS (2011:33,36), SMEs have different needs in terms of funding and according to its business size, for example: when starting operations, SMEs usually rely on personal savings, own equity or friends and family for funding, while more established SMEs require debt or equity finance (UCS, 2011:33). Literature (Fatoki & Odeyemi, 2010:128; UCS, 2011:52) also indicates the so-called “financing gap” as a concern to SMEs. A “financing gap” refers to the notion that several SMEs cannot obtain finance from banks, equity financiers, capital markets or other providers of finance which if available to them could have been used productively (UCS, 2011:52; Fatoki & Odeyemi, 2010:128) (See paragraph 1.3.2(a) below). UCS (2011:51) also found that not only does this “financing gap” exist, but a “support gap” exists alongside the financing issue. Support in the form of mentorship, consultation and advice is fundamental for start-up business; this need underscores the idea that SMEs of different sizes have different needs in terms of financing and support.

The following section provides a brief overview of the challenges faced by SMEs in South Africa.

1.3.2 Challenges facing SMEs in South Africa

Against the background that SMEs constitute the backbone of a growing and efficient economy and are the drivers of job creation, it is essential to assess the challenges that SMEs are facing; not only to survive, but also to grow. In a study compiled by UCS (2013:68), SMEs listed the following aspects as the main challenges with which they have to deal:

(a) Access and cost of finance/ non availability of formal sector finance

Equity finance is often not available to new SMEs since venture capitalist often enters the business in the middle or later stages of its life-cycle. Only 3.8% (R1.1 billion) of venture capital funds is directed at SMEs, therefore making SMEs dependent on bank loans (debt finance). However, only 2% of new SMEs are able to access bank loans (UCS, 2013:68). Based on their research,
CHAPTER 1: Contextualisation of the study

FinScope (2010 as quoted by UCS, 2011:62) claim the following regarding the accessibility of funding to SMEs in South Africa:

- 41.8% of SMEs are financially excluded (the number of adults out of a certain population who don’t have access to any financial services/products and therefore rely on friends and family for assistance), i.e. they use none of the financial services and/or products to manage their business’ finances;

- It is most probable that small business owners will be financially excluded and therefore dependent on friends and family for financial assistance;

- Of those who are financially included (adults who have access to financial products), 15.3% (853,264) are informally serviced;

- Small business owners are most likely to use informal mechanisms (i.e. they have no formal bank accounts, no written employment contracts, or written rental agreements);

- Small business owners are more likely to use debt finance and associated bank services or products than non-bank services or products of which insurance and microfinance are examples;

- Collateral referring to assets pledged as security to a lender for payment of debt, is sometimes unavailable or insufficient and SMEs often lack sufficient own equity.

(b) Access and cost of electricity

SMEs cannot obtain electricity directly from Eskom and are therefore dependant on local authorities. Apart from a lack of service delivery in several municipal areas, the National Energy Regulator of South Africa (NERSA) has approved double digit increases for 2012/2013 which are predicted to be the norm over the next several years (UCS, 2013:68). Also, the lack of consistent electricity supply in many areas is a concern to SMEs (Dalberg & Morgan, 2012:4).

(c) An enabling environment

The lack of an enabling environment is a key barrier to growth for SMEs. Problems such as theft and crime are ranked among the largest limitations to growth for business owners. Labour regulations are often uncompromising, high minimum wages are compulsory for staff and these are often the consequence of demands with unions and strikes (UCS, 2013:68).
(d) Poor infrastructure

Poor infrastructure and/or limited availability of transport (Dalberg & Morgan, 2012:4) constitute another obstacle. Poor infrastructure, together with the condition of most roads throughout South Africa is a concern to SMEs as it is difficult to distribute products to and from suppliers.

Considering the difficulties in obtaining financing, Fatoki and Odeyemi (2010:130) and Dalberg and Morgan (2012:4) regard addressing the following aspects as fundamental if SMEs were to have proper access to financing:

(a) Lack of managerial competencies

Managerial competencies, in this sense referring to knowledge, skills, behaviours and attitudes that will contribute towards efficiency and effectiveness are often lacking. Also, a lack of skills and the absence of a well thought-through business plan are at times concerns that financiers note.

(b) Business information

Both business and financial information is used by financiers to evaluate the historical performance and future performance of the business. Due to the unavailability of such information, SMEs often struggle to obtain finance.

(c) Networking

Networking is often an overlooked requirement; however, it is fundamental for SMEs to secure good relationships with all stakeholders including financiers, suppliers and social relationships with entrepreneurs in their surroundings. Good networking skills can often be an effective way for SMEs to access external financing.

From this overview it is clear that obtaining finance could pose a significant challenge to South African SMEs. A brief overview of the South African financial industry, by considering SMEs, is subsequently presented.

1.3.3 The South African financing industry

The financial services industry in South Africa that specifically provides finance to SMEs mainly comprises the public sector, the commercial banking sector, donors, Non-Government Organisations (NGOs) and the private sector (UCS, 2011:44). Although different sources of finance
CHAPTER 1: Contextualisation of the study

for SMEs exist, in most countries (1) the commercial banking sector (as debt financiers) and (2) equity financiers are the main source of finance to these businesses (The Banking Association of South Africa, 2013). Debt financing can be defined as a means (in the form of a loan) of lending money that is repayable with interest over a period of time. The lender does not gain ownership in the business; however, collateral is required to secure the amount borrowed (Covas & Den Haan, 2012:1266; Fatoki & Odeyemi, 2010:13). Equity financing, in contrast, describes a process whereby money is exchanged for a share of the business and therefore allows the business to obtain funding without incurring debt, so that it does not have to pay back a specified amount at any particular time (Covas & Den Haan, 2012:1264).

An overview of commercial banks (as debt financiers) followed by an overview of equity financiers in South Africa is therefore warranted.

1.3.4 Commercial banks as debt financiers

For most countries, the main source of external (debt) finance for SMEs is the commercial banking sector (UCS, 2011:44). Dalberg and Morgan (2012:4) estimate that 47% of business owners use formal bank resources through commercial banks. According to the Bank Supervision Department Annual Report (2011:56) and The Banking Association of South Africa (2013), the South African Banking industry consists of 17 registered banks, two mutual banks (a financial institution commissioned by the government, operating without capital stock and ownership is granted to individuals who contribute to a common fund), 12 local branches of foreign banks, and 41 foreign banks with approved representative offices (UCS, 2011:44). Despite the variety of banks operating in the country, it is believed that the major role-players in terms of debt financing to SMEs in South Africa are the commercial banks, of which the top four are the most noteworthy, namely: Absa, Standard Bank, First National Bank (FNB) and Nedbank.

As indicated above, commercial banks remain one of the popular avenues for SMEs for obtaining finance. Some SMEs start off small, and therefore second bonds or refinancing of existing securities (internal equity) are often used as a quick and relatively inexpensive way of obtaining finance (Fatoki & Odeyemi, 2010:129). However, due to the high failure rate of approximately 75% of new SMEs in South Africa (Fatoki & Odeyemi, 2010:128), entrepreneurs are urged to consider other alternatives of financing. Equity financing is therefore regarded as one of the viable options available to SMEs and will accordingly be discussed.
CHAPTER 1: Contextualisation of the study

1.3.5 Venture funds as equity financiers

The main venture capital funds in South Africa are registered at the South African Venture Capital Association (SAVCA). Due to the substantial high minimum investments required by most venture capital funds, most SMEs do not qualify for equity investments. Therefore, SMEs are often compelled to seek debt finance offered by commercial banks in the form of bank loans, overdrafts and suppliers credit (Fatoki & Odeyemi, 2010:129). However, in terms of equity finance available, there are at least 83 venture capital funds (as a form of equity finance) in South Africa, controlling a total of R29 billion of which only 3.8% or R1.1 billion is directed exclusively at SMEs (KPMG and SAVCA, 2013; Fatoki & Odeyemi, 2010:129).

As indicated above, SMEs are fundamental to economic growth and are the main driver towards job creation. However, SMEs face several challenges of which access to affordable finance necessary in order to grow and expand is one of the most significant (UCS, 2011:32; Fatoki & Odeyemi, 2010:128). Financiers, on the other hand, find it difficult to offer finance to SMEs that are not creditworthy. Another reality facing financiers, significantly contributing to the risk offering finance to SMEs, is (as noted above) that approximately 75% of new SMEs in South Africa fail (Fatoki & Odeyemi, 2010:128). It is therefore becoming increasingly difficult for financiers to not only attract new SME customers, but also to retain those SMEs that survive. This is because surviving SMEs build credit records, thereby enabling them to obtain finance from a greater variety of financiers. It is therefore imperative for financiers to identify the most lucrative SMEs with a view to attract them and to build relationships with them in an effort to retain them.

1.3.6 Business Partners Limited (BPL)

BPL was initially established as the Small Business Development Corporation (SBDC) in 1981 with the aim to invest capital, skills and knowledge into viable entrepreneurial enterprises in South Africa and later also in Africa. Moving towards a new strategic direction the business was re-launched as Business Partners in 1998. BPL forms part of the 83 venture capital funds (mentioned in paragraph 1.3.5) and operates nationally with offices throughout each province. Since incorporation in 1981, the business has a footprint in African countries such as Madagascar, Kenya, Rwanda, Namibia, Malawi, Zambia and subsequently Zimbabwe. Although Mr Johan Rupert, chairman of Remgro Limited, resigned as chairman of BPL in August 2011, Remgro Limited remains the single biggest shareholder of BPL, owning 42.5% of the issued shares of BPL.
BPL’s investment in SMEs at the end of 2012/13 financial year amounted to R2,2 billion. During the 2012/13 financial year, 331 investments to the value of R891,7 million were approved. BPL holds ISO 9001:2008 accreditation and was the first business in the financial service industry in South Africa to be certified with ISO accreditation (BPL Annual Report, 2011:33). Approximately 173 000 594 BPL shares are issued of which 152 892 315 (88.3%) are kept by the top 10 investors (BPL Annual Report, 2013:34). These investors include: Remgro Limited, Small Enterprise Finance Agency (SOC) Limited, Old Mutual Life Assurance Company (South Africa) Limited, ABSA Group Limited, Nedbank Limited, FirstRand Limited, Standard Bank Investment Corporation Limited, SABSA Holdings Limited, Barloworld Limited and South African Distilleries and Wines (SA) Limited (BPL Annual Report, 2013:34).

1.4 PROBLEM STATEMENT

In the process of attempting to become the service provider of choice, financiers in South Africa are experiencing significant pressure to retain their SME customers and to improve long-term profitability in an industry marked by fierce competition (Coetzee, Van Zyl & Tait, 2013:2). Increasing and continued competition are linked to the fact that it is difficult to establish a clear differential between products and services offered by financiers (Jesri, Ahmadi & Fatehipoor, 2013:305). Relationship marketing seems to be a good mediator between businesses and their customers, and can be used to retain key customers effectively by promoting repeat purchase behaviour that will result in customer retention. In this sense, relationship marketing is the vehicle that can offer more than just economic benefits as it can also promote loyalty (Little & Marandi, 2005:27).

The foundations of relationship marketing are lodged in creating superior customer value that if achieved, will lead to highly satisfied customers who will remain loyal and therefore buy more from the business (Kruger & Mostert, 2012:41; Kotler & Armstrong, 2008:19). Also, relationship marketing offers an opportunity for businesses to retain their customers by gaining their loyalty (Little & Marandi, 2005:26). Liang and Wang (2007:336) and Evans et al. (2004:288) therefore suggest that an interrelationship exists between customer satisfaction, loyalty and retention.

One way of achieving higher levels of customer satisfaction is to implement a relationship marketing strategy (Kruger & Mostert, 2012:41; Osaki, 2007:79-80; Liang & Wang, 2005:65). Customer satisfaction, in turn, is an essential pre-cursor as to whether customers may want to consider a long-term relationship with businesses (Cooil, Keiningham, Aksoy and Hsu, 2007:67; Krepapa, Berthon, Webb & Pitt, 2003:199). Customer satisfaction can pave the way towards loyalty
and ultimately retention (Aksoy, Keiningham & Bejou, 2008:3-4; Liang & Wang, 2005:156). The challenge for financiers interacting with SMEs is to distinguish between customers who want to pursue a relationship with the financier (showing relationship intentions) and those who do not, and to focus all relationship marketing efforts and spending on those customers who signal relationship intentions (Palmatier, 2008).

Kumar et al. (2003:668-670) have introduced five constructs for measuring business customers’ relationship intentions, namely Involvement, Expectations, Forgiveness, Feedback and Fear for loss in relationship. However, when these proposed relationship intentions measuring scale was tested in South African studies in a business-to-consumer setting (B2C), it was found that the proposed measure was not reliable (De Jager, 2006 in the short-term insurance industry); Mentz, 2007 in the motor industry). An adapted version of Kumar et al.’s (2003:675) measuring scale by Delport (2009) (in the banking and life insurance industry), also in a B2C context, still yielded reliability issues. Subsequent adaptations to the measuring scale by Kruger (2010:234) among South African cell phone network providers resulted in a valid and reliable relationship intentions measure within a B2C context.

To the researcher’s knowledge, relationship intentions have not been tested in a B2B context in South Africa, nor has the influence thereof on customers’ satisfaction, loyalty and retention been investigated. The aim of this study is therefore to determine the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention in a B2B financing environment.

1.5 OBJECTIVES OF THE STUDY

1.5.1 Primary objective

The primary objective of the study is to develop a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business (B2B) financing environment.

1.5.2 Secondary objectives

In order to achieve the primary objective, the following secondary objectives were formulated, namely to determine:

(1) the reliability and validity of the relationship intentions measuring scale used in the study in the B2B context;
CHAPTER 1: Contextualisation of the study

(2) SME customers’ satisfaction with their financier in particular as compared to their expectations when choosing a financier;

(3) the relationship between SME customers’ overall satisfaction with their financier and their loyalty towards their financier;

(4) the relationship between SME customers’ loyalty towards their financier and their retention towards their financier;

(5) the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier;

(6) the influence of SME customers’ business size on their satisfaction, loyalty and retention towards their financier;

In addition, to these secondary objectives, the following was also included:

(7) the development of a framework depicting the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier.

1.5.3 Research propositions

The follow research propositions were derived from the literature review and the objectives formulated for the study:

$P_1$: SME customers’ relationship intentions influence their overall satisfaction with BPL;

$P_2$: SME customers’ relationship intentions influence their loyalty towards BPL;

$P_3$: SME customers’ relationship intentions influence their retention towards BPL;

$P_4$: There is a positive correlation between SME customers’ overall satisfaction with BPL and their loyalty towards BPL;

$P_5$: There is a positive correlation between SME customers’ loyalty towards BPL and their retention towards BPL.

$P_6$: SME customers’ relationship intentions and not their business size influence their overall satisfaction with, loyalty and retention towards BPL.
1.6 RESEARCH METHODOLOGY

The objective of section 1.6 is to provide an outline that explains how this study is conducted. An in-depth discussion on the research methodology followed in this study is presented in Chapter 6.

1.6.1 Research design

In this study, descriptive research was used. Descriptive research entails, in essence, the description of the characteristics of the population or phenomena and to answer questions such as “who, what, when and how” (Zikmund & Babin 2010:51; Parasuraman, Grewal & Krishnan 2007:64; Cooper & Schindler, 2003:161). Descriptive research is based on an existing understanding on the nature of the research problem, although this problem needs to be convincingly motivated.

1.6.2 Questionnaire design and pretesting

A quantitative research approach was followed in order to collect the primary data. The data was collected by means of an electronically delivered, self-administered survey method (see section 6.3.3.2.2), which required a structured questionnaire. The questionnaire was designed and pretested by distributing it to 12 SME respondents known to the researcher in order to have a telephonic discussion about possible shortcomings and/or uncertainties. The final questionnaire used in the study (see Annexure A) is discussed in greater detail in section 6.3.3.4.

1.6.3 Target population, sampling and data collection

Other institutions offering finance to SMEs (i.e. commercial banks) were approached to use their customer database for the purposes of this study. These institutions were, however, not willing to share any customer information with the researcher. The researcher, however, had access to the database of SME customers at BPL. It was decided to use BPL because they are a role-player as financier in the SME market and offer a combination of debt and equity finance accompanied by support (mentorship and post investment support) to SMEs in South Africa. BPL was furthermore chosen since they are a leading financier to SMEs throughout South Africa and Africa (BPL, 2013) in all sectors of the economy including Management Buy-Outs (MBO), Management Buy-Ins (MBI), tourism, service industries, construction and property development, manufacturing, wholesale and retail. BPL’s operations, customer base and sectors in which their customers operate were therefore considered as representative of South African equity financiers serving South African
CHAPTER 1: Contextualisation of the study

SMEs. The target population for this study was therefore all BPL’s SME customers. Table 1.2 provides a summary of the research population and sample used in this study.

Table 1.2: Summary of the research population and sample

<table>
<thead>
<tr>
<th>Target population</th>
<th>1 497 BPL SME customers throughout South Africa as on 30 June 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample frame (working population)</td>
<td>BPL’s SAP database containing all customers’ information</td>
</tr>
<tr>
<td>Sampling procedure</td>
<td>A census was performed under BPL’s entire customer base</td>
</tr>
<tr>
<td>Sample size</td>
<td>1 028 BPL SME customers</td>
</tr>
<tr>
<td>Realistic sample size</td>
<td>993 BPL SME customers (based on successfully delivered emails with a link to the questionnaire)</td>
</tr>
<tr>
<td>Realised sample size</td>
<td>120 BPL SME customers</td>
</tr>
<tr>
<td>Sample elements</td>
<td>SME respondents throughout South Africa</td>
</tr>
</tbody>
</table>

For the purpose of this study, probability sampling was used since the researcher had access to BPL’s internal SAP database that contains all active customers’ information. Probability sampling implies that the sample was representative of the total population. *A census was conducted as all BPL’s SME customers* were invited to participate in the study. Because some of BPL’s customers are involved in more than one entity (for example, a member of a close corporation as well as a trustee at another entity), a decision was made to remove duplicated email addresses from the list, resulting in a final sample of 1 028 BPL customers. Of the 1 028 distributed emails inviting BPL customers to participate in the study, 993 were successfully delivered. The email distributed to the study population included a quick link (http://questionpro.com/t/AIx1nZNqRn) that would, if clicked on, redirect respondents to the website where the questionnaire was hosted (www.questionpro.com). Once the respondents clicked “submit” after completion, the questionnaire results were immediately recorded on the database. The researcher could therefore constantly monitor submitted results during the data collection period. Due to low response rates, the researcher sent five email requests (one original request and four reminders) inviting potential respondents to participate in the study (see section 8.5.2). In total, 120 respondents participated in the study, resulting in a final realisation rate of 12.09% (120/993).

1.6.4 Data analysis

The primary data collected from respondents were prepared and analysed. According to Aaker, Kumar, Day and Leone (2011:381), the quality of the results and the interpretation thereof depend on the preparation of the data in a format suitable for analysis. The statistical analysis of this study was performed with the assistance of the Statistical Consultation Services of the North-West University: Potchefstroom Campus by means of the SAS (SAS, 2007) and SPSS statistical
CHAPTER 1: Contextualisation of the study

programme (SPSS, 2007). The statistical analyses conducted during this study included frequencies, percentages, top and low two boxes scores, confirmatory factor analyses, determining reliability by means of Cronbachs’ alpha values, \(t\)-tests for independent groups, paired \(t\)-tests, one-way ANOVAs, Spearman Rank Order Correlations and Pearson correlations.

Based on the results obtained, a number of main findings could be reported from which propositions could be formulated and the secondary objectives formulated for the study could be addressed.

1.7 CHAPTER OUTLINE

The chapters of this thesis are structured as follows:

**Chapter 1: Contextualisation of the study**

Chapter 1 provides the background and motivation for the study. An overview of the financial service industry, a classification of SMEs in South Africa and challenges faced by SMEs are briefly discussed, followed by the problem statement. Next, the primary and secondary objectives are formulated, followed by a brief overview of the research methodology.

**Chapter 2: Conceptual and theoretical developments in relationship marketing**

In Chapter 2, relevant conceptual and theoretical developments in the field of relationship marketing are investigated. Various definitions of relationship marketing are analysed, and existing views on relationship marketing are perused while relationship marketing initiatives are identified. From this discussion, the elements and constructs for successful relationship marketing can be identified.

**Chapter 3: Relationship intention**

Chapter 3 is devoted to an exploration of relationship intentions. The chapter commences with a definition of relationship intentions followed by a discussion of the five constructs used to measure customers’ relationship intentions, namely Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss.

**Chapter 4: Customer satisfaction, satisfaction drivers and overall satisfaction**

Chapter 4 investigates the distinction between customer satisfaction and overall satisfaction. Dimensions, antecedents and benefits of customer satisfaction are dealt with. The notion of overall
CHAPTER 1:  Contextualisation of the study

satisfaction is defined and drivers of overall satisfaction are analysed in light of instrumental and interpersonal factors. The aim of this chapter is to investigate how satisfaction drivers can influence customers’ relationship intentions in increasing customer satisfaction.

Chapter 5: Loyalty and retention

Chapter 5 focuses on loyalty as a corollary of relationship marketing. Both attitudinal loyalty and behavioural loyalty are considered, as well as the influence of these on retention. First, a definition of loyalty is provided, followed by the categories of loyalty, the relationship ladder of loyalty followed by the outcome of loyalty, namely retention. Retention and the benefits of retention (both from the customer’s and the business’ point of view) are briefly considered.

Chapter 6: Research methodology

In Chapter 6, the research methodology used for the study is set out. The sequence of the research process guides the structure of this chapter, namely to:

(a) Identify the research problem and develop objectives,
(b) Determine the research design;
(c) Design the data collection method and formats;
(d) Design the sample and collection of data;
(e) Analyse and interpret the data.

This chapter also presents an outline of the questionnaire format, the type of questions and the study population. In addition, the various types of statistical analyses that will be used to interpret the data are discussed.

Chapter 7: Results

In Chapter 7 the results obtained are presented and interpreted. First, the realisation rate is reported; followed by the sample profile obtained in the study. Thereafter, the results are discussed by considering respondents’ relationship intentions, the focus of study. The main findings derived from the results are reported and the chapter concludes with a summary of the main findings from where propositions are formulated.
Chapter 8: Summary, conclusions and recommendations

Chapter 8 concludes the study. First, an overview of the study is given followed by conclusions drawn and recommendations made with reference to the primary and secondary objectives. A framework is proposed that presents the constructs investigated in the study followed by a link between the objectives, main findings and conclusions. The chapter concludes by reflecting on the limitations of the study and offering recommendations for future research.

1.8 CONCLUSION

This chapter serves as an introduction and overview of the problem that constitutes the focus of this study. The chapter commenced with background information, followed by an overview of SMEs and the financial services industry in South Africa. The problem statement, primary and secondary objectives were formulated, and a brief discussion of the research methodology was provided. The chapter concludes with an overview of the division of chapters included in the study.

The following chapters provide a detailed literature review regarding the key issues under investigation. Chapter 2 presents the theoretical developments in relationship marketing including the principles of relationship marketing from various sociological and psychological theories.
CHAPTER 2: CONCEPTUAL AND THEORETICAL DEVELOPMENTS IN RELATIONSHIP MARKETING

2.1 INTRODUCTION

Changes in customer behaviour and expectations (especially regarding the way marketing is perceived) and, concomitantly, increasing market competitiveness have compelled businesses to realise the importance of service – not only in service businesses, but also in terms of customer markets (Liang & Wang, 2006:119; Gounaris, 2003:2; Jordaan & Prinsloo, 2004:4). Furthermore, research has suggested that during business-to-business (B2B) exchanges, achieving a sale is not the means to an end but rather the beginning of a broad outcome, namely to build and sustain a long-term relationship with customers and therefore to promote future sales.

With a view to attaining this relationship building outcome, businesses need to determine which aspects have a bearing on customer’s willingness to strengthen ties with the business (Gounaris, 2003:2). This notion has given rise to an emphasis on the importance of the service component – also in product offerings, and has resulted in an approach centred on the customer. In this approach, attention is directed towards the customisation of products and towards exploring ways to utilise a positive service encounter in order to establish a personal relationship with the customer. In addition to this, businesses have also realised that the most important assets in any business are their customers (Peppers & Rogers, 2004:3). It should be noted that customers can be defined from an internal as well as an external perspective (Christopher et al., 2004:11-12). While the former refers to the relationship between the employer and the employee, the external perspective is indicative of the relationship between the employee and his or her customers, intermediaries, stakeholders and other role-players.

The concept that is introduced in this section is to be known as relationship marketing, which has developed from various theories and sciences. In the course of the current chapter, a number of theories from which the different definitions of relationship marketing have developed will be discussed. The development of relationship marketing will be discussed with reference to its origins in the pre-industrial era up until the way it is viewed at present. The discussion of these theories and definitions will culminate in the author’s definition of relationship marketing.

2.2 DEFINITION AND DEVELOPMENT OF RELATIONSHIP MARKETING

In the following section, a number of theories of relationship marketing will be identified as propounded by various authors in this field, also in conjunction with the diverse definitions
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

developed by each author(s) as presented in their respective time-periods. This section is summarised in Table 2.1 below.

Table 2.1: The development of relationship marketing theory

<table>
<thead>
<tr>
<th>Theory and/or source discipline</th>
<th>Key contribution</th>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional economics, sociology, and psychology</td>
<td>Integrated sociological and psychological factors into prevalent institutional economic perspectives of rational economic actors.</td>
<td>Berry (1983:3)</td>
<td>“Relationship marketing is attracting, maintaining and enhancing customer relationships”.</td>
</tr>
<tr>
<td>Exchange theory (sociology)</td>
<td>Redirected marketing thought by applying “exchange theory” to two key questions in marketing theory: 1) “Why do people and organisations engage in exchange relationships?” and 2) “How are exchanges created, resolved, or avoided?”</td>
<td>Grönroos (1994:6)</td>
<td>“Marketing aims to establish, maintain, enhance and commercialise customer relationships so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfilment of promises”.</td>
</tr>
<tr>
<td>Power and dependence theory (sociology)</td>
<td>Consistent with the criticality of “middlemen” to business, offered power/dependence between channel partners as the vital factor in understanding exchange relationship and performance.</td>
<td>Gummesson, 1996, (2006:3)</td>
<td>“Relationship marketing is seen as relationships, networks and interaction”.</td>
</tr>
<tr>
<td>Relational contracting theory (political science) and social exchange theory (sociology)</td>
<td>Integrated relational contracting theory with social exchange theory in a dynamic relationship framework. Proposed that relational norms have important roles in guiding relationship behaviour in business exchanges.</td>
<td>Martin-Consuegra, Molina &amp; Estebar (2006:100)</td>
<td>“Relationship marketing is defined from a relational contracts perspective which focuses strongly on the maintenance of the exchange relationship and can result in benefits such as social benefits, risk reduction, economic advantages and additional service.”</td>
</tr>
<tr>
<td>Transaction cost economics (economics)</td>
<td>Demonstrated that relationship governance can serve many of the same functions as vertical integration from a transaction cost perspective by suppressing opportunistic behaviour, reducing transaction cost and promoting performance-enhancing investments.</td>
<td>Parvatiyar &amp; Sheth (2000:3-5)</td>
<td>“Relationship marketing is an on-going process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost”.</td>
</tr>
<tr>
<td>Commitment-trust theory of relationship marketing (sociology and psychology)</td>
<td>Extended relationship marketing beyond customer seller interactions to offer a well-argued theory of relationship marketing that revolves around trust and commitment. This framework provided the default theoretical basis for the majority of relationship marketing research for the next decade.</td>
<td>Shani &amp; Chalasani (1992:34) Morgen &amp; Hunt (1994:22)</td>
<td>“Relationship marketing is an integrated effort to identify, maintain and build up a network with individual customers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualised and value-added contacts over a long period of time”. “Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges”.</td>
</tr>
</tbody>
</table>
The origins of relationship marketing can be traced back as far as 1950 (Bruhn, 2003:2). However, authors such as Palmatier (2008:10) claim that certain principles of relationship marketing were merely re-enforced during the early 1950s; the author suggests that this approach can be dated back as far as the pre-industrial age (see section 2.2.3). This becomes evident from the overview provided below, where will be indicated that the principles of relationship marketing have been adapted mainly from sociological and psychological theories. The development of each theory or source-discipline will be discussed accordingly.

<table>
<thead>
<tr>
<th>Theory and/or source discipline</th>
<th>Key contribution</th>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource-based-view of inter-firm relationships (management)</td>
<td>“Integrated social network theory to develop an inter-firm-specific relationship marketing framework, which shows that in addition to relationship quality (trust, commitment), two other relational drivers are key to understanding the impact of inter-firm relationships on performance: relationship breadth and composition”.</td>
<td>Christopher et al. (2004:80); Sheth &amp; Parvatiyar (1995:256)</td>
<td>The broadening of marketing to include relationships with a number of stakeholders or six market domains. This framework includes: (1) “Customer markets including existing and prospective customers and intermediaries”; (2) “Referral markets – these include two main categories, namely existing customers who recommend their suppliers to others and referral sources or “multipliers” such as an accounting firm who may refer work to a law firm”; (3) “Influence markets which include financial analysts, shareholders, the business press, government and consumer groups”; (4) “Employee markets that are concerned with attracting the right employees” to the business; (5) “Supplier markets that include traditional suppliers as well as organisations with which the business has some form of strategic alliance”; and (6) “Internal markets that relate to the businesses “internal departments and staff”. “Relationship marketing is a marketing orientation that seeks to develop close interactions with selected customers, suppliers and competitors for value creation through cooperative and collaborative efforts”.</td>
</tr>
<tr>
<td>Inter-firm relationship marketing based on social exchange and network theories (sociology)</td>
<td>Integrated social network theory to develop an inter-firm relationship marketing framework, which shows that in addition to relationship quality (trust, commitment), two other relational factors are key to comprehending the impact of inter-firm relationships on performance: relationship breadth and composition.</td>
<td>Richey, Skinner &amp; Autry (2007-27)</td>
<td>Relationship marketing is seen as inter-firm relationships which position successful commerce as inclusive of establishing, developing and maintaining successful relational business-to-business exchanges.</td>
</tr>
<tr>
<td>Micro-theory of inter-personal relationships (evolutionary psychology and sociology)</td>
<td>Integrated gratitude, norms of reciprocity and guilt merged into a dynamic model of intrapersonal relationship marketing based on an evolutionary or quasi-Darwinian perspective of relationships and cooperative behaviour.</td>
<td>Palmatier, (2008:14-15)</td>
<td>Relationship marketing is seen in terms of inter-personal relationships that describe integrated gratitude, guilt and norms of reciprocity merged into a dynamic model of intrapersonal relationship marketing.</td>
</tr>
</tbody>
</table>

Adapted from Bruhn (2003:10) and Palmatier (2008:14-15).
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

2.2.1 Institutional economics, sociology and psychology

According to Lambsdorff (2009:131), institutional economics focuses on understanding the role of human-made institutions such as individuals, businesses, states and social norms in shaping economic behaviour. Institutional economists were critical of American social, financial and business institutions during the 1950s and 1960s (Lambsdorff, 2009:131). Institutional economics is also referred to as new institutional economics; although different from this in political terms, it focuses on the roles that institutions play in reducing transaction costs (Lambsdorff, 2009:131). Reduction in transaction cost was a phenomenon of the industrial age where families formed alliances to improve buying power aimed at negotiating discount prices and in this manner reduce transaction costs (Palmatier, 2008:10). Bruhn (2003:25) considers the transaction cost theory as part of the neo-institutional paradigm which played a fundamental role in the theoretical foundations of relationship marketing. This paradigm analyses decisions of households and corporations under certain conditions similar to information security and rationality (Bruhn, 2003:19). Against this background, the roles of psychology and sociology became more prominent in analysing customer behaviour.

Sociology defines the understanding of human behaviour by placing it within its broader social context (Henslin, 2008:4). In this sense, the word “social” is regarded as linked to societal marketing, whereby marketing decisions are based on customer wants, business’ requirements as well as customers’ and society’s long-term interests (Kotler & Armstrong, 2008:11). Apart from these interests, economic welfare appears to be predicated on social well-being. Psychological research in the field of marketing science is conducted around customer buying behaviour.

“Customer buyer behaviour defines the behaviour of final consumers, individuals and households who buy goods for personal consumption”, according to Kotler and Armstrong (2008:131). In studying this kind of behaviour, marketers aim to investigate the influence of internal and external factors in buyer responses. Internal factors refer to the buyer’s so-called black box which comprises of two parts, namely:

- The customer’s characteristics that influence how they respond to stimuli;
- The buyer’s decision-making process and how this influences his or her behaviour (Kotler & Armstrong, 2008:130).

From a social, external point of view, reference groups, family as well as divergent roles and status levels are studied by marketers with a view to determine customers’ responses to product
offerings. These roles as outlined above play a significant role in shaping a customer and will influence his or her decision-making (Strydom et al., 2002:91; Kotler & Armstrong, 2008:130). It therefore becomes increasingly important to marketers to determine customers’ possible responses towards product offerings in a pro-active manner. If they were to succeed in determining external factors, the argument is that marketers could save substantial costs on marketing research and new product development.

Factors influencing psychological behaviour include motivation, perception and learning, as well as beliefs and attitudes (Martin-Consuegra et al., 2006:99; Strydom et al., 2002:84). Furthermore, marketers increasingly believe that surrounding influential parties play an important role in this regard, but the characteristics that each customer portrays can also influence behaviour. From this discussion, the theoretical foundation of relationship marketing becomes clear: it is concerned with obtaining knowledge of and through customer behaviour. Within the context of relationship marketing, attempting to establish a measure of knowledge is often defined in terms of a one-to-one marketing relationship. Such a one-to-one marketing relationship is also called individual marketing, customised marketing and markets-of-one marketing (Kotler & Armstrong, 2008:200). Establishing and benefiting from a one-to-one relationship require trusting one another, being committed and obtaining mutual benefits from the relationship – all these will result in a sustained business relationship (Little & Marandi, 2005:27).

Sociologists and psychologists agree that marketers cannot benefit from any business relationship unless human behaviour is involved in a holistic manner. This notion provided insight into the importance of focusing increasingly more attention on business relationships. One of the early definitions that acknowledged the importance of business relationships was provided by Berry (1983), who defined relationship marketing as: “attracting, maintaining and enhancing customer relationships”. From this definition, three main concepts can be highlighted and will now be discussed.

(a) Concept 1: Attracting new customers by creating value

Businesses are increasingly revising their way of thinking about customers and their mutual roles with a view to form customer relationships over the longer term (Martin-Consuegra et al., 2006:98, Reinartz & Kumar, 2003:77). Contrary to earlier marketing schools of thought where the philosophy revolved around sales (often neglecting to consider the potential long-term effects of an enduring relationship with customers), businesses have become aware of lost opportunities to reconnect with customers. Hence, businesses are increasingly adapting a customer-driven strategy aimed in the first place at creating value for the customer (Sheth &
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

Shah, 2003:627; Kotler & Armstrong, 2008:9). Authors such as Christopher et al. (2004:19) argue that, should a business succeed in value creation, customers will increasingly direct their purchasing behaviour towards such a business because customers seek solutions that will best solve their “problems”. In this respect, value creation – amongst other factors – can attract new customers.

If value creation is one of the factors that can result in attracting new customers, the question can be raised: How can businesses attract more new customers? As a result of the growing and increasingly complex business environment, it is no longer sufficient to offer good products at fair prices. This notion is supported by Martin-Consuegra et al. (2006:99) who confirm that customers are unlikely to be impressed by core product attributes when all businesses are providing similar offerings. Furthermore, similarities in product features (product parity) often result in non-loyal purchasing behaviour, and therefore businesses are becoming increasingly aware of the importance of customer satisfaction (Yu, Wu, Chiao & Tai, 2005:707).

Additionally, businesses need to find innovative ways to distinguish themselves based on, amongst others, outstanding service delivery accompanied by a feeling of association with the business (Yu et al., 2005:708). Customers no longer want to be a number on a database; they want to be a name or a person with an individual need. To this end, Bruhn (2003:107) proposes a customer acquisition strategy where the primary aim is to attract new customers by having the business direct its marketing activities accordingly. This author sets out conditions that can be used to determine whether a customer acquisition strategy is appropriate. These conditions are:

- The business gains fairly less customers than its competitors;
- The business has only a small group of repeated customers;
- The business has fewer profitable customers than could be acquired;
- The business has current customers who are less profitable than new customers.

The above approach is based on two strategies, namely 1) a stimulation strategy and 2) a persuasion strategy. While the first offers the customer encouragement (in the form of incentives) to enter into a relationship with the business, the latter focuses on the business’s ability to fulfil customer needs and expectations (Bruhn, 2003:107). It appears as if the stimulation strategy is only effective to convince customers to engage in singular transactions. Contrary to this, a relationship requires that the customer must willingly engage in a relationship with the business over the long term. Against this background, Little and Marandi (2005:24) distinguish between the active relational mode and passive relational mode.
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

The *active relational* mode implies that customers are actively seeking for occasions to interact with the business in order to obtain additional value. A lack of such interactions is viewed as disappointing, since the value inherent to the relationship is missing.

In terms of the *passive relational mode*, customers are looking for information in order to contact the service provider/business if they desire to do so. To this end, they too are looking for contact, but fail to respond to invitations to interact. Consequently, Kumar *et al.* (2003:669) describe the difference between the active and passive relational modes as a transactional intention or a relationship intention towards the business. A transactional intention stretches over the short term and defines singular engagements. Conversely, a relational intention stretches over the long term where businesses can maximise value from customers during the course of repeated interactions (Egan, 2004:26; Bruhn 2003:13; O’Toole & Donaldson, 2002:198).

Repeated interactions may imply that a relationship has been formed or is in the process of being formed. It is, however, difficult to determine with any degree of accuracy when a relationship was formed. However, Gummesson (2006:3) and Egan (2004:34) stress that a minimum requirement for a relationship to exist is that at least two parties are aware of each other’s existence and are in contact with one other. Relationships and the way in which they are formed are important factors when businesses assess with which customers they should pursue a relationship. Furthermore, this assessment and conditions are conducive to relationship marketing and are interrelated. Consequently, Little and Marandi (2005:25) go a step further and identify conditions conducive to successful relationship marketing, namely:

- The customer must show an on-going and periodic need for the product/service;
- The customer must be able to choose the service provider;
- A choice of suppliers and/or service providers must be available to the customer.

In a competitive business environment, it becomes increasingly important to carefully attract selected customers. Most businesses realise that they do not want a relationship with every customer, and therefore businesses increasingly direct their marketing efforts towards fewer, but more profitable customers (Kotler & Armstrong, 2008:17). This philosophy runs counter to an earlier viewpoint that products rather than customers must be managed based on profitability (Gordon, 2006:1). Businesses are becoming aware that customers (by means of their spending power), and not products, are directly responsible for business profitability (Palmatier, Gopalakrishna & Houston, 2006:478; Pont & McQuilken, 2005:345).
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

The second main concept extracted from Berry’s (1983) definition will accordingly receive attention.

(b) Concept 2: Maintaining existing customers by building strong customer relationships

The maintenance of customers becomes increasingly important as a result of the high marketing costs involved in attracting new customers (Pont & McQuilken, 2005:348). Many businesses indicate that at least one third of its customers are unprofitable over the long term (Sheth, 2002:591). Moreover, various studies show that it has more benefits to retain existing customers than to acquire new ones (Alexander & Colgate, 2000:939; Bodet, 2008:156; Kotler & Armstrong, 2008:18). These benefits are realised as a result of increased profits and lower marketing expenditure (Little & Marandi, 2005:13).

A further rationale for maintaining existing customers is that customers are increasingly being perceived as a scarce resource of business (Gummesson, 2006:37). Terms such as “zero defection rate” emphasise the importance of having a relationship with existing customers. Furthermore, the notion of “zero defection rate” stresses the importance of reducing the loss of customers to zero, although this strategy does not imply that unprofitable customers should be kept at all cost (Gummesson, 2006:36; Egan, 2004:59). Ironically, businesses should promote on-going customer migration whereby customers migrate from one business to another when better benefits are perceived. Ideally, unprofitable customers should be allowed to migrate to other service providers/businesses, so that competitors carry the cost of serving unprofitable customer relationships.

Furthermore, caring for profitable customers decreases the chances of customers migrating to competing businesses, and it is crucially important to distinguish between profitable and unprofitable customers (Gordon, 2006:1). In so doing, businesses can withdraw marketing efforts aimed at unprofitable customers; instead, it is left to competitors to spend time and resources to obtain these customers’ business. From a strategic point of view, this strategy might be a good tactic to paralyse competitors by making them focusing all their efforts on unprofitable customers. By doing selective marketing and focusing all one’s efforts on profitable customers, businesses can become more effective and efficient by focusing their marketing strategies solely on profitable customers.

Not only is the maintenance of profitable customers meaningful from an economic perspective, but maintaining profitable customers can also result in repurchase behaviour as a forerunner of loyalty (Bodet, 2008:156). Maintaining customers is rewarded by customer loyalty as strong
customer relationships are formed during the customer’s lifetime association with the business. As soon as a loyal relationship has been established, benefits such as information sharing, provision of feedback on products and services and customers being advocates to the business can begin to realise (Little & Marandi, 2005:33). Loyalty is, furthermore, a key outcome of relationship marketing that will be discussed in Chapter 5.

The last concept from Berry’s (1983) definition is discussed below.

(c) Concept 3: Enhancing customer relationship in order to capture value in return

While attracting and maintaining customers initially constitute an expense to the businesses, enhancing customer relationships refers to the phase where the positive results of successful maintenance start to materialise. As indicated in the previous discussions, one of the key motives to maintain customers is to achieve loyalty over the long term.

A relationship with a customer is born from a single interaction (transaction) and the process ends when the sale has occurred (Brink & Berndt, 2004:4). Customers initially interact with the business solely to fulfil a need based on a once-off transaction. A mutual decision from both the customer and the business should be initiated with a view to convert a once-off engagement to a range of meaningful transactions. This will materialise over a period of time, and will indicate a long-term approach. The time-period required for a relationship to mature is an indication that a possible relationship is developing.

Factors such as economic merit pertaining to profitability explain the importance of establishing a relationship with carefully selected customers (Brink & Berndt, 2004:4). Over a period of association, businesses adopting a relationship marketing approach appear to be more likely to keep customers over a lifetime period. This is the case because relationship marketing seeks to bond progressively more tightly with customers (Brink & Berndt, 2004:4). This phenomenon is described as customer lifetime value (LTV). Customer lifetime value is calculated at “the present value of the stream of future profits expected over the customer’s lifetime purchases” (Brink & Berndt, 2004:36). Moreover, the lifetime value of customers is utilised as a management tool to distinguish between profitable as opposed to unprofitable customers.

Irrespective of whether a customer-centred approach is instigated by businesses, managers recognise the shortcomings of this approach as it is not applicable to all industries (De Wulf & Odekerken-Schröder, 2001:74; Dall’Olmo Riley & de Chernatony, 2000:138). Research suggests that service industries and industries where high-risk purchases are made, are more likely to engage successfully in meaningful relationships with customers (Leverin & Liljander, 2006:232; Little & Marandi, 2005:34). Due to the increased competition and customisation of
products, customers often regard the service component as a form of value creation. Furthermore, as indicated above, industries specialising in high-risk purchases can reap additional benefits from customers’ relationship intentions, because such customers tend to be more likely to engage in long-term relationships. These long-term relationships as such can, over time, convert into a form of value creation.

The notion of value creation was taken a step further by the exchange theory, and therefore the exchange theory will receive more attention in the following section.

### 2.2.2 Exchange theory

Kotler and Armstrong (2008:7) define exchange as: “the act of obtaining a desired product from someone offering something in return”. The exchange theory has its origins in the fields of sociology and economics and has later been adapted by marketing scientists. According to Palmatier (2008:13), the exchange theory deals mainly with two questions:

- What is the reason for people and businesses to engage in exchange relationships?
- In what way are exchanges formed, resolved or escaped?

With the emergence of intermediaries in business exchanges on the increase, the power-dependence framework as developed in the social exchange theory serves as a guide towards understanding relationships and the importance thereof between exchange partners (see section 2.2.3). It is referred to as relationships that were formed between partners (individuals), and where psychologists study exchanges from a human perspective. As such, the social exchange theory suggests that: “human relationships are based on each partner’s motivational investment and anticipated social gain” (De Wulf & Odederken-Schröder, 2001:85). The fundamentals of the social exchange theory propose the concept of self-interest as the basis of maintaining and developing a relationship (De Wulf & Odederken-Schröder, 2001:85). During the analysis of the anticipated motivational investment, the costs of a relationship are weighed against the perceived benefits; should the costs outweigh the benefits, it is argued that the customer will terminate the relationship (Egan, 2004:142, 147; Little & Marandi, 2005:47). Thus, relationship costs refer to the total costs incurred when maintaining a relationship, and include all direct and indirect costs.

The channel through which exchanges take place is also referred to as the exchange medium. This exchange medium can be defined as: “the means by which people place a value on goods and services in order to make an exchange”, for example currency, gold and silver (Henslin, 2008:403). The term “exchange” varies in terms of the contexts of use; exchange from an
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

economic perspective often refers to money, stored value, fiat money, gross domestic product and inflation. Consequently, a brief explanation of each of these follows (Henslin, 2008:403):

- **Money** can be seen as a way of exchange of which currency is the most communal form;
- **Stored value** refers to possessions that are deposited and kept in reserve that support or determine the value of a currency;
- **Fiat money** refers to currency issued by a government which is not supported by stored value;
- **Gross domestic product** (GDP) defines the total goods and services produced by a country;
- **Inflation** refers to price increases.

Marketing science has adapted the concept of exchange as an act of: “obtaining a desired object from someone and offering something in return” (Kotler & Armstrong, 2008:7). The measurement of successful exchanges is consequently satisfaction and/or fulfilment of needs. Strydom et al. (2002:5) present the following conditions for the successful exchange of products and/or services:

- **At least two parties must be involved.** From a relationship perspective, both parties must willingly engage in exchange transactions. Recurrent transactions can result in a relationship;
- **Each party must have something that the other party values.** Against the background of relationship marketing, recurring exchanges should be mutually beneficial to all parties involved. These benefits refer to economic benefits for businesses and value-adding for customers;
- **Each party must be able to talk to or communicate to the other party and distribute the goods or services required by the other party.** This implies interactions between customers and the business. Communication in the form of feedback can, furthermore, improve product offerings as a result of customers advising businesses what their actual needs are, and how to fulfil such needs;
- **Each party must have free choice to either accept or reject an offer presented by the other party.** From a relationship marketing approach, the business and/or the customer has/have the choice to continue with the relationship or to end it;
Each party must have a willingness to take part in a deal with the other party. This means that relationship formation should be a mutual effort and must be initiated by both the business and the customer.

The increase in exchanges between businesses has resulted in the development of gaps from the production phase to the consumption phase. These gaps are the main driving force behind the inclusion of various service and retail intermediaries aimed at improving on service delivery from production to delivery. These intermediaries in essence fill the gaps that emerged. From this, it can be concluded that during the exchange of products, customers identify gaps in the market that could not be addressed by the exchange process alone. Customers have become more demanding with regard to the availability of products, timely and effective distribution of products, and convenience. These demands require more role-players in the distribution channel in order to meet customers’ needs and demands. To this end, an extended definition and aim of relationship marketing surfaced, namely that: “Relationship marketing aims to establish, maintain, enhance and commercialise customer relationships so that the objectives of the parties involved are met by a mutual exchange and fulfilment of promises” (Grönroos, 1994:9).

Grönroos (1994) is regarded as one of the key role-players in the development of relationship marketing theory. This author presented an extensive view of relationship marketing and his research has suggested a broad view of relationship marketing that relates to the inclusion of other role-players. These role-players provide the right to future existence to businesses in the form of future networks which can be transformed in business opportunities. However, few businesses optimise the value that these role-players can add. As noted by Christopher et al. (2004:77): “all organisations have a large and diverse range of stakeholders. These include suppliers, the financial community, employees, customers, the government, trade unions, environmentalists and alliance partners and so on”. Although these stakeholders provide various collaborative opportunities for businesses, relationship marketing comprises a holistic view and often requires a top-down approach in order to achieve optimum results (Brink & Berndt, 2004:68-69; Riley & de Chernatony, 2000:138). Authors such as O’Toole and Donaldson (2002:208) support the notion that the commitment of management is required during relationship marketing planning. Not only should top management buy into the strategy; every employee should direct his or her efforts towards the customer.

Little and Marandi (2005:35) outline a number of salient concerns with regard to relationship marketing. They indicate that businesses are rushing to reap rewards from relationship marketing while neglecting the fundamentals of relationship building. Amongst others,
fundamentals such as establishing trust and commitment, delivering customer satisfaction and allowing time to build loyalty are often neglected in order to reap rewards over the short term.

This viewpoint confirms the importance of implementing a customer-orientated philosophy. Gummesson (2006:14) regards relationship marketing as no different from a customer-orientated philosophy. A customer-orientated philosophy entails that everything revolves around the customer. This philosophy, also known as the marketing concept, has its origin in 1954 as noted by Drucker: “Marketing …. is the whole business seen from the point of view of its final result, that is, from the customer’s point of view” (in Gummesson, 2006:14). The essence of the marketing concept revolves around understanding customer needs. Understanding customer needs can result in a long-term relationship based on trust and commitment, and can ultimately lead to customer satisfaction and loyalty. As a result of a clear understanding of these, goods and services aimed at value creation should be offered in order to provide the best possible chance for success.

According to Gummesson (2006:14), the marketing orientation and customer-centred approaches are very different from the production orientation, according to which the customer is obliged to buy what is available or not to buy at all. In this scenario, with reference to the marketing concept, customer focus and values are the pathways to sales and therefore profits – although many businesses fail to live up to what this philosophy stands for (Kotler & Armstrong, 2008:10; Gummesson, 2006:14). Living in a computer-driven generation where the danger is that customers are viewed as numbers noted on a database and assisted by computer voice technology to solve complaints, it has been found that customers seek a “back to basics” approach. It should be noted, that computer technology is of crucial importance to assist with capturing information in order to better serve customers and for better decision-making (Brink & Berndt, 2004:68). Computer technology is, however, not suitable to replace face-to-face interactions.

This means that talking and discussing needs with a manager/sales person, reaching out with a helping hand and having a caring business partner remain very important (Bruhn, 2004:3). As a result of the increase in the prevalence of computer technology implemented at most businesses, a “back to basics” approach has become a way to strategically differentiate a businesses. In addition, a customer-centred approach could be a crucial competitive advantage (Little & Marandi, 2005:27). A customer-centred approach is the core of relationship marketing; the literature refers to these terms as interchangeable. Ultimately, it becomes clear that only through establishing a relationship with customers and continually enhancing this relationship
through value-adding, businesses will be able to reap rewards of satisfaction and loyalty (Brink & Berndt, 2004:69).

Grönroos (1994) furthermore indicates that both parties’ objectives must be met. The requirements for this concept are built on mutual exchange and the fulfilment of promises. Mutual exchange entails that both the customer and business must add value or bring something of value to the relationship. In addition, fulfilment of promises is crucial to create trust in relationships. Prior to engaging in a relationship with a business, customers form value-expectations based on the business philosophy and on previous encounters. To retain customers over the long term requires living up to these value promises. Businesses can add value through high-quality service, customised products and through reducing anxiety (Little & Marandi, 2005:33).

Turney (2005:136) defines value as the realisation (what customers receive) and what they sacrificed (what they give up) to get it; therefore, if one were to subtract the sacrifice from the realisation, it will equal value. Additionally, Turney (2005:136) argues that realisations usually come in a bundle and may include product and service features, but realisation also goes beyond features. Customers value good service; in some instances, service becomes the primary consideration as quality influences the cost of using the product and/or service. Little and Marandi (2005:47) further define value from an assessment perspective and propose that: “value is the customer’s overall assessment of the utility of a product based on a perception of what is received” (i.e. quality) and what is given. This assessment can also be described as the difference between what the customer’s perceive as benefits received versus the cost incurred (Jordaan & Prinsloo, 2004:30).

From a different angle, Bruhn (2003:19) traces the origin of the value concept from the value theory where the value theory explains customer behaviour as being related to corporate products and services. Furthermore, this author suggests that greater usage in terms of the value of a product will result in higher demand from the business. Therefore, against the background of relationship marketing, the greater the likelihood of a relationship representing value to a customer, the higher the likelihood that a customer will initiate a relationship with the business. Consequently, the establishment of a mutual relationship is the result of successful value delivery.

Furthermore, value is one of the fundamental bases for marketing exchange. Against this background, the term value is a fundamental aspect of relationship marketing since value creation and exchange are often the motivation for engaging in a relationship. Ulaga and Eggert (2006:314) highlight the following aspects with regard to value:
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

- **Value is a biased concept.** Value is only perceived as a construct because different customer segments perceive different values from similar products. This is further complicated by individual’s different perceptions of value delivery within the business.

- **Value is conceptualised as a “trade-off between benefits and sacrifices”**. In the literature, value is defined as the difference between benefits obtained and sacrifices made (Ulaga & Eggert, 2006:314).

- **Benefits and sacrifices are often multi-faceted.** Benefits are multi-faceted in that they refer to one or more of the following: economic, strategic, behavioural, technical, social or service benefits.

- **Value perceptions are relative to competition.** Value is often determined by means of an assessment of what competitors have to offer, and therefore resembles the idea that comparison is fundamental to the exchange theory.

Authors such as Levitt and Berry have suggested that: “the purpose of business is to create and keep customers” (in Christopher et al., 2004:226). The question is often raised as to how to achieve this aim. The answer to this “how to” appears to be nested in the perceived value concept and in what customers consider as value. Value exchange plays a pivotal role in the establishment and enhancement of relationships between networks and can be cited as one the main reasons for recurring transactions between network partners. Apart from this, the authors propose a number of perspectives regarding value in a relationship marketing context. Each perspective addresses a method of delivering value (Christopher et al., 2004:226):

**Value** to customers is created as an offering and is provided through repeated transactions within a relationship. This perspective pertains to marketing management and confirms the importance of meeting the customer’s value needs and continually fulfilling these needs over the long term. Recurring transactions will therefore be the result of a range of successful single encounters.

**Value** is created through a conjoint interactive process and is shared through negotiated contract within the life-time of a relationship. This perspective implies that value is created by means of collaboration between networks with economic benefit as an outcome (Gummesson, 2006:21). The strength of networks will benefit the customer as service delivery will be fast and effective and will take place within a network of trustworthy network partners.

**Value** is created and shared by exchanges that arise from within links of relationships. Substantial value can be added by shared interactions. To this end, the aim is to deliver a total
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

product offering or a one-stop service to customers. This notion stresses the importance of a loyal and trustworthy relationship between networks. Succeeding in winning the trust of the customer will result in the establishment of an indirect trustworthy relationship with other networks as well. The reason for this is that networks promote the concept of shared values, and thus if trust exists between the customer and the business, one can presume that trust will also exist between various network members. Trust in such a relationship is crucial, since trust refers not only to perceptions of trustworthiness during encounters, but also to trust in judgement (with whom to engage in a business transaction). Palmatier et al. (2006:479) and Lin, Weng and Hsieh (2003:106) divide value creation into three categories, namely:

- **Financial relationship marketing programmes.** These include discounts and other financial benefits to reward loyalty, although businesses must be careful not to attract less profitable customers by such initiatives;

- **Social relationship marketing programmes.** These programmes include special treatment and personalised information. Social bonds are the most difficult to imitate since they are based on friendship, and therefore these are perceived to play a significant role in making productive referrals and deepening relationships with customers, and vice versa.

- **Structural relationship marketing programmes.** These are designed to increase productivity through customised order processing systems, dedicated staff and tailored packaging.

Relationship marketing aims to establish a long-term relationship with customers by delivering value. Consequently, a salient outcome of value creation is the life-time value (see section 2.2.1). The exchange theory merely acknowledges that gaps occur during the exchange process, and therefore more role-players are required for value delivery. This theory opens a new viewpoint with regard to dependence and is entertained with reference to the power and dependence theory.

### 2.2.3 Power and dependence theory

The power and dependence theory came into existence after the exchange theory and acknowledges that successful exchange in value delivery is dependent on power and also upon channel partners (De Wulf & Odekerken-Schröder, 2001:93). Against the background of a resource-based economy, businesses are seen as collections of productive resources that aim to invest, develop, enhance and cease (in some cases) customer relationships. If there are too few self-sufficient resources with regard to obtaining and developing customer relationships, this
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

could result in dependence and may give rise to insecurity in a party’s decision-making environment (De Wulf & Odekerken-Schröder, 2001:93). Furthermore, dependence is, in essence, linked to power as one party requires the resources that another owns which means that there is dependence on the controlling power (De Wulf & Odekerken-Schröder, 2001:93).

According to Palmatier (2008:14-15), the power and dependence theory originated from the field of sociology where the importance of intermediaries was recognised. The notion of intermediaries has developed as a result of the dependence of different parties upon one another. In such relationships, one party always owns more power than the other. An abuse of power or a disregard of the less powerful party can result in a dissatisfied exchange relationship. As such, dependence firstly describes the extent to which one party’s motivation is dependent upon the incentive by the other party (De Wulf & Odekerken-Schröder, 2001:92). Likewise, it also describes the degree to which the reward goes beyond what would be available outside of the relationship.

Intermediaries as they are known in the current marketplace, originated from gaps that existed in the market. One of the most familiar gaps is the space gap, which refers to the geographical gap that exists from the production point to the end customer (Strydom et al., 2002:7). From an economic point of view, distribution centres are essentially limited to major cities and nearby harbours, while customers are spread across the country and abroad. Consequently, intermediaries (e.g. wholesalers, retailers and sales representatives) bridge the gap between production and customers (Strydom et al., 2002:7).

As indicated in the sections above, intermediaries have been part of the notion of exchange for many years, although the role of intermediaries has changed as businesses compete in an increasingly competitive market. Against the background of relationship marketing, intermediaries are often referred to as channel partners (Gummesson, 2006:52-53). This idea of a clinical, non-personal business relationship with intermediaries has since transformed into a personal relationship where each channel member is considered as a partner with the aim of long-term value-adding. It has been acknowledged that collaboration should be valued with a view to strengthen competitive advantage and bargaining power. In the context of relationship marketing, this implies that customers will be served by a network of intermediaries interconnected to offer one-stop services. A definition of this notion is provided by Gummesson (2006:3) who holds that relationship marketing is: “marketing is seen as relationships, networks and interaction”.

Gummesson (1996, quoted by Palmatier, 2008:9) portrays relationship marketing as the existence of relationships, but includes the incorporation of networks and interaction. As
indicated previously, relationship marketing is not a recent phenomenon, but rather entails the re-birth of marketing practices of the pre-industrial age (Palmatier, 2008:9). Prior to the pre-industrial age, most exchanges occurred in local markets where, amongst others, agriculturalists sold their products directly to end consumers. Business at the time was conducted based on trust due to the absence of formal business norms and standards (Palmatier, 2008:10; Egan, 2004:188).

Relational exchange has been the norm for the greater part of the history of mankind. Within this context, transaction-based marketing emerged in the early 1900s. Transactional exchanges involved single short-term events which had a distinct beginning and end (Sheth & Shah, 2003:628). Transaction-based marketing was ideally suited for the time since marketing was focused on targeting the masses, but however, failed to recognise the possible long-term effects of transaction marketing. These transactional exchanges thus enjoyed little strategic emphasis, but since then the world has entered into a new information economy which again required businesses to direct their marketing strategies to the customer (Sheth & Shah, 2003:628). The idea of focusing on the customer has introduced a new era and has forced businesses to aim towards “keeping customers” as opposed to “winning new ones” (Aijo, 2003:9).

Gummesson’s (1996) view of marketing is mainly based on the notion of relationships. Christopher et al. (2004:127) further distinguish between vertical and horizontal relationships. The vertical type of relationship reflects the classical supply chain, namely suppliers, manufacturers, distributors and customers; while the horizontal type of relationship includes competitors as well as service providers. Also, Gummesson (1996) indicates various network members that exist in relationship marketing, and concludes that the success of relationship marketing is dependent on interactions between these members. Interaction can take place in various ways, and can be a value-adding factor through the successful exchange of information.

The requirements for good interaction are based on factors relating to the transparent flow of information throughout the network (Egan, 2004:189). Information regarding customers’ customised needs and requirements should be visible to all network members (Christopher et al., 2004:134). Little and Marandi (2005:30) agree with this notion and concur with Gummesson (1999) who proposed that in order for businesses to benefit from information sharing, everyone in the network should be active. According to Brink and Berndt (2004:27), interaction with the customer is a learning process aimed at determining how satisfied the customer is; interaction is thus viewed as another way to obtain information about the customer.
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

Obtaining information about customers is part of a learning relationship. Learning relationships are defined as the relationship between the business and customer, where the business is enriched with every contact made with the customer (Brink & Berndt, 2004:114). If the business can succeed to continually “learn” more about the customer and about how to improve serving the customer, such a business will establish a long-term beneficial learning relationship. The result of a learning relationship (where the customer will lead the business to better serve him or her) can be improved customer satisfaction. Not only does the business learn how satisfied customers really are, but businesses also learn to identify ways to improve their product offerings by means of information transfer.

Additionally, businesses should frequently interact with customers with a view to establish dialogue. Dialogue is important to promote a flourishing relationship with the customer (Egan, 2004:50). The word “dialogue” originated from a Greek word that means “thinking together” and was a practice used in ancient cultures. This phenomenon of “thinking together” has almost died out completely in modern societies, although it is being rediscovered and reframed in a contemporary context (Egan, 2004:50).

Dialogue is also defined as a conversation between two or more people in a business environment whereby needs and ways to find solutions are identified (Little & Marandi, 2005:30). The absence of dialogue in a relationship, on the contrary, confirms that no relationship exists because both parties in a relationship need to be aware of the existence of each other and of such a relationship (Little & Marandi, 2005:23). Traditionally, dialogue was promoted by methods such as letters and, more recently, also by emails, although customers often disregard these methods as dialogue.

Against this background, methods such as toll-free numbers and club card schemes do not constitute dialogue either, since club card schemes are frequently used to promote sales rather than to communicate. Dialogue can link positively to interaction because dialogue is simply a form of interaction, and therefore requires a high degree of participation and commitment from both parties (Brink & Berndt, 2004:27). Little and Marandi (2005:72-73) further argue that the number of interactions between the customer and business is a good indication of the relationship’s strength. Although the quantity of interaction is often regarded as a crucial instrument to measure the strength of the relationship, the literature also suggests that qualitative elements such as openness in communication and the nature of interfaces are useful in this regard (Littler & Marandi, 2005:73). Not only does communication provide a vehicle for interacting with customers, but during communication important information with regard to the customer and their needs is transferred to the service provider.
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

The power and dependence theory focuses on intermediaries, and the relational contracting theory builds on this notion and proposes that the only way to achieve optimum benefits from intermediaries is to have a strong relationship with them.

2.2.4 Relational contracting theory and social exchange theory

The relational contracting theory encapsulates mainly two viewpoints. The first viewpoint focuses on contractual ways of exchange, while the second viewpoint deals with relational exchanges. The distinction between these relational exchanges depends on the strength of the contractual agreement. Contractual agreements rely strongly on the legal process to negotiate, adjust and resolve contractual conflict, while relational exchanges transcend the requirements of the legal process. Relational exchanges consider customers’ expectations and behaviour. For the purpose of this study, relational contracts focus strongly on the maintenance of the exchange relationship and can result in benefits such as social benefits, risk reduction, economic advantages and additional service (Martin-Consuegra et al., 2006:100). The importance of the relational contracting theory is in its ability to identify the nature of exchange relationships and to identify elements necessary for successful exchange relationships.

According to Žvirelienė, Bučiūnienė, Škudienė and Sakalas (2009:141), the social exchange theory proposes that the mutual exchange of valuable and constructive information will enhance the commitment, trust and satisfaction with the relationship, and therefore frequent valuable exchanges will bring parties closer together. Apart from this, the social exchange theory illustrates that social relationships are built on each partner’s motivational contribution and expected gain from engaging in a relationship (De Wulf & Odekerken-Schröder, 2001:78). Therefore, this theory underlines the importance of self-interest and relationship outcome evaluation as starting points of maintaining and exploiting relationships. Self-interest refers to the notion that: “exchange partners have an expectation to derive certain benefits from a relationship that would otherwise not be achievable on their own”.

Conversely, relationship outcome valuation is concerned with the quality assessment of alternatives (Bruhn, 2003:58-59). Comparing alternative relationship engagements concludes relationship attractiveness for the customer. From a management point of view, relationship outcome valuation serves as a guideline for relationship maintenance and growth. Meeting such expectations can consequently result in customer satisfaction. Exchange relationships are often compared to family ties because people are at the heart of the concept and act according to social norms including trust, gratitude and often economic returns (Sheth & Parvatiyar, 1995:260). Against this background, it seems self-evident that positive and negative factors can be viewed as desires and constraints when establishing a relationship. The main benefit of the
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

Social exchange theory is its ability to recognise both positive and negative motivations for engaging in exchange, and also participating in recurrent exchanges.

According to Bruhn (2003:30), the social exchange theory emphasises the emergence and continuance of social relationships, with the main focus being customer relationships. This notion of “exchange” emphasises the exchange of value whereby one party delivers the value and receives compensation from another party. The goal of such exchanges is equality which refers to a business principle whereby both parties involved strive towards retaining customers in a cost-effective manner by combining resources. Bruhn (2003:31) distinguishes between three types of social exchange processes, namely:

- **Restricted exchange process.** As the term implies, this exchange process is restricted to two parties where one party delivers something of value and receives compensation for it.

- **Generalised exchange process.** This process involves a minimum of three exchange partners, although the parties are not directly in contact with one another. In most cases, a transfer of value takes place from the first party to the second and then to the third party, while the third party eventually delivers value to the first party.

- **Complex exchange process.** This process depends on a minimum of three exchange parties, mostly in the form of networks. Exchange takes place in the form of value delivery whereby one party delivers value and another receives value in return.

The relational contracting and social exchange theories focus strongly on exchanges from both a contractual and legal perspective; from a social perspective they are based on social gain from exchanges. These theories have developed a stronger focus in the transaction cost economics that was proposed in the 1990s. This theory will be discussed accordingly.

### 2.2.5 Transaction cost economics

Transaction cost defines the cost to serve customers and includes costs such as “costs associated with information search, reaching a satisfactory agreement, relationship monitoring, adapting agreements to unanticipated contingencies, and contract enforcement” (De Wulf & Odekerken-Schröder, 2001:79). It can furthermore include aspects such as legal documentation and contract enforcement (De Wulf & Odekerken-Schröder, 2001:79). Transaction cost can be defined from both a neoclassical perspective as well as from a property right perspective. The former refers to the costs of trading across markets while the latter focuses on the costs of establishing and inflicting property rights. The transaction cost theory was originally propounded
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

by Coase (1937). This researcher related transaction costs to transportation charges or taxes. Against this background, the transaction cost theory often deals with factors such as: (Allen, 1999).

- The transaction costs on the volume of trade;

- Abilities to arbitrage;

- The clustering of transactions; and

- Intermediation.

Furthermore, transaction costs include the role of middlemen and the medium of exchange. Given that relationship marketing has developed from relationships between exchange partners (thus intermediaries), the focus of transaction cost will revolve around exchange partners. De Wulf and Odekerken-Schröder (2001:78) argue that the transaction cost theory proceeds from the premise that customers are limited in their cognitive skills, and that they tend towards self-seeking activities. In this sense, exchanges can become risky in situations where facts are unevenly spread across exchange partners to create a situation that may result in opportunistic behaviour. Therefore, to reduce this risk of being exploited, exchange partners identify strategies to prevent channel partners from defecting. The aim of such strategies is to create incentives to maintain the relationship between exchange partners and prevent exchange partners from leaving. Businesses that invest in transaction-specific assets aspire towards creating dependence between channel partners because these are difficult and costly to replace.

Brink and Berndt (2004:122) have identified various types of costs that can be associated with transactions. A distinction will be made between these costs; a discussion of these follows below.

- **Co-ordination cost.** This refers to the cost incurred in investigating potential businesses or customers with the aim of identifying whether to engage in business with them. In the case of considering an investment in the business, co-ordination cost includes aspects such as credit checks and requesting title deed information. These costs are often necessary, irrespective of a positive or negative outcome. Credit checks, title deed information and obtaining bank codes are only few examples of the preliminary due diligence aspects that financiers undertake prior to a complete investigation, named the due diligence process (a complete investigation process whereby financial risk, business risk, entrepreneurial skills and viability is scrutinised for investment purposes).
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

- **Motivation cost.** Motivation cost is incurred as a result of incomplete information during an investigation. Another form of motivation cost occurs when one party displays an imperfect commitment towards the relationship, resulting in unfulfilled promises. Within the context of a financier, motivation cost does not solely arise as a result of incomplete information, but also refers to cost incurred when confirming information provided in the business plan, especially with regard to the market size and potential, turnover, motivation and competitors. Financiers refer to this process as a due diligence process where various key aspects that can contribute towards or disregard the viability of the business are investigated and confirmed with suppliers, the franchisor and/or other role-players. Furthermore, during such a process, information is requested and the entrepreneur is actively involved in the investigation. Failing to commit to the relationship and to provide the necessary information raise doubt regarding the entrepreneur’s commitment and integrity towards the financier and the business.

The transaction cost theory links with the ideas propounded by Parvatiyar and Sheth (2000). These authors introduce relationship marketing from a reduced cost perspective, meaning lower cost incurred in order to serve customers. According to their definition, relationship marketing is defined as: “a process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost” (Parvatiyar and Sheth, 2000:3-5).

Parvatiyar and Sheth (2000) include both direct (immediate) and indirect (end-user) customers as important for creating mutual economic value. When engaging in cooperative and collaborative processes, mutual economic value can be created at reduced cost. Gummesson (2006:21) suggests that collaboration is the fundamental property of relationships between suppliers and customers, competitors, consultants, government agencies and others. Collaborations in this instance can refer to a single deal or to continuous transactions (Gummesson, 2006:21). Brink and Berndt (2004:125) further argue that as businesses progresses on the relationship continuum, the nature of the relationship will change accordingly. As such, when considering collaborative exchanges, the development and maintenance of trust are crucial as the commitment of both parties is essential.

Parvatiyar and Sheth (2000) go a step further to suggest that joint economic value at reduced cost is the result of cooperative and collaborative efforts. Economic value in this case refers to possible cost savings that can be realised as a consequence of strong relationships with intermediaries. Strong relationships with intermediaries can also result in positive referrals and word-of-mouth marketing (O’Loughlin, Szmigin & Turnbull, 2004:523). For example: an
intermediary can link a potential SME customer with the financier; therefore the financier has more time to spend on existing customers that are profitable, while intermediaries on behalf of the financier, act as advocates towards the business, hence saving furthermore on advertising cost (O’Loughlin et al., 2004:523).

The notion of collaborative efforts gave rise to the development of the commitment-trust theory that will accordingly be discussed below.

### 2.2.6 Commitment-trust theory of relationship marketing (1990 – 2000)

The commitment-trust theory of relationship marketing, as the term implies, underlines commitment and trust as antecedents from which relationship marketing has developed. Researchers such as Ulaga and Eggert (2004:313) further suggest that satisfaction can also be used to determine the relationship quality, in addition to commitment and trust. The commitment-trust theory has its origins in social science and psychology. It suggests that the engagements in a relationship are dependent on “human similarities” as the binding factors in a relationship in order to exploit such factors and strengthen competitive advantage. A number of studies have drawn attention to mainly two crucial ingredients for successful relationships, namely commitment and trust (Eisengerich & Bell, 2007:254).

Trust is the most widely accepted concept in relationship marketing and is regarded as fundamental to relationship building; therefore, considering trust as one of the corner-stones of relationship marketing is crucial. Trust is defined as the perception of confidence in the exchange partner’s reliability and integrity (Eisengerich & Bell, 2007:255; Ulaga & Eggert, 2004:315; Lin et al., 2003:107). According to Lin et al. (2003:107), trust can be defined as a two-dimensional construct: 1) the perceived credibility, and 2) compassion of the target trust. The first dimension focuses on the expectancy in terms of words or writing, while the latter is concerned with the degree to which one party is concerned in another party’s welfare and is motivated to seek mutual gain.

From a business perspective, it can be argued that the definition of trust in business relationships is the assurance of the quality and dependability of products (and service) offered. This definition can extend to include a business relationship between the customer and business. Trust is therefore established when the business’s behaviour corresponds with the initial expectations of the customer. Authors such as Wang, Liang and Wu (2006:34) argue that trust is the basis for building stable relationships; therefore, trust is the main ingredient necessary for the development of a high-level relationship, especially during the initial period. Del Bosque Rodríguez, Agudo and Gutiérrez (2006:669) consider trust to be the key
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

determining factor in order for commitment to exist in the relationship. Morgan and Hunt (1994) agree with this statement and also introduced the “commitment-trust-theory”. The “commitment-trust-theory” stresses that commitment and trust are the most important variables in relationship marketing (Wang et al., 2006:35). The strength of each partner’s commitment is often a reflection of the strength and stability of the relationship (Wang et al., 2006:34). Palmatier (2008:15) concludes that relationship marketing’s impact on performance is not only affected by relational bonds such as trust and commitment, but also by investments in areas such as training and communication that will likely result in improved effectiveness of relational assets.

The commitment-trust theory can be linked to Shani and Chalasani’s (1992)’s definition of relationship marketing. These authors define relationship marketing as: “an integrated effort to identify, maintain and build up a network with individual customers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualised and value-added contacts over a long period of time”. The core of the above definition of relationship marketing proposed by Shani and Chalasani (1992) is the notion that mutual benefits arising from a relationship can only be obtained through value-added contacts that are built up over a period of time. To establish value-adding contacts requires, among other aspects, trust and commitment. Establishing trust is necessary to such an extent that, should a reference to a service provider occur the referring business or customer’s reputation will be at stake. Furthermore, commitment is required to ensure that both parties are committed to the relationship and to promote one another, should an opportunity arise.

Additionally, Shani and Chalasani (1992) stress that relationship marketing is a combined effort. Integration refers to a process whereby the parts make up the whole. In other words, no function can operate in isolation, and therefore successful integration requires that every part needs the others in order to operate efficiently (Brink & Berndt, 2004:88). In the context of relationship marketing, this implies that customers and other role-players need to join forces continuously in order to strengthen the network of all role-players to the benefit of all parties. As a result of this realisation, the network theory was developed (see section 2.2.7 and 2.2.8). The success of joining forces synergistically, especially in smaller networks, can also be attributed to one distinctive factor, namely trust. Larger networks may appear to lose their “personal touch”, and therefore network members may lose a central relational connection point. The degree of trust that exists in a relationship has been described as an essential building block and a fundamental to economic exchange (Gounaris, 2003:2). Trust is regarded as one of the key requirements to form a relationship, whether between network members or between the business and the customer (Del Bosque Rodríguez et al., 2006:669).
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

Based on the intensity of trust, customers value relationships where high levels of trust exist; trust also influences customers' perceived value accordingly (Del Bosque Rodríguez et al., 2006:669; Gounaris, 2003:2). Furthermore, trust can be defined as existing when one party has assurance in the exchange partner's dependability and honesty (Eisengerich & Bell, 2007:254). From this definition, it appears that confidence and reliability can only materialise in a relationship built on trust. Therefore, trust is a major determining factor of relationship commitment (Caceres & Paparoidamis, 2007:844). Relationship commitment exists when a partner can be certain that the relationship is important to the extent that it justifies maximum effort to maintain the relationship in the long run (Caceres & Paparoidamis, 2007:844).

Conventional models tend to concentrate on the consumer's side of the transactional engagement; however, literature suggests the existence of a mutual trusting relationship between the customer and the business. Christopher et al. (2004:128) reinforce the findings of Morgan and Hunt (1994) by demonstrating the role of commitment and trust in successful business relationships. Their research underlines the following aspects with regard to trust and commitment (Christopher et al., 2004:128):

- A business partner will believe in its relationship partner under favourable conditions – these include sharing the same values, sound communication in the relationship, and having a relationship history that is not characterised by one partner deliberately taking advantage of the other;

- Commitment to the relationship with the business will be the result of established trust, and will be based on shared values accompanied by the belief that partners would be difficult to replace;

- Variances in various levels of collaboration from one relationship to the next often point to commitment and trust in the relationship.

The second part of Shani and Chalasani's (1992) definition focuses on the continuous strengthening that should be present in relationship building. For the purpose of this discussion, the idea of strengthening relationships will refer to increased commitment in relationships. In this context, new relationships should be attracted, while the migration of other relationships – when no longer relevant – should be allowed. It can be argued that the quality of the business depends on the strength of committed customer relationships.

Several ways in which mutual benefits (by means of commitment) can be optimised, are suggested by Shani and Chalasani's (1992) definition: here interactive, individualised and
value-adding contacts receive much attention. Egan (2004:190) confirms these and suggests that some businesses flourish on networking while others are more dependent on network contacts, as is the case with, for example, financial services. An increased focus on “networks” is the result of businesses recognising the value of employees’ network contacts (Egan, 2004:190). Ideally, businesses should promote and capture these network contacts on a database and ensure that a transfer of network contacts takes place, should an employee resign. A discussion of networks in terms of the definition of the term, related concepts and the development of networks will follow in subsequent sections of the current chapter.

The commitment-trust theory was further extended into the resource-based view of inter-firm relationship that emerged in the 2000s. This theory will now be discussed.

2.2.7 Resource-based-view of inter-firm relationships (2000s)

The resource-based view defines an inter-firm relationship as a process where a business retains its competitive advantage vis-à-vis its competitors by having certain resources (Elliott & Boshoff, 2009:35). Carey (2008:131) suggests that the resource-based view assumes heterogeneity with regard to resource endowments, and it entails the efficiency of businesses necessary to acquire additional resources for a competitive advantage. Differences are heterogeneous in character with respect to resource endowments and the effectiveness of these differences is based on businesses' capability to acquire new resources. This view corresponds with Noriaki and Junichi (2008) who argue that strategic partners should be chosen according to the value that each partner can add, and therefore the choice of partners and their participation over time is crucial. Value-adding, however, can only occur in related industries, and this fact relates to Carey’s (2008:131) viewpoint regarding the heterogeneity of resources.

By analysing the resource-based view in greater depth, it becomes clear that this view places significant emphasis on owning resources. These resources, moreover, show one or more of the following characteristics: value, scarcity amongst competitors, and defectively imitable with no replacement substitutes in order to keep a sustainable competitive advantage (Elliott & Boshoff, 2009:35). Not only does the resource-based view propose that certain resources can contribute towards higher returns, but it also underlines the importance of identifying and, if necessary, acquiring resources that can contribute towards this outcome.

Apart from these, inter-firm relationships refer to various forms of relationships including joint ventures, strategic coalitions, mergers and acquisitions. Noriaki and Junichi (2008) further divide inter-firm relationships into non-equity based relationships and equity-based relationships. These relationships are distinguishable in terms of their formation. For the purpose of this
discussion, inter-firm relationships refer to strategic alliances. Alliances are defined as efforts involving two or more individuals, groups or businesses working towards a common goal with regard to a specific matter (Rothaermel & Deeds, 2006:430). The term alliances are interchangeably used to refer to personal networks, social networks and business networks, depending on the context of use. The discussion below will explore the notions of alliances and networks.

The main idea propounded in a resource-based view of inter-firm relationships is that businesses should align its resources strategically with a view to establish long-term relationships with alliance partners. These relationships should be value-adding to both parties with the objective to obtain a sustainable competitive advantage. This emphasis, characteristic of the resource-based view of inter-firm relationships, relates to the definition of relationship marketing as proposed by Christopher et al. (2004:4) which recognises the principles of relationship marketing to cover a range of diverse market domains. From a relational perspective, however, alliances will merely be established in order to enhance relational assets. This view corresponds with Sheth and Parvatiyar’s (1995:256) definition of relationship marketing, namely: “a marketing orientation that seeks to develop close interactions with selected customers, suppliers and competitors for value creation through cooperative and collaborative efforts”.

According to Sheth and Parvatiyar (1995), relationship marketing aims at developing interactions with carefully chosen customers, competitors and suppliers. Of interest is that competitors are included in their viewpoint of interactions. While customers are selected based on profitability and their potential life-time value, suppliers are included based on good service delivery (timely delivery of products), which will result into positive service delivery to customers. Having a good relationship with competitors by being up to date with their new product offerings, may enable a business to re-invent itself continuously and to find ways of improving on product and service offerings. Furthermore, efficiency and effectiveness of distribution channels are the result of industry collaboration, which can be considered as the strength of the relationship with competitors (Egan, 2004:192). In addition, information on competitors may assist businesses to remain relevant and updated.

The exclusion of various customers and service providers can, amongst other reasons, be attributed to these customers’ and service providers’ transactions, rather than on relationship intention. As indicated by Kotler and Armstrong (2008:336), it is critical that all role-players must add value to the business and its customers. Value creation materialises by means of cooperative and collaborative efforts. While the first of these refers to all businesses involved in
working cooperatively towards a mutual beneficial goal, the latter implies that businesses should form collaborations with a view to strengthen the total product offering. The terms “networks”, “collaborations” and “alliances” may have different meanings by different authors, although Egan (2004:189) offers the distinction, proposing that networks are regarded as relationships between individuals (as opposed to businesses), and therefore network participants utilise their contacts to build links with each other in their markets with the aim of obtaining the necessary information and knowledge required to optimise business performance. Collaborations, on the other hand, are perceived as more formal (recognised on a company-wide basis) relationships between businesses. These collaborations may be contractual in nature (Egan, 2004:190). To this end, alliances are the result of growth in industry collaboration. Collaboration, furthermore, is the result of groups of competitors working collaboratively towards achieving cost and efficiency objectives. These relationships may be contractual, although trust (which is an important requirement for forming a relationship) cannot be guaranteed.

Little and Marandi (2005:101-102) further propound that businesses should be viewed as networks because they can quickly respond to a changing environment and exploit opportunities. In addition, the most important aspect is that networks extend beyond a single business and include a range of network members. Furthermore, the business may act as a component in a network that competes by means of the manner in which it influences the resources and competencies of its individual affiliates. In this way, value-creation takes place based on each member's greatest differential advantage (Christopher et al., 2004:121).

According to Christopher et al. (2004:122), businesses were previously structured and managed: “to optimise their own operations with little regard to the way in which they interfaced with suppliers and customers”. Therefore, businesses were essentially transactional-orientated and lacked a long-term view of mutually beneficial relationships. Contrary this view, the competitive paradigm suggests that the sustainable advantage is lodged in managing the network of relationships in a cost-effective and value-adding manner (Richey et al., 2007:27).

According to Bruhn (2003:122), the goal of networking is customer collaboration, which also means striving for more extensive cooperative collaboration with the customer than would be required of simple integration. The concepts “network” or “networking” are not new and the literature indicates that networks have existed at various levels in the past (Egan, 2004:188). Gummesson (2006:4) defines a network as: “a set of relationships which can grow into complex patterns”. When parties enter into an active contact resulting from these patterns, interaction has taken place (Gummesson, 2006:4). The origin of networks can be dated to ancient times when families came together to buy in bulk (for example, a whole carcass from the butcher) at a reduced price. The benefits in this approach, similar as those in present economic conditions, lie
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

in the collective spending power that lead to reduced costs (Egan, 2004:188). Furthermore, Egan (2004:190) suggests that networking is more effective on a smaller rather than a larger scale. Against this background, Little and Marandi (2005:102) distinguish between various kinds of networks which differ in terms of their environmental volatility and relational content. A short description of each of these follows below (Little & Marandi, 2005:102):

- **Hollow networks**

  Hollow networks are found in highly unstable marketing environments and generally occur when the core business has limited capabilities, and thus uses other businesses to perform certain functions when needed. This type of “partnering” is characterised as being of a temporary nature, and is accordingly transaction-based.

- **Flexible networks**

  Contrary to hollow networks, flexible networks maintain longer term relationships with other network members, although each member is fairly adaptable when faced with new demands or changing conditions. Flexible networks therefore are ideally suited to a dynamic environment that requires few changes to the structure of the network.

- **Value-added networks**

  Relationship marketing places a great deal of emphasis on value-adding networks. An approach centred on value-adding suggests the importance of businesses partnering with other businesses in such a way that their core competencies complement one another in order to achieve value creation. For example: if the core business is financing, a range of role-players can be utilised in order to obtain a final result. This range can include:

  - A service provider that is responsible for assistance to entrepreneurs in compiling a business plan and/or viability study;
  - An accountant who compiles the financial statements and cash flow projections and who registers the proposed business;
  - An attorney who compiles the sales agreement or lease agreement;
  - A sworn valuator who provides a valuation of the property, business or equipment;
  - A mentor/consultant who can offer value-adding mentorship services (mostly after approval).
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

In this way, the business may offer value-added services to the customer while only being responsible for the core service, namely financing. Arising from this need, a range of other services contributes to a total product offering.

- **Virtual networks**

Virtual networks aim to create a competitive advantage by means of close collaboration and the creation of joint systems. Critics against this approach indicate that a virtual network might not be able to adapt to flexible businesses and focus only on the incremental development of collaborative systems instead.

Inter-firm relationships will be approached from a social exchange and network theory perspective (in section 2.2.8). A discussion of inter-firm relationships based on social exchange and network theory will accordingly follow.

### 2.2.8 Inter-firm relationship marketing based on social exchange and network theories

Inter-firm relationships are defined as long-term relationships with various stakeholders such as employees, suppliers, and competitors (Richey et al., 2007:27). As a result of growing competitiveness in the marketplace, an increasing number of businesses are shifting their retail focus to replicate a supply chain focus. The advantages of such a shift are the additional profitability as a result of up-selling and well as customised customer interaction (Richey et al., 2007:27). The supply chain differs from inter-firm relationships to the effect that the, “supply chain describes a longer channel, stretching from raw materials to components” that will result in a final product supplied to customers (Kotler & Armstrong, 2008:19). From the above it can be concluded that the supply chain has an internal focus (manufacturing process from start to finish), while inter-firm relationships appear to simply view the external relationship between businesses (the collective range of products necessary to improve the final offering).

Contrary to this, the social exchange theory proposes a mutual exchange of values. From this perspective, the exchange takes place by means of the provision of value by one party that will later on be compensated by another (Bruhn, 2003:31). From a sociological point of view, the term social network refers to people who are linked to one another by means of ties, whether family ties or friendship ties (Henslin, 2007:162). Furthermore, colleagues at work are also classified under this category, as well as friends of friends. Social networks are often seen as an extension of oneself that will gradually grow over a life period (Henslin, 2007:162).

The idea of social networks has introduced the network theory into the business environment as this concept has developed from a social perspective. Also, businesspeople have started to
acknowledge the value of networks, and thus the social network concept gave rise to the network theory. The core of the network theory is lodged in its business approaches. According to Bruhn (2003:29), relationships are not only dependant on the buyer-seller interactions, but also depend on direct and indirect business relations between other businesses. These business relations, also known as networks, should display the following characteristics (Bruhn, 2003:29):

- **Cooperation is the core “glue” between network members.** This implies a joint collaboration of activities on the provision of products with a view to achieve higher profitability and economic wealth;

- **Trust.** Networks can only function if the members have faith in the mutual collaboration thereof;

- **Power of members.** The power of a member can be a distinct factor in problem-solving, and strategy formulation and perfecting of a strategy;

- **Economically dependent.** Economic dependence implies that businesses cannot achieve strategic outcomes and decisions without considering co-members.

Palmatier (2008:15) further argues that, in addition to relationship quality (trust and commitment), two other relational drivers should also be considered, namely the breadth of a relationship and its composition. Bruhn (2003:34) concurs that the relationship party’s personality composition should be taken into account. Furthermore, Bruhn (2003:34) defines personality as a systematic organisation of unknown elements. Furthermore, personality breadth is subdivided into categories and frequency. The first of these refers to main topics handled by the relationship party during the course of the relationship. For example, if family is an example of such a category, elements such as attitude towards family or experiences of one’s family life will be examples of such categories. The latter term refers to the number of interactions with the relationship party in one such category (Bruhn, 2003:34).

The inter-firm relationship marketing theory based on social exchange and networks, propounds that social exchanges and networks form the basis of inter-firm relationships. In order to succeed in such exchanges, businesses need to exchange shared values and all parties must show commitment, trust and dependence towards one another.

Another theory that has received a great deal of attention within the field of relationship marketing development is the micro-theory of inter-personal relationships. This theory will accordingly be discussed.
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

2.2.9 Micro-theory of inter-personal relationships (2000s)

The micro-theory of inter-personal relationships positions joint gratitude, norms of exchange and guilt into a dynamic model of intrapersonal relationship marketing based on an evolutionary quasi-Darwinian perspective of relationships and cooperative behaviour (Palmatier, 2008:14-15). This theory is often linked to evolutionary psychology or sociology. In evolutionary psychology, interaction is often defined as the effect of one factor depending on another (Myers, 2008:74). Furthermore, evolutionary psychology refers to the study of behaviour and the mind reflecting on the principles of natural selection as introduced by Charles Darwin. According to Myers (2008:74), natural selection stresses that amongst the range of inherited trait variations, those that lead to increased survival will most likely survive over a period of time.

Micro-marketing entails: “the performance of activities that seek to accomplish the business’s objectives by anticipating customer needs and directing a flow of need-satisfying goods and services from the producer to the customer or client” (Perreault & McCarthy, 2002:10). In order to accomplish a successful flow of needs satisfaction goods and services, a good relationship must be established both internally (with staff) and externally (with intermediaries and customers). This argument is supported by Christopher et al. (2004:80) who stress the importance of collaboration of all parties involved. Christopher et al. (2004:80) present a six markets model where an extended definition of relationship marketing is proposed to include referral markets, customer markets, influence markets, recruitment markets, supplier/alliance markets and internal markets.

From this observation, it can be concluded that the micro-theory of inter-personal relationships is focused on the importance of having good relationships with, among others, internal staff in the business. Although this is a small and often unnoticed part of the collaborations that exist between the range of stakeholders that can include both local and global partners, it is fundamental to start internally and expand towards the external spheres. As noted in section 2.1 and confirmed by Christopher et al. (2004:80), customer markets constitute one of the fundamental domains inherent to successful relationship marketing. From a relationship marketing perspective, employees are seen as internal service providers. The business should accordingly first provide a good service to internal service providers (employees). Succeeding in that, employees will function as brand builders representing the business in all areas.

From a marketing perspective, micro-marketing can also refer to the process of customising products and marketing initiatives to the needs and wants of particular individuals (Kotler & Armstrong, 2006:212). Furthermore, micro-marketing includes local marketing and individual marketing. For the purpose of this discussion, more attention will be devoted to individual
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

marketing. This term describes the tailoring of products and marketing initiatives to the wishes and preferences of individual parties (Kotler & Armstrong, 2006:212). Individual marketing focuses a great deal on aspects also important in the field of relationship marketing theory. Not only can the tailoring of products be a means of adding value (it has economic, service and social benefits); it can also help to distinguish the business from other competing businesses (Ulaga & Eggert, 2006:314).

In the previous sections, an overview of various theories and definitions of relationship marketing was presented. From these definitions, the current discussion is concluded with an extensive definition of relationship marketing. This definition will be presented in section 2.2.10.

2.2.10 Relationship marketing defined

Based on the definitions and theories discussed in the previous sections, the author concludes the current chapter with an extended definition of relationship marketing as set out below.

Relationship marketing is a long-term process of engaging a network of role-players (intermediaries and customers) to work collaboratively towards establishing, enhancing and nurturing a mutually beneficial relationship based on trust and commitment (Christopher et al., 2004; Sheth & Parvatiyar, 1995; Grönroos, 1994; Morgan & Hunt, 1994). Engagement with these role-players will be driven by mutual value-adding which constitutes the business’ competitive advantage (Shani & Chalasani, 1992). Succeeding in establishing such networks will promote profitability over the long term (Martin-Consuegra et al., 2006; Parvatiyar & Sheth, 2000).

When discussing the term “relationship marketing” in the subsequent chapters, the elaborated definition set out above as compiled by the author will be referred to.

2.3 CONCLUSION

The notion of relationship marketing has undergone various developmental phases since the realisation has dawned on businesses that relationships can be an important vehicle not only to obtain a competitive advantage, but also to capitalise on customers’ loyalty through word-of-mouth marketing. As indicated in this chapter, relationship marketing has developed from various disciplines (psychology, economics, sociology, management and political science). Each of these disciplines was briefly discussed in accordance with the phases that relationship marketing underwent and from which it developed, from where an author’s definition of relationship marketing was suggested (see section 2.2.10).
CHAPTER 2: Conceptual and theoretical developments in relationship marketing

Relationships and the optimisation of value from customer relationships have become the focus of relationship marketing theory. The literature in the field acknowledges the fact that those relationships – whether with the customer or with the business – have benefits as well as limitations. Not all customer relationships seem equally beneficial, and neither do all of them result in loyalty. Engaging in a long-term relationship with all businesses, on the other hand, is also not beneficial because all businesses do not satisfy customers to the same degree. It is therefore crucial for businesses to satisfy a customer to such an extent that the customer willingly engages in a long-term relationship with the business. If a business were to succeed in achieving that, such a business can elicit the type of customer satisfaction that can result in loyalty. Furthermore, only when succeeding in continuous customer satisfaction, benefits such as loyalty and retention will follow.

Kumar et al. (2003:670) suggest that all five dimensions (*Involvement, Expectations, Forgiveness, Feedback* and *Fear of Relationship Loss*) provide an indication of customers’ relationship intentions. Customers’ relationship intentions are a good indication of how the customers perceive the business and brand, as well as customers’ attitude toward the business. In Chapter 3, the notion of relationship intentions will be discussed.
CHAPTER 3: RELATIONSHIP INTENTION

3.1 INTRODUCTION

Since the introduction of the notion of relationship marketing over the past two decades, marketers have been faced with the question: what causes customers to commit and stay in a long-term relationship with a particular business?

Overall, marketing literature tends to focus on products and service efforts as the driving force of customer value, but in the process neglecting relationship efforts (Liang & Wang, 2007:337). De Wulf and Odekerken-Schröder (2003:96) define a relationship effort as: “any effort that is actively made that is intended to contribute to the perceived value above and beyond the core product/service efforts received”. This type of contribution can only be perceived by a customer after multiple exchanges with the business or service provider. Relationship efforts appear to positively influence customer behaviour; therefore it also has a positive influence on customer’s relationship intention.

Furthermore, relationship intention seems to be the salient key to unlocking the reason why customers commit and to whom they commit, although this pursuit goes even deeper since one also needs to assess customers’ relationship behaviour and long-term intention. Much of the answers needed in this regard are more likely to be found in the field of social psychology or even sociology. Guo, Xiao and Tang (2009:1154) confirm Fishbein and Ajzen’s (1975) argument that a good forecaster of what persons will do, can be found in their stated intentions (referring to the future). Research shows that past behaviour is the best predictor towards future behaviour (Kotler & Keller, 2006:412). This notion is supported by Myers (2008:393) and referred to as the: “adaptation-level phenomenon that describes the tendency to judge various stimuli relative to those previously experienced”.

Past behaviour seems to be a good indicator for assessing trends or financial data; but with human behaviour, nothing seems to fit a simple formula. Consequently, when humans are involved, various aspects – most of which are beyond the marketer’s control – play a salient role in predicting future behaviour. What complicates the matter further is that businesses can achieve good sales as a result of customer satisfaction but still fail to establish a committed, long-term relationship with the customer. The key to unlocking the reason appears to be nested in a customer’s relationship intention. The focus is on all aspects of relationship intention,
CHAPTER 3: Relationship intention

including Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss (Kumar et al., 2003:670). These aspects will form the basis of discussion in this chapter.

Relationship intention will receive specific attention in this chapter. The chapter will commence with a definition of relationship intention followed by a detailed discussion of each of the constructs of relationship intention.

3.2 RELATIONSHIP INTENTION

3.2.1 Relationship intention defined

Relationship intention encapsulates a customer’s inclination to connect with the business over the long term. Gounaris, Tzempelikos and Chatzipanagiotou (2007:70) link relationship intention with behavioural intention and define relationship intention as: “indicators of willingness to keep a sustainable long-term relationship with a business or not to do so.” These authors underline the importance of studying customers’ relationship intention as this serves as an indication of customer commitment and, subsequently, of customer retention.

Kumar et al. (2003) were among the first authors to propose a definition of relationship intention. Since the publication of their research in 2003, various South African studies have been conducted in different industries. These include De Jager (2006) in the insurance industry, Mentz (2007) in the motor industry, Delport (2009) in the banking and life insurance industries and Kruger (2010) in the cell phone industry. All of these studies were based on the research by Kumar et al. (2003:670). In this study the findings of the above authors will consequently be used as a basis for identifying constructs of relationship intention. The discussion will commence with various definitions of relationship intention, followed by a discussion of each of the constructs of relationship intention.

Kumar et al. (2003:667) define relationship intention as: “willingness of a customer to develop a relationship with a firm while buying a product or a service attributed to a firm, a brand, and a channel”. Liang and Wang (2007:343) propose that relationship intention is an indicator of whether customers will remain with or defect from the business. Terblanche (2003:28) argues that relationship intention is rather a willingness of the customer to engage in a long-term relationship or not to do so.

From Terblanche’s (2003:28) definition, it would appear that engagement in a relationship is initiated by the customer and this engagement between the customer and business is often defined as a transaction. Furthermore, customers begin to engage with a business simply with a transaction intention and no forecast or probability for a series of purchases or with a view to
Climb the loyalty ladder (Brink & Berndt, 2004:4). Contrary to a relationship intention, a transaction intention is short-term in nature and is not indicative of planned future engagements; it also excludes the intention of building a relationship over the long term. During Chapter 3, the various constructs of relationship intention (Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss) will receive complete attention. Each section will commence with a definition of each construct followed by a detailed discussion of the constructs contextualised within the framework of relationship intention.

The main differences between the transactional versus relational approach are depicted in Table 3.1 below.

**Table 3.1: Differences between transactional and relational approach**

<table>
<thead>
<tr>
<th></th>
<th>Transaction approach</th>
<th>Relational approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>View</strong></td>
<td>Short-term, opportunistic attitude of customers.</td>
<td>Long-term, but not opportunistic. Willing to pay more to obtain relationship benefits.</td>
</tr>
<tr>
<td><strong>Involvement</strong></td>
<td>No involvement. Motivating factors for buying are force, no switching costs, low prices, discounts, convenience, trends and social influence.</td>
<td>High involvement. Involvement increases as risk increases. Also, higher in service industries since a relationship has been formed with an individual.</td>
</tr>
<tr>
<td><strong>Loyalty</strong></td>
<td>None. Switching can take place at any time as situations that are favourable to do so present themselves.</td>
<td>High affinity for the business. Customers are emotionally attached to and put great trust in the business.</td>
</tr>
<tr>
<td><strong>Contribution to business</strong></td>
<td>Good over the short term. Can engage in multiple transactions, although with a “no strings attached attitude”.</td>
<td>Good over the long run. These customers are less likely to switch unless they experience a breach of trust or emotional attachment.</td>
</tr>
<tr>
<td><strong>Value adding</strong></td>
<td>Adds no value over the long run, although keeps business going. Most consumer businesses need a mix of transaction and relationship customers.</td>
<td>Adds a significant amount of value over the long run, but constitutes only a small percentage of the customer base of a business.</td>
</tr>
</tbody>
</table>

Source: Adapted from Kumar *et al.* (2003:669).

This table structures the differences between a transaction approach as opposed to a relationship approach along five main differences, namely the view of the approach, degree of involvement, loyalty, contribution to the business, and value adding.

A discussion of the constructs of relationship intention follows below and is depicted in Figure 3.1.
CHAPTER 3: Relationship intention

3.3 CONSTRUCTS OF RELATIONSHIP INTENTION

In the following sections, the various constructs of relationship intention will be discussed. The study by Kumar et al. (2003:670) is used as the basis of this discussion and the outline of the section are as follows:

Figure 3.1: Framework of discussion on relationship intention

Source: Compiled from Kumar et al. (2003:670).

3.3.1 Involvement

Involvement is the first construct of relationship intention. In this section, various definitions/viewpoints of involvement are discussed. Several of the following constructs are interlinked with one another or are outflows of previous constructs.
3.3.1.1 Involvement defined

Involvement is defined as the: “degree to which a person willingly intends to engage in a relationship” without any intimidation or obligation (Kumar et al., 2003:670). Additionally, Baker, Cronin and Hopkins (2009:116) define involvement as the degree to which involvement with a product or service is personally relevant. This view recognises that services can have diverse levels of involvement for various customers and different situations (Baker et al. 2009:116). Seiders, Voss, Grewal and Godfrey (2005:30) extend this argument and reaffirm Mittal’s (1995) definition of involvement that stresses that the importance of a purchase category to the customer is based on the customer’s inherent needs, values and interests. These respective views introduced various categories of involvement based on the level of involvement, namely (Baker et al., 2009:116):

(a) **Product-centred involvement** introduces the notion that some goods or services inherently require greater levels of involvement;

(b) **Subject-centred involvement** proposes that the level of involvement is a function of the customer involved;

(c) **Response-centred involvement** focuses on the level of involvement that a customer has with the objectives associated with the goods or service.

Based on the definitions presented above, two main aspects can be highlighted, namely:

- **The degree or level of involvement.** This defines the level of involvement that an individual is committed to when engaging in a relationship.

- **The attitude of involvement.** The attitude of involvement refers to a specific mind-set of an individual when becoming involved with the business. This mind-set can either be positive (willingly) or negative (by force, intimidation or obligation).

Baker et al. (2009:117) confirm Varki and Wong’s (2003) viewpoint that highly involved customers are fundamental to any business because they are more likely to build a long-term relationship with the business. In such cases, it is very probable that both aspects, namely the level of involvement and the attitude of involvement, are adhered to. Furthermore, customers are more likely to be involved with solutions to problems in the business and to show a preference towards fair treatment. Solomon (2005:28) introduces a further phenomenon into marketing discourse, namely participatory marketing. By following this approach, managers can stimulate new ideas and methods with a view to enhance interactive customer experiences.
CHAPTER 3: Relationship intention

Especially in the online world, businesses can capitalise on customers’ engagement to introduce new ideas that shape the boundaries between production and consumption (Solomon, 2005:29).

Although various technologically driven and social media platforms are available in this age of technology, reality dictates that customers are still not involved in decision-making processes and remain the objects of marketing efforts (Kotler & Armstrong, 2008:23). Most products that are offered have already been intellectually and financially invested in and thought through by management (Solomon, 2005:29). The view of customers as being simply the receivers of product offerings seems to stimulate passivity in them; such a view also creates unhappy customers because they would rather choose to be involved and find self-worth in sharing ideas. This translates that one loses customer involvement. The idea of customers sharing their ideas with the business (also known as the “voice of the customer”) possibly constitutes the most inexpensive method of conducting marketing research and obtaining information.

Maklan, Knox and Ryals (2008:3) propose a view of marketing that places the customer at the heart of involvement in the product offering. This view is also referred to as the co-creation of value. Marketing, traced back to its roots, is really about facilitating exchange, and thus about making the customer (the receiver of goods) the exchanged. Contrary to this, in the co-creation of value the customer is co-creating the product in an approach that places the customer in the obvious position of privilege since he/she consumes the product. The role of the receiver of “well-crafted offers” is therefore replaced with the role of co-creating a product for which the customer has an actual need.

Customer involvement can ultimately result in the following benefits for the businesses (Baker et al., 2009:121; Maklan et al., 2008:223; Seiders et al., 2005:30, Solomon, 2005:29):

- Co-creation of products by customers;
- “Free” marketing research via the voice of the customer (“VOC”);
- Involved customers feel willing to share more, thus helping the business to improve continuously;
- Highly involved customers show greater repurchase intentions;
- Customer satisfaction can be enhanced and repurchase behaviour increased; and
- Involvement is the moderator between service quality and satisfaction.
Involvement and the influence of various bonding techniques accordingly will receive attention below.

3.3.1.2 Involvement and bonding techniques

Involvement is also regarded as a contributing factor to satisfaction, because identification (relation) with the business can convert into emotional attachment. Liang and Wang (2007:339) support this notion and propose that relational bonding tactics play a fundamental role in the process of attaching customers to the relational properties of their interactions with businesses. These authors propose the following relationship bonding techniques that promote involvement between the business and customers: 1) Financial bonding techniques, 2) Social bonding techniques, and 3) Structural bonding techniques. Social bonding techniques especially promote emotional attachment as these are based on expanded friendship. In addition, Egan (2004:98) stresses the notion of emotions that develop as a result of attachment with the business; the author defines emotion as the complex series of human reactions created as a result of exchange. The benefit of emotional attachment is that the customer will experience an uncomfortable feeling should he or she consider supporting other competing businesses. Relationship bonding techniques can be divided into three groups as noted above. Each of these will accordingly receive attention (see also Liang & Wang, 2007:339; Dall’Olmo Riley & de Chernatony, 2000:138):

(1) Financial bonding techniques

Financial bonding techniques refer to a bond that stimulates customer consumption, motivation and knowledge of customer intentions based on pricing decisions such as discounts and interest rates (Liang & Wang, 2007:339; Dall’Olmo Riley & de Chernatony, 2000:138). Since this method can easily be imitated by competitors, it is not sustainable for use to promote a competitive advantage over the long term.

(2) Social bonding techniques

Social bonding techniques refer to personal ties between the business and customer that are formed during experiences of engagement and are often the result of extended business friendships (Liang & Wang, 2007:339; Dall’Olmo Riley & de Chernatony, 2000:138). These friendships are built on personal liking, self-disclosure and closeness, provision of support or advice and empathy. Social bonding is the most difficult to imitate as it is built on independent relationships between individuals and is based on trust, satisfaction and shared values within the business.
CHAPTER 3: Relationship intention

(3) Structural bonding techniques

Structural bonding techniques entail the structure, administration and institutionalisation of the business relationship (Liang & Wang, 2007:339; Dall' Olmo Riley & de Chernatony, 2000:138). Moreover, the legal and contractual aspects of a business relationship are included in structural bonding. Structural bonding is a type of “forced” bonding based on a legal agreement that may prevent the customer from leaving the business easily. However, this provides a time-period for the business to use as an opportunity for bonding with the customer by means of value-adding. Such value-adding benefits should, over time, convert a “forced" bonding into a loyal bond that comes into being out of free will.

Involvement is interchangeably used as engagement, association, and contribution. Pillai and Sharma (2003:646), however, link involvement with commitment as they argue that commitment is the result of continuous involvement with a business over a period of time. The success of implementing relationship marketing depends on more than one dimension of customer’s involvement. The customer’s involvement as a requirement of relationship marketing success is outlined in Table 3.2 below. In this context, specific dimensions of relationship marketing are identified and the corresponding involvement is placed opposite each dimension to emphasise the importance of involvement.

Table 3.2: Customers’ involvement as a requirement for relationship marketing success

<table>
<thead>
<tr>
<th>Dimension of relationship marketing</th>
<th>Customer involvement required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify new relationships</td>
<td>Positive word-of-mouth marketing.</td>
</tr>
<tr>
<td>Creating customer value and share it with customers</td>
<td>Assist in defining value and what they perceive as value.</td>
</tr>
<tr>
<td>Need satisfaction</td>
<td>Feedback and communication on how to improve product offerings and satisfy customer needs.</td>
</tr>
<tr>
<td>Mutual exchange</td>
<td>Information sharing (whether on products or prospective customers) as basis for improvement and competitiveness in the market.</td>
</tr>
<tr>
<td>Customer retention</td>
<td>Repeat purchases.</td>
</tr>
<tr>
<td>Profit maximisation</td>
<td>Long-term commitment and loyalty.</td>
</tr>
</tbody>
</table>

Adapted from Brink and Berndt (2004:7).

Brink and Berndt (2004:27) argue that businesses should benefit from customer involvement, whether this is positive or negative, because customer involvement is simply a form of communication that is used with a view to improve product and/or service offerings. Once the customer communicates with the business, the business can engage in a learning relationship and obtain as much information as possible and in effect “learn" to treat the customer better with
CHAPTER 3: Relationship intention

every engagement. Several of these engagements can result in loyalty (Brink & Berndt, 2004:7).

Egan (2004:36) goes a step further and describes customers' involvement as a knowledge-generating process. When customers take the courage to communicate something, it is the business' responsibility to customise the product offering and to get “smarter and smarter” with every interaction. This can culminate into a competitive advantage over the long term (Egan, 2004:36). Kotler and Armstrong (2008:525) concur with Egan (2004:36) but also propose that businesses can increase their competitiveness by following a customer-intimacy strategy. According to this strategy, the business provides excellent value by segmenting its markets and customising its products to adapt to the exact customer need. This type of strategy focuses on tailor-made products and services and customers would be prepared to pay a higher price (price premium) because the value derived is lodged in the customisation of the product.

Customers' involvement, however, can easily be taken for granted; in this context Brink and Berndt (2004:27) propose several rules of engagement. These “rules” are:

- When initiating interaction with a customer, set a clear objective;
- Avoid asking customers the same thing twice;
- Communicate in the medium preferred/prescribed by the customer;
- An engagement should be customer-focused and not product-focused;
- Ensure the interaction is personal and custom-made;
- Ensure that any form of communication is wanted by customers;
- Care for the customer’s privacy;
- Invite discussion by printing toll-free numbers and website URLs on everything;
- Ensure that the customer values the interaction;
- Be sensitive to the customer’s time; learn as you go and try not to learn everything about the customer at the first meeting.

Involvement can be one of the most beneficial aspects within a business relationship; however if not handled correctly, it can have the opposite effect and damage the potential of a future relationship.
CHAPTER 3: Relationship intention

After having reached a certain degree of involvement, a customer develops higher expectations about the business relationship.

3.3.2 Expectations

Expectations as a construct of relationship intention will now be explored.

3.3.2.1 Expectations defined

Lovelock (2001:112) propounds that customers buy goods or services in order to meet a specific need. Post-evaluation follows by evaluating the outcome based on what they expect to receive. Herein lies expectations in its basic form: expectations refer to a situation in which customers obtain goods or a service and measure their purchase by what they perceive to expect. Literature suggests that perceived expectations are formed on prior service experiences since customers tend to compare what they received against historical purchase history (Kotler & Keller, 2006:144). Harris (2009:17) goes a step back and categorises expectations into two categories, namely primary and secondary expectations. The difference between primary and secondary expectations is as follows (Harris, 2009:17):

- **Primary expectations** are the most basic requirements that customers have of an interaction; for instance when visiting a restaurant, a basic expectation is to satisfy hunger;

- **Secondary expectations** are expectations built on previous experiences that are an improvement on primary expectations. For instance, apart from satisfying hunger at a restaurant, one expects to be treated with courtesy and to receive good and tasty food.

Harris (2009:17) posits that expectations are at least partially formed by perceptions. Perceptions, in turn, are formed by a past experience – and if a past experience was either good or bad, the expectations will follow the trend accordingly. Kumar et al. (2003:670) state that when customers buy a product or service, an automatic response is to develop expectations. Higher expectations towards the business will convert into caring for the business and in particular for the future well-being of the business. The question, however, needs to be addressed of how expectations can be measured since it is often said that one cannot manage what one does not measure (Lovelock, Vandermerwe & Lewis, 1999:485).

In service businesses, expectations are often based on “quality”, however, quality means different things to different people and also within different contexts. In service businesses, however, service quality plays a fundamental role as it might give an indication of the bases upon which expectations are formed. Boshoff and Du Plessis (2009:37) underwrite a definition
CHAPTER 3: Relationship intention

proposed by Parasuraman et al. (1994) that: “service quality is a customer’s evaluative judgement about the degree of superiority of service performance”. To put it differently: “service quality is the difference between customers’ perceptions and expectations” (Boshoff & Du Plessis, 2009:37). These authors present the following dimensions of service quality:

- **Assurance** describes the knowledge, skills and courtesy of service employees to inspire trust and confidence;

- **Empathy** refers to a feeling of caring; it is the extent to which customers feel that they receive individualised service and are cared for;

- **Reliability** describes the ability to perform a service responsibly and accurately;

- **Responsiveness** defines an attitude whereby the employee shows a willingness to listen to the customer and to what the customer wants;

- **Tangibles** define physical facilities (like offices) and the appearance of staff.

A prerequisite of customer satisfaction is service quality because customer satisfaction is based on meeting and/or exceeding customer expectations (Boshoff & Du Plessis, 2009:37). What makes it even more challenging to satisfy customers, is the truism that customer expectations differ from person to person and from experience to experience. An additional challenge to managers is that a satisfactory experience at a service business will automatically raise expectations to a new and possibly unsustainably high level (Boshoff & Du Plessis, 2009:38). One way to address a possible dissatisfying experience from occurring (an experience that may promote customer dissatisfaction) is to identify possible gaps between expectations and perceived performance. If managers can succeed in addressing and managing these gaps, satisfying their customers might become within reach and sustainable over the long term.

Expectations are addressed in greater detail in chapter 4; however for the purpose of the current discussion; expectations from a relational point of view will be addressed with the aim of elucidating the relationship between expectations and relationship intention.

The gaps between expectations and perceived performance will now be entertained.

3.3.2.2 Gaps between expectations and perceived performance

Contrary to the beliefs of many, service encounters do not always involve person-to-person encounters (Payne, Christopher, Clark & Peck, 2003:184). Examples of such encounters are bank services that usually take place via a machine (eg. ATM); another example is retail that
CHAPTER 3: Relationship intention

can also take place through catalogues, the internet and mail. However, all businesses must keep customers satisfied by meeting their expectations and is fundamental in today’s competitive environment. One way of succeeding in customer satisfaction is meeting or exceeding customer expectations.

Nonetheless, whenever a service does involve humans, the complexity increases specifically from a quality control point of view; it is exactly at this point where managers face challenges especially regarding consistency (Payne et al. 2003:184). Businesses are urged to be more customer-orientated; indeed, perceptions of a good versus a bad service business are often lodged in their approach toward service. In good service businesses, exceptional service is an integral part of the service design and the outcome of good service delivery is the norm rather than the exception. Conversely, bad service businesses follow a “cheerleading” approach whereby sporadic campaigns with an underlying urge to become more focused on customers is evident (Payne et al. 2003:184).

The main concern that arises if gaps between perceptions and expectations are not addressed is a continued dissatisfied customer as a result of unmet expectations. Effective service businesses can furthermore be identified by their having a broader view towards service delivery and by situating service delivery as an integral part of its marketing strategy. From a relationship marketing point of view, this entails buy-in from top management to lower levels of management because all employees need to understand the role they have to play to make a service encounter one worth coming back for.

Payne et al. (2003:184) note the following gaps between expectations and perceived performance:

- The gap between customer expectations and what management perceive those expectations to be;
- The gap between management’s perceptions of customer expectations and the business’ service quality provisions;
- The gap between service quality provisions and real service deliveries;
- The gap between real service provision and external communications’ perceptions of the service.

The main problem embedded in these gaps is the fact that management in service businesses do not always know in advance which features and levels of performance require meeting
customer expectations (Parasuraman, Zeithaml & Berry, 1985:43). Furthermore, because services are dependent on people, performance may vary; it may be unpredictable and cannot be standardised. Staff often constitutes the difference between good and great service because they have a salient role in making an experience at the service business one worth remembering and worth coming back for (Parasuraman et al., 1985:45).

As indicated in section 5.3.2.1, meeting and exceeding customer expectations are fundamental to customer satisfaction (Boshoff & Du Plessis, 2009:37). According to Gounaris et al. (2007:67), customers', “level of satisfaction is classified as the service value expected in relation to the value received”. If businesses are unable to fulfil customer expectations, they will fail to satisfy the customer. According to the scale measuring customer's relationship intention introduced by Kumar et al. (2003:670), higher customer expectations result in greater concern about the business. The importance of exceeding customer expectations is lodged in the concept that satisfied customers appear to have a higher inclination of developing a positive relationship intention towards the business, because they show more concern and a greater tendency to forgive the business for wrongdoings. Concern about the business will accordingly result in a higher customer intention to build a relationship with the business. Customers who show concern towards the business will probably be more forgiving towards the business for non-compliance or unfair treatment, since the business relationship is viewed as more important than the unfulfilled expectation (Kumar et al., 2003:670). The concept of forgiveness as third construct of a customer’s relationship intention will subsequently be discussed.

3.3.3 Forgiveness

Forgiveness as a construct of relationship intention will now be discussed.

3.3.3.1 Forgiveness defined

Forgiveness is defined as: “the disposition to abort one's anger (or altogether to miss getting angry) at persons one feels have wronged one culpably, by seeing them in the benevolent terms provided by reasons” (Muñoz Sastre, Vinsonneau, Chabrol & Mullet, 2005:766). In contrast, unwillingness to forgive (or unforgiveness) can lead to the following consequences:

- **Lasting resentment** that refers to the difficulty of preventing the forgiveness state through either avenging or deciding to forgive;

- **Sensitivity to the circumstance.** This sensitivity describes the reactivity to the other’s pressure to forgive or to avenge; and lastly
CHAPTER 3: Relationship intention

- **Overall inclination** to forgive or to avenge.

As noted above, consequences of forgiveness are, amongst other factors to avenge by doing harm to the person/business. In a business relationship, this can easily result in negative publicity or negative word-of-mouth marketing. An unforgiving customer will furthermore start exploring other businesses to engage with. Anger (due to unforgiveness) reverts to only one of two options, namely forgiveness or avenging (Muñoz Sastre et al., 2005:766). These two opposite reactions are a consequence of one of the following reasons (Muñoz Sastre et al., 2005:766):

- General personal-level causes (e.g. agreeableness);
- Relational-level reasons (e.g. previous social contact with the offender);
- Psycho-attributional reasons (e.g. perceived transgressor’s regret); and lastly
- Concrete offense-related reasons (e.g. elimination of the consequence of the offense).

Muñoz Sastre et al. (2005:766) indicate a positive correlation between forgiveness and agreeableness as well as between forgiveness and religion. The reason for this can be attributed to the fact that various religions require good relations between fellow believers. For the purpose of the discussion on forgiveness, additional descriptions of forgiveness will also be outlined (see Mentz, 2007:97; Muñoz Sastre et al., 2005:766; Casarjan, 1992:23-25,30 confirmed by Umbreit & Fier, 2002):

- Forgiveness is the willingness and tendency to forgive;
- Forgiveness entails a decision not to punish a perceived injustice, and thus taking no action against the decision that will result in emotional relief;
- The action of forgiveness must be accompanied by a willingness to regard the transgressor’s words as sympathetic and true, and a decision to trust again even though the possibility exist to be proven wrong. Furthermore, the relationship hereafter must be open, positive and working towards establishing intimacy and experiencing a new closeness;
- Forgiveness is a decision to look beyond the limitations of another person’s personality; it refers to an attitude to willingly accept the responsibility of deceiving perceptions and a decision not to accept perceptions as an objective fact;
• Forgiveness challenges one to repeatedly move perceptions and is rarely a once-off process;

• Forgiveness is a transforming process that converts helpless victims of circumstances into powerful and loving co-producers of reality;

• Forgiveness does not reflect on what individuals do, but rather on how each individual perceives circumstances; and lastly

• Forgiveness describes the process whereby anger against a person (or business) is prevented by acknowledgement from an individual that he or she was mistaken and to regard the person (or business) in a favourable light.

Forgiveness plays a fundamental role in deciding whether future encounters will realise – not only in business relationships, but also in any one-to-one relationship. Hoyt, McCullough, Fincham and Maio (2005:376) argue that the willingness to forgive is based on both situational- and relationship factors. In this sense, the customers’ behaviour is determined by recent behaviour and also by behaviour from the past. Recent behaviour is often the predictor how the customer will react in the future, and therefore marketers often use past behaviour as a predictor of future behaviour. This notion is elaborated on by Kumar et al. (2003:670), who suggest that customers who willingly engage in a relationship with the business show a greater likelihood to forgive the business, even if expectations have not been met. In such instances, customers value the relationship more highly than the unfulfilled expectations. Hoyt et al. (2005:376) and Cha, Ra and Hyun (2010) argue that forgiveness is a form of healing. These authors propose the following aspects with regard to forgiving customers:

• Forgiving customers show less defection and greater openness toward product offerings;

• Forgiving customers show less anger, resentment and desire to revenge;

• Forgiving customers are more benevolent toward a relationship partner that hurt them.

From the discussion above, it seems evident that forgiveness is fundamental and deemed necessary for relationship building as both parties (business’ staff and customers) will at some stage make mistakes, however to rectify these mistakes will determine the strength of the relationship going forward.

Forgiveness and its connection to emotional well-being will now be considered.
3.3.3.2 Forgiveness and emotional well-being

The term forgiveness is a concept adapted from religious discourse. As a concept it is familiar to various religious groups and is regarded as fundamental to physical and emotional well-being. Henslin (2008:528) defines forgiveness as a process of releasing oneself from feelings of resentment, bitterness and hatred as holding on to grudges rips the body (and soul) apart from inside. People who are more likely to forgive find themselves in good psychological health and are also less likely to be bound by disease or to be depressed. (Wright, 2009:5). Cha et al. (2010) argue that forgiveness has both intrapersonal and interpersonal benefits, especially since once anger and resentment are released, the person works towards restoration of the relationship. In terms of interpersonal aspects, forgiveness encourages pro-social changes by diminishing the desire to take revenge.

Unforgiveness, on the other hand, can promote the following feelings if not dealt with (Cha et al., 2010; Wright, 2009:99):

- Anger;
- Bitterness;
- Anxiety;
- Reduction in psychological well-being; and
- Constantly experiencing feelings of hurt and resentment.

McCullough, Root and Cohen (2006:887) concur with the above authors and further identify interpersonal transgressions in this context. Interpersonal transgressions are a number of interpersonal stressors that prompt people to notice that they have been offended or ethically wronged resulting in hurt. As a result of this feeling of pain, people seem to develop a desire to take revenge against the wrongdoer. Not only can such negative emotions impact on psychological well-being, but furthermore, it can influence the person’s health negatively. The question, however, is why some customers (people) are more forgiving that others. The answer seems to lie in various theories. A short summary of the conclusions is provided below.

- The **spiritual theory** proposes that forgiveness is one of the keys to spiritual and physical health. Unforgiveness is a “condition of the heart” and can hold someone bondage, even including diseases in the physical body (Wright, 2009:5).
CHAPTER 3: Relationship intention

- The attribution theory emphasises the role of responsible attributes and also refers to the role of empathy for the transgressor. Empathy, referring to a specific emotional state (such as compassion, tenderness and sympathy), gives a strong indication of the extent to which a victim forgives. A strong correlation has also been found between empathy and the extent to which the transgressor was willing to accept forgiveness (McCullough, 2001:195).

- The interdependence theory highlights the idea of relationship commitment. Interdependence theorists suggest that a victim’s self-orientated reactions to betrayal are destructive and counter to forgiveness. These reactions are characterised by grudges and vengeance. Additionally, forgiveness is contingent upon pro-relationship motivation. One of the pro-relationship motivators is strong commitment. Studies by Finkel, Rusbult, Kumashiro, Madoka and Hannon (2002) indicate that there are: “associations (or causal effects) between commitment and forgiveness. The commitment-forgiveness association appeared to rest on an intention to persist rather than on long-term orientation or psychological connection”.

- Benefit finders emphasise a new possible element in the process of forgiveness, namely benefit finding. Wrongdoings include costs to the victim – such as the damage of trust, self-esteem, material possessions, physical or psychological well-being. This theory is based on the idea of concentrating on the benefits that one has gained or is likely to gain that can assist one to negate the transgression’s psychological costs and therefore promote forgiveness (McCullough et al., 2006:887). From a business perspective, customers might try to take advantage of a business’ mistakes by expecting discount coupons or free gifts.

As indicated above, it is evident that literature offers different viewpoints with regard to forgiveness; however, elements such as empathy (goodwill) and the role of relationship commitment are salient. Against the background of relationship marketing where one of the key constructs of relationships is commitment and trust, literature confirms the importance of getting these basics (trust and commitment) right (Liang & Wang, 2008:69). If one succeeded in achieving that, benefits such as forgiveness will follow. According to the scale of relationship intention by Kumar et al. (2003:670), a customer who is willing to build a relationship with the business often shows a higher inclination towards being forgiving given that high expectations exist. Should the business fail to live up to expectations, the customer might be forgiving and give the relationship another chance. The costs that customers bear as a result of mistakes (transgressions) made by the business are vast. These costs include the loss of trust, material resources and, most importantly, the physical or psychological well-being of the customer.
CHAPTER 3: Relationship intention

In the following section, feedback as a fourth construct of relationship marketing receives attention.

3.3.4 Feedback

Feedback is the fourth construct of relationship intention and can have different meanings within the context of application. Section 3.3.4.1 provides a short definition of feedback against the background of relationship marketing and specifically within the context of relationship intention. This section is followed by a discussion on feedback and communication (section 3.3.4.2).

3.3.4.1 Feedback defined

Feedback can be defined as the ability to provide timely and trustworthy information (Ndubisi & Wah, 2005:545). Kumar et al. (2003:670) define feedback as a form of communication, whether positive or negative, for communicating customers’ expectations to the business.

3.3.4.2 Feedback and communication

Brink and Berndt (2004:149) go a step further and stress the importance of communication in relation to feedback in order to gain more profound insight into problems and opportunities in the market. Not only is a trustworthy relationship required where channel partners share the same values, but contributions by both parties are essential. These contributions include the other’s desires, priorities and sources of satisfaction in order to respond better to a changing market. Little and Marandi (2005:30) argue that the promotion of a two-way dialogue between the customer and business is a prerequisite for relationship marketing as this allows businesses to be updated with the latest trends. Dialogue is, however, only successful when both parties are actively involved. Not only is communication important with a view to gain information, but it also forms part of customer relationship management that refers to: “active work to handle customer relationships on a large scale with long-term profitability and survival in mind” (Gummesson, 2006:39). Gummesson (2006:40) outlines the following crucial requirements of customer relationship management:

- Interact with customers and establish dialogue;
- Tailor and treat every customer as a person through individual contact or an automated process; and
- Promote a learning relationship with the customer.
CHAPTER 3: Relationship intention

Although the above-mentioned requirements may seem self-explanatory, they pose a challenge especially for businesses with a large customer database. Taking into consideration that most customers do not regard email correspondence or even newsletters as direct forms of communication, it becomes even more challenging. Depending in which industry a business operates, it is extremely important to know one's customers especially when choosing channels of communication. Kotler and Armstrong (2008:407) distinguish between two broad mediums, namely: personal communication channels, and non-personal communication channels.

Personal communication channels are those channels through which multiple people communicate directly by means of face-to-face, a personal phone call, via email or even through internet chat rooms (Kotler & Armstrong, 2008:408). Two forms of personal communication are distinguished, namely (Kotler & Armstrong, 2008:408; Lamb, Hair, McDaniel, Bosoff & Terblanche, 2008:254):

- **Word-of-mouth** is a personal form of communication whereby friends or family members share a positive or negative experience with one another. Referrals are often a result of positive word-of-mouth marketing;

- **Buzz marketing** is the process where opinion leaders promote the product/service to communities.

Non-personal communication is described as "media that carry messages without any personal contact and/or feedback" mainly aimed at the mass market and include major media events (Kotler & Armstrong, 2008:407). For the purpose of this discussion, the focus is mainly on personal communication.

In the sections above, the potential success of communication is outlined, although one of the fundamental aspects of any marketing communication system is to obtain feedback to determine the influence of its marketing message on the target audience with a fair amount of accuracy (Kotler & Armstrong, 2008:411). What differentiates relationship-driven communication is the way in which communication is conducted. Various businesses promote communication, although most of these fail as a result of conducting only one-way participation. Christopher et al. (2004:222) emphasise the importance of dialogue as a method to resolve conflict or misunderstanding in a relationship. These authors conclude that dialogue is a process of "reasoning together to build shared meanings". In this sense, dialogue is viewed as a creative process that flows from spontaneous talking and has unlimited potential to be a means of working through problems and opportunities.
CHAPTER 3: Relationship intention

Apart from the positive contribution that communication offers, this method is also a means of conflict resolution and can therefore be used to rectify mistakes (see section 4.4.2.2). Furthermore, communication is the key to handling conflict that may occur from time to time in any relationship. Businesses should put measures in place for handling conflict. Conflict handling refers to: “the business’ ability to minimize negative consequences that can manifest from potential conflict” (Ndubisi & Wah, 2005:546). Little and Marandi (2005:155) support this notion and stress that complaints are bound to happen. Customers are, however, more concerned about how complaints are handled than the fact that a mistake did occur. These authors also highlight the importance of service recovery as a mechanism of customer retention. Since complaint handling is part of a learning process, the measures put into place to improve upon past mistakes are fundamental to relationship marketing.

In the previous discussion, the focus was on literature concerned with feedback (in communication). Against the background of relationship marketing, methods for promoting communication are of fundamental importance since customers share expectations of the business during the feedback process. From the literature, a number of aspects emerged as important to keep in mind with a view to promote feedback (Lovelock, 2001:45; Batterley, 2004:102; Blanchard, Ballard & Finch, 2005:27). These are discussed below.

- To promote customers’ presence throughout service delivery, the process must be designed around customers. Many big businesses believe that customers are as important as their bottom line; they believe, in fact, that customers are their bottom line;

- Business should teach customers how to participate effectively in service operations;

- Businesses should create a friendly, welcoming environment accompanied by good service delivery, thus promoting an atmosphere for providing positive feedback;

- People (employees) who are in contact with customers play a fundamental role not only in obtaining relevant information, but also in assisting to create a favourable atmosphere when meeting the customer; such employees should have a professionally acceptable appearance and have both good personal and technical skills. Batterley (2004:102) stresses that most aspects that customers seek in a relationship with the business are delivered in person, from employee to customer;

- Technology may be utilised to promote communication and feedback, although the success thereof is dependent on how technology is used.
CHAPTER 3: Relationship intention

The reasons why customers do not provide feedback to or about the business and its service delivery may vary from customer to customer based on reasons such as personality types, customers’ relationship intentions and a multitude of outcomes set by the customer (Bhandari, Tsarenko, Polonsky, 2007:175). From a business perspective, the main reason for this might be that insufficient procedures are in place to promote feedback. Various businesses implement customer surveys, although these surveys are developed around feedback after a service has been received. With a view to promote a long-term relationship with the customer, customers want to be involved and participate in the process of developing and improving the product/service; this creates a feeling of worthiness and ownership towards the business. Information sharing and feedback should be promoted throughout the process to address service failures in a proactive manner (Richey et al., 2007:33). Such practices, however, are not always the norm at businesses. Feedback (whether positive in the form of compliments or negative in the form of complaints) should be welcomed by businesses as this provides a platform that signals to businesses what they are doing right and where they should improve. Bhandri et al. (2007:174) reaffirm this view and argue that businesses run an increased risk of losing customers when services fail. Although occasional mistakes can be overlooked, it is often the case that post-failure service recovery lacks sufficient attention (Bhandri et al., 2007:174). Figure 3.2 presents an overview of service recovery followed by principles of service recovery as presented by Little and Marandi (2005:156). Because service recovery can bridge the gap between keeping and losing a customer, it is obvious that businesses need to have proper service recovery strategies in place.
The three steps of the process indicated at the bottom of Figure 3.2 are followed by most businesses, but it should be noted that these steps are only sufficient for individual relationship maintenance purposes. The subsequent three steps indicate issues that should become top priority because these will enhance continuous improvement and reduce the need for future service recovery. Continuous improvement in dealing with complaints should be encouraged, because this shows that the customer offers the business the opportunity to continue the relationship and to improve on past failures (Little & Marandi, 2005:156). These authors propose various principles for service recovery, which are discussed below.

- **Make it easy to complain.** Since complaints are a form of communication, business should aim to put procedures in place to facilitate complaints. In addition, staff with good interpersonal skills should be empowered to deal with customer complaints.

- **Establish the grounds for complaints.** Customers tend to make an effort to complain more frequently once they feel confident that their complaints are heard and dealt with. The publication of a guarantee or customer charter is often sufficient to provide the required confidence;
• **Offer immediate redress where possible.** Complaints often occur as a result of failure to meet customers’ expectations, and thus a negative emotion of dissatisfaction arises. The longer it takes to solve a problem/complaint, the longer a customer will experience this emotion that can negatively impact on his attitude;

• **Communicate.** Customers’ negative perceptions of service failure are often intensified if they feel that a problem could have been prevented. Since mistakes are bound to occur, customers are likely to accept an apology together with reasons why a specific negative situation has occurred. In offering these, it is fundamental to ensure customers that steps are taken to ensure a satisfied experience the next time.

Bhandari *et al.* (2007:174) further note, in terms of the service recovery process, that one should not merely focus on recovering customer’s service expectations back to “normal”, but rather aim to promote positive customer outcomes such as repurchase intent, enhanced loyalty, complaint intentions, improved emotional state and positive word-of-mouth referrals. Bhandari *et al.* (2007:174) furthermore argue that it is not always possible to achieve satisfaction as no “zone of satisfaction” exists. It is obvious that service failures such as medical negligence will carry much more weight than smaller, unimportant encounters of negligence. Furthermore, all service encounters serve as points of reference for future encounters; therefore customers build service expectations on past encounters – whether satisfactory or not.

Feedback (communication) is fundamental for promoting and developing a relationship with the customer, as this forms the basis for expressing complaints, suggestions or compliments (Richey *et al.*, 2007:33). All these are important to the business in order to continually improve on product/service offering. Kumar *et al.* (2003:670) note that customers with a high relationship intention will most probably provide feedback more frequently (whether positive or negative) without expecting to receive a reward. On the other hand, customers with low relationship intention will tend to provide negative feedback with an expectation to receive a reward every time. Negative feedback is as important as positive feedback, although customers with low relationship intention are driven by the reward associated with providing feedback and not by the relationship or with the business’ best interest at heart.

As a relationship develops, the fear of losing the relationship becomes more real as this type of relationship is cemented by friendship and social bonding. Fear of relationship loss is accordingly discussed below.
CHAPTER 3: Relationship intention

3.3.5 Fear for loss of relationship

When a relationship lengthens and strengthens, customers will tend to find comfort and safety in the relationship. The thought of needing to deal with another business, especially when a high risk purchase is involved, might seem threatening to most customers (Leverin & Liljander, 2006:232; Howcraft et al., 2003:1003). As a result of dependence on the business and the business relationship, the thought of losing such a relationship may potentially create fear. For the purpose of the discussion, fear is studied from a relational viewpoint, beginning with a definition of fear followed by the consequences of loss of the relationship.

3.3.5.1 Fear defined

The term “fear” is often interchangeably used with “anxiety”. Myers (2008:470) defines anxiety as a bad event that happened unpredictably and uncontrollably and as a result thereof, anxiety may develop. The notion of fear in terms of “conditional fear” can be refined. Conditional fear may remain long after a person has forgotten the experience, although repeated incidents can become “building blocks” in a person’s mind (Myers, 2008:470). These building blocks can condition a person to fear a certain situation by reminding that person subconsciously about previous experiences.

3.3.5.2 Consequences of loss of relationship

Kumar et al. (2003:670) suggest that if customers are concerned about the consequences (for example, switching costs) of loss of the relationship (whether with the staff or brand), they will tend to show high intention towards relationship building. Therefore, for the purpose of this discussion, fear of losing the relationship is based on the “switching costs” (consequences) involved when an existing relationship is lost and a new relationship is being pursued. Switching costs are defined as: “the onetime costs that customers associate with the process of switching from one provider to another” (Burnham, Frels & Mahajan, 2003:110). Figure 3.3 provides an outline of the discussion that will follow and provide customer perceptions of switching costs.
Chapter 3: Relationship intention

Figure 3.3: Customers’ perceptions of switching costs

(1) Procedural switching costs
   a) Economic risk costs
   b) Evaluation costs
   c) Learning costs
   d) Set-up costs

(2) Financial switching costs
   a) Benefit loss costs
   b) Monetary loss costs

(3) Relational switching costs
   a) Personal relationship loss costs
   b) Brand relationship loss costs

Source: Burnham et al. (2003:112).

The various switching costs as outlined in Figure 3.3 are discussed below (see Egan, 2004:70-71; Burnham et al., 2003:111; Sharma & Patterson, 2000:474).

(1) **Procedural switching costs**

Procedural switching costs comprise the following: a) Economic risk costs; b) Evaluation costs; c) Learning costs and d) Set-up costs. These types of costs are accordingly discussed.

(a) **Economic risk** costs are the costs of accepting hesitation with the potential of a negative consequence when the customer accepts a new provider where insufficient information exists;

(b) **Evaluation costs.** Evaluation costs refer to the effort and time associated with searching for a new provider; here physical time is required to search for alternatives together with the mental effort needed to assess the various options;

(c) **Learning costs** describe the effort and time costs involved in acquiring new competencies or the know-how required to use a product and/or service effectively;

(d) **Set-up costs** refer to the effort and time associated with initiating a relationship with a new service provider or setting up a product for first use. This varies between manufacturing and service businesses. Set-up costs for service business typically require
CHAPTER 3: Relationship intention

the exchange of information to reduce its selling risk and understanding customers’ specific needs.

(2) Financial switching costs

Financial switching costs entail a) Benefit loss costs; and b) Monetary loss costs. These are discussed below.

(a) Benefit loss costs. These describe the costs associated with contractual bonds that created economic benefits while the customer was still in a relationship with the business. Switching in this case may result in the loss of accumulated benefits and discounts that are not offered to new customers;

(b) Monetary loss costs. These costs usually describe once-off financial costs incurred in changing providers and exclude those used to purchase the new product itself. Engaging with a new business often involves once-off expenditure such as deposits or introduction fees. Furthermore, switching to another business may involve replacing transaction-specific assets or co-assets in which the customer has invested.

(3) Relational switching costs

Relational switching costs comprise a) Personal relationship loss costs; and b) Brand relationship loss costs.

(a) Personal relationship loss costs. These costs are associated with losses that accompany breaking the bonds and identification formed with employees in view of the fact that familiarity with employees creates a level of comfort.

(b) Brand relationship loss costs. These costs describe the losses experienced when breaking the bonds of identification between the customer and the brand. Customers ascribe meaning to a brand and it becomes part of their identity, but this feeling of identification is lost when switching to another business.

According to Sharma and Patterson (2000:474), high switching costs can encourage customers to stay in the relationship. This is confirmed by Gustafsson, Johnson and Roos (2005:211) – these authors stress that high switching cost can encourage commitment to a relationship. Switching cost and fear of the unknown are powerful considerations in service businesses where the relationship is formed with a particular person. Sharma and Patterson (2000:474) stress that social bonds and trust are formed over a period of time between an adviser and customer. Therefore, if the customer were to switch, this would most probably have a
CHAPTER 3: Relationship intention

psychological cost. These authors conclude that customers regard psychological costs as very intense – to the extent that they are likely to stay in the relationship even when the core service is less than satisfactory.

Switching costs are a controversial subject within relationship marketing. Some relationship marketers argue that switching costs are “natural” barriers that are created to prevent the customer from exiting the relationship, while other relationship marketers argue that there is more to relationship marketing than “locking customers in” and making it almost impossible to leave the relationship (Egan, 2004:70, 72). Egan (2004:72) concludes that although relational switching cost is not necessarily bad, marketers increase the risk of negative reaction towards costs when they create excessive exit barriers with high switching costs. In such instances, high switching costs have become nothing more than an aggressive transactional approach that neglects the hostility and competitive focus needed to build and promote a long-term relationship with the customer, based on trust (Egan, 2004:72).

Although fear and uncertainty are negative emotions, the fear of losing the relationship can benefit the business because customers tend to commit themselves more deeply to the business when considering the consequences if they switch. In turn, the business is offered the opportunity to strengthen the relationship with the customer and thus to promote customer retention.

3.4 CONCLUSION

Relationship intentions comprise five dimensions, namely Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss. In this chapter these constructs of relationship intentions were discussed and the importance of making an effort to spend time with customers in order to get to know them on a personal level was outlined. From a business perspective, it is fundamental to know what the customer’s relationship intentions are as basis for customer retention. Furthermore, only when spending sufficient time with customers and really getting to know them, a learning relationship can occur in which benefits such as information sharing takes place. Information sharing in the form of feedback should be promoted, together with communication, to engage (involve) the customer in the product and service development. This will make customers feel valuable to the business and consequently encourage long-term retention with the business (loyalty and retention will be discussed in detail in Chapter 5).

In Chapter 4, satisfaction drivers will be identified from the literature as bases used to determine the factors that contribute towards customer satisfaction. The chapter will commence with a
CHAPTER 3: Relationship intention

distinction between customer satisfaction and overall satisfaction followed by a definition of customer satisfaction. Also, the dimensions, antecedents and benefits of customer satisfaction will receive attention followed by a definition of overall satisfaction. Lastly, the chapter will conclude with an overview of drivers of overall satisfaction (instrumental and interpersonal factors).
CHAPTER 4: CUSTOMER SATISFACTION, SATISFACTION DRIVERS AND OVERALL SATISFACTION

4.1 INTRODUCTION

In Chapter 4, a distinction between customer satisfaction and overall satisfaction will be drawn, followed by a definition of customer satisfaction as an important contributor towards overall satisfaction. The dimensions, antecedents and benefits of customer satisfaction will then receive attention. Finally, overall satisfaction will be defined and the drivers of overall satisfaction; namely instrumental and interpersonal factors.

In order to achieve success in a competitive and difficult business environment today, businesses need to offer superior customer satisfaction (Ndubisi & Wah, 2005:542; Gounaris et al., 2007:67). Not only do successful businesses need to achieve superior customer satisfaction in order to survive, but customer satisfaction also offers the following benefits: 1) customer satisfaction is positively associated with customer loyalty and relationship commitment; 2) extremely satisfied customers spread positive word-of-mouth – in this way often becoming moving advertisements and, lastly, 3) highly satisfied customers are more forgiving, hence showing a greater tolerance for mistakes (Ndubisi & Wah, 2005:546) (see section 3.3.3).

Customer satisfaction therefore seems to be an important indicator of customers’ overall satisfaction with the relationship, or their sense of relationship satisfaction. Abdul-Muhmin (2005:620) describes relationship satisfaction as customers’ overall experience over a lifetime of association with the business. In this study, relationship satisfaction will be referred to as overall satisfaction and Abdul-Muhmin’s (2005:620) interpretation of relationship satisfaction will accordingly be referred to as overall satisfaction. This author furthermore proposes that overall satisfaction comprises of instrumental and interpersonal factors that both contribute towards increased overall satisfaction. For the purpose of the current study, both instrumental and interpersonal factors will be identified and discussed. Other authors’ contributions towards the broader understanding of the drivers of overall satisfaction will be incorporated into the discussion. In the section below, satisfaction drivers will be discussed.
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

4.2 THE DISTINCTION BETWEEN CUSTOMER SATISFACTION AND OVERALL SATISFACTION

Satisfaction is theoretically different from product- or transaction-specific satisfaction as the latter can be distinguished from overall satisfaction. Product- and transaction-specific types of satisfaction are concerned with customers’ “experiences with specific product or transaction encounters with an exchange partner” (Abdul-Muhmin, 2005:620). Conversely, overall satisfaction refers to the customer’s experience with the total of product and/or service experience encountered over a lifetime of association with the business (Abdul-Muhmin, 2005:620). In section 4.4.2, the researcher will identify efforts made by financiers that can lead to improved customer satisfaction and subsequently to greater overall satisfaction. Customer satisfaction and overall satisfaction are not positioned at opposite ends of a continuum, but rather complement one another and in this way give rise to synergy in a successful long-term relationship with the business. It is, however, necessary to distinguish between these two concepts. Table 4.1 shows the distinctions between overall satisfaction and customer satisfaction.

Table 4.1: Distinction between customer satisfaction and overall satisfaction

<table>
<thead>
<tr>
<th>Variable</th>
<th>Customer Satisfaction</th>
<th>Overall Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>Customers’ feelings of pleasure or disappointment resulting from comparing products are viewed as perceived performance in relation to their expectations during each encounter.</td>
<td>Customers’ experience with total product and service encounters over a lifetime of association.</td>
</tr>
<tr>
<td>Drivers/dimensions</td>
<td>Economic satisfaction and non-economic or social satisfaction.</td>
<td>Customer satisfaction, interpersonal and instrumental factors.</td>
</tr>
<tr>
<td>Scope of product/service encounters</td>
<td>Specific/single product encounters.</td>
<td>All product/service encounters over a customer’s lifetime.</td>
</tr>
<tr>
<td>Conceptualisation</td>
<td>Satisfaction with attributes of an object.</td>
<td>Overall satisfaction with the object.</td>
</tr>
</tbody>
</table>

Source: Adapted from Abdul-Muhmin (2005:620).

As indicated above, customer satisfaction is only one aspect that contributes towards the overall assessment of the customer relationship. Customer satisfaction, in collaboration with instrumental and interpersonal factors, gives rise towards overall satisfaction (see sections 4.4.2.1 and 4.4.2.2). In sections 4.3 and 4.4 customer satisfaction and overall satisfaction will be defined and discussed, and under section 4.4, selected initiatives implemented by financiers will receive attention. Furthermore, the role that each initiative plays regarding contributing towards overall satisfaction will be established.
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

4.3 CUSTOMER SATISFACTION DEFINED

In order to conceptualise customer satisfaction and also with a view to determine the degree of customer satisfaction, Gounaris et al. (2007:67) identify two main thought patterns regarding the notion of customer satisfaction, namely transaction-specific satisfaction and overall or cumulative satisfaction. For the purpose of this study, transaction-specific satisfaction is conceptualised as customer satisfaction, while cumulative satisfaction will be classified as overall satisfaction. The distinction between transaction-specific as opposed to cumulative satisfaction is nested in the evaluation of experiences. Transaction-specific satisfaction (customer satisfaction), as the term implies, only measures a customer’s once-off experience with the business. On the other hand, cumulative satisfaction (overall satisfaction) measures a series of experiences of the product over a period of time, as it is also believed that past experiences are indicative of the business’ future performance (Gounaris et al., 2007:67). (Overall satisfaction will be dealt with more comprehensively under section 4.4.)

Customer satisfaction is an essential part of this study, and therefore, a number of definitions will be provided with a view to define the concept. Table 4.2 below presents various definitions of customer satisfaction. From these definitions, the dimensions of customer satisfaction will be extracted.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction is defined as a customer’s evaluation of the degree to which a product or service fulfilled a need or goal resulting in a pleasurable state of mind.</td>
<td>Nijssen &amp; Van Herk, (2009:96).</td>
</tr>
<tr>
<td>Satisfaction is a global measure or a set of satisfactions with previous specific experiences.</td>
<td>Gil, Berenguer &amp; Cervera (2008:923).</td>
</tr>
<tr>
<td>Satisfaction is a function of the value that a customer expects in relation to the value actually received.</td>
<td>Gounaris, Tzempelikos &amp; Chatzipanogiou (2007:67).</td>
</tr>
<tr>
<td>Customer satisfaction is defined as customers’ feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or corollary) in relation to their expectations.</td>
<td>Kotler &amp; Keller (2007:66).</td>
</tr>
<tr>
<td>Satisfaction is the outcome of providing the correct level of service quality. Service quality is the ability of a business to correctly determine customer expectations, and to provide the service at a quality level that will at least equal those customer expectations.</td>
<td>Jordaan &amp; Prinsloo (2004:37).</td>
</tr>
</tbody>
</table>

Authors such as Carpenter and Fairhurst (2005:257) are proposing that satisfaction is constructed from three basic levels, namely:

- **Response** to a product or purchase experience (cognitive or affective);
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

- *Focus* with regard to a purchase experience and/or associated product;

- *Time*. Aspects such as post-purchase and post-consumption occur within a certain timeframe after purchase.

From the above constructs, it appears that customer satisfaction comprises a physical purchase experience and a post-purchase experience. Furthermore, customer satisfaction entails an element of evaluation (Del Bosque Rodríguez *et al.*, 2006:666). The element of evaluation has introduced the disconfirmation paradigm of customer satisfaction. According to this paradigm, a customer's satisfaction level is categorised as the value that he or she expect in relation to the value received (Gounaris *et al.*, 2007:67), and the evaluation of feelings during each experience is based on expectations. Expectations that have been met or exceeded indicate a satisfied or delighted customer. Dissatisfied customers, on the contrary, are the result of performance (of the product or service) falling short of the customer’s expectations (Yu *et al.*, 2005:710). However, Gil *et al.* (2008:922) challenge this view of customer satisfaction. These authors propose that although the cognitions of satisfaction are important, these aspects merely contribute towards the formation of satisfaction and should not be confused with satisfaction itself. Additionally, Gil *et al.* (2008:922) argue that concentrating on the response (construct) instead of on the process (model) suggests that customer satisfaction is a single construct without considering other antecedents or consequences.

Because the concept of customer satisfaction is a central focus of this study, the term will be further scrutinised by inspecting the dimensions of customer satisfaction, followed by the antecedents and benefits of customer satisfaction.

### 4.3.1 Dimensions of customer satisfaction

While some researchers present the notion of customer satisfaction as an unidimensional variable, authors such as Del Bosque Rodríguez *et al.* (2006:667) and Sanzo, Santos, Vázquez and Álvarez (2003:329) propound that satisfaction consists of two identifiable dimensions, namely: 1) *economic satisfaction*, and 2) *non-economic* or *social satisfaction*. These dimensions are addressed below.

#### (1) Economic satisfaction

Economic satisfaction is defined as the: “evaluation performed by a channel member whereby the economic results are derived from the relationship” with the business (Del Bosque Rodríguez *et al.*, 2006:667; Sanzo *et al.*, 2003:329). This performance is measured by means of turnover, margins, discounts and sales volume (Del Bosque Rodríguez *et al.*, 2006:667;
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

Sanzo et al., 2003:329). In addition aspects such as product satisfaction, satisfaction with sales and financial results can be used to measure economic satisfaction. Economic satisfaction is always linked to actual results that can be measured by means of increased profits, sales volumes and margins. Each of the aspects of economic satisfaction (Kotler & Armstrong, 2008:312; Longnecker, Moore & Petty, 2000:492 & 679) will accordingly receive attention.

- **Turnover.** Turnover refers to the business sales per annum. Furthermore, turnover can be explained based on accounts receivable and/or inventory. In both cases, it either refers to the number of times that accounts have been receivable (first instance) or to inventories (second instance) “roll-over”. Higher turnovers have a positive influence on net profit and open the way for future investments in the business.

- **Margins.** Margins refer to the percentage of turnover that represents gross profit; hence, higher margins reflect higher percentages turnover that, in turn, represent gross profit. The calculation of gross margins entails the deduction of cost of sales from turnover.

- **Discounts.** Discounts refer to straight reductions in price on purchase for a specified period of time. Discounts may be valid for early payment of bills, high volume purchases and off-season buying.

- **Sales volume.** Sales volume refers to the quantity of stock sold per month/annum.

The second dimension of satisfaction is non-economic or social satisfaction, and will accordingly be discussed.

(2) **Non-economic satisfaction or social satisfaction**

Social satisfaction is defined as the channel member’s assessment of the psychological aspects of its relationship in such a way that a satisfied participant appreciates working with the party, given the belief that the other party is concerned with their well-being and will be prepared to exchange important information with them (Del Bosque Rodríguez et al., 2006:667; Sanzo et al., 2003:329). These processes should result in feelings of fulfilment and gratification. Social satisfaction includes aspects such as social contact, shared values and communication, and therefore non-economic satisfaction defines the assessment of interactive experiences (Del Bosque Rodríguez et al., 2006:667; Sanzo et al., 2003:329).

According to Sanzo et al. (2003:329), it is essential to distinguish between economic satisfaction and social satisfaction, because consideration is here directed towards the social perspective in which the market exchange is developed. Additionally, these authors stress that
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

exchange processes are rooted in friendships and sociological elements, and are the result of continuous exchanges between buyers and selling businesses. Impersonal ties develop and are established as a result of regular exchanges, whether the initial economic gain was justified or not. Interestingly, these authors further argue that sociological bonds and friendship bonds should be established first, and the outflow of these will ultimately result in economic gain. From this discussion, it can be gleaned that social satisfaction also results in, and contributes towards economic satisfaction. Sanzo et al. (2003:329) believe that one should focus on establishing sociological bonds first, but that businesses often initiate networks solely for economic gain while neglecting the social element thereof. Establishing trusting and long-term relationships takes time, and often large investments develop into mature relationships that become mutually beneficial and economically justifiable.

The following section presents a discussion of the antecedents of customer satisfaction together with an outline of various important elements with regard to customer satisfaction.

4.3.2 Antecedents of customer satisfaction

The antecedents of customer satisfaction are based on the American Customer Satisfaction Index (ACSI) as also validated by Terblanche (2006:34). In this model, the three main antecedents of customer satisfaction are perceived quality, perceived value and customer expectations. Each of the antecedents proposed by the above author receives attention below.

(a) Perceived quality

Perceived quality not only refers to product quality, but also describes the service quality (Terblanche, 2006:34). Kotler and Armstrong (2008:G-8) define product quality as the: “characteristics of a product that bear on its ability to satisfy stated or implied customer needs.” In addition, “service quality is defined as any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything” (Kotler & Armstrong, 2008:G-9). This type of satisfaction is dependent on the reliability of the product, but also comprises a service dimension. For the purpose of this study, perceived quality is defined as the composite of product or physical good quality and service quality.

Brink and Berndt (2004:46) concur with the above definition, but add a measurement that can be used to quantify quality. These authors define quality as: “the measurement of how well a service conforms to customers’ expectations”. The issue of quality delivery is, however, easily enough established as business objectives or as part of a mission statement, but these are not
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

always delivered upon. Brink and Berndt (2004:46) propose various quality options in this regard. Each option will accordingly receive attention.

- **Over-quality** describes an incident where the customer is fully aware that more is delivered than what is economically justified;

- **Positively confirmed quality** describes an encounter where more is delivered than what is expected. According to the literature, an encounter where the customer receives more/better quality than expected means that the business has successfully delighted the customer. The result of customer delight is the continuation of the relationship and referrals from the customer;

- **Confirmed quality** is the minimum quality that a customer is willing to accept and does not necessarily motivate a customer to continue a relationship with the business;

- **Negatively confirmed quality** refers to bad quality experienced by the customer and often results in the customer terminating the relationship and spreading negative comments of the business. A situation where the business “over-promises and under-delivers” can be detrimental to the business as this can lead to customer defection. This is defined as customer defection, and indicates that this can often be a process initiated by the business (Gummesson, 2006:15).

The second antecedent of customer satisfaction is perceived value. Terblanche (2006:34) propounds that a positive relationship exists between perceived quality and perceived value; perceived value will accordingly be discussed.

(b) **Perceived value**

Kotler and Armstrong (2008:13) define customers’ perceived value as: “the customers’ evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers”. The literature, however, offers no singular, one-sided definition of value; because value is often regarded as abstract and multi-dimensional in nature. Terblanche (2006:35) agrees that, among other aspects, value includes the following constructs: monetary sacrifice, fulfilment/reliability, security/privacy and customer service. Gounaris et al. (2007:65) argue that perceived value comprises the following elements: product value, procedural value, staff value, social value, emotional value and perceived sacrifice.

Furthermore, the literature suggests that value is more than simply what a customer can get; it is multi-dimensional in the sense that it includes elements of both what one can “get” and “give”
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

(Terblanche, 2006:35). Gil et al. (2008:922) concur and use the term trade-off to refer to the element of compensation between benefits received and sacrifices made in order to obtain these benefits. This trade-off in its basic form describes ‘value for money’. Furthermore, value is seen as a positive function of what is received. However, value also has a negative side which is based on what was sacrificed in order to receive. Gil et al. (2008:922) propose the following definition of value: it is “a global evaluation that the customer develops concerning the usefulness of a product or service, based on the perceptions of what he or she has received in contrast to what he or she has given”.

An insightful notion into the definition of perceived value is that most customers obtain more value from the intangible or service feature of the product (Gounaris et al., 2007:66; Liang & Wang, 2007:234). This notion is evident in sectors such as the motor industry, personal computers and also in the risk financing industry. Securing finance is only one aspect required to start and grow an SME, but often mentorship and post-investment service are crucial for long-term success. Gounaris et al. (2007:66) concur with Lovelock (2001) who argues that the service aspect of customer value is the function of the business’ employees and the business’ service delivery operations and procedures. This argument confirms the importance of employing customer-oriented employees, but it should also be noted that the business systems and procedures should support customer service.

As indicated above, value is made up of various elements; however, any consideration of value should revolve around contributors towards customer perceived value. Liang and Wang (2007:337) concur with De Wulf and Odekerken-Schröder (2003) in terms of the notion that relationship efforts positively contribute towards customers’ perceived value; the authors (Liang & Wang, 2007:337) define relationship efforts as: “any effort that is actively made by a retailer that is intended to enhance the customer’s perceived value above and beyond the core product and/or service efforts received”. These efforts can therefore only be perceived after continued exchange with the retailer.

The third and last antecedent of customer satisfaction entail customer expectations, and this aspect will now be discussed.

(c) Customer expectations

Any study of customer satisfaction is incomplete without considering a fundamental aspect thereof, namely customer expectations. Customer expectations are defined as: “the level of quality that customers expect to receive, and are regarded as the norm that is adjusted or updated in light of a customer’s more recent purchase and consumption experience”
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

(Terblanche, 2006:35). For existing customers or customers who are acquainted with the business, a past experience or current marketing communication often gives rise to customer expectations. According to Du Plessis and Rousseau (2003:231), previous experience determines customer expectations, brand loyalty and attitudes towards products in general. The statement is often made that people see what they expect to see (Du Plessis & Rousseau, 2003:231). This statement can be interpreted that customers experience what they expect to experience, based on a message usually communicated through the business marketing communication. Kotler and Keller (2006:144) concur with this notion and propound that setting customer expectations is essential. Should customer expectations be set too high, however, customers are likely to be disappointed. On the other hand, should expectations be set too low, it is likely that the business will not attract any customers.

Although setting expectations is a challenging exercise, it yields significant rewards as customer satisfaction offers various benefits. These benefits will accordingly be discussed.

4.3.3 Benefits of customer satisfaction

The literature focuses a great deal of attention on the notion of customer satisfaction, because customer satisfaction offers numerous benefits to businesses (Ndubisi & Wah, 2005:546). Businesses find themselves in a competitive environment where distinctions between core product attributes alone become increasingly difficult to use as benchmarks of customer satisfaction (Liang & Wang, 2007:337). An increasing number of businesses is currently paying attention, amongst others, to customer satisfaction with the aim that this will ultimately result in the long-term engagement of customers with the business (Liang & Wang, 2007:336). In order for such long-term engagements to realise, however, customers must first be satisfied with numerous transactional encounters. Not only will customer satisfaction benefit the customer when expectations have been met, but it also offers a number of concomitant benefits to the business, as set out below (Kotler & Armstrong, 2008:13; Lamb et al., 2008:7; Gummesson, 2006:41; Ndubisi & Wah, 2005:546; Little & Marandi, 2005:33; Bruhn, 2003:66).

- **Lower acquisition cost.** Acquisition cost refers to the total cost necessary to acquire new customers, including the cost of advertising, public relations and promotional expenses. Acquisition cost seems to be lower for businesses with larger loyalty bases as opposed to those with non-loyalty customer bases. Loyal customers are believed to do word-of-mouth marketing and positive referrals of the business, and therefore loyal customers tend to take over the marketing function – resulting in huge cost savings (see referrals below).
- **Base profit.** Base profit refers to those products and services that customers obtain at higher prices than it costs the business, and excludes all other elements. Accordingly, the longer a customer stays with the business, the longer the business will keep earning base profits. Base profit alone, however, is not sufficient for sustaining the long-term growth of the business.

- **Revenue growth.** Revenue growth is the consequence of customers realising that the business also have other products apart from those which the customer initially desired from the business. Over a period of time, the customer will therefore buy more and thus spend more at the same business. This notion is especially traceable in retail stores.

- **Up-selling.** Up-selling refers to a process whereby a current product is upgraded to a higher level product.

- **Cross-selling.** This term refers to a situation where businesses are able to gain a larger share of the customer wallet by offering additional products to the customer.

- **Cost savings.** As customers become more informed about the business and its product offerings, less time will be spent on enquiries and on requesting those products/services that the business is unable to deliver. Over time, the relationship between the business and customer becomes a learning relationship that contributes towards greater efficiency, and hence towards cost savings. Furthermore, repeat customers are familiar with the business' processes, and less time is spent on them in terms of orientation and “training”.

- **Referrals.** The ultimate desired outcome of satisfied customers is that they should spread a positive word about the business. This is also called positive word-of-mouth marketing. Referral marketing is often believed to be more credible since the source is usually from trusted friend and/or colleague who has/have already experienced the business first hand. Also, the message communicated through referrals is without any gain to the customer, and purely entails sharing a positive experience.

- **Price premium.** Loyal customers are willing to pay more for superior customer value and are less price-sensitive than non-loyal customers. These customers are therefore less likely to respond to competitors’ offers based on lower prices. Furthermore, should a customer not be attracted by lower pricing, it becomes increasingly difficult to win him or her over, because benefits (value) other than pricing keep him/her with the current business.
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

- **Higher profits.** Customer satisfaction seems to be a predictor of higher profits, although this is often a difficult notion to support because customer satisfaction depends on a conceptualisation that is closely associated with output valuation.

- **Loyalty.** Most businesses aim to establish a loyal relationship with customers that will ensure future business and peace of mind. Customer satisfaction offers a way to achieve a greater sense of loyalty that will consequently improve business performance.

- **Forgiving.** Satisfied customers are more forgiving and show a higher tolerance for mistakes. Forgiveness allows businesses to rectify mistakes and to improve on previous service delivery.

The above sections explored the term “customer satisfaction” (see also section 3.3.2). Customer satisfaction adds value to the total overall satisfaction experience with the business (Leverin & Liljander, 2005:234). Overall satisfaction can be viewed as a primary goal of businesses, while customer satisfaction is a secondary goal. The concept of overall satisfaction will accordingly receive comprehensive attention in the following sections.

4.4 **OVERALL SATISFACTION**

4.4.1 **Overall satisfaction defined**

Overall satisfaction is an important focus of this study and therefore the term and its drivers need to be explored more fully. From a B2B (business-to-business) perspective, overall satisfaction is defined as an: “affective state resulting from the appraisal of all aspects of a working relationship with another” (Del Bosque Rodríguez et al., 2006:666; Abdul-Muhmin, 2005:620). Leverin and Liljander (2006:234) indicate that evaluation measures should reflect the type of exchange being evaluated, whether transactional or relational in nature, as each requires different measurements. An evaluation element used for relationships is often referred to as relationship quality or satisfaction with the relationship (Leverin & Liljander, 2006:234). For the purpose of this discussion, the focus will be on overall satisfaction.

According to Del Bosque Rodríguez et al. (2006:667) and Abdul-Muhmin (2005:620), overall satisfaction entails all elements of a relationship that a business finds rewarding, profitable, frustrating, problematic or inhibiting. Elements that the business finds rewarding and profitable should be optimised with a view to gain maximum benefit from such elements. On the other hand, elements that are frustrating, problematic or inhibiting should be handled in such a way that customers will forgive the business and continue their encounters and lifetime of
association with the business. In this sense, overall satisfaction is often defined as the evaluation (by customers) of relationship fulfilment (Del Bosque Rodríguez et al., 2006:666). Leverin and Liljander (2005:234) further argue that customer satisfaction and perceived quality are likely to merge in an evaluation of overall satisfaction. For the purpose of this study, customer satisfaction is defined as those elements initiated by financiers to improve overall satisfaction that will result in a positive overall evaluation/experience of the relationship with the business (see Figure 4.1).

In the following sections, various drivers of overall satisfaction will be identified and defined, followed by a discussion of each.

4.4.2 Drivers of overall satisfaction

Drivers of overall satisfaction include various elements that promote a positive overall evaluation of the relationship with the business. The literature suggests that together with customer satisfaction (see section 4.3), interpersonal factors and instrumental factors should be considered as contributing elements towards overall satisfaction (Kotler & Armstrong, 2008:168; Abdul-Muhmin, 2005:619). Consequently, both interpersonal factors and instrumental factors will receive attention in the sections below. Figure 4.1 below presents a framework of instrumental factors and interpersonal factors. Furthermore, the influence of these factors on overall satisfaction and relationship commitment will receive attention. The discussion that follows will focus on instrumental factors and interpersonal factors that both constitute drivers of overall satisfaction.
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

Figure 4.1: Instrumental and interpersonal factors influencing overall satisfaction with a business relationship

Figure 4.1 indicates how customer satisfaction contributes towards the evaluation of the total relationship with the business. Gounaris et al. (2007:63) concur and propose that the total evaluation of the relationship can be referred to as overall or cumulative satisfaction. Furthermore, these authors suggest that a cumulative perspective of the relationship assesses a series of experiences with a product and/or service over a period of time. Since cumulative satisfaction is an essential indicator of the business’ past, present and forthcoming performance, the notion of cumulative satisfaction will be a focus of this study. In the following section, specific aspects of satisfaction within the framework will be discussed. Against this background, the role that each plays towards the evaluation of the total experience (overall satisfaction) will be outlined. As section 4.3 focused on customer satisfaction, the following sections will focus on instrumental and interpersonal factors.

4.4.2.1 Instrumental factors

Instrumental factors refer to key factors that contribute towards overall satisfaction in a positive manner. Abdul-Muhmin (2005:619) notes the following factors as contributing towards relationship building: 1) satisfaction with a business’ product; 2) satisfaction with a business’
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

pricing; 3) satisfaction with a business’ distribution; and 4) satisfaction with a business’ marketing communication (Abdul-Muhmin, 2005:619). These factors will accordingly be discussed. The factors below are essentially the marketing mix or 4P’s model (product, price, place and promotion) that are, inter alia, used to develop a marketing strategy.

4.4.2.1.1 Satisfaction with business’ product

Satisfaction with a business’ product(s) refers to the extent to which the customer is satisfied with the product(s) offered by a business. Satisfaction is also dependant on the product and service quality. Quality has different meanings to different businesses; however, it is often linked with terms such as “fitness for use”, “conformance to requirements” or “freedom from variation” (Kotler & Keller, 2006:146). For the purpose of this discussion, quality is defined as: “the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs” (Kotler & Keller, 2006:146). This definition reflects a customer-centred philosophy where needs satisfaction depends solely on the customer. When considering satisfaction with a B2B product, management needs to understand the elements of satisfaction with regard to products that can either lead to satisfaction and/or dissatisfaction, namely hygiene factors and satisfiers (Lamb et al., 2008:7). Hygiene factors are factors that contribute towards dissatisfaction, and satisfiers are factors that can lead to satisfaction with the product (Lamb et al., 2008:7).

The above factors seem to have a contradictory influence on one another. Low performance on some product attributes may lead to dissatisfaction, although high performance on those same attributes may not necessarily contribute towards high satisfaction. On the other hand, factors that give rise to satisfaction may not be identified as factors whose absence necessarily results in dissatisfaction (Lamb et al., 2008:7). Hygiene factors and satisfiers should therefore urge managers to identify those product elements that contribute towards satisfaction with the products. Managers should spend time and effort towards developing those attributes to an optimum level. However, management also need to downscale on those attributes that, although well-delivered, will not necessarily satisfy customers more.

For the purpose of this discussion, satisfaction with a business’ product(s) refers to the satisfaction levels of SME customers with its products (financing solutions). The challenge seems to be to identify whether value-adding offerings by financiers are regarded as hygiene factors or satisfiers by customers and, if necessary, to identify which attributes must be promoted with a view to becoming satisfiers – and which elements to eliminate. Importantly, these factors must be clearly understood by management because product attributes can easily lead to dissatisfaction.
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

The second instrumental factor is concerned with satisfaction with a business’ pricing and will accordingly be discussed.

4.4.2.1.2 Satisfaction with business' pricing

Generally, pricing is determined by the business’ objectives. These objectives are typically divided in three categories, namely profit-oriented pricing, sales-oriented pricing or status quo pricing (meeting competitor’s pricing) (Lamb et al., 2008:373). Christopher et al. (2004:20) go a step further and define “price” within the context of relationship marketing. These authors stress that price does not only entail: “immediate out-of-pocket cost, but also includes all those preliminary and on-going costs (life-cycle costs)” as well as “risk cost” that may be incurred should something go wrong (Christopher et al., 2004:20). Pricing is fundamental and often changes as products proceed through the product life-cycle (Kotler & Armstrong, 2008:308). It seems, however, fairly obvious that much thought need to be spent on price setting, but in the same vein, decisions must be made in terms of which customer segments pricing is directed at; in other words, one needs a good understanding of the market. Turney (2005:6) also identifies three major problems associated with price setting. These are dealt with below.

- **Focusing on wrong markets.** Cost is a core aspect of the marketing focus, and therefore it is obvious that managers should focus attention on those markets that they perceive as being profitable. Losses are often the result of focusing on wrong markets. At first glance the business seems well; however, should management neglect the cost system, they can easily end up neglecting previous profitable markets.

- **Serving the wrong customers.** Businesses seldom make the necessary efforts required to calculate customer profitability (Gordon, 2006:1). Gordon (2006:1) suggests that businesses need to assess their customers and divide them into customer portfolios according to profitability. A relationship marketing strategy promotes the assessment of customers and not product profitability, because customers own the spending power. Turney (2005:6) states that some customers cost more than what they are worth. This author substantiates this statement by indicating that some customers need more support than others, and often these non-profitable customers require a great deal of support. Support is time-consuming and often keeps staff away from their core goals, namely to approve more financing deals (financial industry). Serving the wrong customers is often linked with the cost required to serve a customer. By analysing the cost required to serve each customer, non-profitable customers can easily be identified and defected, in this manner focusing only on profitable customers who require minimal support.
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

- **Designing costly products and services.** Design plays a significant role, especially in the case of physical products such as new technology and motorcars. For example, Ford Motor Company estimates that 60% to 80% of product cost is spent on design, and this cost can go up as high as 95%. The concern with regard to design is whether businesses actually benefit from high design expenses.

For the purpose of the current study, satisfaction with business’ pricing refers to the pricing structure of financiers’ products and the extent to which customers are satisfied with the pricing thereof. Financiers’ pricing is determined by the potential risks (business, financial and management risks) associated with each transaction. Furthermore, as indicated in section 2.3, pricing becomes less of a concern if customer loyalty is established (Žvirelienė et al., 2009:139; Lamb et al., 2008:7). Dissatisfaction, on the contrary, often occurs when the customer has not been properly informed of the pricing structure, and when a situation of business opportunism consequently occurs (see section 4.4.2.2) where the customer might feel that financier is taking advantage of the entrepreneur as a relationship partner and, in this way, jeopardises trust and commitment. Financiers aim to deliver superior customer service that can subsequently reduce price sensitivity.

The third instrumental factor is satisfaction with a business’ distribution; this aspect will receive attention accordingly.

**4.4.2.1.3 Satisfaction with business’ distribution**

The term “distribution” refers to “place” in the 4P Model (Lamb et al., 2008:208). Distribution channels are defined as means used to display, sell and deliver the physical product/service to customers. These include warehouses, retailers and agents (Kotler & Keller, 2006:26). Furthermore, a distinction between product and service distribution exists as service channels focus on how to realise a transaction with potential customers. Service channels include, amongst others, some of the following: warehouses, transportation companies, banks (and financial institutions), insurance companies and brokers necessary to facilitate transactions (Kotler & Keller, 2006:26). The function of distribution channels is first and foremost to make products/services available to as many customers as possible. Lamb et al. (2008:208) confirm this notion and stress that availability is often used as a marketing strategy, especially in the case of emergency goods.

*For the purpose of this study, satisfaction with business’ distribution will be understood to revolve around the distribution and accessibility of the financiers’ offices and staff countrywide.*
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

4.4.2.1.4 Satisfaction with business’ marketing communication

Marketing communication is: “the special blend of advertising, sales promotion, public relations, personal selling and direct marketing tools that the business utilises to market its products and build customer relationships” (Kotler & Armstrong, 2008:398). Against the background of relationship marketing and for the purpose of this discussion, financiers’ relationship building efforts will also be included. Satisfaction with a business’ marketing communication describes the extent to which the customer is delighted by the blend of tools (advertising, sales promotion, public relations, personal selling and direct marketing) that the business employs in order to build personal and business relationships with customers. These tools are discussed below.

- Advertising

Advertising is defined as: “any paid form of non-personal presentation or promotion of ideas, goods or services by a business or identified sponsor” (Kotler & Armstrong, 2008:426; also see Strydom et al., 2002:390; Belch & Belch, 2001:15; Wells, Burnett & Moriarty, 2003:189). The “paid element” refers most commonly to advertising space, whether in a paper or on television, that needs to be purchased. The non-personal element of advertising refers to television, radio, newspaper and magazines where the potential customer is not in direct contact with the business (Kotler & Armstrong, 2008:299; Strydom et al., 2002: 387; Wells et al., 2003:189; Belch & Belch, 2001:15).

- Sales promotion

Sales promotion refers to: “short-term incentives to encourage the purchase of a product or service” (Belch & Belch, 2001:21). Sales promotion is further described as those activities that provide extra value in order to stimulate purchases. The literature makes a distinction between: 1) consumer-orientated sales promotion and 2) trade-orientated sales promotion (Kotler & Armstrong, 2008:525). The first is targeted at the end-user of the product and includes sampling,couponing,rebates,contests and sweepstakes. The latter is targeted at marketing intermediaries such as wholesalers, retailers and distributors. Some of the benefits that intermediaries can derive from trade-oriented sales promotion are allowance, price deals and sales contests (Kotler & Armstrong, 2008:525).

- Public relations

Public relations comprises a: “management function which evaluates public attitudes, identifies policies and procedures of an individual or organization with the public interest, and executes a programme of action to earn public understanding and acceptance” (Belch & Belch, 2001:22).
The objective of public relations is to obtain publicity regarding a business, product or service to promote and maintain a positive image (Belch & Belch, 2001:22). Examples of public relations are news stories, editorials and announcements (Kotler & Armstrong, 2008:415). Publicity is one of various means of obtaining and enhancing business acceptance and/or promoting a business’ brand image. Although publicity can be unfavourable (in the case of negative stories), public relations is generally well-accepted and it is a less expensive form of advertising and is generally accepted as a credible source.

- **Personal selling**

Personal selling refers to a direct form of person-to-person communication where the sales person aims to persuade a prospective customer to purchase from the business (Belch & Belch, 2001: 614; Strydom et al., 2002:390). The objective of personal selling is not only to make a sale, but also to strive towards getting to know the customer and to build a long-term relationship with the customer. Personal selling is a direct form of selling, indicating either face-to-face encounters or communication by means of telecommunication technology such as telephones. One of the greatest advantages of this type of distribution is that the selling message can be personalised or adapted to the customers’ specific needs, although this type of marketing is costly and time-consuming.

- **Direct marketing**

Direct marketing refers to an interactive system of marketing that uses multiple advertising media to selected customers to generate response or initiate action by means of direct mail, telephone, email and direct-response television (Kotler & Armstrong, 2008:471; Strydom et al., 2002:412; Belch & Belch, 2001:82). The aim is to gain an instant response and to initiate lasting relationships with selected customers. With current advancements in information technology, new methods are often added as forms of direct marketing. These include database marketing, direct response advertisements, the internet, direct selling and telemarketing (Belch & Belch, 2001:82).

The second main category under the conceptual framework of overall satisfaction comprises interpersonal factors. These factors are discussed below.

**4.4.2.2 Interpersonal factors**

Interpersonal factors refer to all factors that contribute towards the development and maintenance of relationships within an interpersonal context, in other words, how customers experience the business (Abdul-Muhmin, 2005:619). Kotler and Armstrong (2008:168) concur
and in addition propose that various participants and group dynamics are involved in the buying process. These dynamics are often difficult to assess as the key decisions-makers are not always known to the business. Kotler and Armstrong (2008:168) conclude that the main interpersonal influences on buying behaviour are authority, status, empathy and persuasiveness. For the purpose of this discussion, however, attention will be directed towards Abdul-Muhmin’s (2005:619) contribution outlined in Figure 4.1. This author identified three main aspects upon which perception as an internal point of view can be based, namely: 1) perceived business benevolence; 2) perceived business credibility; and 3) perceived business opportunism. These factors are discussed in the following section.

(1) **Perceived business benevolence**

The term benevolence is interchangeable used with words such as kindness, compassion, empathy and/or goodwill. Empathy means the sharing and mirroring of feelings, and it also reflect a person’s intended meaning (Myers, 2008:433). Empathy can be a crucial tool that can be used to let a customer feel worthy and important. Together with genuineness and acceptance, empathy is regarded as fundamental for any growing process. Should a person succeed in carefully implementing the process of listening, the individual or customer becomes more sensitive to the flow of inner experience, and therefore a flow of information becomes easily available (Myers, 2008:433).

However, Myers (2008:433) believes that genuineness, acceptance and empathy nurture growth in a relationship. The term “empathy” is also related to Maslow’s hierarchy of needs in terms of the position of the idea of one’s self-concept. Self-concept is defined as all of a person’s thoughts and feelings about itself. The term “self-concept” is classified under the section of “self-actualisation” in Maslow’s hierarchy of needs. Self-actualisation refers to: “the desire for personal growth, self-fulfilment and the realisation of an individual’s full potential” (Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw & Oosthuizen, 2004:266). Self-actualisation is the highest form of needs satisfaction according to Maslow’s hierarchy of needs. Succeeding in these aspects of satisfaction, an individual will feel worthy, on course with his or her personal vision, and completely satisfied.

For the purpose of the current study, perceived business benevolence is defined as the financier’s compassion towards a customer’s financial needs. In this sense, the term “financial needs” will imply the customer’s problems (or request for financing), while “compassion” reflects the preferred way the financier is conducting business. Compassion also relates to a mutual understanding between two parties, and also includes an emotional aspect, namely feelings.
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

Compassion is subject to active communication (a two-way dialogue) between two parties. Little and Marandi (2005:30) concur and propose that compassion is situated in three areas, namely:

- **Conversational reciprocity.** Conversational reciprocity defines a process whereby each party allows another party to form his or her response. It is, furthermore, often referred to as an “I influence you, you influence me-approach”.

- **Reciprocal empathy.** This term refers to a process whereby both parties reach out to one another in order to identify and understand each other’s motives, feelings and circumstances. According to Myers (2008:433), empathy cannot exist without the fundamental aspect of listening. This confirms Little and Marandi’s (2005:30) viewpoint that active two-way communication is crucial in order to obtain a better understanding of customer needs and to enable one to show compassion towards problems and/or obstacles.

- **Reciprocal vulnerability.** Reciprocal vulnerability describes a process whereby both parties allow the flow of information to such an extent that trust is built and none of the parties feel uncomfortable or over-exposed.

As indicated above, compassion is an outcome of active listening and understanding of problems and concerns during communication. Communication takes place directly or indirectly during the first customer contact or moment-of-truth encounter with the customer. A “moment of truth” is defined as the moment when the service customer and service provider have an encounter with one another and an impression is formed (Christopher et al., 2004:168; Lovelock, 2001:68). At such a moment, both the customer and provider are initially on their own, although the moment takes place when the service provider uses its skill, motivation and tools combined with the customer’s expectations and behaviour in order to create the service delivery process (Gummesson, 2006:67; Christopher et al., 2004:155; Lovelock, 2001:68). Moments of truth should always be directed at creating value – a concept that is evident in service businesses. Furthermore, moments of truth can be experienced in various ways, such as visiting a website for the first time (first impressions), phoning the enquiry line (perceived friendliness and helpfulness of the call centre) and meeting a sales representative (first impressions, understanding and helpfulness). Gummesson (2006:67) concurs and proposes that all types of contact with the service provider’s staff during either production or delivery are included during each moment of truth (service encounter).

Gummesson (2006:67) further stresses that marketing during interaction is often the only type of marketing that service providers subscribe to, and therefore optimum efforts should be made in order to achieve maximum results. Additionally, he proposes that note should be taken of a
number of interactive relationships that are important from the customer’s perspective and that are defined during a service encounter. Below follows some interactions proposed by Gummesson (2006:67) and Little and Marandi (2005:30):

- **Interaction between the provider’s contact staff (front line) and the customer**

  This type of interaction often refers to face-to-face encounters between a doctor and patient or an advertising agency and marketing manager, for instance. In both cases the patient and marketing manager are “involved” in the former (to conduct the diagnoses and to provide assistance to the diagnoses) and in the latter to the marketing campaign. This involvement is often referred to as “co-producing” in order to fulfil both parties’ expectations (Gummesson, 2006:67). From a financier’s perspective, such an encounter will take place between a customer and portfolio manager. The customer participates by explaining his financial need, while the portfolio manager records the information in order to customise the proposed transaction.

- **Customer-to-customer interaction**

  Customer-to-customer interaction can be very helpful if the correct system and staff are employed. This type of interaction stresses customers as co-producers of a service (Gummesson, 2006:67). In an environment where customisation is increasingly used with a view to gain a competitive advantage, this type of interaction can be fundamentally important (Little & Marandi, 2005:31). From a financier’s perspective, customer-to-customer interaction occurs during functions and product presentations where the financiers give recognition or introduce and discuss their products to existing customers who have excelled or to potentially new customers.

- **Interaction between the customer and the provider’s products and the physical environment**

  The interaction indicated here relates to the accessibility of a business, its physical layout and its convenience with regard to parking that either enhances or discourages customer's behaviour towards the business. Very often, this interaction is linked to supermarkets where the store layout, convenience parking and the location of products are the key determinants in terms of customers will increase or decrease their purchases (Gummesson, 2006:67). From a financier’s perspective, convenience and accessibility are fundamental to the business, although walk-in customers also contribute towards actual business. Location, however, can play a very significant role in brand building and awareness. If the location is central and
recognisable, aspects such as signage can play a crucial role in reminding customers of the brand without spending large amounts on marketing communication.

- **Interaction between the customer and the provider’s service system**

  Systems are impersonal, although they are as important as personal interactions between humans (Gummesson, 2006:67). Systems are often implemented to assist in customer enquiries and to provide information and responses to basic questions; however, if a system does not work properly or if it is not customer-friendly, such a system will not attract customers. Therefore, although systems are essentially impersonal, and they are regarded as constituting a first encounter (moment of truth) with the business. During early stages of enquiries, customers often form ideas and perceptions of the business based on business system encounters. From a financier’s perspective and for the purpose of this discussion, the term service system will refer to the business’ website where relevant information (on how to compile a business plan), and links to relevant other sites are provided.

  Against the background of this type of interaction, communication as one form of interaction will be discussed. Communication can be beneficial to a business as a mechanism for providing positive feedback. Contrary to this, however, communication can be negative if miscommunication were to occur, which could ultimately result in conflict. Eğeci and Gencöz (2006:383) define conflict as disagreements, incompatibilities and differences in viewpoints. These authors furthermore stress that advanced forms of conflict are disruptive to any relationship. Resolving conflict in a satisfactory manner, on the other hand, may result in a positive and growth-enhancing experience, and therefore conflict is often referred to as either constructive or destructive. Similarly, conflict in business relationships can be defined as an incompatibility in terms of actions, goals or ideas (Myers, 2008:566). This results in complaints. Complaints are defined as the initial stage of conflict for the purpose of this discussion. Complaints should be solved by means of good and clear communication.

  Conflict often occurs when one or both parties take up a competitive role or when a complaint is not handled in a satisfactory manner. The goal of such conflict situations is to mediate a competitive orientation into a cooperative orientation with the aim of reaching an agreement on reconciliation (Myers, 2008:568). Little and Marandi (2005:155) agree; they further stipulate that the management of complaints impacts on the relationship quality. Establishing a trusting relationship with customers is important in view of the fact that failures will most likely occur. Customers will, however, focus more attention to the handling of complaints than on the fact that a mistake has occurred. Recovery is the practice of rectifying the mistake. Little and Marandi (2005:155) propose two ways to rectify mistakes: 1) Compensating the customer, and
2) Apologising for the mistake. Recovery of services is essential to a relationship marketing strategy because the handling of this process will promote customer retention. From a business perspective, complaints should actually be promoted as this practice opens a channel of communication to assist a business to correct its wrongdoing (Little & Marandi, 2005:156).

Having implemented a relationship strategy, businesses should at all costs aim to retain customers and not have customers defecting. Unhappy customers often have the inclination to defect as a result of unsatisfactory service encounters. From a customer perspective, the reasons for customer defection are the sense of frustration, anger, disappointment or negative emotion that are felt as a consequence of a business’s failing to respond to a complaint. It should be noted that in a highly committed relationship, defects occur as a consequence of failing to recover the service rather than because of the initial failure itself (Little & Marandi, 2005:156).

As indicated in section 3.3.3, customer satisfaction contributes towards promoting forgiveness; it also leads to higher tolerance for mistakes. For the purpose of the current discussion, conflict resolution and complaints handling are regarded as means to recover customers once mistakes have occurred. Positive communication (feedback) as a means of promoting relationship intention was discussed comprehensively in Chapter 3 (section 3.3.4). The current discussion concludes with the argument that if a business were to show compassion towards a customer, the customer will tend to open up and provide a great deal of information that the business can use to its benefit, also to improve on current product/service offerings.

(2) Perceived business credibility

The term credibility is used as a synonym for trustworthiness, reliability and integrity. For the purpose of this discussion, perceived business credibility refers to the way in which customers perceive the financier’s trustworthiness, reliability and integrity as a financier. Little and Marandi (2005:50) define trust as: “a willingness to rely on an exchange partner in whom one has confidence”. In this sense, the notion of trust furthermore emphasises a disposition toward confidence and reliance on a relationship partner. Both reliability and integrity are implied in the term “trustworthiness” because trustworthiness entails reliability, and reliability is connected to integrity.

Credibility can relate to various aspects such as the business’ brand name and the ability of the business to deliver a timely and accurate service – as promised in the business values (Kotler & Armstrong, 2008:230). Additionally, credibility can be related to the credibility of the marketing communication message communicated. This message will include aspects such as service
CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction

delivery, trustworthiness and availability of funding. Determining “credibility” in its most basic form is often translated into the following question: Are you who you say you are? Based on a marketing communication message delivered through various mediums, customers often develop perceptions and expectations based on these messages. Perceptions are difficult to determine in a proactive manner, as marketers cannot determine exactly how perceptions are formed.

(3) Perceived business opportunism

Opportunism or opportunistic behaviour means taking advantage of a relationship partner or one of the relationship participants. Behaviour of this kind is likely to have a direct and negative effect on trust, and therefore to also have a negative bearing, indirectly, on commitment (Egan, 2004:105). Such behaviour can, furthermore, lead to a decrease in trust and subsequently to lower commitment (Egan, 2004:105).

For the purpose of the current discussion, perceived business opportunism is related to prospective customers’ perception that the financier as an investor will not disadvantage them. Taking advantage of customers would oppose the formation of a trusting relationship. Opportunism is often the result of a customer’s perceptions and attitude. Kotler and Armstrong (2008:144) define an attitude as: “a person’s relatively consistent evaluation, feelings and tendencies toward an object or idea”. From a relationship point of view, the business needs to achieve favourable business opportunism as this will be an important indicator of the customer’s positive relationship intention (see Chapter 3). Positive relationship intention is, amongst other factors, based on a customer’s attitude towards the business. Not only does attitude determine a customer’s potential relationship intention, but it also contributes towards attitudinal loyalty. Attitudinal loyalty is a consequence of implementing a relationship marketing strategy, and retention necessitates attitudinal loyalty (see Chapter 5).

A prospective customer will evaluate a business or idea based on its marketing communication message and/or also through word-of-mouth marketing. This evaluation can also commence at a moment of truth (see section 3.4.2.2) which defines any encounter whether telephonically, electronically or face-to-face that the customer engaged or initiated contact with the business (Christopher et al. 2004:168; Lovelock, 2001:68).

As indicated above, interpersonal elements reflect customers’ experiences with the business and are focused on feelings and comfort. Interpersonal elements will be explored further in Chapter 5 when investigating specific elements that contribute towards positive behavioural intention.
**CHAPTER 4: Customer satisfaction, satisfaction drivers and overall satisfaction**

Table 4.3 presents a list of factors identified from the literature that contribute towards overall satisfaction. This list will form the bases of the measurement instrument that will be discussed in Chapter 6.

**Table 4.3: Summary of factors contributing to overall satisfaction**

<table>
<thead>
<tr>
<th>Element</th>
<th>Literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction</td>
<td>*Satisfaction with business’ product;</td>
</tr>
<tr>
<td></td>
<td>*Satisfaction with business’ pricing;</td>
</tr>
<tr>
<td></td>
<td>*Satisfaction with business’ distribution;</td>
</tr>
<tr>
<td></td>
<td>*Satisfaction with business’ marketing communication</td>
</tr>
<tr>
<td></td>
<td>- Advertising;</td>
</tr>
<tr>
<td></td>
<td>- Sales promotion;</td>
</tr>
<tr>
<td></td>
<td>- Public relations;</td>
</tr>
<tr>
<td></td>
<td>- Personal selling;</td>
</tr>
<tr>
<td></td>
<td>- Direct marketing.</td>
</tr>
<tr>
<td></td>
<td>*Perceived business benevolence;</td>
</tr>
<tr>
<td></td>
<td>*Perceived business creditability;</td>
</tr>
<tr>
<td></td>
<td>*Perceived business opportunism.</td>
</tr>
</tbody>
</table>

The current chapter presented a discussion of customer satisfaction and overall satisfaction. Customer satisfaction is, however, only one aspect that can contribute towards a positive overall assessment of the business relationship (overall satisfaction). Brink and Berndt (2004:30-31) argue that reinforcing satisfaction over time contributes towards developing trust. Trust will translate into commitment once sufficient investment has been made in the relationship. Commitment takes time to establish and is often related to a mature stage of the relationship (Brink & Berndt, 2004:30). Relationship commitment is crucial in terms of the long-term sustainability of relationships.

**4.5 CONCLUSION**

In Chapter 4, various elements contributing towards overall satisfaction have been identified from the literature and extracted from the marketing communication of financiers in general.

From the discussion in Chapter 4, it has become evident that the successful implementation of a relationship marketing strategy revolves strongly around customers’ satisfaction with the business and their overall satisfaction with the relationship. Likewise, customers are only willing to commit if the following question is answered satisfactory: “What’s in it for me?” The answer to this question can be found in the value that customer derive from engaging in a relationship with the business. This value should be weighed against what the customer sacrifices at other competing businesses not to engage with them. Customers who demonstrate a positive relationship intention have the inclination to be more satisfied that may, in turn, lead to loyalty and therefore retention. In Chapter 5, the notion of loyalty and retention will receive complete attention.
CHAPTER 5: LOYALTY AND RETENTION

5.1 INTRODUCTION

In Chapter 3 it was discussed that customers' relationship intention consists of Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss. This was an indication how customers perceive their relationship with the business. Furthermore, positive intention indicates whether customers have an inclination to aspects such as mutual communication, information sharing and hence mutual value-adding. These aspects are fundamental to loyalty and, therefore, also to retention. It follows that customers’ intention often constitutes the “glasses they wear” when perceiving the business and the brand – whether favourably (which means that loyalty is possible) or negatively.

Customer satisfaction is the vehicle that is needed in order to achieve satisfaction with the overall relationship (see Chapter 4). Once customer satisfaction has been established, the business has succeeded to an extent to connect the customer with the business. When this connection grows into an emotional relationship between the business (or brand) and customer, the business has succeeded in establishing attitudinal loyalty. Attitudinal loyalty is one of the dimensions of loyalty, and together with behavioural loyalty, it defines loyalty from a multi-dimensional perspective. Loyalty is a cornerstone of the current study, because the focus of this study, namely customer retention, can only be realised once both dimensions of loyalty have been established.

The current chapter first provides various definitions of loyalty as an important contributor of customer retention. Both attitudinal and behavioural loyalty as dimensions of loyalty receives attention. Next, the categories of loyalty, the types of loyalty as well as the relationship ladder of loyalty are discussed. The chapter concludes with a discussion on customer retention and subsequent benefits.

5.2 LOYALTY DEFINED

In order to conceptualise the meaning of “loyalty”, this term will be scrutinised from both an attitudinal as well as a behavioural perspective. The discussion commences with general definitions of loyalty as set out in the literature. Table 5.1 provides a summary of various definitions of loyalty.
CHAPTER 5: Loyalty and retention

Table 5.1: Definitions of loyalty

<table>
<thead>
<tr>
<th>Definition</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Loyalty is a committed and affect-laden partnership between customers and brands supported by other members of a household or buying group”.</td>
<td>Uncles, Dowling &amp; Hammond (2003:296).</td>
</tr>
<tr>
<td>“Customer loyalty is the repeat purchase intention to some specific product of service in the future”.</td>
<td>Chang &amp; Tu (2005:198).</td>
</tr>
<tr>
<td>“Customer loyalty is the biased (non-random) behavioural response, expressed over time, by some decision making unit with respect to one business out of a set of businesses, which is a function of psychological (decision-making and evaluative) processes resulting from commitment”.</td>
<td>Huang &amp; Lin (2005:215).</td>
</tr>
<tr>
<td>“Customer loyalty is defined as a deeply held commitment to re-buy or repatronise a preferred product consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour”.</td>
<td>Pont &amp; McQuilken (2005:347).</td>
</tr>
<tr>
<td>“Customer loyalty is a behavioural response that is expressed over time through the decisions that are made among alternatives”.</td>
<td>Suh &amp; Yi (2006:146).</td>
</tr>
<tr>
<td>“Loyalty is biased (non-random) behavioural response (that is, a purchase) expressed over time by some decision-making unit (a person or group of persons) with respect to one or more alternative brands (out of a set of brands), and is a function of psychological processes (decision making, evaluative)”.</td>
<td>Caceres &amp; Paparoidamis (2007:839).</td>
</tr>
<tr>
<td>“Customer loyalty is the result of continuing to delight customers as small variations in customer satisfaction can have a large impact on customer loyalty”.</td>
<td>Kotler &amp; Armstrong (2008:20).</td>
</tr>
<tr>
<td>“Loyalty is defined as continuing patronage as a result of incentives offered in exchange for customer loyalty. Loyalty is, furthermore, a result of the successful implementation of relationship marketing benefits from repeat sales and referrals that lead to growth in sales, market share and profits”.</td>
<td>Lamb et al. (2008:11-12).</td>
</tr>
</tbody>
</table>

From the above definitions it emerges that loyalty can be viewed as continuation or repetitive sales, either as a result of benefits offered to attract customers by means of incentives or as a result of a deeply held commitment towards the business or both (Kotler & Armstrong, 2008:20; Pont & McQuilken, 2005:347). Based on the nature of business, incentives often constitute a good strategy for attracting customers; however, businesses can easily fall into a trap of establishing “false” loyalty. Authors such as Caceres and Paparoidamis (2007:839) concur and distinguish between “true” and “spurious” loyalty in terms of the “inertia effect”. These authors confirm that true loyalty is more far-reaching than repetitive buying and should include a true, deeply held commitment towards the brand.

This notion is supported by Uncles et al. (2003:295) who argue that loyalty is primarily an attitude that can lead to a relationship. An attitude can either be positive, neutral or negative towards the business and/or brand. A positive attitude is outlined in the definition presented by Pont and McQuilken (2005:347). According to these authors, loyalty should be based on a
deeply held commitment that implies that the customer will stay committed to the business and/or brand despite efforts by other businesses aimed at switching behaviour. In order to reduce switching behaviour, businesses often create switching barriers. Switching behaviour may occur as a result of better incentives and/or satisfactory experience elsewhere. Also, customers with a negative attitude simply “hunt” for benefits and not for commitment as such. Over a period of time, these customers can be costly to the business as the business does not benefit from repeat sales from these customers. Based on their lack of commitment, these customers are categorised as transactional (short-term) customers. Since these customers fail to commit to the business (and/or brand), they do not justify continuous spending on marketing benefits over a longer term.

Because no universally agreed upon definition for loyalty exists and since the literature often focuses on more than one dimension of loyalty, Uncles et al. (2003:295) and Suh and Yi (2006:146) propose the following conceptualisations of loyalty that will form the basis of discussion in the subsequent sections of this study:

- Loyalty is mainly an attitude that may be converted to a relationship;
- Loyalty is typically stated in terms of shown behaviour (i.e. the pattern of historical purchase);
- Loyalty is multidimensional and includes an attitudinal or conative (intention or commitment to consume) and a behavioural loyalty concept.

As proposed in the above bullet list, loyalty consists of both an attitudinal as well as a behavioural dimension. These dimensions are accordingly discussed.

### 5.2.1 Attitudinal loyalty

The following definitions of attitudinal loyalty can be presented:

- Attitudinal loyalty is defined as the: “degree of dispositional commitment in terms of some distinctive value associated with the brand” (Caceres & Paparoidamis, 2007:839);
- Egan (2004:40) proposes loyalty in attitudinal terms as: “incorporating customer preferences and disposition towards brands to determine levels of loyalty”.

Variations in attitudes proposed by Uncles et al. (2003:296) where the authors classify attitudes predominantly as positive (monogamous), neutral (polygamous) or negative (promiscuous). According to these authors, a positive attitude is supported by strong attitudes and positive
beliefs about the business – a positive attitude furthermore has a significant influence on others, which is associated with monogamous loyalty or behaviour. Moreover, positive attitudes result in attitudinal loyalty which is regarded as single brand loyalty or preferred loyalty. Uncles et al. (2003:296) also link revealed, habitual behaviour with behavioural loyalty or divided loyalty towards a few brands, which indicate polygamous loyalty or behaviour. They argue that habitual behaviour is often the result of a satisfactory experience, although weak commitment towards the brand usually exists concomitantly with habitual behaviour. Lastly, they identify the non-existence of, or weak loyalty as promiscuous behaviour. In the case of such behaviour, a customer’s attitude is mainly determined by the purchase situation, usage occasions and variety seeking personality and/or characteristics. From this discussion, it seems evident that true loyalty cannot exist if it is not accompanied by a positive attitude towards the business and brand.

Evans et al. (2004:282) define attitudinal loyalty based on a customer’s relative attitude. As such, they propose that relative attitude not only centres on attitude to the business, but also includes comparing products and features to other businesses or brands. For instance, a customer may have a favourable attitude towards business “A”, but prefers to deal with business “B”. Against this background, attitudinal loyalty refers to: “a favourable attitude that is high compared to potential alternatives”; it follows that loyalty is the consequence of both repatronage and a favourable attitude towards the brand (Caceres & Paparoidamis, 2007:839).

To study loyalty from an attitude perspective is essential, because the attitude behind the customer drives his or her behaviour. Against the background of relationship marketing, attitudinal loyalty is crucial over the longer term, because the benefits of loyalty are realised over a period of time (Suh & Yi, 2006:146; Pont & McQuilken, 2005:347). The benefits of attitudinal loyalty or positive attitudes can manifest in various ways, as proposed by Ibáñez, Hartmann and Calvo (2006:635) and Uncles et al. (2003:296):

- Recommendations of the business to others;
- Low sensitivity to price increases;
- Preference towards a specific business (or brand); and
- High resistance to change to another business.

Behavioural loyalty is discussed below.
5.2.2 Behavioural loyalty

Behavioural loyalty is defined as: “measuring the concept of behaviour involving the repeat purchase of a particular product or service, evaluated either by the sequence in which it is purchased, as a proportion of purchases, as an act of recommendation, as the scale of the relationship, its scope, or both, or as several of these criteria combined” (Bodet, 2008:157). This view is, however, criticised for only referring to a one-dimensional view of loyalty and failing to distinguish between “true” and “spurious” loyalty. Uncles et al. (2003:295) and Suh & Yi (2006:146) suggest that loyalty should be studied from both an attitudinal and behavioural perspective. To this end, Pont and McQuilken (2005:347) define behavioural loyalty as: “hard-core loyalty or the probability of repeat purchases”. Based on this definition, customer loyalty refers to the minimum differential need for switching, or to the long-term choice likelihood for a brand (Pont & McQuilken, 2005:347).

Liang and Wang (2006:127) define the construct of behavioural loyalty as: “composite measure based on a customer’s purchasing frequency and amount spent at a business compared with the amount spent at other retailers from which the customer buys”. From the above, it is evident that customer behaviour and various measures in customer behaviour play a pivotal role in behavioural loyalty. This notion is supported by literature that suggests loyalty as a behaviour measure. The following measures are presented as confirmation that repeat behaviour or behavioural loyalty is present (Bodet, 2008:157; Huang & Lin, 2005:215):

- **Proportion of purchase** referring to the proportion spent at a specific business or on a specific product;

- **Probability of purchase** indicating the probability to repeat purchase behaviour at a specific business;

- **Probability of product repurchase** referring to the inclination to repurchase a specific product again;

- **Purchase frequency** indicating the number of purchases within a given time;

- **Repeat purchase behaviour** referring to repetitive purchases from a business or product; and

- **Purchase sequence** which is evaluated either by: the sequence in which products are purchased, as a proportion of purchases, as an act of recommendation, as the scale of the relationship, its scope or a combination of these criteria.
CHAPTER 5:  Loyalty and retention

Although the conceptualisation of loyalty as repurchase behaviour is a popular approach especially among services researchers, various shortcomings are associated with this one-dimensional view of loyalty. Ibáñez et al. (2006:634) propose that repetitive or an uninterrupted purchase from the same business is not always due to psychological commitment towards the business. Low degrees of repeat purchases may occur due to situational factors, customers seeking a variety, lack of availability or absence of provider preference (Ibáñez et al., 2006:634). Carpenter (2008:359) concurs and adds, “perceived time/energy costs, perceived absence of choice, probability or bias, temporary selling incentives, legal and/or corporate policy constraints” as reasons for repeat behaviour. Ibáñez et al. (2006:635) argue that loyalty as simply the repeated purchase behaviour may not be based on superior disposition to buy, but also on aspects that serve as barriers to change. Literature also refers to barriers to change as switching barriers. Switching barriers refer to any factor which makes it tougher or expensive for customers to change to competitors (Huang, Cheng & Farn, 2007:756) (see also section 3.3.5.2). Switching barriers may include interpersonal relationships, perceived switching costs and attractive alternatives. Therefore, the literature suggests that the influence of core service on repurchase intention is reducing when customers perceive high switching barriers (Huang et al., 2007:756). In considering these factors as well, it seems fair that studying loyalty solely from a behavioural viewpoint may prevent a clear understanding of loyalty and may also lead to wrong conclusions concerning the real reasons for loyalty.

Sections 5.2.1 and 5.2.2 presented an overview of the two-dimensional aspects of loyalty, namely attitudinal and behavioural loyalty by providing a definition for each as well as a discussion of reasons that may promote such behaviour. In section 5.2.2.2, a distinction is drawn between attitudinal and behavioural loyalty.

5.2.2.1 Distinction between attitudinal an behavioural loyalty

One of the most common differences between behavioural and attitudinal loyalty is that behavioural loyalty is often determined by situational causes such as availability of the brand, while attitudinal loyalty is more lasting (Caceres & Paparoidamis, 2007:839). Table 5.2 presents distinctive differences between attitudinal and behavioural loyalty based on various constructs, namely characteristics, commitment, antecedents, dimension and measurement.
Table 5.2: Distinctions between attitudinal and behavioural loyalty

<table>
<thead>
<tr>
<th>Construct</th>
<th>Attitudinal Loyalty</th>
<th>Behavioural Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>High relative attitude, favourable attitude towards business/brand.</td>
<td>High repeat purchase, usage frequency.</td>
</tr>
<tr>
<td>Commitment</td>
<td>Psychological bond to business.</td>
<td>Does not necessarily show any commitment.</td>
</tr>
<tr>
<td>Dimension</td>
<td>Attitude, soft, intangible dimensions such as emotion and satisfaction.</td>
<td>Behaviour, hard dimensions of loyalty such as value for money, convenience, trustworthiness and functionality.</td>
</tr>
<tr>
<td>Measurement</td>
<td>Customer’s attitude.</td>
<td>Repurchase intentions.</td>
</tr>
</tbody>
</table>


As indicated in this table, attitudinal loyalty is characterised by a high relative attitude as opposed to high patronage which is found in behavioural loyalty. Customers who show attitudinal loyalty have a psychological bond with the business, a dimension which is absent in the case of behavioural loyalty. Dimensions used to measure attitudinal loyalty include emotion and satisfaction, while value for money, convenience and reliability are the dimensions identified for behavioural loyalty. The main measurement of attitudinal loyalty is the customer’s attitude. Contrary to this, repurchase intention is the measurement of behavioural loyalty. The above sections provided a discussion of the two main dimensions of loyalty, while section 5.2.2.2 presented a distinction between attitudinal and behavioural loyalty. However, further variations between these dimensions exist. In section 5.3 below, the categories of loyalty are examined and accordingly discussed.

5.3 CATEGORIES OF LOYALTY

In this section, the dimensions of loyalty are further scrutinised by considering variations within these dimensions. Evans et al. (2004:282) propose four categories of loyalty that vary according to relative attitude and behaviour (Egan, 2004:114)(see Figure 5.1).
These four categories are briefly discussed below (see also Bodet, 2008:157; Ibáñez et al., 2006:634; Egan, 2004:40,114; Evans et al., 2004:282-3):

- **No loyalty.** As the term implies, this category refers to no loyalty or the non-existence of loyalty. The non-existence of loyalty is the result of a low customer’s relative attitude and also no indication of any purchase behaviour. During this stage, management may attempt to create “spurious loyalty”.

- **Spurious loyalty.** Spurious loyalty also refers to “false” loyalty and is linked to the term “inertia”. This type of loyalty is often misleading as behavioural data may indicate a continuation in purchases, although the reasons behind repetitive purchase should be studied. In some cases, repeat purchases can occur as a result of minimal differentiation between alternatives. Factors such as the availability of competing business, convenience or external influences by other customers are often the cause of repeat purchases. Although high repeat behaviour may be present, spurious loyal customers do not display a high relative attitude. The challenge to management is that customers falling into this category are open towards switching and management should aim to convert these customers into loyal customers.
CHAPTER 5: Loyalty and retention

- **Latent loyalty.** The opposite of spurious loyalty is seen in latent loyalty. Customers show a high relative attitude, although this is not supported by repeat purchases. The manifestation of latent loyalty is a lack of patronage. From a managerial point of view, latent loyalty is often easier to “solve” as barriers may exist that prevent repeat behaviour. Examples of such barriers may include inconvenient locations, out-of-stock situations, variety seeking, lack of provider preference and lack of availability. Reducing barriers that prevent repeat behaviour will most likely easily convert latent loyalty into loyalty proper.

- **Loyalty.** The ideal and aim of any business should be to achieve loyalty, because true loyalty refers to customers with a high relative attitude as a result of strong preferences accompanied with high repeat purchases. Although loyalty is the aim of the business, it does not follow that the business has “arrived” when it has achieved loyalty. From a management perspective, there is a strong responsibility to maintain and strengthen relative attitudes as customers will be targeted by aggressive marketing by competition. Furthermore, management has a continuous responsibility to strengthen brand commitment.

Table 5.3 below provides an overview of loyalty.

<table>
<thead>
<tr>
<th>Table 5.3:</th>
<th>Overview of loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>No Loyalty</td>
</tr>
<tr>
<td>Relative attitude</td>
<td>Low relative attitude</td>
</tr>
<tr>
<td>Patronage behaviour</td>
<td>Low repeat patronage behaviour</td>
</tr>
<tr>
<td>Manifestation</td>
<td>Does not patronise the business, and does not wish to.</td>
</tr>
<tr>
<td>Implications</td>
<td>Management may attempt to generate “spurious loyalty”.</td>
</tr>
</tbody>
</table>

Source: Adapted from Evans et al. (2004:282-3).

From the discussion above, four categories of loyalty were discussed that vary from “no loyalty” to “loyalty”. The aim of businesses should be to move customers from no loyalty to loyalty where
customers’ commitment will be so strong that aggressive marketing by competitors will have little effect on customer switching behaviour.

The various types of loyalty will now be discussed.

5.4 TYPES OF LOYALTY

Based solely on this table, it is evident that there are various kinds of loyalty and that it is difficult to pin loyalty down to only one dimension, whether patronage behaviour, attitude or its manifestation. Furthermore, increased sales (from a behavioural perspective) are not necessarily an indication that loyalty does exist. Staying with the business is also not necessarily an indication that loyalty exists, because increased sales can be caused by no other options being available. Similarly, staying with the business can be ascribed to confidence benefits (reduced anxiety and uncertainty in choosing a new service provider) (Evans et al., 2004:272). The complexity of loyalty suggests that it is necessary to identify various types of loyalty. Baines, Fill and Page (2008:692), Evans et al. (2004:282) and Egan (2004:116) distinguish between different types of loyalty. These are discussed below.

- **Emotional loyalty.** Emotional loyalty is also called true loyalty because the driving force behind this type of loyalty is personal identification (with the business and/or brand) with real or perceived values and benefits;

- **Price loyalty.** Price loyalty is driven by sensible economic behaviour. The main motivation behind price loyalty is cautious management of money or financial necessity;

- **Incentivised loyalty.** Incentivised loyalty is often linked with promiscuous customers and refers to customers with no demonstration of having a favourite brand by means of repeat patronage of the brand in the hope of becoming loyal;

- **Monopoly loyalty.** Monopoly loyalty occurs when the customer has to buy from a certain business due to a lack of choice. Repeat behaviour does occur, but not out of free will; rather because there are no other options;

- **Inertia.** Inertia-type behaviour describes behaviour that might occur regardless of any external stimuli. It often refers to behaviour in terms of either acting or reacting, thus neutral behaviour. Any increase in service levels or quality of the product (or service) will serve to maintain the inertia or habitual behaviour rather than driving the competitive process;
Disloyalty or no loyalty. No loyalty exists in the absence of any loyal type of behaviour; this refers to a low relative attitude and patronage behaviour.

5.5 RELATIONSHIP LADDER OF LOYALTY

The relationship ladder has been developed to identify the various stages through which customers progress in a process that is often referred to as relationship development (Baines et al. 2008:689) (see Figure 5.2). These stages are accordingly discussed (Baines et al., 2008:689; Christopher et al., 2004:48):

- **Prospect.** A prospect describes someone that you believe can be persuaded to engage in business with you.
- **Purchaser.** A purchaser defines someone who has only engaged once with the business.
- **Client.** A client describes someone who has interacted business with the business on a repeat basis, although such a person may be negative or at best neutral about the business.
- **Supporter.** A supporter refers to someone who likes the business, but only supports the business in a passive way;
- **Advocate.** An advocate is someone who actively recommends the business/service provider to others, hence doing the marketing on behalf of the business (referral marketing);
- **Partner.** A partner is someone with whom one has a proper relationship like that of a partner.

The main idea of the relationship ladder is that businesses must aim to turn prospects and purchasers into clients. From that status of clients, the business must then aim to make them supporters, followed by advocates and ultimately partners (Baines et al., 2008:689; Christopher et al., 2004:48). The ladder can easily be misinterpreted as suggesting that the ultimate aim is that all customers must proceed through all the different steps and that the eventual goal is to make all prospects partners (Christopher et al., 2004:48). On the contrary, the authors rather propose that one should see the relationship ladder as various development phases though which the relationship can progress. During these development phases, managers must continuously assess the relationship and decide whether additional investment is justified to move customers to the next level; it might not always be desirable to partner with all customers for reasons such as a lack of long-term profit potential or polygamous loyalty behaviour.
Loyalty paves the way towards establishing customer retention. It is only during customer retention that businesses receive benefits such as increased profitability and economics. Economics in this case refers to the cost required to serve existing customers (which is five times cheaper than obtaining new ones) (Christopher et al., 2004:55). Customer retention as an outflow of loyalty is accordingly discussed.

5.6 CUSTOMER RETENTION

The sections below will commence with a definition of customer retention, followed by the relationship life-cycle and customer retention. Thereafter, acquisition and retention will be discussed followed by a discussion on defection and retention. The chapter concludes with the benefits of customer retention for both the customer and business.

5.6.1 Customer retention defined

The aim of relationship marketing is to: “enable businesses to retain customers by gaining their loyalty and mutual commitment”, and thus to encourage them to spend a larger share of their wallet at the business by means of up-selling and cross-selling (Little & Marandi, 2005:13, 26).
CHAPTER 5: Loyalty and retention

Customer retention is not only the reward for loyalty, but businesses who succeed in retaining customers will also have a better understanding as to why certain customers defect; such businesses will also develop the ability of making appropriate adjustments to their marketing strategies in the future (Evans et al., 2004:288). Peelen (2005:239) concurs and emphasises that if a business over time, becomes aware of those customers who show a higher likelihood of ending the relationship, such a business can make a proactive effort to prevent such behaviour. Customer retention is a fundamental concept in relationship marketing theory; Table 5.4 presents a summary of various author's contributions in defining this term.

Table 5.4: Summary of definitions of customer retention

<table>
<thead>
<tr>
<th>Definition</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer retention means establishing longer-term relationships with fewer but more profitable customers.</td>
<td>Christopher et al. (2004:6-7)</td>
</tr>
<tr>
<td>Customer retention is a process used: &quot;to retain customers by gaining their loyalty based on mutual commitment&quot;.</td>
<td>Little and Marandi (2005:27)</td>
</tr>
<tr>
<td>Customer retention refers to: &quot;the maintenance of existing customers on a mutually beneficial basis over a period of time&quot;.</td>
<td>Little and Marandi (2005:26)</td>
</tr>
<tr>
<td>Retention means holding on to customers.</td>
<td>Peelen (2005:239)</td>
</tr>
<tr>
<td>Customer retention is defined by means of a retention rate, and thus refers to the percentage of customers who remain after “X” amount of years with the business as the retention rate of the business. Depending of the type of business, retention rates vary from fast-moving consumer goods to financial institutions, for instance.</td>
<td>Gummesson (2006:232)</td>
</tr>
<tr>
<td>Customer retention refers to a measure of continuation and focuses mainly on minimising customer defection.</td>
<td>Liu and Wu (2007:132-133)</td>
</tr>
</tbody>
</table>

For the purpose of the current discussion, customer retention will refer to the process of retaining fewer, but more profitable customers based on loyalty and mutual commitment (Christopher et al., 2004:6-7; Little & Marandi, 2005:27). Customer retention is the main outcome of relationship marketing. Because of today’s competitive environment where products and services are less differentiated, relationship marketing is the mediator between the business and customers and is used to retain key customers by promoting repeat purchase behaviour that will result in customer retention. Relationship marketing is the vehicle that can offer more than just economic benefits and can promote loyalty (Little & Marandi, 2005:27). The ideal is to create a combination of behavioural loyalty (repeat purchases) and attitudinal loyalty (psychological commitment) towards the business in order to decrease the potential defecting of good customers and gaining maximum benefits from key customers.
5.6.2 The relationship life-cycle

The relationship life-cycle has been adapted from the product life-cycle (PLC) as a tool that is used during marketing planning to calculate estimations regarding the future demand, profits and changes in the market environment (see also Figure 5.3). The same concept known as the relationship life-cycle has also been adapted to distinguish between the different phases of the relationship. Four stages in the relationship are distinguished that are discussed below (see Baines et al., 2008:688; Little & Marandi, 2005:67).

- **The acquisition phase.** The relationship initially starts with a single purchase. Purchases are often made at various service providers and can last indefinitely with no commitment to a particular supplier. Such customers typically present relationship prospects. No actual investment is made, because no trust or commitment exists yet; this is often a screening phase for suppliers to choose whom they think will show potential in the future. Baines et al. (2008:688) also refer to this stage as the customer acquisition phase. The phase is marked by three main events, namely:
  - The businesses and customers search for a suitable match;
  - Once the matches have been found, there is a period of initiation or settling in. During this period, both seek information before transactions occur;
  - This phase is characterised by socialising and the business and customers become more familiar with one another.

- **The development phase.** In the development phase, the business is required to invest time and resources to improve its understanding of the customer and to develop skills needed to satisfy those needs. The relationship has not yet taken full force, and therefore this stage represents high risk for the business as the business needs to apply proper judgement as regards possible future benefits that may occur to justify current spending. This is because the relationship is still unstable and carries a high risk of failure. Over time business transactions increase, therefore mutual understanding between the two parties exists in the form of contracts of supplier agreements, which assists to increase relational norms.

- **The retention phase.** The retention phase describes a period in the relationship that offers higher rewards to both parties and is often characterised by lower costs as well as mutual communications and problem-solving. This is also a stage where turnover and profitability peak as customers are prepared to pay higher prices for good value.
CHAPTER 5: Loyalty and retention

- The declining phase. The last phase, the declining phase, is often characterised by deterioration or exit on the part of the business or customer. From the customer’s side, a sudden exit can be caused by competitors entering the market, or repeat failures by the business resulting in a lack of trust and commitment. It can also be motivated by financial circumstances, a different focus of the business or for reasons beyond the control of both parties. However, an exit should not necessarily be viewed negatively as this is as much part of relationship marketing as developing new relationships is.

Figure 5.3: The relationship life-cycle

![The relationship life-cycle diagram](image)

Source: Adapted from Baines et al. (2008:688) and Little and Marandi (2005:67).

Evans et al. (2004:261) view the development phases of a relationship as comprising of various phases, namely attraction, interaction, progression, deterioration, cessation and reclamation. These authors divide their discussion on the relationship development in two sections: acquisition and retention (see section 5.6.3) and defection and retention (see section 5.6.4). A discussion of the various steps outlined in Figure 5.4 follows below.
CHAPTER 5: Loyalty and retention

5.6.3 Acquisition and retention

Businesses require customers before they can manage them; therefore customer acquisition as the life-blood of any business requires much attention (Evans et al., 2004:261). Businesses also require new customers prior to being able to retain customers. In this sense, customer acquisition is fundamental to the customer retention process. Furthermore, acquisition is important for the following reasons (Evans et al., 2004:261):

- A highly efficient and effective acquisition strategy increases customer retention and creates opportunities for the business to capitalise upon;

- Every relationship starts with acquisition and it is only during the formative stage that demands and expectations of respective parties are set.

Figure 5.4 indicates the various stages through which a newly acquired customer proceeds in order to progress to customer retention. The different phases proposed by Evans et al. (2004:262) are discussed below.

![Figure 5.4: The phases from acquisition to retention](image)

Source: Evans et al. (2004:262).

- **Attraction**

Attraction is in many ways regarded as a pre-relationship stage and signifies initial the attraction towards one party above other competitive parties. It describes the extent to which customers find relationship partners appealing with regard to their ability to offer superior monetary
Chapter 5: Loyalty and retention

benefits, social compatibility and access to vital resources (Evans et al., 2004:262). Superior benefits, moreover, stress the extent to which higher profits or lower costs are likely to result from relationship formation. In this sense, resource attractiveness defines the access to particular products, services or technologies to further specific goals. Lastly, social compatibility refers to the possibilities of furthering social bonds and/or accessing social situations. Also, Egan (2004:58) stresses the importance of attraction as businesses become more competitive not only in their product offerings, but also in fighting for the best customers. Attraction, however, is a mutual process and the business need likewise to make it attractive to draw potential relationship partners.

- Interaction

Interaction is a fundamental aspect of relationships as person-to-person interaction brings customers and the business into intimate contact, thus facilitating the development of an intimate relationship (Evans et al., 2004:262). Various means of interaction can be identified, namely telephone, mail, the internet and the most important method – that of face-to-face interaction. Interaction is often the driving force used to convert interactions with the business into relationships. Additionally, customers share expectations of quality by means of interaction (interaction was discussed in greater detail in section 4.3.4).

- Progression

From this phase onwards, the relationship between the customer and the business is viewed as one of collaboration where both parties receive mutual benefits, and the relationship requires input from both parties. As the term implies, the relationship is progressing and no defection of the relationship is anticipated. Evans et al. (2004:272) identify two main reasons why customers stay in a relationship: they either want to (dedication) or they have to (constraints). Relationship marketing aims to establish dedication; therefore it sets out to develop customers who want to stay in the relationship as a result of satisfaction and trust. Contrary to this, customers who have to stay in a relationship are often forced to by contractual obligations and barriers to change (Liang & Wang, 2007:339; Dall’Olmo Riley & de Chernatony, 2000:138) (see section 3.3.1.2).

- Deterioration

Relationships do not proceed directly into a dissolving phase, but rather tend to move slowly towards a deteriorating stage as a result of faded commitment and loyalty. A trigger of a fading relationship is defined as any element that affects the present status of the relationship.
negatively, to the extent that it results in the termination of the relationship. Relationship marketers have the important task of identifying triggers and resolving problems in order to maintain relationships (see section 4.4.2.2).

- **Cessation**

  Relationships are often characterised as long-term in nature, although not all relationships will endure over the long periods, and therefore it is unavoidable that some will be ended. Three types of relationship endings are identified in literature, namely (Evans *et al.*, 2004:275; Egan, 2004:24):

  → *Termination* refers to the deliberate ending of a relationship by one or more parties. This process may be interpreted in two ways. In the first instance, “customer de-selection” means dumping unprofitable customers and keeping profitable ones. In the first case loss-making customers are viewed as part of the business, although a clear understanding should be developed as to when and how to subsidise customers. This should not always be viewed in a negative light as unprofitability in the short term can easily be converted to profitability over the long term (Egan, 2004:24). Secondly, the interpretation revolves around managing the “burden of relationships” (Egan, 2004:24).

  → *Dissolution* means “the natural ending of the relationship without a deliberate decision to do so” (Evans *et al.*, 2004:275). Dissolution occurs when a relationship naturally comes to an end as a result of not needing a product or service anymore as the customer is no longer of the target market. For example, a mother may trust a certain product and be loyal towards the brand but, as soon as her children grows up; she will no longer have a need for the product, and will move out of the business’ target market.

  → *Switching* describes the ending of a relationship or the substitution of one relationship for another relationship with a competing business. Ending one relationship is often accompanied by strengthening another relationship. Switching also entails the costs involved as a result of the end of the relationship. These costs (switching costs) were discussed in greater detail in Chapter 3 (see section 3.3.5.2).

- **Reclamation**

  Reclamation refers to the benefits of regaining profitable customers; “customer reclamation encompasses the planning, realisation and control of all processes the business puts in place to regain customers” (Evans *et al.*, 2004:277). The reclamation of an ended relationship does not entail reinstating every relationship that has been dissolved, but only those justified reasons for dissolution in the first place. Marketers therefore are tasked to identify reasons for dissolution.
They should also assess future customer value in order to determine the viability and cost-effectiveness of reinstating a lost relationship.

Figure 5.4 indicated the various phases through which a customer proceeds from acquisition to retention. From this figure, it became evident that interaction is fundamental in this process. Failing to capitalise on the interaction process can easily pave the way towards having a relationship that slowly deteriorates to a point where additional money must be spent to assess and restore the relationship. Because relationships are built on person-to-person communication and likeness, the interaction process is of the utmost importance in relationship marketing but its value is often overlooked. If interaction is not well looked after and managed, defection will occur. Defection and retention are accordingly addressed in the next section.

5.6.4 Defection and retention

Because very few businesses understand the importance of customer retention, many businesses spend more time on acquiring new customers than retaining existing customers (Brink and Berndt, 2004:34-5). Brink and Berndt (2004:34-5) propose one way of managing customer defection, namely by looking at customer migration. Migration is the forerunner of customer defection. If businesses can succeed in determining why customers migrate to opposition, migrations could be converted back to retention. Evans et al. (2004:277) concur and argue that a clear assessment should be made of why customers defect. Such an assessment should also determine the future value of the customer and the costs involved of reinstating the relationship. Failing to assess customer migration will result in permanent defection. Although customer retention is crucial not only to prevent competitive businesses from taking one’s business, it also offers a range of benefits.

5.7 BENEFITS OF CUSTOMER RETENTION

Loyalty is the vehicle used to promote repeat purchases (retention) and to commit customers to the business. Only once repetitive purchases and commitment have been achieved, can customer retention be realised. Customer retention offers various benefits – and considering the rewards of customer retention, it seems obvious that no business should have the luxury of not implementing a customer retention strategy. As competition becomes fiercer in the pursuit of the best customers and of achieving greater productivity with less resources, having a customer retention strategy becomes increasingly essential. A number of benefits are associated with customer retention that realises as a result of customer loyalty. These benefits can be divided into benefits to the customer and benefits to the business.
CHAPTER 5: Loyalty and retention

5.7.1 Benefits to the customer

Dedication to a relationship is often the result of receiving on-going benefits, although tangible benefits are not necessarily more highly valued. Core benefits are more highly esteemed than tangible benefits and include the following (Evans et al., 2004:272):

→ **Confidence benefits** refer to: “the sense of reduced anxiety, faith in the trustworthiness of the service provider, reduced perceptions of anxiety and risk, and knowing what to expect” (Gwinner et al., 1998 adapted by Evans et al., 2004:272);

→ **Social benefits** – these entail being recognised and developing friendships with the business;

→ **Special treatment** means the: “extent to which a business treats and serves its regular customers better than its non-regular customers” (Evans et al., 2004:272).

5.7.2 Benefits to the business

Significant benefits of retention to the business were gleaned from the literature (Evans et al., 2004:277; Calik & Balta, 2006:136; Leverin & Liljander, 2006:235; Brink & Berndt, 2004:34):

(a) **Economic benefits**

- Retained customers tend to be more profitable and guarantee base profits as they are expected to have a minimum spend (marketing communication and time) per period;

- Retained customers offer a reduction in costs as acquisition and operating expenses are amortised over a longer period;

- Retained customers deliver growth in per-customer revenue as they earn more; hence mobilising them to have more varied needs and to spend more;

- Retained customers are prepared to pay higher premiums as they do not want to wait for price discounts before they purchase;

- Increased customer turnover decreases profitability;

- Retaining existing customers can increase further the cross-selling to customers;

- A larger number of long-term customers as opposed to short-term customers tends to guarantee high profitability;
CHAPTER 5: Loyalty and retention

- Acquiring new customers costs five times more than retaining current customers;

- Normally, 80% of profits are derived from 20% of the customers. It makes sense to concentrate on those customers that produces profits, namely existing customers;

- Customer retention is a deterrent for competitors from entering the market or from increasing their market share;

- Long-term customers are likely to be less concerned about price, allowing the business to charge price premiums.

From the benefits listed in the above sections, it seems evident that customer retention holds benefits to both the business and customer that if optimized can strengthen the mutual relationship between both parties.

(b) Customer behaviour benefits

- Retaining satisfied customers will be a source of word-of-mouth recommendations to new customers and is often free of charge;

- Regular customers place frequent orders and do regular deals, thereby decreasing the cost of servicing them;

- Improved customer retention paves the way to increased levels of employee satisfaction, which translates to increased employee retention and which feeds back into an even greater customer permanence;

From the benefits mentioned above, it is evident that customer retention is a necessity; indeed, no business can afford to lose good customers in an extremely competitive environment. Furthermore, as product features play a smaller part in decision-making, emotional considerations become more apparent in product choice. This means that businesses must know their customers well, interact with them and serve them better than competitors do in order to achieve customer retention as a result of customer loyalty.

5.8 CONCLUSION

In this chapter, it became evident that customer retention is the result and outflow of loyalty (attitudinal and behavioural loyalty). Various dimensions and antecedents of loyalty were discussed in order to establish the multi-dimensional nature of loyalty. Also, the discussion
indicated the dangers of making early conclusions from repeat behaviour and/or a positive relative attitude without considering the real reasons behind either the attitude or the behaviour.

As proposed in this chapter, customer retention is fundamental to the long-term success of the business. Not only does it require a business to keep good customers, but furthermore to focus attention on the best customers (top 20%) to achieve maximum profitability and results (and also to improve productivity). Since competition becomes more targeted and focused on the best customers, businesses must ensure that customers are emotionally connected and committed to the business and brand to such an extent that better and repeated marketing efforts by competitors do not affect the bond between the customer and the business. To achieve this, the study proposes that businesses should commit customers both on attitudinal and behavioural levels, thus ensuring a lasting commitment between the customer and business that will ultimately lead to improved customer retention.

In Chapter 6, the research methodology of the study will be discussed. Specific attention will be paid to the empirical review, the research design and method of data collection, the qualitative and quantitative research used during the study, the development of the sample plan, the sample framework and size, the measurement instrument and lastly the data analysis.
CHAPTER 6: RESEARCH METHODOLOGY

6.1 INTRODUCTION

In this chapter, the research methodology is addressed. The empirical research will be based on the various steps outlined in this chapter.

More particularly, Chapter 6 is devoted to the various steps in the marketing research process that are applied to this study, and sets out the research problem, the objectives of the study, the research design and method of data collection and sampling. The last part of the chapter focuses on the statistical techniques used to analyse the data.

6.2 MARKETING RESEARCH

Marketing research plays a significant role in the discipline of marketing – both in academic and business contexts. According to the American Marketing Association (AMA) (2002), various role-players such as professionals, non-business organisations, government agencies and marketing researchers can benefit from marketing research because it helps to bridge the gap between the customer, consumer and marketer through information provision, which in turn helps to identify and describe marketing problems and opportunities that will ultimately simplify decision-making (Iacobucci & Churchill, 2010:3; Parasuraman et al., 2007:9). This section is devoted to defining marketing research and demonstrating the need for marketing research.

6.2.1 Marketing research defined

Various definitions for marketing research exist in the literature. Below a selection of well-known definitions of marketing research is set out:

- The AMA defines marketing research as: “the function which links the consumer, customer, and public to the marketer through information – information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve our understanding of marketing as a process” (in Iacobucci & Churchill, 2010:5);

- Another definition states that: “Marketing research is a part of marketing; it provides the necessary information to enable managers to market ideas, goods and services properly” (Burns & Bush, 2010:32);
CHAPTER 6: Research methodology

- Furthermore, it is: “The application of the scientific method in searching for truth about marketing phenomena. These activities include defining marketing opportunities and problems, generating and evaluating marketing ideas, monitoring performance, and understanding the marketing process (Zikmund & Babin, 2010:5);

- “A set of techniques and principles for systematically collecting, recording, analysing, and interpreting data that can aid decision makers involved in marketing goods, services and ideas” (Parasuraman et al., 2007:9);

- Marketing research is also: “A systematic inquiry whose objective is to provide information to solve managerial problems” (Cooper & Schindler, 2003:5);

- It is: “The systematic and objective process of generating information to aid in making marketing decisions. This process includes specifying what information is required, designing the method for collecting information, managing information, managing and implementing the collection of data, analysing the results, and communicating the findings and their implications” (Zikmund, 2003:3).

Based on the definitions above that have been presented by various authors in the marketing research field, the current study proposes the following definition of marketing research:

- Marketing research is the process that facilitates the generation, collection, management and analyses of marketing information required to make marketing and business decisions. The process is aided by a set of procedures and principles for methodically collecting, recording, analysing and interpreting data to support business decisions.

6.2.2 Determining the need for marketing research

Marketing research is a time-consuming process that often involves excessively-seeming expenditure in order to obtain trustworthy results necessary for informed decision-making. Not all strategic decisions, however, require marketing research. Figure 6.1 presents an outline that can assist in determining whether marketing research is required in a particular situation.
Figure 6.1: Determining when to conduct marketing research


Figure 6.1 outlines four major considerations with regard to determining the need for marketing research, namely time constraints, availability of data, the nature of the decision, and benefit as opposed to cost considerations. Should the marketing researcher answer “yes” to any of these questions, a move to the right and to the next question is required. The same applies for answering “no” to a question, which will require a move downward in the figure. These and other constraints listed in literature will accordingly receive attention (see Parasuraman et al., 2007:27; Zikmund & Babin, 2010:19; Zikmund, 2003:15).

(a) Time constraints

It is a truism that research tends to take time; this fact is often at odds with managers’ need for immediate decision-making, and hence decisions are often taken without relying on marketing research. Furthermore, the importance of decisions in terms of strategic value often gives an indication whether marketing research can be justified (Parasuraman et al., 2007:27).

(b) Availability of data

The availability of data can be linked to the question addressing the potential usefulness of data. In some cases, managers have sufficient information for making sound decisions. However, should sufficient data be lacking, managers must carefully consider whether the research will provide the information needed to answer the relevant questions and they should take note of the cost involved in obtaining the necessary information (Zikmund & Babin, 2010:20). If data is available, however, the usefulness of such data should be scrutinised and revised if necessary (Parasuraman et al., 2007:28).
CHAPTER 6: Research methodology

(c) Nature of the decision

The nature of the decision that must be taken is an important indication that helps to determine whether marketing research is required or not. Routine tactical decisions often do not require formal marketing research; however, strategic decisions should be made with more careful consideration, and thus require marketing research (Parasuraman et al., 2007:29).

(d) Benefits as opposed to cost considerations

Both costs and benefits are involved in any research project, although it is often difficult to determine the exact measure of these aspects. Zikmund (2003:9) argues that the primary benefit of marketing research is to reduce uncertainty in decision-making by justifying decisions based on actual research. Although this statement is made from a managerial point of view, the origin of marketing research arises from this area and has to fulfil the marketing manager’s necessity for knowledge of the market environment. Furthermore, marketing research is a means of implementing the marketing concept (Zikmund, 2003:6). The main goal of marketing is to satisfy the customer, and marketing research offers tools for achieving this by obtaining information about customers’ needs and problems. Marketing research often generates marketing information necessary for: “identifying and evaluating opportunities, analysing market segments and selecting target markets, planning and implementing a marketing mix; and lastly, analysing marketing performance” (Parasuraman et al., 2007:4; Zikmund, 2003:9).

According to Parasuraman et al. (2007:29), it is often easier to quantify costs involved in research as opposed to the possible benefits of such research. When research activities are identified, the costs can be quantified especially when the various steps of the research project are clearly outlined. Strydom et al. (2002:145) propose the following costs, namely: a) economic costs, and b) psychological costs. Economic costs refer to direct financial or indirect costs in terms of opportunity costs referring to those which result from delaying a decision, whereas psychological costs refer to the frustration experienced while searching for information.

In the following section, the marketing research process will be discussed.

6.3 THE MARKETING RESEARCH PROCESS

Several approaches towards the marketing research process are found in literature. An overview of the marketing research process proposed by a number of marketing research scholars (Parasuraman et al., 2007:27, Cooper and Schindler, 2003:65; Iacobucci & Churchill, 2010:31).
CHAPTER 6: Research methodology

Table 6.1 provides an overview of the marketing research process proposed by various authors.

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooper &amp; Schindler (2003:65)</td>
<td>Step 1: Discover the management dilemma;</td>
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<td></td>
<td>Step 2: Define the management question;</td>
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<tr>
<td></td>
<td>Step 3: Refine the research question;</td>
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<td>Step 4: Research proposal;</td>
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<td>Step 5: Research design;</td>
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<td>Step 6: Design a strategy;</td>
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<td></td>
<td>Step 7: Data collection and sampling design;</td>
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<td></td>
<td>Step 8: Question and instrument pilot testing;</td>
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<td></td>
<td>Step 9: Instrument revision;</td>
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<td>Step 10: Data collection and preparation;</td>
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<td>Step 11: Data analysis &amp; interpretation;</td>
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<td></td>
<td>Step 12: Research reporting;</td>
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<td></td>
<td>Step 13: Management decision.</td>
</tr>
<tr>
<td>Parasuraman et al. (2007:27)</td>
<td>Step 1: Justify the need for marketing research;</td>
</tr>
<tr>
<td></td>
<td>Step 2: Define the research objective;</td>
</tr>
<tr>
<td></td>
<td>Step 3: Justify the need for marketing research;</td>
</tr>
<tr>
<td></td>
<td>Step 4: Identify the data sources;</td>
</tr>
<tr>
<td></td>
<td>Step 5: Choose an appropriate research design &amp; data collection method;</td>
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<td></td>
<td>Step 6: Design the research instrument or form;</td>
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<td></td>
<td>Step 7: Identify the sample;</td>
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<td></td>
<td>Step 8: Collect the data;</td>
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<tr>
<td></td>
<td>Step 9: Analyse and interpret the data;</td>
</tr>
<tr>
<td></td>
<td>Step 10: Research findings.</td>
</tr>
<tr>
<td>Iacobucci &amp; Churchill (2010:31)</td>
<td>Step 1: Formulate the problem;</td>
</tr>
<tr>
<td></td>
<td>Step 2: Determine the research design;</td>
</tr>
<tr>
<td></td>
<td>Step 3: Design the data collection method and forms;</td>
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<tr>
<td></td>
<td>Step 4: Design the sample and collect data;</td>
</tr>
<tr>
<td></td>
<td>Step 5: Analyse and interpret the data</td>
</tr>
<tr>
<td></td>
<td>Step 6: Prepare the research report.</td>
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</tbody>
</table>

As indicated in Table 6.1, some researchers tend to follow longer and more comprehensive processes (such as Cooper and Schindler, 2003:65), while others prefer more concise processes (in Iacobucci & Churchill, 2010:310). Although some of the authors noted above may initially seem to follow longer processes, it should be noted that the marketing research process always contains a number of core steps. Some researchers prefer to utilise only a few basic steps and describe the content of each of these in sub-steps, while others prefer to view the sub-steps as actual steps in the process. For this study, it was decided to adapt a six-step process into five, using the core steps, namely: (1) identify the research problem and objectives; (2) determine the research design; (3) design the data-collection method and forms; (4) design the sample and collect data; (5) analyse and interpret the data. These steps are presented by Iacobucci and Churchill (2010:310). The content of each step comprising a sub-category is adapted from Parasuraman et al. (2007:27-38) and Cooper and Schindler (2003:65).

The marketing research process followed in this study is presented in Figure 6.2.
6.3.1 **STEP 1: Identify the problem and research objectives**

The *first* step in the marketing research process is to determine, justify and formulate the research problem that needs to be solved. Iacobucci and Churchill (2010:29) stipulate that the formulation of the research problem should be based on careful planning and the problem must also be stated precisely in order to yield accurate information. Some studies require a fairly simple problem statement, while others may require more detailed problem statements. In addition, the specification of clear and distinctive objectives leads the way to the following step.

**Source:** Adapted from Iacobucci and Churchill (2010:31), Parasuraman *et al.* (2007:27); Cooper and Schindler (2003:65).
CHAPTER 6: Research methodology

in the marketing research process (Iacobucci & Churchill, 2010:30). (See Chapter 1, section 1.4 for the problem statement.) The study is conducted on BPL SME customers in the financing industry (see Chapter 7, section 7.2 for further details).

6.3.1.1 Primary and secondary objectives

The *primary objective* of the study is to develop a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business (B2B) financing environment.

The following *secondary objectives* have been formulated to support the primary objective, namely to determine:

1. the reliability and validity of the relationship intentions scale used in the study within a B2B context;
2. SME customers’ satisfaction with their financier in particular as compared to their expectations when choosing a financier;
3. the relationship between SME customers’ overall satisfaction with their financier and their loyalty towards their financier;
4. the relationship between SME customers’ loyalty towards their financier and their retention towards their financier;
5. the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier;
6. the influence of SME customers’ business size on their satisfaction, loyalty and retention towards their financier;

In addition to these, another secondary objective also entails:

7. the development of a framework depicting the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier.

6.3.2 STEP 2: Determine the research design

The second step in the marketing research process is to develop the research design. This step entails the actual planning of the research study that will be undertaken. Additionally, Iacobucci and Churchill (2010:30) note that the sources of information required for a study and the
CHAPTER 6: Research methodology

research design go together as they both depend on the availability of knowledge about the research problem. Parasuraman et al. (2007:35) propound that the research design will have a direct influence on the tasks to be performed during the extent of the study.

When considering any research study, the time aspect in collecting data is important. In this regard, Cooper and Schindler (2003:147) highlight the main distinction between cross-sectional studies and longitudinal studies as the time aspect. The major difference between these types of studies is the time ratio. The first (cross-sectional studies) is carried out only once and therefore represents a picture of one point in time; while the latter (longitudinal studies) is conducted over a longer period, and thus can track various changes over time (Parasuraman et al., 2007:68; Cooper & Schindler, 2003:147).

Figure 6.3 presents the various types of research designs and the respective uses of these. Following this figure, a short description of each will be given and some of these will be discussed in greater detail.

Figure 6.3: Types of research designs

<table>
<thead>
<tr>
<th>Exploratory research</th>
<th>Uses</th>
<th>Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulate problems more precisely;</td>
<td>Literature search;</td>
<td>Longitudinal study;</td>
</tr>
<tr>
<td>Develop hypotheses;</td>
<td>Experience survey;</td>
<td>Panel;</td>
</tr>
<tr>
<td>Establish priorities for research;</td>
<td>Focus groups;</td>
<td>Sample survey.</td>
</tr>
<tr>
<td>Eliminate impractical ideas.</td>
<td>Interviews;</td>
<td></td>
</tr>
<tr>
<td>Clarify concepts</td>
<td>Projective tests.</td>
<td></td>
</tr>
<tr>
<td>Ethnographies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Descriptive research</th>
<th>Uses</th>
<th>Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe segment characteristics;</td>
<td>Longitudinal study;</td>
<td>Laboratory experiment;</td>
</tr>
<tr>
<td>Estimate proportion of people who behave in a certain way;</td>
<td>Panel;</td>
<td>Field experiment.</td>
</tr>
<tr>
<td>Make specific predictions.</td>
<td>Sample survey.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Causal research</th>
<th>Provides evidence regarding causal relationships by means of:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Concomitant variation;</td>
<td>Laboratory experiment;</td>
<td></td>
</tr>
<tr>
<td>Time order in which variable occurs;</td>
<td>Panel;</td>
<td></td>
</tr>
<tr>
<td>Elimination of other explanations.</td>
<td>Sample survey.</td>
<td></td>
</tr>
</tbody>
</table>


6.3.2.1 Exploratory research

Exploratory research describes marketing research that aims to generate insights about a situation that can later suggest hypotheses (Parasuraman et al., 2007:57). This type of research is valuable when the researcher is not clear about the problems that might be experienced
CHAPTER 6: Research methodology

during the research. Exploratory research also contributes towards developing a clear set of priorities, to develop operational definitions and lastly to improve the final research design (Parasuraman et al., 2007:57; Cooper & Schindler, 2003:151). In addition to these functions, exploratory research aims to explore new areas that are unfamiliar to the researcher. This method further provides quick answers to research questions, although the value thereof is often underestimated (Cooper & Schindler, 2003:151).

Exploratory research is also undertaken to clarify ambiguity. From this perspective exploratory studies are often conducted with a view to determine the nature of the problem, although this type of research does not necessarily always yield convincing results (Zikmund, 1999:42). Furthermore, exploratory research often suffers from subjectivity, the inability to deliver representative samples and non-random designs. On the other hand, exploratory research often offers a time and cost saving due to research problems being defined in advance before a formal study is conducted (Cooper & Schindler, 2003:15; Strydom et al., 2002:152).

6.3.2.2 Causal research

Causal research refers to the collection of raw data that is used to create structures which enable the researcher to "determine cause-and-effect relationships between two or more variables" (Hair, Bush & Ortinau, 2004:64). Most marketing variables exist in close relationships with other variables, and it is therefore important for the researcher to determine these causes and effects. The phenomenon of a “cause” is therefore the central aim of causal research, which aims to determine the extent to which a change in one variable affects another variable (Zikmund & Babin, 2010:53; Hair et al., 2004:64; Strydom et al., 2002:154).

6.3.2.3 Descriptive research

Descriptive research entails, in essence, the description of something (Parasuraman et al. (2007:64). This type of research is generally undertaken to describe the characteristics of the population or phenomena and to answer questions such as “who, what, when and how” (Zikmund & Babin 2010:51; Cooper & Schindler, 2003:161;). Descriptive research is based on an existing understanding of the nature of the research problem, although this problem needs to be motivated. Sustainable descriptive research determines the difference in needs, attitude and opinions amongst sub-groups (Strydom et al., 2002:153).

Cooper and Schindler (2003:161) contrast descriptive research with exploratory research in terms of structure. Apart from the phenomena of the population, it furthermore estimates the proportions of the population that can answer the “who, what, when and how” about a certain
CHAPTER 6: Research methodology

Iacobucci and Churchill (2010:60) outline the following conditions as characteristic of descriptive research:

- To *describe* the characteristics of certain groups in order to profile customers according to, for example, age, gender and income group;
- To *estimate* the proportion of customers who behave in a certain way, for example, the number of people obtaining finance at a specific business;
- To *make predictions*, for example, if one could predict customers’ relationship intention, these customers could be targeted.

In the current study, the literature review provided the foundation for the understanding of concepts such as customer satisfaction, loyalty and retention. The literature review also introduced a partially defined problem. Although a level of uncertainty still exists as regards this problem, descriptive research was undertaken for this study with a view to obtain an accurate description of the situation (see Strydom et al., 2002:153). Furthermore, the study needed to answer questions about the study population and attend to the “who, what, when and where and how” of the specific topic. Only a partially defined problem exists; it cannot at this point be supported by evidence, and thus a level of uncertainty is present that requires descriptive research to support the suspicion or hunch that gave rise to the research. This is why the author needs to obtain information about the “who, what, when and where and how” in order to “describe, estimate and make predictions in terms of a proposed retention framework (Iacobucci & Churchill, 2010:60).

The “who, what, when, where and how” questions were covered by a survey directed at SME customers (who) of a financier business (what) (BPL) throughout South Africa (where) on how often are they actively involved in building relationships with their SME customers (when), what their expectations are about the business, and how they perceive the relationship with the business (how). This study was cross-sectional in nature because the data collection takes place once only, hence providing a snapshot of the situation at a specific period in time.

6.3.3 STEP 3: Design the data-collection method and forms

The *third step* in the marketing research process is the design of the data-collection method and forms. Parasuraman *et al.* (2007:84) propose that one should explore both primary and
secondary research data and take note of both the pros and cons prior to deciding which type of data to use. Primary data is defined as information collected for a specific purpose at hand, or original research (Cooper & Schindler, 2003:152). Also, this type of data needs organising before being usable. This process is also known as field research or primary research (Crouch & Housden, 2003:18). On the other hand, secondary data is defined as: “information that already exists somewhere, having been collected for another purpose” (Kotler & Armstrong, 2008:102). In the following sections, the focus is directed towards the nature of primary and secondary research.

Because existing sources are usually investigated first, the discussion will commence with secondary research.

6.3.3.1 Secondary data sources

Crouch and Housden (2003:18) stipulate that some information may already be available and simply needs to be organised if it exists within the business (internal) or accessed if it exists outside the business (external). These authors also argue that exploring internal and external data sources forms the basis of desk or secondary research. The term secondary research reflects the reality that the user is secondary in nature and that the data may not meet the requirements of the user precisely, although secondary data is often a sound starting point as it is quickly accessible, and is also generally less expensive to obtain (Crouch & Housden, 2003:19). Figure 6.4 presents various types of secondary data.

Figure 6.4: Types of secondary data sources

<table>
<thead>
<tr>
<th>Internal data</th>
<th>External data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales invoices</td>
<td>Directories;</td>
</tr>
<tr>
<td>Loyalty/CRM records</td>
<td>Periodicals;</td>
</tr>
<tr>
<td>Salesperson’s call reports</td>
<td>Statistical sources;</td>
</tr>
<tr>
<td>Warranty cards</td>
<td>Financial records;</td>
</tr>
<tr>
<td>Company records</td>
<td>Trade published data;</td>
</tr>
<tr>
<td></td>
<td>Press published data;</td>
</tr>
<tr>
<td></td>
<td>Trade associations.</td>
</tr>
<tr>
<td></td>
<td>Geo-demographic data;</td>
</tr>
<tr>
<td></td>
<td>Diary panel data;</td>
</tr>
<tr>
<td></td>
<td>Store audit data;</td>
</tr>
<tr>
<td></td>
<td>Scanner data;</td>
</tr>
<tr>
<td></td>
<td>Advertising exposure data.</td>
</tr>
</tbody>
</table>

Source: Adapted from Crouch and Housden (2003:44,46) and Iacobucci and Churchill (2010:149).
CHAPTER 6: Research methodology

For the purpose of this study, secondary data was obtained through an extensive literature review (Chapters 2 – 5). The literature review assisted to determine the principles of relationship marketing. These include the conceptual developments of relationship marketing (Chapter 2), customers relationship intentions (Chapter 3), customer satisfaction, satisfaction drivers and overall satisfaction (Chapter 4), loyalty and retention (Chapter 5), and data was obtained from published external sources as listed below to ensure timely, valid and accurate data. These publications include scientific journals, books, dissertations, internet articles, journal articles and reports from the following databases:

- EbscoHost: International Journals on Academic Source Premier, Business SourcePremier, Econlit, Research Starters - Business
- Emerald: International journals;
- JStor: International journals;
- Nexus: Database by the NRF of current and completed research in South Africa;
- ProQuest: International dissertations;
- ScienceDirect: International journals;
- SACat: National catalogue of books and journals in South Africa;
- SAePublications: South African magazine articles;
- SAMEDIA: Newspaper articles.

6.3.3.2 Primary data sources

Kotler and Armstrong (2008:102) argue that although most research projects start with secondary data that helps to refine the research problem, businesses also have to collect primary data. The main considerations when evaluating primary data is therefore to make sure that the data is reliable, relevant, accurate, current and unbiased (Kotler & Armstrong, 2008:102). Primary data can be collected by means of qualitative and quantitative research. Qualitative research provides opportunities to gain unique insights into and guidance regarding the development of a marketing strategy and tactics (Chisnall, 2005:216). Qualitative research can make meaningful contributions to exploratory studies, new product development projects and tactical research projects (Chisnall, 2005:217, Hair et al., 2004:173). Examples of qualitative research are in-depth interviews, projective techniques and focus groups.
CHAPTER 6: Research methodology

**Quantitative research** describes research designs that seek structured and quantifiable responses. Quantitative research furthermore presents the findings by means of numbers, figures or statistic parameters (Strydom et al., 2002:153). In addition, the research instrument used during quantitative research pertains to surveys, observation and experiments (Hair et al., 2004:171; Cooper & Schindler, 2003:152). Table 6.2 presents the main differences between qualitative and quantitative research.

Table 6.2: Differences between qualitative and quantitative research

<table>
<thead>
<tr>
<th>Research aspect</th>
<th>Qualitative research</th>
<th>Quantitative research</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common purpose</strong></td>
<td>Discover ideas, used in exploratory research with general research objects</td>
<td>Test hypotheses or specific research questions</td>
</tr>
<tr>
<td><strong>Approach</strong></td>
<td>Observe and interpret</td>
<td>Measure and test</td>
</tr>
<tr>
<td><strong>Data collection approach</strong></td>
<td>Unstructured, free-form</td>
<td>Structured response categories provided</td>
</tr>
<tr>
<td><strong>Researcher independence</strong></td>
<td>Researcher is intimately involved. Results are subjective.</td>
<td>Researcher uninvolved observer, results are objective.</td>
</tr>
<tr>
<td><strong>Samples</strong></td>
<td>Small samples – often in natural settings</td>
<td>Large samples to produce generalised results (results that apply to other situations)</td>
</tr>
<tr>
<td><strong>Most often used</strong></td>
<td>Exploratory research designs</td>
<td>Descriptive and causal research designs</td>
</tr>
</tbody>
</table>

Source: Adapted from Zikmund & Babin (2010:133).

The various qualitative and quantitative approaches can furthermore be classified into sub-groups, depending on the outcome of the study and what is needed to be obtained from the study. Figure 6.5 distinguishes between the various techniques classified as qualitative and quantitative approaches.

Figure 6.5: Distinction between various quantitative and qualitative approaches

Adapted from: Strydom et al. (2002:155) and Iacobucci and Churchill (2010:63).
CHAPTER 6: Research methodology

6.3.3.2.1 Quantitative data techniques

As presented in Figure 6.5, quantitative data techniques comprise observation, surveys and experimentation. In the sections below, each of these approaches is briefly addressed.

(a) Observation

Crouch and Housden (2003:143) define observation as: “the process of gathering primary data by means of observing relevant people, actions and situations”. The success of observation very often depends on individuals being available and able to report their actions or attitudes verbally.

Housden and Crouch (2003:143) argue that the success of observation is also lodged in the willingness of respondents to report their behaviour verbally; It is a widely used technique among social researchers. Also, the application is more often about what people do as opposed to why they do it; hence accurate data without biases of the interviewer is easily obtainable, making it one of the most useful techniques for collecting consumer data.

(b) Experimentation

Experimentation is defined as: “a procedure in which one or more independent (cause) variable is systematically manipulated and data on the dependant (effect) variable are gathered, while controlling for other variables that may influence the dependant variable” (Parasuraman et al., 2007:208). The literature distinguishes between two types of experiments, namely laboratory experiments and field experiments. The main difference between these two types of experiments is the setting in which experiments are conducted. Laboratory experiments are conducted in a controlled setting. Field experiments are conducted in a natural setting (Parasuraman et al., 2007:208).

Experiments in marketing research are often applied to variables such as price, package, design and advertising while the effect of another variable (such as sales) is observed (Lamb et al., 2008:140). These authors also confirm that the success of experiments depends on the extent to which variables can be kept constant while only one variable is manipulated.

(c) Surveys

A survey is defined as: “a method of collecting primary data in which information is gathered by communicating with a representative sample of people” (Zikmund, 2003:141). Strydom et al. (2002:156) note that the main goal of a survey is to collect problem-specific data while using a questioning methodology. The survey approach is one of the most widely used techniques in
CHAPTER 6: Research methodology

marketing research as it uses a structured approach to obtain quantified responses, and is thus classified as quantitative research (Strydom et al., 2002:156). Various kinds of surveys exist, namely: (a) self-administered surveys; (b) computer-delivered surveys, and (c) people intercepted surveys (see Table 6.3). The choice of survey lies with the researchers who should only make this choice after careful consideration of the respective advantages and disadvantages. In this study, self-administered surveys were used for the following reasons:

- It allows contact with otherwise inaccessible respondents (e.g. directors, CEO’s). In BPL, and for the purpose of this study, the main entrepreneur (or applicant’s) details are captured onto BPL’s SAP database, therefore the main entrepreneur received the link to the questionnaire;

- An expanded geographic area can be covered. For the purpose of this study, a national survey could be done on BPL’s customers;

- Self-administered surveys are perceived to be more anonymous. Due to the fact that client confidentiality was an important consideration in this study, self-administered surveys adhered to anonymity;

- Surveys allow respondents time to think about questions. For the purpose of this study, time to think was important as one question specifically related to “expectations of financiers” as opposed to “satisfaction towards BPL” and respondents carefully needed to rate both their expectations and satisfaction on a 35-item scale.

The following disadvantages were also considered:

- Low response rates. Due to the fact that the researcher will work in collaboration with area managers and a letter from the Executive Director to motivate respondents to participate will be attached to the link of the questionnaire, the researcher was confident that low response rates can be overcome;

- The length and complexity of the questionnaire. The questionnaire will be set-up in such a way that the questions will be logical, interesting and easy to answer (“tick box style”);

- Accuracy of the mailing list. The mailing list will be drawn directly from BPL’s active SAP database, thereby ensuring an active mailing list.
Table 6.3: Comparison of various survey types

<table>
<thead>
<tr>
<th>Description</th>
<th>Personal interviews</th>
<th>Telephone interviews</th>
<th>Self-administered interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>People selected to be part of the sample are interviewed in person by a trained interviewer.</td>
<td>People selected to be part of the sample are interviewed on the telephone by a trained interviewer.</td>
<td>Questions are:</td>
</tr>
<tr>
<td>Advantages</td>
<td>-Good cooperation from respondents; -Interviewer can answer questions about survey, probe for answers, use follow-up questions, and gather information by observation; -Special visual aids and scoring devices can be used; -Illiterate and functionally illiterate respondents can be reached; -Interviewer can pre-screen respondent to ensure he/she fits the population; -CAPI – Computer assisted personal interviewing: Responses can be entered into a portable microcomputer to reduce error and cost.</td>
<td>-Lower costs than personal interview; -Expanded geographic coverage without dramatic increase in costs; -Loses fewer, more highly skilled interviewers; -Reduced interviewer bias; -Fastest completion time; -Better access to hard-to-reach respondents through repeated call-backs; -Can use computerised random-digit dialling; -CATI – computer-assisted telephone interviewing: Responses can be entered directly into a computer file to reduce error and cost.</td>
<td>-Allows contact with otherwise inaccessible respondents (e.g. CEO’s); -Incentives may be used to increase response rate; -Often lowest-cost option; -Expanded geographic coverage without increase in costs (a); -Requires minimum staff (a); -Perceived as more anonymous (a); -Allows respondents time to think about questions (a); -More complex instruments can be used (b); -Fast access to the computer-literate (b); -Rapid data collection (b,c); -Respondent who cannot be reached by phone (voice) may be accessible (b,c); -Sample frame lists variable locations rather than prospective respondents (b,c); -Visuals may be used (b,c).</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>-High costs; -Need for highly trained interviewers; -Longer period needed in the field collection data; -May be wide geographic dispersion; -Follow-up is labour intensive; -Not all respondents are available or accessible; -Some respondents are unwilling to talk to stranger in their homes; -Some neighbourhoods are difficult to visit; -Questions may be altered or respondent coached by interviewers.</td>
<td>-Response rate is lower than for personal interview; -Higher costs if interviewing geographically dispersed sample; -Interview length must be limited; -Many phone numbers are unlisted or not working, making directory listings unreliable; -Some target groups are not available by phone; -Responses may be less complete; -Illustrations cannot be used.</td>
<td>-Low response rate in some modes; -No interviewer intervention available for probing or explanation (a); -Cannot be long or complex (a); -Accurate mailing lists needed (a); -Often respondents returning survey represent extremes of the population – skewed responses (a); -Anxiety among some respondents (b); -Directions/software instruction needed for progression through the instrument (b); -Computer security (b); -Need for low-distraction environment for survey completion (c).</td>
</tr>
</tbody>
</table>

Source: Cooper and Schindler (2003:324).

6.3.3.3 Questionnaire design and content

In light of the discussions above (see section 6.3.3.2), this study requires the collection of primary data, and therefore a sound data collection instrument (questionnaire) is required. The discussion in this section presents various considerations, requirements and the design of the questionnaire. A questionnaire is defined as a: “set of questions designed to generate the data necessary to accomplish research objectives” (Parasuraman et al., 2007:280) and is often referred to as a collection instrument. Crouch and Housden (2003:171) note the main purposes for collecting data as: to collect relevant data, to make data comparable, to minimise bias, and
Lastly to motivate the respondent to partake in the research and minimising response error. Additionally, Crouch and Housden (2003:174) indicate that three types of information can be collected using a questionnaire, namely fact, opinion and motives. Because different types of information will be collected by the questionnaire, diverse questions are suggested with the aim of collecting specific types of information (see section 6.3.3.4). Iacobucci and Churchill (2010:205) propose a nine-step process as guideline for developing a questionnaire (see Figure 6.6 below). These steps will form the basis of discussion in the following section.

**Figure 6.6: Procedure for developing a questionnaire**

1. **Step 1:** Specify what information will be sought
2. **Step 2:** Determine type of questionnaire and method of administration
3. **Step 3:** Determine content of individual questions
4. **Step 4:** Determine form of response to each question
5. **Step 5:** Wording of each question
6. **Step 6:** Sequence of questions
7. **Step 7:** Physical characteristics of questionnaire
8. **Step 8:** Re-examine Step 1–7 and revise if necessary
9. **Step 9:** Pre-test the questionnaire and revise where needed

Source: Adapted from Iacobucci and Churchill (2010:205).
CHAPTER 6: Research methodology

Step 1: Specify what information will be sought

In the section above, it is noted that this study will engage in descriptive research as prior knowledge of the problem does exist, although more clarity is required. Furthermore, descriptive research aims to describe various characteristics of a population, to make estimations of customers behaving in a certain way and lastly to make predictions towards future behaviour (Iacobucci and Churchill, 2010:60).

Step 2: Determine the type of questionnaire and method of administration

As with step one, step two draws on a previous section (see section 6.3.3.2.2) where various kinds of surveys are considered, weighed and a decision being made based on the advantages and disadvantages of the specific method. As indicated earlier, computer delivered self-administered questionnaires will be used in this study because it suits the requirements in terms of the quantity that can be collected, its flexibility, and time-effectiveness.

In step 2, the researcher faces further considerations, namely the type of questionnaire. The literature distinguishes between a) Fully-structured questionnaires, b) Semi-structured questionnaires, and c) Unstructured questionnaires. A brief summary of each is provided below (Table 6.4).

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Fully structured</th>
<th>Semi-structured</th>
<th>Unstructured</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Structured and controlled by questionnaire. Only one response to already listed questions may be provided, which means that this method is restricted to collecting data allowed by the content of the questionnaire.</td>
<td>Fully structured questions combined with open-ended questions. Although these are easy to design, it requires more of respondents because respondents are free to answer the way they please. Also, more highly skilled interviewers are required as the interpretation can sometimes be challenging. The main advantage is that it allows the collection of both qualitative and quantitative data to be collected at the same time.</td>
<td>Neither the researcher nor respondent are bound by the structure of a questionnaire. A list of subjects or topics indicates the aspect that needed coverage. Researchers are normally free to word and phrase questions as they please.</td>
</tr>
</tbody>
</table>

Source: Adapted from Crouch and Housden (2003:124-126) and Iacobucci and Churchill (2010:190).
In this study, fully structured questionnaires will be used. Iacobucci and Churchill (2010:190) note that fully structured questionnaires are the most frequently used approach in marketing research.

**Step 3: Determine content of individual questions**

During step 3, the content of the various questions must be considered. Here, the researcher reflects on various possible questions that may be included in the questionnaire.

**Step 4: Determine a form of response to each question**

Below, a distinction is made between the scales of measurement followed by a discussion on the type of response formats. A short discussion on each of the various scales now follows:

1. **The nominal scale** is: “a scale in which the numbers or letters assigned to objects serves as labels for identification or classification” (Zikmund, 2003:228). An example of nominal scaling is gender identification where numbers are assigned to individuals, for instance 1 is male and 2 is female (Iacobucci and Churchill, 2010:234).

2. **The ordinal scale** entails: “a scale that arranges objects or alternatives according to their magnitude in an ordered relationship” (Zikmund, 2003:229). This type of scale is often used to force respondents to make a choice. When data is collected and respondents rank too many attributes as fairly good, it becomes problematic to base decisions upon uninformative data, and therefore ordinal scale distinguishes between attributes based on scoring such as: 1 = poor, 2 = average, 3 = good. Parasuraman et al. (2007:243) propose the main difference is that the ordinal scale is more powerful than the nominal scale in that the numbers possess the property of rank order, hence is more precise and descriptive.

3. **Interval scales** show similar characteristics in the context of the ordinal scales, although the differences between scale values can be meaningfully interpreted (Parasuraman et al. (2007:243). The basic comparisons of interval scales are concerned with intervals and the investigation of order and identity, in addition to the comparison of absolute magnitudes. This type is often used as a ratio scale (Iacobucci & Churchill, 2010:234).

4. **Ratio scales** include all the properties of an interval scale, although the ratios of numbers on a ratio scale have meaningful interpretations (Parasuraman et al. (2007:246). Iacobucci and Churchill (2010:230) note that ratio scales have absolute rather than relative quantities, and absolute zero is used where a given attribute is
absent. An example is if one wants to determine the number of purchases made. Table 6.5 presents the type of scales used in the questionnaire.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Basic comparisons</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal</td>
<td>Identity</td>
<td>Male-female, user-non-user, occupations, uniform numbers.</td>
</tr>
<tr>
<td>Ordinal</td>
<td>Order</td>
<td>Preference for brands, social class, hardness of minerals, graded quality of lumber.</td>
</tr>
<tr>
<td>Interval</td>
<td>Compare intervals</td>
<td>Ratio scale, attitude towards brands.</td>
</tr>
<tr>
<td>Ratio</td>
<td>Compare absolute magnitudes</td>
<td>Units sold, number of purchasers, probability purchase, weight.</td>
</tr>
</tbody>
</table>

Source: Adapted from Iacobucci and Churchill (2010:234).

The literature distinguishes between three forms of responses namely, open-ended questions, multichotomous questions and dichotomous questions (Iacobucci & Churchill, 2010:212; Zikmund & Babin, 2010:370; Parasuraman et al., 2007:283; Crouch & Housden, 2003:178).

(a) Open-ended questions

These questions are characterised by being “open-ended”, which means that no alternative answers are suggested. These are versatile in nature and can provide data about anything (demographics, attitudes and behaviour). Open-ended questions are also described as non-structured questions and/or free-response questions.

(b) Multichotomous questions

These are fixed-alternative questions where respondents are requested to choose an option that resonates with them on a specific topic. This is also known as multiple-choice questions where more than two alternatives exist, although only one answer is applicable.

(c) Dichotomous questions

These questions are also known as structured questions, and only offer two options which, in most cases, requires a yes/no answer.

While open-ended, multichotomous and dichotomous questions are often used to obtain demographic data; scales are typically employed as an attitude measurement (Iacobucci & Churchill, 2010:233).

The questionnaire used for this study was based on the literature review (Chapters 2 – 5). From this review, aspects such as satisfaction drivers as well as expectation and satisfaction factors have been identified. The questionnaire consisted of five sections: Section A contained general
demographic information and Section B required information on customers’ expectations with their financier, their satisfaction with BPL and overall satisfaction with BPL (Chapter 2, 3 & 4). Section C contained questions addressing the loyalty of customers (Chapter 5) and Section D dealt with customer retention (Chapter 5) and, lastly, Section E explored customers’ relationship intentions (Chapter 3). Because the data is collected from SME customers that in most cases manage all aspects of their businesses, simplicity and time aspects were taken into consideration. For this study, numerous multichotomous questions are used to provide a variety of options of possible answers (see Appendix A).

**Step 5: Wording of each question**

Step 5 of the process in developing a questionnaire is to consider the question’s wording. Although this step may seem unimportant, inaccurate wording of questions can often lead to poor answers of questions. Poor wording can also result in item non-responsiveness that can be problematic during analysis of data and measurement errors, where respondents’ responses do not reflect their true opinions (Iacobucci & Churchill, 2010:216). Considerations with regard to wording were noted while constructing the questionnaire.

**Step 6: Sequence of questions**

As the questionnaire is the measurement instrument, it is essential that the questions should be structured in such a way to create interest, make them easy and understandable to answer and follow a logical order (Iacobucci & Churchill, 2010:220; Zikmund & Babin, 2010:380).

**Step 7: Physical characteristics of questionnaire**

As indicated earlier, the questionnaire serves as the measurement instrument, which means that sufficient time and thinking should go into the questionnaire – also to ensure professionalism. The questionnaire should introduce the study to respondents and create sufficient interest for them to want to be part of the survey and to ensure confidentiality (Iacobucci & Churchill, 2010:222). In this light, shorter, less complex questionnaires are more likely to be completed as these will appear less crowded and may require less effort from respondents. The effort and time necessary to complete a questionnaire is often a consideration for respondents who have to decide whether they will participate or not, and therefore the length of the questionnaire should be considered carefully.

**Step 8: Re-examine Steps 1 – 7 and revise if necessary**

This step is often skipped, although it is critically important and it can save a great deal of time later on. The basis of this step is to revise and be critical of every question to ensure that there
CHAPTER 6: Research methodology

is no confusion, ambiguity or leading questions (Iacobucci & Churchill, 2010:223). Questionnaires often require more than one draft to ensure the best possible results.

Step 9: Pre-test the questionnaire and revise where needed

Pre-testing refers to a process to administer and distribute the questionnaire to a small group of respondents to identify fundamental problems if any exist and prevent ambiguity of bias questions (Zikmund, 2003:276). Pre-testing is often done by screening the questionnaire with other research professionals and also to test-run it in the context of a small group of people to identify possible problems preferably from a group similar to the target sample.

Complying with the requirements for developing a questionnaire, the questionnaire was pre-tested to ensure that no fundamental problems exist. The questionnaire used in this study was pre-tested by distributing it electronically among 12 respondents from the target population. The respondents were all known to the researcher; they were comfortable enough to raise honest opinions about the questionnaire. The respondents were selected from a portfolio list drawn from the BPL SAP database (only Free State region containing approximately 60 customers) as this is the area where the researcher is based and customers are known to her. Every 5th customer on the list was selected to partake in the study and phoned to discuss their willingness to partake in the pre-test. The list of respondents partaking in the pre-testing was kept separate and excluded from the list drawn for the target population. The respondents’ feedback was positive and the average completion time which the researcher estimated on approximately 25 minutes was only 15 minutes in the pre-test phase. Feedback from pre-testing the questionnaire was used to finalise the final questionnaire used in the study.

6.3.3.4 Questionnaire design for this study

In this study, the guidelines as presented in prior sections were followed to design and develop the questionnaire (see Appendix A). Furthermore, the questionnaire was developed by considering the secondary data discussed in the literature chapters (Chapters 2 – 5). Similar studies with regard to relational benefits and customer satisfaction were consulted. In addition, the objectives formulated and outline was considered as a guideline.

- Section A contained general demographic information regarding respondents and consisted of five questions;
- Section B focused on respondents’ expectations when choosing a financier, their satisfaction with BPL in particular as well as their overall satisfaction with BPL (Chapters 2, 3 & 4);
CHAPTER 6: Research methodology

- Section C measured respondents’ loyalty (Chapter 5);

- Section D focused on customers’ retention (Chapter 5);

- Section E aimed at discerning customers’ relationship intentions (Chapter 3). Kruger and Mostert’s (2012:45) adapted version of Kumar et al.’s (2003:67) relationship intention measuring scale was used and incorporated in this section.

Table 6.6: Parallel between research objectives, questionnaire section and research proposal

<table>
<thead>
<tr>
<th>Research objective</th>
<th>Questionnaire section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine the reliability and validity of the relationship intentions measuring scale used in the study within a B2B context;</td>
<td>Section B (Q1, Q2, Q3), Section C (Q1), Section D (Q1), Section E (Q1)</td>
</tr>
<tr>
<td>Determine SME customers’ satisfaction with their financier in particular as compared to their expectations when choosing a financier;</td>
<td>Section B (Q1, Q2)</td>
</tr>
<tr>
<td>Determine the relationship between SME customers’ overall satisfaction with their financier and their loyalty towards their financier;</td>
<td>Section B (Q3), Section C (Q1)</td>
</tr>
<tr>
<td>Determine the relationship between SME customers’ loyalty towards their financier and their retention towards their financier;</td>
<td>Section C (Q1), Section D (Q1)</td>
</tr>
<tr>
<td>Determine the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier;</td>
<td>Section B (Q3), Section C (Q1), Section D (Q1)</td>
</tr>
<tr>
<td>Determine the influence of SME customers’ business size on their satisfaction, loyalty and retention towards their financier;</td>
<td>Section B (Q3), Section C (Q1), Section D (Q1)</td>
</tr>
<tr>
<td>The development of a framework depicting the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier.</td>
<td>Section B (Q1, Q2, Q3), Section C (Q1), Section D (Q1), Section E (Q1)</td>
</tr>
</tbody>
</table>

Section A contains demographic information. It consists of five questions, and these questions are multiple and deal with the entrepreneurs’ position in the business, the sector which describes the business best, the number of employees, the business’ average turnover and the business’ gross asset value. Various options were provided where the customers had to indicate one option. An option for “other” was provided and the respondent was asked to specify if he/she could not find an option within the parameters provided.

Section B set out to determine respondents’ expectations in general when choosing a financier and in particular respondents’ satisfaction with BPL. Question 1 and Question 2 in section B consist of exactly the same 35 attributes. The attributes deal with product pricing, advertising, distribution, employee benevolence and business benevolence. The various attributes are
based on Abdul-Muhmin’s (2005:621) conceptual framework of customer satisfaction. In this framework he propounds that in order to achieve customer satisfaction and furthermore to attain satisfaction with the business relationship, businesses need to attend to both instrumental and interpersonal factors. Instrumental factors include satisfaction with the business product, price, distribution and marketing communication while Interpersonal factors, on the other hand, are perceived business benevolence, credibility and opportunism (see section 4.4.2.2). These factors were adopted and changed to expectation and satisfaction factors for the purpose of this study. Both Questions 1 and 2 employed a Likert scale with options 1 to 10 where 1 is “low” and 10 is “high”. Respondents were required first to indicate their expectations when choosing a financier in general (Question 1) and secondly to indicate their satisfaction with specifically BPL. Question 3 dealt with customers’ overall satisfaction. Here, respondents were required to rate various options on an interval scale where 1 is “strongly disagree” and 10 is “strongly agree”.

Section C consists of one question with 12 statements. This section aims to determine customers’ loyalty towards BPL. A combination of new questions (Bearden, Netemeyer, Haws 2011) and questions from previous research (Kruger, 2010) were formulated to determine customers’ loyalty. The main idea in each question is to identify whether respondents view BPL (the financier) in a positive manner and also to determine their future outlook towards the business. This question employed a Likert scale with options varying from 1 to 10 where respondents were asked to indicate the degree to which they agreed (1 = “strongly disagree”) or disagree (10 = “strongly agree”).

Section D consists of one question with eight statements. A combination of new questions (Bearden et al., 2011) and questions from previous research (Kruger, 2010) were formulated to determine customers’ retention. The statements are once again presented on a Likert scale varying from 1 to 10, where 1 = “strongly disagree” and 10 = “strongly agree”. Respondents were asked to indicate the degree to which they agreed or disagreed using the interval scale. The statements aimed to determine customers’ retention.

Section E consists of three questions. Kumar et al. (2003:668-670) introduced five constructs to measure business customers’ relationship intentions, namely Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss (see section 3.2 and 3.3). When Kumar et al.’s (2003:670) proposed relationship intentions measuring scale was tested in South African studies in a business to consumer setting (B2C), it was found that the proposed measure was not reliable [(De Jager, 2006) (short term insurance industry); Mentz, 2007) (motor industry)]. An adapted version of Kumar et al’s (2003:675) measuring scale by Delport (2009) (banking and life insurance industry), also in a B2C context, still had reliability issues. Subsequent
adaptations to the measuring scale by Kruger (2010:234) among South African cell phone network providers resulted in a valid and reliable relationship intentions measure within a B2C context. The adapted version of Kruger (2010:234) was used to compile 26 statements regarding customers’ relationship intentions.

6.3.4 STEP 4: Design the sample and collect the data

The next step in the marketing research process is the design of the sample and the collection of data.

6.3.4.1 Sample design

Parasuraman et al. (2007:333) describe sampling as the process where a selection of the total number of respondents is identified with the aim to draw conclusions of the total population; hence a sample should be representative of the total population. Figure 6.7 provides an outline of the sampling process.

Figure 6.7: The sampling process

| Step 1 | Define the target population |
| Step 2 | Select a sampling frame |
| Step 3 | Method of sampling (probability or nonprobability) |
| Step 4 | Plan procedure and select sample units |
| Step 5 | Determine sample size |
| Step 6 | Select actual sampling units |
| Step 7 | Conduct fieldwork |

Each step in the sampling process will subsequently be discussed.

**Step 1: Define the target population**

The first step in the design of the sampling process is to define the study population (Chisnall, 2005:126; Cooper & Schindler, 2003:179). A population is defined as: “an identifiable group of elements which is of value to the researcher and accordingly serves as an important source of information to the research problem” (Hair *et al*., 2004:309). The target population for this study comprises of all BPL’s SME customers.

**Step 2: Select a sampling frame**

During this step, the sampling frame that will be used to draw the sample from is identified. The sampling frame refers to those element/s that the sample is drawn from and may include telephone directories, business’ internal databases and listings (member lists) at business chambers (Iacobucci & Churchill, 2010:284). Burns and Bush (2010:390) concur; they define the sampling frame as the lists to be considered when drawing the sample. These authors further explain that the data on several of these lists should be trustworthy, and therefore an incident rate needs to be considered. The incident rate refers to the percentage of people on the list that actually qualifies as members of the population (Burns & Bush, 2010:390).

The sampling frame used for this study is the BPL’s internal SAP database that contains detailed information on the target population’s customer records.

**Step 3: Method of sampling (non-probability or probability)**

The value of information in any study is mainly dependant on the degree to which the sample is descriptive of the total population. A sample that is not representative is problematic since accurate information is missing and the reliability and validity can be questionable (Strydom *et al*., 2002:158). According to authors such as Chisnall (2005:71), Hair *et al*. (2004:344), Burns & Bush (2003:35), Strydom *et al*. (2002:158), the following aspects should be considered in the sampling plan:

1. The extent to which the sample is randomly selected; and
2. The extent to which the sample is representative of the total population.

When compiling the sample selection, various sampling techniques were considered before a final decision was taken. In this process, mainly two approaches can be distinguished, namely: non-probability sampling and probability sampling. With probability sampling, any member of
CHAPTER 6: Research methodology

the target population has the same chance to be chosen for the sample. Conversely, non-probability sampling indicates the opposite (Cooper & Schindler, 2003:179). The sampling techniques associated with the two sampling approaches will accordingly be discussed. Due to the fact that the researcher employed probability sampling, non-probability sampling will not be discussed further.

(a) Probability sampling

The five probability sampling techniques that can be distinguished, namely simple random sampling, systematic sampling, cluster sampling, multistage area sampling and stratified sampling are briefly discussed in this section (Zikmund & Babin, 2010:431; Chisnall, 2005:115-122; Hair et al., 2004:334, Burns & Bush, 2003:338, Cooper & Schindler, 2003:199-203).

- **Simple random sampling** is a probability sampling method that ensures the inclusivity of each sampling unit within a population. Simple random sampling makes use of the same principle as when one draws numbers from a hat. Tables and computer-probability generators are used to assess this method. The cost of simple random sampling is high because respondents may be widely dispersed, although it is moderately used in practice and is most commonly found in random digit dialling and with computerised frames. The main advantage is that minimal knowledge about the population is required, also, it is easy to analyse data. On the other hand, the major disadvantages is that it requires a sampling frame to work from and does not depend on an understanding of the population that the researcher may have. Larger sampling errors might arise than would be the case with stratified sampling.

- **Systematic sampling** refers to a technique where the population is clearly identified. The population is mainly identified by means of a list of customers, a database or according to membership. This method is known as the most representative method and requires that the respondents are chosen according to a probability starting point. Therefore, respondents are chosen based on a set interval of probability. The main advantage lies in the simplicity of drawing the sample as the population is known and it is therefore easy to check. The main disadvantage is that if the sampling interval is connected to intervallic ordering of the population, this may introduce greater variability.

- With **cluster sampling**, sample units are selected randomly and then one performs a comprehensive observation of all units (clusters) or draws a probability sample in the group. The population is divided into groups and chosen according to probability. These groups are compiled according to comfort and availability, and based on the requirement that
CHAPTER 6: Research methodology

groups must be heterogeneous internally and homogenous externally. The main benefit of this method is its low cost. In addition, if clusters are geographically defined, this can assist to further decrease costs. Cluster sampling, however, requires a listing of all clusters and individuals within the clusters. This method can estimate characteristics of clusters of the population accurately. The main disadvantage is that more serious mistakes of comparable size can occur than with other probability samples. The researcher therefore needs to allocate population members to unique clusters to prevent an overlap of individuals.

- **Multistage area sampling** involves the combination of two or more probability sampling techniques that combine probability techniques as set out above. This type of sampling is typically used where geographic areas are randomly selected in lower population parts. Also, this type of sampling is expensive, although it is frequently used in national surveys. As it is most often used with a combination of other probability techniques, multistage area sampling would share the advantages and disadvantages of these other techniques accordingly.

- **Stratified sampling** entails dividing the target population in smaller, distinct groups named strata. Stratified probability sampling is beneficial when sections in the target population are skew or when exceptional circumstances are involved in the distribution of questionnaires. Stratified sampling further entails the proportional, exclusive division of the population if the researcher wants to ensure increased representation of each group. The main advantage here lies in the representation of all groups in the sample, and therefore characteristics of each stratum can be predicted to allow for comparisons to be drawn between subsamples. The main disadvantage is the fact that stratified sampling requires precise information on proportions in each stratum – and if such information is not available (e.g. population lists), it can be costly to prepare. Table 6.7 presents a comparison between the various probability sampling techniques.

For this study, a census was done as all BPL’s SME customers were invited to participate in the study.
## Table 6.7: Comparison of probability sampling techniques

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost and degree of use</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple random: The researcher assigns each member of the sampling frame a number, then selects sample units by random method.</td>
<td>High cost, moderately used in practise (most common in random digit dialling and with computerised frames).</td>
<td>Minimal advance knowledge of population needed; Easy to analyse data and compute error.</td>
<td>Requires sampling frame to work from; Does not use knowledge of population that researcher may have; Larger errors for same sampling size than stratified sampling; Respondent may be widely dispersed; thus high cost.</td>
</tr>
<tr>
<td>Systematic sampling: Uses natural ordering; selects an arbitrary starting point and selects items at a preselected interval accordingly.</td>
<td>Moderate cost, moderate used.</td>
<td>Simple to draw sample, easy to check.</td>
<td>If sampling interval is related to periodic ordering of the population, this may introduce increased variability.</td>
</tr>
<tr>
<td>Stratified sampling: Divides the population into groups and randomly selects subsamples from each group. Variations include proportional, disproportional and optimal allocation of subsample sizes.</td>
<td>High cost, moderately used.</td>
<td>Ensures representation of all groups in sample; Characteristics of each stratum can be estimated and comparisons made; Reduces variability for same sample size</td>
<td>Requires accurate information on proportion in each stratum; if stratified lists are not already available, they can be costly to prepare</td>
</tr>
<tr>
<td>Cluster sampling: Selects sample units at random, then does a complete observation of all units or draws a probability sample in the group.</td>
<td>Low cost, frequently used.</td>
<td>If clusters are geographically defined, it yields lowest field cost; Requires listing of all clusters, but of individuals only within clusters; Can estimate characteristics of clusters and population.</td>
<td>Larger error for comparable size than other probability samples; researcher to assign population members to unique cluster or else duplication or omission of individuals will result.</td>
</tr>
<tr>
<td>Multistage sampling: Progressively smaller areas are selected in each stage by some combination of the first four techniques.</td>
<td>High cost, frequently used, especially in national surveys.</td>
<td>Depends on techniques combined.</td>
<td>Depends on techniques combined.</td>
</tr>
</tbody>
</table>

CHAPTER 6: Research methodology

Step 4: Plan procedure for selecting sampling units

A sampling unit refers to: “a single element or group of elements selected for a sample” (Zikmund, 2003:295). Various techniques exist for choosing a sampling unit, although the researcher must ultimately determine what sampling units are most applicable and would add the most value to the study. Sampling units can be refined into: primary sampling units, secondary sampling units and, lastly, tertiary sampling units (Zikmund, 2003:295). These steps entail the choice sampling units at either the first (primary), second (secondary) or third (tertiary) stage of sampling. For example: should an airline be investigated, every 25th passenger can for instance be included in the sample. In this example, the selection will be the same as the population element, although when the researcher wants to distinguish between various flights, additional elements must be used, and thus this entails using secondary sampling.

For the purpose of this study, the researcher drew a list of all BPL’s SME customers from the internal SAP database. The researcher drew a complete list of all BPL customers who were active on 30 June 2012. The list contained the email addresses of 1 497 BPL customers. As some of BPL’s customers are involved in more than one entity (for example, a member of a close corporation as well as a trustee at another entity), the decision was made to remove duplicated email addresses from the list, resulting in a final study population of 1 028 BPL customers. The sample size was 1 028 and 993 emails containing a link to the questionnaire was delivered.

Step 5: Determine the sample size

Since the sample is considered as a subset of the total population, the size of the sample indicates the number of respondents participating in the study. These respondents’ views must be generalised to the total population about whom conclusions will be drawn.

After considering aspects that should be considered when determining the sample size, the researcher decided to include all BPL customers in the sample for the following reasons:

- The researcher, as employee of BPL, had access to all BPL’s internal SAP database containing all BPL’s SME customers (see letter in Appendix B)
- The population was known and easily accessible to the researcher;
- A computerised self-administered questionnaire was used that can easily be distributed to a number of respondents.
CHAPTER 6: Research methodology

Step 6: Select actual sampling units

After determining the sample size, the second last step entails the selection of sampling units. In this study, the sampling units comprise all BPL SME customers. Table 6.8 below presents the sample plan for this study.

<table>
<thead>
<tr>
<th>Table 6.8: Sample plan for this study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target population</strong></td>
</tr>
<tr>
<td><strong>Sample frame (working population)</strong></td>
</tr>
<tr>
<td><strong>Sampling procedure</strong></td>
</tr>
<tr>
<td><strong>Sample size</strong></td>
</tr>
<tr>
<td><strong>Realistic sample size</strong></td>
</tr>
<tr>
<td><strong>Realised sample size</strong></td>
</tr>
<tr>
<td><strong>Sample elements</strong></td>
</tr>
</tbody>
</table>

Step 7: Conduct fieldwork

The next step in the sampling process is to conduct the fieldwork. As presented before, the main techniques used in this study are digital questionnaires to customers.

A link to the self-administered digital questionnaire was emailed to customers. A number has been allocated to each member of the population to trace and determine whether the customer has responded or not. A letter signed by one of the executive directors of BPL was attached to the email with the “link” to the questionnaire to motivate them to participate in the study.

The next step in the marketing research process is the analysis and interpretation of the data.

6.3.5 STEP 5: Analyse and interpret the data

Aaker et al. (2011:381) underlines that the quality of the results and the interpretation thereof depend on the preparation of the data in a format suitable for analysis.

As noted, a link to the questionnaires was sent electronically to respondents. The electronic questionnaire on QuestionPro (http://questionpro.com/t/AIx1nZNqRn) did not allow respondents to submit the questionnaire if all questions were not completed. The coding of the questionnaire was done manually. Finally, the statistical analysis of this study was performed with the assistance of the Statistical Consultation Services of the North-West University: Potchefstroom campus (see Appendix C) by means of the SAS (SAS, 2007) and SPSS statistical programmes (SPSS, 2007). Analysing the data required that the researchers should determine the reliability and validity of the study. It is further important to determine the different types of statistics to be
CHAPTER 6: Research methodology

used for analysis. The reliability and validity were determined by means of confirmatory factor analyses and the calculation of Cronbach’s alpha values (as discussed below).

Analysing data requires two fundamental requirements, namely the 1) reliability and 2) validity of measurements. These are discussed below:

6.3.5.1 Reliability of measurements

Burns and Bush (2010:319) define reliable measures as the process whereby identical or very similar responses were obtained for the same respondent. This implies that the respondent reacts to or answers near-identical questions in a similar manner. Cooper and Schindler (2003:237) present the following reliability measurements, namely: a) Test-retest, b) Parallel forms and c) Cronbach’s alpha. These techniques are summarised in Table 6.9 below:

Table 6.9: Summary of reliability estimates

<table>
<thead>
<tr>
<th>Type</th>
<th>Coefficient</th>
<th>What is measured</th>
<th>Techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test-retest</td>
<td>Stability</td>
<td>Reliability of a test or instrument inferred from examinee scores. The same test is administered twice to the same subjects over an interval of less than six months.</td>
<td>Correlation</td>
</tr>
<tr>
<td>Parallel forms</td>
<td>Equivalence</td>
<td>The degree to which alternative forms of the same measure produce same or similar results. It is administered simultaneously or with a delay. Iterator estimates of the similarity of judges’ observations or scores.</td>
<td>Correlation</td>
</tr>
<tr>
<td>Split-half KR20</td>
<td>Internal consistency</td>
<td>Degree to which instrument items are homogeneous and reflect the same underlying constructs.</td>
<td>Specialised correlation formulas</td>
</tr>
<tr>
<td>Cronbach’s alpha</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


For this study, the Cronbach’s alpha was used to determine the reliability of the measuring scales used in the questionnaire. A Cronbach’s alpha coefficient of 0.7 to 0.8 is satisfactory, although higher values are often required in some fields such as medicine. On the other hand, a Cronbach’s alpha (CA) coefficient of 0.9 does not necessarily reflect a reliable measuring scale because CA-values need to be applied to separate sub-scales in order to measure their true effect. According to Field (2005:668), a Cronbach’s alpha is one dimensional for various constructs, and therefore cannot be combined. As a result of the complexity of Cronbach’s alpha values, values smaller than 0.7 are often regarded as sufficient (Field 2005:668).
CHAPTER 6: Research methodology

To conclude, Cronbach’s alpha values measure the extent to which instrument items are similar and thus reveal the same underlying composition (Cooper & Schindler, 2003:237). Overall, the Cronbach’s alpha values obtained during this study varied between 0.79 and 0.98, and are discussed in sections 7.4.2, 7.5.3, 7.6.3, 7.7.3 and 7.8.3. A Cronbach’s alpha value larger than 0.70, indicates a high level of reliability between the items measuring the factor underlying, therefore confirming a high level of reliability obtained from the measurement in this study (Zikmund & Babin, 2007:249).

The validity of the measurements will accordingly be discussed.

6.3.5.2 Validity of measurements

Contrary to reliability, validity is defined as the accuracy of the measure and henceforth serves as an assessment of the exactness of the measurement relatively to what actually exists (Burns & Bush, 2010:319). Cooper and Schindler (2003:231) note that validity refers to the extent to which a test measures what it actually wishes to measure. These authors propose three forms of validity, namely:

(1) Content validity

The content validity of the questionnaire (the measuring instrument) describes the extent to which the questionnaire provides adequate reporting of the investigative questions leading the study. Should the measuring instrument thus provide a good representation of the subject of interest, the content validity is good – but the opposite also applies.

(2) Criterion-related validity

Criterion-related validity indicates the success of processes used for approximation. The researcher might want to predict an outcome for the current behaviour, and therefore predictive and concurrent validity are applicable. These two types of validity differ only in terms of the time frame. While an opinion questionnaire that determines the projected outcome of an election has predictive validity, observation techniques used to determine the income of a family, for instance, have concurrent validity (Although, of course, a possible figure can be linked to the average income of a family, it is often difficult to secure such figures).

(3) Construct validity

The requirements for measuring construct validity are that one should consider the theory as well as the measuring instrument. This method aims to answer the question: “What accounts for the variance in measure?” Furthermore, it attempts to identify underlying constructs that are
measured and in addition determine how well the test represents the constructs. Two types of construct validity measures can be distinguished, namely convergent validity and discriminant validity. These two types differ, firstly, in terms of the correlation between the construct of the two measures (how high) and, secondly, in terms of how low the correlation between the construct of the two measures is.

For this study, both construct and content validity were used. For the purpose of content validity, the questionnaire was pretested amongst 12 respondents from the target population in order to assess whether the essential statements were included in the questionnaire.

With regard to construct validity, a confirmatory factor analysis was done for each of the main constructs measured in the questionnaire.

6.3.5.3 Data analysis strategy followed in this study

Different kind of descriptive and inferential statistics can be used to assess quantitative data; however, two main types of statistics were used during this study which is discussed below:

(1) Descriptive statistics

Descriptive statistics can be defined as the: “elementary transformation of raw data in a way that describes the basic characteristics such as central tendency, distribution and variability” (Zikmund & Babin, 2010:354). Descriptive statistics can be used to summarise the data obtained from respondents through the measurement of central trends, as well as the measurement of distribution, location, spread and shape (Cooper & Schindler, 2003:474). Moreover, descriptive statistics is used for the calculation of averages and frequencies utilized for variables. A short discussion on the descriptive statistical techniques that are used in this study follows:

(a) Frequencies

Frequencies indicate the frequency of: “occurrence and therefore summarizing the number of times a particular value of a variable occurs”. A frequency is indicated with the “f” symbol (Zikmund, 2003:432; Zikmund & Babin, 2013:336).

(b) Percentage

Percentage is also defined as a: “frequency distribution organized into a table that summarises percentage values associated with a particular value” (Zikmund, 2003:435). Cooper and Schindler (2003:506) propose that percentages serve two main purposes, namely (1) reducing
CHAPTER 6: Research methodology

all numbers from 0 to 100, and (2) translation of data into standard form that allows comparisons between masses of data.

(c) Top and low box scores

Top box refers to respondents choosing the two most favourable response for a question, whereas low box scores are those respondents choosing the least two favourable response (Zikmund & Babin, 2012:327).

(d) Mean

According to Steyn, Smit, du Toit and Strasheim (2005:101), the mean is a measurement of central tendency and is a simple calculation by adding all the values dividing by the number of observation. This is a popular method for application in ratio scales (Iacobucci & Churchill, 2010:394).

(e) Standard deviation

Steyn et al. (2005:101) define the standard deviation as the deviation from average data in the populations. One of the benefits of the standard deviation is that it does not fluctuate much between samples from the same population and is based on all values, therefore allowing the researcher to determine differences between respondents of the population (Steyn et al., 2005:133).

(2) Inferential statistics

The aim of inferential statistics is to make a judgement about the population or draw conclusions from the population (Zikmund & Babin, 2010:325). This means, that the conclusions drawn are generalised to the target population. While descriptive research is used to describe distributions, inferential statistics are used to test hypotheses (Cooper & Schindler, 2003:520). For this study, propositions were used; these can be defined as: “statement[s] about concepts that may be judged as true or false if it refers to observable phenomena” (Cooper & Schindler, 2003:50). The researcher specifically decided to use propositions and not hypotheses since very little to no literature exists concerning the influence of relationship intention on satisfaction, loyalty and retention. The researcher could therefore not base hypotheses on existing literature. The researcher thus formulated propositions based on Kumar et al.’s (2003:670) view of the possible influence of customers’ relationship intentions. The acceptance or rejection of the propositions formulated for the study will accordingly be based on
both statistical significance (see section 6.3.5.4) as well as practical significance (see section 6.3.5.4).

The inferential statistical techniques used in this study are subsequently discussed:

(a) Paired sample t-tests

A paired samples $t$-test describes "matched-paired samples" that are paired in some way with the aim to test whether the means of the same set of subjects or respondents have changed over time (Wilcox, 2012:401; Pearson, 2010:214). Paired $t$-tests are applicable for three different collection scenarios, namely (see Elliott & Woodward, 2007:69):

- Pairs consist of before and after measurement on a single group of subjects or respondents;
- Two measurements on the same topic (for example right and left eye is paired);
- Subjects in one group (e.g. expectations when choosing a financier) are paired or matched on a one-to-one basis with subjects in a second group (e.g. satisfaction with BPL in particular).

(b) Analysis of variance

An analysis of variance (ANOVA) is described as one dependant variable (Zikmund & Babin, 2010:621). Cooper and Schindler (2003:546) note that this statistical method is used for testing the null hypothesis where the means of several populations are similar. Furthermore, according to these authors, ANOVA uses a single-factor, fixed-effects model to compare the effect of one aspect (for example business size) on a constant dependant variable. Whereas $t$-tests determine the statistical difference of the means between two groups, ANOVA determines the statistical difference of means between more than two groups.

(c) Pearson (product-moment) correlation

Cooper and Schindler (2003:570) explain that the Pearson product-moment correlation coefficient varies over a range of +1 to 0, to -1 and is represented by a $r$ symbol. This symbol therefore the coefficient’s estimate of linear association based on the sampling data. Correlation coefficients explain the magnitude and direction of relationships whereas direction indicates whether large values on one variable can be associated with large values on the other hand (Cooper & Schindler, 2003:570). The Pearson product-moment correlation coefficient was used since two interval scale measures were used (therefore resulting in the use of a parametric test for significance) (Pallant, 2013:133-140).
CHAPTER 6: Research methodology

(d) Spearman Rank Order Correlation

The value of the correlation coefficient can range from -1 to 1 and will be indicative of the strength of the relationship between two variables, for example: a correlation of 0 indicates no relationship whereas 1 indicates a perfect positive correlation and 1 a perfect negative correlation. Cohen (1988:79-81) underwritten by Pallant (2013:139) suggests the following guidelines:

<table>
<thead>
<tr>
<th>Type</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>r = .10 to .29</td>
</tr>
<tr>
<td>Medium</td>
<td>r = .30 to .49</td>
</tr>
<tr>
<td>Large</td>
<td>r = .50 to 1.0</td>
</tr>
</tbody>
</table>

These guidelines were accordingly followed to interpret the Spearman Rank Order Correlation.

6.3.5.4 Principles for interpreting statistics

For the purpose of this study, interpretations are made using Cohen’s effect sizes. Subsequently, statistical and practical significance will be discussed.

(a) Statistical significance

In order for marketing research to be viable and useful, differences need to be limited to a minimum for statistics to be significant, hence statistical significance of difference implies that the differences found in the samples exist in the populations from which the sample is drawn (Burns & Bush, 2010:530-531). Large differences require additional testing to assess the statistical impact of such differences. The significance is presented by the probability-value (p-value). Cooper and Schindler (2003:530) define a p-value as: “the probability of observing a sample value as extreme as or more extreme than, the value actually observed…”, therefore, low p-values indicate that the statistical expectation is true. For most studies, the acceptable error is 0.1, 0.05, or 0.01; however, this study applied a 0.05 level of significance (Cooper & Schindler, 2003:530).

(b) Practical significance

According to Cooper and Schindler (2003:523), differences have statistical significance if there is good reason to believe that the difference does not only represent random sampling variations, while practical significance is applicable when the researcher has determined that
the variation has no real importance, and thus is of little practical significance. Practical significance is associated with effect size statistics. The following section accordingly addresses effect size statistics that can be used for associations.

(i) Practical significance for difference in means

For the purpose of this study, Cohen’s effect size ($d$-value) is used to determine the effect size of the practical significance for the difference between two means. The formula below indicates the calculation of $d$-values (Cohen, 1988 quoted by Dunst, Hamby and Trivette, 2004:1):

$$d = (M_1 - M_2)/SD_P$$

where:

- $d$ = the effect size.
- $M_1$ = the mean of one group of the study population;
- $M_2$ = the mean of a second group of the study population;
- $SD_P$ = the maximum standard deviation of both groups.

Effect sizes are interpreted as follows (Cohen, 1988 quoted by Dunst et al., 2004:1):

- $d = 0.20$ is a small effect with no practical significance;
- $d = 0.50$ is a medium effect. According to Cohen (1988:20) medium effect sizes have ample practical effect since differences between respondent groups can be noticed with the naked eye;
- $d = 0.80$ is a large effect with great practical significance.

In this study, if results are not statistically significant, the practical significance will not be reported. Only practically significant results of medium ($d > 0.50$) and large ($d > 0.80$) effect sizes will be reported.
CHAPTER 6: Research methodology

(ii) Determining the strength of the relationship

The Spearman Rank Order Correlations were interpreted in this study using Cohen’s (1988:79-81) underwritten by Pallant’s (2013:139) guidelines where:

<table>
<thead>
<tr>
<th>Type</th>
<th>Correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>( r = 0.10 ) to ( 0.29 )</td>
</tr>
<tr>
<td>Medium</td>
<td>( r = 0.30 ) to ( 0.49 )</td>
</tr>
<tr>
<td>Large</td>
<td>( r = 0.50 ) to ( 1.0 )</td>
</tr>
</tbody>
</table>

6.3.6 STEP 6: Prepare the research results

The last step in the marketing research process is to prepare the results and furthermore present the marketing implications of the study to the key decision-makers. The results will be presented in Chapter 7 and the findings will accordingly be discussed.

6.3.7 Ethical considerations

The researcher presented her research proposal to the School of Business Management. The title was registered on 5 May 2010 and a revised version on the 15 June 2012. Ethical clearance was provided during the presentation (see Appendix D for ethical clearance).

The researcher used the WorkWell Research Unit for Economic and Management Sciences at the North-West University (Faculty of Economic and Management Sciences’) student statement on research ethics as guideline to ensure adherence to all ethical matters. The researcher was compliant to all ethical questions relating to research studies at the North-West University. As indicated in section 7.2, the study was conducted anonymously and the participants had free choice whether they want to participate or not. Only a link to the questionnaire was sent to the sample population, therefore each respondent exercised free will to open the link and complete the questionnaire.

6.4 CONCLUSION

In the course of Chapter 6, the marketing research process was presented followed by a practical application of the process and methodology followed during each step. Chapter 6 commenced with an outline of the marketing research process. Then, the research problem and objectives were outlined followed by the chosen research method and applicable research
CHAPTER 6: Research methodology

design. The chapter closed with a discussion on the collection of data as well as the analysing and reporting of results.

The research results are presented in Chapter 7 followed by the practical implications of these results for financiers’ marketing decision-makers in Chapter 8.
CHAPTER 7: RESULTS

7.1 INTRODUCTION

The results of the empirical component of the study, obtained by following the research methodology (as set out in Chapter 6), are presented in this chapter. The chapter commences by discussing the realisation rate in terms of the number of questionnaires submitted, followed by the sample profile of respondents who participated in the study and also in terms of the respective sizes of their businesses. Since the primary objective of the study is to develop a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business (B2B) financing environment, the validity and reliability of the relationship intentions measure are discussed next, followed by a classification of respondents according to their relationship intentions. The remainder of the chapter reports the results and resultant main findings as per the questionnaire sequence. The chapter concludes with a summary of the main findings from the study, and a discussion of the propositions formulated for the study.

7.2 REALISATION RATE

A list of BPL’s active customers was obtained from BPL’s in-house SAP database during June 2012. The list contained the email addresses of 1 497 BPL customers. Since some of BPL’s customers are involved in more than one entity (for example, a customer may be a member of a close corporation as well as a trustee at another entity), it was decided to remove duplicated email addresses from the list, resulting in a final study population of 1 028 BPL customers. Since BPL’s business customers were targeted, it was deemed necessary to include a letter from one of BPL’s executive directors, Mr Christo Botes (see Appendix B), explaining the purpose of the study and requesting customers to participate in the study. The email distributed to the study population also included a link (http://questionpro.com/t/AIx1nZNqRn) that would, if clicked on, redirect respondents to the website where the questionnaire was hosted (www.questionpro.com). On 12 July 2012 the email was distributed to the study population. On 13 July 2012 the Microsoft Outlook email program confirmed that 993 emails were successfully delivered.

On 18 July 2012 the researcher determined that only 47 completed questionnaires were captured by the QuestionPro database (questionnaires were only counted as complete once all the questions have been answered and the questionnaire was submitted to the QuestionPro internet-based database). The decision was then made to send email reminders to encourage BPL customers to participate in the study. The link to the questionnaire was resend for a second time on 24 July 2012. From the second distribution, an additional 19 responses were received.
CHAPTER 7: Results

(66 responses in total). BPL customers were emailed for a third time on 2 August 2012, which prompted only seven more responses (73 in total). In an effort to obtain more responses, the decision was made to attach the email requesting BPL customers to participate in the study to the BPL area newsletter that customers receive on a monthly basis from their respective area managers. From this fourth distribution on 14 August 2012, an additional 21 questionnaires were received (94 in total).

As questionnaires were completed anonymously (see section 6.3.7), emails containing a link to the questionnaire were distributed to the entire BPL database with each distribution, giving rise to a number of customers complaining that they have already completed the questionnaire. Because BPL is a corporate financier, questionnaires could not be sent out for an unlimited period. The decision was then made to distribute the questionnaire for a fifth and final time on 28 August 2012, resulting in an additional 26 responses (120 completed questionnaires in total).

The realisation rate for the data collection is shown in Table 7.1

<table>
<thead>
<tr>
<th>Date email distributed</th>
<th>Day</th>
<th>Number of responses</th>
<th>Cumulative response</th>
<th>Cumulative response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 July 2012</td>
<td>Wednesday</td>
<td>47</td>
<td>47</td>
<td>4.73%</td>
</tr>
<tr>
<td>24 July 2012</td>
<td>Tuesday</td>
<td>19</td>
<td>66</td>
<td>6.65%</td>
</tr>
<tr>
<td>2 August 2012</td>
<td>Thursday</td>
<td>7</td>
<td>73</td>
<td>7.33%</td>
</tr>
<tr>
<td>14 August 2012</td>
<td>Tuesday</td>
<td>21</td>
<td>94</td>
<td>9.47%</td>
</tr>
<tr>
<td>28 August 2012</td>
<td>Tuesday</td>
<td>26</td>
<td>120</td>
<td>12.09%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From Table 7.1 it can be seen that the cumulative response rate was 12.09%. One can argue that the relatively low response rate can be attributed to two factors: firstly, in addition to receiving emails from customers, suppliers and other relevant stakeholders, BPL customers also routinely receive national newsletters, area newsletters and account statements via email from BPL. Together with telephonic, independent customer satisfaction surveys conducted by BPL, as well as surveys by other entities, yet another survey may not be received well by BPL customers.

Secondly, several customers, especially of smaller enterprises, are running their businesses with a small staff core who are responsible for a host of business functions, including aspects such as sales and marketing, finances, administration and operations. These obviously require their hands-on involvement with all aspects of the business, so that their time is probably severely limited. And thus, since the questionnaire took a minimum of 25 minutes to complete, it is likely that some entrepreneurs may not have regarded participating in the study as a priority.
CHAPTER 7: Results

7.3 SAMPLE PROFILE

An overview of the sample profile provides insight into and facilitates comprehension of the results obtained from the study. The sample profile indicates respondents’ position in the business, the specific industry of operation, the number of employees in the business, the business' annual turnover, the gross asset value of the business and the number of years that the business has been associated with BPL. Table 7.2 provides an overview of the demographic information of the respondents who participated in this study. In this chapter, frequencies are abbreviated as ‘F’, percentages are indicated by the % symbol and all percentages are rounded off to one decimal.

It is evident from Table 7.2 that the majority of the respondents were either owners or co-owners of the business [74.1% (53.3% + 20.8%)]. Approximately 8.3% of respondents can be described as the executive director/CEO/president of the business, with 10.8% being a member of a close corporation.

Regarding the industry of operation, the majority respondents chose “other” (21.7%), followed by manufacturing (20.0%), catering, accommodation and other trade (17.5%) and retail and motor trade and repair services (14.2%). (See Table 7.3 below for a reclassification of the industry operation of respondents selecting the “other” option).

With respect to the number of employed staff in the business, the majority of respondents indicated that their businesses employ between 11 and 49 employees (41.7%), followed by 5 to 10 employees (23.3%) and fewer than 5 employees (16.7%).

Concerning the average turnover per annum, most respondents indicated that their business’ turnover is between R2 000 000 and R4 999 999 (32.5%), followed by R400 000 to R1 999 999 (21.7%), and between R5 000 000 and R7 499 999 (8.3%).

The majority of respondents’ businesses’ gross asset value is between R500 000 and R1 499 000 (27.5%), between R1 500 000 and R3 999 999 (25%) or between R100 000 and R499 999 (14.2%). Finally, most of the respondents have been customers of BPL for 5 to 10 years (26.7%), between 1 and 3 years (25%); and between 3 and 5 years (18.3%).
Table 7.2: Sample profile

<table>
<thead>
<tr>
<th>Demographic variable</th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
</tr>
<tr>
<td><strong>Position in the business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive director / CEO / President</td>
<td>10</td>
<td>8.3%</td>
</tr>
<tr>
<td>Owner</td>
<td>64</td>
<td>53.3%</td>
</tr>
<tr>
<td>Co-owner</td>
<td>25</td>
<td>20.8%</td>
</tr>
<tr>
<td>General manager</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Member</td>
<td>13</td>
<td>10.8%</td>
</tr>
<tr>
<td>Trustee</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Financial director / Manager</td>
<td>4</td>
<td>3.3%</td>
</tr>
<tr>
<td>Operations director / Manager</td>
<td>2</td>
<td>1.7%</td>
</tr>
<tr>
<td>Marketing director / Manager</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Industry of operation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>8</td>
<td>6.7%</td>
</tr>
<tr>
<td>Catering, Accommodation and other Trade</td>
<td>21</td>
<td>17.5%</td>
</tr>
<tr>
<td>Community, Social and Personal Services</td>
<td>2</td>
<td>1.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>7</td>
<td>5.8%</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Finance and Business Services</td>
<td>7</td>
<td>5.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>24</td>
<td>20.0%</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>3</td>
<td>2.5%</td>
</tr>
<tr>
<td>Retail and Motor Trade and Repair Services</td>
<td>17</td>
<td>14.2%</td>
</tr>
<tr>
<td>Transport, Storage and Communications</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Wholesale Trade, Commercial Agents and Allied Services</td>
<td>5</td>
<td>4.2%</td>
</tr>
<tr>
<td>Other</td>
<td>26</td>
<td>21.7%</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fewer than 5 employees</td>
<td>20</td>
<td>16.7%</td>
</tr>
<tr>
<td>Between 5 and 10 employees</td>
<td>28</td>
<td>23.3%</td>
</tr>
<tr>
<td>Between 11 and 49 employees</td>
<td>50</td>
<td>41.7%</td>
</tr>
<tr>
<td>Between 50 and 99 employees</td>
<td>15</td>
<td>12.5%</td>
</tr>
<tr>
<td>Between 100 and 199 employees</td>
<td>6</td>
<td>5.0%</td>
</tr>
<tr>
<td>More than 200 employees</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Business average turnover per annum</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than R150 000 per annum</td>
<td>2</td>
<td>1.7%</td>
</tr>
<tr>
<td>Between R150 000 and R399 999 per annum</td>
<td>3</td>
<td>2.5%</td>
</tr>
<tr>
<td>Between R400 000 and R1 999 999 per annum</td>
<td>26</td>
<td>21.7%</td>
</tr>
<tr>
<td>Between R2 000 000 and R4 999 999 per annum</td>
<td>39</td>
<td>32.5%</td>
</tr>
<tr>
<td>Between R5 000 000 and R7 499 999 per annum</td>
<td>10</td>
<td>8.3%</td>
</tr>
<tr>
<td>Between R7 500 000 and R9 999 999 per annum</td>
<td>6</td>
<td>5.0%</td>
</tr>
<tr>
<td>Between R10 000 000 and R14 999 999 per annum</td>
<td>6</td>
<td>5.0%</td>
</tr>
<tr>
<td>Between R15 000 000 and R19 999 999 per annum</td>
<td>5</td>
<td>4.2%</td>
</tr>
</tbody>
</table>
CHAPTER 7: Results

<table>
<thead>
<tr>
<th>Demographic variable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business average turnover per annum</strong></td>
<td></td>
</tr>
<tr>
<td>Between R20 000 000 and R29 999 999 per annum</td>
<td>6 5.0%</td>
</tr>
<tr>
<td>Between R30 000 000 and R39 999 999 per annum</td>
<td>4 3.3%</td>
</tr>
<tr>
<td>Between R40 000 000 and R49 999 999 per annum</td>
<td>1 0.8%</td>
</tr>
<tr>
<td>R 50 000 000 per annum and above</td>
<td>9 7.5%</td>
</tr>
<tr>
<td>Not specified</td>
<td>3 2.5%</td>
</tr>
<tr>
<td><strong>Business’ gross asset value (excluding fixed property)</strong></td>
<td></td>
</tr>
<tr>
<td>Less than R100 000</td>
<td>4 3.3%</td>
</tr>
<tr>
<td>Between R100 000 and R499 999</td>
<td>17 14.2%</td>
</tr>
<tr>
<td>Between R500 00 and R1 499 999</td>
<td>33 27.5%</td>
</tr>
<tr>
<td>Between R1 500 000 and R3 999 999</td>
<td>30 25.0%</td>
</tr>
<tr>
<td>Between R4 000 000 and R7 999 999</td>
<td>11 9.2%</td>
</tr>
<tr>
<td>Between R8 000 000 and R14 999 999</td>
<td>10 8.3%</td>
</tr>
<tr>
<td>Between R15 000 000 and R19 999 999</td>
<td>8 6.7%</td>
</tr>
<tr>
<td>Not specified</td>
<td>7 5.8%</td>
</tr>
<tr>
<td><strong>Number of years associated with BPL</strong></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>19 15.8%</td>
</tr>
<tr>
<td>1 year to less than 3 years</td>
<td>30 25.0%</td>
</tr>
<tr>
<td>3 years to less than 5 years</td>
<td>22 18.3%</td>
</tr>
<tr>
<td>5 years to less than 10 years</td>
<td>32 26.7%</td>
</tr>
<tr>
<td>10 years and longer</td>
<td>17 14.2%</td>
</tr>
</tbody>
</table>

Due to the highest percentage of respondents (21.7%) choosing the “other” option regarding their industry of operation, the question was asked whether it was possible to reclassify respondents under the 11 categories according to the National Small Business Amendment Act of 2003 (26/2003). The original categories were subsequently reclassified under the most applicable industry as stipulated in the National Small Business Amendment Act of 2003 (26/2003). The reclassification of respondents’ industry of operation is outlined in Table 7.3.
<table>
<thead>
<tr>
<th>Respondents’ indication of the industry in which they operate</th>
<th>F</th>
<th>Reclassification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property development</td>
<td>1</td>
<td>Construction</td>
</tr>
<tr>
<td>Education &amp; training</td>
<td>2</td>
<td>Community, social and personal services</td>
</tr>
<tr>
<td>Embroidery</td>
<td>1</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Service event industry</td>
<td>1</td>
<td>Finance and Business services</td>
</tr>
<tr>
<td>Security</td>
<td>2</td>
<td>Finance and Business services</td>
</tr>
<tr>
<td>Funeral parlour</td>
<td>1</td>
<td>Community, social and personal services</td>
</tr>
<tr>
<td>Retail in electronic goods and building rental</td>
<td>1</td>
<td>Retail and motor trade and repair services</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
<td>Community, social and personal services</td>
</tr>
<tr>
<td>Wireless broadband</td>
<td>1</td>
<td>Transport, storage and communications</td>
</tr>
<tr>
<td>Optometry</td>
<td>1</td>
<td>Community, social and personal services</td>
</tr>
<tr>
<td>Property investment &amp; investment management</td>
<td>5</td>
<td>Finance and Business services</td>
</tr>
<tr>
<td>Beverages</td>
<td>1</td>
<td>Catering, Accommodation &amp; other Trade</td>
</tr>
<tr>
<td>Tourism &amp; leisure</td>
<td>2</td>
<td>Catering, Accommodation &amp; other Trade</td>
</tr>
<tr>
<td>Repair &amp; service diesel pumps and injectors</td>
<td>1</td>
<td>Retail and motor trade and repair services</td>
</tr>
<tr>
<td>Service industry (sewage contractors)</td>
<td>1</td>
<td>Finance and Business services</td>
</tr>
<tr>
<td>Legal services</td>
<td>1</td>
<td>Finance and Business services</td>
</tr>
<tr>
<td>Electronics, Phones &amp; DSTV</td>
<td>1</td>
<td>Retail and motor trade and repair services</td>
</tr>
<tr>
<td>Service (galvanising and anti-corrosive treatments)</td>
<td>1</td>
<td>Finance and Business services</td>
</tr>
<tr>
<td>Roadworthiness of vehicles</td>
<td>1</td>
<td>Retail and motor trade and repair services</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

Following the reclassification of the business industry in which respondents operate, the final classification of respondents according to the industry of operation is presented in Table 7.4.

From the reclassification it emerged that the majority of the respondents operated in manufacturing (20.8%), catering, accommodation and other trade (20%), retail and motor trade and repair services (17.5%) and finance and business services (15.0%).
CHAPTER 7: Results

Table 7.4: Final classification of respondents according to the industry of operation

<table>
<thead>
<tr>
<th>Industry of operation</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>8</td>
<td>6.7%</td>
</tr>
<tr>
<td>Catering, Accommodation and other trade</td>
<td>24</td>
<td>20.0%</td>
</tr>
<tr>
<td>Community, Social and Personal Services</td>
<td>7</td>
<td>5.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>8</td>
<td>6.7%</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Finance and Business Services</td>
<td>18</td>
<td>15.0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>25</td>
<td>20.8%</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>3</td>
<td>2.5%</td>
</tr>
<tr>
<td>Retail and Motor Trade and Repair Services</td>
<td>21</td>
<td>17.5%</td>
</tr>
<tr>
<td>Transport, Storage and Communications</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Wholesale Trade, Commercial Agents and Allied Services</td>
<td>5</td>
<td>4.2%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>120</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

7.3.1 Categorising respondents according to business size

An objective of this study is to determine whether differences exist (in terms of respondents’ perceptions of constructs measured in this study) in terms of respondents who own businesses of diverse sizes, and respondents were therefore categorised according to the size of their businesses. In order to achieve this, the definition of SMEs was referred to with a view to identify at least one distinctive characteristic of small and medium businesses that could be used for this purpose. What complicates categorising SMEs according to business size is that no universal definition for small to medium enterprises exists; this is the case because the economies of countries are defined differently.

SMEs in South Africa are characterised as businesses with fewer than 200 employees. Small enterprises employ fewer than 50 employees, while medium enterprises employ between 50 and 200 employees (Nieman, 2006:9). Generally, an SME has an annual turnover of less that R5 million and capital assets of less than R2 million (Strydom et al., 2002:314; Cronjé et al. 2004:45; Nieman, 2006:9). From a qualitative point of view, a general requirement in this situation is that the owner must be part of the management of the business (Cronjé et al., 2004:45).

Conversely, BPL defines SMEs as businesses that employ fewer than 500 employees, achieve a maximum turnover of R200 million and whose gross assets do not exceed R100 million (Business Partners, 2013). Micro-enterprises are defined as businesses that operate informally with a maximum of 10 employees; these are often classified as “survivalist”. Generally, these types of businesses are characterised as “very small”. Typically, the owner or some of his/her
family members are employed at the business. Capital is limited and as a result, no formal procedures for VAT registration, business premises and financial systems are in place.

As discussed in section 6.3.3.4, some of the demographic information requested in the questionnaire was compiled using the quantitative criteria presented in the Schedule of the National Small Business Amendment Act of 2003 (26/2003). These criteria classify businesses into micro, very small, small and medium, using the total number of paid employees, total turnover and total gross asset value excluding property. Although various parameters were set to classify businesses as either macro, very small, small or medium, the proposed classification of businesses is still open for criticism, mainly due to three reasons (Nieman, 2006:5):

- No criteria of “smallness” exists, although three different criteria of distinction (number of employees, turnover and total assets) are stipulated;
- The Act does not stipulate which of the number of employees, turnover and/or total assets criteria, or all three of the criteria should be used to determine the size of a business;
- Some definitions based on monetary units complicate comparisons over time as index numbers do not necessarily account for price changes due to inflation.

In addition, there is no single, uniformly acceptable definition for a small business (Stokes & Wilson, 2010:3; Nieman, 2006:4). Also, business size is defined differently according to the type of business in operation and the business’s annual turnover. Thus, the criteria set for gross asset value differ from industry to industry in terms of the business’ classification as micro, very small, small and medium (Nieman, 2006:5; National Small Business Amendment Act of 2003 (26/2003). For example: a business with a total gross asset value of R6 million (excluding property) classified under transport, storage and communications is categorised as a “medium” sized business while a business within the mining and quarrying industry with the same gross asset value will be categorised as a “small” business. Another example is that of a business operating in the catering, accommodation and other trade industries whose total turnover per annum is R6 million, in which case the business will be categorised as small whereas it will be categorised as “medium if it were operating in the agricultural industry. Stokes and Wilson (2010:5), Nieman (2006:4) and the National Small Business Amendment Act of 2003 (26/2003) therefore propose that the following criteria should be considered when attempting to classify a business according to size:
CHAPTER 7: Results

- Number of employees;
- Whether the business is independently owned, operated and financed, i.e. one or few employees manage it without a formalised management structure;
- Its share in the marketplace or impact on the industry;
- Whether it is independent or form part of a large enterprise;
- Total annual turnover;
- Total gross asset value (excluding fixed property).

In short, after consulting various sources (Stokes & Wilson, 2010:4; Nieman 2006:5; The National Small Business Amendment Act of 2003 (26/2003); Longnecker et al., 2000:14) it can be stated that no generally accepted criteria have yet been set, and although the existing criteria seem to be quite arbitrary these may be used to serve a particular purpose.

In view of the relative vagueness of the criteria for determining the size of a business, the number of employees is used in this study for purposes of classifying respondents' businesses as micro, very small, small and medium. The reason for using the number employees is because it is the only empirical criterion that describes the business in clear terms without recourse to variable norms set by each industry (agriculture, catering, accommodation and other trade, community, social and personal service etc.) with regard to annual turnover and gross asset value to qualify a business as being micro, very small, small or medium. The researcher therefore categorised respondents as micro (if a business employs fewer than 5 employees), very small (between 5 and 10 employees), small (between 11 and 49 employees) and medium businesses (50 or more employees).

Table 7.5 indicates respondents' categorisation as micro, very small, small and medium businesses using the number of employees as criterion to determine the size of the business.

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of employees</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Fewer than 5 employees</td>
<td>20</td>
<td>16.7%</td>
</tr>
<tr>
<td>Very small</td>
<td>Between 5 and 10 employees</td>
<td>28</td>
<td>23.3%</td>
</tr>
<tr>
<td>Small</td>
<td>Between 11 and 49 employees</td>
<td>50</td>
<td>41.7%</td>
</tr>
<tr>
<td>Medium</td>
<td>Between 50 and 99 employees</td>
<td>22</td>
<td>18.3%</td>
</tr>
<tr>
<td></td>
<td>Between 100 and 199 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>More than 200 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL RESPONDENTS</td>
<td></td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

From Table 7.5 it can be seen that 20 respondents were categorised as having micro businesses (16.7%), 28 as having very small businesses (23.3%), 50 as having small businesses (41.7%) and 22 as having medium businesses (18.3%).
CHAPTER 7: Results

It should be noted that, for the remainder of this chapter, when frequencies are analysed, the researcher specifically considers the lower two boxes (percentage of respondents who indicated 1 and 2 on the Likert scale) and top two box frequencies (percentage of respondents who indicated 9 and 10 on the Likert scale), means and standard deviations when interpreting results.

It should furthermore be noted that only statistically or practically significant (medium and large effect sizes, i.e. d-values) results are reported in tables and subsequently discussed when interpreting results. Medium effect sizes are interpreted as being practically significant since, as Cohen (1998:20) explains, medium effect sizes have ample practical effect since differences between respondent groups can be noticed with the naked eye.

7.4 RESPONDENT’S RELATIONSHIP INTENTIONS TOWARDS BPL

As indicated in Chapter 6 (section 6.3.3.4), the purpose of Section E, Question 1 of the questionnaire was to determine respondents’ relationship intentions towards BPL. In this section, respondents’ relationship intentions are analysed with reference to the validity and reliability of the relationship intentions measuring scale. Following this overview, respondents are firstly categorised according to their relationship intentions and secondly the respondents’ relationship intentions according to business size is analysed.

7.4.1 The validity of the relationship intentions measure

Validity is defined as the accuracy of the measure and serves as an assessment of the exactness of the measurement relatively to what actually exists (Burns & Bush, 2010:319). The validity of the relationship intentions measuring scale was determined by means of a confirmatory factor analysis. This analysis was conducted to determine whether the various items used in the measuring scale can be grouped together according to the constructs identified in the literature (see section 3.3), namely Involvement, Fear of Relationship Loss, Forgiveness, Feedback and Expectations. This was undertaken because these constructs should be used to measure respondents’ relationship intentions.

Table 7.6 depicts the items and statements in the questionnaire that present the relationship intentions factors.
## Table 7.6: Confirmation of the factors measuring relationship intentions

<table>
<thead>
<tr>
<th>Item</th>
<th>Relationship intentions items</th>
<th>*KMO value</th>
<th>Eigen values</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>I am proud to be a customer of BPL.</td>
<td>0.79</td>
<td>4.20</td>
<td>Factor 1: Involvement</td>
</tr>
<tr>
<td>1.2</td>
<td>I am proud when I see BPL’s name or advertising materials.</td>
<td>0.79</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>I experienced a feeling of satisfaction when my finance was approved and I became a BPL customer.</td>
<td>0.95</td>
<td>0.26</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>I care about the image of BPL.</td>
<td>0.92</td>
<td>0.16</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>I have recommended BPL to my friends or family in the past and will continue to do so in future.</td>
<td>0.90</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>I am afraid that I may lose special BPL privileges if I switched to another financier.</td>
<td>0.80</td>
<td>4.17</td>
<td>Factor 2: Fear of relationship loss</td>
</tr>
<tr>
<td>1.7</td>
<td>I am afraid to lose the service of BPL by switching to another financier.</td>
<td>0.77</td>
<td>0.51</td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>I am afraid to lose my identification with BPL’s brand name by switching to another financier.</td>
<td>0.87</td>
<td>0.18</td>
<td></td>
</tr>
<tr>
<td>1.9</td>
<td>I am afraid to lose my relationship with BPL by switching to another financier.</td>
<td>0.88</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>1.10</td>
<td>I will experience emotional stress if I were to switch to another financier.</td>
<td>0.89</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>1.11</td>
<td>I will forgive BPL when the quality of their service is sometimes below the standard that I expect from them.</td>
<td>0.85</td>
<td>3.82</td>
<td></td>
</tr>
<tr>
<td>1.12</td>
<td>I will forgive BPL if the quality of their service is below the standard of service offered by other financiers.</td>
<td>0.83</td>
<td>0.66</td>
<td>Factor 3: Forgiveness</td>
</tr>
<tr>
<td>1.13</td>
<td>I will forgive BPL if I were to experience bad service from them.</td>
<td>0.84</td>
<td>0.28</td>
<td></td>
</tr>
<tr>
<td>1.14</td>
<td>I will forgive BPL for bad service to the point that I will keep on supporting them even if I have experienced bad service from them.</td>
<td>0.90</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>1.15</td>
<td>I will forgive BPL if they are more expensive than other financiers.</td>
<td>0.90</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>1.16</td>
<td>I will tell BPL when their service is poor.</td>
<td>0.84</td>
<td>3.40</td>
<td>Factor 4: Feedback</td>
</tr>
<tr>
<td>1.17</td>
<td>I will tell BPL if their service meets my expectations.</td>
<td>0.67</td>
<td>0.68</td>
<td></td>
</tr>
<tr>
<td>1.18</td>
<td>I will tell BPL when their service is better that what I expected.</td>
<td>0.67</td>
<td>0.60</td>
<td></td>
</tr>
<tr>
<td>1.19</td>
<td>I will try to tell BPL about their service even though they restrict my attempts.</td>
<td>0.78</td>
<td>0.28</td>
<td></td>
</tr>
<tr>
<td>1.20</td>
<td>I will take time to tell BPL about their service so that their service may improve.</td>
<td>0.81</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>1.21</td>
<td>I have high expectations of BPL’s service.</td>
<td>0.83</td>
<td>3.94</td>
<td>Factor 5: Expectations</td>
</tr>
<tr>
<td>1.22</td>
<td>I expect BPL’s service to be better than other financiers.</td>
<td>0.84</td>
<td>0.90</td>
<td></td>
</tr>
<tr>
<td>1.23</td>
<td>I expect BPL to offer value for my money.</td>
<td>0.84</td>
<td>0.43</td>
<td></td>
</tr>
<tr>
<td>1.24</td>
<td>I expect BPL to offer more value for my money than other financiers.</td>
<td>0.78</td>
<td>0.39</td>
<td></td>
</tr>
<tr>
<td>1.25</td>
<td>I expect BPL to provide the best possible finance deal.</td>
<td>0.78</td>
<td>0.20</td>
<td></td>
</tr>
<tr>
<td>1.26</td>
<td>I expect BPL to offer me a low-priced deal.</td>
<td>0.80</td>
<td>0.14</td>
<td></td>
</tr>
</tbody>
</table>

*Kaiser-Meyer-Olkin (KMO) value*
CHAPTER 7: Results

From Table 7.6 it can be observed that five factors were retained pertaining to respondents’ relationship intentions (hereafter called relationship intentions factors), namely Involvement, Fear of Relationship Loss, Forgiveness, Feedback, and Expectations. The validity of each factor is discussed below. The retained factors match previous studies focusing on Relationship intentions – see, for example, Kumar et al., 2003:670, Delport, (2009), Kruger (2010), and Kruger and Mostert (2012:45).

From the literature review it was deduced that factor 1 (Involvement) consists of five items, namely:

- I am proud to be a customer of BPL;
- I am proud when I see BPL’s name or advertising materials;
- I experienced a feeling of satisfaction when my finance was approved and I became a BPL customer;
- I care about the image of BPL;
- I have recommended BPL to my friends or family in the past and will continue to do so in future.

When a confirmatory factor analysis was conducted for the above involvement items, it was confirmed that these items can be reduced to one factor explaining 84.07% of the variance. The measure of sampling adequacy (hereafter referred to as “MSA”) was 0.85, and the communalities varied from 0.73 to 0.91. The factor validity was thus confirmed.

From the literature review it was established that factor 2 (Fear of Relationship Loss) consists of the following items:

- I am afraid that I may lose special BPL privileges if I switched to another financier;
- I am afraid to lose the service of BPL by switching to another financier;
- I am afraid to lose my identification with BPL’s brand name by switching to another financier;
- I am afraid to lose my relationship with BPL by switching to another financier;
- I will experience emotional stress if I were to switch to another financier.
CHAPTER 7: Results

After a confirmatory factor analysis was conducted for the above Fear of Relationship Loss items, it was confirmed that these items can be reduced to one factor, explaining 83.32% of the variance. The measure of sampling adequacy was 0.84, and the communalities varied from 0.58 to 0.92. The factor validity was thus confirmed.

From the literature review, it was found that factor 3 (Forgiveness) consists of the following items:

- I will forgive BPL when the quality of their service is sometimes below the standard that I expect from them;
- I will forgive BPL if the quality of their service is below the standard of service offered by other financiers;
- I will forgive BPL if I were to experience bad service from them;
- I will forgive BPL for bad service to the point that I will keep on supporting them even if I have experienced bad service from them;
- I will forgive BPL if they are more expensive than other financiers.

When a confirmatory factor analysis was conducted for the above Forgiveness items, it was confirmed that these items can be reduced to one factor, explaining 76.39% of the variance. The measure of sampling adequacy was 0.85, and the communalities varied from 0.46 to 0.90. The factor validity was thus confirmed.

From the literature review, it was determined that factor 4 (Feedback) consists of the following items:

- I will tell BPL when their service is poor;
- I will tell BPL if their service meets my expectations;
- I will tell BPL when their service is better than what I expected;
- I will try to tell BPL about their service even though they restrict my attempts;
- I will take time to tell BPL about their service so that their service may improve.

When a confirmatory factor analysis was conducted for the above Feedback items, it was confirmed that these items can be reduced to one factor explaining 67.83% of the variance.
CHAPTER 7: Results

The measure of sampling adequacy was 0.73, and the communalities varied from 0.49 to 0.83. The factor validity was thus confirmed.

From the literature review, it was established that factor 5 (Expectations) consists of the following items:

- I have high expectations of BPL's service;
- I expect BPL's service to be better than other financiers;
- I expect BPL to offer value for my money;
- I expect BPL to offer more value for my money than other financiers;
- I expect BPL to provide the best possible finance deal;
- I expect BPL to offer me a low-priced deal.

When a confirmatory factor analysis was conducted for the above Expectations items, it was confirmed that these items can be reduced to two factors explaining 65.75% of the variance. The measure of sampling adequacy was 0.81, and the communalities varied from 0.27 to 0.80. The factor validity was thus confirmed.

Main finding RI: The confirmatory factor analyses support the relationship intention factors that were identified in the literature review of the study.

7.4.2 Reliability of the relationship intentions measure

The reliability of the scale measuring respondents’ relationship intentions is determined by the Cronbach’s alpha values, which specify the correlations between items in a scale which is, in turn, used to establish the internal reliability of the data (Zikmund & Babin, 2007:249). Table 7.7 below indicates the Cronbach’s alpha values for the various factors (Involvement, Fear of Relationship Loss, Forgiveness, Feedback and Expectations) retained during the confirmatory factor analyses performed for the relationship intentions measure.
Table 7.7: Cronbach’s alpha values associated with the relationship intentions factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor label</th>
<th>Cronbach’s alpha values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Involvement</td>
<td>0.95</td>
</tr>
<tr>
<td>2</td>
<td>Fear of Relationship Loss</td>
<td>0.94</td>
</tr>
<tr>
<td>3</td>
<td>Forgiveness</td>
<td>0.92</td>
</tr>
<tr>
<td>4</td>
<td>Feedback</td>
<td>0.86</td>
</tr>
<tr>
<td>5</td>
<td>Expectations</td>
<td>0.88</td>
</tr>
<tr>
<td>Overall relationship intentions (26 items)</td>
<td></td>
<td>0.92</td>
</tr>
</tbody>
</table>

As indicated above, the Cronbach’s alpha values of each factor is larger than 0.70, indicating a high level of reliability between the items measuring each of the factors underlying relationship intentions (Zikmund & Babin, 2007:249).

**Main finding RI2:** The factors as confirmed by the confirmatory factor analysis can be considered as reliable and be used to measure respondents’ relationship intentions.

**Main finding RI3:** The overall relationship intentions measure is reliable and can be used to measure respondents’ relationship intentions.

### 7.4.3 Overall relationship intentions mean score

After the validity and reliability of the relationship intentions measuring scale were assessed, the overall mean score for the relationship intentions construct was calculated. Table 7.8 presents the overall mean score for the relationship intentions construct.

Table 7.8: Overall relationship intentions mean score

<table>
<thead>
<tr>
<th>Construct</th>
<th>Overall mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship intentions</td>
<td>6.83</td>
</tr>
</tbody>
</table>

Since the scale used to measure respondents' relationship intentions ranged between 1 (representing “Strongly disagree”) and 10 (representing “Strongly agree”), it can be concluded that respondents participating in this study generally had high relationship intentions towards BPL.

**Main finding RI4:** Respondents participating in the study generally had higher relationship intentions towards BPL.

### 7.4.4 Categorising respondents according to their relationship intentions

In order to categorise respondents according to different levels of relationship intentions, a mean score was calculated for each respondent’s overall relationship intentions. Since respondents participating in the study had a tendency to exhibit high relationship intentions...
towards BPL (as discussed above), it was decided to categorise respondents into three almost equally sized groups, using the 33.3 and 66.6 percentiles as cut-off points on their overall mean scores for relationship intentions. The results from this analysis are depicted in Table 7.9, indicating the number of respondents per relationship intentions group, the means for each group together with the accompanying standard deviations (SD). The reason why the number of respondents is different for each group can be attributed to ties occurring in the continuous data.

### Table 7.9: Categorisation of respondents according to level of relationship intentions

<table>
<thead>
<tr>
<th>Relationship intentions group</th>
<th>n</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents with low RI</td>
<td>39</td>
<td>5.39</td>
<td>0.83</td>
</tr>
<tr>
<td>Respondents with moderate RI</td>
<td>39</td>
<td>6.83</td>
<td>0.27</td>
</tr>
<tr>
<td>Respondents with high RI</td>
<td>42</td>
<td>8.26</td>
<td>0.66</td>
</tr>
</tbody>
</table>

From Table 7.9 it can be observed that 39 (32.5%) respondents were categorised as having low relationship intentions (mean = 5.39)(Std. Dev = 0.83), 39 (32.5%) respondents as having moderate relationship intentions (mean = 6.83)(Std. Dev = 0.27), and 42 (35%) respondents as having high relationship intentions (mean = 8.26)(Std. Dev = 0.66).

**Main finding RI5:** Respondents can be categorised according to their relationship intentions as having low, moderate and high relationship intentions.

### 7.4.5 Respondents’ relationship intentions according to business size

One-way ANOVAs were performed to determine if there were statistically significant differences between the respondents of differently sized businesses and the means of the relationship intentions factors as well as their overall relationship intentions.

Although a statistically significant difference was found for only one factor, namely Expectations, medium effect sizes were found for Expectations as well as for respondents’ overall relationship intentions. Table 7.10 shows descriptive statistics, Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) for the Expectations factor as well as for respondents’ overall relationship intentions in terms of the business sizes of respondents.
Table 7.10: Effect sizes of expectations factor and overall relationship intentions according to business size

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level*</th>
<th>Business size</th>
<th>d-value</th>
<th></th>
<th>Micro (1)</th>
<th>Very small (2)</th>
<th>Small (3)</th>
<th>Medium (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Micro (1)</td>
<td></td>
<td>None</td>
<td></td>
<td></td>
<td>0.7▲</td>
<td>0.5▲</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>7.49</td>
<td>1.81</td>
<td>2 - 1</td>
<td>Very small (2)</td>
<td></td>
<td></td>
<td>0.7▲</td>
<td>-</td>
<td>0.2</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>8.67</td>
<td>1.76</td>
<td></td>
<td>Small (3)</td>
<td></td>
<td></td>
<td>0.5▲</td>
<td>0.2</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>8.39</td>
<td>1.33</td>
<td></td>
<td>Medium (4)</td>
<td></td>
<td></td>
<td>0.6▲</td>
<td>0.0</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>8.62</td>
<td>1.21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Overall Relationship Intentions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Micro (1)</td>
<td></td>
<td>None</td>
<td></td>
<td>0.4</td>
<td>0.5▲</td>
<td>0.5▲</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>6.33</td>
<td>1.21</td>
<td></td>
<td>Very small (2)</td>
<td></td>
<td></td>
<td>0.4</td>
<td>-</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>6.95</td>
<td>1.48</td>
<td></td>
<td>Small (3)</td>
<td></td>
<td></td>
<td>0.5▲</td>
<td>0.0</td>
<td>-</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>6.98</td>
<td>1.29</td>
<td></td>
<td>Medium (4)</td>
<td></td>
<td></td>
<td>0.5▲</td>
<td>0.0</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>7.00</td>
<td>1.37</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level
▲ Medium effect

From Table 7.10, a medium effect size can be observed between the means for the Expectations factor for respondents of medium and micro businesses (d = 0.6), between small and micro business respondents (d = 0.5) and very small and micro businesses respondents (d = 0.7). From the mean scores it can be deduced that respondents of medium businesses (mean score = 8.62)(Std. Dev = 1.21), small business (mean = 8.39)(Std. Dev = 1.33) and very small businesses (mean = 8.67)(Std. Dev = 1.76) have higher relationship intentions expectations than respondents who have micro businesses (mean = 7.49)(Std. Dev = 1.81).

It can further be seen from Table 7.10 that a medium effect size is present between the means for respondents’ overall relationship intentions among respondents of medium and micro businesses (d = 0.5) and between small and micro business respondents (d = 0.5). From the mean scores it can be concluded that respondents who represent medium businesses (mean = 7.00)(Std. Dev = 1.37) and small businesses (mean = 6.98)(Std. Dev = 1.29) show higher overall relationship intentions than respondents who have micro businesses (mean = 6.33)(Std. Dev = 1.21).

**Main finding RI\textsubscript{BS1}:** Respondents representing medium, small and very small businesses have higher relationship intentions expectations than respondents representing micro businesses.

**Main finding RI\textsubscript{BS2}:** Respondents representing medium and small businesses have higher overall relationship intentions than respondents representing micro businesses.
CHAPTER 7: Results

7.5 RESPONDENT'S EXPECTATIONS WHEN CHOOSING A FINANCIER AND THEIR SATISFACTION WITH BPL IN PARTICULAR

As indicated in Chapter 6 (section 6.3.3.4), the purpose of Questions 1 and 2 of Section B was to determine respondents’ expectations when choosing a financier as well as their satisfaction with BPL when compared to the same items used to measure their expectations.

7.5.1 Frequency distribution and means for respondents’ expectations

Respondents were asked to indicate their expectations of 35 items when choosing a financier, on a 10-point Likert scale, where 1 is low and 10 is high. Table 7.11 depicts the results pertaining to the expectations respondents have when choosing a financier. The results are presented by means of the low two box frequencies (percentage of respondents who indicated 1 and 2 on the Likert scale) and the top two box frequencies (percentage of respondents who indicated 9 and 10 on the Likert scale), means and standard deviations for the sample. The results presented below also provide insights into the distribution of the results obtained for each statement.

As indicated in Table 7.11, the smallest mean with regard to respondents’ expectations when choosing a financier (indicating the statement that respondents agreed with least) was 6.15 for question B 1.3 “Quality workshops offered”. The largest mean, indicating the statement with which respondents most agreed in terms of their expectations when choosing a financier is shared by question B 1.34 “The financier’s integrity” and question B 1.35 “The financier keeping promises” (mean = 9.63)(Std. Dev = 0.72). Respondents were asked to indicate their expectations on a scale where “1” is low and “10” high regarding several statements. It is furthermore important to note that the respondents who participated in the study had, generally, high expectations when choosing a financier, as is evidenced by the fact that the means of all the items were above the middle point of the scale (5.5).
### Table 7.11: Respondents’ expectations when choosing a financier

<table>
<thead>
<tr>
<th>Section B Question 1</th>
<th>Items</th>
<th>Low 2 box %</th>
<th>Top 2 box %</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Quality of products offered</td>
<td>3.33%</td>
<td>51.67%</td>
<td>8.27</td>
<td>2.04</td>
</tr>
<tr>
<td>1.2</td>
<td>Product variety offered</td>
<td>5.84%</td>
<td>30.84%</td>
<td>7.21</td>
<td>2.37</td>
</tr>
<tr>
<td>1.3</td>
<td>Quality workshops offered</td>
<td>12.50%</td>
<td>21.67%</td>
<td>6.15</td>
<td>2.64</td>
</tr>
<tr>
<td>1.4</td>
<td>Allocation of a dedicated advisor</td>
<td>0.83%</td>
<td>45.00%</td>
<td>7.95</td>
<td>2.00</td>
</tr>
<tr>
<td>1.5</td>
<td>Personal visits by financier’s management to my business</td>
<td>5.00%</td>
<td>25.83%</td>
<td>7.03</td>
<td>2.25</td>
</tr>
<tr>
<td>1.6</td>
<td>Proper structuring of finance</td>
<td>0.00%</td>
<td>60.00%</td>
<td>8.75</td>
<td>1.56</td>
</tr>
<tr>
<td>1.7</td>
<td>Market-related pricing offered</td>
<td>2.50%</td>
<td>72.50%</td>
<td>8.92</td>
<td>1.77</td>
</tr>
<tr>
<td>1.8</td>
<td>Value for money offered</td>
<td>0.83%</td>
<td>75.83%</td>
<td>9.10</td>
<td>1.50</td>
</tr>
<tr>
<td>1.9</td>
<td>Market-related interest offered</td>
<td>1.66%</td>
<td>61.67%</td>
<td>8.66</td>
<td>1.82</td>
</tr>
<tr>
<td>1.10</td>
<td>Accessibility of offices</td>
<td>1.67%</td>
<td>33.33%</td>
<td>7.29</td>
<td>2.22</td>
</tr>
<tr>
<td>1.11</td>
<td>Convenient location of offices</td>
<td>1.67%</td>
<td>24.16%</td>
<td>6.73</td>
<td>2.14</td>
</tr>
<tr>
<td>1.12</td>
<td>Professional appearance of offices</td>
<td>2.50%</td>
<td>27.50%</td>
<td>6.90</td>
<td>2.32</td>
</tr>
<tr>
<td>1.13</td>
<td>Accessibility to financial advisors</td>
<td>0.83%</td>
<td>48.33%</td>
<td>8.13</td>
<td>1.93</td>
</tr>
<tr>
<td>1.14</td>
<td>Accessibility to the financier’s financial expertise</td>
<td>0.00%</td>
<td>55.00%</td>
<td>8.28</td>
<td>1.85</td>
</tr>
<tr>
<td>1.15</td>
<td>Accessibility to the financier’s business expertise</td>
<td>0.83%</td>
<td>60.83%</td>
<td>8.40</td>
<td>1.91</td>
</tr>
<tr>
<td>1.16</td>
<td>Believability of advertising</td>
<td>5.00%</td>
<td>43.33%</td>
<td>7.53</td>
<td>2.43</td>
</tr>
<tr>
<td>1.17</td>
<td>Credible advertising (including newspaper, radio, television, social, newsletters, etc.)</td>
<td>5.00%</td>
<td>36.67%</td>
<td>7.14</td>
<td>2.47</td>
</tr>
<tr>
<td>1.18</td>
<td>Representation of a true picture (as to what is advertised)</td>
<td>2.50%</td>
<td>58.33%</td>
<td>8.24</td>
<td>2.05</td>
</tr>
<tr>
<td>1.19</td>
<td>User-friendliness of financier’s website</td>
<td>0.83%</td>
<td>40.84%</td>
<td>7.61</td>
<td>2.12</td>
</tr>
<tr>
<td>1.20</td>
<td>Offering recognition awards</td>
<td>8.34%</td>
<td>24.16%</td>
<td>6.46</td>
<td>2.52</td>
</tr>
<tr>
<td>1.21</td>
<td>Employee friendliness</td>
<td>0.00%</td>
<td>54.17%</td>
<td>8.50</td>
<td>1.54</td>
</tr>
<tr>
<td>1.22</td>
<td>Employee knowledge on products offered</td>
<td>2.50%</td>
<td>76.67%</td>
<td>9.10</td>
<td>1.33</td>
</tr>
<tr>
<td>1.23</td>
<td>Employee courteousness</td>
<td>0.00%</td>
<td>63.33%</td>
<td>8.72</td>
<td>1.47</td>
</tr>
<tr>
<td>1.24</td>
<td>Employee dependability</td>
<td>3.34%</td>
<td>73.33%</td>
<td>8.98</td>
<td>1.46</td>
</tr>
<tr>
<td>1.25</td>
<td>Employee honesty</td>
<td>0.00%</td>
<td>88.34%</td>
<td>9.57</td>
<td>0.80</td>
</tr>
<tr>
<td>1.26</td>
<td>Employee reliability</td>
<td>0.00%</td>
<td>85.84%</td>
<td>9.48</td>
<td>0.88</td>
</tr>
<tr>
<td>1.27</td>
<td>Employee sincerity</td>
<td>0.00%</td>
<td>84.17%</td>
<td>9.37</td>
<td>1.00</td>
</tr>
<tr>
<td>1.28</td>
<td>Employee trustworthiness</td>
<td>0.00%</td>
<td>90.00%</td>
<td>9.54</td>
<td>0.78</td>
</tr>
<tr>
<td>1.29</td>
<td>Employee integrity</td>
<td>0.00%</td>
<td>90.00%</td>
<td>9.54</td>
<td>0.92</td>
</tr>
<tr>
<td>1.30</td>
<td>Employees honouring promised timelines</td>
<td>0.00%</td>
<td>86.67%</td>
<td>9.45</td>
<td>0.84</td>
</tr>
<tr>
<td>1.31</td>
<td>Employees keeping promises</td>
<td>0.00%</td>
<td>89.17%</td>
<td>9.56</td>
<td>0.76</td>
</tr>
<tr>
<td>1.32</td>
<td>The financier’s trustworthiness</td>
<td>0.00%</td>
<td>90.84%</td>
<td>9.62</td>
<td>0.76</td>
</tr>
<tr>
<td>1.33</td>
<td>The financier’s reliability</td>
<td>0.00%</td>
<td>87.50%</td>
<td>9.56</td>
<td>0.79</td>
</tr>
<tr>
<td>1.34</td>
<td>The financier’s integrity</td>
<td>0.00%</td>
<td>90.83%</td>
<td>9.63</td>
<td>0.71</td>
</tr>
<tr>
<td>1.35</td>
<td>The financier keeping promises</td>
<td>0.00%</td>
<td>90.00%</td>
<td>9.63</td>
<td>0.72</td>
</tr>
</tbody>
</table>

#### 7.5.2 Validity of the expectations measure

The validity of the measuring scale used in Question 1 of Section B of the questionnaire (expectations when choosing a financier) was determined by means of a confirmatory factor analysis. This analysis was conducted to determine whether the various items comprising the
constructs used to measure respondents' expectations (product, pricing, distribution, advertising, employee benevolence, business benevolence) can be grouped together according to the literature part of the study (see section 4.4.2.1).

Table 7.12: Confirmation of the factor measuring Expectations

<table>
<thead>
<tr>
<th>Item</th>
<th>Expectation Items</th>
<th>*KMO value</th>
<th>Eigen values</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Quality of products offered</td>
<td>0.70</td>
<td>2.75</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Product variety offered</td>
<td>0.66</td>
<td>0.98</td>
<td>Factor 1: Product</td>
</tr>
<tr>
<td>1.3</td>
<td>Quality workshops offered</td>
<td>0.75</td>
<td>0.57</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Allocation of a dedicated advisor</td>
<td>0.71</td>
<td>0.40</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>Personal visits by financier’s management to my business</td>
<td>0.78</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>Proper structuring of finance</td>
<td>0.95</td>
<td>3.00</td>
<td>Factor 2: Price</td>
</tr>
<tr>
<td>1.7</td>
<td>Market-related pricing offered</td>
<td>0.72</td>
<td>0.58</td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>Value for money offered</td>
<td>0.71</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>1.9</td>
<td>Market-related interest offered</td>
<td>0.92</td>
<td>0.91</td>
<td></td>
</tr>
<tr>
<td>1.10</td>
<td>Accessibility of offices</td>
<td>0.80</td>
<td>4.09</td>
<td>Factor 3: Distribution</td>
</tr>
<tr>
<td>1.11</td>
<td>Convenient location of offices</td>
<td>0.77</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>1.12</td>
<td>Professional appearance of offices</td>
<td>0.88</td>
<td>0.40</td>
<td></td>
</tr>
<tr>
<td>1.13</td>
<td>Accessibility to financial advisors</td>
<td>0.81</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td>1.14</td>
<td>Accessibility to the financier’s financial expertise</td>
<td>0.71</td>
<td>0.17</td>
<td></td>
</tr>
<tr>
<td>1.15</td>
<td>Accessibility to the financier’s business expertise</td>
<td>0.77</td>
<td>0.09</td>
<td></td>
</tr>
<tr>
<td>1.16</td>
<td>Believability of advertising</td>
<td>0.75</td>
<td>3.51</td>
<td>Factor 4: Advertising</td>
</tr>
<tr>
<td>1.17</td>
<td>Credible advertising (including newspaper, radio, television, social, newsletters, etc.)</td>
<td>0.75</td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>1.18</td>
<td>Representation of a true picture (as to what is advertised)</td>
<td>0.94</td>
<td>0.38</td>
<td></td>
</tr>
<tr>
<td>1.19</td>
<td>User-friendliness of financier’s website</td>
<td>0.81</td>
<td>0.35</td>
<td></td>
</tr>
<tr>
<td>1.20</td>
<td>Offering recognition awards</td>
<td>0.83</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>1.21</td>
<td>Employee friendliness</td>
<td>0.88</td>
<td>7.32</td>
<td>Factor 5: Employee benevolence</td>
</tr>
<tr>
<td>1.22</td>
<td>Employee knowledge on products offered</td>
<td>0.91</td>
<td>1.46</td>
<td></td>
</tr>
<tr>
<td>1.23</td>
<td>Employee courteousness</td>
<td>0.87</td>
<td>0.53</td>
<td></td>
</tr>
<tr>
<td>1.24</td>
<td>Employee dependability</td>
<td>0.96</td>
<td>0.44</td>
<td></td>
</tr>
<tr>
<td>1.25</td>
<td>Employee honesty</td>
<td>0.93</td>
<td>0.34</td>
<td></td>
</tr>
<tr>
<td>1.26</td>
<td>Employee reliability</td>
<td>0.95</td>
<td>0.26</td>
<td></td>
</tr>
<tr>
<td>1.27</td>
<td>Employee sincerity</td>
<td>0.95</td>
<td>0.188</td>
<td></td>
</tr>
<tr>
<td>1.28</td>
<td>Employee trustworthiness</td>
<td>0.90</td>
<td>0.17</td>
<td></td>
</tr>
<tr>
<td>1.29</td>
<td>Employee integrity</td>
<td>0.95</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>1.30</td>
<td>Employees honouring promised timelines</td>
<td>0.90</td>
<td>0.12</td>
<td></td>
</tr>
<tr>
<td>1.31</td>
<td>Employees keeping promises</td>
<td>0.89</td>
<td>0.56</td>
<td></td>
</tr>
<tr>
<td>1.32</td>
<td>The financier’s trustworthiness</td>
<td>0.82</td>
<td>3.70</td>
<td>Factor 6: Business benevolence</td>
</tr>
<tr>
<td>1.33</td>
<td>The financier’s reliability</td>
<td>0.87</td>
<td>0.16</td>
<td></td>
</tr>
<tr>
<td>1.34</td>
<td>The financier’s integrity</td>
<td>0.89</td>
<td>0.09</td>
<td></td>
</tr>
<tr>
<td>1.35</td>
<td>The financier keeping promises</td>
<td>0.81</td>
<td>0.05</td>
<td></td>
</tr>
</tbody>
</table>

*Kaiser-Meyer-Olkin (KMO) value

Table 7.12 lists the items grouped according to the six factors identified from the literature overview which will further be termed “expectations factors” in the remainder of the chapter.
CHAPTER 7: Results

From Table 7.12 it can be seen that six factors were retained pertaining to respondents’ expectations, namely product, price, distribution, advertising, employee benevolence and business benevolence.

From the literature review and as shown in figure 7.12, it can be concluded that factor 1 (product) consist of five items, namely:

- Quality of products offered;
- Product variety offered;
- Quality workshops offered;
- Allocation of a dedicated advisor; and
- Personal visits by financier’s management to my business.

A confirmatory factor analysis for these items confirmed that these items can be reduced to one factor explaining 54.98% of the variance. The measure of sampling adequacy (MSA) was 0.71, and the communalities varied from 0.50 to 0.62. The construct validity for this factor was thus confirmed.

From the literature review, it could be derived that factor 2 (pricing) consists of the following items, namely:

- Proper structuring of finance;
- Market-related pricing offered;
- Value for money offered; and
- Market-related interest offered.

The confirmatory factor analysis confirmed that these items can be reduced to one factor explaining 75.12% of the variance. The measure of sampling adequacy was 0.78, and the communalities varied from 0.53 to 0.88. The construct validity for this factor was thus confirmed.

From the literature review, it could be derived that factor 3 (distribution) consists of the following items:

- Accessibility of offices;
CHAPTER 7: Results

- Convenient location of offices;
- Professional appearance of offices;
- Accessibility to financial advisors;
- Accessibility to the financier’s financial expertise; and
- Accessibility to the financier’s business expertise.

A confirmatory factor analysis for these items confirmed that they can be reduced to one factor explaining 68.24% of the variance. The measure of sampling adequacy was 0.78, and the communalities varied from 0.63 to 0.73. The construct validity for this factor was thus confirmed.

From the literature review, it could be determined that factor 4 (advertising) consists of the following items:

- Credible advertising (including newspaper, radio, television, social, newsletters, etc.);
- Representation of a true picture (as to what is advertised);
- User-friendliness of financier’s website; and
- Offering recognition awards.

A confirmatory factor analysis for these items confirmed that they can be reduced to one factor explaining 70.27% of the variance. The measure of sampling adequacy was 0.80, and the communalities varied from 0.56 to 0.80. The construct validity for this factor was thus confirmed.

From the literature review, it could be derived that factor 5 (employee benevolence) consists of the following items:

- Employee friendliness;
- Employee knowledge on products offered;
- Employee courteousness;
- Employee dependability;
- Employee honesty;
CHAPTER 7: Results

- Employee reliability;
- Employee sincerity;
- Employee trustworthiness;
- Employee integrity;
- Employees honouring promised timelines; and
- Employees keeping promises.

When a confirmatory factor analysis was conducted for the above items, two constructs measuring employee benevolence, explaining 79.76% of the variance were identified. Although two constructs were retained by the confirmatory factor analysis, the decision was made to retain employee benevolence as one factor. This decision was based on the fact that the inter-factor correlation for the two retained constructs was very high ($r=0.63$). The measure of sampling adequacy was 0.91, and the communalities varied from 0.61 to 0.93. The construct validity for this factor was thus confirmed.

From the literature review, it could be established that factor 6 (business benevolence) consists of the following items:

- The financier's trustworthiness;
- The financier's reliability;
- The financier's integrity; and
- The financier keeping promises.

A confirmatory factor analysis for the above items confirmed that they can be reduced to one factor explaining 92.41% of the variance. The measure of sampling adequacy was 0.84, and the communalities varied from 0.89 to 0.93. The construct validity for this factor was thus confirmed.

**Main finding EXP:** The confirmatory factor analysis supports the expectation factors that have been identified in the literature review of the study, namely *product, pricing, distribution, advertising, employee benevolence and business benevolence* to measure respondents' expectations when selecting a financier.
7.5.3 Reliability of the expectations measure

As discussed in Chapter 6 (see section 6.3.5.1), the reliability of the scale measuring respondents’ Expectations is determined by Cronbach’s alpha values. Table 7.13 indicates Cronbach’s alpha values for the various expectation factors (product, price, distribution, advertising, employee benevolence and business benevolence) obtained during the confirmatory factor analyses discussed above.

Table 7.13: Cronbach’s alpha values for the expectation factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor label</th>
<th>Cronbach’s alpha values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Product</td>
<td>0.79</td>
</tr>
<tr>
<td>2</td>
<td>Price</td>
<td>0.88</td>
</tr>
<tr>
<td>3</td>
<td>Distribution</td>
<td>0.90</td>
</tr>
<tr>
<td>4</td>
<td>Advertising</td>
<td>0.89</td>
</tr>
<tr>
<td>5</td>
<td>Employee benevolence</td>
<td>0.93</td>
</tr>
<tr>
<td>6</td>
<td>Business benevolence</td>
<td>0.92</td>
</tr>
</tbody>
</table>

As illustrated above, the Cronbach’s alpha values of all factors are larger than 0.70, indicating a high level of reliability between the items measuring each of the factors underlying expectations (Zikmund & Babin, 2007:249).

Main finding EXP₂: The six factors confirmed by the confirmatory factor analyses are reliable for measuring respondents’ Expectations when selecting a financier.

7.5.3.1 The influence of relationship intentions on expectation factors

One-way ANOVAs were performed to determine if there were statistical significant differences between respondents of different relationship intentions levels and the means of the expectation factors. It should be noted that statistically and practically significant differences were found for all the expectation factors. Table 7.14 shows descriptive statistics for the expectations factors as well as Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when considering respondents’ levels of relationship intentions.
From Table 7.14, a large effect size (and thus a practically significant difference) can be observed between respondents with high and low relationship intentions (d = 1.0) as well as a medium effect size between respondents with a high and a moderate relationship intentions (d = 0.5) in terms of their product expectations. From the mean scores it emerged that respondents with high relationship intentions have higher product expectations (mean = 8.12)(Std. Dev = 1.35) than respondents with low relationship intentions (mean = 6.54)(Std. Dev = 1.51). It can further be gleaned that respondents with high relationship intentions (mean = 8.12)(Std. Dev = 1.35) have higher product expectations than respondents with moderate relationship intentions (mean = 7.24)(Std. Dev = 1.80).

From Table 7.14, medium effect sizes can be observed between respondents with high and low relationship intentions (d = 0.6), and between respondents with high and moderate relationship intentions in terms of price expectations (d = 0.5). From the mean scores it can be concluded that respondents showing high relationship intentions (mean = 9.37)(Std. Dev = 0.89) have higher price expectations than respondents with low relationship intentions (mean = 8.66)(Std. Dev = 1.29). It can be further be gleaned that respondents with high relationship intentions...
CHAPTER 7: Results

(mean = 9.37)(Std. Dev = 0.89) have higher price expectations than respondents with moderate relationship intentions (mean = 8.50)(Std. Dev = 1.86).

From Table 7.14, a large effect size can be observed between respondents with high and low relationship intentions (d = 1.1) in terms of their distribution expectations. Medium effect sizes can be observed between respondents with high and moderate relationship intentions (d = 0.6) and between respondents of moderate and low relationship intentions (d = 0.6) in terms of their distribution expectations. From the mean scores it can be deduced that respondents showing high relationship intentions (mean = 8.52)(Std. Dev = 1.32) show higher distribution expectations than respondents with a low relationship intentions (mean = 6.66)(Std. Dev =1.66). Respondents with high relationship intentions (mean = 8.52)(Std. Dev = 1.32) also have higher distribution expectations than those showing moderate relationship intentions (mean = 7.61)(Std. Dev =1.62). It can further be deduced that respondents with a moderate relationship intentions (mean = 7.61)(Std. Dev = 1.62) have higher distribution expectations than respondents with low relationship intentions (mean = 6.66)(Std. Dev =1.66).

From Table 7.14, a large effect size can be observed between respondents with high and low relationship intentions (d = 0.9) and a medium effect size between respondents with high and moderate relationship intentions (d = 0.5) in terms of their advertising expectations. From the mean scores it can be seen that respondents showing high relationship intentions (mean = 8.30)(Std. Dev = 1.51) have higher advertising expectations than respondents with low relationship intentions (mean = 6.50)(Std. Dev = 2.04). It can further be gleaned that respondents with high relationship intentions (mean = 8.30)(Std. Dev = 1.51) have higher advertising expectations than respondents with moderate relationship intentions (mean = 7.31)(Std. Dev = 1.85).

From Table 7.14, furthermore, a large effect size can be observed between respondents with high and low relationship intentions (d = 0.8) in terms of employee benevolence expectations. A medium effect size can be observed between respondents with high and moderate relationship intentions (d = 0.5) in terms of the employee benevolence expectations. From the mean scores it was determined that respondents showing high relationship intentions (mean = 9.64)(Std. Dev = 0.42) also show higher employee benevolence expectations than respondents with a low relationship intentions (mean = 8.90)(Std. Dev = 0.95). It can further be deduced that respondents with high relationship intentions (mean = 9.64)(Std. Dev = 0.42) have higher employee benevolence expectations than respondents with moderate relationship intentions (mean = 9.19)(Std. Dev = 0.95).
CHAPTER 7: Results

Finally, a medium effect size can be observed between respondents with high and low relationship intentions ($d = 0.6$) in terms of the business benevolence expectations. From the mean scores it can be observed that respondents showing high relationship intentions (mean = 9.82)(Std. Dev = 0.38) have higher business benevolence expectations than respondents with low relationship intentions (mean = 9.36)(Std. Dev = 0.82).

**Main finding EXP$_{RI1}$**: Respondents with high relationship intentions have higher product, price, distribution, advertising, employee benevolence and business benevolence expectations than respondents with low relationship intentions.

**Main finding EXP$_{RI2}$**: Respondents with high relationship intentions show higher product, price, distribution, advertising and employee benevolence expectations than those with moderate relationship intentions.

**Main finding EXP$_{RI3}$**: Respondents with moderate relationship intentions have higher distribution expectations than those respondents with low relationship intentions.

7.5.3.2 The influence of business size on expectation factors

One-way ANOVAs were performed to determine if there were statistically significant differences between the respondents representing different business sizes and the means of the expectation factors. It should be noted that although a statistically significant difference was found for only one factor, namely price, medium effect sizes were found for product, price, distribution and advertising. Table 7.15 shows descriptive statistics for the expectation factors, Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when comparing different expectation factors for respondents of different business sizes.

From Table 7.15 a medium effect size ($d = 0.6$) can be observed between the means for the expectation factors for respondents of very small and micro businesses in terms of their product expectations. From the mean scores it can be deduced that respondents representing very small businesses (mean = 7.78)(Std. Dev = 1.61) have higher product expectations when choosing a financier than respondents representing micro businesses (mean = 6.62)(Std. Dev = 1.93).

A medium effect size ($d = 0.5$) was also found between the means for the expectation factors for respondents representing very small and micro businesses in terms of their price expectations. From the mean scores it can be deduced that respondents representing very small businesses (mean = 9.26)(Std. Dev = 0.91) have higher price expectations when choosing a financier than respondents who represent micro businesses (mean = 8.16)(Std. Dev = 2.14).
Medium effect sizes can further be observed between the means for the expectation factors for respondents of medium and very small businesses (d = 0.5), between small and very small businesses (d = 0.5) and between very small and micro businesses (d = 0.6) regarding their distribution expectations. From the mean scores it can be gleaned that respondents representing very small businesses (mean = 8.37)(Std. Dev = 1.84) have higher distribution expectations when choosing a financier than respondents representing micro (mean = 7.26)(Std. Dev = 1.79), small (mean = 7.34)(Std. Dev = 1.56) and medium businesses (mean = 7.44)(Std. Dev = 1.58).

From Table 7.15 it was furthermore determined that medium effect sizes were found between the means for the expectation factors of respondents representing medium and micro businesses (d = 0.6), between small and micro businesses (d = 0.5) and between those of very small and micro businesses (d = 0.5) regarding their advertising expectations. From the mean scores it was established that respondents representing medium businesses (mean = 7.72)(Std. Dev = 1.83), small businesses (mean = 7.54)(Std. Dev = 1.50) and those of very small businesses (mean = 7.57)(Std. Dev = 2.38) have higher advertising expectations when choosing a financier than those of micro businesses (mean = 6.43)(Std. Dev = 2.19).

**Main finding EXP_{bs1}**: Respondents representing medium-sized businesses have higher advertising expectations than respondents representing micro businesses.

**Main finding EXP_{bs2}**: Respondents representing small businesses have higher advertising expectations than respondents representing micro businesses.
CHAPTER 7: Results

**Main finding EXP_{bs3}:** Respondents representing very small businesses have higher product, price distribution and advertising expectations when choosing a financier than respondents representing micro businesses. Respondents of very small businesses also have higher distribution expectations than respondents of small and medium businesses.

### 7.5.4 Frequency distribution and means for respondents’ satisfaction

The purpose of Question 2 of Section B was to determine respondents’ satisfaction levels with BPL when compared to the same items used to measure their expectations. Respondents were asked to indicate their satisfaction with the 35 items on a 10-point Likert scale, where 1 is low and 10 is high. Table 7.16 depicts the results pertaining to respondents’ satisfaction with BPL on each of the 35 statements. The results are presented by means of the lowest two box and top two box frequencies, means and standard deviations for the sample. The results presented below also provide insights into the distribution of the results obtained for each statement.

In terms of respondents’ satisfaction with BPL when considering the same items used to determine their expectations when choosing a financier, they least agreed with statement B 2.20 “Offering recognition awards” (mean = 6.64)(Std. Dev = 2.53) and most agreed with statements (all means = 8.93) B 2.28 “Employee trustworthiness” (Std. Dev = 1.68), B 2.29 “Employee integrity” (Std. Dev = 1.73), B 2.32 “The financier’s trustworthiness” (Std. Dev = 1.68) and B 2.34 “The financier’s integrity” (Std. Dev = 1.73) respectively. It is furthermore important to note that the respondents who participated in the study were generally satisfied with BPL concerning the items considered to measure satisfaction; this emerged from the fact that the means of the all the items were above the middle point of the scale (mean = 5.5).
CHAPTER 7: Results

Table 7.16: Respondents’ satisfaction with BPL

<table>
<thead>
<tr>
<th>Section B Question 2</th>
<th>Items</th>
<th>Low 2 box %</th>
<th>Top 2 box %</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Quality of products offered</td>
<td>0.83%</td>
<td>39.17%</td>
<td>8.00</td>
<td>1.72</td>
</tr>
<tr>
<td>2.2</td>
<td>Product variety offered</td>
<td>1.67%</td>
<td>30.84%</td>
<td>7.47</td>
<td>1.98</td>
</tr>
<tr>
<td>2.3</td>
<td>Quality workshops offered</td>
<td>5.84%</td>
<td>24.16%</td>
<td>6.76</td>
<td>2.34</td>
</tr>
<tr>
<td>2.4</td>
<td>Allocation of a dedicated advisor</td>
<td>3.34%</td>
<td>47.50%</td>
<td>7.83</td>
<td>2.29</td>
</tr>
<tr>
<td>2.5</td>
<td>Personal visits by financier’s management to my business</td>
<td>5.83%</td>
<td>47.50%</td>
<td>7.60</td>
<td>2.48</td>
</tr>
<tr>
<td>2.6</td>
<td>Proper structuring of finance</td>
<td>2.50%</td>
<td>50.83%</td>
<td>7.93</td>
<td>2.09</td>
</tr>
<tr>
<td>2.7</td>
<td>Market-related pricing offered</td>
<td>5.00%</td>
<td>35.00%</td>
<td>7.04</td>
<td>2.45</td>
</tr>
<tr>
<td>2.8</td>
<td>Value for money offered</td>
<td>4.17%</td>
<td>34.17%</td>
<td>7.23</td>
<td>2.34</td>
</tr>
<tr>
<td>2.9</td>
<td>Market-related interest offered</td>
<td>5.00%</td>
<td>35.00%</td>
<td>7.07</td>
<td>2.49</td>
</tr>
<tr>
<td>2.10</td>
<td>Accessibility of offices</td>
<td>1.66%</td>
<td>43.33%</td>
<td>7.91</td>
<td>2.05</td>
</tr>
<tr>
<td>2.11</td>
<td>Convenient location of offices</td>
<td>1.67%</td>
<td>42.50%</td>
<td>7.80</td>
<td>2.04</td>
</tr>
<tr>
<td>2.12</td>
<td>Professional appearance of offices</td>
<td>1.67%</td>
<td>51.67%</td>
<td>8.10</td>
<td>1.97</td>
</tr>
<tr>
<td>2.13</td>
<td>Accessibility to financial advisors</td>
<td>1.66%</td>
<td>55.00%</td>
<td>8.33</td>
<td>1.87</td>
</tr>
<tr>
<td>2.14</td>
<td>Accessibility to the financier’s financial expertise</td>
<td>1.67%</td>
<td>52.50%</td>
<td>8.18</td>
<td>1.94</td>
</tr>
<tr>
<td>2.15</td>
<td>Accessibility to the financier’s business expertise</td>
<td>1.66%</td>
<td>51.67%</td>
<td>8.16</td>
<td>1.93</td>
</tr>
<tr>
<td>2.16</td>
<td>Believability of advertising</td>
<td>0.00%</td>
<td>38.34%</td>
<td>7.73</td>
<td>1.90</td>
</tr>
<tr>
<td>2.17</td>
<td>Credible advertising (including newspaper, radio, television, social, newsletters, etc.)</td>
<td>0.83%</td>
<td>38.33%</td>
<td>7.58</td>
<td>1.96</td>
</tr>
<tr>
<td>2.18</td>
<td>Representation of a true picture (as to what is advertised)</td>
<td>0.83%</td>
<td>41.67%</td>
<td>7.68</td>
<td>1.94</td>
</tr>
<tr>
<td>2.18</td>
<td>User-friendliness of financier’s website</td>
<td>1.67%</td>
<td>32.50%</td>
<td>7.38</td>
<td>1.88</td>
</tr>
<tr>
<td>2.20</td>
<td>Offering recognition awards</td>
<td>6.67%</td>
<td>30.00%</td>
<td>6.64</td>
<td>2.53</td>
</tr>
<tr>
<td>2.21</td>
<td>Employee friendliness</td>
<td>0.83%</td>
<td>64.17%</td>
<td>8.69</td>
<td>1.64</td>
</tr>
<tr>
<td>2.22</td>
<td>Employee knowledge on products offered</td>
<td>0.00%</td>
<td>64.17%</td>
<td>8.59</td>
<td>1.66</td>
</tr>
<tr>
<td>2.23</td>
<td>Employee courteousness</td>
<td>0.00%</td>
<td>69.16%</td>
<td>8.75</td>
<td>1.60</td>
</tr>
<tr>
<td>2.24</td>
<td>Employee dependability</td>
<td>0.83%</td>
<td>67.50%</td>
<td>8.68</td>
<td>1.69</td>
</tr>
<tr>
<td>2.25</td>
<td>Employee honesty</td>
<td>0.00%</td>
<td>72.50%</td>
<td>8.89</td>
<td>1.59</td>
</tr>
<tr>
<td>2.26</td>
<td>Employee reliability</td>
<td>0.83%</td>
<td>72.50%</td>
<td>8.85</td>
<td>1.68</td>
</tr>
<tr>
<td>2.27</td>
<td>Employee sincerity</td>
<td>0.83%</td>
<td>73.34%</td>
<td>8.82</td>
<td>1.68</td>
</tr>
<tr>
<td>2.28</td>
<td>Employee trustworthiness</td>
<td>0.83%</td>
<td>77.50%</td>
<td>8.93</td>
<td>1.66</td>
</tr>
<tr>
<td>2.29</td>
<td>Employee integrity</td>
<td>0.83%</td>
<td>75.83%</td>
<td>8.93</td>
<td>1.65</td>
</tr>
<tr>
<td>2.30</td>
<td>Employees honouring promised timelines</td>
<td>1.66%</td>
<td>70.00%</td>
<td>8.68</td>
<td>1.80</td>
</tr>
<tr>
<td>2.31</td>
<td>Employees keeping promises</td>
<td>1.67%</td>
<td>75.84%</td>
<td>8.81</td>
<td>1.77</td>
</tr>
<tr>
<td>2.32</td>
<td>The financier’s trustworthiness</td>
<td>0.83%</td>
<td>78.33%</td>
<td>8.93</td>
<td>1.68</td>
</tr>
<tr>
<td>2.33</td>
<td>The financier’s reliability</td>
<td>0.83%</td>
<td>74.16%</td>
<td>8.85</td>
<td>1.69</td>
</tr>
<tr>
<td>2.34</td>
<td>The financier’s integrity</td>
<td>0.83%</td>
<td>77.50%</td>
<td>8.93</td>
<td>1.73</td>
</tr>
<tr>
<td>2.35</td>
<td>The financier keeping promises</td>
<td>1.67%</td>
<td>75.00%</td>
<td>8.83</td>
<td>1.70</td>
</tr>
</tbody>
</table>

The individual statements (as presented in Tables 7.11 & 7.16) were not used to compare respondents’ expectations when choosing a financier with their satisfaction with BPL. The comparisons between respondents’ expectations and satisfaction were based on the underlying factors uncovered by the confirmatory factor analyses conducted for this study (see section 7.5.4.3 for the comparison between respondents expectations when choosing a financier and their satisfaction with BPL when considering the same items used to measure expectations and satisfaction).
CHAPTER 7: Results

7.5.4.1 The influence of relationship intentions on satisfaction factors

It is important to note that the same items derived from the confirmatory factor analyses used to determine the expectation factors were also used to measure respondents’ satisfaction with BPL (labelled as satisfaction factors).

One-way ANOVAs were performed to determine if there were statistically significant differences between respondents who had different levels of relationship intentions and the means of the satisfaction factors. It should be noted that statistically and practically significant differences were found for all the satisfaction factors. Table 7.17 shows descriptive statistics for the satisfaction factors as well as Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when considering respondents’ levels of relationship intentions.

Table 7.17: Effect sizes of satisfaction factors according to relationship intentions level

<table>
<thead>
<tr>
<th>Factor</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level*</th>
<th>Relationship intentions</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>39</td>
<td>6.06</td>
<td>1.87</td>
<td>2 – 1</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>7.82</td>
<td>1.30</td>
<td>3 – 1</td>
<td>0.9Δ</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>8.63</td>
<td>1.22</td>
<td>3 - 2</td>
<td>1.4Δ</td>
<td>0.6▲</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>5.71</td>
<td>1.92</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>7.62</td>
<td>1.96</td>
<td>3 – 1</td>
<td>1.0Δ</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>8.52</td>
<td>1.65</td>
<td>3 - 2</td>
<td>1.5Δ</td>
<td>0.5▲</td>
</tr>
<tr>
<td>Price</td>
<td>39</td>
<td>6.69</td>
<td>1.71</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>8.37</td>
<td>1.46</td>
<td>3 – 1</td>
<td>1.0Δ</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>9.10</td>
<td>1.03</td>
<td>3 - 2</td>
<td>1.4Δ</td>
<td>0.5▲</td>
</tr>
<tr>
<td>Distribution</td>
<td>39</td>
<td>6.19</td>
<td>1.60</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>7.53</td>
<td>1.48</td>
<td>3 – 1</td>
<td>0.8Δ</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>8.40</td>
<td>1.48</td>
<td>3 - 2</td>
<td>1.4Δ</td>
<td>0.6▲</td>
</tr>
<tr>
<td>Advertising</td>
<td>39</td>
<td>7.65</td>
<td>2.00</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>9.04</td>
<td>1.32</td>
<td>3 – 1</td>
<td>0.7▲</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>9.59</td>
<td>0.56</td>
<td>3 - 1</td>
<td>1.0Δ</td>
<td>0.4</td>
</tr>
<tr>
<td>Employee benevolence</td>
<td>39</td>
<td>7.72</td>
<td>2.11</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>9.18</td>
<td>1.32</td>
<td>3 – 1</td>
<td>0.7▲</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>9.69</td>
<td>0.57</td>
<td>3 - 1</td>
<td>0.9Δ</td>
<td>-</td>
</tr>
<tr>
<td>Business benevolence</td>
<td>39</td>
<td>7.65</td>
<td>2.00</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>9.04</td>
<td>1.32</td>
<td>3 – 1</td>
<td>0.7▲</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>9.59</td>
<td>0.56</td>
<td>3 - 1</td>
<td>0.9Δ</td>
<td>-</td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level
^ Medium effect
 dissatisfaction. In addition, a medium effect size can also be observed between respondents with high and moderate relationship intentions (d = 0.6) in terms of their product satisfaction. From the mean scores it can be deduced that respondents who have high relationship intentions
CHAPTER 7: Results

(mean = 8.63) (Std. Dev = 1.22) and those with moderate relationship intentions (mean = 7.82) (Std. Dev = 1.30) show higher product satisfaction than respondents with low relationship intentions (mean = 6.06) (Std. Dev = 1.87). It was determined that respondents with high relationship intentions (mean = 8.63) (Std. Dev = 1.22) show higher product satisfaction than those with moderate relationship intentions (mean = 7.82) (Std. Dev = 1.30).

From Table 7.17 one can observe that large effect sizes were found between the means for the satisfaction factors for respondents with high and low relationship intentions (d = 1.5) and between those with moderate and low relationship intentions (d = 1.0) in terms of the price satisfaction. A medium effect size can also be observed between respondents with a high and moderate relationship intentions (d = 0.5). From the mean scores it was established that respondents showing high relationship intentions (mean = 8.52) (Std. Dev = 1.65) as well as those showing moderate relationship intentions (mean = 7.62) (Std. Dev = 1.96) have higher price satisfaction than respondents with low relationship intentions (mean = 5.71) (Std. Dev = 1.92). From the mean scores respondents with high relationship intentions (mean = 8.52) (Std. Dev = 1.65) have higher price satisfaction than those of moderate relationship intentions (mean = 7.62) (Std. Dev = 1.96).

Table 7.17 shows a large effect size between the means for satisfaction factors for respondents with high and low relationship intentions (d = 1.4) and between respondents with moderate and low relationship intentions (d = 1.0) in terms of distribution satisfaction. A medium effect size can be seen between respondents with high and moderate relationship intentions (d = 0.5) in terms of distribution satisfaction. From the mean scores it can be established that respondents having high relationship intentions (mean = 9.10) (Std. Dev = 9.10) and moderate relationship intentions (mean = 8.37) (Std. Dev = 1.46) show higher distribution satisfaction than respondents with low relationship intentions (mean = 6.69) (Std. Dev = 1.71). It can further be seen that respondents with high relationship intentions (mean = 9.10) (Std. Dev = 1.03) show higher distribution satisfaction than those with moderate relationship intentions (mean = 8.37) (Std. Dev = 1.46).

Furthermore, Table 7.17 suggests a large effect size between the means for satisfaction factors for respondents with high and low relationship intentions (d = 1.4) and between those respondents with moderate and low relationship intentions (d = 0.8) for advertising satisfaction. Also, a medium effect size can be seen between respondents with high and moderate relationship intentions (d = 0.6) in terms of advertising satisfaction. From the mean scores it can be deduced that respondents with high relationship intentions (mean = 8.40) (Std. Dev = 1.48) and moderate relationship intentions (mean = 7.53) (Std. Dev = 1.48) show higher advertising
satisfaction than respondents with low relationship intentions (mean = 6.19)(Std. Dev = 1.60). It can further be concluded that respondents with high relationship intentions (mean = 8.40)(Std. Dev = 1.48) have higher advertising satisfaction than those with moderate relationship intentions (mean = 7.53)(Std. Dev = 1.48).

Table 7.17 also shows a large effect size between the means of satisfaction factors for respondents with high and low relationship intentions (d = 1.0) in terms of the employee benevolence satisfaction. A medium effect size can be observed between respondents with a moderate and low relationship intentions (d = 0.7) in terms of the employee benevolence satisfaction. From the mean scores it can be deduced that respondents with very high relationship intentions (mean = 9.59)(Std. Dev = 0.56) show higher employee benevolence satisfaction than respondents with low relationship intentions (mean = 7.65)(Std. Dev = 2.00). From the mean scores it can further be gleaned that respondents with moderate relationship intentions (mean = 9.04)(Std. Dev = 1.32) show higher employee benevolence satisfaction than those with low relationship intentions (mean = 7.65)(Std. Dev = 2.00).

Lastly, in Table 7.17 a large effect size can be observed between the means of satisfaction factors for respondents with high and low relationship intentions (d = 0.9) in terms of business benevolence satisfaction. A medium effect size can be observed between respondents with moderate and low relationship intentions (d = 0.7) in terms of the business benevolence satisfaction. From the mean scores it can be deduced that respondents showing high relationship intentions (mean = 9.69)(Std. Dev = 0.57) also show higher business benevolence satisfaction than respondents with low relationship intentions (mean = 7.72)(Std. Dev = 2.11). It can further be seen that respondents with moderate relationship intentions (mean = 9.18)(Std. Dev = 1.32) show higher business benevolence satisfaction than respondents with low relationship intentions (mean = 7.72)(Std. Dev = 2.11).

**Main finding SAT_{RI1}:** Respondents with high relationship intentions show higher product, price, distribution, advertising, employee benevolence, and business benevolence satisfaction than respondents with moderate relationship intentions.

**Main finding SAT_{RI2}:** Respondents with high relationship intentions show higher product, price, distribution, advertising, employee benevolence, and business benevolence satisfaction than respondents with low relationship intentions.

**Main finding SAT_{RI3}:** Respondents with moderate relationship intentions show higher product, price, distribution, advertising, employee benevolence, business benevolence satisfaction than respondents with low relationship intentions.
### 7.5.4.2 The influence of business size on satisfaction factors

One-way ANOVAs were performed to determine if there were statistically significant differences between the means of the satisfaction factors regarding different business sizes. It should be noted that statistical significance was found for only one factor, namely product, although medium effect sizes were found for all satisfaction factors.

Table 7.18 shows descriptive statistics for the satisfaction factors as well as Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when comparing the satisfaction factors for different business sizes.

**Table 7.18: Effect sizes of satisfaction factors according to business size**

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level*</th>
<th>Business size</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Micro (1)</td>
<td>Very small (2)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Small (3)</td>
<td>Medium (4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>20</td>
<td>6.41</td>
<td>2.38</td>
<td>none</td>
<td>Micro (1)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8.17</td>
<td>1.40</td>
<td>2 – 1</td>
<td>Very small (2)</td>
<td>0.7▲</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>7.41</td>
<td>1.66</td>
<td>4 – 1</td>
<td>Small (3)</td>
<td>0.4 ▲</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>8.01</td>
<td>1.65</td>
<td></td>
<td>Medium (4)</td>
<td>0.7▲</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.1 ▲</td>
</tr>
<tr>
<td>Price</td>
<td>20</td>
<td>6.44</td>
<td>2.47</td>
<td>none</td>
<td>Micro (1)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.89</td>
<td>2.13</td>
<td></td>
<td>Very small (2)</td>
<td>0.6 ▲</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>7.29</td>
<td>2.04</td>
<td></td>
<td>Small (3)</td>
<td>0.3 ▲</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>7.44</td>
<td>2.11</td>
<td></td>
<td>Medium (4)</td>
<td>0.4 ▲</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.2 ▲</td>
</tr>
<tr>
<td>Distribution</td>
<td>20</td>
<td>7.42</td>
<td>2.10</td>
<td>none</td>
<td>Micro (1)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8.55</td>
<td>1.49</td>
<td></td>
<td>Very small (2)</td>
<td>0.5 ▲</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>7.99</td>
<td>1.67</td>
<td></td>
<td>Small (3)</td>
<td>0.3 ▲</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>8.27</td>
<td>1.71</td>
<td></td>
<td>Medium (4)</td>
<td>0.4 ▲</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>0.2 ▲</td>
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<tr>
<td>Advertising</td>
<td>20</td>
<td>6.92</td>
<td>1.81</td>
<td>none</td>
<td>Micro (1)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.70</td>
<td>1.85</td>
<td></td>
<td>Very small (2)</td>
<td>0.4 ▲</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>7.20</td>
<td>1.68</td>
<td></td>
<td>Small (3)</td>
<td>0.2 ▲</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>7.93</td>
<td>1.73</td>
<td></td>
<td>Medium (4)</td>
<td>0.6 ▲</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.1 ▲</td>
</tr>
<tr>
<td>Employee benevolence</td>
<td>20</td>
<td>8.09</td>
<td>2.07</td>
<td>none</td>
<td>Micro (1)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9.28</td>
<td>1.18</td>
<td></td>
<td>Very small (2)</td>
<td>0.6 ▲</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>8.87</td>
<td>1.56</td>
<td></td>
<td>Small (3)</td>
<td>0.3 ▲</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>9.05</td>
<td>1.58</td>
<td></td>
<td>Medium (4)</td>
<td>0.5 ▲</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.2 ▲</td>
</tr>
<tr>
<td>Business benevolence</td>
<td>20</td>
<td>8.19</td>
<td>2.18</td>
<td>none</td>
<td>Micro (1)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9.23</td>
<td>1.59</td>
<td></td>
<td>Very small (2)</td>
<td>0.5 ▲</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>8.91</td>
<td>1.45</td>
<td></td>
<td>Small (3)</td>
<td>0.3 ▲</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>9.02</td>
<td>1.62</td>
<td></td>
<td>Medium (4)</td>
<td>0.4 ▲</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0 ▲</td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level
△ Medium effect
▲ Large effect

In Table 7.18 a medium effect size can be observed between respondents of medium and micro businesses (d = 0.7) and between respondents of very small and micro businesses (d = 0.7) in terms of the product satisfaction. And, thus from the mean scores it can be derived that respondents of medium businesses (mean = 8.01)(Std. Dev = 1.65) have higher product satisfaction.
satisfaction than respondents of micro businesses (mean = 6.41)(Std. Dev = 2.38). From the mean scores it can further be deduced that respondents of very small businesses (mean = 8.17)(Std. Dev = 1.40) have higher product satisfaction than respondents of micro businesses (mean = 6.41)(Std. Dev = 2.38).

As indicated in Table 7.18, a medium effect size was found between respondents of very small and micro businesses in terms of price satisfaction. From the mean scores it can be gleaned that respondents representing very small business (mean = 7.89)(Std. Dev = 2.13) are more satisfied with BPL’s pricing than respondents of micro businesses (mean = 6.44)(Std. Dev = 2.47).

Similarly, as indicated in Table 7.18 a medium effect size was also found between respondents of very small and micro businesses (d = 0.5) regarding distribution satisfaction. From the mean scores it emerges that respondents of very small businesses (mean = 8.55)(Std. Dev = 1.49) are more satisfied with BPL’s distribution than respondents of micro businesses (mean = 7.42)(Std. Dev = 2.10).

From Table 7.18 it can furthermore be seen that a medium effect size was found between respondents of medium businesses and those of micro businesses (d = 0.6) regarding advertising satisfaction. From the mean scores it can be derived that respondents of medium businesses (mean = 7.93)(Std. Dev = 1.73) show higher advertising satisfaction than those of micro businesses (mean = 6.92)(Std. Dev = 1.81).

As indicated in Table 7.18 medium effect sizes were found between respondents from medium and micro businesses (d = 0.5) and between respondents of very small and micro businesses (d = 0.6) regarding employee benevolence satisfaction. From the mean scores it can be seen that respondents from medium businesses (mean = 9.05)(Std. Dev = 1.58) have higher employee benevolence satisfaction than respondents of micro businesses (mean = 8.09)(Std. Dev = 2.07). And, thus from the mean scores it can further be deduced that respondents of very small businesses (mean = 9.28)(Std. Dev = 1.18) have higher employee benevolence satisfaction than respondents of micro (8.09)(Std. Dev = 2.07) businesses.

Also indicated in Table 7.18 is that a medium effect size was found between respondents of very small and micro businesses (d = 0.5) regarding the business benevolence satisfaction. From the mean scores it can be derived that respondents of very small businesses (mean = 9.23)(Std. Dev = 1.59) show higher business benevolence satisfaction than respondents of micro businesses (mean = 8.19)(Std. Dev = 2.18).
CHAPTER 7: Results

Main finding SAT\textsubscript{BS1}: Respondents of medium businesses show higher product, advertising and employee benevolence satisfaction than respondents of micro businesses.

Main finding SAT\textsubscript{BS2}: Respondents of very small businesses show higher product, price, distribution, employee benevolence and business benevolence satisfaction than micro businesses.

7.5.4.3 Paired t-tests for differences between expectation and satisfaction factors for all respondents

Paired sample t-tests were performed to determine whether differences exist between the means of the expectation and satisfaction factors for all respondents who participated in the study. Initial analyses suggested statistically significant differences for four of the six factors, namely price, distribution, employee benevolence and business benevolence. Table 7.19 shows descriptive statistics for the expectations and satisfaction factors as well as p-values yielded by the t-tests and d-values (effect sizes) when comparing the means of expectation and satisfaction factors taking all respondents participating in the study into account.

Table 7.19 Paired samples t-test when comparing expectations and satisfaction factors for the total sample

<table>
<thead>
<tr>
<th>Factor</th>
<th>N</th>
<th>Expectations Mean</th>
<th>Std. Dev.</th>
<th>Satisfaction Mean</th>
<th>Std. Dev.</th>
<th>Difference of Mean</th>
<th>Std. Dev. of difference</th>
<th>p-value</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>120</td>
<td>8.85</td>
<td>1.43</td>
<td>7.31</td>
<td>2.17</td>
<td>1.54</td>
<td>2.16</td>
<td>&lt;0.05*</td>
<td>1.1*</td>
</tr>
<tr>
<td>Distribution</td>
<td>120</td>
<td>7.62</td>
<td>1.70</td>
<td>8.07</td>
<td>1.73</td>
<td>0.46</td>
<td>1.84</td>
<td>&lt;0.05*</td>
<td>0.3</td>
</tr>
<tr>
<td>Employee benevolence</td>
<td>120</td>
<td>9.25</td>
<td>0.85</td>
<td>8.78</td>
<td>1.61</td>
<td>0.47</td>
<td>1.39</td>
<td>&lt;0.05*</td>
<td>0.6\▲</td>
</tr>
<tr>
<td>Business benevolence</td>
<td>120</td>
<td>9.60</td>
<td>0.71</td>
<td>8.88</td>
<td>1.66</td>
<td>0.72</td>
<td>1.60</td>
<td>&lt;0.05*</td>
<td>1.0\▲</td>
</tr>
</tbody>
</table>

* Statistically significant
\* Medium effect
\*\* Large effect

From Table 7.19 the following practically significant differences can be observed between respondents’ expectations when choosing a financier and their satisfaction with BPL in particular:

- A large effect size (d = 1.1) indicates that respondents are less satisfied with BPL’s prices (mean = 7.31)(Std. Dev = 2.17) as compared to their price expectations when choosing a financier (mean = 8.85)(Std. Dev = 1.43).

- A medium effect size (d = 0.6) indicates that respondents are less satisfied with BPL’s employee benevolence (mean = 8.78)(Std. Dev = 1.61) compared to their employee benevolence expectations when choosing a financier (mean = 9.25)(Std. Dev = 0.85).
CHAPTER 7: Results

- A large effect size (d = 1.0) indicates that respondents are less satisfied with BPL’s business benevolence (mean = 8.88)(Std. Dev = 1.66) as compared to their business benevolence expectations when choosing a financier (mean = 9.60)(Std. Dev = 0.71).

It should, however, be noted that although these practically significant differences were found between respondents’ satisfaction levels and their expectations, the respondents participating in this study were generally satisfied with BPL in particular concerning these factors, as evidenced by the fact that the means for the satisfaction factors were above the middle point of the scale (5.5) for each factor.

Main Finding PS1: Respondents participating in the study are less satisfied with BPL’s prices, employee benevolence and business benevolence compared to their expectations when choosing a financier.

7.5.4.4 Paired t-tests for differences between expectations and satisfaction factors according to relationship intentions

Paired sample t-tests were performed to determine whether differences exist between the means for the expectation and satisfaction factors for respondents according to different levels of relationship intentions. Initial analyses showed that statistically significant differences exist for five factors, namely product, price, distribution, employee benevolence and business benevolence. Table 7.20 shows descriptive statistics for expectation and satisfaction factors as well as p-values yielded by t-tests and d-values (effect sizes) when comparing respondents based on their relationship intentions.

Although statistically significant differences were found in terms of respondents’ product expectations and their satisfaction with BPL’s products based on their relationship intentions, none of these differences were practically significant.
Table 7.20: Paired samples t-test when comparing expectations and satisfaction factors based on relationship intentions

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Group</th>
<th>Expectations</th>
<th>Satisfaction</th>
<th>Difference of Mean</th>
<th>Std. Dev. of difference</th>
<th>p-value</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mean</td>
<td>Mean</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Std. Dev.</td>
<td>Std. Dev.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>39</td>
<td>Low</td>
<td>6.53</td>
<td>5.71</td>
<td>0.82</td>
<td>1.51</td>
<td>0.47</td>
<td>2.43</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate</td>
<td>7.24</td>
<td>7.82</td>
<td>0.58</td>
<td>1.30</td>
<td>0.57</td>
<td>1.31</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>High</td>
<td>8.12</td>
<td>8.63</td>
<td>0.51</td>
<td>1.22</td>
<td>0.50</td>
<td>1.60</td>
</tr>
<tr>
<td>Price</td>
<td>39</td>
<td>Low</td>
<td>8.66</td>
<td>6.86</td>
<td>1.80</td>
<td>1.92</td>
<td>2.94</td>
<td>2.20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate</td>
<td>8.50</td>
<td>7.62</td>
<td>0.88</td>
<td>1.96</td>
<td>1.86</td>
<td>1.66</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>High</td>
<td>9.36</td>
<td>8.52</td>
<td>0.84</td>
<td>1.65</td>
<td>1.58</td>
<td>1.31</td>
</tr>
<tr>
<td>Distribution</td>
<td>39</td>
<td>Low</td>
<td>6.66</td>
<td>6.69</td>
<td>0.02</td>
<td>1.71</td>
<td>2.51</td>
<td>0.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Moderate</td>
<td>7.61</td>
<td>8.37</td>
<td>0.76</td>
<td>1.46</td>
<td>1.33</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>High</td>
<td>8.52</td>
<td>9.10</td>
<td>0.57</td>
<td>1.03</td>
<td>1.41</td>
<td>0.41</td>
</tr>
<tr>
<td>Employee</td>
<td>39</td>
<td>Low</td>
<td>8.89</td>
<td>7.65</td>
<td>1.24</td>
<td>2.00</td>
<td>2.05</td>
<td>1.3Δ</td>
</tr>
<tr>
<td>benevolence</td>
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<td>Moderate</td>
<td>9.19</td>
<td>9.04</td>
<td>0.14</td>
<td>1.32</td>
<td>0.90</td>
<td>0.31</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>High</td>
<td>9.64</td>
<td>9.59</td>
<td>0.10</td>
<td>0.56</td>
<td>1.50</td>
<td>0.65</td>
</tr>
<tr>
<td>Business</td>
<td>39</td>
<td>Low</td>
<td>9.35</td>
<td>7.72</td>
<td>1.63</td>
<td>2.11</td>
<td>2.24</td>
<td>0.05</td>
</tr>
<tr>
<td>benevolence</td>
<td></td>
<td>Moderate</td>
<td>9.62</td>
<td>9.18</td>
<td>0.44</td>
<td>1.32</td>
<td>1.21</td>
<td>0.5▲</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>High</td>
<td>9.82</td>
<td>9.69</td>
<td>0.13</td>
<td>0.57</td>
<td>0.39</td>
<td>&lt;0.05*</td>
</tr>
</tbody>
</table>

*Statistically significant
▲ Medium effect
Δ Large effect

From Table 7.20 it can be seen that practically significant differences exist between respondents’ price expectations when choosing a financier and their satisfaction with BPL’s prices. Considering respondents’ levels of relationship intentions, the following can be suggested:

- Respondents with high relationship intentions show practically significantly (d = 1.0) less satisfaction with BPL’s prices (mean = 8.52)(Std. Dev = 1.65) compared to their price expectations (mean = 9.36)(Std. Dev = 0.88) when choosing a financier;

- A medium effect size (d = 0.5) indicates that respondents with moderate relationship intentions are less satisfied with BPL’s prices (mean = 7.62)(Std. Dev = 1.96) as compared to their price expectations when choosing a financier (mean = 8.50)( Std. Dev = 1.86).

- The large effect size (d = 2.3) indicates that respondents with low relationship intentions are less satisfied with BPL’s prices (mean 5.71)(Std. Dev = 1.92) as compared to their price expectations when choosing a financier (mean = 8.66)(Std. Dev = 1.29).

From Table 7.20, a practically significant difference emerges between respondents’ distribution expectations when choosing a financier and their satisfaction with BPL’s distribution. Considering respondents’ levels of relationship intentions, the following could be derived:

- A medium effect size (d = 0.5) indicates that respondents with moderate relationship intentions are more satisfied with BPL’s distribution (mean = 8.37)(Std. Dev = 1.46) compared to their distribution expectations when choosing a financier (mean = 7.61)(Std. Dev = 1.61).
CHAPTER 7: Results

From Table 7.20, a practically significant difference can be observed between respondents’ employee benevolence expectations when choosing a financier and their satisfaction with BPL’s employee benevolence. Considering respondents’ levels of relationship intentions, the following can be suggested:

- The large effect size ($d = 1.3$) indicates that respondents with low relationship intentions are less satisfied with BPL’s employee benevolence ($\text{mean} = 7.65, \text{Std. Dev} = 2.00$) as compared to their employee benevolence expectations when choosing a financier ($\text{mean} = 8.89, \text{Std. Dev} = 0.95$).

Practically significant differences can be observed in Table 7.20, between respondents’ business benevolence expectations when choosing a financier and their satisfaction with BPL’s business benevolence. Considering respondents’ levels of relationship intentions, the following can be stated:

- A medium effect size ($d = 0.5$) indicates that respondents with moderate relationship intentions are less satisfied with BPL’s business benevolence ($\text{mean} = 9.18, \text{Std. Dev} = 1.32$) as compared to their business benevolence expectations when choosing a financier ($\text{mean} = 9.62, \text{Std. Dev} = 0.81$).

- The large effect size ($d = 2.0$) indicates that respondents with low relationship intentions are less satisfied with BPL’s business benevolence ($\text{mean} = 7.72, \text{Std. Dev} = 2.11$) as compared to their business benevolence expectations when choosing a financier ($\text{mean} = 9.35, \text{Std. Dev} = 0.18$).

**Main finding PS$_{RI1}$**: Respondents with high relationship intentions are less satisfied with BPL’s prices when compared to their expectations when choosing a financier.

**Main finding PS$_{RI2}$**: Respondents with moderate relationship intentions are less satisfied with BPL’s prices and business benevolence when compared to their expectations when choosing a financier.

**Main finding PS$_{RI3}$**: Respondents with moderate relationship intentions are more satisfied with BPL’s distribution when compared to their expectations when choosing a financier.

**Main finding PS$_{RI4}$**: Respondents with low relationship intentions are less satisfied with BPL’s prices, employee benevolence and business benevolence when compared to their expectations when choosing a financier.
7.5.4.5 Paired t-tests for differences between expectations and satisfaction factors according to business size

Paired sample t-tests were performed to determine whether differences exist between the means of expectation and satisfaction factors according to respondents' business size. Statistically and or practically significant differences exist for four factors, namely price, distribution, employee benevolence and business benevolence. Table 7.21 shows descriptive statistics for the expectations and satisfaction factors as well as p-values yielded by the t-tests and d-values (effect sizes) when comparing the means of expectations and satisfaction factors taking respondents' business sizes into account.

Table 7.21: Descriptive statistics, p-values and d-values for different business sizes comparing respondents' expectations when choosing a financier with satisfaction with BPL

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Group</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Difference of Mean</th>
<th>Std. Dev. of difference</th>
<th>p-value</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>20</td>
<td>Micro</td>
<td>8.16</td>
<td>2.14</td>
<td>6.44</td>
<td>2.47</td>
<td>1.72</td>
<td>2.56</td>
<td>&lt;0.05*</td>
<td>0.8∆</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>Very small</td>
<td>9.25</td>
<td>0.91</td>
<td>7.39</td>
<td>2.13</td>
<td>1.86</td>
<td>2.20</td>
<td>&lt;0.05*</td>
<td>1.5∆</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>Small</td>
<td>8.81</td>
<td>1.11</td>
<td>7.29</td>
<td>2.04</td>
<td>1.52</td>
<td>2.03</td>
<td>&lt;0.05*</td>
<td>1.4∆</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Medium</td>
<td>9.07</td>
<td>1.67</td>
<td>7.44</td>
<td>2.11</td>
<td>1.63</td>
<td>1.92</td>
<td>&lt;0.05*</td>
<td>1.0∆</td>
</tr>
<tr>
<td>Distribution</td>
<td>20</td>
<td>Micro</td>
<td>7.25</td>
<td>1.79</td>
<td>7.42</td>
<td>2.10</td>
<td>0.15</td>
<td>2.11</td>
<td>0.74</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>Very small</td>
<td>8.36</td>
<td>1.84</td>
<td>8.55</td>
<td>1.49</td>
<td>0.18</td>
<td>1.45</td>
<td>0.50</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>Small</td>
<td>7.43</td>
<td>1.55</td>
<td>7.99</td>
<td>1.67</td>
<td>0.56</td>
<td>2.00</td>
<td>0.05</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Medium</td>
<td>7.43</td>
<td>1.58</td>
<td>8.27</td>
<td>1.71</td>
<td>0.82</td>
<td>1.63</td>
<td>&lt;0.05*</td>
<td>0.5∆</td>
</tr>
<tr>
<td>Employee benevolence</td>
<td>20</td>
<td>Micro</td>
<td>8.98</td>
<td>1.02</td>
<td>8.09</td>
<td>2.07</td>
<td>0.90</td>
<td>1.91</td>
<td>&lt;0.05*</td>
<td>0.9∆</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>Very small</td>
<td>9.43</td>
<td>0.78</td>
<td>9.28</td>
<td>1.18</td>
<td>0.15</td>
<td>0.80</td>
<td>0.31</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>Small</td>
<td>9.23</td>
<td>0.75</td>
<td>8.67</td>
<td>1.56</td>
<td>0.56</td>
<td>1.47</td>
<td>&lt;0.05*</td>
<td>0.8∆</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Medium</td>
<td>9.30</td>
<td>0.98</td>
<td>9.05</td>
<td>1.58</td>
<td>0.26</td>
<td>1.17</td>
<td>0.30</td>
<td>0.3</td>
</tr>
<tr>
<td>Business benevolence</td>
<td>20</td>
<td>Micro</td>
<td>9.50</td>
<td>1.00</td>
<td>8.19</td>
<td>2.18</td>
<td>1.31</td>
<td>2.31</td>
<td>&lt;0.05*</td>
<td>1.3∆</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>Very small</td>
<td>9.74</td>
<td>0.54</td>
<td>9.23</td>
<td>1.59</td>
<td>0.50</td>
<td>1.55</td>
<td>0.09</td>
<td>0.9∆</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>Small</td>
<td>9.52</td>
<td>0.70</td>
<td>8.91</td>
<td>1.45</td>
<td>0.61</td>
<td>1.34</td>
<td>&lt;0.05*</td>
<td>0.9∆</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Medium</td>
<td>9.71</td>
<td>0.63</td>
<td>9.02</td>
<td>1.62</td>
<td>0.69</td>
<td>1.37</td>
<td>&lt;0.05*</td>
<td>1.1∆</td>
</tr>
</tbody>
</table>

* Statistically significant  
▲ Medium effect  
∆ = Large effect

From Table 7.21, the following practically significant differences can be observed between the price expectations of respondents representing the variously sizes of businesses when choosing a financier and their satisfaction with BPL’s prices:

- A large effect size (d = 1.0) indicates that respondents representing medium businesses are less satisfied with BPL’s prices (mean = 7.44)(Std. Dev = 2.11) when compared to their price expectations when choosing a financier (mean = 9.07)(Std. Dev = 9.07);

- A large effect size (d = 1.4) indicates that respondents representing small businesses are less satisfied with BPL’s prices (mean = 7.29)(Std. Dev = 2.04) when compared to their price expectations when choosing a financier (mean = 8.81)(Std. Dev = 1.11);
A large effect size ($d = 1.5$) indicates that respondents representing very small businesses are less satisfied with BPL’s prices (mean = 7.89)(Std. Dev = 2.13) when compared to their price expectations when choosing a financier (mean = 9.25)(Std. Dev = 0.91);

Lastly, a large effect size ($d = 0.8$) indicates that respondents representing micro businesses are less satisfied with BPL’s prices (mean = 6.44)(Std. Dev = 2.47) when compared to their price expectations when choosing a financier (mean = 8.16)(Std. Dev = 2.14).

From Table 7.21, the following practically significant difference can be observed between respondents representing various business sizes in terms of distribution expectations when choosing a financier and their satisfaction with BPL’s distribution:

A moderate effect size ($d = 0.5$) indicates that respondents representing medium-sized businesses are more satisfied with BPL’s distribution (mean = 8.27)(Std. Dev = 1.71) when compared to their distribution expectations when choosing a financier (mean = 7.43)(Std. Dev = 1.58).

From Table 7.21, the following practically significant differences can be observed between the employee benevolence expectations of respondents of differently sized businesses when choosing a financier and their satisfaction with BPL’s employee benevolence:

The large effect size ($d = 0.8$) indicates that respondents representing small businesses are less satisfied with BPL’s employee benevolence (mean = 8.67)(Std. Dev = 1.56) when compared to their employee benevolence expectations when choosing a financier (mean = 9.23)(Std. Dev = 0.75);

The large effect size ($d = 0.9$) indicates that respondents representing micro businesses are less satisfied with BPL’s employee benevolence (mean = 8.09)(Std. Dev = 8.09) when compared to their employee benevolence expectations when choosing a financier (mean = 8.99)(Std. Dev = 1.02).

Table 7.21 contains the following practically significant differences can be observed between the business benevolence expectations of respondents representing variously sized businesses when choosing a financier and their satisfaction with BPL’s business benevolence:

The large effect size ($d = 1.1$) indicates that respondents of medium businesses are less satisfied with BPL’s business benevolence (mean = 9.02)(Std. Dev = 1.62) when compared to their business benevolence expectations when choosing a financier (mean = 9.71)(Std. Dev = 0.63);
CHAPTER 7: Results

- The large effect size ($d = 0.9$) indicates that respondents of small businesses are less satisfied with BPL's business benevolence (mean = 8.91)(Std. Dev = 1.45) when compared to their business benevolence expectations when choosing a financier (mean = 9.52)(Std. Dev = 0.70);

- A large effect size ($d = 0.9$) indicates that respondents of very small businesses are less satisfied with BPL's business benevolence (mean = 9.23)(Std. Dev = 1.59) when compared to their business benevolence expectations when choosing a financier (mean = 9.74)(Std. Dev = 0.54);

- The large effect size ($d = 1.3$) indicates that respondents of micro businesses are less satisfied with BPL's business benevolence (mean = 8.19)(Std. Dev = 2.18) when compared to their business benevolence expectations when choosing a financier (mean = 9.50)(Std. Dev = 1.00).

**Main finding PS_{BS1}:** Respondents representing medium-sized business are less satisfied with BPL’s prices and business benevolence compared to their expectations when choosing a financier.

**Main finding PS_{BS2}:** Respondents representing medium-sized business are more satisfied with BPL’s distribution when compared to their distribution expectations when choosing financier.

**Main finding PS_{BS3}:** Respondents representing small business are less satisfied with BPL’s prices, employee benevolence and business benevolence as compared to their expectations when choosing a financier.

**Main finding PS_{BS4}:** Respondents representing very small business are less satisfied with BPL’s prices and business benevolence as compared to their expectations when choosing a financier.

**Main finding PS_{BS5}:** Respondents representing micro business are less satisfied with BPL’s prices, employee benevolence and business benevolence as compared to their expectations when choosing a financier.

7.6 RESPONDENTS’ OVERALL SATISFACTION WITH BPL

As discussed in Chapter 6 (see section 6.3.3.4), the purpose of Question 3 in section B of the questionnaire was to determine respondents’ overall satisfaction with BPL. This section provides the descriptive statistics for the items used to determine respondents’ overall satisfaction with BPL, followed by a discussion on the validity and reliability of the overall
satisfaction measuring scale. The influence of respondents’ relationship intentions as well as the influence of business size on respondents’ overall satisfaction with BPL will also be discussed.

7.6.1 Frequency distribution and means for respondents’ overall satisfaction with BPL

Respondents were asked to rate seven statements used to measure their overall satisfaction with BPL on a 10-point Likert scale, where 1 is “Strongly disagree” and 10 represents “Strongly agree” with the statement. Table 7.22 depicts the results pertaining to respondents’ overall satisfaction with BPL. The results are presented by means of the lowest two box (percentage of respondents who indicated 1 and 2 on the Likert scale) and top two box frequencies (percentage of respondents who indicated 9 and 10 on the Likert scale), means and standard deviations.

From Table 7.22 it can be seen that the item with which respondents agreed least was item 3.77 “BPL exceeds the expectations I had for a financier” (mean = 7.44)(Std. Dev = 2.56), while the statement respondents most agreed with was item 3.71 “I am satisfied with choosing BPL as financier” (mean = 7.98)(Std. Dev = 2.22). Respondents were asked to indicate the degree to which they agreed or disagreed with several statements regarding BPL where “1” is Strongly disagree and “10” is Strongly agree.

7.6.2 The validity of the overall satisfaction measure

When a confirmatory factor analysis was conducted for the items used to measure respondents’ overall satisfaction, it was determined that these items can be reduced to one factor explaining 90.63% of the variance. The MSA was 0.89, and the communalities varied from 0.82 to 0.94.
CHAPTER 7: Results

The construct validity of this factor was thus confirmed and Table 7.23 presents the items and statements that present the overall satisfaction factor.

Table 7.23: Confirmation of the factor measuring overall satisfaction

<table>
<thead>
<tr>
<th>Item</th>
<th>Overall satisfaction items</th>
<th>*KMO value</th>
<th>Eigen value</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>I am satisfied with choosing BPL as financier.</td>
<td>0.93</td>
<td>6.34</td>
<td>Factor 1: Overall satisfaction</td>
</tr>
<tr>
<td>3.2</td>
<td>I think I did the right thing by choosing BPL as financier.</td>
<td>0.86</td>
<td>0.34</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>The choice to choose BPL was a wise one.</td>
<td>0.85</td>
<td>0.12</td>
<td></td>
</tr>
<tr>
<td>3.4</td>
<td>If I had to make the decision again, I would choose BPL.</td>
<td>0.93</td>
<td>0.08</td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td>I am satisfied with the financing advice I receive from BPL.</td>
<td>0.95</td>
<td>0.60</td>
<td></td>
</tr>
<tr>
<td>3.6</td>
<td>BPL meets the expectations I had for a financier.</td>
<td>0.89</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>3.7</td>
<td>BPL exceeds the expectations I had for a financier.</td>
<td>0.89</td>
<td>0.01</td>
<td></td>
</tr>
</tbody>
</table>

*Kaiser-Meyer-Olkin (KMO) value

From Table 7.23 it can be seen that one factor was retained pertaining to respondents’ overall satisfaction.

Main finding OS1: The confirmatory factor analysis supports the overall satisfaction factor identified in the literature review of the study.

7.6.3 Reliability of the overall satisfaction measure

The reliability of the scale measuring the overall satisfaction factor was determined by the Cronbach’s alpha value, which specifies the correlations between items in a scale which are, in turn, used to establish the internal reliability of the data (Zikmund & Babin, 2007:249). Table 7.24 indicates the Cronbach’s alpha value for the factor obtained during the confirmatory factor analysis performed to measure respondents’ overall satisfaction with BPL.

Table 7.24: Cronbach’s alpha value for the overall satisfaction factor

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor label</th>
<th>Cronbach’s alpha value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Overall satisfaction</td>
<td>0.98</td>
</tr>
</tbody>
</table>

As indicated above, the Cronbach’s alpha value of the overall satisfaction factor is larger than 0.70, indicating a high level of reliability between the items measuring each of the factors underlying overall satisfaction (Zikmund & Babin, 2007:249).

Main finding OS2: The factor as confirmed by the confirmatory factor analysis is reliable for measuring respondents’ overall satisfaction with BPL.
CHAPTER 7: Results

7.6.4 Mean score of the overall satisfaction with BPL measuring scale

After the validity and reliability of the measuring scale have been assessed, the overall mean score for the overall satisfaction construct could be calculated. Table 7.25 presents the overall mean score for the overall satisfaction construct.

Table 7.25: Mean score of the overall satisfaction with BPL measuring scale

<table>
<thead>
<tr>
<th>Construct</th>
<th>Overall mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction</td>
<td>7.80</td>
</tr>
</tbody>
</table>

Since the scale used to measure respondents’ overall satisfaction ranged between 1 (representing “Strongly disagree”) and 10 (representing “Strongly agree”), it can be concluded that respondents participating in this study were overall generally satisfied with BPL.

Main finding OS3: Respondents participating in the study were overall generally satisfied with BPL.

7.6.4.1 The influence of relationship intentions on respondents’ overall satisfaction with BPL

A one-way ANOVA was performed to determine if statistically significant differences could be found between respondents of different relationship intentions levels with regards to their overall satisfaction with BPL. From the analysis, statistically and practically significant differences were found for the overall satisfaction factor. Table 7.26 shows descriptive statistics for the overall satisfaction factor as well as Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when considering respondents’ level of relationship intentions.

Table 7.26: Effect sizes of the overall satisfaction factor according to relationship intentions

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level</th>
<th>Relationship intentions</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction</td>
<td>39</td>
<td>5.89</td>
<td>2.39</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>8.20</td>
<td>1.08</td>
<td>3 – 1</td>
<td>Moderate</td>
<td>1.0Δ</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>9.22</td>
<td>0.81</td>
<td>3 – 2</td>
<td>High</td>
<td>1.4Δ</td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level

▲ Medium effect

Δ Large effect

From Table 7.26 one can observe that a large effect size manifested between the means for the overall satisfaction factor for respondents with high and low relationship intentions (d = 1.4), and between those respondents with moderate and low relationship intentions (d = 1.0) in terms of their overall satisfaction with BPL. A medium effect size (d = 0.6) can also be observed between respondents with high and moderate relationship intentions regarding their overall satisfaction.
CHAPTER 7: Results

with BPL. From these mean scores it can be deduced that respondents with high relationship intentions (mean = 9.22)(Std. Dev = 0.81) show higher overall satisfaction with BPL than respondents with moderate relationship intentions (mean = 8.20)(Std. Dev = 1.08) and those respondents with low relationship intentions (mean = 5.89)(Std. Dev = 2.39). From the mean scores it can further be seen that respondents with moderate relationship intentions (mean = 8.20)(Std. Dev = 1.08) exhibit higher overall satisfaction with BPL than respondents with low relationship intentions (mean = 5.89)(Std. Dev = 2.39).

Main finding OS_{RI1}: Respondents with high relationship intentions have higher overall satisfaction with BPL than those with moderate relationship intentions.

Main finding OS_{RI2}: Respondents with high relationship intentions have higher overall satisfaction with BPL than those with low relationship intentions.

Main finding OS_{RI3}: Respondents with moderate relationship intentions have higher overall satisfaction with BPL than those with low relationship intentions.

Next, it was decided to perform a correlation analysis with a view to determine the relationship between respondents’ relationship intentions and their overall satisfaction with BPL using the Spearman Rank Order Correlation (rho). The Spearman rho was used since respondents were categorised according to their relationship intentions levels (therefore an ordinal measure, resulting in the use of the non-parametric test for significance) (Pallant, 2013:133-140). Table 7.27 presents the p-value and the r-value of the Spearman rho for respondents’ relationship intentions with their overall satisfaction with BPL.

<table>
<thead>
<tr>
<th>Correlation between relationship intentions with:</th>
<th>p-value</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction</td>
<td>&lt;.0001</td>
<td>0.7*</td>
</tr>
</tbody>
</table>

*Correlation significant at the 0.05 level

The findings from the correlation analysis, as shown in Table 7.27, support the findings from the ANOVA tests reported above, since a significant large positive correlation was found between respondents’ relationship intentions with their overall satisfaction with BPL (r=0.7). It can therefore be concluded that an increase in respondents’ relationship intentions is concurrent with their overall satisfaction with BPL.

Main finding C_1: There is a positive linear relationship between respondents’ relationship intentions and their overall satisfaction with BPL.
CHAPTER 7: Results

7.6.4.2 The influence of business size on respondents' overall satisfaction with BPL

A one-way ANOVA was performed to determine if there were statistically significant differences between respondents representing businesses of different sizes in terms of their overall satisfaction with BPL. It should be noted that although no statistically significant difference could be discerned, a practically significant difference was found for the overall satisfaction factor. Table 7.28 shows descriptive statistics for the overall satisfaction factor as well as Tukey's comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when comparing respondents of different business sizes according to their overall satisfaction with BPL.

Table 7.28: Effect sizes of the overall satisfaction factor according to business size

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Comparisons significant at the 0.05 level</th>
<th>Business size</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Micro (1)</td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>20</td>
<td>6.86</td>
<td>2.78</td>
<td>None</td>
<td>Very small (2)</td>
<td>0.5*</td>
</tr>
<tr>
<td>satisfaction</td>
<td>28</td>
<td>8.14</td>
<td>2.21</td>
<td></td>
<td>Small (3)</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>7.89</td>
<td>2.00</td>
<td></td>
<td>Medium (4)</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>8.05</td>
<td>2.20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Tukey's comparison significant at the 0.05 level
* Medium effect

From Table 7.28, a medium effect size ($d = 0.5$) can be observed between very small and micro respondents in terms of their overall satisfaction with BPL. From the mean scores it can be derived that respondents of very small businesses ($mean = 8.14$)(Std. Dev = 2.21) show higher overall satisfaction with BPL than respondents representing micro businesses ($mean = 6.86$)(Std. Dev = 2.78).

Main finding OS_{BS1}: Respondents representing very small businesses show higher overall satisfaction with BPL than respondents representing micro businesses.

7.7 RESPONDENTS' LOYALTY TOWARDS BPL

As indicated in Chapter 6 (section 6.3.3.4), the purpose of Question 1 in Section C of the questionnaire was to determine respondents' loyalty towards BPL. This section provides the descriptive statistics for the items used to determine respondents' loyalty towards BPL, followed by a discussion on the validity and reliability of the loyalty measuring scale. The influence of respondents' relationship intentions as well as the influence of business size on respondents' loyalty towards BPL is also discussed.
CHAPTER 7: Results

7.7.1 Frequency distribution and means for respondents’ loyalty towards BPL

Respondents were asked to rate 12 statements aimed at measuring their loyalty towards BPL on a 10-point Likert scale, where 1 is “Strongly disagree” and 10 is “Strongly agree”. Table 7.29 presents the results relating to the loyalty of respondents towards BPL. The results are presented by means of the lowest two box (percentage of respondents who indicated 1 and 2 on the Likert scale) and top two box frequencies (percentage of who indicated 9 and 10 on the Likert scale), means and standard deviations.

Table 7.29: Respondents’ loyalty towards BPL

<table>
<thead>
<tr>
<th>Section C Question 1</th>
<th>Items</th>
<th>Low 2 box%</th>
<th>Top 2 box%</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>I have a positive outlook towards BPL.</td>
<td>5.00%</td>
<td>45.83%</td>
<td>7.92</td>
<td>2.21</td>
</tr>
<tr>
<td>1.2</td>
<td>I have positive feelings towards BPL.</td>
<td>5.84%</td>
<td>46.67%</td>
<td>7.89</td>
<td>2.27</td>
</tr>
<tr>
<td>1.3</td>
<td>I have a positive opinion about BPL.</td>
<td>5.83%</td>
<td>48.34%</td>
<td>7.97</td>
<td>2.25</td>
</tr>
<tr>
<td>1.4</td>
<td>I have a positive view of BPL.</td>
<td>5.00%</td>
<td>47.50%</td>
<td>7.98</td>
<td>2.17</td>
</tr>
<tr>
<td>1.5</td>
<td>I have positive beliefs about BPL.</td>
<td>5.00%</td>
<td>46.66%</td>
<td>7.94</td>
<td>2.21</td>
</tr>
<tr>
<td>1.6</td>
<td>I say positive things about BPL to other employees.</td>
<td>4.17%</td>
<td>55.84%</td>
<td>8.19</td>
<td>2.10</td>
</tr>
<tr>
<td>1.7</td>
<td>I will recommend BPL to others.</td>
<td>4.17%</td>
<td>58.33%</td>
<td>8.20</td>
<td>2.17</td>
</tr>
<tr>
<td>1.8</td>
<td>I consider BPL my first choice when applying for finance.</td>
<td>13.33%</td>
<td>40.00%</td>
<td>6.88</td>
<td>2.96</td>
</tr>
<tr>
<td>1.9</td>
<td>I have an emotional bond with BPL.</td>
<td>15.84%</td>
<td>24.17%</td>
<td>6.19</td>
<td>2.88</td>
</tr>
<tr>
<td>1.10</td>
<td>I will remain with BPL even if other financiers offer better products.</td>
<td>23.34%</td>
<td>20.83%</td>
<td>5.58</td>
<td>2.96</td>
</tr>
<tr>
<td>1.11</td>
<td>I will remain with BPL even if other financiers offer better service.</td>
<td>8.34%</td>
<td>29.17%</td>
<td>5.75</td>
<td>2.94</td>
</tr>
<tr>
<td>1.12</td>
<td>If I had to choose a financier all over again, I would stay with BPL.</td>
<td>21.67%</td>
<td>22.50%</td>
<td>6.73</td>
<td>2.92</td>
</tr>
</tbody>
</table>

From Table 7.29 it can be seen that respondents least agreed with statement C 1.10 “I will remain with BPL even if other financiers offer better products” (mean = 5.58)(Std. Dev = 2.96), whereas they agreed most with statement C 1.7 “I will recommend BPL to others” (mean=8.20)(Std. Dev = 2.17).

7.7.2 The validity of the loyalty measure

When a confirmatory factor analysis was conducted for the 12 items used to measure respondents’ loyalty, the factor analysis identified two constructs measuring respondents’ loyalty, explaining 81.1% of the variance. Although two constructs were retained by the confirmatory factor analysis, the decision was made to retain loyalty as one factor. This decision was based on the fact that the inter-factor correlation for the two retained constructs was very high (r=0.73). The MSA was 0.92. The communalities varied from 0.78 to 0.98. Table 7.30 presents the items and statements that present the loyalty factor.
CHAPTER 7: Results

Table 7.30: Confirmation of the factor measuring loyalty

<table>
<thead>
<tr>
<th>Item</th>
<th>Loyalty items</th>
<th>*KMO value</th>
<th>Eigen value</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>I have a positive outlook towards BPL.</td>
<td>0.92</td>
<td>9.73</td>
<td>Factor 1: Loyalty</td>
</tr>
<tr>
<td>1.2</td>
<td>I have positive feelings towards BPL.</td>
<td>0.88</td>
<td>1.15</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>I have a positive opinion about BPL.</td>
<td>0.91</td>
<td>0.34</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>I have a positive view of BPL.</td>
<td>0.96</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>I have positive beliefs about BPL.</td>
<td>0.96</td>
<td>0.16</td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>I say positive things about BPL to other employees.</td>
<td>0.91</td>
<td>0.11</td>
<td></td>
</tr>
<tr>
<td>1.7</td>
<td>I will recommend BPL to others.</td>
<td>0.93</td>
<td>0.08</td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>I consider BPL my first choice when applying for finance.</td>
<td>0.92</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>1.9</td>
<td>I have an emotional bond with BPL.</td>
<td>0.95</td>
<td>0.32</td>
<td></td>
</tr>
<tr>
<td>1.10</td>
<td>I will remain with BPL even if other financiers offer better products.</td>
<td>0.97</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>1.11</td>
<td>I will remain with BPL even if other financiers offer better service.</td>
<td>0.91</td>
<td>0.12</td>
<td></td>
</tr>
<tr>
<td>1.12</td>
<td>If I had to choose a financier all over again, I would stay with BPL.</td>
<td>0.92</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

*Kaiser-Meyer-Olkin (KMO) value

From Table 7.30 it can be seen that one factor was retained pertaining to respondents’ Loyalty.

**Main finding L1:** The confirmatory factor analysis supports the loyalty factor identified in the literature review of the study.

7.7.3 Reliability of the loyalty measure

The reliability of the scale measuring the loyalty factor is determined by the Cronbach’s alpha values, which specify the correlations between items in a scale which is, in turn, used to establish the internal reliability of the data. Table 7.31 indicates the Cronbach’s alpha value for the factor obtained during the confirmatory factor analysis performed to measure respondents’ loyalty towards BPL.

Table 7.31: Cronbach’s alpha value for the loyalty factor

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor label</th>
<th>Cronbach’s alpha value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loyalty</td>
<td>0.98</td>
</tr>
</tbody>
</table>

As indicated above, the Cronbach’s alpha value of the loyalty factor is larger than 0.70, indicating a high level of reliability between the items measuring the factor underlying loyalty (Zikmund & Babin, 2007:249).

**Main finding L2:** The factor as confirmed by the confirmatory factor analysis is reliable to measure respondents’ loyalty towards BPL.
CHAPTER 7: Results

7.7.4 Overall loyalty mean score

After the validity and reliability of the loyalty measuring scale were assessed, the overall mean score for the loyalty construct was calculated. Table 7.32 presents the overall mean score for the loyalty construct.

Table 7.32: Overall Loyalty mean score

<table>
<thead>
<tr>
<th>Construct</th>
<th>Overall mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>7.26</td>
</tr>
</tbody>
</table>

Since the scale used to measure respondents’ loyalty ranged between 1 (representing “Strongly disagree”) and 10 (representing “Strongly agree”), it can be concluded that respondents participating in this study were generally loyal towards BPL (mean = 7.26).

Main finding L3: Respondents participating in the study were generally loyal towards BPL.

7.7.4.1 The influence of relationship intentions on respondents' loyalty towards BPL

A one-way ANOVA was performed to determine if there were statistically significant differences between respondents who had different relationship intentions levels and their loyalty towards BPL. Initial analyses found statistically as well as practically significant differences in terms of the loyalty factor. Table 7.33 shows descriptive statistics for the loyalty factor as well as Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when comparing the loyalty factor with different levels of relationship intentions.

Table 7.33: Effect sizes of the loyalty factor according to relationship intentions levels

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level*</th>
<th>Relationship intentions</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>5.35</td>
<td>2.08</td>
<td>2 – 1</td>
<td>Low</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>7.56</td>
<td>1.89</td>
<td>3 – 1</td>
<td>Moderate</td>
<td>1.1Δ</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>8.78</td>
<td>1.12</td>
<td>3 - 2</td>
<td>High</td>
<td>1.7Δ</td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level
Δ = Medium effect
▲ = Large effect

In Table 7.33, one can see large effect sizes between the means for the loyalty factor for respondents with high and low relationship intentions (d = 1.7) and between respondents with moderate and low relationship intentions (d = 1.1) in terms of their loyalty towards BPL. A medium effect size (d = 0.6) can also be observed between respondents with high and moderate relationship intentions in terms of their loyalty towards BPL. From the mean scores it can be deduced that respondents who have high relationship intentions (mean score = 8.78)(Std. Dev = 1.12) have higher loyalty towards BPL than respondents with moderate.
CHAPTER 7: Results

relationship intentions (mean = 7.56)(Std. Dev = 1.89) and those respondents with low relationship intentions (mean = 5.35)(Std. Dev = 2.08). From the mean scores it can further be gleaned that respondents with high relationship intentions (mean = 8.78)(Std. Dev = 1.12) show higher loyalty towards BPL than respondents with moderate relationship intentions (mean = 7.56)(Std. Dev = 1.89).

**Main finding L_{RI1}:** Respondents with high relationship intentions show higher loyalty towards BPL than respondents with moderate and low relationship intentions.

**Main finding L_{RI2}:** Respondents with medium relationship intentions show higher loyalty towards BPL than respondents with low relationship intentions.

It was furthermore decided to perform a correlation analysis with a view to determine the relationship between respondents’ relationship intentions and their loyalty towards BPL, by using the Spearman Rank Order Correlation (rho). The Spearman rho was used since respondents were categorised according to their relationship intentions levels (therefore an ordinal measure, resulting in the use of the non-parametric test for significance) (Pallant, 2013:133-140). Table 7.34 presents the p-value and the r-value of the Spearman rho for respondents’ relationship intentions with their loyalty towards BPL.

**Table 7.34:** Correlation between respondents’ relationship intentions and loyalty towards BPL

<table>
<thead>
<tr>
<th>Correlation between relationship intentions with:</th>
<th>p-value</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>&lt;.0001</td>
<td>0.7*</td>
</tr>
</tbody>
</table>

*Correlation significant at the 0.05 level

The findings from the correlation analysis, as portrayed in Table 7.34, support the findings from the ANOVA tests reported above, since a significant large positive correlation was found between respondents’ relationship intentions and their loyalty towards BPL (r=0.7). It can therefore be concluded that an increase in respondents’ relationship intentions is concurrent with their loyalty towards BPL.

**Main finding C_{2}:** There is a positive linear relationship between respondents’ relationship intentions and their loyalty towards BPL.

**7.7.4.2 The influence of business size on respondents’ loyalty towards BPL**

A one-way ANOVA was performed to determine if there were statistically significant differences between the respondents representing businesses of different sizes and their loyalty towards BPL. It should be noted that although no statistically significant differences were found for the loyalty factor, practically significant differences were found. Table 7.35 shows descriptive
statistics for the loyalty factor as well as Tukey's comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when comparing respondents of different business sizes.

Table 7.35: Effect sizes of the loyalty factor according to business size

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level*</th>
<th>Business size</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Micro (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>6.27</td>
<td>2.34</td>
<td>None</td>
<td>Very small (2)</td>
<td>0.7▲</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>7.81</td>
<td>2.26</td>
<td></td>
<td>Small (3)</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>7.28</td>
<td>2.12</td>
<td>0.5▲</td>
<td>Medium (4)</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>7.46</td>
<td>2.22</td>
<td>0.0</td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level
▲ Medium effect

A medium effect size was found between respondents of medium and micro businesses (d = 0.5) and between respondents of very small and micro businesses (d = 0.7) regarding their loyalty towards BPL. From the mean scores it can be deduced that respondents of medium businesses (mean = 7.46)(Std. Dev = 2.22) and those respondents representing very small businesses (mean = 7.81)(Std. Dev = 2.26) show higher loyalty towards BPL than respondents representing micro businesses (mean = 6.27)(Std. Dev = 2.34).

Main finding LBS1: Respondents representing medium businesses show higher loyalty towards BPL than respondents representing micro businesses.

Main finding LBS2: Respondents representing very small businesses show higher loyalty towards BPL than respondents representing micro businesses.

7.7.4.2.1 Correlation analysis: overall satisfaction and loyalty

A correlation analysis was performed to determine the relationship between respondents’ overall satisfaction with BPL and their loyalty towards BPL by using the Pearson product-moment correlation coefficient. The Pearson product-moment correlation coefficient was used since two interval scale measures were used (therefore resulting in the use of a parametric test for significance) (Pallant, 2013:133-140). Table 7.36 presents the p-value and the r-value of the Pearson product-moment correlation coefficients for respondents’ overall satisfaction with BPL and their loyalty towards BPL.

Table 7.36: Correlation between respondents’ overall satisfaction and loyalty towards BPL

<table>
<thead>
<tr>
<th>Correlation between overall satisfaction with:</th>
<th>p-value</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>&lt;.0001</td>
<td>0.9*</td>
</tr>
</tbody>
</table>

*Correlation significant at the 0.05 level

From Table 7.36 it can be derived that a significant large positive correlation was found between respondents’ overall satisfaction with BPL and their loyalty towards BPL (r=0.9). It can therefore
be concluded that an increase in respondents’ overall satisfaction is concurrent with their loyalty towards BPL.

**Main finding C₃:** There is a positive linear relationship between respondents’ overall satisfaction with BPL and their loyalty towards BPL.

### 7.8 RESPONDENTS’ RETENTION TOWARDS BPL

As indicated in Chapter 6 (section 6.3.3.4), the purpose of Question 1 in Section D of the questionnaire was to determine respondents’ retention towards BPL. This section provides the descriptive statistics for the items used to determine respondents’ retention towards BPL, followed by a discussion on the validity and reliability of the retention measuring scale. Next, the influence of respondents’ relationship intentions as well as the influence of business size on respondents’ retention towards BPL will be discussed.

#### 7.8.1 Frequency distribution and means for respondents’ retention towards BPL

Respondents were asked to rate eight statements used to measure their retention towards BPL on a 10-point Likert scale, where 1 is “Strongly disagree” and 10 is “Strongly agree”. Table 7.37 presents the results relating to the retention of respondents towards BPL. The results are presented by means of the lowest two box (percentage of respondents who indicated 1 and 2 on the Likert scale) and top two box frequencies (percentage of respondents who indicated 9 and 10 on the Likert scale), means and standard deviations.
CHAPTER 7: Results

Table 7.37: Respondents’ retention towards BPL

<table>
<thead>
<tr>
<th>Section D</th>
<th>Question 1</th>
<th>Items</th>
<th>Low 2 box%</th>
<th>Top 2 box%</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>I want to build a long-term relationship with BPL.</td>
<td>1.66%</td>
<td>45.84%</td>
<td>8.05</td>
<td>1.93</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>I will continue doing business with BPL in the future.</td>
<td>5.00%</td>
<td>45.84%</td>
<td>7.73</td>
<td>2.29</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>I intend to extend existing finance contracts with BPL when they expire.</td>
<td>10.00%</td>
<td>34.17%</td>
<td>6.80</td>
<td>2.72</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>If I knew what I know now when I started doing business with BPL, I would select BPL again</td>
<td>6.67%</td>
<td>42.50%</td>
<td>7.48</td>
<td>2.61</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>I intend to do more business with BPL over the short term (3 to 5 years).</td>
<td>6.67%</td>
<td>38.34%</td>
<td>7.28</td>
<td>2.77</td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>I will repeatedly re-apply for financing at BPL in the future.</td>
<td>5.00%</td>
<td>41.67%</td>
<td>7.12</td>
<td>2.67</td>
<td></td>
</tr>
<tr>
<td>1.7</td>
<td>I will become more loyal to BPL if they offered more individualised attention.</td>
<td>12.50%</td>
<td>25.00%</td>
<td>6.21</td>
<td>2.67</td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>I intend to do more business with BPL in the medium to long term (7 to 15 years).</td>
<td>6.67%</td>
<td>35.84%</td>
<td>6.90</td>
<td>2.65</td>
<td></td>
</tr>
</tbody>
</table>

From Table 7.37 it can be observed that respondents agreed least with statement D 1.96 “I will become more loyal to BPL if they offered more individualised attention” (mean = 6.21)(Std. Dev = 2.67) and agreed most with statement D 1.90 “I want to build a long-term relationship with BPL” (mean = 8.05)(Std. Dev = 1.93). Respondents were asked to indicate the degree to which they agreed or disagreed with several statements regarding BPL, where “1” is Strongly disagree and “10” is “Strongly agree”.

7.8.2 The validity of retention measure

When a confirmatory factor analysis was conducted for the items used to measure respondents’ retention towards BPL, it was confirmed that these items can be reduced to one factor explaining 73.73% of the variance. The MSA was 0.87 and the communalities varied from 0.17 to 0.90. The retention factor validity of this factor was thus confirmed. Table 7.38 presents the items and statements that present the retention factor.
CHAPTER 7: Results

Table 7.38: Confirmation of the factor measuring retention

<table>
<thead>
<tr>
<th>Item</th>
<th>Retention items</th>
<th>KMO value</th>
<th>Eigen value</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>I want to build a long-term relationship with BPL.</td>
<td>0.80</td>
<td>5.90</td>
<td>Factor 1: Retention</td>
</tr>
<tr>
<td>1.2</td>
<td>I will continue doing business with BPL in the future.</td>
<td>0.79</td>
<td>0.93</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>I intend to extend existing finance contracts with BPL when they expire.</td>
<td>0.93</td>
<td>0.50</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>If I knew what I know now when I started doing business with BPL, I would select BPL again</td>
<td>0.88</td>
<td>0.26</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>I intend to do more business with BPL over the short term (3 to 5 years).</td>
<td>0.93</td>
<td>0.18</td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>I will repeatedly re-apply for financing at BPL in the future.</td>
<td>0.93</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>1.7</td>
<td>I will become more loyal to BPL if they offered more individualised attention.</td>
<td>0.91</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>I intend to do more business with BPL in the medium to long term (7 to 15 years).</td>
<td>0.70</td>
<td>0.06</td>
<td></td>
</tr>
</tbody>
</table>

*Kaiser-Meyer-Olkin (KMO) value

From Table 7.38 it can be seen that one factor was retained pertaining to respondents’ Retention.

Main finding RET₁: The confirmatory factor analysis supports the retention factor identified in the literature review of the study.

7.8.3 Reliability of the retention measure

The reliability of the scale measuring the retention factor is determined by the Cronbach’s alpha values, which specify the correlations between items in a scale which are, in turn, used to establish the internal reliability of the data (Zikmund & Babin, 2007:249). Table 7.39 below indicates the Cronbach’s alpha values for the factor obtained during the confirmatory factor analysis performed to measure respondents’ retention towards BPL.

Table 7.39: Cronbach’s alpha value for the retention factor

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor label</th>
<th>Cronbach’s alpha values</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Retention</td>
<td>0.94</td>
</tr>
</tbody>
</table>

As indicated in Table 7.39, the Cronbach’s alpha value for the retention factor is larger than 0.70, indicating a high level of reliability between the items measuring the factor underlying retention (Zikmund & Babin, 2007:249).

Main finding RET₂: The factor as confirmed by the confirmatory factor analysis is reliable to measure respondents’ retention towards BPL.
CHAPTER 7: Results

7.8.4 Overall retention mean score

After the validity and reliability of the measuring scale were assessed, the overall mean score for the retention construct was calculated. Table 7.40 presents the overall mean score for the retention construct.

Table 7.40: Overall retention mean score

<table>
<thead>
<tr>
<th>Construct</th>
<th>Overall mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention</td>
<td>7.20</td>
</tr>
</tbody>
</table>

Since the scale used to measure respondents’ retention ranged between 1 (representing “Strongly disagree”) and 10 (representing “Strongly agree”), it can be concluded that respondents participating in this study were generally likely to be retained by BPL (mean = 7.20).

Main finding RET3: Respondents participating in the study were generally likely to be retained by BPL.

7.8.4.1 The influence of relationship intentions on respondents’ retention towards BPL

A one-way ANOVA was performed to determine if statistically significant differences could be found between respondents with different levels of relationship intentions regarding their retention towards BPL. From the analysis, statistically and practically significant differences were found for the retention factor. Table 7.41 shows descriptive statistics for the retention factor as well as Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when comparing respondents with different levels of relationship intentions.

Table 7.41: Effect sizes of the retention factor according to relationship intentions

<table>
<thead>
<tr>
<th>Factor</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level*</th>
<th>Relationship intentions</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Retention</td>
<td>39</td>
<td>5.47</td>
<td>1.76</td>
<td>2 – 1</td>
<td>Low</td>
<td>1.0Δ</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>7.37</td>
<td>1.89</td>
<td>3 – 1</td>
<td>Moderate</td>
<td>1.0Δ</td>
</tr>
<tr>
<td></td>
<td>42</td>
<td>8.64</td>
<td>1.48</td>
<td>3 – 2</td>
<td>High</td>
<td>1.8Δ</td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level
Δ = Medium effect
ΔΔ = Large effect

From Table 7.41 a large effect size can be observed between respondents with high and low relationship intentions (d = 1.8) and those respondents with moderate and low relationship intentions (d = 1.0) regarding their retention towards BPL. A medium effect size can also be observed between respondents with high relationship intentions and those with moderate relationship intentions (d = 0.7) regarding their retention towards BPL. From the mean scores it can be deduced that respondents showing high relationship intentions (mean score = 8.64) and
CHAPTER 7: Results

 Moderate relationship intentions (mean = 7.37)(Std. Dev = 1.89) show higher retention than respondents with low relationship intentions (mean = 5.47)(Std. Dev = 1.76). From the mean scores it can further be gleaned that respondents with high relationship intentions (mean = 8.64)(Std. Dev = 1.48) show higher retention than respondents with moderate relationship intentions (mean = 7.37)(Std. Dev = 1.89).

**Main finding RET_{HI}:** Respondents with high relationship intentions show higher retention towards BPL than respondents with moderate and low relationship intention.

**Main finding RET_{MI}:** Respondents with moderate relationship intentions show higher retention towards BPL than respondents with low relationship intention.

It was subsequently decided to perform a correlation analysis with a view to determine the relationship between respondents’ relationship intentions and their retention towards BPL, by using the Spearman Rank Order Correlation (rho). The Spearman rho was used since respondents were categorised according to their relationship intentions levels (therefore an ordinal measure, resulting in the use of the non-parametric test for significance) (Pallant, 2013:133-140). Table 7.42 presents the p-value and the r-value of the Spearman rho for respondents' relationship intentions with their retention towards BPL.

**Table 7.42: Correlation between respondents’ relationship intentions and retention towards BPL**

<table>
<thead>
<tr>
<th>Correlation between relationship intentions with:</th>
<th>p-value</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention</td>
<td>&lt;.0001</td>
<td>0.6*</td>
</tr>
</tbody>
</table>

*Correlation significant at the 0.05 level

The findings from the correlation analysis, as portrayed in Table 7.42, support the findings from the ANOVA tests reported above, since a significantly large positive correlation was found between respondents’ relationship intentions with their retention towards BPL (r=0.6). It can therefore be concluded that an increase in respondents’ relationship intentions is concurrent with their retention towards BPL.

**Main finding C4:** There is a positive linear relationship between respondents’ relationship intentions and their retention towards BPL.

### 7.8.4.2 The influence of business size on respondents’ retention towards BPL

A one-way ANOVA was performed to determine if there were statistically significant differences between respondents of different business sizes in terms of their retention towards BPL. It should be noted that although no statistically significant difference was found, a practically significant difference was found for the retention factor. Table 7.43 shows descriptive statistics...
for the retention factor as well as Tukey’s comparisons (statistically significant at the 0.05 level) and d-values (effect sizes) when comparing respondents from different business sizes.

Table 7.43: Effect sizes of the retention factor according to business size

<table>
<thead>
<tr>
<th>Factor</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Comparisons significant at the 0.05 level*</th>
<th>Business size</th>
<th>d-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Micro (1)</td>
<td></td>
</tr>
<tr>
<td>Retention</td>
<td>20</td>
<td>6.67</td>
<td>2.07</td>
<td>None</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>7.54</td>
<td>2.28</td>
<td></td>
<td>Very small (2)</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>7.00</td>
<td>2.15</td>
<td></td>
<td>Small (3)</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>7.67</td>
<td>2.01</td>
<td></td>
<td>Medium (4)</td>
<td>0.5▲</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Tukey’s comparison significant at the 0.05 level
▲ Medium effect

A medium effect size (d = 0.5) can be observed between respondents of medium size businesses and those of micro businesses in terms of their retention towards BPL. From the mean scores it can be deduced that respondents of medium businesses (mean = 7.67)(Std. Dev = 2.01) show higher retention towards BPL than those representing micro business (mean = 6.67).

Main finding RETBS1: Respondents of medium businesses show higher retention towards BPL than respondents representing micro businesses.

7.8.4.2.1 Correlation analysis: loyalty and retention

A correlation analysis was performed to determine the relationship between respondents’ loyalty towards BPL and their retention towards BPL by using the Pearson product-moment correlation coefficient. The Pearson product-moment correlation coefficient was used since two interval scale measures were used (therefore resulting in the use of a parametric test for significance) (Pallant, 2013:133-140). Table 7.44 presents the p-value and the r-value of the Pearson product-moment correlation coefficients for respondents’ loyalty towards BPL with their retention towards BPL.

Table 7.44: Correlation between respondents’ loyalty towards BPL and retention towards BPL

<table>
<thead>
<tr>
<th>Correlation between loyalty with:</th>
<th>p-value</th>
<th>r-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retention</td>
<td>&lt;.0001</td>
<td>0.8*</td>
</tr>
</tbody>
</table>

*Correlation significant at the 0.05 level

From Table 7.44 it can be observed that a significant large positive correlation emerged between respondents’ loyalty towards BPL and their retention towards BPL (r=0.8). It can therefore be concluded that an increase in respondents’ loyalty towards BPL is concurrent with their retention towards BPL.
CHAPTER 7: Results

Main finding C5: There is a positive linear relationship between respondents’ loyalty towards BPL and their retention towards BPL.

7.9 SUMMARY OF MAIN FINDINGS

The purpose of this section is to summarise the main findings observed throughout this chapter.

7.9.1 Main findings: relationship intentions factors

Section E of the questionnaire consisted of questions relating to customers’ relationship intentions. Due to the importance of relationship intentions in this study as discussed in Chapter 3, the interpretation of main findings commenced with the division of customers according to relationship intentions, therefore Section E of the questionnaire. As discussed in section 7.4.1, a confirmatory factor analysis was conducted in order to determine whether the five relationship intentions factors were reliable for using in this study. The following main findings were observed regarding relationship intentions:

| RI₁ | The confirmatory factor analysis supports the relationship intentions factors identified in the literature review of the study. |
| RI₂ | The factors as confirmed by the confirmatory factor analysis are reliable to measure respondents’ relationship intentions. |
| RI₃ | The overall relationship intentions measure is reliable for measuring respondents’ relationship intentions. |
| RI₄ | Respondents participating in the study generally had higher relationship intentions towards BPL. |
| RI₅ | Respondents could be categorised according to their relationship intentions as having low, moderate and high relationship intentions. |

The following main findings were reported regarding respondent’s relationship intentions according to business size:

| RI₈S₁ | Respondents of medium, small and very small businesses have higher relationship intentions expectations than respondents representing micro businesses. |
| RI₈S₂ | Respondents of medium and small businesses have higher overall relationship intentions than respondents representing micro businesses. |
CHAPTER 7: Results

7.9.2 Respondents’ expectations when choosing a financier and their satisfaction with BPL in particular

Section B of the questionnaire consisted of questions that aimed to determine the expectations of respondents when choosing a financier, their satisfaction with BPL in particular and the overall satisfaction with BPL. The following main findings from section B were observed:

In section 7.5.2, a confirmatory factor analysis was conducted in order to determine whether the six expectation factors were reliable for use in this study. If found to be valid, these would also be applicable to satisfaction factors. The following main findings were observed from this:

<table>
<thead>
<tr>
<th>EXP1</th>
<th>The confirmatory factor analysis supports the expectation factors that have been identified in the literature review of the study, namely product, pricing, distribution, advertising, employee benevolence and business benevolence to measure respondents’ expectations when selecting a financier.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXP2</td>
<td>The six factors confirmed by the confirmatory factor analyses are reliable to measure respondents’ expectations when selecting a financier.</td>
</tr>
</tbody>
</table>

The following main findings were reported regarding respondent’s expectation factors according to relationship intentions:

<table>
<thead>
<tr>
<th>EXPRI1</th>
<th>Respondents with high relationship intentions have higher product, price, distribution, advertising, employee benevolence and business benevolence expectations than respondents with low relationship intentions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPRI2</td>
<td>Respondents with high relationship intentions show higher product, price, distribution, advertising and employee benevolence expectations than those of moderate relationship intentions.</td>
</tr>
<tr>
<td>EXPRI3</td>
<td>Respondents with moderate relationship intentions have higher distribution expectations that those respondents with low relationship intentions.</td>
</tr>
</tbody>
</table>

The following main findings were reported regarding respondent’s expectation factors according to business size:

<table>
<thead>
<tr>
<th>EXPSI1</th>
<th>Respondents representing medium-sized businesses have higher advertising expectations than those respondents of micro businesses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPSI2</td>
<td>Respondents representing small businesses have higher advertising expectations than respondents representing micro businesses.</td>
</tr>
<tr>
<td>EXPSI3</td>
<td>Respondents representing very small businesses have higher product, price, and distribution and advertising expectations when choosing a financier than respondents representing micro businesses. Respondents representing very small businesses also have higher distribution expectations than respondents representing small and medium businesses.</td>
</tr>
</tbody>
</table>
CHAPTER 7: Results

The following main findings were reported regarding respondent’s satisfaction factors according to relationship intentions:

| SAT_{RI1} | Respondents with high relationship intentions show higher product, price, distribution, advertising, employee benevolence, and business benevolence satisfaction than respondents with moderate relationship intentions. |
| SAT_{RI2} | Respondents with high relationship intentions show higher product, price, distribution, advertising, employee benevolence, and business benevolence satisfaction than respondents with low relationship intentions. |
| SAT_{RI3} | Respondents with moderate relationship intentions show higher product, price, distribution, advertising, employee benevolence, and business benevolence satisfaction than respondents with low relationship intentions. |

The following main findings were reported regarding respondent’s satisfaction factors according to business size:

| SAT_{BS1} | Respondents of medium businesses show higher product, advertising and employee benevolence satisfaction than respondents representing micro businesses. |
| SAT_{BS2} | Respondents representing very small businesses show higher product, price, distribution, employee benevolence and business benevolence satisfaction than those representing micro businesses. |

The following main findings were reported regarding differences between respondents’ expectation and satisfaction factors according to relationship intentions:

| PS_{TS1} | Respondents participating in the study are less satisfied with BPL’s prices, employee benevolence and business benevolence compared to their expectations when choosing a financier. |
| PS_{TS2} | Although practically significant differences were found between respondents’ satisfaction levels and their expectations, respondents participating in this study were generally satisfied with BPLs prices, employee benevolence and business benevolence, as evidenced by the means for the satisfaction factors (all means were above the middle point of the scale). |
| PS_{RI1} | Respondents with high relationship intentions are less satisfied with BPL’s prices as compared to their expectations when choosing a financier. |
| PS_{RI2} | Respondents with moderate relationship intentions are less satisfied with BPL’s prices and business benevolence as compared to their expectations when choosing a financier. |
| PS_{RI3} | Respondents with moderate relationship intentions are more satisfied with BPL’s distribution compared to their expectations when choosing a financier. |
CHAPTER 7: Results

| PSRI4 | Respondents with low relationship intentions are less satisfied with BPL’s prices, employee benevolence and business benevolence as compared to their expectations when choosing a financier. |

The following main findings were reported regarding differences between respondents’ expectation and satisfaction factors according to business size:

| PSBS1 | Respondents representing medium business are less satisfied with BPL’s prices and business benevolence as compared to their expectations when choosing a financier. |
| PSBS2 | Respondents representing medium business more satisfied with BPL’s distribution as compared to their distribution expectations when choosing financier. |
| PSBS3 | Respondents representing small business are less satisfied with BPL’s prices, employee benevolence and business benevolence as compared to their expectations when choosing a financier. |
| PSBS4 | Respondents representing very small business are less satisfied with BPL’s prices and business benevolence as compared to their expectations when choosing a financier. |
| PSBS5 | Respondents representing micro business are less satisfied with BPL’s prices, employee benevolence and business benevolence as compared to their expectations when choosing a financier. |

As discussed in section 7.6.2, a confirmatory factor analysis was conducted in order to determine whether the overall satisfaction factor was reliable for using in this study. The results were as follows:

| OS1 | The confirmatory factor analysis supports the overall satisfaction factor identified in the literature review of the study. |
| OS2 | The factor as confirmed by the confirmatory factor analysis is reliable to measure respondents’ satisfaction with BPL. |
| OS3 | Overall, respondents participating in the study were generally satisfied with BPL. |

The following main findings were reported regarding respondents overall satisfaction with BPL according to their relationship intentions:

| OSRI1 | Respondents with high relationship intentions have higher overall satisfaction with BPL than those with moderate relationship intentions. |
| OSRI2 | Respondents with high relationship intentions have higher overall satisfaction with BPL than those with low relationship intentions. |
| OSRI3 | Respondents with moderate relationship intentions have higher overall satisfaction with BPL than
CHAPTER 7: Results

those with low relationship intentions.

\( C_1 \) There is a positive linear relationship between respondents’ relationship intentions and their overall satisfaction with BPL.

The following main finding was reported regarding differences between respondents overall satisfaction according to business size:

\( OS_{BS1} \) Respondents representing very small businesses show higher overall satisfaction with BPL than respondents of micro businesses.

7.9.3 Main findings: Respondents’ loyalty towards BPL

Section C of the questionnaire consisted of questions that aimed to determine respondents’ loyalty towards BPL. In section 7.7.2, a confirmatory factor analysis was conducted in order to determine whether the loyalty factor was reliable for using in this study. The results were as follows:

\( L_1 \) The confirmatory factor analysis supports the loyalty factor identified in the literature review of the study.

\( L_2 \) The factor as confirmed by the confirmatory factor analysis is reliable for measuring respondents’ loyalty towards BPL.

\( L_3 \) Respondents participating in the study were generally loyal towards BPL.

The following main findings from Section C were observed regarding respondents loyalty towards BPL according to relationship intentions:

\( L_{RI1} \) Respondents with high relationship intentions show higher loyalty towards BPL than respondents with moderate and low relationship intentions.

\( L_{RI2} \) Respondents with medium relationship intentions show higher loyalty towards BPL than respondents with low relationship intentions.

\( C_2 \) There is a positive linear relationship between respondents’ relationship intentions and their loyalty towards BPL.

\( C_3 \) There is a positive linear relationship between respondents’ overall satisfaction with BPL and their loyalty towards BPL.

The following main findings were reported regarding respondents loyalty towards BPL according to business size:

231
CHAPTER 7: Results

<table>
<thead>
<tr>
<th>LBs1</th>
<th>Respondents of medium businesses show higher loyalty towards BPL than respondents of micro businesses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LBs2</td>
<td>Respondents of very small businesses show higher loyalty towards BPL than respondents of micro businesses.</td>
</tr>
</tbody>
</table>

7.9.4 Respondents’ retention towards BPL

Section D of the questionnaire consisted of questions that aimed to determine respondents’ retention towards BPL. In section 7.8.2, a confirmatory factor analysis was conducted in order to determine whether the retention factor was reliable to use in this study. The following main findings from Section D were observed:

<table>
<thead>
<tr>
<th>RET1</th>
<th>The confirmatory factor analysis supports the retention factor identified in the literature review of the study.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RET2</td>
<td>The factor as confirmed by the confirmatory factor analysis is reliable and can be used to measure respondents’ retention towards BPL.</td>
</tr>
<tr>
<td>RET3</td>
<td>Respondents participating in the study were generally likely to be retained by BPL.</td>
</tr>
</tbody>
</table>

The following main findings were reported regarding respondents retention towards BPL according to relationship intentions:

<table>
<thead>
<tr>
<th>RETRI1</th>
<th>Respondents with high relationship intentions show higher retention towards BPL than respondents of moderate and low relationship intentions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RETRI2</td>
<td>Respondents with moderate relationship intentions show higher retention towards BPL than respondents of low relationship intentions.</td>
</tr>
<tr>
<td>C4</td>
<td>There is a positive linear relationship between respondents’ relationship intentions and their retention towards BPL.</td>
</tr>
<tr>
<td>C5</td>
<td>There is a positive linear relationship between respondents’ loyalty towards BPL and their retention towards BPL.</td>
</tr>
</tbody>
</table>

The following main finding was reported regarding respondent’s retention towards BPL according to business size:

| RETBS1 | Respondents representing medium businesses show higher retention towards BPL than respondents representing micro businesses. |
CHAPTER 7: Results

7.10 MAIN FINDINGS RELATING TO THE RESEARCH PROPOSITIONS

Sections 7.10.1 – 7.10.6 deal with the main findings with regard to the research propositions and will accordingly be discussed.

7.10.1 Research proposition 1

The first research proposition states that SME customers’ relationship intentions influence their overall satisfaction with BPL. (Overall satisfaction received comprehensive attention in Chapter 4.)

The results pertaining to this proposition were obtained by asking respondents to indicate whether they agreed or disagreed with several statements regarding their overall satisfaction with BPL. From the confirmatory factor analysis, one underlying factor was confirmed as measuring respondents’ overall satisfaction, referred to as overall satisfaction (Main finding OS₁).

Concerning respondents’ overall satisfaction with BPL, it was found that respondents with high relationship intentions have higher overall satisfaction with BPL than those respondents with moderate relationship intentions (Main finding OS₁R₁) as well as those with low relationship intentions (Main finding OS₁R₂). It could furthermore be concluded that respondents with moderate relationship intentions have higher overall satisfaction with BPL than those respondents with low relationship intentions (Main finding OS₁R₃).

A correlation analysis further supported these findings by identifying a significant large positive relationship between respondents’ relationship intentions and their overall satisfaction with BPL. It can therefore be concluded that an increase in respondents’ relationship intentions is concurrent with an increase in their overall satisfaction with BPL, and that a positive linear relationship exists between respondents’ relationship intentions and their overall satisfaction with BPL (Main finding C₁).

From the discussion it can be concluded that Proposition 1 should be supported.

7.10.2 Research proposition 2

The second research proposition states that SME customers’ relationship intentions influence their loyalty towards BPL (Loyalty was discussed in Chapter 5).
CHAPTER 7: Results

The results pertaining to this proposition were obtained by asking respondents in section B (questions 71 – 77) to indicate whether they agreed or disagreed with several statements regarding their loyalty towards BPL. From the confirmatory factor analysis, one underlying factor was confirmed to measure respondents’ loyalty. (Main finding L₁).

Concerning respondents’ loyalty towards BPL, it was found that respondents with high relationship intentions show higher loyalty towards BPL than respondents with moderate and low relationship intentions (Main finding L₁RI₁). From Main finding L₁RI₂ showed that respondents with moderate relationship intentions show higher loyalty towards BPL than respondents with low relationship intentions.

A subsequent correlation analysis further supported these findings by identifying a significantly large positive relationship between respondents’ relationship intentions and their loyalty towards BPL. It can therefore be concluded that an increase in respondents’ relationship intentions is concurrent with an increase in their loyalty towards BPL and that a positive linear relationship exists between respondent’s relationship intentions and their loyalty towards BPL (Main finding C₂).

From the discussion it can be concluded that Proposition 2 should be supported.

7.10.3 Research proposition 3

The third research proposition states that SME customers’ relationship intentions influence their retention towards BPL. (Retention received more comprehensive attention in Chapter 5).

The results pertaining to this proposition was obtained by asking respondents in section D (questions 90 – 97) to indicate whether they agreed or disagreed with several statements regarding their retention towards BPL. From a confirmatory factor analysis, one underlying factor was confirmed to measure respondents’ retention (Main finding RET₁).

With regard to respondents’ retention towards BPL, it was found that respondents with high relationship intentions show higher retention towards BPL than respondents with moderate and low relationship intentions (Main finding RET₁RI₁). From Main finding RET₁RI₂ it could furthermore be seen that respondents with moderate relationship intentions show higher retention towards BPL than respondents with low relationship intentions.

A correlation analysis further supported these findings by identifying a significantly large positive relationship between respondents’ relationship intentions and their retention towards BPL. It can therefore be concluded that an increase in respondents’ relationship intentions is concurrent
CHAPTER 7: Results

with an increase in their retention towards BPL and that a positive linear relationship exists between respondent’s relationship intentions and their retention towards BPL (Main finding C4).

From the discussion it can be concluded that Proposition 3 should be supported.

7.10.4 Research proposition 4

The fourth research proposition states that there is a positive correlation between SME customers’ overall satisfaction with BPL and their loyalty towards BPL. (Overall satisfaction received attention in Chapter 4 and loyalty in Chapter 5).

Results from a correlation analysis indicated that a significantly large positive relationship exists between respondents’ overall satisfaction with BPL and their loyalty towards BPL. It can therefore be concluded that an increase in respondents’ overall satisfaction is concurrent with an increase in their loyalty towards BPL and that a positive linear relationship exists between respondents’ overall satisfaction and their loyalty towards BPL (Main finding C3).

From the discussion it can be concluded that Proposition 4 should be supported.

7.10.5 Research proposition 5

The fifth research proposition states that there is a positive correlation between SME customers’ Loyalty towards BPL and their Retention towards BPL (Loyalty and retention received comprehensive attention in Chapter 5).

Results from a correlation analysis indicated that a significantly large positive relationship exists between respondents’ loyalty with BPL and their retention towards BPL. It can therefore be concluded that an increase in respondents’ loyalty is concurrent with an increase in their retention towards BPL and that a positive linear relationship exists between respondent’s loyalty and their retention towards BPL (Main finding C5).

From the discussion it can be concluded that Proposition 5 should be supported.

7.10.6 Research proposition 6

The sixth research proposition states that SME customers’ relationship intentions, and not their business size, influence their overall satisfaction with, loyalty and retention towards BPL. (Overall satisfaction received attention in Chapter 4 and Loyalty and Retention were discussed in Chapter 5).
Before it could be established whether respondents’ relationship intentions and not their business size influence their overall satisfaction with loyalty and retention, it was necessary to categorise respondents according to their relationship intentions and according to their businesses’ sizes.

Regarding respondents’ relationship intentions, it could be concluded that (1) an increase in respondents’ relationship intentions is concurrent with an increase in their overall satisfaction with BPL, and that a positive linear relationship exists between respondents’ relationship intentions and their overall satisfaction with BPL (Main finding C₁); (2) that an increase in respondents’ relationship intentions is concurrent with an increase in their loyalty towards BPL and that a positive linear relationship exists between respondent’s relationship intentions and their loyalty towards BPL (Main finding C₂); and (3) that an increase in respondents’ relationship intentions is concurrent with an increase in their retention towards BPL and that a positive linear relationship exists between respondent’s relationship intentions and their retention towards BPL (Main finding C₃).

With respect to business size, results pertaining to respondents’ overall satisfaction with BPL indicated that respondents of very small businesses show higher overall satisfaction with BPL than respondents representing micro businesses (Main finding OSBS₁). It could also be concluded that respondents of medium businesses show higher loyalty towards BPL than respondents representing micro businesses (Main finding LBS₁). It could further be concluded that respondents of very small businesses show higher loyalty towards BPL than respondents representing micro businesses (Main finding LBS₂). Concerning respondents’ retention with BPL, respondents of medium businesses show higher retention towards BPL than respondents representing micro businesses (Main finding RETBS₁). From this discussion it emerges that there is no clear pattern concerning the influence of respondents’ business size on their satisfaction with BPL, nor their loyalty or retention towards BPL.

From this discussion it is suggested that Proposition 6 should be supported.

### 7.11 CONCLUSION

Chapter 7 set out and discussed the main empirical findings of this study. The chapter commenced by presenting the sample profile and realisation rate. The rest of the results were discussed in the order that these appeared on the questionnaire. Confirmatory factor analyses were conducted on relationship intentions factors, expectation factors and satisfaction factors. The remaining data was further analysed by means of frequency analysis (the occurrence of the number of times a particular value of a variable occurs, t-tests for independent groups to
CHAPTER 7: Results

determine the statistical significance between a sample distribution mean and a parameter (Cooper & Schindler, 2003:535), one-way ANOVAs to determine the statistical difference of means between more than two groups (i.e. different business sizes) and relationship intentions (low, moderate or high) and Pearson correlations coefficient’s to estimate the linear association based on the sampling data. Chapter 8 concludes the study by presenting a summary of the study, as well as conclusions and recommendations arising from the analyses.
CHAPTER 8: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

This final chapter concludes this study by drawing conclusions and suggesting recommendations based on the empirical results reported in Chapter 7 and the preceding literature chapters. The chapter commences with a brief overview of the study, followed by conclusions and recommendations in relation to the secondary objectives set for the study. This is followed by an overview of the link between the objectives of this study, questions in the questionnaire, main findings, conclusions, and recommendations (in table format). Finally, the limitations of the study are highlighted, and recommendations for future research are presented.

8.2 OVERVIEW OF THE STUDY

The financing industry, consisting of commercial banks and equity and risk financiers is a highly competitive industry that presents vast and diverse challenges. One of these challenges is attracting new SME customers while also retaining existing ones. A way of achieving this goal is by offering superior customer satisfaction (Gounaris et al., 2007:67). Ndubisi and Wah (2005:542) concur; they posit that offering superior customer satisfaction should be viewed as fundamental to achieve success, while Liang and Wang (2005:156) propose that offering customer satisfaction is fundamentally important for success, but also essential for ensuring a business’ survival in a competitive market-place. If a business were to succeed in the endeavour to achieve superior customer satisfaction, those financiers dealing with SMEs can gain a competitive advantage and distinguish them based on customer satisfaction. The primary objective of the current study was therefore to develop a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business (B2B) financing environment.

Kotler and Armstrong (2008:13) propound those higher levels of customer satisfaction lead to greater loyalty. Literature further suggests that customer satisfaction contributes towards positive repurchase intentions which, if occurring on a continuous basis, could lead to loyalty (Carpenter, 2008:359; Yu, 2007:556). Little and Marandi (2005:27) add that customer retention is achieved by gaining customers’ loyalty based on mutual commitment. Considering that higher levels of satisfaction can lead to greater customer loyalty, customer retention ultimately sprouts from satisfaction (Kotler & Armstrong, 2008:13; Gummesson, 2006:232).
Although various types of relationships in any business are fundamental to its success, not all customers are interested in building long-term relationships with businesses. Kumar et al. (2003:670) therefore propose that businesses should only build relationships with those customers who show high relationship intentions. Gounaris et al. (2007:70) underline the importance of studying customers’ relationship intention as this serves as an indication of customer commitment to the business relationship and, subsequently, of customer retention. It is crucial that financiers should study customers’ relationship intentions because relationship intentions could have a positive influence on overall satisfaction, loyalty and therefore also on retention.

Relationship intention (discussed in Chapter 3) refers to customers’ intentions to build a relationship with the business while buying products or obtaining services from the business (Kumar et al., 2003:669). Kumar et al. (2003:667) propose that relationship intention moderates the association between lifetime duration and profitability. These authors (Kumar et al., 2003:669) furthermore propose five constructs to measure customers’ relationship intentions, namely Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss. Kumar et al. (2003:667) also hypothesise that higher relationship intention will ultimately lead to customer loyalty (and therefore retention); businesses should therefore invest in building and sustaining relationships with customers who have higher relationship intentions.

From Chapter 4 it emerged that providing superior customer satisfaction is becoming increasingly important to ensure the survival of a business (Gounaris et al., 2007:67; Liang & Wang, 2005:156). Earlier marketing literature tended to focus mainly on goods, mass production output and once-off transactions (also referred to as transactional marketing), but neglected the core around which these revolve: namely, relationships (Liang & Wang, 2005:156). Focusing on customers and building strong relationships with internal and external stakeholders remain good business strategies because relationships constitute one aspect of the marketing strategy that cannot be easily imitated by competitors (Little & Marandi, 2005:16).

In Chapter 4 it was also demonstrated that customer satisfaction occurs as a result of customers’ expectations being met or ultimately exceeded (Terblanche, 2006:35). Terblanche (2006:34) furthermore suggests that customer satisfaction should be viewed in light of its three antecedents, namely: 1) perceived quality, 2) perceived value, and 3) customer expectations. While perceived quality includes the characteristics of a product and/or service that have a bearing on its ability to satisfy customer needs, perceived value is the: “customer’s evaluation of the difference between all the benefits and all the costs of a market offering relative to those of competing offers” (Kotler & Armstrong, 2008:13; see also Terblanche, 2006:34:). The third
antecedent of customer satisfaction, customer expectations, refers to the “the level of quality that customers expect to receive” from businesses (Terblanche, 2006:35). The importance attached by businesses to satisfying customers as far as possible can be attributed to the benefits stemming from customer satisfaction, including lower acquisition cost, increased revenue, opportunities for up-selling and cross-selling, higher profits and loyalty (Kotler & Armstrong, 2008:13; Lamb et al., 2008:7; Gummesson, 2006:41; Ndubisi & Wah, 2005:546; Little & Marandi, 2005:33; Bruhn, 2003:66).

Chapter 5 presented the argument that the outcomes of a successful relationship marketing strategy are loyalty and retention. Businesses do their utmost to build customer loyalty through the successful implementation of relationship marketing strategies in order to benefit from repeat sales and referrals that, in turn, could lead to increased market share, initially in sales, and subsequently in profits (Lamb et al., 2008:11-12). The ultimate goal of customer loyalty is to ensure customer retention since, as Little and Marandi (2005:27) suggest, customer retention is a process that is used to retain customers by gaining their loyalty based on mutual commitment.

In order to accomplish the primary objective of the study, a number of secondary objectives were formulated in Chapter 1. These intended to determine:

(1) The reliability and validity of the relationship intentions scale used in this study within a B2B context;

(2) SME customers’ satisfaction with their financier, in particular as compared to their expectations when choosing a financier;

(3) The relationship between SME customers’ overall satisfaction with their financier and their retention towards their financier;

(4) The relationship between SME customers’ loyalty towards their financier and their retention towards their financier;

(5) The influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier;

(6) The influence of SME customers’ business size on their satisfaction, loyalty and retention towards their financier.

In addition, to these secondary objectives, the following was also included:
CHAPTER 8: Summary, conclusions and recommendations

(7) the development of a framework depicting the influence of SME customers' relationship intentions on their satisfaction, loyalty and retention towards their financier.

Regarding the research methodology discussed in Chapter 6, the study made use of a descriptive research design. Quantitative, self-administered electronic surveys were distributed among all BPL's customers throughout South Africa. Data was collected among a financier's (BPL) SME customers. A list of BPL's active customers was obtained from BPL's in-house SAP database during June 2012. The list contained the email addresses of 1 497 BPL customers. In total 120 respondents participated in the study, resulting in a final realisation rate of 12.09%.

The discussion of the empirical results obtained in Chapter 7 commenced by perusing the realisation rate in terms of the number of questionnaires obtained, followed by providing the sample profile of respondents who participated in the study. Since the primary objective of the study was to develop a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business (B2B) financing environment, the validity and reliability of the relationship intention measure among respondents were accordingly discussed. This was followed by categorising respondents according to their relationship intentions and business sizes. The remainder of the chapter reported the results and resultant main findings according to the questionnaire sequence. The chapter concluded with a discussion of the propositions derived from the results obtained in the study.

The conclusions and recommendations related to each secondary objective will accordingly be presented.

8.3 CONCLUSIONS AND RECOMMENDATIONS FOR SECONDARY OBJECTIVES

Based on the empirical results presented in Chapter 7 and the preceding literature chapters (Chapters 2 – 5), this section draws conclusions from, and presents recommendations for, each of the secondary objectives.

8.3.1 Secondary objective 1

Determine the reliability and validity of the relationship intentions measuring scale used in the study within a B2B context.

Relationship intentions (discussed in Chapter 3) include: “the intention of a customer to build a relationship with the business while buying from the business or obtaining a service from the business” (Kumar et al., 2003:670). According to Liang and Wang (2007:343) relationship intentions are also indicative of whether customers would stay with or defect from the business.
CHAPTER 8: Summary, conclusions and recommendations

Terblanche (2003:28) adds that relationship intentions refer to a willingness in the customer to engage in a long-term relationship – in this sense, depending on customers wanting to engage out of free will or not. Relationship intentions are therefore the result of customers’ willingness (based on their intentions) to engage in a mutually beneficial relationship with the business.

Kumar et al. (2003:670) propose five constructs that should be used to measure customers’ relationship intentions, namely Involvement, Fear of Relationship Loss, Forgiveness, Feedback and Expectations. Testing these (Kumar et al., 2003:675-6) constructs in South African studies within a B2C context yielded the insight that these were not reliable (De Jager, 2006; Mentz, 2007). Delport (2009) therefore adapted Kumar et al.’s (2003:675-6) proposed constructs and tested these in a B2C setting among banking and life insurance customers. Despite changes made to the constructs, Delport (2009) concluded that the revised constructs were still not reliable. The constructs were therefore adapted by Kruger (2010) who developed a 26 item scale to measure customers’ relationship intentions within a B2C context. This adapted relationship intentions measuring scale was found to be reliable within a B2C context (Kruger, 2010:213). In a study amongst South African cell phone users, Kruger and Mostert (2012:41) found that the adapted relationship intentions measuring scale was both reliable and valid within a B2C context.

The purpose of secondary objective 1 was therefore to determine whether the 26 item adapted relationship intentions measuring scale would be reliable in a B2B setting.

**Conclusion 1.1:** From the confirmatory factor analysis and Cronbach’s alpha values (Main Findings RI1, RI2 and RI3), it was established that the relationship intentions measuring scale is valid and reliable to measure SME customers’ relationship intentions within a B2B context.

The following recommendations can therefore be made:

**Recommendation 1.1:** Financiers should use the relationship intentions measurement instrument used in this study to assess their customers’ relationship intentions.

**Recommendation 1.2:** By applying this relationship intentions measuring scale, financiers will not only be able to identify customers’ relationship intentions, but they can also categorise customers according to their relationship intentions levels (as was the case in this study – see Main finding RI3). In doing so, businesses will be able to focus their marketing and relationship marketing efforts on those SMEs with higher relationship intentions.
CHAPTER 8: Summary, conclusions and recommendations

Recommendation 1.3: The relationship intentions measuring scale can also be tested in other B2B settings to determine whether its validity and reliability in industries other than the business-to-business financing industry.

8.3.2 Secondary objective 2

Determine SME customers’ satisfaction with their financier in particular as compared to their expectations when choosing a financier.

Customer expectations refer to the level of quality customers expect to receive, and can therefore be regarded as a standard that is constantly adjusted or updated based on the customer’s most recent purchase or consumption experience (Terblanche, 2006:35). Customer satisfaction was described in Section 4.3 by Nijssen and Van Herk (2009:96) as a customer’s evaluation of the degree to which a product or service fulfilled a need or goal resulting in a pleasurable state of mind. The importance of customer satisfaction is underlined by various authors stipulating that customer satisfaction is an evaluation measure often used to measure customers’ expectations against what they actually received (Gil et al, 2008:923; Gounaris et al., 2007:67; Kotler & Keller; 2007:66).

After identifying respondents’ expectations (by means of section B1, questions 1 - 35) (Main Findings EXP\textsubscript{RI1}, EXP\textsubscript{RI2}, EXP\textsubscript{RI3}, EXP\textsubscript{BS1}, EXP\textsubscript{BS2}, EXP\textsubscript{BS3}) and respondents’ satisfaction with BPL in particular (by means of section B2, questions 36 – 70) (Main Findings SAT\textsubscript{RI1}, SAT\textsubscript{RI2}, SAT\textsubscript{RI3}, SAT\textsubscript{BS1}, SAT\textsubscript{BS2}) and also considering the same items used to determine their expectations, the difference between expectations and satisfaction was determined. A confirmatory factor analysis supported the expectation factors identified in the literature review of the study, namely that product, price, distribution, advertising, employee benevolence and business benevolence can measure respondents’ expectations when selecting a financier (Main finding EXP\textsubscript{RI}).

From the findings of paired-sample t-tests performed between respondents’ expectations when choosing a financier and their satisfaction with BPL in particular, the following can be concluded:

Conclusion 2.1: Irrespective of respondents’ relationship intentions or their business size, respondents participating in the study were less satisfied with BPL’s price, employee benevolence and business benevolence compared to their expectations when choosing a financier (Main finding PS\textsubscript{TS1}). Furthermore, although practically significant differences were found between respondents’ satisfaction and their expectations, respondents participating in
this study were generally satisfied with BPLs price, employee benevolence and business
benevolence, as evident from the means for the satisfaction factors (all means were above the
middle point of the scale)\textbf{(Main finding PS}_{TS2}).

With regard to respondents’ relationship intentions, the following conclusions can be drawn.

\textbf{Conclusion 2.2:} Respondents from all three relationship intentions levels (high, moderate and low) were practically significantly less satisfied with BPL’s price compared to their Expectations \textbf{(Main finding PS}_{RI1}, \textbf{PS}_{RI2}, \textbf{PS}_{RI4}). It was demonstrated that, with the exception of price, respondents with high Relationship intentions were not less satisfied with BPL on any other factor (product, distribution, advertising, employee benevolence and business benevolence) as compared to their expectations when choosing a financier \textbf{(Main finding PS}_{RI1}). Respondents with low and moderate relationship intentions, on the other hand, were practically significantly less satisfied with BPL’s business benevolence compared to their expectations when choosing a financier \textbf{(Main finding PS}_{RI2} and \textbf{PS}_{RI4}). Respondents with low relationship intentions were also less satisfied with employee benevolence as compared to their expectations \textbf{(Main finding PS}_{RI4}). However, respondents with moderate relationship intentions were more satisfied with BPL’s distribution as compared to their expectations \textbf{(Main finding PS}_{RI3}).

When considering respondents’ business sizes, the following conclusions can be drawn.

\textbf{Conclusion 2.3:} Respondents from all business sizes (micro, very small, small and medium) were practically significantly less satisfied with BPL’s price and business benevolence as compared to their expectations \textbf{(Main finding PS}_{BS1}, \textbf{PS}_{BS3}, \textbf{PS}_{BS4}, \textbf{PS}_{BS5}). It was also found that respondents from small and micro businesses were practically significantly less satisfied with BPL’s employee benevolence as compared to their expectations \textbf{(Main finding PS}_{BS3}, \textbf{PS}_{BS5}). It can further be concluded that respondents from medium businesses were practically significantly more satisfied with BPL’s distribution as compared to their expectations \textbf{(Main finding PS}_{BS2}).

In light of these conclusions, the following recommendations can be made:

\textbf{Recommendation 2.1:} Since respondents, irrespective of their relationship intentions or business size, indicated that they were less satisfied with BPL’s price, employee benevolence and business benevolence as compared to their expectations, financiers should consider the following:

With regard to price:
CHAPTER 8: Summary, conclusions and recommendations

- Revisit the structuring of their financial products and services offered;

- Determine whether the price and interest rate offered to customers are market-related and, if not, risk financiers in particular should ensure that customers understand why they pay a price premium; customers therefore need to be educated so that they will understand the risk/return scenario;

- Ensure that customers receive value for money and communicate this to them, especially with regard to the notion of added-value by the financier. Determine the perception of added-value initiatives from the customer’s point of view and build these aspects into the marketing strategy;

- Determine customers’ price expectations and compare the financiers’ current price structures with customer expectations. Revise the price if deemed necessary or strategically communicate added-value aspects to justify and explain the price premium.

With regard to employee benevolence:

- Appoint employees who are friendly, courteous, dependable, honest, reliable, sincere, trustworthy, who show integrity and honour promised timelines. Train employees and specifically customer-interfacing staff to be knowledgeable about the financier’s products offered;

- Financiers can conduct periodic surveys on employees to monitor whether they live up to being friendly, courteous, dependable, honest, reliable and sincere. This monitoring can be build it into their measure of performance to ensure constant improvement on these critical aspects.

With regard to business benevolence, financiers can consider the following:

- Reinforce trustworthiness, reliability, integrity and the keeping of promises. This is achieved by confirming the business’ advertising believability and credibility by living up to the promises as advertised. Financiers should arguably first have to determine their own values with regard to integrity, reliability and trustworthiness and do their utmost to appoint employees that will extend the financier’s values to customers;

- Put structures and processes in place if deliverables are not met; this may require management involvement or periodic customer surveys to establish levels of trustworthiness, reliability, integrity and delivering on promises timelines;
CHAPTER 8: Summary, conclusions and recommendations

- Appoint a dedicated person in the business to address non-delivery of service and communicate to customers that this option has been established. It is advisable not only to attend to customers’ non-delivery complaints, but to implement and improve on their recommendations.

**Recommendation 2.2:** The following recommendations can be made with regard to customers' relationship intentions:

- Determine what the financier is “doing right” from customers who show high relationship intentions and replicate this success with customers who show moderate and low relationship intentions;

- Build stronger bonds with customers who show moderate and low relationship intentions in order to convert them to higher levels of relationship intentions.

With the exception of price, customers with high relationship intentions showed higher satisfaction for five of the six factors; therefore financiers should attempt to instil higher relationship intentions by:

- Increasing involvement of customers not only in information sharing in the form of feedback, but in all areas of the business – to such an extent that customers will take pride in the financiers’ name, advertising and image. Financiers can even involve customers in choosing advertising slogans by means of a vote on the website or social media, thereby making them feel they are part of the campaign;

- Establish high switching barriers by means of creating meaningful, mutually beneficial relationships between the customer and financier. The relationship should be meaningful to an extent that customers will feel a sense of loss even if they were only considering switching (Huang et al., 2007:756);

- Reinforce and constantly improve on added-value aspects to customers who show high and moderate relationship intentions to ensure that they remain satisfied and thereby promoting the financier to prospective customers by means of positive word-of-mouth (Kotler & Armstrong, 2008:408; O’Loughlin et al., 2004:523);

Customers with high relationship intentions showed higher satisfaction with distribution compared to their expectations, therefore financiers should:
CHAPTER 8: Summary, conclusions and recommendations

- Highlight the distribution of offices in their marketing strategy when targeting customers who show high relationship intentions;

- Ensure that offices remain accessible, have a convenient location and have a professional appearance;

- Promote accessibility to financial advisors, the financiers’ business and financial expertise.

Recommendation 2.3: The following recommendations can be made with regard to customers’ business sizes:

- Financiers should consider taking account of price and business benevolence since respondents of all business sizes who participated in this study were less satisfied with these factors compared to their expectations.

Financiers can consider the following regarding price:

- Customize price according to the needs of the various business sizes (for example, cap the return for micro businesses, extend the financing period for start-up businesses that takes time to establish its market, be more flexible on repayment terms, and customise repayment terms according to seasonality where applicable);

Regarding business benevolence, financiers should consider the following:

- Improve trustworthiness, reliability, integrity and keeping of promises by creating a culture where these key values are promoted inside and outside of the business;

- Appoint staff who shares the values as of the financier. Financiers should remember that employees’ values and their customer interactions are an extension of the financiers’ culture inside the business. First, management should live up to these values so that employees can follow accordingly. In succeeding in this objective, customers will experience the same values. Financiers should also keep in mind that customers will test the financier on its values since values create expectations as to what the financier stands for, therefore the financier needs to live up to these values both inside and outside of the business.

- Financiers can identify specific factors in which they exceeded customer expectations and implement these aspects on customers of all business sizes;

Since customers from small and micro businesses were less satisfied with employee benevolence as compared to their expectations, financiers should consider:
CHAPTER 8: Summary, conclusions and recommendations

- Promoting friendliness in their environment and educating staff with regard to products/service offerings;

- Appointing staff who are dependable, trustworthy, reliable, sincere, honest, who show integrity and who will honour timelines, since these aspects are important to small and micro business owners.

Since customers from medium businesses were more satisfied with BPL’s distribution as compared to their expectations, financiers should:

- Continually expand their footprint by opening branches or even satellite branches on specific days to serve customers in rural areas. Communicate to customers that an advisor will be available for consultation on a certain date in the area;

- As an extension of the above, ensure that accessibility to offices, financial advisors and financiers’ expertise is not limited to metropolitan areas. Financiers can for example make use of social media and technology (internet blogs) to overcome the problem of accessibility.

8.3.3 Secondary objective 3

Determine the relationship between SME customers’ overall satisfaction with their financier and their loyalty towards their financier

Against the background of the theoretical overview of customers’ overall satisfaction in Chapter 4, Ndubisi and Wah (2005:546) indicate that not only do successful businesses need to achieve superior customer satisfaction in order to survive, but customer satisfaction also offers several benefits that will ultimately lead to loyalty (see section 5.7 for an outline discussion on the benefits of customer loyalty converted to retention). Loyalty can be defined as “a deeply held commitment to re-buy or re-patronise a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviour” (Kotler & Keller, 2006:143). Businesses hope that customer loyalty will crystallise as a result of the successful implementation of relationship marketing efforts, thereby resulting in repeat sales as well as referrals that in their turn lead to increases in market share, in sales, and subsequently in profits (Lamb et al., 2008:11-12).

After identifying respondents’ overall satisfaction (by means of questionnaire Section B3, questions 71 – 77 in the questionnaire) and respondents’ loyalty (by means of Section C1,
CHAPTER 8: Summary, conclusions and recommendations

questions 78 – 89 in the questionnaire), the relationship between overall satisfaction and loyalty was determined. The findings from a correlation analysis between respondents’ overall satisfaction and loyalty indicated a significant large positive relationship between respondents’ overall satisfaction and their loyalty towards BPL.

Conclusion 3.1: It can be concluded from this study that there is a positive linear relationship between respondents’ overall satisfaction and their loyalty towards BPL (Main finding C3). It can therefore be posited that an increase in respondents’ overall satisfaction is concurrent with their loyalty towards BPL.

The following recommendations are suggested:

Recommendation 3.1: Since respondents’ overall satisfaction is concurrent with their loyalty, it is recommended that financiers should direct their marketing efforts (and spending) more pointedly towards improving their SME customers’ overall satisfaction that can ultimately lead to loyalty. Since overall satisfaction is an outflow of transactional satisfaction (see section 4.3), financiers can consider focusing on, and improving specifically in areas of social satisfaction. Social satisfaction (based on social bonds) is not only stronger because of its foundations in friendships and shared values, but if matured it will become mutually beneficial and economically justifiable. Also, social bonds are difficult to imitate by competitors (Abdul-Muhmin, 2005:620).

Recommendation 3.2: It can furthermore be recommended that financiers should try to improve their customers’ overall satisfaction by considering:

- Ensuring that financial products are competitive (market-related in terms of interest rate, and therefore prices);
- Establish a business culture with strong values (including trustworthiness, reliability, integrity and keeping promises) and appoint employees who hold these in similar esteem since employees are an extension of the financier; indeed, often the first moment of truth is experienced between an employee and a customer;
- Train employees to be friendly, professional, and knowledgeable and to live out the values of the business with regard to integrity, honesty, reliable in keeping promised timelines.

Recommendation 3.3: It can furthermore be recommended that the focus of financiers’ relationship marketing efforts should be on doing their utmost to ensure SMEs’ overall satisfaction that would probably lead to loyalty. Financiers should consider the following three
CHAPTER 8: Summary, conclusions and recommendations

antecedents of customer satisfaction (see section 4.3.2) when attempting to offer superior customer satisfaction (Terblanche, 2006:34):

(8) **Perceived quality**

Identify a minimum standard of service quality and ensure that all the financier’s employees always adhere to the minimum service level;

(9) **Perceived value**

Identify what SME customers (and not management) perceive as value, and focus on constantly and consistently delivering value;

(10) **Customer expectations**

Identify customers’ expectations during encounters with them. It is advisable never to “over promise and under deliver” as perceptions are formed during interactions between businesses and their customers (see section 4.3.2). Rather, businesses should attempt to deliver more than what is expected. Also, if employees find that some expectations are not achievable, this must be shared with customers. Reasons as to why expectations cannot be met should then be communicated.

**Recommendation 3.4:** Finally, financiers should focus on improving satisfaction as a stepping stone that will lead to loyalty. Financiers should consider the following:

- Conduct surveys (determining customers’ expectations) before engaging in business transactions with customers. This can be done on an informal basis while discussing and providing information to customers. Some factors that are identified and which might lead to customer dissatisfaction (as a result of expectations not being met) at a later stage could then be addressed immediately. Employees can therefore attend proactively to these aspects with clear and honest communication about what to expect and the timeframe within which it can be expected;

- Compare how the financier delivers on customer expectations and attend to gaps between expectations and what was actually delivered by the financier. Customers can also be asked to share ideas how the business can improve on its service delivery;

- Establish a department or appoint a person who specifically deals with customer satisfaction surveys. Businesses are generally shifting toward customised products and this principle should also be applied to financiers’ service and product offerings to SMEs.
CHAPTER 8: Summary, conclusions and recommendations

By implementing these recommendations, financiers will most probably achieve higher customer satisfaction which is likely, as seen from the results from this study, to result in greater customer loyalty.

8.3.4 Secondary objective 4

Determine the relationship between SME customers’ loyalty towards their financier and their retention towards their financier

After identifying respondents’ loyalty (by means of Section C, questions 78 - 89) and their retention (by means section D, questions 90 - 97), the relationship between loyalty and retention was determined. The findings from the correlation analysis between respondents’ loyalty and retention demonstrate a significant large positive relationship between respondents’ loyalty and retention towards BPL.

**Conclusion 4.1:** It can be concluded from the results from the study that there is a positive linear relationship between respondents’ loyalty and their retention towards BPL (Main finding C5). It can therefore be concluded that an increase in respondents’ loyalty is concurrent with their retention towards BPL.

Considering this conclusion, the following recommendations can be made:

**Recommendation 4.1:** Financiers should aim at promoting loyalty that will convert into retention and can consider the following:

- Prevent switching behaviour by creating high switching barriers by means of:
  - Incentivising loyal customers;
  - Delivering superior customer service;
  - Establishing an emotional connection between customers and employees. This can be done by developing a meaningful and mutually fulfilling relationship between the financier and customer;

- Promote repeat purchase behaviour by considering offering incentives to customers as they increase their spending with the financier. Promote up-selling and cross-selling, thus increasing the proportion of purchase spent at the financier or on a specific product;
Establish brand loyalty and aim to create an emotional connection to the brand and therefore to the financier. Achieving this objective will encourage customers to remain with the financier.

**Recommendation 4.2:** Financiers should consider distinguishing between different kinds of customers, for instance those showing no loyalty, spurious loyalty, latent loyalty or loyalty by means of for example a grading system (categories such as bronze, silver, gold or platinum come to mind) and also according to profitability and payment history. Financiers should consider rewarding loyal customers and especially repeat purchase behaviour. Repeat behaviour can furthermore be promoted by means of discounts or specials treatment for loyal customers showing patronage (with a second or third transaction). Financiers should include soft, intangible aspects with regard to loyalty as well as hard dimensions in their marketing strategies. Soft intangible aspects include aspects focusing on customers’ emotions such as satisfaction in areas of employee friendliness, honesty, sincerity, trustworthiness, integrity and honouring promised timelines, whereas hard dimensions include aspects revolving around value for money, convenience (for example access to financiers’ offices), reliability of the financier and functionality (of products) (Carpenter, 2008:359; Evans *et al.*, 2004:283; Egan, 2004:41-42):

**Recommendation 4.3:** Since loyalty is a prerequisite for customer retention, financiers should continually reinforce customer loyalty by always ensuring that their value offering is superior to that of competitors. By doing so, financiers’ customers will probably enjoy greater overall satisfaction which is likely to customer loyalty (as discussed in objective 3 above). Financiers should furthermore constantly conduct surveys on what customers regard as value and adapt their service offering accordingly. Customer needs, expectations and behaviour change over time; it is therefore important that financiers keep track of changing needs and expectations and adjust strategies.

**Recommendation 4.4:** Financiers should try to conduct interviews (for example by means of appointing a dedicated employee) with their SME customers who defect or who do not want additional funding to determine their motivations. Financiers can therefore determine if feedback on these interviews can be used to keep other SME customers from leaving and therefore also incorporating the results in a customer retention strategy.

### 8.3.5 Secondary objective 5

Determine the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention
CHAPTER 8: Summary, conclusions and recommendations

The influence of respondents' relationship intentions on their overall satisfaction, loyalty and retention was determined.

Conclusion 5.1: It can be concluded that respondents with high relationship intentions have higher overall satisfaction with BPL than those respondents with moderate relationship intentions (Main finding OS$_{RI1}$). It can further be posited that respondents with high relationship intentions have higher overall satisfaction with BPL than respondents with low relationship intentions (Main finding OS$_{RI2}$). Finally, it could be demonstrated that respondents with moderate relationship intentions have higher overall satisfaction with BPL than respondents with low relationship intentions (Main finding OS$_{RI3}$).

Conclusion 5.2: It can be concluded that respondents with high relationship intentions show higher loyalty towards BPL than respondents with moderate relationship intentions as well as those with low relationship intentions (Main finding L$_{RI1}$). It can furthermore be indicated that respondents with moderate relationship intentions show higher loyalty towards BPL than respondents with low relationship intentions (Main finding L$_{RI2}$).

Conclusion 5.3: It can be concluded that respondents with high relationship intentions show higher retention towards BPL than respondents with moderate relationship intentions and those with low relationship intentions (Main finding RET$_{RI1}$). It can also be posited that respondents with moderate relationship intentions show higher retention towards BPL than respondents with low relationship intentions (Main finding RET$_{RI2}$).

Using correlation analyses it was found that there is a positive linear relationship between respondents' relationship intentions and their overall satisfaction with BPL (Main Finding C$_1$)(Conclusion 5.4); that there is a positive linear relationship between respondents' relationship intentions and their loyalty towards BPL (Main Finding C$_2$)(Conclusion 5.5); and that there is a positive linear relationship between respondents' relationship intentions and their retention towards BPL (Main Finding C$_3$)(Conclusion 5.6).

It can therefore be concluded that the findings from this study support Kumar et al.'s (2003:667) hypothesis that higher relationship intentions will ultimately lead to loyalty (and therefore retention).

Considering these conclusions, the following recommendations can be made:

Recommendation 5.1: Since there is a positive relationship between customers showing high relationship intentions with overall satisfaction, loyalty and retention (see Conclusions 5.4 - 5.6 above), it is in the best interest of financiers to direct relationship marketing efforts and
marketing spending towards customers who show high and moderate relationship intentions. This can be practically implemented by financiers in the following manner:

- Measure customers’ relationship intentions by using the relationship intentions measuring scale applied in this study, as it was found to be valid and reliable (see Conclusion 1.1);

- Once customers’ relationship intentions have been measured, financiers should categorise customers according to high, moderate and low relationship intentions (see Main Finding RI5);

- Identify different processes (of targeting these customers, to customise their service offerings and towards improving overall satisfaction) for each level of relationship intentions;

- Appoint account managers to take responsibility for even low levels of relationship intentions;

- Identify which specific initiatives implemented by the financier have contributed to customers showing high relationship intentions and replicate the same to those showing moderate or low relationship intentions;

**Recommendation 5.2:** When compared to their expectations, customers with high relationship intentions were, with the exception of price, not less satisfied with BPL as compared to their expectations when choosing a financier in terms of product, distribution, advertising, employee benevolence and business benevolence (Main finding PSRI). This finding therefore again supports the notion that it is in the best interest of financiers to identify customers with higher relationship intentions. This is because these customers’ satisfaction will not only be greater, but will also be closer to their expectations than those customers with moderate and low relationship intentions. Financiers should, therefore, direct all relationship marketing initiatives towards customers showing high relationship intentions in order to strengthen and deepen the relationship with them, while simultaneously endeavouring to build relationships with customers who show moderate and low relationship intentions in an attempt to shift them towards high relationship intentions.

**Recommendation 5.3:** The following specific initiatives are recommended for customers showing low relationship intentions to shift them to moderate and high relationship intentions:

- Identify why customers show low relationship intentions by means of in-depth interviews. If feedback yields common issues, these issues need to be addressed. Even if the feedback is
CHAPTER 8: Summary, conclusions and recommendations

negative, financiers should resolve negative issues in an effort to buy goodwill and building trust that may lead towards establishing a relationship;

- Create open channels of communication that allow the customer to voice their expectations to the financier, specifically their service delivery experiences (whether good or bad).

- Establish social bonds by means of strong, mutually beneficial relationships with customers who show low relationship intentions in order to connect them emotionally to the employees and financiers' brand (Sharma & Patterson, 2000:474);

- Financiers should attempt to involve those customers with low relationship intentions by taking special care to obtain feedback (both positive and negative) from them on product offerings and service delivery. Also, financiers should rectify their mistakes, thereby moderating forgiveness. Lastly, financiers should exceed customers' expectations, especially those showing low relationship intentions, to the extent that such customers will fear losing the relationship with the financier and its employees.

By focussing on addressing aspects that relate to and influence the five constructs (Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss) businesses will be able to shift with customers with low relationship intentions to higher levels of relationship intentions.

8.3.6 Secondary objective 6

| Determine the influence of SME customers’ business size on their satisfaction, loyalty and retention |

After identifying respondents’ overall satisfaction (by means of Section B3, questions 71 – 77 in the questionnaire), loyalty (by means of Section C1, questions 78 – 89 in the questionnaire) and retention (by means of Section D, questions 90 – 97 in the questionnaire), the influence of respondents’ business size on their overall satisfaction, loyalty and retention was determined.

Conclusion 6.1: It can be concluded that respondents from very small businesses show higher overall satisfaction with BPL than respondents from micro businesses (Main finding OS_{BS1}).

Conclusion 6.2: It can also be concluded that respondents from medium businesses show higher loyalty towards BPL than respondents from micro businesses (Main finding L_{BS1}). It can also be posited that respondents from very small businesses show higher loyalty towards BPL than respondents from micro businesses (Main finding L_{BS2}).
CHAPTER 8: Summary, conclusions and recommendations

Conclusion 6.3: Respondents from medium businesses show higher retention towards BPL than respondents from micro businesses (Main finding RET_{BS1}).

Based on these conclusions, the following recommendations can be made to financiers:

Recommendation 6.1: With the exception of the results showing that respondents with medium and very small businesses showed higher loyalty than micro business (Main findings L_{BS1}, L_{BS2}), no clear relationships were found between respondents’ business size and their overall satisfaction, loyalty or retention. It might be coincidental that those respondents from very small business view overall satisfaction differently than micro businesses (Main finding SAT_{BS2}). Also, the fact that respondents from medium businesses showed higher retention than those from micro businesses (Main finding RET_{BS1}) might be also coincidental. Because they require different treatment, so that size per se does not play a central role regarding whether they will be retained or not. From the main findings and the discussion it becomes clear that there is no pattern concerning the relationship between respondents’ business size and their overall satisfaction, loyalty or retention. It is therefore recommended that financiers should rather focus on their customers’ relationship intentions and not on their business size.

8.3.7 Secondary objective 7

In Chapter 3, the importance of relationship intentions was highlighted because relationship intentions seem to be the salient key that determines why customers commit, and to whom they commit. Kumar et al. (2003:669) propose five constructs for measuring customers’ relationship intentions, namely Involvement, Expectations, Forgiveness, Feedback and Fear of Relationship Loss. These authors also propose that higher relationship intentions will ultimately lead to loyalty (and thus retention) and it is logical to reason that businesses should want to invest in building relationships with those customers showing higher relationship intentions.

Secondary objective 7 is addressed by means of the main findings from the propositions formulated for the study (P_{1} – P_{6}) as well as the recommendations already made for the preceding objectives.

From proposition 1 it emerged that, concerning respondents’ overall satisfaction with BPL, respondents with high relationship intentions have higher overall satisfaction with BPL than those with moderate relationship intentions (Main finding OS_{RI1}) as well as those with low
relationship intentions (**Main finding OS**$_{RI2}$). It also transpired that respondents with moderate relationship intentions have higher overall satisfaction with BPL than those with low relationship intentions (**Main finding OS**$_{RI3}$).

It could therefore been concluded from proposition 1 that an increase in respondents’ relationship intentions is concurrent with their overall satisfaction, and that a positive linear relationship exists between respondents’ relationship intentions and their overall satisfaction (**Main finding C$_1$**)(Conclusion 7.1).

From proposition 2 it was found that, respondents with high relationship intentions show higher loyalty towards BPL than those with moderate and low relationship intentions (**Main finding L**$_{RI1}$). From **Main finding L**$_{RI2}$ it could furthermore be posited that respondents with moderate relationship intentions show higher loyalty towards BPL than those with low relationship intentions.

It could therefore been concluded from proposition 2 that an increase in respondents’ relationship intentions is concurrent with their loyalty, and that a positive linear relationship exists between respondent’s relationship intentions and their loyalty (**Main finding C$_2$**) (Conclusion 7.2).

From proposition 3 it emerged that, respondents with high relationship intentions show higher retention towards BPL than those with moderate and low relationship intentions (**Main finding RET**$_{RI1}$). From **Main finding RET**$_{RI2}$ it was furthermore established that respondents with moderate relationship intentions show higher retention towards BPL than those with low relationship intentions.

It is concluded from proposition 3 that, an increase in respondents’ relationship intentions is concurrent with their retention, and that a positive linear relationship exists between respondent’s relationship intentions and their retention (**Main finding C$_4$**)(Conclusion 7.3).

From proposition 4 it emerged that, a significant large positive relationship exists between respondents’ overall satisfaction with BPL and their loyalty towards BPL (**Main finding C$_3$**). It could therefore been concluded from proposition 4 that an increase in respondents’ overall satisfaction is concurrent with their loyalty, and thus customers showing high overall satisfaction also showed high loyalty towards the financier (**Main finding C$_3$**)(Conclusion 7.4).

From proposition 5 it transpired that a significant and large positive relationship exists between respondents’ loyalty with BPL and their retention towards BPL (**Main finding C$_5$**). It could therefore been concluded from proposition 5 that customers showing high loyalty also showed...
CHAPTER 8: Summary, conclusions and recommendations

high retention (Main finding C5)(Conclusion 7.5). From proposition 6 no clear pattern emerged concerning the influence of respondents’ business size on their overall satisfaction with BPL, nor their loyalty or retention towards BPL. Rather, it could be concluded that SME customers’ relationship intentions and not their business size have a bearing on their overall satisfaction, loyalty and retention (Main finding OSBS1, LBS1, LBS2, RETBS1)(Conclusion 7.6).

When customers’ satisfaction with their financier in particular was compared to their expectations when choosing a financier, it was found that respondents from all three relationship intention levels (low, moderate and high) showed practically significantly less satisfaction with BPL’s price as compared to their expectations (Main finding PSRI1, PSRI2, PSRI4). Respondents with low and moderate relationship intentions were practically significantly less satisfied with BPL’s business benevolence as compared to their expectations when choosing a financier (Main finding PSRI2 and PSRI4). Respondents with moderate relationship intentions were more satisfied with BPL’s distribution as compared to their expectations. Respondents with low relationship intentions were less satisfied with employee benevolence (Main finding PSRI3).

It could therefore been concluded that, with the exception of price, respondents with high relationship intentions were not less satisfied with BPL in terms of any other factor (product, distribution, advertising, employee benevolence and business benevolence) when compared to their expectations when choosing a financier (Main finding PSRI1)(Conclusion 7.7).

In view of the discussion above and based on the final conclusions derived from the study as briefly listed below, Figure 8.1 provides a framework illustrating the influence of SME customers’ relationship intentions on their satisfaction, loyalty and retention towards their financier.
This study found that, with the exception of price, respondents with high relationship intentions were not less satisfied with BPL in terms of any other factor (product, distribution, advertising, employee benevolence and business benevolence) as compared to their expectations when choosing a financier. This study also demonstrated that an increase in respondents’ relationship intentions is concurrent with their overall satisfaction (Main Finding C1). Also, it transpired that an increase in respondents’ relationship intentions is concurrent with their loyalty and retention towards the financier (Main Finding C2 and C4). Lastly, it emerged that there is a positive
relationship between overall satisfaction and loyalty (Main Finding C₃), and between loyalty and retention (Main Finding C₅) (Conclusion 7.8).

In light of the discussion above (and by taking into account all the main findings, conclusions and recommendations from this study), it can be recommended that financiers should focus their relationship marketing efforts and marketing spending on customers with high relationship intentions because high relationship intentions are likely to lead to overall satisfaction, loyalty and retention (Recommendation 7.1).

8.4 LINKING THE RESEARCH OBJECTIVES, QUESTIONS IN THE QUESTIONNAIRE, MAIN FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Table 8.1 below indicates the links between the secondary objectives of this study, the questions in the questionnaire, the main findings, conclusions and recommendations.

<table>
<thead>
<tr>
<th>Secondary objective</th>
<th>Question in the questionnaire</th>
<th>Main findings</th>
<th>Conclusions</th>
<th>Recommendations</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Determine the reliability and validity of the relationship intentions measuring scale used in this study within a B2B context</td>
<td>Section E (1)</td>
<td>Main findings RI₁, RI₂, RI₃, RI₅</td>
<td>Conclusions 1.1</td>
</tr>
<tr>
<td>2</td>
<td>Determine SME customers’ satisfaction with their financier in particular as compared to their expectations when choosing a financier</td>
<td>Section B (1 – 2)</td>
<td>Main findings EXP₁, EXP₂, EXP₃, EXP₄, EXP₅, EXP₆, EXP₇, SAT₁, SAT₂, SAT₃, SAT₄, SAT₅, SAT₆, SAT₇, SAT₈, PS₁, PS₂, PS₃, PS₄, PS₅, PS₆, PS₇, PS₈, PS₉, PS₁₀, PS₁₁, PS₁₂, PS₁₃, PS₁₄</td>
<td>Conclusions 2.1 - 2.3</td>
</tr>
<tr>
<td>3</td>
<td>Determine the relationship between SME customers’ overall satisfaction with their financier and their retention towards their financier</td>
<td>Section B (3), Section C (1)</td>
<td>Main finding C₃</td>
<td>Conclusion 3.1</td>
</tr>
<tr>
<td>4</td>
<td>Determine the relationship between SME customers’ loyalty towards their financier and their retention towards their financier</td>
<td>Section C (1), Section D (1)</td>
<td>Main finding C₅</td>
<td>Conclusion 4.1</td>
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</table>
CHAPTER 8: Summary, conclusions and recommendations

<table>
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<th>Secondary objective</th>
<th>Question in the questionnaire</th>
<th>Main findings</th>
<th>Conclusions</th>
<th>Recommendations</th>
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<td>5</td>
<td>Determine the influence of SME customers' relationship intentions on their satisfaction, loyalty and retention towards their financier</td>
<td>Section B(3) - E</td>
<td>Main findings OS_{RI1}, OS_{RI2}, OS_{RI3}, L_{RI1}, L_{RI2}, RET_{RI1}, RET_{RI2}, C_{C1}, C_{C2}, C_{C4}, R_{RI1}, PS_{RI1}</td>
<td>Conclusions 5.1 - 5.6, 1.1</td>
</tr>
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<td>6</td>
<td>Determine the influence of SME customers' business size on their satisfaction, loyalty and retention towards their financier.</td>
<td>Section B - E</td>
<td>Main findings OS_{BS1}, L_{BS1}, L_{BS2}, RET_{BS1}, SAT_{BS2}</td>
<td>Conclusions 6.1 - 6.3</td>
</tr>
<tr>
<td>7</td>
<td>Develop a framework depicting the influence of SME customers' relationship intentions on their satisfaction, loyalty and retention towards their financier</td>
<td>Section B - E</td>
<td>Main findings OS_{RI1}, OS_{RI2}, OS_{BS1}, L_{RI1}, L_{RI2}, RET_{RI1}, RET_{RI2}, C_{C1}, C_{C2}, C_{C4}, OS_{BS1}, L_{BS1}, L_{BS2}, RET_{BS1}, PS_{RI1}, PS_{RI2}, PS_{RI4}</td>
<td>Conclusions 7.1 - 7.8</td>
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</table>

From Table 8.1 it is evident that the secondary objectives of this study have been met. The primary objective, namely to develop a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business (B2B) financing environment, has therefore been achieved by means of realising the secondary objectives.

8.5 LIMITATIONS

Nearly all research is restricted by limitations that not only influence the particular study, but also highlight opportunities for future research that can address the identified limitations. The sections below provide a reflection on the limitations with regard to the literature review as well as those pertaining to the empirical research.

8.5.1 Limitations of the literature review

The following limitations were identified regarding the literature review:

- Previous studies on relationship intentions were conducted among B2C markets. The researcher was therefore compelled to consider the applicability of existing literature within the context of this B2B study with great care;
CHAPTER 8: Summary, conclusions and recommendations

- No studies regarding relationship intentions in South Africa have yet determined the influence of relationship intentions on satisfaction, loyalty and retention. The researcher could therefore not formulate hypotheses based on existing literature;

- Access to secondary information in the financing industry is difficult to obtain because financiers are reluctant to share proprietary information;

- There is limited literature available regarding relationship marketing in the South African financing environment, and therefore the researcher used literature on the international banking industry and other related service industries.

8.5.2 Limitations regarding the empirical research

The following limitations concerning the empirical research were identified.

- The research was conducted in the sphere of one financier only, namely BPLs SME customers. The results are thus not representative of the industry as a whole and results cannot be generalised across the industries;

- Access to the databases of other financiers was impossible without permission of the respective financiers;

- The study was conducted on SME customers that have a number of other responsibilities regarding the daily management of the business and are often requested to participate in several other customer satisfaction-related surveys from various suppliers and other financiers, and this was likely to have influenced the participation rate negatively. (This suspicion was confirmed by the large number of possible respondents who opened and viewed the questionnaire but who did not submit the questionnaire);

- The length of the questionnaire and the time it took to complete might have prevented respondents to partake.

8.5.3 Recommendations for future research

The following recommendations can be made for future research:

- This study only surveyed SMEs in a financing environment; however, if access to bankers’ and other financiers’ databases were possible, a comparative study could be undertaken in
order to determine whether relationship intentions differ in terms of different financier types (for example: debt and equity financiers);

- Future research may consider applying the relationship intentions measuring scale (that has been found to be valid and reliable in this study) to other B2B businesses from diverse industries to determine the applicability thereof in other industries;

- Future research could consider testing the antecedents of relationship intentions, such as perceived brand equity, perceived organisation equity and perceived channel equity to determine the influence of these on customers' relationship intentions;

- The questionnaire used in this study could be shortened so that respondents may be more willing to participate in the study;

- The study could yield interesting findings if replicated among financiers’ B2C customers to determine whether relationship intentions are also applicable to these customers in the financing environment;

- Since commitment and trust are important constructs that relate to relationship marketing, future research can determine the influence of trust and commitment on relationship intentions;

- A study could be conducted on customers who show particularly low or negative relationship intentions to determine the influence of relationship intentions on service failure, service recovery and resolving of complaints (that can potentially lead to dissatisfaction and therefore defection) within a B2B environment (Bhandari et al., 2007:174).

### 8.6 CONCLUSION

In this chapter, a number of conclusions have been drawn for each secondary objective that has been formulated for the study. Recommendations were made for each secondary objective based on these conclusions. Next, a framework depicting the influence of relationship intentions on overall satisfaction, loyalty and retention in the B2B financing environment was presented. Table 8.1 provides an overview of how the various secondary objectives formulated for the study linked with the questions in the questionnaire, the main findings derived from the results from the empirical study, conclusions and recommendations. Subsequently, the limitations that the researcher experienced in terms of the literature review as well as during the empirical section of the study were discussed. The chapter was concluded with a number of recommendations for future research.
CHAPTER 8: Summary, conclusions and recommendations

The aim of this study was to develop a framework for relationship intention, satisfaction, loyalty and retention in a B2B financing environment, thereby proposing that the relationship intentions measure (and not business size) is reliable and can be used to determine the influence respondents' satisfaction, loyalty and retention.
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APPENDIX A: QUESTIONNAIRE

Survey: QuestionPro: PERCEPTIONS OF FINANCIERS

PERCEPTIONS OF FINANCIERS

This questionnaire forms part of a PhD study by a student from the North-West University (Potchefstroom Campus) on customers’ perceptions of a risk financier and Business Partners Limited (referred to as BPL in the questionnaire) in particular.

The questionnaire will not require more than 25 minutes to complete. Information will be treated with absolute confidentiality and anonymity is guaranteed.

SECTION A:

A1. What is your position in the business?
- Executive director / CEO / President
- Owner
- Co-owner
- General manager
- Member
- Trustee
- Financial director / Manager
- Operations director / Manager
- Marketing director / Manager
- Other

A2. Which of the sectors below best describe your business?
- Agriculture
- Catering, Accommodation and other Trade
- Community, Social and Personal Services
- Construction
- Electricity, Gas and Water
- Finance and Business Services
- Manufacturing
- Mining and Quarrying
- Retail and Motor Trade and Repair Services
- Transport, Storage and Communications
- Wholesale Trade, Commercial Agents and Allied Services
- Other: please specify

A3. Indicate the number of employees in your business *
- Less than 5 people
- Between 5 and 10 people
- Between 11 and 49 people
- Between 50 and 99 people
- Between 100 and 199 people
- More than 200 people

A4. Your business’ average annual turnover *
- Less than R150 000 per annum
- Between R150 000 and R399 999 per annum
- Between R400 000 and R1 999 999 per annum
- Between R2 000 000 and R4 999 999 per annum
- Between R5 000 000 and R7 499 999 per annum
- Between R7 500 000 and R9 999 999 per annum
- Between R10 000 000 and R14 999 999 per annum
- Between R15 000 000 and R19 999 999 per annum
- Between R20 000 000 and R29 999 999 per annum
- Between R30 000 000 and R39 999 999 per annum
- Between R40 000 000 and R49 999 999 per annum
- R 50 000 000 per annum and above
- Not specified

A5. Your business’ gross asset value (excluding fixed property) *
- Less than R100 000
- Between R100 000 and R499 999
- Between R500 000 and R1 499 999
- Between R1 500 000 and R3 999 999
SECTION B:

B1. On a scale of 1 to 10, where 1 is “low” and 10 is “high”, indicate your expectations when choosing a financier.

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<td>B3 Quality workshops offered</td>
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<td>B4 Allocation of a dedicated advisor</td>
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<td>B5 Personal visits by financier’s management to my business</td>
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<td>B6 Proper structuring of finance</td>
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<td>B10 Accessibility of offices</td>
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<td>B11 Convenient location of offices</td>
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<td>B12 Professional appearance of offices</td>
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<td>B13 Accessibility to financial advisors</td>
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<td>B14 Accessibility to the financier’s financial expertise</td>
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<td>B15 Accessibility to the financier’s business expertise</td>
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<td>B16 Believability of advertising</td>
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<td>B17 Credible advertising (including newspaper, radio, television, social, newsletters, etc.)</td>
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<td>B18 Representation of a true picture (as to what is advertised)</td>
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<td>B19 User-friendliness of financier’s website</td>
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<td>B20 Offering recognition awards</td>
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<td>B21 Employee friendliness</td>
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<td>B22 Employee knowledge on products offered</td>
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<td>B23 Employee courteousness</td>
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<td>B24 Employee dependability</td>
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<td>B25 Employee honesty</td>
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<td>B26 Employee reliability</td>
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</table>
B2. On a scale of 1 to 10, where 1 is "low" and 10 is "high", indicate your satisfaction with **BPL** in particular.

<table>
<thead>
<tr>
<th>B36 Quality of products offered *</th>
<th>1 2 3 4 5 6 7 8 9 10</th>
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<tbody>
<tr>
<td>B37 Product variety offered *</td>
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<td>B38 Quality workshops offered *</td>
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<td>B39 Allocation of a dedicated advisor *</td>
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<td>B40 Personal visits by financier's management to my business *</td>
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<tr>
<td>B41 Proper structuring of finance *</td>
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<tr>
<td>B42 Market-related pricing offered *</td>
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<td>B43 Value for money offered *</td>
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<tr>
<td>B44 Market-related interest offered *</td>
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<td>B45 Accessibility of offices *</td>
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<tr>
<td>B46 Convenient location of offices *</td>
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<tr>
<td>B47 Professional appearance of offices *</td>
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<tr>
<td>B48 Accessibility to financial advisors *</td>
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<tr>
<td>B49 Accessibility to the financier's financial expertise *</td>
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<tr>
<td>B50 Accessibility to the financier's business expertise *</td>
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<tr>
<td>B51 Believability of advertising *</td>
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<tr>
<td>B52 Credible advertising (including newspaper, radio, television, social, newsletters, etc.) *</td>
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<tr>
<td>B53 Representation of a true picture (as to what is advertised) *</td>
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<tr>
<td>B54 User-friendliness of financier's website *</td>
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<td>B55 Offering recognition awards *</td>
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<td>B56 Employee friendliness *</td>
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<td>B57 Employee knowledge on products offered *</td>
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<td>B58 Employee courteousness *</td>
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<td>B59 Employee dependability *</td>
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</table>
### SECTION C:

C1. On a scale of 1 to 10, please indicate the degree to which you agree or disagree with each of the following statements regarding BPL, where 1 = "Strongly disagree" and 10 = "Strongly agree".

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<tbody>
<tr>
<td>C78 I have a positive outlook towards BPL.</td>
<td>o</td>
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<tr>
<td>C79 I have positive feelings towards BPL.</td>
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<td>C80 I have a positive opinion about BPL.</td>
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<tr>
<td>C81 I have a positive view of BPL.</td>
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<td>C82 I have positive beliefs about BPL.</td>
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<td>C83 I say positive things about BPL to other people.</td>
<td>o</td>
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<tr>
<td>C84 I will recommend BPL to others.</td>
<td>o</td>
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<tr>
<td>C85 I consider BPL my first choice when applying for</td>
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### SECTION D:

D1. On a scale of 1 to 10, please indicate the degree to which you agree or disagree with each of the following statements regarding BPL, where 1 = "Strongly disagree" and 10 = "Strongly agree".

<table>
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<tr>
<th>Statement</th>
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<tbody>
<tr>
<td>C66 I have an emotional bond with BPL.</td>
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<td>C67 I will remain with BPL even if other financiers offer better products.</td>
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<td>C68 I will remain with BPL even if other financiers offer better service.</td>
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<td>C69 If I had to choose a financier all over again, I would stay with BPL.</td>
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D90 I want to build a long-term relationship with BPL.                     |   |   |   |   |   |   |   |   |   |    |
D91 I will continue doing business with BPL in the future.                 |   |   |   |   |   |   |   |   |   |    |
D92 I intend to extend existing finance contracts with BPL when they expire. |   |   |   |   |   |   |   |   |   |    |
D93 If I knew what I know now when I started doing business with BPL, I would select BPL again. |   |   |   |   |   |   |   |   |   |    |
D94 I intend to do more business with BPL over the short term (3 to 5 years). |   |   |   |   |   |   |   |   |   |    |
D95 I will repeatedly re-apply for financing at BPL in the future.         |   |   |   |   |   |   |   |   |   |    |
D96 I will become more loyal to BPL if they offered more individualised attention. |   |   |   |   |   |   |   |   |   |    |
D97 I intend to do more business with BPL in the medium to long term (7 to 15 years). |   |   |   |   |   |   |   |   |   |    |

### SECTION E:

E1. On a scale of 1 to 10, please indicate the degree to which you agree or disagree with each of the following statements regarding BPL, where 1 = "Strongly disagree" and 10 = "Strongly agree".

<table>
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<tr>
<th>Statement</th>
<th>1</th>
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<tbody>
<tr>
<td>E68 I am proud to be a customer of BPL.</td>
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<td>E99 I am proud when I see BPL's name or advertising materials.</td>
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<td>E100 I experienced a feeling of satisfaction when my finance was approved and I became a BPL customer.</td>
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<td>E101 I care about the image of BPL.</td>
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<td>E102</td>
<td>I have recommended BPL to my friends or family in the past and will continue to do so in future.</td>
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<td>E103</td>
<td>I am afraid that I may lose special BPL privileges if I switched to another financier.</td>
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<td>E104</td>
<td>I am afraid to lose the service of BPL by switching to another financier.</td>
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<td>E105</td>
<td>I am afraid to lose my identification with BPL’s brand name by switching to another financier.</td>
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<td>E106</td>
<td>I am afraid to lose my relationship with BPL by switching to another financier.</td>
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<td>E107</td>
<td>I will experience emotional stress if I were to switch to another financier.</td>
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<td>E108</td>
<td>I will forgive BPL when the quality of their service is sometimes below the standard that I expect from them.</td>
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<td>E109</td>
<td>I will forgive BPL if the quality of their service is below the standard of service offered by other financiers.</td>
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<td>E110</td>
<td>I will forgive BPL if I were to experience bad service from them.</td>
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<td>E111</td>
<td>I will forgive BPL for bad service to the point that I will keep on supporting them even if I have experienced bad service from them.</td>
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<td>E112</td>
<td>I will forgive BPL if they are more expensive than other financiers.</td>
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<td>E113</td>
<td>I will tell BPL when their service is poor.</td>
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<td>I will tell BPL if their service meets my expectations.</td>
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<td>E115</td>
<td>I will tell BPL when their service is better than what I expected.</td>
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<td>E116</td>
<td>I will try to tell BPL about their service even though they restrict my attempts.</td>
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<td>E117</td>
<td>I will take time to tell BPL about their service so that their service may improve.</td>
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<td>E118</td>
<td>I have high expectations of BPL’s service.</td>
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<td>E119</td>
<td>I expect BPL’s service to be better than other financiers.</td>
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<td>E120</td>
<td>I expect BPL to offer value for my money.</td>
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<td>E121</td>
<td>I expect BPL to offer more value for my money than other financiers.</td>
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<td>E122</td>
<td>I expect BPL to provide the best possible finance deal.</td>
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<td>E123</td>
<td>I expect BPL to offer me a low-priced deal.</td>
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For more information about this survey contact: RMentza@businesspartners.co.za
APPENDIX B: LETTER FROM BPL

TO WHOM IT MAY CONCERN

Business Partners Limited realises and acknowledges that entrepreneurs are the ones creating wealth not only for themselves, but also for their employees and their families. Small and medium businesses are indeed the engine room of any economy and should they thrive, the economy will surely grow and create wealth for the country as a whole and its people in general.

As Business Partners Limited has done for the past 31 years, we remain a focussed risk financier to entrepreneurial small and medium sized businesses. We are serious about doing it with not only the financing itself, but also with value adding support that will play a role in the growth of both the entrepreneurs and their businesses. In our endeavour to live our vision, mission and objectives we must remain close to our customers (the entrepreneurs) and ask them what their needs are and how we are doing in fulfilling those needs.

The questionnaire you are kindly requested to complete forms part of a North-West University (Potchefstroom Campus) student’s PhD study on customer perceptions of a risk financier in general and then Business Partners Limited (referred to as BPL in the questionnaire) in particular.

The questionnaire aims to determine which elements a financier and in particular BPL should offer to you, the customer, to ensure that you are satisfied with your experience and will want to make use of BPL’s financing in the future.

The questionnaire will not take longer than 26 minutes to complete. Questionnaires will be handled with confidentiality and respondents are ensured of their anonymity at all times.

I trust that the insights gleaned from your answers will enlighten us to improve our service offering to you.

Yours sincerely

Christa Eloit
Executive Director
APPENDIX C: LETTER FROM STATISTICS

To whom it may concern

RE: THESIS OF MS MH MENTZ (STUDENT NUMBER: 11731109)

We hereby confirm that the Statistical Consultation Services of the North-West University has analysed the data and assisted with the interpretation of the results of the thesis of Ms MH Mentz (student number: 11731109).

However, any opinion, findings or recommendations expressed in this document are those of the author and Statistical Consultation Services of NWU (Potchefstroom Campus) does not accept responsibility for the correctness of the reporting of results.

Yours sincerely

[Signature]

Wilma Breytenbach
MSc
Senior subject specialist
APPENDIX D: LETTER FROM WORKWELL RESEARCH UNIT (ETHICAL CLEARANCE)

APPENDIX D: LETTER FROM WORKWELL RESEARCH UNIT (ETHICAL CLEARANCE)

Ms Mh. Mentz
PO Box 201/76
LANGENHOVENPARK
9030

Dear Ms Mentz,

ETHICAL CLEARANCE

This letter serves to confirm that Ms. Margarita Henridina Mentz is currently a registered PhD student in Marketing Management at the Potchefstroom campus. Her proposed project "Developing a framework for relationship intention, satisfaction, loyalty and retention of SMEs in the business-to-business financing environment", has undergone full ethical review.

- within the Faculty, the proposal has been presented at a Faculty Research Meeting and accepted. This acceptance deems the proposed research as being of minimal risk, and granted that all requirements of anonymity, confidentiality and informed consent are met, no further review is necessary.

Any assistance you may grant Ms Mentz in executing her study will be greatly appreciated.

Yours sincerely,

Prof Jaco Piensza
Director: WorkWell Research Unit

21 June 2014