

Customer service expectations from South African alcoholic beverage suppliers in urban and rural areas

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Thesis submitted in fulfillment of the requirements for the
degree *Philosophiae Doctor* in Business Management at the
Mafikeng Campus of the North-West University

Promoter: Prof JJ Prinsloo
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October 2015



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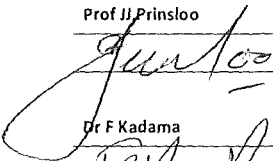


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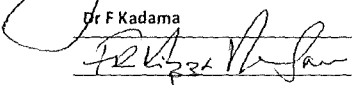


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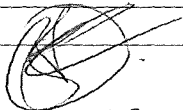


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TO WHOM IT MAY CONCERN

This is to certify that I, the undersigned, have edited the thesis titled **CUSTOMER SERVICE EXPECTATIONS FROM SOUTH AFRICAN ALCOHOLIC BEVERAGE SUPPLIERS IN URBAN AND RURAL AREAS** by J. Beukes for language and grammar errors.

The suggested changes have been indicated and communicated to the candidate. It is the candidate's responsibility to effect the changes electronically before printing the document to be handed in for assessment.

Yours faithfully

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We hereby confirm that the Statistical Consultation Services of the North-West University analysed the data involved in the study of the above-mentioned student and assisted with the interpretation of the results. However, any opinion, findings or recommendations contained in this document are those of the author, and the Statistical Consultation Services of the NWU (Potchefstroom Campus) do not accept responsibility for the statistical correctness of the data reported.

Kind regards

Dr SM Ellis (Pr. Sci. Nat)

Head: Statistical Consultation Services

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ABSTRACT

CUSTOMER SERVICE EXPECTATIONS FROM SOUTH AFRICAN ALCOHOLIC BEVERAGE SUPPLIERS IN URBAN AND RURAL AREAS

To be successful in the current highly competitive market a South African alcoholic beverage supplying company (SAABSC) must guarantee customer service and service quality. Such companies have to focus their efforts on quality customer service as a means of differentiation. Quality of service is a competitive advantage and serves as a marketing tool for many companies; it also contributes to customer loyalty and retention.

Offering quality service is considered an essential strategy for success and survival in today's competitive business market. A commitment to quality must start from the top of any organisation, be it a service delivery company or a manufacturing or merchandising business, and spiral down to the bottom.

It has been found from the literature review that these challenges present short-term insurers with a strategic imperative that they need to adopt a CRM approach, incorporating an integrated customer focus aimed at developing long-term relationships with customers. If they want to succeed in this pursuit, SAABSC need to understand their customers' perceptions of the service offering, their existing relationship with the company and their levels of satisfaction.

The purpose of the study is to measure the service delivery expectations and realisations of customers that receive delivery from SAABSC based on their geographical location. It required the implementation of a descriptive research method. The research is cross-sectional in nature and was executed during April to June 2014. The study required a quantitative research approach, owing to the planned statistical analysis application to the data received.

The target population comprised customers of SAABSC situated in the Gauteng, Western Cape and North West Provinces of South Africa. Only licensed customers were used in the study; licensed outlets renew their liquor license every year and sell alcohol legally. Shebeens do not have liquor licenses and have therefore been excluded from the study. All questionnaires were hand-delivered by fieldworkers. A sample size of 926 was realised.

The results from the study indicate that customers expect the SAABSC to deliver on all five service quality dimensions but fail to do so to their satisfaction. Due to these results a proposed structure has been developed. If the SAABSC use this proposed structure it can improve on their service delivery and customer service. This, in the long run, will improve customer satisfaction, loyalty and retention.

UITTREKSEL

DIE KLIËNTEDIENSVERWAGTING VAN SUID AFRIKAANSE ALKOHOLIESE DRANKVERSKAFFERS IN STEDELIKE EN LANDELIKE GEBIEDE

Ten einde suksesvol in die huidige hoogs kompeterende mark te wees, moet 'n alkoholiese drankverskaffingsmaatskappy kliëntediens en dienskwaliteit waarborg. Sodanige maatskappye moet hul insette m.b.t. kwaliteitkliëntediens as 'n differensiasiemeganisme aanwend. Kwaliteitsdiens bied 'n kompeterende voordeel en dien as 'n bemarkingsinstrument vir talle maatskappye; dit dra ook tot kliënteloyaliteit en -behoud by.

Die lewering van kwaliteitdiens word as 'n noodsaaklike strategie vir sukses en oorlewing in die huidige kompeterende besigheidkonteks beskou. Toewyding aan kwaliteit moet by die topbestuur van enige organisasie, hetsy 'n diensleweringmaatskappy of 'n vervaardigings- of handelsbesigheid begin en daarvandaan na die laer vlakke afwentel.

Die literatuuroorsig toon dat hierdie uitdagings korttermynversekeraars strategies noop om 'n kliënteverhoudingsbestuurbenadering met 'n geïntegreerde fokus op die kliënt te volg met die doel om langtermynverhoudings te bevorder. Om hierin te slaag, is dit noodsaaklik dat Suid-Afrikaanse alkoholiese drankverskaffingsmaatskappye [SAADV] hul kliënte se persepsies van die diensaanbod, hul bestaande verhouding met die maatskappy en hul tevredenheidvlakke verstaan.

Die doel van die studie is om die diensleweringverwagting en -verwesening van kliënte wat deur die SAADV gediens word op grond van hul geografiese ligging te bepaal. Die studie het die implementering van 'n beskrywende navorsingsmetode vereis. Die navorsing is vergelykend van aard en is van April tot Junie 2014 gedoen. In die lig van die beplande statistiese analise van die versamelde data het die studie 'n kwantitatiewe navorsingsbenadering vereis.

Die teikengroep was kliënte van alkoholiese drankverskaffers in Gauteng, die Wes-Kaap en die Noordwesprovinsie van Suid-Afrika. Slegs gelisensieerde kliënte is in die studie betrek; gelisensieerde afsetpunte hernu hul dranklisensies jaarliks en verkoop alkohol wettiglik.

Sjebiens het nie dranklisensies nie en is daarom buite rekening vir die doel van die studie gelaat. Alle vraelyste is per hand deur veldwerkers afgelewer. 'n Steekproef van 926 is gebruik.

Die uitkoms van die studie toon dat kliënte van die SAADVM verwag om al vyf dienslewingsdimensies te verreken maar dat dit nie tot hul bevrediging geskied nie. Op grond van hierdie uitkoms is 'n voorgestelde struktuur ingesluit. Indien die SAADVM die voorgestelde struktuur implementeer, kan dit hul dienslewering en kliëntediens verbeter. Op die langtermyn sal dit kliëntetevredenheid, -lojaliteit en kliëntebehoud bevorder.

TABLE OF CONTENTS

DECLARATION	ii
DECLARATION CONTINUED	iii
ETHICAL DECLARATION	iv
LANGUAGE EDITING	vii
STATISTICAL ANALYSIS	viii
ACKNOWLEDGEMENTS	ix
ABSTRACT	x
UITTREKSEL	xii
TABLE OF CONTENTS	xiv
LIST OF TABLES	xx
LIST OF FIGURES	xxxii
LIST OF ABBREVIATIONS	xxiii
CHAPTER 1: CONCEPTUALISATION OF THE RESEARCH	1
1.1 INTRODUCTION	1
1.2 BACKGROUND TO THE STUDY	4
1.3 PROBLEM STATEMENT	7
1.4 OBJECTIVES OF THE STUDY	9
1.4.1 Primary objectives	9
1.4.2 Secondary objectives	9
1.5 RESEARCH QUESTIONS	10
1.6 RESEARCH DESIGN AND METHODOLOGY	11
1.6.1 Literature review	11
1.6.2 Empirical study	11
1.6.2.1 Target population	12
1.6.2.2 Sample frame	13
1.6.2.3 Sampling method	14
1.6.2.4 Sample size	15
1.6.2.5 Measuring instrument and data collection method	15
1.6.2.6 Pilot study	16
1.6.3 Statistical analysis	16
	xiv

1.7	LIMITATIONS OF THE STUDY	19
1.8	ETHICAL CONSIDERATIONS	20
1.9	CHAPTER CLASSIFICATION	20
 CHAPTER 2: CUSTOMER RELATIONSHIP MANAGEMENT		23
2.1	INTRODUCTION	23
2.2	CUSTOMER RELATIONSHIP MANAGEMENT (CRM)	24
2.3	HISTORY OF CRM	26
2.3.1	Emergence of CRM	27
2.3.1.1	Early 1970s	27
2.3.1.2	Late 1970s	27
2.3.1.3	Early 1990s	28
2.4	TYPES OF CRM	31
2.4.1	Operational CRM	32
2.4.2	Analytical CRM	32
2.4.3	Collaborative CRM	33
2.5	CRM PROGRAMMES	34
2.5.1	Winning back customers or saving customer defection	35
2.5.2	Prospecting	35
2.5.3	Loyalty	36
2.5.4	Cross-selling / Up-selling	36
2.6	BENEFITS OF CRM	37
2.6.1	Benefits of CRM for the business	37
2.6.2	Benefits of CRM for the customer	40
2.7	BARRIERS TO SUCCESSFUL CRM	42
2.7.1	Strategy-related barriers	42
2.7.2	Systems-related barriers	42
2.7.3	Decision-making barriers	42
2.7.4	Management barriers	43
2.7.5	Business barriers	43
2.8	LINK BETWEEN CRM, CUSTOMER SERVICE AND CUSTOMER SATISFACTION	44
2.9	IMPLEMENTATION OF CRM	47

2.9.1	Relationship-based interfaces	49
2.9.2	An emphasis on quality	50
2.9.3	Measure customer satisfaction but manage customer service	51
2.9.4	Investing in people	51
2.9.5	Maintaining dialogue with customers	52
2.9.6	Setting realistic targets and assessing performance	52
2.10	CONCLUSION	53

**CHAPTER 3: RELATIONSHIP MARKETING, CUSTOMER SATISFACTION,
LOYALTY AND RETENTION 55**

3.1	INTRODUCTION	55
3.2	RELATIONSHIP MARKETING (RM)	56
3.2.1	Defining RM	56
3.2.2	The origins of RM	58
3.2.3	Relationship marketing orientation (RMO)	62
3.2.3.1	Trust	63
3.2.3.2	Bonding	64
3.2.3.3	Communication	64
3.2.3.4	Shared value	65
3.2.3.5	Empathy	65
3.2.3.6	Reciprocity	66
3.2.4	Importance of RM	67
3.3	CUSTOMER SATISFACTION	68
3.3.1	Defining customer satisfaction	68
3.3.2	Customer satisfaction and dissatisfaction	69
3.3.3	Benefits of customer satisfaction	72
3.3.4	Measuring customer satisfaction	74
3.4	CUSTOMER LOYALTY	81
3.4.1	Defining customer loyalty	82
3.4.1.1	Building customer loyalty	85
3.4.2	Types of customer loyalty	87
3.4.3	Levels of loyalty	89
3.5	CUSTOMER RETENTION	91

3.5.1	Retention defined	91
3.5.2	Importance of customer retention	92
3.5.3	Benefits of customer retention	94
3.6	CONCLUSION	95

CHAPTER 4: SERVICES MARKETING, CUSTOMER SERVICE AND SERVICE QUALITY 97

4.1	INTRODUCTION	97
4.2	SERVICE DEFINED	98
4.2.1	Difference between goods and services	99
4.2.2	Characteristics of services	103
4.2.2.1	Intangibility of services	105
4.2.2.2	Perishability of services	107
4.2.2.3	Inseparability of services	108
4.2.2.4	Heterogeneity of services	109
4.2.3	Classification of services	110
4.3	CUSTOMER SERVICE AND SERVICE MARKETING	113
4.3.1	Service marketing mix	114
4.3.1.1	Product/service	116
4.3.1.2	Place	117
4.3.1.3	Price	117
4.3.1.4	Physical environment	119
4.3.1.5	Personnel	120
4.3.1.6	Processes	121
4.3.1.7	Promotions	121
4.4	SERVICE QUALITY	124
4.4.1	Defining quality	126
4.4.2	Perceived service quality	127
4.4.3	Service quality gaps	130
4.5	IMPORTANCE AND RELEVANCE OF QUALITY SERVICE DELIVERY	132
4.5.1	Quality and profitability	133
4.5.2	Quality and price	136

4.5.3	Quality and productivity	137
4.5.4	Quality and market share	139
4.6	CONCLUSION	140

CHAPTER 5: RESEARCH DESIGN AND METHODOLOGY 141

5.1	INTRODUCTION	141
5.2	MARKETING RESEARCH	141
5.2.1	Marketing research defined	142
5.3	IMPORTANCE OF MARKETING RESEARCH	143
5.3.1	Limitations of marketing research	143
5.3.1.1	Timing	144
5.3.1.2	Type and nature of information sought	144
5.3.1.3	Cost-benefit analysis	144
5.3.1.4	Availability of resources	145
5.3.1.5	Error	145
5.3.1.6	Relevance	145
5.4	MARKETING RESEARCH PROCESS	146
5.4.1	Step 1: Identify the research problem and objectives	146
5.4.2	Step 2: Develop a research design	148
5.4.2.1	Exploratory research	148
5.4.2.2	Descriptive research	148
5.4.2.3	Causal research	150
5.4.3	Step 3: Design data collection method	150
5.4.3.1	Secondary data sources	151
5.4.3.2	Primary data sources	153
5.4.3.2.1	<i>Qualitative data collection techniques</i>	155
5.4.3.2.2	<i>Quantitative data collection techniques</i>	157
5.4.3.3	Questionnaire design and content	159
5.4.3.4	Final design and content for the questionnaire used in this study	163
5.4.4	Step 4: Manage and implement data collection method	164
5.4.4.1	Sample design	164
5.4.4.2	Phase 1: Define the target population	164
5.4.4.3	Phase 2: Identify the sampling frame	165

5.4.4.4	Phase 3: Select a sampling procedure	165
5.4.4.5	Phase 4: Determine the sample size	169
5.4.4.6	Phase 5: Select the sample elements	172
5.4.4.7	Collection of the data	172
5.4.5	Step 5: Analyse data	173
5.4.5.1	Reliability and validity	173
5.4.5.2	Data analysis	176
5.4.5.3	Guidelines for interpreting statistics	179
5.4.6	Step 6: Present results and implications	180
5.5	APPLICATION OF EMPIRICAL DATA ANALYSIS RESULTS	180
5.6	CONCLUSION	181
 CHAPTER 6: RESEARCH RESULTS AND FINDINGS		182
6.1	INTRODUCTION	182
6.2	PRELIMINARY DATA ANALYSIS	182
6.2.1	Coding	182
6.2.2	Tabulation	183
6.3	REALISATION RATE	183
6.4	DEMOGRAPHIC PROFILE OF RESPONDENTS	185
6.5	DESCRIPTIVE STATISTICS	187
6.6	VALIDITY OF THE STUDY	190
6.6.1	Exploratory factor analysis	191
6.6.2	Confirmatory factor analysis	196
6.6.3	Reliability	200
6.6.4	Descriptive results of factor scores	201
6.7	INDEPENDENT T-TEST AND ONE-WAY ANOVA RESULTS FOR BIOGRAPHICAL DATA	202
6.7.1	ANOVA results on differences regarding position in the business	203
6.7.2	ANOVA results on differences regarding highest qualifications	203
6.7.3	ANOVA results on differences regarding home language	204
6.7.4	ANOVA results on differences regarding type of business	204
6.7.5	ANOVA results on differences regarding provinces	204
6.7.6	Independent T-test results	206

6.8	TWO-WAY ANOVA RESULTS	209
6.9	DEPENDENT T-TEST RESULTS	210
6.10	SUMMARY OF MAIN FINDINGS	212
6.11	CONCLUSION	212
 CHAPTER 7: CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS		214
7.1	INTRODUCTION	214
7.2	OVERVIEW OF THE STUDY	214
7.3	MAJOR FINDINGS, CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS.	217
7.3.1	Section A: Main findings	217
7.3.2	Section B Main findings	217
7.4	LINKING PRIMARY AND SECONDARY OBJECTIVES WITH MAIN FINDINGS	225
7.5	PROPOSED STRUCTURE FOR THE SOUTH AFRICAN ALCOHOLIC BEVERAGE SUPPLYING INDUSTRY	226
7.6	CONTRIBUTION OF THE STUDY	226
7.7	LIMITATIONS OF THE STUDY	227
7.8	RECOMMENDATION FOR FUTURE RESEARCH	230
7.9	CONCLUSION	230
 BIBLIOGRAPHY		231
APPENDIX A: FINAL QUESTIONNAIRE		261
APPENDIX B: TABLES FOR INDEPENDENT T-TEST AND ONE-WAY ANOVA RESULTS FOR BIOGRAPHICAL DATA		264
 LIST OF TABLES		
Table 3.1:	Five-point scale	80
Table 3.2:	Loyalty orientations	84
Table 3.3:	Types of loyalty	87
Table 4.1:	Differences between goods and services	100
Table 4.2:	Basic difference between goods and services	101

Table 4.3:	Characteristics of a service	104
Table 4.4:	Extended service marketing mix	115
Table 4.5:	Profit-focused and customer-focused culture	124
Table 4.6:	Dimensions of service quality	126
Table 5.1:	Types of survey method	158
Table 5.2:	Four basic levels of measurement	160
Table 5.3:	Comparison of probability sampling techniques	167
Table 5.4:	Comparison of non-probability sampling techniques	168
Table 5.5:	Sample size used in marketing research studies	171
Table 6.1:	Realisation rate	184
Table 6.2:	Demographic profile of respondents	186
Table 6.3:	Frequency of response: urban area respondents	188
Table 6.4:	Frequency of response: rural area respondents	189
Table 6.5:	Dimension items as identified by literature	191
Table 6.6:	KMO, Bartlett's test and communalities results: Expectations	192
Table 6.7:	Total variance explained: Expectations	193
Table 6.8:	Principal Component Analysis. Rotation Method: Expectations	193
Table 6.9:	Responsiveness items	194
Table 6.10:	Empathy items	194
Table 6.11:	KMO, Bartlett's test and communalities results: Realisations	195
Table 6.12:	Total variance explained: Realisations	195
Table 6.13:	Principal Component Analysis. Rotation Method: Realisations	196
Table 6.14:	Standardised regression weights: Expectations	198
Table 6.15:	Correlation between expectations dimensions	198
Table 6.16:	Goodness of fit statistics: Expectations	199
Table 6.17:	Reliability of service quality dimensions: Expectations	201
Table 6.18:	Reliability of service quality dimensions: Realisations	201
Table 6.19:	Descriptive results of factor scores	202
Table 6.20:	ANOVA results for respondents' provinces	205
Table 6.21:	Urban and rural areas expectations	207
Table 6.22:	Urban and rural areas realisations	208
Table 6.23:	Two-way ANOVA results for province and urban vs rural.	209
Table 6.24:	Dependent T-test results	211
Table 7.1:	Section A Main findings	217

Table 7.2:	Link between objectives and main findings	226
Table B1:	Mean difference between genders for expectations and realisations	264
Table B2:	ANOVA results for respondents' position in the business	265
Table B3:	ANOVA results for respondents' highest qualification	266
Table B4:	ANOVA results for respondents' language	267
Table B5:	ANOVA results for respondents' type of business	267

LIST OF FIGURES

Figure 1.1:	Industry framework	7
Figure 1.2:	Urban and rural volume growth in the SAABSI	8
Figure 1.3:	Alcoholic beverage industry COT breakdown	13
Figure 1.4:	SAABSC customers by geographical area	14
Figure 1.5:	Customers per geographical focus area	17
Figure 1.6:	Graphical layout of data analysis	18
Figure 1.7:	Proposed structure/guideline for SAABSC	19
Figure 2.1:	The CRM continuum	26
Figure 2.2:	Timeline of CRM evolution	29
Figure 2.3:	Elements necessary for CRM implementation	49
Figure 3.1:	The disciplinary roots of relationship marketing	59
Figure 3.2:	The evolution of relationship marketing	61
Figure 3.3:	The loyalty pyramid	62
Figure 3.4:	Relationship marketing orientation model	63
Figure 3.5:	Elements of empathy	66
Figure 3.6:	Customer goals of relationship marketing	67
Figure 3.7:	A multistage model of customers' assessment of service quality and value	71
Figure 3.8:	The relationship between service quality, perceived value, customer satisfaction and post-purchase intention	72
Figure 3.9:	Kano's model of customer satisfaction	76
Figure 3.10:	The disconfirmation paradigm	79
Figure 3.11:	Comprehensive model of customer loyalty	83
Figure 3.12:	The wheel of loyalty	86
Figure 3.13:	The customer ladder of loyalty	89

Figure 3.14:	The ladder of customer loyalty	90
Figure 4.1:	Product-service continuum	99
Figure 4.2:	Service characteristics	104
Figure 4.3:	Intangibility of a product	106
Figure 4.4:	Classification of services according to processes	112
Figure 4.5:	Six steps in setting price	119
Figure 4.6:	Determinants of perceived service quality	128
Figure 4.7:	Model of service quality gaps	131
Figure 4.8:	Conceptual model of service quality and profitability	135
Figure 4.9:	Synergistic interplay between service quality and productivity	139
Figure 5.1:	The marketing research process and framework followed in this study	147
Figure 5.2:	Types of research design	149
Figure 5.3:	Types of secondary data source	152
Figure 5.4:	Differences between qualitative and quantitative research methods	154
Figure 5.5:	Primary data collection techniques	155
Figure 5.6:	Sample design framework	164
Figure 5.7:	Customers per geographical focus area	169
Figure 5.8:	Types of reliability and validity	174
Figure 5.9:	Proposed structure/guideline for SAABSC	181
Figure 6.1:	Summary of targeted respondents per province	184
Figure 6.2:	Confirmatory factor analysis model: Expectations	197
Figure 6.3:	Urban versus rural areas service dimensions expectations	206
Figure 6.4:	Urban versus rural areas service dimensions realisations	208
Figure 7.1:	Proposed structure for the SAABS	229

LIST OF ABBREVIATIONS

FMCG: Fast Moving Consumer Goods

SAABSC: South African alcoholic beverage supplying companies.

SAABSI: South African alcoholic beverage supplying industry.

ABSC: Alcoholic beverage supplying companies.

CRM: Customer relationship management.

RM: Relationship marketing.

RMO: Relationship marketing orientation.

CS: Customer satisfaction.

CS/D: Customer satisfaction and dissatisfaction.

SQ: Service quality.

SQG's: Service quality gaps.

CHAPTER 1

CONCEPTUALISATION OF THE RESEARCH

Keywords: Service quality, Customer service, SERVQUAL, Alcoholic beverage supplying companies, Relationship marketing.

1.1 INTRODUCTION

To be successful in the current highly competitive market a South African alcoholic beverage supplying company (SAABSC) must guarantee customer service and service quality. As a means of differentiation companies have to focus their efforts on quality customer service (Boshoff & Grey, 2004:27). Customer loyalty and retention is dependent on quality of service which in turn creates a competitive advantage and serves as a marketing tool for many companies. The purpose of the study is to measure the service delivery expectations and realisations of customers that receive delivery from SAABSC based on their geographical location. For the purpose of this study customers are defined as any retailer that receives physical delivery from an SAABSC. Also in this study the geographical focus is on rural and urban areas throughout South Africa (in the SAABSI (South African alcoholic beverage supplying industry) there is no semi-urban or semi-rural areas, only urban or rural). For the purpose of the study urban customers have been categorised according to their being situated in the main cities (developed areas) while rural customers are situated on the outskirts (underdeveloped areas) of the main cities within the selected provinces.

To survive in today's competitive business market businesses should offer quality service and must form part of their overall strategy (Beukes, 2012:1; Dabholkar, Thorpe & Rentz, 1996:3; Parasuraman, Zeithalm & Berry, 1985). In any company (be it a service delivery company or a manufacturing or merchandising business) a commitment to quality must start from the top and progressively move down to the bottom of any organisation. Service quality is generally considered in literature in terms of its importance for larger organisations with more administrative structures, the latter which often lead to a lack of response to customer needs and poor customer communication (Zeithaml *et al.*, 1988; Sekolanyane, 2004).

Good customer relationships should be maintained through formal customer care policies that are introduced in order to address customers' service quality differences and to ensure quality of service. The goal for every business is to ensure that there is an understanding of the expectations of the customers and to fulfil those expectations (Gummesson, 1988:21).

Many original service quality researchers (Gronroos 1984; Parasuraman *et al.*, 1985, 1988; Cronin & Taylor, 1992, 1994) pay considerable attention to the development and testing of models for the measurement of service quality in retail banks, long distance telephone companies and credit card companies. In terms of service quality in South Africa there has been studies done by Rootman (2006, 2011), Du Plessis *et al.* (2007) and Mackay (2012) in applicable industries.

Gaps have become apparent that flowed from these studies; for example, the gap between service specifications versus service delivery. There is an indication of differences between customer expectations and their perceptions of the service delivered, and also between customer expectations and employees' perceptions.

Current companies return to existing marketing strategies or relationship marketing to change the perceptions customers have of their service delivery (Egan 2008:290). According to Egan (2008:291) marketing was traditionally seen as the management process specifically responsible for the identifying, anticipating and satisfying of the customer's needs. However, Burrow (2006:8) warns that the marketing concept is changing due to different perceptions and viewpoints on marketing, making its definition and activities more complex. Mullens and Walker (2010:14) provide a very comprehensive definition of marketing when declaring that it is: "the process of analysing, planning, implementing, coordinating, and controlling programs involving the conception, pricing, promotion and distribution of products, services, and ideas designed to create and maintain beneficial exchanges with target markets for the purpose of achieving organizational objectives".

It is therefore clear that the traditional approach to defining marketing is no longer acceptable and that it should be seen as a diverse discipline at the heart of any business (doesn't matter what type). Marketing further influence all core business activities, including profitability, and the emphasis should constantly be on the understanding and satisfaction of customer needs in a mutually-beneficial manner by providing appropriate products and/or services.

Gummesson (2002:3) considers relationship marketing to be an extension of marketing based on interaction within networks of relationships. Baran *et al.*, (2008:83) state that relationship marketing focuses on the relationships between an organisation and its customers which is based on ongoing cooperation and collaboration. The eventual profitability of the company is based on these activities that can improve the relationship. These activities and how they apply to SAABSC and service quality delivery to their customers (urban and rural) are investigated.

Service quality focuses on the standard of service delivery and the interaction between the customer and the service provider in order to ensure that the customer's expectations are met (Hernon, 2001:1; Palmer, 2005:64; Swart, 2007:7). Literature on service quality is dedicated to establishing ways to measure service quality and to identify any shortfalls or gaps. Zeithaml *et al.* (1988) developed SERVQUAL, a concise multiple item scale model that can be used to better understand service expectations and consumer realisations. Etzel *et al.* (2007:290) mention that the SERVQUAL model is based on the following five principal dimensions that customers use to judge a company's service:

- Tangibles
- Reliability
- Responsiveness
- Assurance
- Empathy

For the purposes of the study the SERVQUAL model plays an important role in the measurement of the service quality at a service firm due to the five service quality dimensions as identified by Parasuraman *et al.* (1988:23). Parasuraman *et al.* (1988:23) state that the dimensions are related to the differences between customers' realisations and their expectations of service delivery.

Perceived service quality by customers originates from a comparison of what customers feel the service business should have offered and how this matches their perceptions of the performance of the businesses providing the service.

Previous empirical research on service quality has focused primarily on the measurement of service quality in hotels (Erto & Vanacore, 2002:165), on the service quality provided by

domestic airlines (Chang & Yeh, 2002:166), and on tourists' judgements of service quality (Weiermair & Fuchs, 1999:1004). It is evident from the mentioned studies that previous empirical research focused on service quality in other industries. No evidence could be found that attention has been given to investigating the customer service expectations and realisations of SAABSC customers in rural and urban areas.

Empirical research using the SERVQUAL model in a South African context is limited especially in the SAABSI. Van der Wal, Pampallis and Bond (2002), Berndt (2006), De Jager and Du Plooy (2006) as well as Kgaile and Morrison (2006) have used the SERVQUAL method for research in different industries such as cellular telephones, the motor industry, public health as well as education. However, not much has been done to explore a comparison between SAABSC customers' expectations and the realisation of service delivered to them based on the five service quality dimensions.

1.2 BACKGROUND TO THE STUDY

The study is based on the service quality dimensions derived from the SERVQUAL model as created by Parasuraman *et al.* (1988:23) to determine the relationship and differences, if they do exist, between SAABSC customers' service expectations and their realisation in different geographical locations (urban vs. rural areas).

The aforementioned SERVQUAL model focuses on customers' perception of service quality (Jiang, Klein & Karr, 2002:145; Kassim & Bojei, 2002:845). The model plays an important part in the measurement of service quality at a service delivery company. SERVQUAL further includes several unknown dimensions or gaps that have attracted research attention into other disciplines (Casadesus, Viadi & Saizarbitoria, 2002; Jiang, Klein & Karr, 2002; Kang, James & Alexandris, 2002; Zhao, Bai & Hui, 2002).

Some of these unexplored service dimensions or gaps in the SERVQUAL model appear to be important and worthy of investigation in the context of SAABSC. These include the gap between service specifications and service delivery and the discrepancy between customer expectations and their realisations of the service delivered in rural vs. urban areas, the possible difference between rural and urban-based customer service expectations and realisations. In the context of the proposed study investigation of the gaps could lead to or

create a better relationship between customers and SAABSC in the context of service delivery.

Service delivery and customer service plays a determining role in overall customer satisfaction and overall business performance. In today's highly competitive fast moving consumer goods (FMCG) market there is huge emphasis on these two aspects. Since the 1980s service quality has been associated with increased profitability and it is seen as creating a competitive edge by generating repeat sales and important positive word-of-mouth feedback, customer loyalty and competitive product differentiation (Sekolanyane, 2004; Wong & Tjosvold, 1995; Zeithaml *et al.*, 1988).

Service quality has been significantly emphasised for services companies, particularly in sectors such as financial services (Jones, 1991; Meister, 1990; Sekolanyane, 2004) and health (Beytell, 2010; Mangold & Babakus, 1991). It also contributes to the controlling of performance and overcoming the intangible aspects of service.

There are two very important terms within today's business worlds which are B2B & B2C. The term B2B (Business to Business) refers to transactions between two businesses where both the buyer and seller are business owners (in this case the SAABSC and their buyers/customers). Hence, in B2B environment, the product is not sold to end consumers. Buyers purchase products in large quantities to satisfy the demands of their local consumers. The term B2C (Business to Consumer) refers to transactions between a business and end-user. An example of B2C can be the local taverns or liquor selling outlets. The outlet is a business that sells products to local consumers or end users.

When there is discussion of customers that receive delivery service from any SAABSC the B2B context is used in this study. This means that when the study refers to the customers of SAABSC it is within the B2B context and not B2C, even though the concepts *customers/consumer* is used. This is because the businesses (all within the different COT as seen on page 13), being customers of the SAABSC are also businesses in their own right.

Service quality is also of utmost importance in the manufacturing sector and for companies to be successful, being service or manufacturing businesses, must keep in touch with their

customers and provide a high-quality service, or they can lose them to the competition (Le Roux, 2011:74-75). It is also worth noting that, although after used synonymously with the term *customer care*, service quality is in fact a distinct aspect of this broad term. Sekolanyane (2004:3) emphasises should not only be on meeting customers' needs and requirements, but also on how well the service matches the customers' expectations.

According to Parasuraman *et al.* (1985), Zeithaml *et al.* (1988) and Dhurup (2003) satisfaction results are a result of the comparison of consumers' expectations of service with their perceptions of actual service performance. Service quality is thus critically important for any marketing strategy; it is determined by the interaction of all those factors that affect the process of making products and services available to the customer. If there is any noticeable weakness in making services available to the customer (wrong delivery, wrong time, wrong place), then a service gap exists, which needs quick resolution in order to ensure customer loyalty and to develop a successful business.

Within a dedicated FMCG market as shown in Figure 1.1 two main areas emerge, namely food and beverages. For the purpose of this study emphasis is on the beverage sector of the industry. The beverage industry is divided into two sub-sectors, namely alcoholic beverages and non-alcoholic beverages. In the current study the focus is on alcoholic beverages. The alcoholic beverage industry is categorised according to the different categories of alcohol it produces (beer, ciders, wine and spirits). In this market segment in South Africa there are four main entities (SAB, Brandhouse, Distell and Edward & Snell) as illustrated in Figure 1.1. All of these companies compete within the market to deliver their products to their respective customers with the best possible customer service and service delivery.

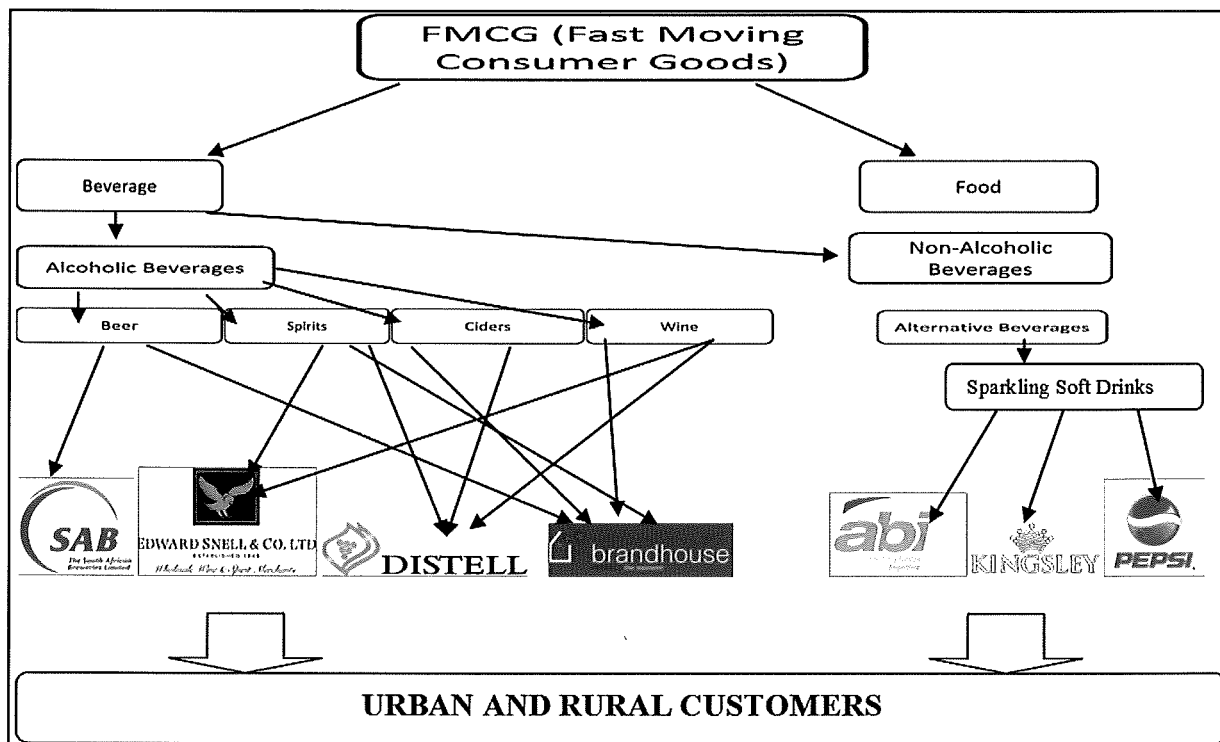


Figure 1.1: Industry framework

Source: Adapted from Beukes (2012:4)

1.3 PROBLEM STATEMENT

The concept of service quality is complex, diffuse and abstract, mainly because of the three distinctive features of a service, namely intangibility, heterogeneity and inseparability (all concepts are discussed in detail in Chapter 4) of consumption (Perez, Abad, Carillo & Fernandez, 2007:135).

In a global world economy, where alcoholic beverage supplying companies (ABSC) are competitive and consumers very demanding, it is also increasingly difficult to hide inefficiencies in a company's service delivery execution and process. If service companies are unable to provide for the needs and wants of their customers they risk losing them to the competition (Boshoff & Terblanche, 1997:87; Sekolanyane, 2004:3).

Companies are focusing on areas in their operations that give them an advantage over their competitors to ensure that they can compete in an increasingly hostile competitive environment (Brow *et al.*, 1993:127). Abdullah (2005:305) reports that service quality has been associated with an increase in profitability and is therefore considered as a vital

approach to ensure a competitive edge over competitors. Kotler and Armstrong (2001:10) state that customer satisfaction is closely linked to service quality. Levels of satisfaction is a direct result of the service quality delivered, the higher the service quality the higher the satisfaction.

In Figure 1.2 it is depicted that over the last 5 financial years the SAABSI has seen year on year volume growth. Even though there is year on year volume growth it is slowly but surely diminishing. This is a cause of concern to the SAABSC in the industry, possible reasons therefore can be established by investigating service delivery.

Also in conjunction with the aforementioned problem, there is among employees in the SAABSI a general perception that rural customers are not of the same importance as their urban counterparts. This perceived lack of investment importance is based on return on investment, sales volume, market share and expected profit growth of a SAABSC. The perceived tendency automatically creates different levels of service among rural and urban customers.

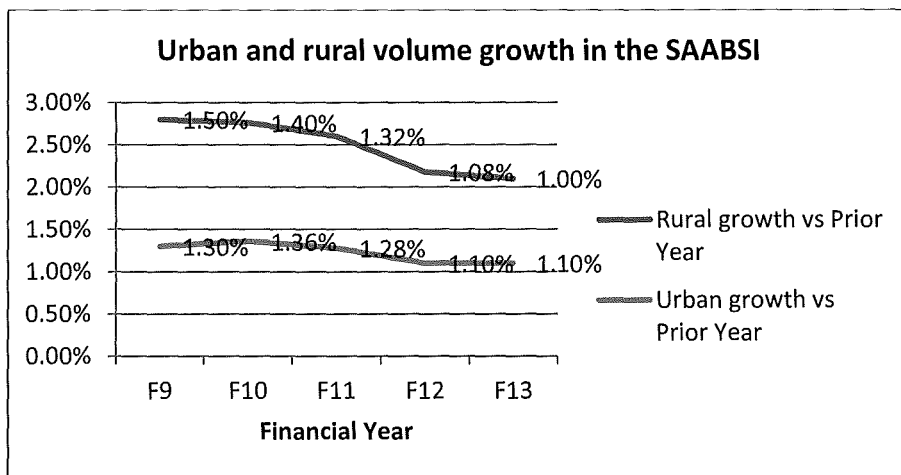


Figure 1.2: Urban and rural volume growth in the SAABSI

Source: SAABSI Database

The rural market is further neglected due to the following reasons as supported by numerous executives in the SAABSI:

- Inaccessibility of rural outlets.
- Non-existence of wholesalers or redistribution outlets in rural areas.
- Limited usage of technology by rural customers.

- Inconsistency of rural customers' liquidity.
- SAABSC employees' negative perception regarding the rural market.
- Survival approach to business in the rural market limits the potential for growth.

The perceived tendency could create a limiting effect on the potential growth of the rural alcoholic beverage market. Growth is thus focused on the urban market, although the rural market segment adds up to 40% (sales as well as customer base) of the total SAABSI market (rural and urban).

To create a healthy balance between the urban and rural market it is imperative that the focus be divided between them. Funds and supplier initiatives must benefit the rural market too. The enhanced focus can lead to rural customers expanding and propagating their business and in turn increase SAABSC profits.

Bad service quality and poor service delivery over time from suppliers can lead to lower customer satisfaction, which in turn can lead to lower customer retention and in the long run a decrease in company profits. Moreover, it diminishes the communities' opportunities to expand and propagate their businesses and contribute to better living conditions.

Diminishing product growth in any company is an indication of commercial deterioration in general, which might lead to possible retrenchments, restructuring or even closure. The problem statement in this study is based on the mentioned negative tendency and read as follows: "The current negative volume growth experienced by the SAABSI pose a possible medium and long term survival threat for the industry". This study focusses on service delivery, in all its dimensions, as a potential resolution.

The purpose of this study was to determine service delivery differences between urban and rural customers. The differences between expected service delivery and realised service delivery were established and used in an attempt to develop functional and practical structural guidelines to address these differences. The proposed structure should then assist in improving service delivery to customers, which ought to lead to better customer satisfaction, retention and profit growth.

1.4 OBJECTIVES OF THE STUDY

In this section of the study a primary and secondary objective are described.

1.4.1 Primary objective

The primary objective of the study was to determine if differences exist between customer expectations and customer realisations of SAABSC service delivery to their customers, based on their geographical location (rural vs. urban).

1.4.2 Secondary objectives

In accordance with the primary objective of the study, the following secondary objectives were formulated:

- To ascertain whether customers of SAABSC perceive customer service differently, based on their geographical location (urban vs. rural).
- To establish the perceptions customers of SAABSC have regarding service quality in relation to their geographical location (urban vs. rural).
- To establish whether customer service is of equal importance for customers of SAABSC within different geographical locations (urban vs. rural).
- To establish whether there is a difference between customers' expectations and the realisation of service delivery by SAABSC.
- To determine whether customers' experience of actual service delivery received from SAABSC is of the same standard within different geographical locations (urban vs. rural).

1.5 RESEARCH QUESTIONS

Certain research questions have been formulated after completion of the primary and secondary research objectives, these are:

- Do customers of SAABSC perceive customer service differently, based on their geographical location (urban vs. rural)?
- What are the perceptions customers have of SAABSC regarding service quality in relation to their geographical location (urban vs. rural)?

- Is customer service of equal importance for customers of SAABSC within different geographical locations (urban vs. rural)?
- Are there differences between customers' expectations and the realisation of service delivery from SAABSC?
- Are customers' experience of actual service delivery received from SAABSC is of the same standard within different geographical locations (urban vs. rural)?

1.6 RESEARCH DESIGN AND METHODOLOGY

The research design represents the “blueprint” for the measurement of the collected data (Cooper & Schindler, 2003:146).

The study comprised of a literature review and an empirical study.

1.6.1 Literature review

Secondary data sources include both local and international literature. Topics covered include urban and rural areas, service delivery, customer service, marketing and relationship marketing, customer satisfaction, SERVQUAL, and customer service expectations among rural and urban customers. The following sources have been consulted to obtain information regarding the topics mentioned:

- The Internet.
- Book publications.
- Academic journals.
- Online academic databases.

1.6.2 Empirical study

Quantitative research, using the SERVQUAL model as basis, was used for the empirical study. Quantitative research is defined as research involving a structured survey or questionnaire in which the response options are predetermined and a large set of respondents are involved (Burns & Bush, 2010:235). The empirical study comprises the following methodological dimensions:

1.6.2.1 Target population

The target population comprises customers of SAABSC (these are customers that buy from the previously mentioned SAABSC in Figure 1.1) situated in Gauteng (For the purpose of the study only Southern Gauteng was used but is referred to as Gauteng), Western Cape and North-West provinces of South Africa. Only Southern Gauteng was used due to the economical hub (Johannesburg) being situated in the southern part of the province. Also if North Gauteng customers of SAABSC had been used the total number of respondents would not have been viable, as the target population would have been too large.

Only licensed customers were used in the proposed study; licensed outlets renew their liquor license every year and sell alcohol legally. Shebeens do not have liquor licenses and have therefore been excluded from the study. SAABSC customers are categorised according to their trade; this is referred to as their class of trade (COT) and is depicted in Figure 1.3.

These three provinces were used in the study because the majority of the total alcoholic beverage industries customers are situated in these provinces and represent both urban and rural customers. The North-West Province was used due to the convenient geographical location of the province that the researcher finds himself in. Another contributing factor is that two of the provinces (Gauteng and Cape Town) are at the heart of the South African economy and development. Gauteng contributes 33.5% to the national GDP and the Western Cape, 16%. The Western Cape has seen a growth of over 6% on the GDP over the past few years, establishing the province as the leading developmental province.

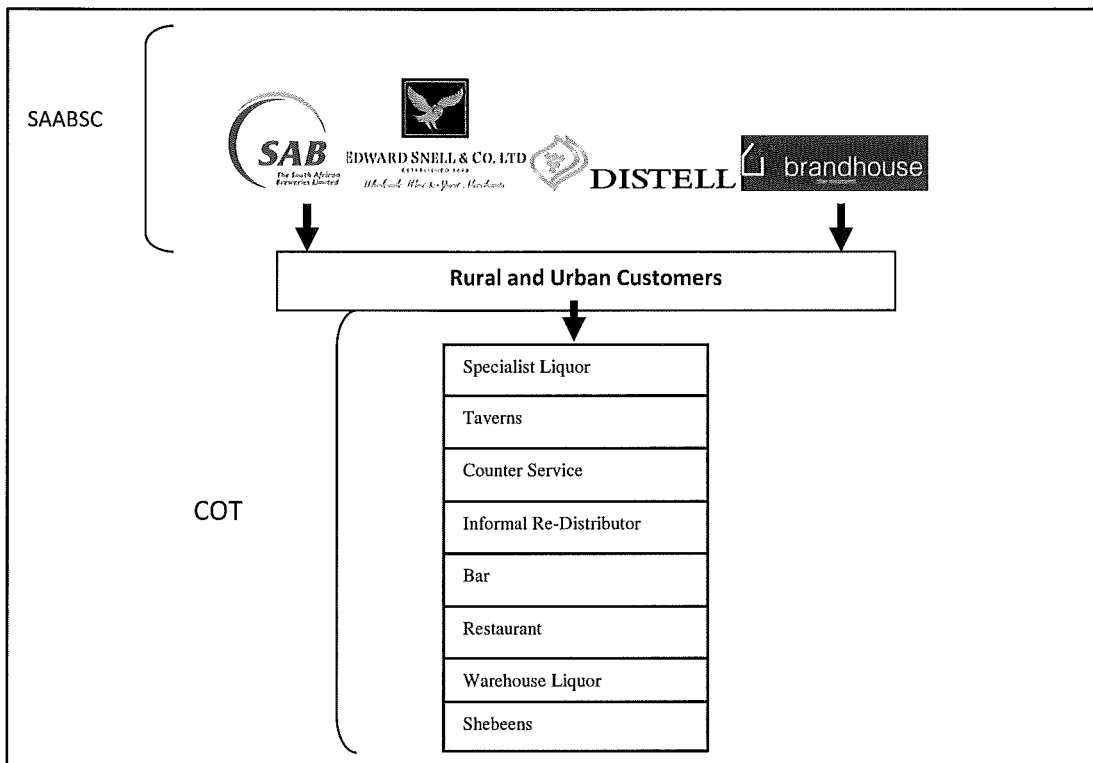


Figure 1.3: Alcoholic beverage industry COT breakdown

Source: Beukes – Personal experience & Prinsloo – Oral conveyance (2013)

The industry consists of $\pm 30\ 000$ customers in total. The reason why only an estimated total was used is due to customers being added and customers stopping to trade on a daily basis. A total of 39.3% of these customers are based in the rural areas and 60.7% in urban areas of South Africa. The three provinces feature 29.59% of the total customer population. The database of customers was obtained from an existing SAABSC customer database of the mentioned companies. The total SAABSC customers by geographical province are represented in Figure 1.4.

1.6.2.2 Sample frame

The sample frame selected for the proposed study was obtained from a database of customers serviced by SAABSC based in the Gauteng, Western Cape and North-West Province. The primary alcoholic beverage focus areas in the Gauteng Province are in Isando, Chamdor and Soweto. Focus areas in the Western Cape comprise Ottery, Belville and Newlands. The North-West Province focus areas are Rustenburg, Mafikeng and Potchefstroom. A list of customers serviced by the SAABSC was acquired by using secondary data available on the

customer database of the SAABSC. The number of customers serviced by the different alcoholic beverage suppliers was established in the following sampling method section.

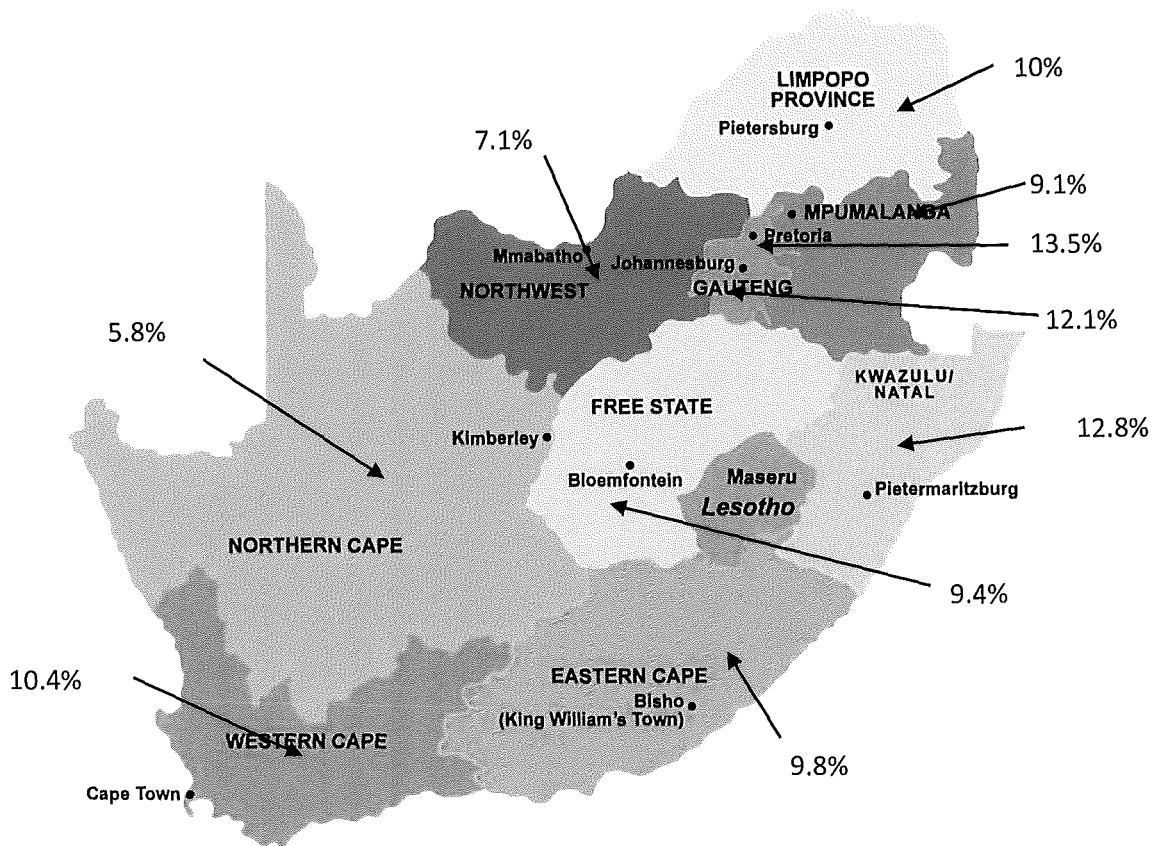


Figure 1.4: SAABSC customers by geographical area

Source: Beukes – personal experience (2013)

1.6.2.3 Sampling method

Sampling is the use of a subgroup of the population to represent the total population. Probability sampling or random sampling is a sampling technique in which the probability of getting any particular sample may be calculated. In non-probability sampling the possibility of any respondent within the population being selected is not known (Lucas 2012:8).

Any generalisations obtained from a non-probability sample must be filtered through one's knowledge of the topic being studied. Performing non-probability sampling can be considerably less expensive than doing probability sampling. From the given sample frame a non-probability judgment (purposive) sampling method was implemented, which involved choosing sample units subjectively. This study focuses on customers of SAABSC. The

primary alcoholic beverage focus areas (as depicted in Figure 1.4) used in the study comprised urban and rural areas within Gauteng, the Western Cape and the North-West Province.

The geographical focus areas within these selected provinces consist of Isando, Chamdor and Soweto in the Gauteng Province; Ottery, Belville and Newlands in the Western Cape Province, and Rustenburg, Mafikeng and Potchefstroom in the North West Province. The selected number of customers within each focus area is graphically depicted in Figure 1.4. The total population of customers that receive alcoholic beverages from SAABSC in South Africa adds to $\pm 30\,000$ customers. Total potential customers in the three main geographical provinces total 8 877. This reflects a representation of 29.59% of the total selected customer population in South Africa. Within this representation Gauteng represents 40.89%, the Western Cape 35.14%, and North-West Province 23.96% within the total population in the three focus provinces.

If a confidence level of 90% and margin of error of 0.025 are used, then a sufficient target population for the study is 965 respondents. Based on the % representation of each focus province it adds to 395 respondents in the Gauteng Province, 339 in the Western Cape Province and 231 in the North-West Province. The total number of respondents in these three provinces was then further divided, based on the urban and rural areas compliment in South Africa (60.7% urban and 39.3% rural). This is illustrated in Figure 1.5.

1.6.2.4 Sample size

The sample size selected for the study totals 965 alcoholic beverage customers. This was divided based on the percentage representation within each province as seen in Figure 1.4.

1.6.2.5 Measuring instrument and data collection method

The survey method was used to collect the primary data. Data was collected by means of a structured questionnaire. Items in the questionnaire were based on the SERVQUAL model adapted to fit this specific study. All questions were adapted to be applicable to the industry of the proposed study; these were collated in the format of a book with a cover page explaining the purpose, objectives and application of the study.

Section A comprised of the demographic details of the respondents. Section B consists of a five point Likert scale, based on the 22 items in the SERVQUAL questionnaire. Responses on this scale range from 1 = strongly agree to 5 = strongly disagree.

The questionnaire was hand-delivered to respondents in the North-West Province because they were in close geographical proximity to the researcher. Distant respondents' questionnaires were completed by means of telephonic interviews. The researcher identified an individual that could speak the relevant language of each respondent in order to minimise effort and time due to explaining the questions to respondents.

1.6.2.6 Pilot study

A pilot study is a research project that is conducted on a limited scale and that allows researchers to get a clearer idea of their objectives and how to achieve them without the expense and effort of a full-fledged study. Pilot studies are used commonly to try out survey questions and to refine research hypotheses.

A pilot study was conducted with 20 of the total customer base to establish if the questionnaire is easy to read, understand, interpret and to answer. There were no significant problems with any of these concepts after the pilot was conducted. These respondents were not included in the final questionnaire total.

1.6.3 Statistical analysis

The Statistical Package for Social Sciences (SPSS) Version 20.0 for Windows was used for the data processing and analysis. Empirical findings are presented within different contexts:

- Frequency tables were used as a descriptive tool to provide data about the demographic details of the target groups.

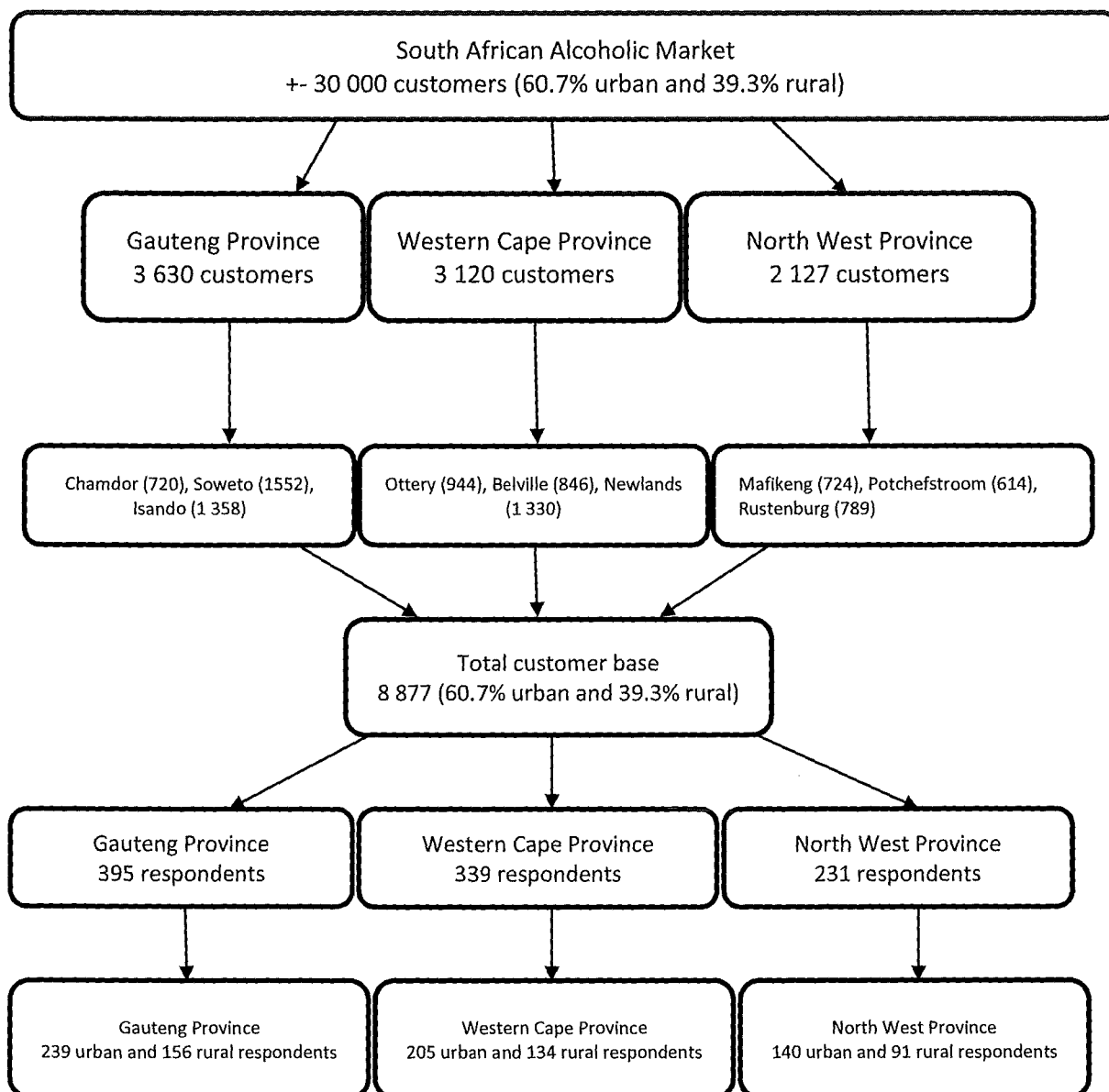


Figure 1.5: Customers per geographical focus area

Source: Beukes – Personal experience & Prinsloo – Oral conveyance (2013)

- Two-way frequency tables were applied to report on the specific results of some questions compared.
- Exploratory factor analysis was also conducted. This is according to Rubin (2007:263) a “procedure to examine the way items are correlated with one another and to identify the number of factors and what they have in common”.
- In all instances the factor scores were also calculated.
- Reliability tests like the Cronbach-alpha test were done to determine the internal consistency of the sample groups’ results.

- The descriptive of the different factors were identified. This included T-tests to determine the statistical and practical significance of the data and the analysis of variance (ANOVA) which determines whether the means of the different groups were equal and could be generalised.
- Correlations between the different factors or components was also done in detail, as it helped to show a predictive relationship that can be utilised and developed in practice.

The data analysis that was done is depicted in Figure 1.6. All the data obtained through the study's empirical findings was used to create a structured guideline that can improve the SAABSC's productivity as well as their customer service delivery. A proposed structured/guideline is visually depicted in Figure 1.7

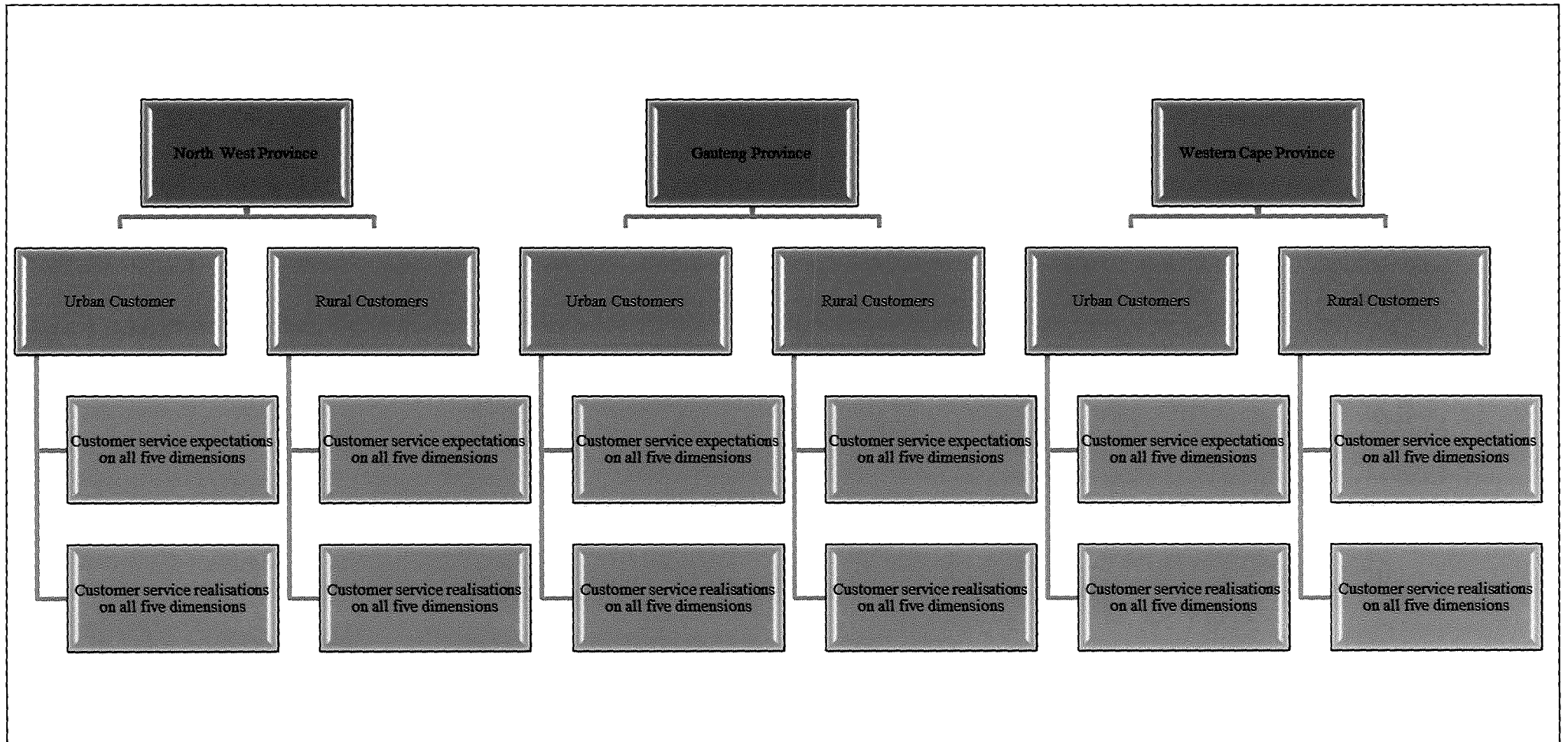


Figure 1.6: Graphical layout of data analysis

All expectations and realisations of respondents on all five dimensions were compared across the board. Provinces vs provinces, urban vs urban, rural vs rural areas and urban vs rural areas.

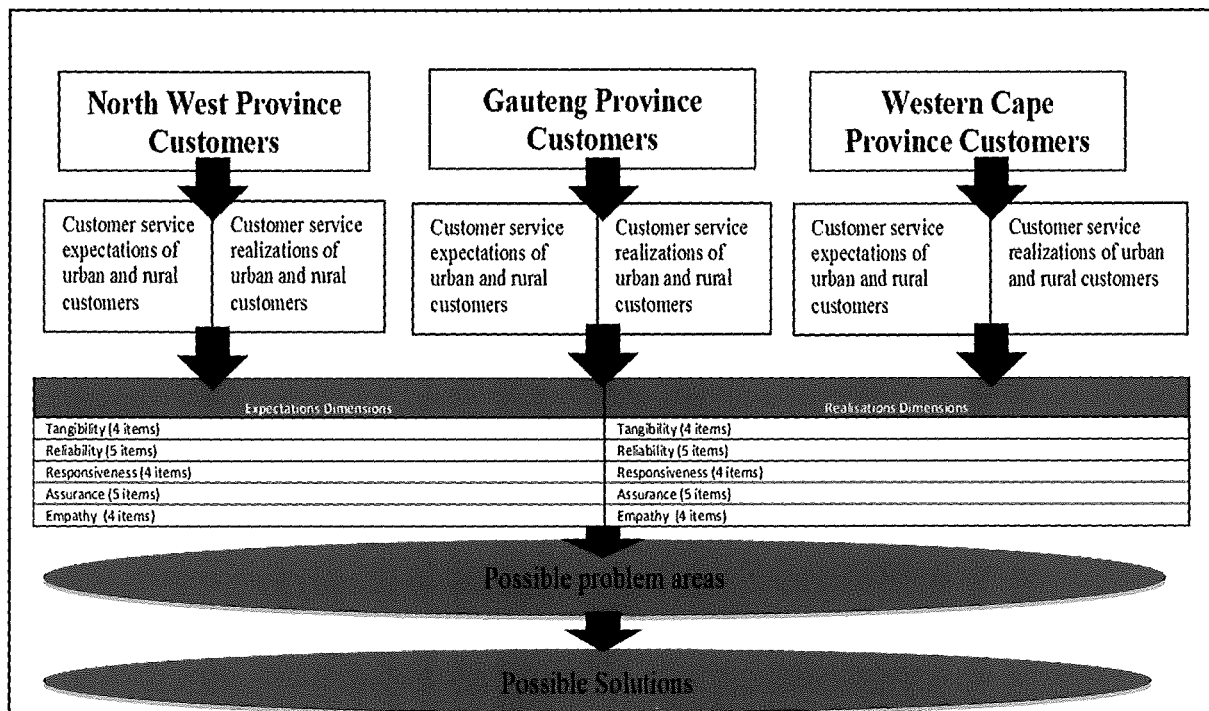


Figure 1.7: Proposed structure/guideline for SAABSC

1.7 LIMITATIONS OF THE STUDY

Due to the vast number of alcoholic beverage customers in the country ($\pm 30\ 000$) it was difficult to include all existing customers. The geographical representation of the customers involved made it difficult to present the questionnaires to them in person. Questionnaires had to be completed by means of telephonic interviews with respondents and took time to complete.

Respondents' interpretation of the Likert-scales can differ and this could lead to diverse answers to the same experience or situation of service quality. It was also possible for the respondents to misunderstand the instructions for completing the questionnaire. Some of the respondents might have misinterpreted some of the questions, the Likert-scale and other parts of the questionnaire. Another limitation of the study was the language and comprehension barrier between the questions asked in the questionnaire and the respondents' acumen.

1.8 ETHICAL CONSIDERATIONS

The following code of ethics was adhered to during the research process:

- Permission was obtained from respondents in order to conduct interviews.
- Respondents were under no obligation to complete the questionnaire. Where a respondent refused to participate in the research, the respondent was thanked and the next qualifying respondent approached to participate in the research.
- Results of the research will be made available to receivers/buyers of business organisations who participated in the study upon request.
- Each respondent was informed of the purpose of the study.
- The questionnaire did not contain any questions that could be harmful to the self-interest of respondents.
- The researcher assured respondents that anonymity and confidentiality would be observed.
- The researcher treated participants with fairness and equity during all stages of research.

1.9 CHAPTER CLASSIFICATION

Chapter 1 provides the background to the study and the introduction. It also provides the problem statement and objectives of the study. The research design and methodology used are also described.

Chapter 2 focuses on customer relationship management, customer experience management and total quality management. All these concepts are explained.

Chapter 3 consists of a theoretical exploration of relationship marketing, customer satisfaction, retention and loyalty. Focus will be given to ensure that positive customer experience will lead to satisfaction and loyalty. The link between the two concepts will be explained and the results it produces.

Chapter 4 focuses on services, customer service and service quality. A theoretical explanation of services, customer service and service quality is given. The relationship between customer service and service quality, and the service quality gaps involved are

investigated. This chapter also contains a brief theoretical look at two models of service quality.

Chapter 5 describes the research methodology and research methods used as well as the steps used in the selection of the sample and the research design employed in the study. It concentrates on the procedure used in the design of the service quality scale and the development and distribution of the questionnaires. Measurement reliability and validity, pre-testing, and refinement of the measuring instrument are also discussed.

Chapter 6 comprises the analysis, interpretation and evaluation of the research findings. The results and findings are illustrated in table format including graphic illustrations with detailed explanations.

Chapter 7 reviews the study as a whole and provides a conclusion to the study. Recommendations are discussed and implications for future research are given.

Now that an indication has been given in Chapter 1 of the research conducted, attention is paid to customer relationship management in Chapter 2.

THEORETICAL CHAPTER LAYOUT OF THE STUDY

CHAPTER 2: CRM

- 2.1 INTRODUCTION
- 2.2 CRM
- 2.3 HISTORY OF CRM
- 2.4 TYPES OF CRM
- 2.5 CRM APPROACHES
- 2.6 BENEFITS OF CRM
- 2.7 BARRIERS TO SUCCESSFUL CRM
- 2.8 LINK BETWEEN CRM, CUSTOMER SERVICE AND CUSTOMER SATISFACTION
- 2.9 IMPLEMENTATION OF CRM
- 2.10 CONCLUSION

CHAPTER 3: RELATIONSHIP MARKETING, CUSTOMER SATISFACTION AND LOYALTY

- 3.1 INTRODUCTION
- 3.2 RELATIONSHIP MARKETING (RM)
- 3.3 CUSTOMER SATISFACTION
- 3.4 CUSTOMER LOYALTY
- 3.5 CUSTOMER RETENTION
- 3.6 CONCLUSION

CHAPTER 4: SERVICE MARKETING, CUSTOMER SERVICE AND SERVICE QUALITY

- 4.1 INTRODUCTION
- 4.2 SERVICE DEFINED
- 4.3 CUSTOMER SERVICE AND SERVICE MARKETING
- 4.4 SERVICE QUALITY
- 4.5 IMPORTANCE AND RELEVANCE OF QUALITY SERVICE DELIVERY
- 4.6 CONCLUSION

CHAPTER 2

CUSTOMER RELATIONSHIP MANAGEMENT

2.1 INTRODUCTION

In the business world there is a positive drive for a reduction in cost, an increase in productivity and greater overall efficiencies (Amorighoye, 2009:1). For any organisation to continue operating in any competitive economy, continuous quality improvement and cost reduction are essential (Carpinetti *et al.*, 2003:543). To achieve today's business goals and objectives, many organisations are urgently promoting strategies that will result in a more reactive and effective service to customers (Amorighoye, 2009:1).

Customer relationship management (CRM) is influenced by customer service and customer satisfaction, both these mentioned concepts also has an influence on each other. As Sheth and Uslay (2007:302), Hoffman *et al.* (2005:331) and Wang (2011:865) point out, CRM and customer service are closely related due to the purpose of CRM to build up long-term relationships with customers by offering them a variety of valuable and desirable experiences. It is especially important in service businesses, to understand that customer service is an important part of relationship building for every business. It is vital that businesses provide their customers with good customer service which in turn would give businesses the opportunity they need to understand precisely what it is that their customers want, as businesses continue to improve their ability to initiate and develop long-term relationships with their customers.

If a business disregard to take advantage of the opportunities offered by developing customer relationships, such a business is bound to suffer the losses that result in the long-term from damaged relationships and the behaviour of dissatisfied customers (De Meyer, 2008:112). Damage can be done to the relationship between businesses and their customers if businesses fail to offer quality service. It is for this reason that CRM is of utmost importance for the sustainability of a business (De Meyer, 2008:112).

This chapter discusses the role and importance of CRM within the organisation. Part of the chapter is devoted to defining the term, benefits, types and approaches of CRM.

2.2 CRM

There is a wide range of definitions for the concept CRM. Payne *et al.* (2005:168) states that the way CRM is viewed will influence the way in which companies apply and use the concept. McKenzie (2000:41-42) and Wang (2011:865) implies that there is no single definition of CRM to which scholars all agree, due to the speed with which CRM is evolving and to the continually changing nature of CRM. A theoretical problem is created for marketing managers and researchers alike due to the lack of agreement on the definition of CRM, as well as practical problems for practitioners who are trying to implement CRM within areas of business that are involved in the maintaining of relationships with customers. Wang (2011:865) also states that more extensive definitions of CRM include descriptions of how CRM is a business and technology discipline that allows businesses to give satisfaction to customers and how the successful implementation of CRM is reliant on basing CRM on a comprehensive customer-centric business strategy.

The main focus in CRM should be on establishing the correct attitudes towards customers amongst employees rather than forming a theoretical CRM system that describes all the elements. Ivens and Shaw (2002:98) is of the opinion that the most important element in CRM is in which manner a certain business has dedicated itself to maximising the customer experience and how it is focused on satisfying the needs of their customers.

In his definition, Hill (2007:27) claims that CRM is the practice of organising and pursuing all components of an organisation's dealings with its customers. This is a view that unfortunately focuses too much on the systems that is used and not enough on the human factor and duration of the relationship. Egan (2008:289) defines CRM as: "a permanent performance programme developed to improve an organisation's information of its customers and to sustain access across all the communication channels as well as the establishment of cost-cutting measures". Kotler and Armstrong (2012:27) define CRM as an overall process of constructing and maintaining profitable customer relationships by delivering superior customer satisfaction and value. This definition is to give priority to the maintaining of long-

term relationships by understanding individual customer needs and preferences, and also to add value to a business and supply benefits to its customers.

A more comprehensive definition of CRM is supplied by Bligh and Turk (2004:6). They are of the opinion that the most helpful definition of CRM is one that makes use of a three-tiered approach by incorporating the operational philosophy with the processes and the technologies that are utilised by business. These tiers on which this definition depends include the following elements:

- The absolute requirement for a philosophy of a business to be customer-oriented. Each unique needs of each customer are satisfied by means of customising a service.
- The need for integrating business processes such as sales, marketing and services.
- The use of accurate software and current technology to capture customer information.

It is clear that a variety of definitions exist regarding the concept of CRM. There are, however, three main elements on which most authors agree in terms of defining CRM:

a) CRM is a comprehensive business strategy

CRM is not just intended for use by management neither in the SAABSC nor entirely for the marketing department within the company. CRM is instead a culture the entire business should embrace and a strategy that must be implemented across all functions in the business (Anderson & Kerr, 2002:2; El Essawy, 2012:22). This needs to happen from director level to shop floor employees within SAABSC.

b) CRM is about maximising customer satisfaction

Businesses needs to understand and manage their customers' needs individually, then only will the business be able to treat each individual customer differently (Greenberg, 2004:45), and develop personalised relationships in this manner. Within the context of this study the SAABSC needs to understand that customers in different COTs need to be handled differently; for this reason sales teams work in different COTs to increase specialised services. Highly satisfied customers are a direct result of this kind of attention to detail, this in turn motivates these customers to remain with the business over the long term (Chen & Lin, 2012:207).

c) Optimising profits

New customers can be attracted by businesses that understand and satisfies customers' needs, current customers can be retained and relationships with these customers can be enhanced into highly profitable, long-term partnerships that add value not only to the customer but also to the business itself (Peelen, 2005:6; Richards & Jones, 2006:121). Through delivering world-class brands and superior service SAABSC can attract new customers and ensure they retain their current base; this will ensure a steady stream of profit for the company.

A clear picture is provided in Figure 2.1 of how widely the CRM continuum stretches and how this leads to different interpretations, definitions and applications.

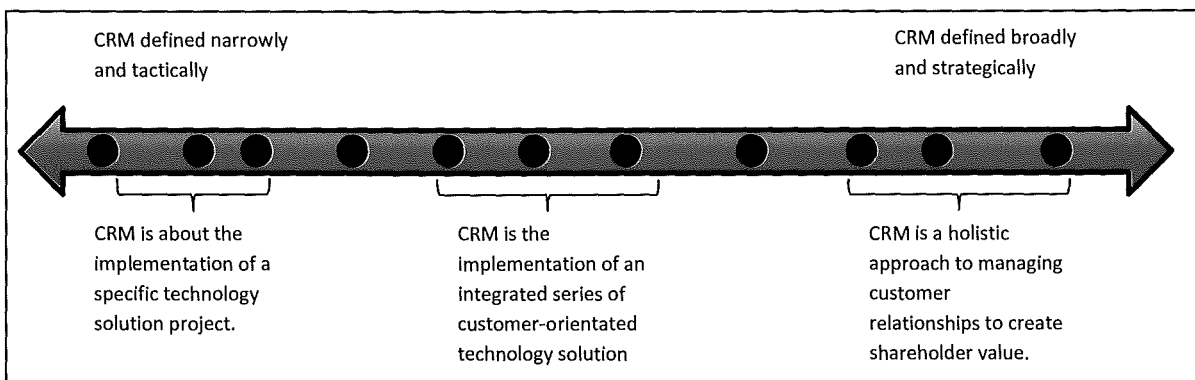


Figure 2.1: The CRM continuum

Source: Payne *et al.* (2005:168)

With reference to Figure 2.1 CRM can be defined as an all-inclusive broad and strategic business strategy that focuses on identifying, attracting, satisfying and retaining customers by utilising technology to obtain and manage customer data whereby the business interaction is enhanced by delivering quality services and products.

Attention will now be given to the history, types and approaches of CRM.

2.3 HISTORY OF CRM

The progression of this concept over recent years is displayed in the different perspectives on the definition of CRM (Section 2.2), which Dibb and Meadows (2004:113) describe as the “journey” from basic segmentation to relationship marketing (RM), to CRM. This section

discusses the evolution of CRM by explaining its origins, how it emerged, and how it developed over time.

2.3.1 Emergence of CRM

CRM has developed together with business structures over the years. The following sections explain how CRM emerged to develop into the successful initiative it is today.

2.3.1.1 Early 1970s

Businesses were initially product-driven which meant they were dominated by manufacturing. Customers played no part in the planning or decision-making and these processes were primarily aimed at the internal functioning of the business itself. Due to customers not being included in these processes, business' production costs were lower. As a result of lower production cost, the customer demand for products usually surpassed the businesses' ability to supply them. Fortunately for these businesses, customer expectations were rather low and their open-mindedness towards the variety of available products was high (Payne, 2006:7; Malik, 2010:38, Mackay, 2012:24).

2.3.1.2 Late 1970s

By the end of the 1970s customers' needs and desires had begun to exceed all limits. Their expectations grew to such a degree that they were willing to decrease to two-income families only to be able to afford and also satisfy their needs. The demand for consumer goods as a result increased significantly within this timeframe. Businesses had to adapt to these changes, which led to them to include the customer in their planning and manufacturing decisions (Malik, 2010:39). Practices such as resource planning and enterprise resource planning made their appearance. These tools made the production processes more efficient and effective, and business systems became more acceptable and available (Baran *et al.*, 2008:50). Even though customer demand drove this approach, the focus was still on the product.

2.3.1.3 Early 1990s

Maklan *et al.* (2007:221), Payne and Frow (2006:137-138) and El Essawy (2012:22) point out that the term CRM progressed in the early 1990s into a marketing term for the purpose of describing those business practices and technologies that are used to enhance customer-related business practices. The internet phenomenon entered the business world at this point in time. Geographical location was not a limiting factor anymore and within in this an endless number of options to customers (Greenberg, 2004:14). This happened because the Internet was able to make vast amounts of information that were previously unreachable, available to potential customers who compare products and services before they commit to buying them. Customers' expectations increased considerably as a result of this new found technology and their actions became more unpredictable, that can even affect their loyalty towards the business. This new occurrence held either the downfall or significant changes in store for businesses (Bligh & Turk, 2004:7; El Essawy (2012:22). Businesses, in this time were able to use the changes and enhancements in technology to substitute cost-effective automation for many of the tasks that previously had to be performed by human technicians.

Businesses were forced to amend their strategies and activities; which also meant they had to create products according to customer specifications. Businesses slowly became more customer-centric by convincing themselves that they had to move away from being only product focused. Within this time there was an increase in the requirement for direct interaction between the business and its customers due to the growth in the service sector.

Malik (2010:36) states that due to this new customer-focused approach by businesses, it produced a new era of marketing, namely that of relationship marketing (RM). The main concern of relationship marketing according to Payne and Frow (2006:137) still remains to managing the business's relationships with its various stakeholders. They state that this marketing approach forms the basis for CRM, hence the emergence of CRM in the years that followed.

CRM emerged during the RM era, and evolved into more than just another abbreviation. The entire business was affected as CRM became a vital part of any business's processes and activities (Peelen, 2005:13). Kumar and Reinartz (2006:20) describe CRM's evolution since the 1990s according to the timeline as depicted in Figure 2.2.

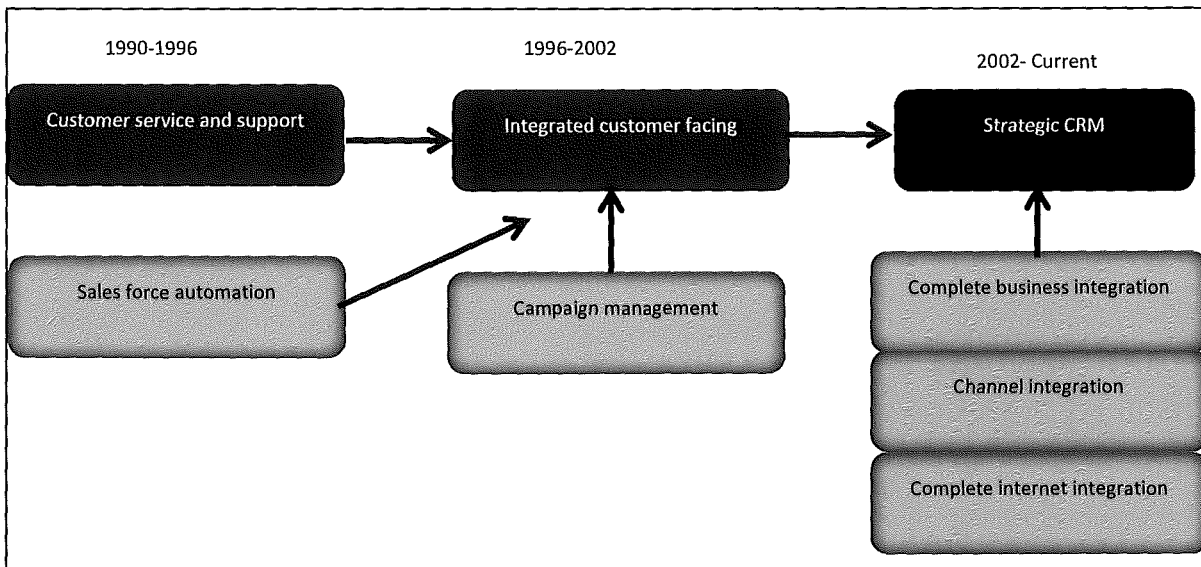


Figure 2.2: Timeline of CRM evolution
Source: Kumar and Reinartz (2006:20).

It is of the opinion of Payne (2006:11) that CRM evolved because of development in trends in the market place. These trends include the following:

- Focus has been shifted by businesses from traditional transaction marketing to building relationships.
- Customers have become “resources” to businesses operation.
- A strategic shift has taken place away from functions towards processes within organisational structures.
- Benefits involved in using information proactively rather than merely reactively by effective businesses were identified.
- Businesses have become far more reliant on using technology in the management and maximisation of the value of the information that they collect.
- Businesses have accepted the need for a trade-off between delivering and extracting customer value.
- The development of one-to-one marketing approaches has increased.

CRM has undergone various changes since it first evolved in the 1990s. The following section further explores these aspects.

a) First generation (the functional CRM approach)

According to Kumar and Reinartz (2006:20) CRM initially developed as two independent product offerings, namely sales force automation (SFA) and customer service and support (CSS). SFA focussed on addressing pre-sale activities such as producing leads in the compilation of sales quotes, gathering customer information and prospective customers, telemarketing and the placing of sales orders. Improved sales force productivity were provided to the business through these functions with real-time information. CSS addressed after-sale elements such as help desks and customer call centres. The handling of customer inquiries was improved through employing these new technologies (Baran *et al.*, 2008:51). These two elements (SFA and CSS) remained separated from each other, and were poorly integrated at the best of times. Although it was part of the function of SFA to promise after-sale service, there was little interaction between these two elements. This gap between functions suggested the need for an integrated system that could be used by all departments involved.

b) Second generation (the customer-facing CRM approach)

CRM developed into an integrated customer-facing approach during this phase, which meant integrating the customer with both pre-sale and after-sale activities. Customer facing staff formed part of the business need within the CRM environment. Although many businesses were implementing CRM during the 1990s because of the benefits that customer integration might offer a business, the intended results remained elusive and unsatisfactory during that decade.

CRM technologies were employed in order to improve on the potential of certain benefits, which led to the introduction of certain CRM campaign management techniques. Customer data warehouses housed customer data on which businesses based these campaign techniques. Subsequently businesses were able to target smaller, more focused customer segments by means of tailored promotional campaigns (Baran *et al.*, 2008:51), permitting an affordable integrated customer approach. A number of significant problems relating to CRM and CRM implementation started to emerge during the late 1990s and early 2000s. During those early days the promises of CRM technology in practice were unsuccessful in delivering the benefits that were expected. Although the existence of the Internet intensified

expectations of what CRM might be able to deliver, and although certain benefits were indeed imminent, the expectations were too large and disappointed because of the difficulties and complications presented by CRM technology. CRM at this time was difficult to both implement and measure by practitioners. For these reasons it was up to the businesses themselves to design and implement a more strategic and overall understanding of what the CRM implementation process required (Kumar & Reinartz, 2006:21).

c) Third generation (the strategic CRM approach)

By the end of 2002 the gap between customers' expectations and their perceived benefits from their CRM experience were narrowed by businesses. The integration of business partners and suppliers, and not just the integration of customers and the pre-sale and after-sale functions proved to be key to a more strategic and successful CRM approach (Kumar & Reinartz, 2006:21; Malik, 2010:43). The integration of business processes with the Internet also contributed significantly to the improvement of CRM practices. The Internet is undeniably the ultimate link between the business, its customers and customer data, and its channel members. It also allows for direct dealings when it comes to data capturing, data updating, and data availability for future use (Baran *et al.*, 2008:52-54). Kumar & Reinartz (2006:22) states that the most successful practitioners of CRM are those that are able to formulate a strategic approach that does not over emphasise the reliance on technological solutions.

2.4 Types of CRM

CRM can be categorised into three main types, namely operational CRM, analytical CRM and collaborative CRM. To form relationships with customers are at the base of each of these types. Payne (2006:23) notes that businesses requires practical CRM programmes to assist them in identifying valuable customers and to retain not only their loyal and commitment, but also to keep them satisfied with the business product. Each of these CRM types and programmes is discussed and described in section 2.4.1 to 2.4.3.

2.4.1 Operational CRM

Payne (2006:23), Ali (2007:33) and Malik 2010:40 explain that operational CRM deals with the automation of the business processes that include customers at points of contact between customers and a business. El Essawy (2012:25) states that the purpose of operational CRM is to integrate all the events and processes to assist customer access, customer interaction and sales. The automation of the business processes is the main purpose of the specific technology that is used in operational CRM. These business processes integrate the functions and value of efficient services, marketing and sales personnel. Typical business functions involved in operational CRM are marketing automation, sales force automation and service automation. The Marketing automation function allows businesses to develop, budget and execute advertising campaigns. Opportunity management, lead management, customer contact management and sales forecasting are all features that are part of sales force automation. Customer calls through the call centre, directing service calls, and handling customer complaints by supervised employees' forms part of service automation and allows businesses to manage their service operations more effectively (Buttle, 2009:5). Operational CRM becomes more important as the interactions between businesses and their customers become more complex.

Crosby and Johnson (2001:10-11) state that the main aim of operational CRM is to improve the overall specific quality of customer interactions. Operational CRM primarily focuses on developing and implementing a system that has the capacity to ensure that support, marketing databases and sales are combined in a way that will improve the collection and analysis of customer information. CRM assists businesses to get hold of information about customer interaction, customer information and the purchase histories of customers in such a manner that it will assist the business to deal with customer requests and deliver on the needs of customers for optimal and satisfactory service. An increase in efficiency in marketing and sales is one of the core benefits of operational CRM for SAABSC.

2.4.2 Analytical CRM

According to Ali (2007:33) and El Essawy (2012:25), analytical CRM provides a basis for analysing, modelling and evaluating related customer data with a vision to ensure the development of a mutually beneficial relationship between the business and its customers

which includes the capturing, storing, processing, extracting, interpreting and implementing of meaningful customer data obtained from the operational part of the business. For this to be successful operational CRM and analytical CRM must be integrated to a certain extent with each other.

By analytical CRM analysing customer data, the value of the customer is enhanced and it forms a basis for strategic decision-making. Analytical CRM assists businesses to obtain accurate and trustworthy information about customer behaviour. The quality of the data that is collected is of utmost importance as it determines the quality of information that has been collected through analytical CRM (Tanner *et al.*, 2005:174-175). Malik (2010:41-42) indicates that customer data storage facilities (data warehouses) that store the information that is gathered from customers id plays a very important role in this instance. SAABSC can obtain information from various sources, such as the customer himself, businesses, market research databases and even the credit bureaux. The data collected for use in analytical CRM contains data pertaining to customer behaviour, referrals, satisfaction, retention, loyalty and profitability.

2.4.3 Collaborative CRM

The focus in collaborative CRM is predominantly on the interactions that take place between customers, businesses and employees (Payne, 2006:23; Greenberg, 2004:49). Malik (2010:43) notes that CRM depends on numerous interactions that take place between businesses and stakeholders. Technology streamlines these interactions by means of predominant electronic communication methods such as e-mail and websites that are dedicated to the receiving and resolving of complaints and dissatisfied customers. The biggest stumbling block of collaborative CRM is that the communication that is involved in this processes reaches customers at the wrong time and in that it will contain information that is irrelevant to the customers' needs, this is also be biggest challenge to get right within collaborative CRM. While collaborative CRM offers all the benefits contained in one-to-one marketing, it also forces a business to find out exactly what information it is that customers' needs from them and to respond to customer queries, complaints and comments as quick and accurate as possible (El Essawy, 2012:26). SAABSC have sales teams and driver teams within the trade and interacting with customers on a daily/weekly/monthly basis and take in

complaints every day, these complaints must be relayed to the centre as soon as possible. Recommendations towards this are outlined in Chapter 7.

There are different CRM programmes that are being implemented by businesses in general, these are explained in the next section.

A combination of all 3 types of CRM was considered when the proposed structure was developed (Figure 7.1 on page 229). Operational CRM dealing with where the SAABSC can improve business processes when there is interaction with their customers. Analytical CRM was considered when suggestion/recommendations were made on how to evaluate customer interactions with the intention to improve service delivery to them. And finally collaborative CRM was considered when recommendations were made towards improving on communication between the SAABSC and their customers with regards to new and important information.

2.5 CRM PROGRAMMES

De Meyer (2008:125) explains that through relationship management different types of customers can be identified. For businesses it is vital to be able to do this as each customer is in a different phase within the customer life-cycle and therefore requires the kind of service that is appropriate to that particular stage. CRM main function is to determine the service requirements of each individual customer and to assist a business to choose the best marketing programme that would be specific to the customer's needs at the particular time in the customer life-cycle.

Four separate CRM programmes have been developed to assist businesses to provide for the specific needs of its customers as they pass through the different phases of the customer life-cycle. These four programmes include strategies (1) for winning back a customer who has defected, (2) for identifying new prospects for the business, (3) for creating and strengthening the loyalty that a customer feels towards a business, and (4) for cross-selling or up-selling to current customers (De Meyer, 2008:125).

2.5.1 Winning back customers or saving customer defection

These are methods that form part of customer relations strategy programmes and assists in saving or winning back a customer who has defected or are at the point of changing suppliers. These methods empower the business to persuade a customer to remain with the business or to encourage customers who have defected to return to the business. It is vital that CRM programmes are actioned as soon as possible as it is important for a business to try to win back a customer as soon as possible after the customer has moved on. Selectivity is the second element that a CRM programme offers SAABSC. SAABSC needs to choose those customers selectively who they want to win back or save. This is key as SAABSC don't want to spend time and effort in pursuing customers who have defected as they could have poor credit ratings, expired liquor licenses or their history shows that they consistently purchase only low volumes of the product or they frequently defect, it will certainly not be worth the effort and time of the SAABSC to try to win them back.

2.5.2 Prospecting

Prospecting refers to the process of acquiring potential customers (Doyle, 2005:268). Businesses are looking for new business prospects through utilising analytical CRM (Tanner *et al.*, 2005:176). Analytical CRM also puts businesses within a situation where they are able to obtain potential customers and to determine which products will best suit potential target markets.

De Meyer (2008:125) states there are three important elements that are involved in prospecting; these are sources, segmentation, and selectivity. Customers' needs to be segmented into specific target markets by businesses so that they can determine which products will best suit a particular market. In this instance SAABSC needs to determine in what market (Rural/Urban) what type of product will sell the best (Beer, wine, spirits being in bottles, cans or quarts.) Businesses can also through segmentation adapt their marketing programmes to meet the specific needs of customers in each segment and to offer products that meet the requirements of a particular target segment. Businesses also need to identify the right kind of customers with whom they want to form long-term relationships, this can be done through selectivity. Only when CRM is an effective process will customers be willing to form relationships with the business. A business needs to gather as much information as it

can from various sources in order to ensure that the right customers will be targeted and selected for the CRM programme.

2.5.3 Loyalty

Loyalty refers to a business trying to prevent customers from defecting, it is also difficult to measure loyalty accurately (Mackay, 2012:48-49). SAABSC use value-based segmentation, affinity programmes, partnership programmes, awards programs and other methods to create and maintain loyalty. Value-based segmentation provides the business with a method of establishing how much it is prepared to invest in a certain customer in return for loyalty. Affinity programmes (such as frequent flyer miles, holiday points and merchandise) or loyalty schemes are used by businesses to meet needs of customers and can increase their loyalty to a business. Additional elements that the SAABSC use to create loyalty include but are not limited to customised billing, special help lines, specific delivery days and time windows, and the extension of credit to customers. The cost of maintaining loyalty with customers will only reduce as the relationship between a business and its customers becomes stronger over the years. Customer information can also be used by businesses (which they accrued over time) to accurately predict what a customer's future behaviour is likely to be.

2.5.4 Cross-selling / Up-selling

Wiese (2013:7) note that CRM programmes are essential to increase the amount of money that customers are willing to invest in a business in exchange for products and services. Cross-selling and up-selling is usually used by businesses in an attempt to identify which other products (such as complementary products and enhanced products) a customer would most likely need in the future. Profitability increases due to customers accepting cross-selling or up-selling, this is due to customers already having a relationship with a business and will be far more open to suggestions from the business about the possibility of increasing their satisfaction. SAABSC will try and combine certain brands or packs for better sales (i.e combining castle lager and castle light in one case, or savannah dark and light in one case). SAABSC will upsell by trying to sell in full pallets instead of half or even try and sell in by layer (i.e a layer of beer cans are 9 and customers order 5, the SAABSC will try and convince the customer to order 9 and not just 5.)

Numerous CRM benefits for the business and customer exist; some of the most important benefits are explained in Section 2.6

2.6 BENEFITS OF CRM

The following section describes how CRM benefits both a business and its customers.

2.6.1 Benefits of CRM for the business

Companies create and implement CRM-strategies primarily because they believe the strategies will be mutually beneficial. Baran *et al.* (2008:131) list the following benefits for the business:

- Prospecting allows SAABSC to discover new customers.
- Customer take-on after they have been identified and recruited by SAABSC.
- Customers are developed which places emphasises on the importance of nurturing the relationship with the customers over the long run.
- Cross-selling influences existing customers to try other services or to buy additional products from the same provider. Example is speciality packs or promotional packs within the SAABSC.
- More money will be spent on improved, longer lasting and even more expensive products/services. This makes the relationship even more profitable.
- Allowing customers to move to another segment of the same provider in an effort to retain their service and develop the relationship even further, this is called managing movement.
- As loyalty increased the relationship also last longer and also provides positive word-of-mouth referrals. Referrals lower expenses, but can also increase sales, market share and profits (Baran *et al.*, 2008:14).

Furthermore there are the following additional benefits of CRM for a business:

a) Increased revenues and profits

Any business strives to increase revenues and profits in the long run through using CRM. Original investment in CRM programmes could possibly be expensive but businesses will be

able to increase its revenues over the long-term as the result of such an investment. Information gathering on customers by a business can accurately conclude which customers are more valuable or who can be more valuable to the business, and to encourage the business to strengthen its relationship with such customers. CRM will also assist the SAABSC to not spend too much time and effort on customers who bring little profit to the business and spending too little on customers who generate large amounts of sales volumes (Berfenfeldt, 2010:7).

b) Customer focus

The foundation of a CRM approach is to focus on the customer, no business can exist if they don't have customers that have wants and needs. It is important that the SAABSC not only relates to its customers in this manner, but also focuses their efforts and its business processes around them. By being customer-focused a business can identify with its customers, relate to their feelings and subsequently satisfy their every need (Mackay, 2012:34).

c) More effective marketing and decision-making

Businesses that understand its customers' needs can put themselves in a position to target its actual and potential markets more accurately (Jobber, 2004:797-798). This is because businesses has an in-depth knowledge of what its customers really want, it can then direct its marketing campaign to offer customers exactly the kind of information they need in order to realise how the business's products will meet their personal needs.

d) Increased customer satisfaction

As mentioned, when a business becomes more customer-focused they tend to get to know and understand customers' needs and wants in detail, thereby empowering themselves to meet customers' different needs (Berfenfeldt, 2010:7). Customer satisfaction is improved in the end as businesses meet customers' expectations successfully by means of customised products and services (Berndt & Tait, 2012:42). Customised services from SAABSC can be specific delivery days, times, using specific delivery trucks and contact centres to assist with delivery queries.

e) Employee satisfaction and retention

Jobber (2004:798) and Malik (2010:44) note that employees who work with satisfied customers on a regular basis are far more likely to feel satisfied with their own work performance and conditions. Satisfied employees are also less likely to look for employment in another business or industry. Due to employees being in the business for a long time it also improves the relationship building process. This is due to customers always dealing with the same employee who, because of long experience, is familiar with the customers' history. Long term customers do not enjoy it to explain their problems and needs to a new employee every time they visit a business or phone them.

f) Increased customer retention

Maybe the most important objective of CRM is to retain customers for a business. Usually when a business continuously exceeds customers' expectations, thus causing satisfied customers, the customer might be more willing to return to the business in future. A relationship will therefore develop between the business and its customers over time, which will encourage loyalty with the customer (Zikmund, 2003:3; Berfenfeldt, 2010:7). SAABSC are putting a lot of attention and money into ensuring their customers order their product on a continuous basis, being it daily/weekly/monthly. By doing this the companies ensure a steady flow of sales and profit. This is done through continuous relationship building and always offering quality service delivery.

g) Competitive advantage

Customer defection is dramatically reduced once a long-term relationship has been established. Businesses with well-established customer relations can compete with competitors on the basis of service rather than price because customers are more willing to pay a higher price for quality service and for maintaining the value that they obtain through their existing relationship with a business (Jobber, 2004:797-798; El Essawy (2012:32-33).

h) Faster product development and marketing

Business can be assisted by long serving customers in developing and evaluating product adaptations and the development of new products (Chalmers, 2006:1016-1017). Within the SAABSI the companies involve the head office teams of their national accounts (i.e Overland group, Spar) to assist them in creating and testing new product developments.

2.6.2 Benefits of CRM to the customer

CRM is not only beneficial to businesses themselves. It also offers customers many advantages. These advantages and benefits are described in the following section.

a) Customer confidence

Hennig-Thurau *et al.* (2010:379) explain that if a customer has a long-term relationship with a business it will allow them to feel confident about the quality of the products they buy and the services they receive. Customer confidence increases as customers obtain information of how the business works as well as the right channels to follow when they have queries or complaints. As customer's experience safety and security in their relationship with the business, their confidence will increase. Confidence in this instance is of utmost importance to customers. The best direction that the SAABSC can take is to make its customers feel secure in their choices and transactions (Hennig-Thurau *et al.*, 2010:379).

b) Social benefits

According to Hennig-Thurau *et al.* (2010:375-376) these benefits pertain to the emotional part of the relationship and are characterised by the personal appreciation of customers by employees. Employees within the SAABSC need to treat customers as individuals with individual needs once a customer-business relationship has been established. Customers will also be familiar with employees because of the long history with the business. Friendships usually mature due to customer frequent purchases from the business within the service encounter (Gronroos, 2004:36; Hennig-Thurau *et al.* (2010:375-376).

c) Special treatment

Special treatment usually refers to the beneficial discounts or personalised services that customers receive from their service provider. Businesses usually willing to offer their long-term customers extra services and even at reduced prices, and will give them priority over other customers who only have fragile links with the business (Gronroos, 2004:36). Customer satisfaction is naturally improved through businesses giving special treatment to their customers, which in turn enhances customers' loyalty to the business (Hennig-Thurau *et al.*, 2010:236). SAABSC have many special treatment strategies that they use in correlation with their customers (i.e discounts on early paid invoices, specialised credit terms, volume discount incentives and specialised prices within peak periods).

d) Higher quality services

Jobber (2010:798-799) note that a customer's needs become well known to a business and its employees over a long term relationship. The business can then focus its functions and processes towards surpassing these customer expectations. Customers experience high-quality offerings like these as exceptional customer service on the part of the business (Jobber, 2010:798).

e) Avoidance of switching costs

A customer who is in a long-term relationship with a business will evade the costs involved in switching to competitors. While an existing service provider needs to gather comprehensive information about the customers' needs and preferences, any new business will have to begin gathering information about the customer's needs of a customer that transfers. This switch also involves a psychological cost that the customer has to bear (Jobber, 2010:798-799). Due to the competitiveness within the SAABSC each company needs to ensure that they ensure customer satisfaction, trust and a sound relationship on a daily basis, or risk losing their dedicated customers to opposition brands.

2.7 BARRIERS TO SUCCESSFUL CRM

There are certain CRM failures even though numerous sources indicate that CRM is highly beneficial to both the business and its customers (Buttle, 2009:ix). Barriers are usually credited with these failures and can prevent the successful implementation of CRM.

2.7.1 Strategy-related barriers

CRM strategies should be based on the different needs and behaviours of customers according to Knox *et al.* (2003:11). Without an in-depth understanding of the individual customer, CRM strategies will possibly not be successful. Based on these differences if CRM strategies are not incorporated throughout the entire business, these customised strategies will be of no use (Hoffman *et al.*, 2005:333; Donaldson & O'Toole, 2007:129). The SAABSC strategies should be customised according to the needs of both the customer and the company. SAABSC business strategies should also be revised to enable CRM development and implementation on a continuous basis.

2.7.2 Systems-related barriers

SAABSC could acquire CRM software from any IT-store these days, but it will not be guaranteed that the software they are purchasing will be compatible with their current internal business system. If this type of software is found to be not practicable to the CRM needs of a business, it will fail to perform its appropriate function in the context of the business and whatever information it can offer will probably be useless, inaccurate and insufficient. The wrong type of software can damage the profitability of a business and also be time-wasting especially in the case of the SAABSC who deal with hundreds if not thousands of customers on a daily basis (Fitzgibbon & White, 2005:216-217; Gronroos, 2004:383).

2.7.3 Decision-making barriers

Lack of decision-making abilities is another characteristic that could prevent the successful implementation of CRM. Donaldson and O'Toole (2007:147) state that most employees lack the essential decision-making abilities or capacity to handle customer complaints. The

relationship between the business and the customer will be damaged as customer problems will remain unresolved. This can also be harmful and affect the profitability and sustainability of the business (Gronroos, 2004:383). It is in this case of utmost importance for SAABSC to ensure their call centre agents, sales teams and operational teams are at least trained with the basics of making good business decisions and how to handle these situations.

2.7.4 Management barriers

Gronroos (2004:383) and Royffe (2002:463-464) note that if managers within a business fails to recognise the need for or understand the benefits of CRM, it will disregard to give priority to the satisfaction of customer needs. Managers will also fail to recognise and understand the need to satisfy customers' problems and issues. Basic CRM strategies will fail in businesses where managers do not support CRM (Donaldson & O'Toole, 2007:147). On the other side if the business has implemented a CRM program then the managers must still support this. If management does not see process through, and starts to question the effectiveness of CRM along the way, then other employees within the business might also doubt its effectiveness (Mackay, 2012:39). It is therefore critical that management should stay focused on the possible advantages of CRM, and implement CRM processes comprehensively throughout the business (Baran *et al.*, 2008:68).

2.7.5 Business barriers

CRM programmes are usually resisted by employees, due to the fact that CRM requires a new approach towards conducting business and customer processes. This reluctance is usually due to a lack of knowledge (with employees) about the potential successful and beneficial results. CRM will not be quickly obtained and is a slow and long-term process but even though the development of a sound customer relationships takes time, businesses will ultimately experience the associated benefits of CRM (Donaldson & O'Toole, 2007:148, Gronroos (2004:383), and Temporal and Trott (2001:26-27). It is critical as previously mentioned that the SAABSC immediately explain the business case of implementing CRM within the business and also to reiterate these cases and benefits to the employees on a continuous and high level managers needs to support this continuously.

2.8 LINK BETWEEN CRM, CUSTOMER SERVICE AND CUSTOMER SATISFACTION

Although customer service and customer satisfaction influence each other, both these elements also influence CRM. Hoffman *et al.* (2005:331) and Sheth and Uslay (2007:302) highlight that it is the primary focus of CRM to build long term relationships with customers by offering them a range of valuable and desirable experiences, thus it is closely related to customer service. While customer service is an important part of relationship building for every business, it is especially important in service businesses. It is the thorough process of providing customers with good customer service that offers businesses the opportunities they need to understand precisely what it is that customers want as they continue to perfect their ability to create and nurture long-term relationships with their customers.

It is to a business own disadvantage if they fail to take advantage of these opportunities. If a business fails to take advantage of the opportunities provided by nurturing customer relationships then such businesses are bound to suffer the losses that result in the long-term from damaged relationships and the behaviour of dissatisfied customers. The relationship between that business and its customers suffers a certain degree of damage every time a business fails to offer a quality service. This is exactly why CRM is of vital importance for the viability of any business.

CRM affects customer satisfaction in three main areas. De Meyer (2008:112-113) describe these areas as follows:

a) CRM has an indirect effect on perceived quality

Data is gathered through using CRM about customers and their purchasing behaviour, and to convert this data into information that provides an understanding into what it is that individual customers wants and needs. It is only when a business has this clear understanding of what it is that its customers actually want that it is capable to customise its product offering that its product will satisfy the specific needs of its customers. Customised offerings (in the view of customers) increase the perceived quality and value of its products and services. Perceived service quality is seen as a determinant of customer satisfaction, it allows CRM to create an indirect effect on customer satisfaction through the contribution that

it is able to make to the perceived quality of the product. One example of this within the SAABSC was that at a certain time customers wanted to move away from beer in glass to beer in cans, the companies involved key stakeholders within their customer base and developed a new product offering in conjunction with their customers. This ensured that the product that is now packaged in cans are still seen as the same quality as with it being in glass.

b) CRM contributes to the accuracy and effectiveness of customer management

SAABSC can improve customer satisfaction in a number of ways, such as accurate order taking and processing, efficient responses to customer requests and the accurate management of customer accounts, when a SAABSC is effective in implementing CRM. CRM therefore contributes to the efficiency of the sales force, which assists to improve customer service and the level of satisfaction that customers experience.

c) CRM contributes to the management of the customer life-cycle

CRM contributes to the well-being of a business by helping the business to manage the customer life-cycle. Customers' needs, values and priorities change as they move through the customer life-cycle, and CRM enables businesses to understand these variations in the needs of customers so that businesses can amend the product offering in each phase. Before a business can obtain a clear idea of how customer needs change within the cycle, it first needs to have strong relationships with its customers and to provide them with satisfactory service during each phase.

Mithas *et al.*, (2005:202-203) states that customer satisfaction is a vital component in the marketing concept. Customer satisfaction and CRM should be provided with adequate attention within a business's marketing concept. Efficient businesses devote a great deal of time, energy and resources to the practice of CRM, and this leads to businesses managing the customer relationship interface better. Kotler and Armstrong (2012:27) note that current thinking about marketing has undergone a dramatic change from trying to capitalise on business profit in each transaction to maximising the profit obtained from each relationship through relationship building.

Sheth and Usley (2007:306) provide a description of the main elements of the marketing concept as it prevailed in the early 1950s. The authors formulate the most basic notion of the marketing concept in business as an activity that "aims all its efforts at satisfying its customers - at a profit". According to this definition, the marketing concept is composed of three basic elements, namely, total business effort, profit and customer satisfaction. In an effort to compensate for the deficiencies of this three-item marketing concept (which ignored the influence of environmental changes on customer needs), Kotler, as quoted by Van der Walt *et al.* (1997:20), added a fourth component in 1972, namely, social responsibility. It is important to note that each of these elements of the marketing concept exerts an influence on each of the other three elements. It is for this reason that the marketing concept should be treated and regarded as a unified concept.

A summary of each of the elements of the marketing concept follows:

- **Total business effort**

Van der Walt *et al.* (1997:22) explain that a business needs to be managed as an integrated whole. This means that each of the departments of a business needs to work together with all the other departments for the overall objectives of a business to be realised (being the operational team, sales teams and call centre teams within the SAABSC). This can only happen if all the elements of the marketing mix (that were described in section 4.3.1) complement and reinforce one another so that they work in harmony to meet customer needs and instil customer satisfaction. Curry and Curry (2000:74-75) make the point that since every single employee in a business is a *de facto* participant in CRM, he or she influences the customer relationship either positively or negatively. Every employee thus contributes to the extent of the profitability of a business by exerting an influence on customer behaviour and satisfaction.

- **Profit**

Perreault and McCarthy (1996:36) explain that the main aim of a commercial business is to achieve an optimal profit. The business can only optimise its profits by offering customers a product that satisfies their needs. Businesses generally attempt to maintain or increase their levels of profit over the long term because a business that takes a short-term view of the

profit structure endangers its own survival. Businesses that operate on a non-profit basis focus on the reduction of their costs rather than on ways and means of increasing their profit.

- **Customer satisfaction**

Woodall (2007:1285) assert that an emphasis on all the marketing activities that are designed to satisfy customers' needs should be part of the marketing concept of a business. Businesses can only satisfy the realistic needs of customers with whatever resources they have at their disposal. But whenever a business fails to fulfil the needs of its customers, it creates an opportunity for its competitors to lure its customers away, and this makes a negative impact on the profitability of the business.

- **Social responsibility**

The basis of social responsibility is predicated on the premise that all businesses should contribute to the welfare of the society and the environment in which they operate. This means in effect that businesses should abstain from business practices that are in any way damaging to the interests of the society in which they operate. The most obvious manifestation of social responsibility is that businesses should be meticulous in their adherence to the laws, rules and regulations by means of which business practice is governed in their country of origin. SAABSC give expression to their commitment to social responsibility by spending considerable amounts of money on appropriate community projects. The benefits that accrue from social responsibility projects should benefit not only groups external to the business such as customers and the general public; they should promote the interests and well-being of the business's own employees (Van der Walt *et al.*, 1997:20-25). SAABSC also spend much time and money in educating the public on responsible drinking and interacting with government institutions.

2.9 IMPLEMENTATION OF CRM

Lovelock and Wirtz (2004:376-377), and Berfenfeldt (2010:20) state that CRM has been implemented by numerous service businesses over the years. Many of these businesses initially thought that a CRM strategy involves difficult to understand information technology systems and an infrastructure such as Systems Applications and Products (SAP) or Oracle.

Due to many service businesses missing the point of these complex technologies, led to them failing in implementing CRM and in the process neglecting and ignoring the establishment and maintenance of the actual relationships with their customers.

Successful CRM implementation involves integration of all business processes in the establishment and maintenance of successful customer relationships according to Lovelock and Wirtz (2011:367). Customers that are serviced by large service businesses usually never interacts with the same employees as the customer base and employee base is too big and this is why it is imperative that a CRM vision be shared throughout the entire business (Berndt & Tait, 2012:176). Payne (2006:329) adds that a successfully implemented CRM strategy will further assist a business to better understand, segment and satisfy its target customers.

Important information such as account details, customer preferences, a history of past transactions and even any previous complaints that might have been logged by customers will be available to employees if the CRM function is working as intended (Lovelock and Wirtz, 2011:367-368). This type of information must be made available and will facilitate the delivery of optimal customer service.

Figure 2.3 illustrates the key elements as they play a role in successful CRM implementation as identified by Donaldson and O'Toole (2007:145). These components are:

- relationship-based interfaces,
- an emphasis on quality,
- the measurement of customer satisfaction,
- and correct management of customer service, investment in people,
- the maintenance of a dialogue with customers,
- and the setting of realistic targets and the continuous assessment of performance.

Each of these components, which have been identified by Donaldson and O’Toole (2007:145-161) and El Essawy (2012:35-38), is discussed in the section that follows.

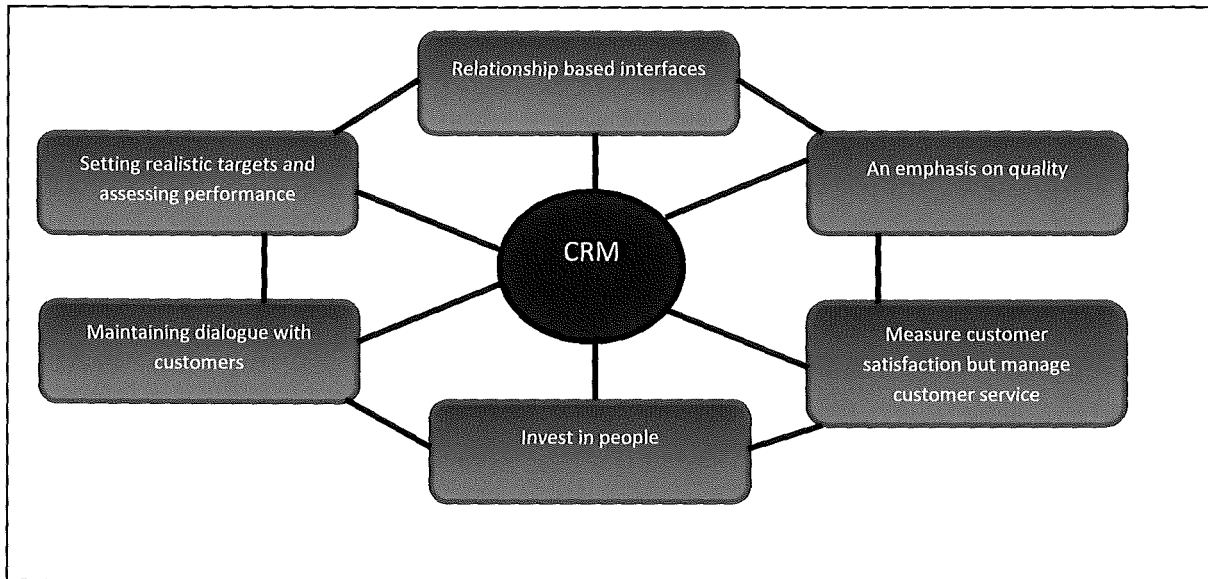


Figure 2.3: Elements necessary for CRM implementation

Source: Donaldson and O’Toole (2007:145).

2.9.1 Relationship-based interfaces

The first component of successful CRM implementation relates to the interface that the business has created in order to establish relationships with its customers. Customer that the businesses consider investing in is identified within this component of CRM implementation (Donaldson & O’Toole, 2007:146). Buttle (2009:68) explains that the whole business must embrace a shared CRM vision of implementing relationship-based interfaces. This vision must be executed by businesses the same way as they intended in the beginning. Donaldson and O’Toole (2007:147-149) propose that the following relationship-based interfaces should receive attention:

- **Management-customer interface:** It is fairly impossible for management to have a personalised relationship with every single customer but managers should try to be aware of customers’ needs and project this awareness in their operations. SAABSC can ensure that managers do trade visits to customers on a continuous basis and are also involved in analysing customer complaints, and are even involved in handling these.
- **Staff-customer interface:** Customers usually rate a business performance based on their interactions with the businesses employees. SAABSC employees (sales, operations and call centre) need to understand that they project the business image to a

certain extent, and they must ensure that they have good communication skills and interpersonal skills, positive attitudes and excellent product knowledge to ensure this projection improves the image.

- **Management-staff interface:** A relationship within any SAABSC is just as important. This in its core means that management should consider a relationship-orientated management style when dealing with employees; this expresses a message of certainty regarding a CRM approach.
- **Management-system interface:** The systems businesses uses also have a significant impact on customers' perceptions of a business, these are systems such as those used for order entry, order processing and enquiries and complaints. Focusing on customers' needs should run parallel with the use of new cost reducing technologies. The set-up of these systems is critical as it needs to facilitate the customer in a user-friendly manner. SAABSC managers should also be optimally trained in these systems to ensure customer satisfaction by using the systems productively.

2.9.2 An emphasis on quality

Quality is the second element of successful CRM implementation. Kasper *et al.* (2006:175) propose that for businesses to obtain a competitive advantage, they should first pursue overall quality. According to El Essawy (2012:35-38), this focus on quality should include more than simply providing an enhanced product/service offering to customers. Donaldson and O'Toole (2007:151-152) suggest for quality to be incorporated successfully within a business the following factors should be considered:

- **Product-related factors:** Superior quality product offerings should be supplied to customers on a continuous basis, this indicating that a business is truly committed to its customers and relationships with them. SAABSC need to ensure that their products are always of superior quality irrespective of the area they are produced in or distributed to.
- **Customer-related factors:** Customers are becoming increasingly more knowledgeable and businesses should realise this and should involve customers on a constant basis in everyday practices. SAABSC can get customer-input in market opportunities, wants, needs, changes, and solutions should be integrated in day to day business decisions. These customer contributions will ensure that businesses have satisfied customers.
- **Market-related factors:** Businesses should be proactive and ground-breaking when dealing with certain market factors such as competitors and intermediaries. The

number and quality of competitors can be limited through focusing on retaining relationships with intermediaries.

2.9.3 Measure customer satisfaction but manage customer service

After determining the type of relationship and developing an integrated business capable of delivering an appropriate level of service quality, it is important to communicate that specific level to customers (El Essawy, 2012:35-38). When a business is confident regarding its delivery capabilities and service quality levels, it will be able to influence customers' expectations of its performance (Flint *et al.*, 2011:227). Service quality plays a significant role in a customer's individual experiences and overall satisfaction with a business.

Oliver (2010:182) in addition explains that customers that have different expectations to start with plays a role in their end state satisfaction, meaning a customer with low expectations and who receive average service offerings usually have a higher level of satisfaction than those customers with high expectations who receive the same average service. This is why it is also important for businesses to understand customers' pre-determined expectations pertaining to the businesses offerings so that they can reduce potential dissatisfaction (Donaldson & O'Toole, 2007:155). This is why it is of utmost importance to the SAABSC to ensure they deliver the same quality customer service to their customers, irrespective whether they are in the urban or rural area.

2.9.4 Investing in people

Investing in people is the fourth element of successful CRM implementation. El Essawy (2012:35-38) explains that a businesses that wants to deliver superior service quality can't achieve this without the cooperation of the entire business, its processes and employees. Internal relationships therefore need attention, as it influences the relationship with their external customers. According to Kasper *et al.* (2006:72) employees are capable of influencing customers' satisfaction and relationships, which are based on their own levels of satisfaction and they are often viewed as marketers of the business. Berndt and Tait (2012:184) propose that businesses should invest in employees' training and continuous communication, encouraging staff participation and involvement to improve on employee-customer interaction.

2.9.5 Maintaining dialogue with customers

If a business does not know who their customers really are or what they desire then it is quite difficult to build relationships with them. It is thus critical to build up customer databases containing customer intelligence, in order to develop a better understanding of their customers. This includes gathering customer information, building a historical database and developing an understanding of current, new and defected customers (Harris, 2010:73).

By employing skilful one-on-one communication with customers, the SAABSC can obtain the necessary customer intelligence regarding customers' needs and expectations. From this data the product and/or service offering can be adapted according to customers' needs, thus improving the overall quality of the business's offering (Donaldson & O'Toole, 2007:157).

Berndt and Tait (2012:184) states that communication is a critical aspect for developing long-term relationships with customers in order to share information and create collaborative relationships between a business, its employees and its customers. The business's service policies needs to be communicated to all employees so that they are able to communicate this to their customers (Donaldson & O'Toole, 2007:156), hence the need to investment in people.

2.9.6 Setting realistic targets and assessing performance

To start off businesses need to measure and assess their own performance as this forms the basis to establish realistic service delivery targets which in turn creates long-term relationships (El Essawy, 2012:35-38). By conducting a performance analysis, the business will acquire a clear image regarding issues that require attention (Kasper *et al.*, 2006:480). Determining current customer loyalty level is one way to measure relationship performance but this could be incorrect, since not all loyal customers automatically signify the development of a long-term relationship (Baran *et al.*, 2008:324). SAABSC need to evaluate all the components: customer service, customer satisfaction and customer loyalty that is required for building a sustainable long-standing relationship.

2.10 CONCLUSION

This section describes various aspects of CRM and clarifies the role that CRM plays in providing customer service and customer satisfaction. CRM offers numerous benefits to both a business and its customers. Although the establishment of long-term relationships with customers takes time, it is possible to create loyalty among customers and, by so doing, make a business more profitable. This section emphasises the formation of relationships with customers through the application of CRM in a business. The following chapter will focus on relationship marketing, customer satisfaction, loyalty and retention.

THEORETICAL CHAPTER LAYOUT OF THE STUDY

CHAPTER 2: CUSTOMER RELATIONSHIP MANAGEMENT

- 2.1 INTRODUCTION
- 2.2 CUSTOMER RELATIONSHIP MANAGEMENT
- 2.3 HISTORY, TYPES AND APPROACHES OF CRM
- 2.4 TYPES OF CRM
- 2.5 CRM PROGRAMMES
- 2.6 BENEFITS OF CRM
- 2.7 BARRIERS TO SUCCESSFUL CRM
- 2.8 LINK BETWEEN CRM, CUSTOMER SERVICE AND CUSTOMER SATISFACTION
- 2.9 IMPLEMENTATION OF CRM
- 2.10 CONCLUSION

CHAPTER 3: RELATIONSHIP MARKETING, CUSTOMER SATISFACTION AND LOYALTY

- 3.1 INTRODUCTION
- 3.2 RELATIONSHIP MARKETING (RM)
- 3.3 CUSTOMER SATISFACTION
- 3.4 CUSTOMER LOYALTY
- 3.5 CUSTOMER RETENTION
- 3.6 CONCLUSION

CHAPTER 4: SERVICE MARKETING, CUSTOMER SERVICE

- 4.1 INTRODUCTION
- 4.2 SERVICE DEFINED
- 4.3 CUSTOMER SERVICE AND SERVICE MARKETING
- 4.4 SERVICE QUALITY
- 4.5 IMPORTANCE AND RELEVANCE OF QUALITY SERVICE DELIVERY
- 4.6 CONCLUSION

CHAPTER 3

RELATIONSHIP MARKETING, CUSTOMER SATISFACTION AND LOYALTY

3.1 INTRODUCTION

According to Scriffman and Kanuk (2007:554) many companies identify relationship marketing programmes (RMP) as a tool that can be used to enhance customer loyalty and commitment to their company and services offerings. RMP are very important for service companies as these programmes provide the business managers with the required understanding of their customers' needs and support them in adjusting their services according to the diverse needs of their customers (Lovelock & Wirtz, 2011:351).

Service delivery companies have also realised that relationship marketing (RM) is a key in creating customer satisfaction, customer loyalty and retention (Hoffman *et al.*, 2009:348). Within marketing customer satisfaction is one of the most considered areas, this can be proved by the fact that over 15 000 academic articles have been written on the subject (Hoffman & Bateson, 2006:302). Hoffman *et al.* (2009:367) state that a great deal of research was conducted on customer satisfaction during the 1970s when consumerism led to a decline in the provision of services, resulting in customer dissatisfaction.

According to Dimitriades (2006:783) and Thomas (2013:7) customer satisfaction has been a major focus point for business organisations for many years and loyal and dedicated customers contribute to the company's profitability through spending more on the company's products and services. Dimitriades (2006:783) warns that one should differentiate between customer satisfaction with services and customer satisfaction with goods as they may be influenced by different factors.

Ehigie *et al.* (2009:503) state that customer-orientated companies' primary focus should be to satisfy their customers. This forms the base for the establishment of lasting and profitable relations with customers. Homburg *et al.* (2001:44) and Kim and Han (2013:51-52) confirm that majority of companies attempt to create high levels of customer satisfaction. To be

successful and profitable, companies should aim to form and maintain adequate customer satisfaction levels.

Customer and service-orientated companies should measure their quality of service by assessing the level of customer satisfaction for the following business reasons:

- It assists to improve and reform services (Atwal & Caldwell, 2004:10).
- It is critical to ensure customer retention (Markus, 2006:16).
- It improves the treatment of customers (Trotter, 2008:262).
- It improves the effectiveness of treatment of customers (Trotter, 2008:262).

During service encounters customers interact with the service company and its employees, which may result in the development of a customer relationship with the service company.

3.2 RELATIONSHIP MARKETING

Theron and Terblanche (2009:383) indicate that Relationship Marketing (RM) has received a lot of exposure since the early 1990s, but also warns that not enough research has been conducted between the relationship of customers and the markets they operate within. Grönroos (1994:354) stated that the return to an RM-approach by companies is the accepted and structured way of managing customer relations, due to the fact that marketing was previously a specialty where decision making became too scientific. He supported a more customer-centric approach that is controlled with less fixed structures and policies. Hamer (2006:16) supports this specific approach and emphasises the importance of balancing the needs of the customer and supplier.

In order to understand the concept of RM fully, attention will be given to the origins of RM, the definition of RM and its importance.

3.2.1 Defining Relationship Marketing (RM)

Egan (2008:16) states that it is quite difficult to find a single acceptable definition for RM, while Zineldin (2000:10) criticises the term RM, and indicates that its exact meaning isn't always clear in literature. The term has also become a so-called buzzword and that it provides the basis for a new thinking where marketing is seen as an interactive activity that

involves staff from across an organisation and where the emphasis is placed on the building and maintaining of relationships over time.

Egan (2008:33) also concludes that it is not possible to find a single, pure definition for RM, and he feels that researchers and practitioners should accept that the vague understanding of relationships is bound to create multiple definitions in literature. There is, however, agreement in that the marketing domain has changed radically over the last couple of years, focus is now on retaining customers that have been recruited, systems must be in place to manage the data involved with the interactions with the customer, and that longer-lasting relationships with customer's financially beneficial. A brief definition of RM is provided by Hashem (2013:143) who describe it as the: "creation and preservation of lasting relationships between buyers and sellers".

Theron and Terblanche (2009:384) define RM as: "marketing aimed at building on-going relationships with customers rather than motivating isolated purchase transactions". RM is also defined as the process of identifying, developing, maintaining and terminating relational interactions with the purpose of enhancing performance (Palmatier, 2008:5).

Due to the strong belief by Gummesson (2008:168) that the focus of RM should be on the phenomenon and not the term, he defines RM as marketing established on exchanges within networks of relationships. This very simplistic definition clearly indicates that marketing is still supposed to form the basis of RM, with the extra focus on the building of relationships from this basis.

It is also worth mentioning that RM is defined by Vincent and Webster (2011:1622) as being concerned with long-term relational exchanges where each individual exchange is considered part of an ongoing relationship where both parties benefit from the ongoing association.

Taking all different definitions into consideration the researcher defines RM as the building of beneficial long-term relationships through specific marketing strategies.

3.2.2 The origins of RM

Scholars disagree about the origin of RM, just as there is no agreement for a preferred definition for RM. Ballantyne (2009:1) indicates that the RM-concept has been around as long as marketing itself, when referring to the standard practice of creating and maintaining constructive social and business connections with customers and dealers. Möller *et al.* (2013:325) agrees that RM has been a focus point for much longer than the current literature would have us believe.

According to Harker *et al.* (2006a:220) the term *Relationship Marketing* was first used in literature in the open by Berry in 1983. Theron and Terblanche (2009:383) confirm this but indicate that it is simply an exercise in semantics, given the fact of the much older references to the basic concept and principles it supports. Ballantyne (2009:1) states that the RM-during the 1990's the concept became an independent discipline, inheriting concepts from service marketing, total quality management (TQM), and a more extensive knowledge of business relations. Terblanche (2003:27) recalls that at that particular timeframe it was seen as the solution to all marketing-related problems, this trend still exists in some circles even today.

According to Harker *et al.* (2006a:230) the beginning of the 21st century was a defining period for RM, due to a substantial division between two groups of scholars: those who support the general standpoint of different organisational relationships, and the other group of scholars who believes that the customer-supplier concept is the only relationship that should be focused on. In Figure 3.1 four different sources that have contributed to the establishment of RM are identified.

The roots of RM as indicated by Moller *et al.* (2013:326) are:

- Business marketing originated from relationships between different stakeholders exchanging different resources. These interactive buyer-seller associations regarded relations as instruments for retrieving and controlling resources and to create new ones.
- Marketing channels that regarded relationships on an inter-organisational foundation and were based on economic interactions, the use of power and networks. They applied specifically to governance structures.

- Mass communication to improve their effectiveness through better targeting of marketing activities as attempted by database and direct marketing.
- Services marketing focused on more personal relations between customers and support staff, concentrating on positive service encounters that can prolong the customer life-cycle.

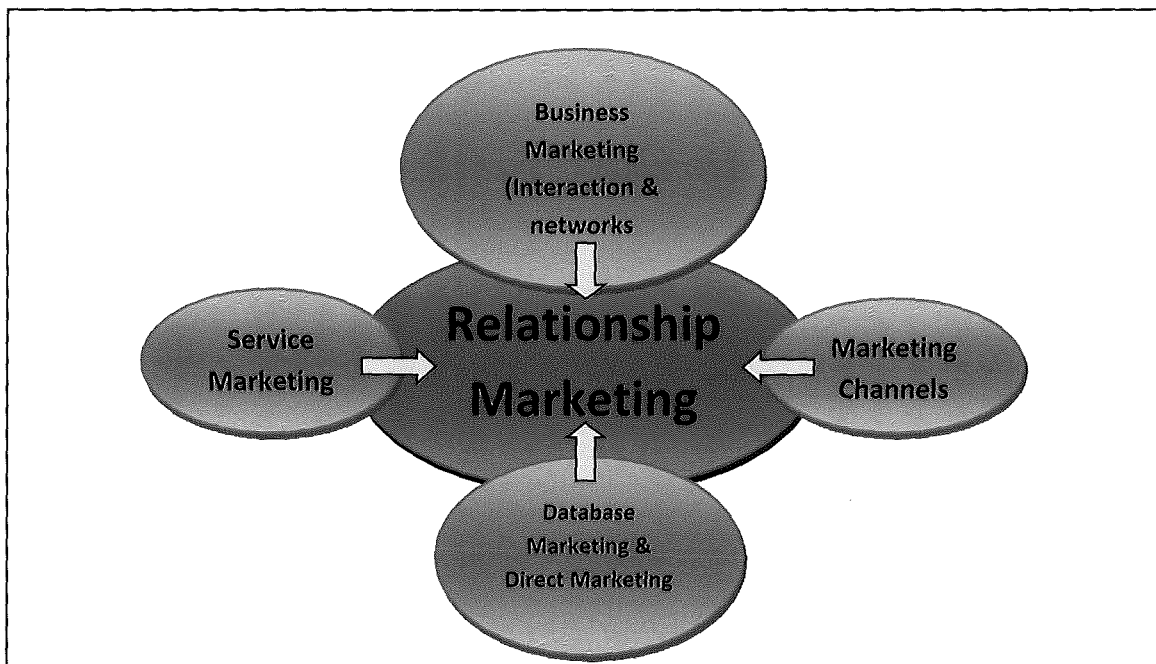


Figure 3.1: The disciplinary roots of relationship marketing

Source: Moller *et al.* (2013:326)

Ehigie *et al.* (2009:503) state that maintaining effective and lasting relations with customers is vital for the survival of any business, and this is where RM originated. Zineldin (2000:11) proposes a similar approach which also refers to transactional and RM, but argues that the latter (RM) can have three distinct types:

- Database marketing.
- Interaction marketing.
- Network marketing.

When comparing the models of Zineldin (2000:11) and Möller *et al.* (2013:32) it is clear that the services marketing-stream is absent in Zineldin (2000:11), making Figure 3.1 more appropriate and complete to be used. It is argued by Harker *et al.* (2006a:220) that RM limitations are not accepted by many organisations, who still continue to improve on and

implement RM-strategies with a solid transactional element to them in an effort to establish the impression that they have RM plans in place.

The interest in RM will not always benefit the customer and lead to longer, mutually-beneficial relationships. The concept of RM emerged from services and business-to-business marketing and that the original way of examining RM suggests that there is some form of contact between the organisation and the customer (Veloutsou, 2007:7). He further claims that RM is mainly focussed with the management of the relationship and not with the nature of the relationship itself.

Harker *et al.* (2006a:220) argues that due to all organisations already having relationships with different stakeholders in the past, RM was never designed, but discovered. It seems clear that an agreement will not easily be reached on the origin and definitions of RM. The future application and development of the RM-concept constitute a challenge that will keep many researchers and managers busy for many years to come.

According to Gummesson (2008:168) the development of the marketing domain over the past few decades is only surpassed by that of the information technology domain. He states that it would not be correct practice to attribute the emergence of RM to the IT-explosion and to the changes and pressures in the global economy. RM has always been an approach that most managers understood and tried to apply in some way in their companies in the past, but a new emergence of the concept and through published articles has created more awareness of the concept over the last couple of years. The basis should however not be taken away and focus should remain on creating lasting and profitable relations with satisfied and loyal customers (Gummesson, 2008:168).

Egan (2008:16; 2011:16) states that RM has been a major trend in marketing and a very controversial talking point in business management over the past two decades. This change in approach is illustrated in Figure 3.2:

Even though it might still slowly evolve and become even better defined in the future, the figure provides a clear time-frame of the shift in importance towards RM over the past sixty years, where there has been a gradual but constant move that has taken place with a clearer end product called RM. Baran *et al.* (2008:48) indicates that RM focuses on maintaining a

continuous relationship with customers and building long-term bonds. Due to this definition the focus of RM is on customer relations and not on one-time transactions. The viability and profitability of any business will improve, if assured of long-term relationships with customers and not merely once-off customers.

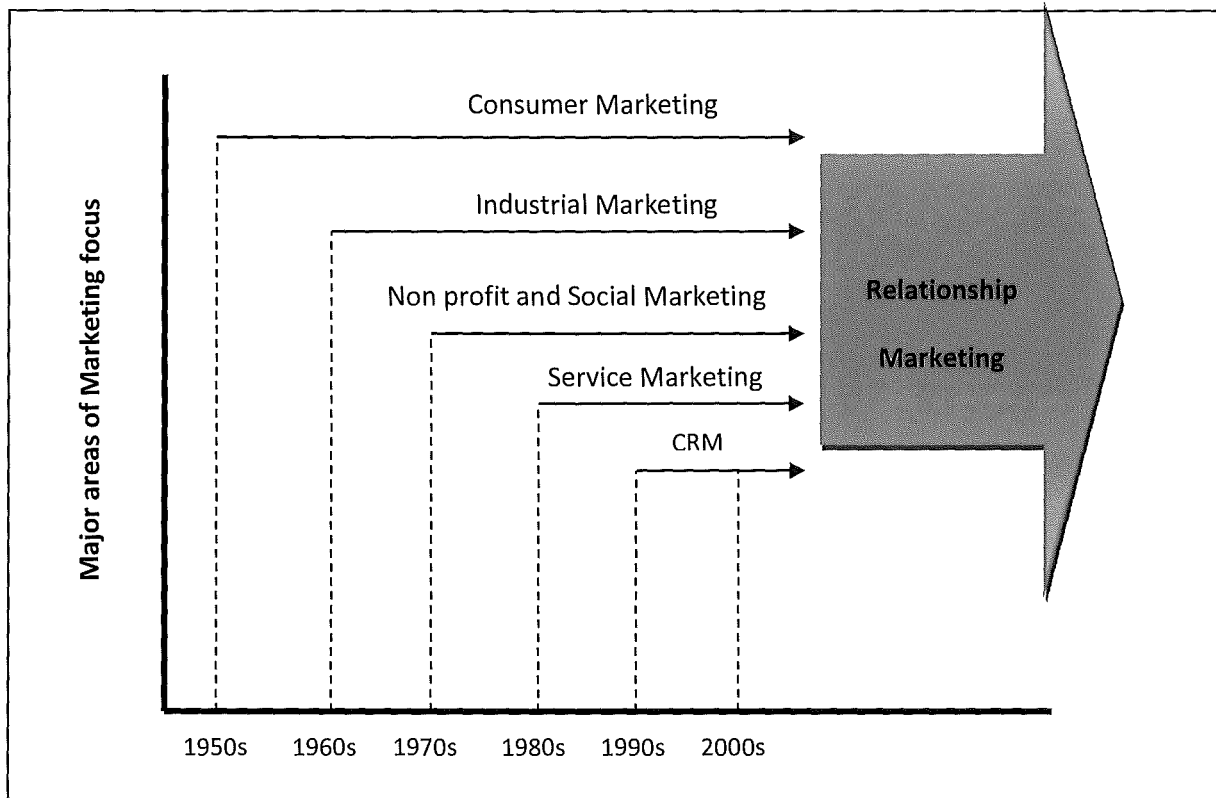


Figure 3.2: The evolution of relationship marketing

Source: Christopher *et al.* (2002:xiv)

According to Bejou *et al.* (2005:2), customer experience appears to be a more recent shift within the RM-related terms that have been mutating in literature over the past decade; e.g. contained in subtle changes in CRM, database marketing, direct marketing and customer loyalty. Bejou *et al.* (2005:2) also claim that it provides scholars with a chance to include the existing different and uncoordinated philosophies on the loyal relationships that individuals demonstrate towards a brand, and the interpersonal interaction of the RM-approach.

It is important to distinguish between the different levels of RM. Veloutsou (2007:7) and Terblanche (2003:28) refer to seven conceptual categories. The first is the creation of the relationship, and then the development of the relationship; then there must be maintenance of the relationship and attention must be given to the interactive nature of the relationship; the

long-term nature of the relationship must then be evaluated and the emotional content and expected outcome of the relationship must be taken into consideration.

These categories represent the logical progression of a relationship, to ensure a lasting relationship all these categories needs to be managed and maintained. Each relationship is unique and does not have the same representation or intensity in each of these categories but will still show all of these components to a lesser or larger degree.

When compared to the different levels of customer loyalty the stages progress in an upward trajectory of importance and/or relevance. Customer loyalty will be dealt with as a separate concept later in the chapter, nonetheless Figure 3.3 demonstrates how customers will move upwards through the different stages of loyalty (called the loyalty pyramid) and become profitable advocates and even partners.

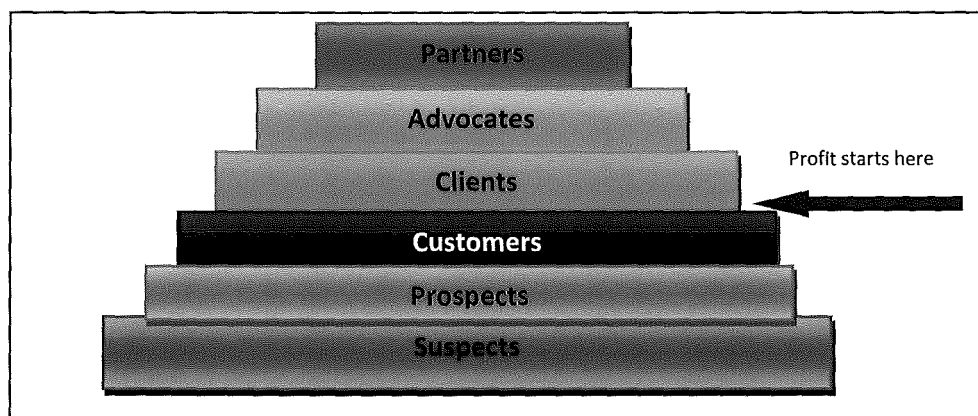


Figure 3.3: The loyalty pyramid

Source: Hill (2006:16); De Meyer (2008:157).

3.2.3 Relationship marketing orientation (RMO)

Sin *et al.* (2005:189) states that relationship marketing orientation (RMO) can create a competitive edge for any business organisation due to them striving to create a long-term buyer-seller relationship, and not just a short-term transaction-orientated exchange. They identify the need for a systematic and valid measuring of RM and for determining its effect on overall business performance. RMO also has a positive impact on organisational performance in the long run. They propose the following six components of such a relationship marketing orientation model in Figure 3.4:

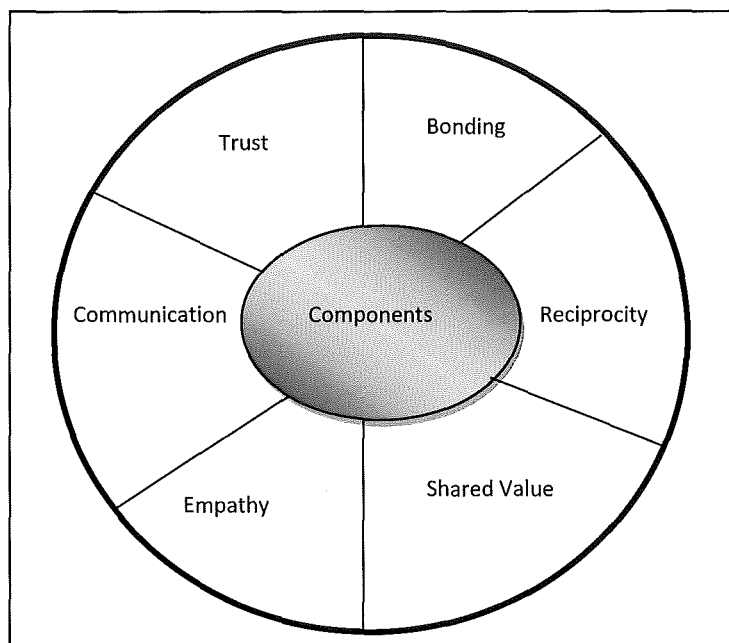


Figure 3.4: Relationship marketing orientation model

Source: Sin *et al.* (2005:185)

3.2.3.1 Trust

Trust is a vital element in ensuring a lasting business relationship. According to Sin *et al.* (2005:189) trust integrates those components of a business relationship that establish the level to which each party feels they can rely on the truthfulness of the promises offered by the other party. The fulfilment of promises forms an integral part of the RM concept as confirmed also by Theron and Terblanche (2009:387).

Baran *et al.* (2008:124) state that trust is: “the belief that the other involved party will act in a dependable, sincere and truthful manner, keeping both parties’ best interest in mind at all times”. Trust forms part of one’s trustworthiness and compassion. Hashem (2013:143) indicates that trust has an impact on both loyalty and also word-of-mouth communication. Within the SAABSC there needs to be a particular emphasis on building trust between the companies and their customers; this could be manifested by the company promising to deliver reliably on certain service delivery aspects on a continuous basis or by the customer implementing certain wants and needs of the companies within their own business environment. Within this study three dimensions, namely reliability, responsiveness and assurance encompass items related to creating trust between the SAABSC and their customers. The results are reflected in Section 6.7.

3.2.3.2 Bonding

Bonding is another component that is fundamental to maintain a business relationship. Sin *et al.* (2005:189); Theron and Terblanche (2009:389) define bonding as the aspects of a commercial relationship that leads to the parties involved in acting in an interrelated way towards a mutually-beneficial goal. An example of this within the SAABSI is where companies offer lower rates per case/pallet or even specific credit terms so that their customers can drop their selling prices to ensure a steady stream of sales and ensure there is not unhealthy competition between businesses.

3.2.3.3 Communication

Al Mousa and Zoubi (2011:8) states that communication is the timely formal and informal exchange and sharing of significant information between the two parties. Good communication between team members is essential for a task to be performed correctly and is the first indicator of communication quality. They also recommend that there should be direct communication between team members. This approach ensures shorter and more efficient response time to business customers, and reduces the risk of providing the wrong information, because of communication clutter in the system due to numerous staff members that are involved in the process. Hill (2008:48) warns that companies must keep up with the latest communication technologies, but should not focus on them solely. The essence of the message and its impact should still form the basis of the communications effort.

SAABSC should never overload their customers with any unrelated information; neither should information be inconvenient in terms of the time or way in which it is delivered. Appropriate communication opportunities should exist so that the customer is able to provide feedback, lodge complaints or provide compliments. This is valuable information that can help to improve the service levels and relationship even more if managed and utilised correctly.

Most important is that mutually-available, most appropriate and cost-effective communication channels must be agreed upon, also then effectively used to ensure that the relationship grows and both parties are satisfied. Payne *et al.* (2006:146) agrees with the concept of multi-channel incorporation and propose that the company must establish the best

combinations of channels for their operation where a constructive interface with the customers will exist.

3.2.3.4 Shared value

Same values must be shared by partners within a business relationship. Wilson (2003:175) agrees with this statement and considers value as the foundation of business relations. The focus here is more on agreed value systems and must include the values of the customers, shareholders and staff of the organisation providing the service. Sin *et al.* (2005:189) describe shared values as the degree to which the two parties share mutual goals, policies and behaviours. Boulding *et al.* (2005:156) also state that value must be mutually beneficial and the emphasis should not only be on the selling of products or services but on creating value for customers. The SAABSC in this case involve their customers heavily in responsible drinking campaigns, which are to the benefit of their community and customers, as the knowledge gap, in this case regarding alcohol abuse, is addressed.

3.2.3.5 Empathy

According to Sheth *et al.* (2002:65) empathy can be defined as: “the skill to appreciate the nature, viewpoints, inspiration and values of the customers and to utilise them to create constructive, significant, individual and professional relationships with these customers as well as a suitable and efficient response to other stakeholders”.

Sin *et al.* (2005:189) describes empathy as when involved parties start to see the situation from one another’s perspective, this shows that they have reached empathy for one another. Empathy is an important component needed for the effective handling of complaints, as illustrated by Figure 3.5.

From this model it is evident that front-line staff has to demonstrate listening skills and also good self-awareness and control. They are merely the channel through which dissatisfied customers vent their frustrations and that they should not take any criticism or attacks personally, but rather try and demonstrate empathy and convince the customers that they understand their feelings, thoughts and frustrations within the situation. Throughout this they should also exercise good listening skills when the complaint is reported the first time and

convince the customer that the organisation will strive to improve their processes and systems and that they will learn from a negative customer experience. It is important to note that the best initial response to RM is investing in complaint-handling procedures, as it is believed it would demonstrate customer commitment and lead to customer loyalty. Empathy is one of the dimensions measured in this study and the results can be seen in Section 6.7. After the results certain recommendations on improving the empathy dimensions within the SAABSC are given on page 225.

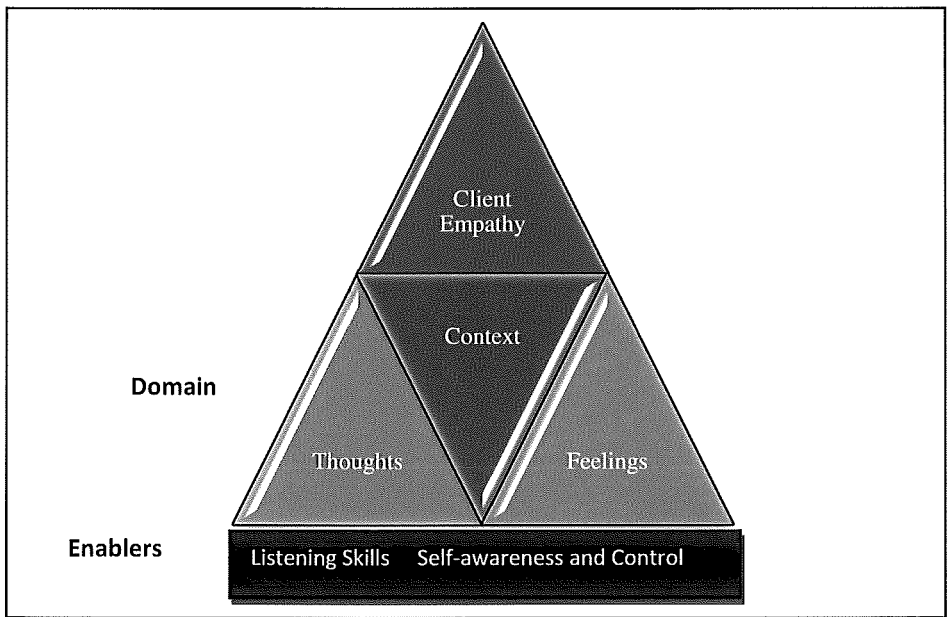


Figure 3.5: Elements of empathy
Source: Sheth *et al.* (2002:68)

3.2.3.6 Reciprocity

Maiter *et al.* (2008:305) define it as an unfinished process of substitution with the aim of establishing and preserving fairness between stakeholders. Sin *et al.* (2005:189) explain that reciprocity is a RMO-component that causes either party to offer favours or make allowances for each other in return for similar actions later. Yau *et al.* (2000:1113) also include this component in their RMO-model.

3.2.4 Importance of RM

Any successful service business will have targeting, acquiring and retaining the right customers at the core of their business operations. The implementation of a successful RM process provides managers with the necessary tools to understand their customers and tailor their services according to customers' needs (Lovelock & Wirtz, 2011:351). Within the service context the relationship between customers and a business is important because services are naturally relationship orientated (Grönroos, 2004:22).

According to Wilson *et al.* (2008:156) the primary goal of RM is to build and maintain a base of committed customers who are profitable for the business. Hoffman *et al.* (2009:346) adds that the main purpose of CRM is customer loyalty and retention, these are long-term goals aimed at developing customer involvement, commitment, trust and loyalty that are only achieved by high levels of customer service. Wilson *et al.* (2012:156) illustrate the goals of RM in Figure 3.6.

A major goal of RM is for customers to progress up the ladder from the point at which they are attracted to the business and primarily satisfied with the service provided, to the extent that they are highly valued, long-term customers (Wilson *et al.*, 2012:156). One of the main goals of CRM within the SAABSI environment is therefore to attract new customers while keeping current customers satisfied with the services delivered. Customer satisfaction is explained in the next section of the chapter.

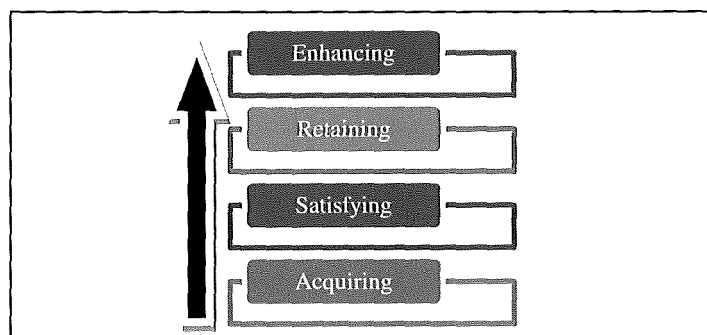


Figure 3.6: Customer goals of relationship marketing

Source: Wilson *et al.* (2012:157)

3.3 CUSTOMER SATISFACTION

Customer satisfaction (CS) is constantly identified as a forerunner to customer loyalty and continuous repurchases intentions (Seiders *et al.*, 2005:26). Businesses should understand customer expectations and meet and/or exceed these expectations by focussing on a customer-centred business approach to improve and maintain long-term and profitable relationships with customers and to ensure they have loyal and committed customers (Martin *et al.*, 2008:224).

Rust and Huang (2012:48) indicates that poor service delivery and business practices generally result in losing new and current customers. The loss of customers also has several cost-related implications, such as costs associated with complaint handling, providing refunds, possible legal action taken by customers and corrective public relations (Machado & Diggins, 2012:150).

In order to grow and to increase profits and stay successful in the long term, the SAABSC should focus on retaining their existing customers as well as obtaining new customers. By measuring CS it will provide them with an indication of how successful they are in providing a service to the marketplace.

Businesses, without building loyalty and CS cannot succeed in today's competitive marketplace (Timm, 2005:3). Young and Oakley (2008:213) state that a major strategy towards achieving CS is good management practice, through which an honest customer focus and focus on continual improvement is developed. According to Hoffman and Bateson (2010:302) the importance of CS cannot be over-emphasised for the specific reason that service businesses need customers in order to survive. Therefore businesses must define and determine customer satisfaction continuously within their businesses.

3.3.1 Defining customer satisfaction

Dimitriades (2006:784) mentions that customer satisfaction is a complex construct with numerous definitions. Paswan *et al.* (2008:76) state that the general of customer satisfaction and its exact relationship with customer loyalty, one of its key outcomes, is still vague.

Gee *et al.* (2008:362) state that CS is largely based on meeting or even exceeding one's expectations, while Hill (2006:2) defines customer satisfaction as to what extent one's organisation's total products performs in relation to a pre-set of customer requirements. This definition can be considered incomplete because it neglects to refer to service organisations.

Egan (2008:127) states that satisfaction is a psychological evaluation process where the actual performance and the initial expectations are compared. Kotler *et al.* (2001:9) confirms that those expectations should contain elements of value when stating that customer satisfaction depends on a service or product's perceived performance in delivering value relative to a buyer's perspective.

Baran *et al.* (2008:124) differentiate between overall and cumulative satisfaction. They describe satisfaction as the overall experiences with a company or product over time or transaction-specific satisfaction that describes feelings about a single recent transaction. Kuo *et al.* (2009:888) also distinguish between the transaction-specific perspective and the cumulative perspective.

The researcher agrees on the definition of Lamb *et al.* (2009:10) who define customer satisfaction as an outcome of an evaluation of a service experience by a customer in relation to what the customer expected before the service took place. This can only take place when a customer has a perceived idea of what he/she wants the service experience to be like, and then evaluates that perceived idea against reality within the same situation. Javadein *et al.* (2008:3) describe customer satisfaction as it refers to a situation where a customer's expectations are met and the customer is satisfied, which can lead to overall satisfaction with services.

In the next section of this chapter the concept of customer satisfaction and dissatisfaction (D) is addressed in more detail.

3.3.2 Customer satisfaction and dissatisfaction (CS/D)

The confirmation/disconfirmation paradigm is the base for customer satisfaction (Hoffman & Bateson, 2010:403). Beytell (2010:52) explains that customers compare the quality of service experienced to their original expectations, a process that could lead to an emotional

reaction revealed in the satisfaction or dissatisfaction with the services purchased. CS/D literature demonstrates that the expectations and perceptions of performance levels affect customer satisfaction directly, and also indirectly, via disconfirmation.

Hoffman *et al.* (2009:368) explain that when a customer's perceptions within a service encounter meet or exceed their expectations will result in the customer being satisfied. The opposite can also occur when customers' perceptions are not met by their service expectations, the customers' expectations are disconfirmed and they will be dissatisfied with the service.

Disconfirmation shouldn't always be seen as a negative experience; according to Hoffman and Bateson (2010:304); Tatikonda (2013:38) two types of disconfirmation exist, namely negative disconfirmation which results when customer perceptions are lower than customer expectations and positive disconfirmation which results when customer perceptions are higher than their expectations.

Based on the discussion it can be argued that managers and marketers of SAABSC should understand their customers' perceptions and expectations with regard to the services offered. This will assist SAABSC to ensure increased service performance towards meeting the perceptions and expectations of current customers, and assist business ultimately to realise the benefits of customer satisfaction. The theoretical linkages identified in CS/D literature are illustrated in Figure 3.7.

Expectations, performance evaluations and disconfirmation do not necessarily have independent, additive effects for every product or service. It has been found that the CS/D with a non-durable good is a function of all three constructs, whereas CS/D with a durable good is solely a function of performance evaluation. Expectations, performance evaluation and disconfirmation are potential building blocks of CS/D with a service. Customer responses concerning continuously provided services or long-lasting durables are characterised by passive expectations and, therefore, that disconfirmation will not operate unless performance is outside the range of experience-based norms. Hence customers' assessment of continuously provided services, such as public utilities, may depend on performance evaluation only.

Grönroos (1994:355) confirms that to achieve customer satisfaction and retention, promises to the customer(s) needs to be fulfilled. This is absolutely critical as the reputation of a business is often measured by its ability to meet its obligations and fulfil its promises to their customers. Bielen *et al.* (2007:188) point out that attentiveness, helpfulness and responsiveness are the most important determinants to ensure customer satisfaction.

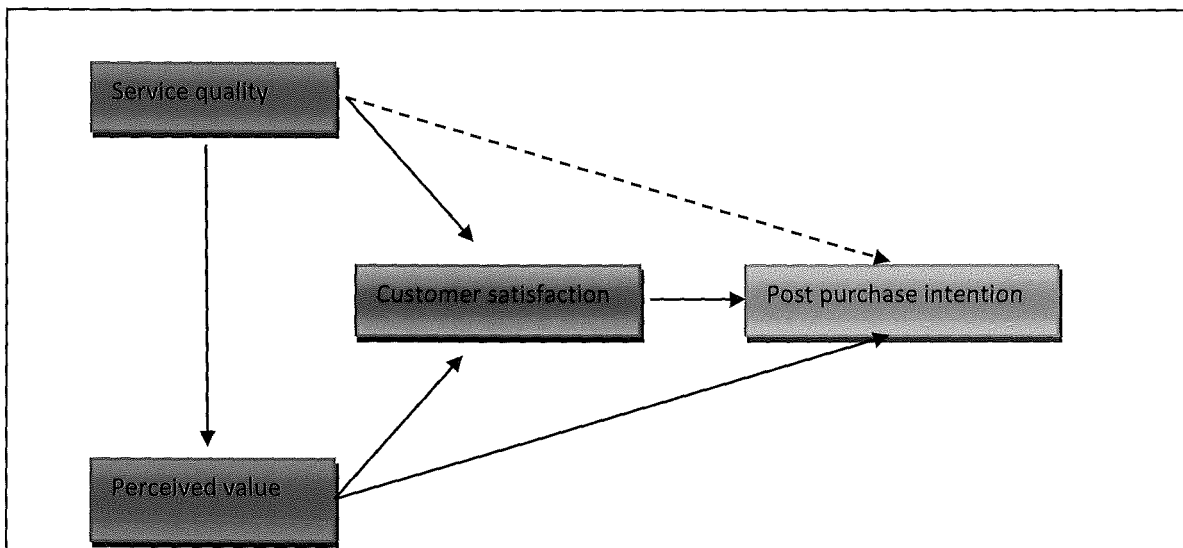


Figure 3.7: The relationship between service quality, perceived value, customer satisfaction and post-purchase intention
 Source: Kuo *et al.* (2009:889)

They confirm that information provided to customers in the case of delays may reflect positively on the organisation’s attentiveness and empathy towards the customer. Figure 3.7 illustrates the relationship between service quality, perceived value, customer satisfaction and post-purchase intention.

Kuo *et al.* (2009:887) found strong correlations among the different constructs as displayed in Figure 3.8, except between service quality and post-purchase intention. Service quality (SQ) will be described in detail in the study. Post-purchase intention is closely related to the concepts of customer loyalty and support and therefore this model is relevant to this study. Koenig-Lewis *et al.* (2008:69) indicates that there is a correlation between customer satisfaction and future behavioural intention. It was found, however, that it might become unstable after a while, due to the fact that the recollection of the actual service experience may be vague, rendering it quite useless by the time the next purchase or decision needs to be

made. Kim and Han (2013:52) also confirm the concept of loyal customer advocates, who will reward the organisation with continuous purchases and positive referrals.

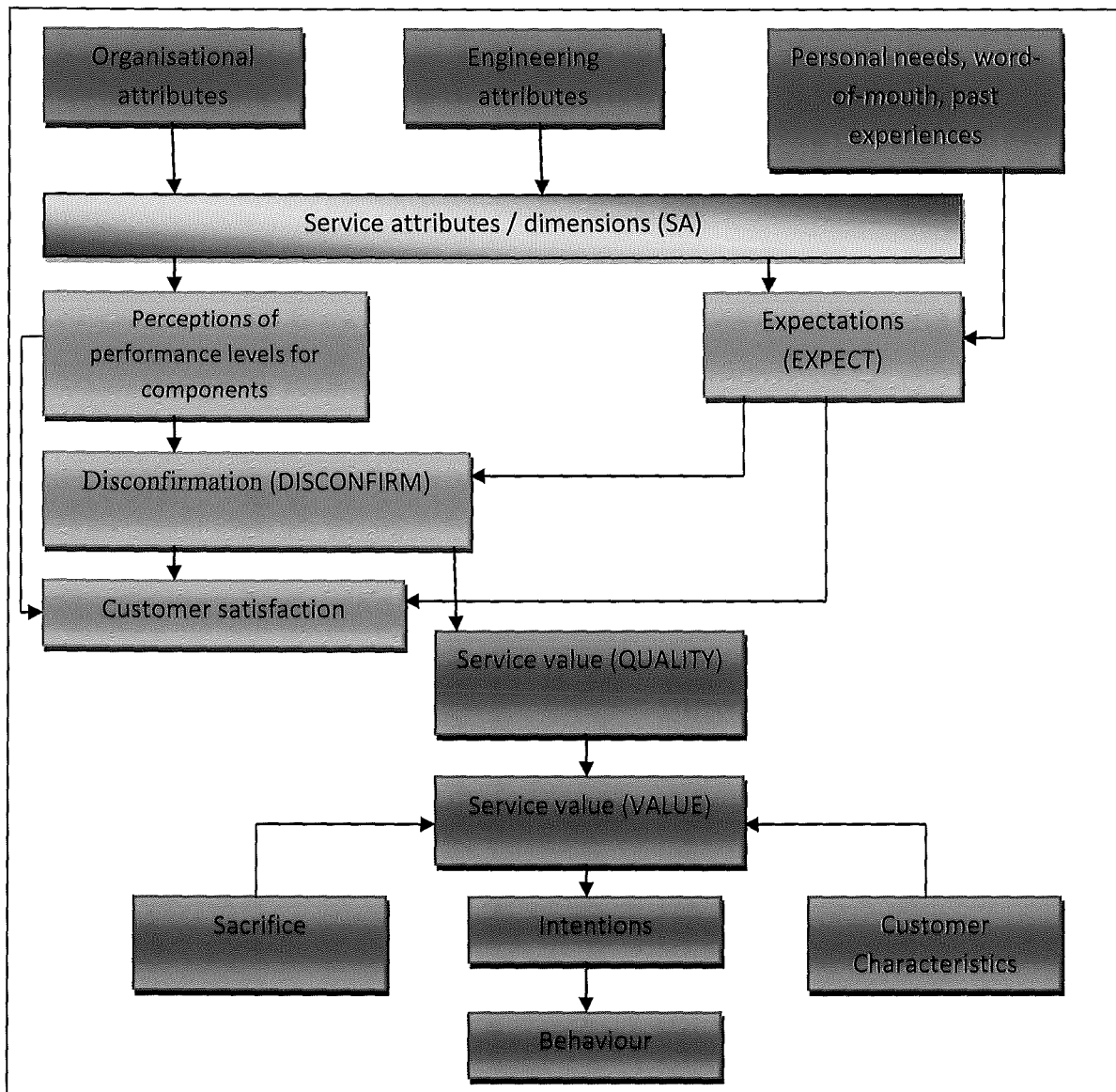


Figure 3.8: A multistage model of customers' assessment of service quality and value
 Source: Parasuraman *et al.* (1985); Sekolanyane (2004:140).

3.3.3 Benefits of customer satisfaction

Businesses such as SAABSC can reap valuable benefits when customers are satisfied with services delivered. The following benefits can be identified:

a) Positive word-of-mouth

Positive word-of-mouth communication arising from a customer being satisfied and often results in the attraction of new customers and continuous purchases from current satisfied customers. This will also reduce the risk of losing customers to competitors (Raab *et al.*, 2008:64; Zeithaml *et al.*, 2009:185).

b) Protecting business from competitive pressures

Customers are willing to pay more for services that satisfy and meet their needs. This protects businesses (that command high customer satisfaction ratings) from competitive pressures like price competition (Fornell *et al.*, 2006:11; Godson, 2009:76).

c) Positive work environments

According to Hoffman and Bateson (2010:306) customer satisfaction within businesses can also lead to positive work environments where employees are challenged to perform and are rewarded for their efforts that will ultimately make them more productive. Examples of these within the SAABSC are sales incentives, performance bonuses and even holidays.

d) Feedback from customers

Hoffman *et al.* (2009:371) explain that businesses can realise benefits from customer satisfaction surveys whereby businesses get formal feedback from their customers. This type of feedback can be used to indicate to customers that the business cares about their well-being and value their input regarding its services. Recommendations have been made in this regard within the proposed guideline on page 223.

e) Valuable information

Information that is obtained through customer satisfaction surveys can be used by the business to compare its services delivery with those of competitors in order to assess, maintain and establish a competitive advantage (Hoffman & Bateson, 2010:307). It is always to the advantage of a company to know where it has service delivery gaps in comparison to

its competitors. Such a company then knows what it needs to focus on to close or minimise these gaps.

f) Saved time

SAABSC can also save time by focusing on improving an already good service offering, instead of wasting time on attempting to solve problems caused by poor offerings as stated by Machado & Diggines (2012:150).

g) Customer loyalty and repeat business

Loyalty is generated by satisfied customers towards a business that meets or exceeds their needs, resulting in repeat purchases (Oliver, 2010:5).

h) Reduced costs

Marketing expenses of a business will be reduced as satisfied customers generally require less encouragement to purchase again (Machado & Diggines, 2012:150).

It is clear that any business will benefit from customer satisfaction, including those businesses within the SAABSI. It is therefore important for SAABSC to make use of customer satisfaction surveys in order to obtain valuable information that can be used to create a satisfactory service environment for customers to ensure that the benefits mentioned can be reaped by SAABSC.

3.3.4 Measuring customer satisfaction

Machado and Diggines (2012:148) summarises customer satisfaction in the form of an equation, depicted as: *Satisfaction = perceptions – expectations*.

According to Golder *et al.*, (2012:12) the comparison of customer' expectations with their perceptions are commonly referred to by marketers as the Expectancy Disconfirmation Model of Satisfaction (EDMS), wherein satisfaction is measured by the difference between

expectations and perceptions. Lovelock and Wirtz (2011:58-59) summarise the EDMS by highlighting three possible outcomes:

- **Confirmed expectations:** If the delivered service meets the customers' expectations, expectations are simply confirmed.
- **Positive disconfirmation of satisfaction:** If the delivered service exceeds the customer's expectations, the outcome is positive disconfirmation, which results in customer satisfaction.
- **Negative disconfirmation of satisfaction:** The provided service falls short of the customer's expectations, the customer will be dissatisfied.

It is evident that customers' expectations and perceptions lie at the heart of their satisfaction with a specific business or its service offering. The Kano model of customer satisfaction (Figure 3.9) can determine attractive or must-be requirements, and can be used in a matrix to assure that the most critical needs are translated into the next phases of product development and/or service delivery. The Kano method can be used to determine the degree to which an attribute is considered attractive or a must for the customers (Kano *et al.*, 1984:41-44).

The Kano mode was originally developed by Professor Noriaki Kano to classify and recognise the importance of different "types" of customer needs (Tsai *et al.*, 2011:943-944). It offers insight into the dynamics of customer preferences and the thoroughness of their needs in order to ensure successful products and services. It is a marketing and quality management technique that can be used for evaluating client happiness (Kano 1984:39; Tsai *et al.*, 2011:943-944).

The Kano model is a theory of product development and customer satisfaction where customers' preferences are classified into the following six categories (Tsai *et al.*, 2011:943-944):

- Attractive
- One-dimensional
- Must haves
- Indifferent
- Questionable
- Reverse attributes

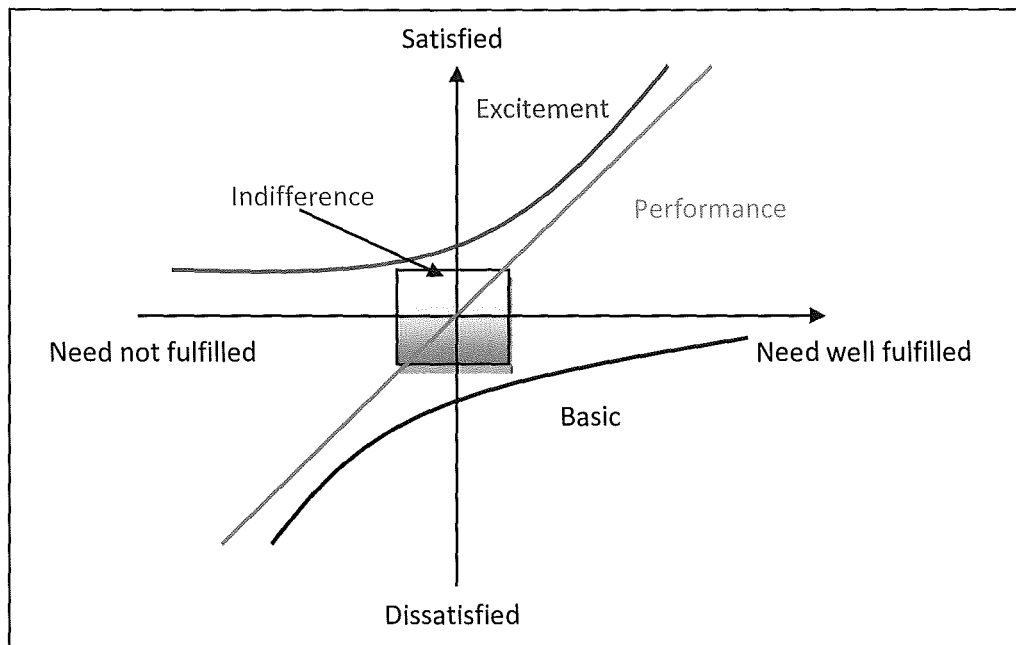


Figure 3.9: Kano's model of customer satisfaction

Source: Tsai et al. (2011:944)

Kano's model of customer satisfaction distinguishes six categories of quality attributes, the first three of which actually influence customer satisfaction (Jane & Dominiquez, 2003:73-76):

- **Basic Factors** (*Dissatisfiers. Must haves*) – this is the minimum requirements that will cause dissatisfaction if they are not fulfilled but also does not cause customer satisfaction if they are fulfilled or exceeded. These are regarded as prerequisites by customers, and are usually taken for granted.
- **Excitement Factors** (*Satisfiers. Attractive*) – these are the factors that increase customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered. These factors really distinguish between competitors in a positive way.
- **Performance Factors** – the factors that cause dissatisfaction if the performance is low and satisfaction if the performance is high. The attribute performance-overall satisfaction is linear and symmetric in this instance. These factors are directly connected to customers' needs and desires and a company should try their utmost to be competitive here.
- **Indifferent attributes** – customer usually doesn't care about this feature.
- **Questionable attributes** – it is unclear whether this attribute is expected by the customer.
- **Reverse attributes** – customer expects the reverse of this product feature.

Work that was done by Parasuraman *et al.*, (1988a & 1988b) between 1985 and 1988 provides a scientific basis for the measurement of customer satisfaction with a service by using the gap between the customers' expectation of performance and their perceived experience of performance. The concept of service quality is not universally understood and is often used as an umbrella term to cover a range of impressions gathered by customers when dealing with businesses. These impressions are important factors that influence buying behaviour, businesses can improve on these aspects either through employee training or direct investment in facilities.

An ideal service quality scale is one that is psychometrically sound and robust enough to provide insight to managers for corrective actions in the event of quality shortfalls. The psychometric properties of the SERVQUAL scale have been the subject of considerable research. Researchers have questioned the validity of the five-factor structure of SERVQUAL (Federoff, 2008:18).

Cronin and Taylor (1992:57-59) were among the first researchers who cast doubt on the SERVQUAL scale. They questioned its conceptual basis and found it confusing. They proposed what is referred to as the SERVPERF scale. Cronin and Taylor (1992:88) provided empirical evidence across four industries, namely banks, pest control, dry cleaning and fast food to validate the advantage of their performance-only instrument over the disconfirmation-based SERVQUAL scale. Being a variant of the SERVQUAL scale and containing a perceived performance component alone, the performance-only scale comprises only 22 items. A higher perceived performance implies higher service quality.

Empirical studies evaluating validity, reliability and methodological soundness of service quality scales clearly point to the superiority of the SERVPERF scale. Though still lagging behind the SERVQUAL scale in application, researchers have increasingly started making use of the performance-only measure of quality. The significance of various quality attributes used in the service quality scales can differ considerably across different types of service and service customers.

Work done by Cronin and Taylor proposes the "conformation/disconfirmation" theory of combining the "gap" described by Parasuraman *et al.* (1988a) as two different measures:

perception and expectation of performance into a single measurement of performance according to expectation.

The disconfirmation paradigm is the most widely accepted customer satisfaction model as suggested by Lin & Tsai (2008:203). This builds on Kano's model of customer satisfaction by including the concept of perceived performance. Lamb *et al.*, (2009:5) state that the disconfirmation paradigm explains the phenomenon of customer satisfaction. Figure 3.10 illustrates how meeting or exceeding customer expectations leads to customer satisfaction. However, when the service does not meet the customer's expectations, dissatisfaction is realised within the process. Many customers will not or cannot express their feelings and opinions, and therefore it is important for businesses to measure levels of customer satisfaction so that they are in a position to determine whether or not customers are satisfied.

Lovelock and Wirtz (2011:44) explain that customers keep certain service standards in mind (their expectations are indicated as "e" in Figure 3.10) when they purchase a product offering, and they expect these standards to be met before they will buy the product. Firstly, if the service performance, which is indicated as "P" in Figure 3.10, exceeds expectations, a positive confirmation will occur and will result in customer satisfaction.

Secondly, if the performance equals the expectation, confirmation occurs and will lead to customer satisfaction. However, if the performance does not meet customer expectations, a negative confirmation will occur and this will result in dissatisfaction with the service offering of the business. Customers judge their experience (what they actually receive) against what they expected during their post-purchase assessment (Schiffman and Kanuk 2007:547). This confirms that customer satisfaction and customer expectation are closely related.

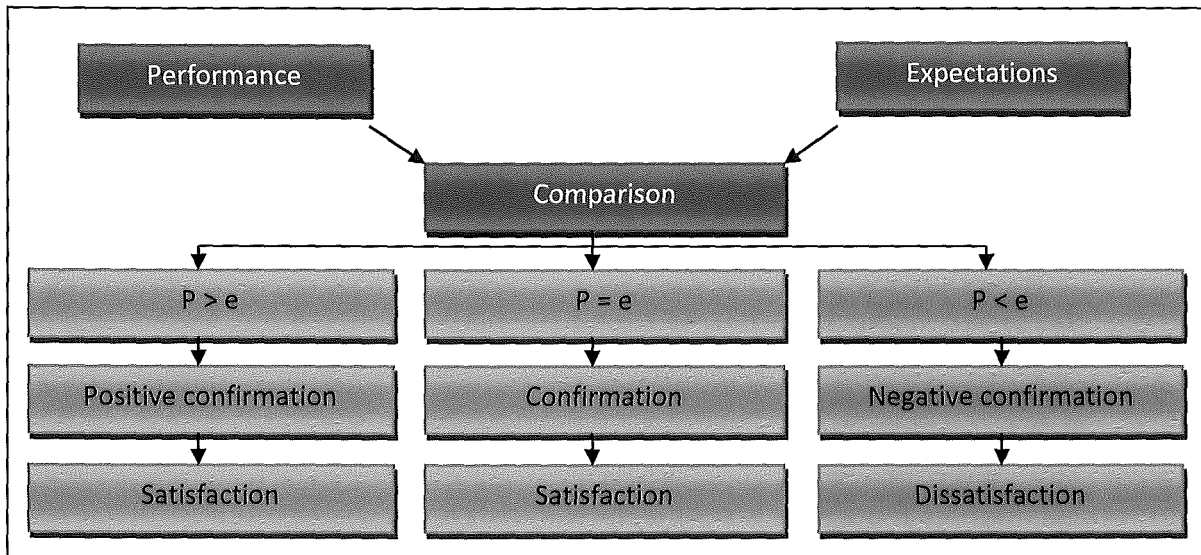


Figure 3.10: The disconfirmation paradigm

Source: Lamb *et al.* (2009:5)

Fearon and Philip (2008:484-485) indicate that managers are most likely to make wrong decisions without accurate customer satisfaction measurements, this is why it is key to measure customer satisfaction in some way or another. According to Hoffman *et al.* (2006:373), and Machado and Diggines (2012:154) customer satisfaction can be measured by different means (indirect or direct).

Indirect customer satisfaction measures include tracking customer satisfaction by reviewing changes in sales, profits and the amount of customer complaints received (Hoffman & Bateson, 2006:307). Direct customer satisfaction measures include gathering data by means of customer satisfaction surveys (Hoffman *et al.*, 2009:373). According to Hoffman and Bateson (2006:301) a direct method is more expensive (than indirect) and takes more time to gather but provides more in-depth information. Some of the more popular methods used to measure customer satisfaction include the following as proposed by Berndt & Tait, 2012:54; Machado & Diggines, 2012:154:

- **Post-transaction surveys:** Takes place immediately after completing the transaction and while the service encounter is still fresh in a customer's mind. These surveys provide proactive information on customer satisfaction and identify possible areas for improvement.

- **Mystery customers:** The primary use of a “fake” customer (in the form of a trained employee) is to evaluate actual individual performance of an employee within the service encounter. The results of which are used as constructive employee feedback.
- **Customer satisfaction indices:** The customer satisfaction index (CSI) is based on conducting regular interviews with various customers and enables the tracking of changes in customer satisfaction measures over time.

Various scales can be used when a business is gathering direct customer satisfaction data, such as the scale of 100 approach, the very dissatisfied/very satisfied approach, and the combined approach that will be discussed in the following section.

a) The scale of 100 approach

This approach entails that a customer that receive a service from a business to rate the service performance by assigning a grade on a scale of 100 (Hoffman & Bateson, 2010:308). However, this approach does not provide detailed suggestions for improvements that might lead to increased customer satisfaction.

b) The very dissatisfied/very satisfied approach

A five-point Likert scale to gather customer satisfaction data from their customers can also be used by businesses. However, this approach does not provide the business with an indication of specific areas where service improvement is needed. This scale format is used in this study. It usually entails the following format, according to Hoffman *et al.* (2009:373):

Table 3.1: Five-point scale

Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	2	3	4	5

Source: Hoffman *et al.* (2009:373)

c) The combined approach

Customers can indicate that they were less than satisfied and where they feel the performance of the service offered were lower than their expectations through qualitative feedback.

Through this process according to Hoffman *et al.* (2009:375) service businesses can request feedback on how the service business could improve its service performance.

The combined approach (or mixed method) allows the service business to gather quantitative as well as qualitative information. A combination of such information is more valuable and will assist the service business to increase the overall service performance, which should then lead to increased customer satisfaction (Hoffman & Bateson, 2010:309).

In this study, regarding customer satisfaction within the SAABSI the quantitative approach (SERVQUAL) to measure customer satisfaction was used. This could constitute a limitation in the study, however the objective of the study is to measure service delivery effectiveness.

Thus far, the current chapter has provided a broad overview of customer satisfaction with services, including the importance, benefits and measurement of customer satisfaction. The next section presents a closer look at customer loyalty.

3.4 CUSTOMER LOYALTY

In the previous section strong arguments were made to support the statement that satisfied customers will become loyal customers over time. Frow *et al.*, (2007:98) and Kumar *et al.*, (2013:59) states that customer loyalty could possibly be enhanced by creating a perfect customer experience. These two concepts seem to relate and therefore it is necessary to look into the concept of loyalty and how it interrelates with a profitable and working relationship with customers. According to Javadein *et al.* (2008:4) service loyalty and retention are perhaps among the most important constructs in service marketing. The ultimate goal of customer loyalty is to ensure that customers feel good about their relationship with the business (Garrett, 2006:35).

3.4.1 Defining customer loyalty

There are different definitions of customer loyalty that can be identified in literature. Javadein *et al.* (2008:4) defines customer loyalty as: “a positive attitude towards the business and the recommendation of the business to other customers, and the display of repurchase behavior”. Another definition of customer loyalty, according to Timm (2005:15) states that true customer loyalty is indicated by a customer’s overall satisfaction and commitment to improve and strengthen the relationship as well as the intent to repeat purchases and recommend the business to others. Customer loyalty is a commitment of repeatedly buying a preferred product/service in the future (Agrawal, 2012:274).

Gee *et al.* (2008:209) states that loyalty is linked to the pattern of previous purchasing activity, which is not a very complete definition, as loyal customers are not always active buyers, but can still contribute to positive business referrals. Customer loyalty is much more than repeat purchases or increased purchase volume (Kaur and Soch, 2012:49).

Sheth *et al.* (2002:209) define loyalty from the service provider’s perspective when stating that loyalty is an unselfish condition of commitment where the customer’s needs and interests are put before the supplier’s own needs. It is therefore important, according to them, that service providers should be unselfish, or create the impression of being unselfish. It is usually indicated by the “*The customer is always right*” policy and making sure this is known and seen by the customers. According to Egan (2008:291) there are two approaches to define loyalty:

- Firstly, loyalty is based on the number of purchases and measured by monitoring the frequency of purchases and any brand switching that occurs, this is behaviourally orientated.
- A definition of loyalty in attitudinal terms incorporates customer preferences and temperament towards brands to determine levels of loyalty.

Buttle (2009:45) notes that loyalty can also be defined by customer attitudes (known as attitudinal loyalty), which represent a customer’s long-term commitment to the business, indicating the customer’s feelings, beliefs and future usage intentions.

Taking all definitions into consideration the researcher defines loyalty as the enhancing of a long-term relationship with a business through repeated purchases and recommending the business to others.

Kumar and Shah (2004:319), based on original Dick and Basu’s (1994) research, emphasise that businesses should use a more comprehensive approach to customer loyalty and needs to focus on both behavioural and attitudinal loyalty in order to realise “true” loyalty. From Dick and Basu’s (1994:101) comprehensive model of customer loyalty, four forms of loyalty can be identified based on relative attitudinal strength and repeat purchase behaviour (Figure 3.11).

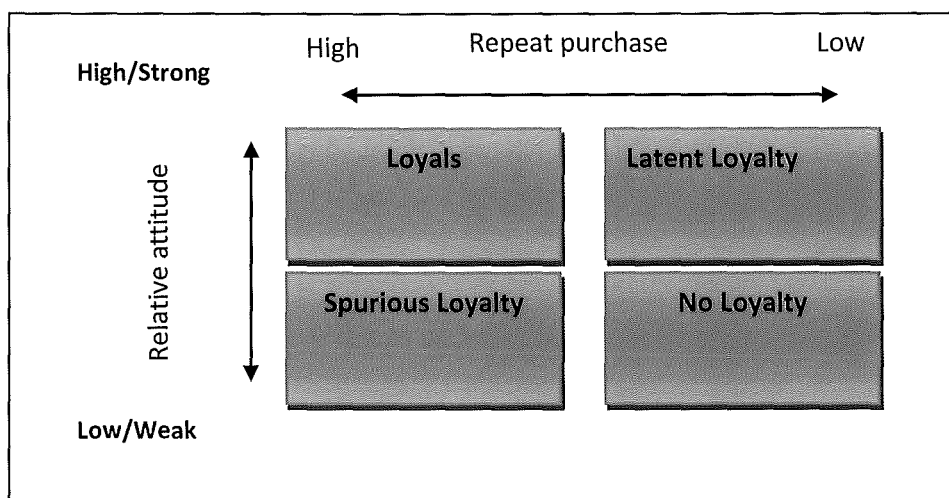


Figure 3.11: Comprehensive model of customer loyalty
Source: Dick and Basu (1994:101); Mackay (2012:96)

The four forms of loyalty identified from the comprehensive model in Figure 3.11 include the following (Buttle, 2009:45-46; Egan, 2008:134):

- **Loyals:** Customers have a long-term commitment intention toward the business, and repurchase frequently from the business. These are customers in the SAABSI that order stock from the SAABSC on regular occasions, be it weekly or daily.
- **Spurious loyalty:** Customers have weak relative attitude and high levels of repeat purchase (i.e. are deliberately dissatisfied, and have no intention of long-term commitment). These are customers that usually stay with the SAABSC only because they have no other option or will struggle with selling different products.
- **Latent loyalty:** Customers have a strong relative attitude, but could be prevented from repurchasing from the business. Within the SAABSI this can entail geographical

restrictions or a situation where a product and/or service is not available when and where the customer desires.

- **No loyalty:** No loyalty exists due to the customer having a weak relative attitude as well as low repurchases intentions. These are customers that order only in high volume or peak periods to make a “quick buck” and after the peak period do not order again.

According to Mackay (2012:96), loyals are of utmost importance to businesses due to long-term relationships that can be developed with these types of customers. Consequently Rowley (2005:575) expands on Dick and Basu’s (1994) findings by subdividing the loyals category into four distinct loyalty orientations, namely captive, convenience-seekers, contented and committed. Table 3.2 summarises customers’ typical behaviour, attitudes, and switching triggers associated with each loyalty orientation.

Table 3.2: Loyalty orientations

Loyalty orientation	Typical attitude (i.e. behavioral loyalty)
Captive	Continues to purchase or use a product/service because the customer has no other choice.
Convenience seeker	Engages in regular repeat purchase transactions – associated with routine, low involvement purchase.
Contented	Evaluates offerings based on qualities, but previous and existing engagement is an opportunity for the business to improve relationship with the customer.
Committed	Barely considers other businesses and/or offerings, and is willing to add value to the encounter.
Loyalty orientation	Typical attitude (i.e. attitudinal loyalty)
Captive	Neutral to the product/service offering. Has had previous experience with the offering which does not cause them to perceive the business and/or the offerings in a negative light.
Convenience seeker	No particular attitude to the product/service offering, except that some offerings may be associated with convenience.
Contented	A positive attitude towards the product/service offering, which may be shared with acquaintances, if their advice is requested.
Committed	Engages in positive and delighted word-of-mouth communication with other customers and potential customers
Loyalty orientation	Triggers causing customers to switch
Captive	Alternative offerings available at times of major decisions. New businesses entering the market. Change in circumstances that cause the customer to become less “captive”.
Convenience seeker	Susceptible to promotions to from other businesses. Change in circumstances that redefine the “convenience” offering, such as geographic relocation.
Contented	Better value elsewhere. Service delivery or product failure. Product development lagging behind competitors.
Committed	Repeated or significant service delivery or product failure. Inadequate service or product recovery arrangements.

Source: Rowley (2005:576-577)

There are as indicated numerous forms of customer loyalty and loyalty orientations that can be distinguished. Businesses can identify and utilise true loyal customers, based on this understanding of customer loyalty (Terblanche & Boshoff, 2010:6). However, according to Lovelock and Wirtz (2011:345) there are many businesses that are still unsuccessful in realising true customer loyalty, and therefore wrongfully propose the implementation of an organising framework to build customer loyalty. The next section will entail discussing how businesses can build customer loyalty.

3.4.1.1 Building customer loyalty

Lovelock and Wirtz (2011:345) have compiled “The Wheel of Loyalty” (Figure 3.12) as a basis to develop customer loyalty. This basis, briefly discussed below, comprises three sequential strategies: (a) build a foundation for loyalty; (b) create loyalty bonds and (c) reduce churn drivers.

a) **Build a foundation for loyalty**

A solid foundation is firstly needed to create customer loyalty. This includes identifying and targeting those customers who are most likely to become profitable, long-term customers (Oliver, 2010:457). Businesses should also not only focus on obtaining high quantities of customers, but rather on valuable customers.

Lovelock and Wirtz (2011:346) suggests that businesses should adopt an intended strategic approach towards retaining and upgrading profitable (valuable) customers, and that they should also, in hindsight, end relationships with those customers who are of little value to the overall business performance. In order to ensure that a proper foundation is in place for creating customer loyalty, businesses have to be able to satisfy their customers, and this is achieved by offering high quality services (Donaldson & O’Toole, 2007:154).

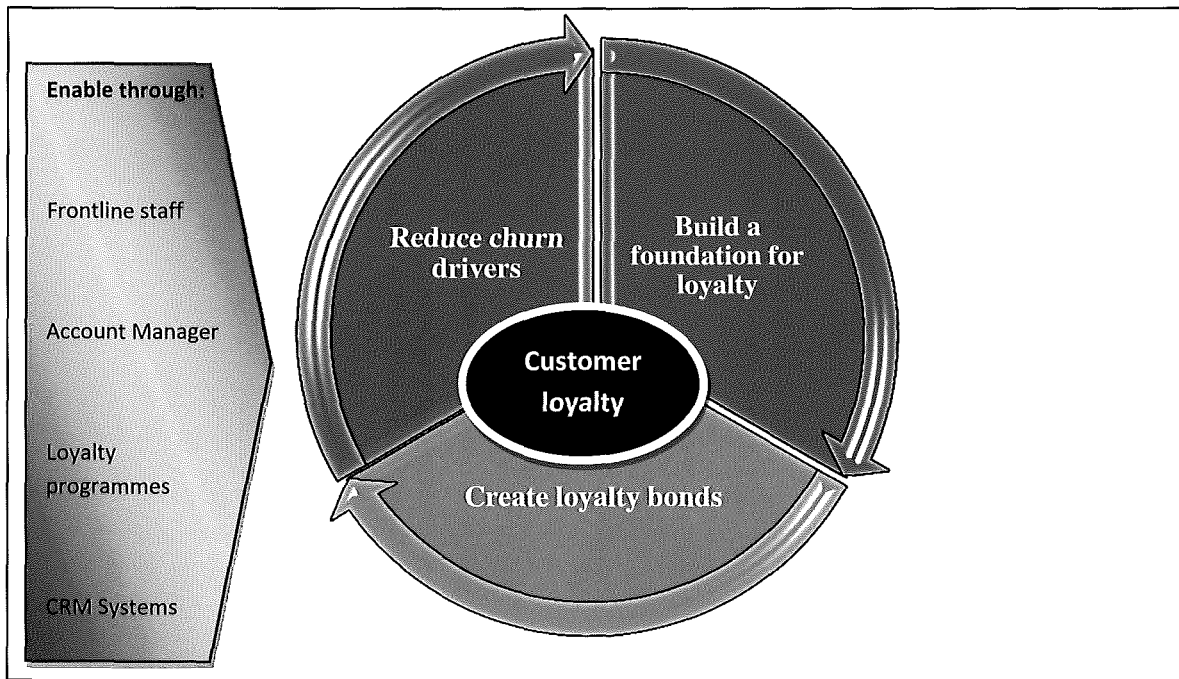


Figure 3.12: The Wheel of loyalty

Source: Lovelock and Wirtz (2011:345)

b) Create loyalty bonds

Businesses should develop close bonds or relationships with their customers, this forms part of the second strategy towards building customer loyalty. This view is based on the premise that the business already has a current relationship with the customer in place, and that it should aim at developing this relationship by adding value to the customer in the form of customised products/services, additional services, and financial/nonfinancial loyalty rewards (Moor *et al.*, 2012:259). Within the SAABSI the sales force and call centre agents play a critical role in this instance. As the relationship improves over time the companies can now offer additional services to the customer, i.e. special credit limits, a dedicated sales force to specific outlets, specialised delivery service and reward systems.

c) Reduce churn drivers

Harris, 2010:141 indicates the final strategy includes the reduction of customer defections (also known as customer churn). This takes place by businesses understanding the reasons for customer defections and then working on processes to reduce or eliminate those reasons, through this the businesses will be more likely to realise true customer loyalty (Kon, 2004:3).

Within the SAABSI it can happen that customers do not order on a continuous basis as usual or stop ordering all together. This could be due to numerous reasons (attitude, financial implications or even market behaviour) and the SAABSC need to evaluate each situation individually and address each as quickly as possible to resolve it and bring customers back on board. Lovelock and Wirtz (2011:359) highlight the different reasons for customer switching and/or defections; these include core service mistakes and billing errors; uncaring, unresponsive and impolite service encounters; high, increasing, unfair, and/or deceptive pricing; inconvenient office hours or location; better service offering by competition and unethical practices by the business and involuntary issues, such as business closing or the customer has moved away.

By being aware of the mentioned causes of customers switching or defecting, businesses can address these issues beforehand or as soon as possible thereafter. This will allow the business to resolve complaints effectively and efficiently, also to implement service recovery procedures, which might result in truly loyal customers (Kon, 2004:3).

3.4.2 Types of customer loyalty

Gee *et al.* (2008:360) states that loyalty is a complex, multi-dimensional concept. There are different types of customer loyalty that can be identified in literature. Hill *et al.* (2006:14) distinguish among five primary types of loyalty, each with a different degree of allegiance, as shown in Table 3.3. Customers are also more than capable to change their degree of loyalty according to Agrawal *et al.* (2012:276). They also suggest that customers display elements of curiosity in their purchase habits and they enjoy a variety and are more than happy to change brands as a result of a business's marketing communications.

Table 3.3: Types of loyalty

Type of loyalty	Example	Degree of allegiance
Monopoly loyalty	Rail commuters	Low
Cost of change	Financial software	Medium
Incentivised loyalty	Frequent business flyer	Low to medium
Habitual loyalty	Petrol stations	Low
Committed loyalty	Football clubs	High

Source: Hill (2006:15); Beytell (2010:66).

Monopoly loyalty – Is defined by customers that are loyal to the business only because they have no other choice. This also means that they totally uncommitted to the business (Hill & Alexander, 2006:14). Fill (2005:251) is right when they state that monopoly loyalty is not a true form of loyalty, because customers do not have any say within their purchase choice.

Cost of change loyalty – This occurs when it is really difficult and has high financial exit barriers for the customer to change to another business; customers will only do so as a last resort. This means that these customers have a lower level of commitment with regard to the business that they receive a product/service from (Beytell: 2010:66). This loyalty is driven by the customers' cautious management of money and financial necessity, and does not indicate a true form of loyalty.

Incentivised loyalty - This form of loyalty is used by service businesses to reward customers for their purchases. This is indicated by the more a customer spends at a business the more rewards they can earn (Kumar and Shah, 2004:318). Fill (2005:251) explains that these customers do not have one favourite brand and that such customers are not truly loyal to the business.

Habitual loyalty - Is one of the most common forms of repeat business. It means customers use familiar routines and follow certain patterns when they are faced with insufficient time and need to use minimal thought to make a decision (Hill & Alexander, 2006:15).

Committed loyalty – This form of loyalty indicates a high level of commitment from the customer due to the business's re-occurring earnings. Customer retention is also crucial through the delivery of a total value package that meets the customer's requirements at every customer encounter (Hill & Alexander, 2006:15). Agrawal *et al.*, (2012:277 indicates that is type of loyalty indicates a true form of loyalty and also describes this form of loyalty as emotional loyalty, which is motivated by personal recognition with real or perceived values and benefits.

To reach a better understanding of the concept of customer loyalty it is important for marketers to grasp the various levels of customer loyalty that exist in order to increase customer loyalty within the business.

3.4.3 Levels of loyalty

There are different degrees of customer loyalty no matter what the loyalty type is (Hill & Alexander, 2006:16). According to Mascarenhas *et al.* (2006:400) customer loyalty is part of one's perception of the similarity between one's values and the product or service providers and that it increases concurrently. The ladder of customer loyalty as created by them (seen as a function of the total customer experience) is illustrated in Figure 3.13. They highlight the following managerial consequences that are implied from studying this model:

- Loyalty is a constant process and ascends through a number of successive steps.
- Every step within the ladder is a “quasi”– or partial loyalty component.
- Loyalty levels can move up or down as with any ladder, depending on customer experience, with the rising process taking longer to establish.
- Loyalty can be seen as a collaborative and mutually dependent process.

Brand community purchase	Highly differentiated and socially visible brand value generates unique customer community bonding values. Personal and social, brand and industry risks are minimal. Community branding	Increasing and long established buyer-buyer and seller-manufacturer bonding relationship	Unique product and service brand community bonding and enhancing experience in shopping, purchase and use. Lasting customer loyalty
Lifetime family purchases and commitment	Highly differentiated brand value generates unique customer and family values. Personal and family, brand and industry risks are minimal. Family branding	Increasing and long established buyer-family and seller bonding relationship	Unique product and service positive, socially bonding and indispensable experience in shopping, purchase and use
Total category purchase	Perceived brands most superior net benefits compared to competing brands and substitutes. Personal risk is minimal. Personalisation	Increasing and long established buyer-seller relationship	Unique, engaging and self-actualisation product or service experience in shopping, purchase and use
Regular brand purchase	Perceived brands increasingly superior net benefits compared to competing brands and substitutes. Industry risk is minimal. Institutionalisation	Increasing long-term buyer-seller bonding relationship	Unique and reinforcing positive product or service experience in shopping, purchase and use
Frequent brand purchase	Perceived brands superior net benefits compared to competing substitutes. Product risk is at a minimum. Satisfaction	Increasing long-term buyer-seller relationship	Unique positive product or service experience in shopping, purchase and use
Referral brand purchase	Perceived brands superior net benefits are shared with other potential buyers. Social risk is at a minimum. Value equity	Growing buyer-buyer WOM sharing of perceived benefits and values	Inter-buyer expectations regarding product or service fulfilled
Repeat brand purchase	Perceived brands superior net benefits compared to competing brands. Brand risk is at minimum. Brand equity. Evoked set	Growing buyer-seller relationship	Positive customer satisfaction beyond expectations
Random brand purchase	Perceived products net benefits are high. Awareness set	One time buyer-seller contact	Customer expectations regarding product or service fulfilled
Customer loyalty ladder	Differentiated value ladder	Interactive relationship ladder	Total customer experience ladder
Total customer experience as:			

Figure 3.13: The ladder of customer loyalty

Source: Mascarenhas *et al.* (2006:402)

Some elements of this ladder in Figure 3.13 can be compared with the following loyalty level-model proposed by Hill (2006:16); De Meyer (2008:155) and seen in Figure 3.14.

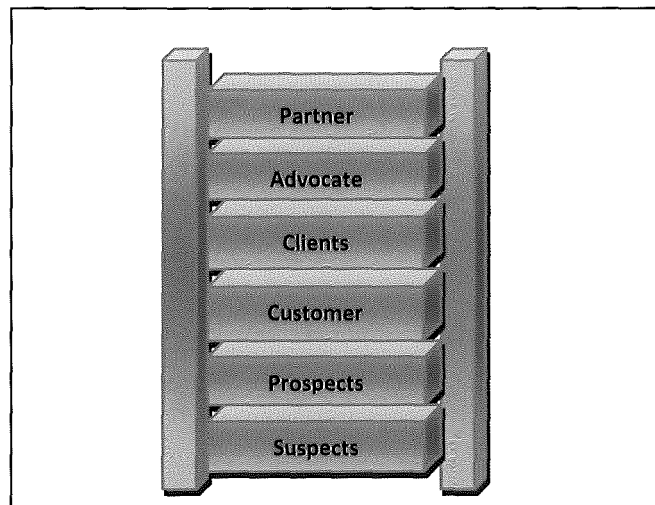


Figure 3.14: The customer ladder of loyalty
Source: Hill (2006:16); De Meyer (2008:155).

- **Suspects** – include all buyers within the marketplace. These buyers can be unaware of the product/service or have no intention to purchase it. In the SAABSI it can refer to underage drinkers or people that do not use alcohol because of religious reasons.
- **Prospects** – certain potential customers who have some level of attraction towards the organisation product/service, but have not yet taken a step of doing business. This within the SAABSI might represent people that are of legal drinking age but do not buy any alcohol.
- **Customers** – this is individual people who frequently purchase a product/service from the business and who may have no real feelings of attachment toward the business or products/services offered (Hill & Alexander, 2006:16). This could be a once-off user of a SAABSC product.
- **Clients** – repeat customers that purchases on a regular basis who have positive feelings towards the organisation. This is a repeated purchaser of alcoholic beverages.
- **Advocates** – clients who vigorously support the organisation by recommending it to other people (Godson, 2009:106).
- **Partners** – within this form both parties see the relationship as mutually beneficial and is the strongest form of customer-supplier relationship which is sustainable.

Customer loyalty involves more than just making a purchase or even repeat purchases; according to Hill and Alexander (2006:16) customer loyalty indicates a positive level of commitment by the customer to the business that can lead to truly loyal customers over the long run. Loyalty can also lead to certain benefits for the businesses as described by Duffy (2003:480):

- Cost saving – due to the customers being used to the brand and know how to transact with the organisation. They also use the resources more resourcefully.
- Referrals – also called word of mouth; SAABSC customers mention their preferred brand to their friends and associates.
- Complain rather than defect – usually customers give the business a second chance when service failure has occurred due to them viewing themselves as stakeholders within the organisation. SAABSC can even ask for customers' assistance or they can offer some advice to the companies on how to prevent a recurrence of the failure. This is an exceptionally valuable early warning system and should never be ignored or not accepted but always welcomed by any business. It also offers an opportunity to fix a problem that could lead to customers terminating their relationships if it is not reported and identified.

Loyalty should never be viewed a luxury but as a mutually-beneficial instrument. For senior management to buy into this concept it is important to understand the cost-saving-benefits at different levels, which includes the aspect that it is cheaper to retain existing customers than to recruit new ones. It is of utmost importance to create open communication channels for customers to log complaints and the business can then implement measures to ensure a quick and mutually-satisfactory resolution and reduce the risk of customer defection or decay. In the next section the concept of customer retention will be discussed.

3.5 CUSTOMER RETENTION

3.5.1 Retention defined

Hoffman *et al.* (2009:346) describe customer retention as the focus of marketing energy towards the existing customer base with a clear emphasis on satisfying existing customers' needs, specifically with the intent to create and develop long-term relationships. It is more important for businesses today to retaining current customers than trying to acquire new ones,

and this is where focus has shifted to in recent years. Hill and Alexander (2006:9) state that keeping existing customers is commercially viable in the long run. Delivering good customer service quality is critical in retaining these customers, which is again vital to ensure the lasting financial success of any business. Now that customer retention has been defined we will describe the importance of customer retention in the next section.

3.5.2 Importance of customer retention

Due to numerous reasons businesses are pursuing customer loyalty (Nitzan and Libai, 2011:25). Customer loyalty and retention have a substantial impact on the business success as shown by research. Hoffman and Bateson (2010:392) explain that there are numerous different reasons why customer retention and loyalty are important for businesses, including increased competition, declining economic growth, changes in distribution channels, rising marketing costs, and the changing customer.

Hoffman and Bateson (2010:392) state that customer retention is important because of a weakening in the once vibrant economic growth. Hoffman and Bateson (2010:392) further states that this indicates that there are not as many new customers as there once were, and the current customers that do exist are inclined to spend less. Grönroos (2004:23) confirms this statement by explaining that businesses needs to keep their existing customers as new customers are increasingly difficult to find and even attract.

Hoffman and Bateson (2006:392) state that an increase in market competition is another reason why customer retention is important as businesses must contest for customers in a vibrantly open market. The increase in marketing costs over the last period is also a reason why it is better for businesses to satisfy and keep their existing customers (Hoffman & Bateson, 2009:393). Beytell (2010:55) confirm this by stating that it is far more expensive to win over new customers than it is to keep existing ones.

Businesses change their distribution channels on a continuous basis, and this is another reason that points to the importance of customer retention. According to Hoffman and Bateson (2009:395) a business's obligation to their customers should not change even though the physical distance between the business and customers has.

The importance of customer retention becomes quite clear from the above statements; businesses need to know that today's customers are different from past generations because they are more educated about purchase decisions; they command more disposable income, and are more doubtful about the average business' concern for them (Hoffman & Bateson, 2010:395). Due to customers being more sophisticated today and that they can obtain information about the options in the market easier than before, leads to them demanding more from the business (Grönroos, 2004:23). Hoffman and Bateson (2010:395) states the fact that businesses that engage in customer retention practices are noticed by today's customers and are rewarded for their hard work through repeat product/service sales.

The worst case scenario in any relationship takes place when a customer ends the relationship one-sidedly, without notifying the service provider and then spreads a negative word-of-mouth message about his negative service experience to many other prospective clients over an extended period of time in a convincing manner. Egan (2008:81) warns that the termination of any relationship is always possible in today's market. Businesses can ill afford to assume that all their customers will be customers for life. Customer retention is therefore one of the outcomes related to the intentions of establishing and maintaining satisfied and loyal customers. Repeat business is what all companies depend on. This is also true within the SAABSI environment.

Customer decay usually doesn't happen due to a single negative incident that took place, but within the same context a once-off positive experience will not generally lead to long-term loyalty and retention, as is reported by Alves *et al.* (2007b:797). Alves *et al.* (2007b:797) also state that the reaction of a customer towards a service will not be determined by a single incident but rather a range of experiences over time. It is therefore important to businesses to establish which factors will be more likely to guarantee customer retention.

Hill (2006:5) claims that certain service gaps are the reason for customer decay, he defines it as the difference between customers' expectations of a service and their perceptions of the actual service delivered by businesses. He identified five possible types:

- **The promotional gap** – This is when the marketing department within the SAABSC creates false or unrealistic expectations.
- **The understanding gap** – This occurs when the managers within SAABSC do not have an in-depth understanding of the customers' needs and wants.

- **The procedural gap** – When there are no operating procedures and systems in place to address customers’ needs and complaints within the SAABSC.
- **The behavioural gap** – When SAABSC staff members are inadequately trained or not motivated to follow the procedures.
- **The perception gap** – the SAABSC customers’ perceptions may be different from reality.

Aspects about the importance of customer retention and decay has been explained, the benefits of customer retention will now be explained.

3.5.3 Benefits of customer retention

There are countless benefits for a business in terms of maintaining and developing a loyal customer base and establishing close relationships with customers (Wilson *et al.*, 2012:158). Some of these are listed below.

a) Profits derived from sales

Wilson *et al.* (2012:158) indicate that the most frequently noted economic benefit of customer retention is an increase in purchases over time. Businesses can benefit by repeated sales through increasing customer retention and loyalty; this can also have an immense effect on the profitability of a business, according to Hoffman and Bateson (2009:396) and Zeithaml *et al.* (2013:154-155). SAABSC need to retain their core customer base on a daily/weekly/monthly basis to ensure a steady stream of sales and long-term profit.

b) Profits from reduced operating costs

Godson (2009:72) proposes that the cost to keep a customer is up to three to five times less than to obtain new customers. Hoffman and Bateson (2009:397) explain that a trusting relationship between the customer and the business makes existing customers more accessible to the marketing efforts of the business which in turn, lowers marketing costs.

c) **Profits from referrals**

Satisfied customers also spread a positive word-of-mouth. This assists to develop a reputation that attracts new customers to the business (Godson, 2009:77). Wilson *et al.* (2012:159) explain that satisfied, loyal customers tend to provide a business with strong word-of mouth marketing which can be more effective than paid advertising that the business uses Zeithaml *et al.* (2013:154-155).

Customer retention also has the following benefits according to De Meyer (2008:163):

- Provides businesses with lower acquirement costs.
- Existing customers who spend a certain minimum amount within a given period, this guarantees base profits for a business.
- The longer a relationship endures the more likely a customer will increase their spending.
- Business can sell a product at a higher price, as customers do not wait for promotions or price reductions before they purchase.

3.6 CONCLUSION

Customer satisfaction and loyalty are well-established concepts that can be applied in all environments, including the SAABSC scenario. Several approaches and definitions have been reported and engaged within the study context, the core principles are based on the establishment of lasting relationships, commitment, trust and possibly customer delight.

This chapter describes various aspects regarding RM, customer satisfaction and customer loyalty. Customer satisfaction has been described by focusing on the various definitions of this term, the benefits it holds for service businesses, and the measurement of customer satisfaction in the SAABSC industry. The chapter briefly explains customer loyalty and retention with regard to the various loyalty levels that exist in a service business, and the importance and benefits of customer loyalty and retention in the SAABSI. The next chapter consists of an explanation of service marketing, customer service and service quality.

THEORETICAL CHAPTER LAYOUT OF THE STUDY

CHAPTER 2: CUSTOMER RELATIONSHIP MANAGEMENT

- 2.1 INTRODUCTION
- 2.2 CUSTOMER RELATIONSHIP MANAGEMENT
- 2.3 HISTORY, TYPES AND APPROACHES OF CRM
- 2.4 CRM APPROACHES
- 2.5 CRM PROGRAMMES
- 2.6 BENEFITS OF CRM
- 2.7 BARRIERS TO SUCCESSFUL CRM
- 2.8 LINK BETWEEN CRM, CUSTOMER SERVICE AND CUSTOMER SATISFACTION
- 2.9 IMPLEMENTATION OF CRM
- 2.10 CONCLUSION

CHAPTER 3: RELATIONSHIP MARKETING, CUSTOMER SATISFACTION AND LOYALTY

- 3.1 INTRODUCTION
- 3.2 RELATIONSHIP MARKETING (RM)
- 3.3 CUSTOMER SATISFACTION
- 3.4 CUSTOMER LOYALTY
- 3.5 CUSTOMER RETENTION
- 3.6 CONCLUSION

CHAPTER 4: SERVICE MARKETING, CUSTOMER SERVICE AND SERVICE QUALITY

- 4.1 INTRODUCTION
- 4.2 SERVICE DEFINED
- 4.3 CUSTOMER SERVICE AND SERVICE MARKETING
- 4.4 SERVICE QUALITY
- 4.5 IMPORTANCE AND RELEVANCE OF QUALITY SERVICE DELIVERY
- 4.6 CONCLUSION

CHAPTER 4

SERVICE MARKETING, CUSTOMER SERVICE AND SERVICE QUALITY

4.1 INTRODUCTION

Services businesses are present in industries such as hotels, entertainment, transportation, information, leisure, plumbing, after-sales services and professional services (Kasper *et al.*, 2006:6). According to Du Plessis *et al.* (2007:309) the service sector in South Africa includes a large variety of businesses, services and activities, which among others, include the alcoholic beverage industry.

Gathering of service marketing knowledge only began to expand within the early 1970's, whereby service marketing was then only being considered as an academic field. The first international conference on service marketing was held in the United States 12 years later in 1982 (Hoffman & Bateson, 2010:27). The main reasons why the field of services marketing developed so slowly within the academic field is due to many marketing educators feeling that the marketing of services was not significantly different from the marketing of goods (Hoffman & Bateson, 2010:27; Jewell *et al.*, 2010:234).

It is vital to understand that there should be a close formed link between marketing, customer service (CS) and service quality (SQ), as stated by Christopher *et al.* (2002:4). These terms are usually closely related and used interchangeably (Koenig-Lewis *et al.*, 2008:71). Kotler *et al.* (2012:10) argue that quality is also closely linked to customer satisfaction, while Aldridge *et al.* (1998:200) states the opposite that quality and satisfaction does not form part of the same concept. This is due to them saying that quality is a more general approach and that satisfaction is associated more to an individual transaction.

Customers expect a certain level of quality when they purchase a product or service, this is on the most fundamental basis as stated by Zeithaml (2013:2); Kotler and Armstrong (2013:250). This should be part of any transaction and is a given. Customers won't usually inform a service provider of this key principle, but would rather raise the issue once they

experience any sub-standard or problematic service level. Businesses then usually employ a reactive approach or service recovery interactions, which is not ideal.

In this chapter the concept of services, service marketing and the relationship between these concepts and CS are discussed. Attention is also paid to the relationship between CS and SQ.

4.2 SERVICE DEFINED

Service marketing literature includes a variety of definitions of services; a number of general features can be derived from these definitions (Kasper *et al.*, 2006:57). It is very difficult to define a pure good or pure service according to Hoffman and Bateson (2010:9). A pure good suggests that the customer receives benefit from goods alone, without service adding any value to the process. In reality most services contain some good elements.

A service can also be defined as a process that involves a series of intangible activities that typically takes place during contact between the customer and service employees and that is provided as resolutions to customer problems (Grönroos, 2004:46; Kritikos *et al.*, 2013:2).

Services are defined by Etzel *et al.* (2007:286) as “identifiable, intangible activities that are the main object of a transaction designed to provide want-satisfaction to customers”. Kotler and Armstrong (2008:218) add that a service is related to any activity or benefit that a company can give customers that is at its core intangible and does not lead to ownership of anything.

Wilson *et al.* (2008:5) and Zeithaml *et al.* (2013:3) define services as deeds, processes and performances while Kasper *et al.* (2006:57) define services as deeds, processes and efforts. Lovelock and Wirtz (2011:424) however, define a service as an economic activity that creates value and provides benefits for customers at specific times and places by bringing about a desired change in, or on behalf of the recipient of the service.

Kasper *et al.* (2006:57) state that the process must be aimed at creating overall customer satisfaction and incorporate the elements of the definitions provided, they also state that services are intangible and perishable activities that doesn't always lead to material ownership.

From the aforementioned definitions, services can be explained as intangible perishable economical activities, processes, efforts or actions that do not lead to ownership but rather focus on customer satisfaction and provide beneficial value to these customers, which could lead to customer retention and profit growth in the long run.

4.2.1 Difference between goods and services

The service environment today makes it of utmost importance that effective marketing needs to take place; this includes increased competition in the developing and challenging environment that is portrayed in today's marketplace (Lovelock & Wirtz, 2011:8). In order for businesses today to achieve and maintain a competitive advantage over their competitors, they must monitor what competitors are doing and implement clear strategies.

Figure 4.1 indicates the product-service continuum. The "goods-versus-service continuum, based on the degree of tangibility" proposed by Jordaan and Prinsloo (2004:8-10) best illustrates tangibility as the primary difference between physical goods and services. There are two sides within the continuum, namely pure product and pure services. Pure services are classified when there is a small amount of products involved directly when there is interaction with the customer. These services are medical advice, accounting advice and teaching. The other side is the pure product side, where there is minimal service intervention needed with the customer for him to obtain a product. Examples of this are food products and chemicals. SAABSC is positioned within the context of the study in the middle of the continuum due to their delivering a product to customers through using services.

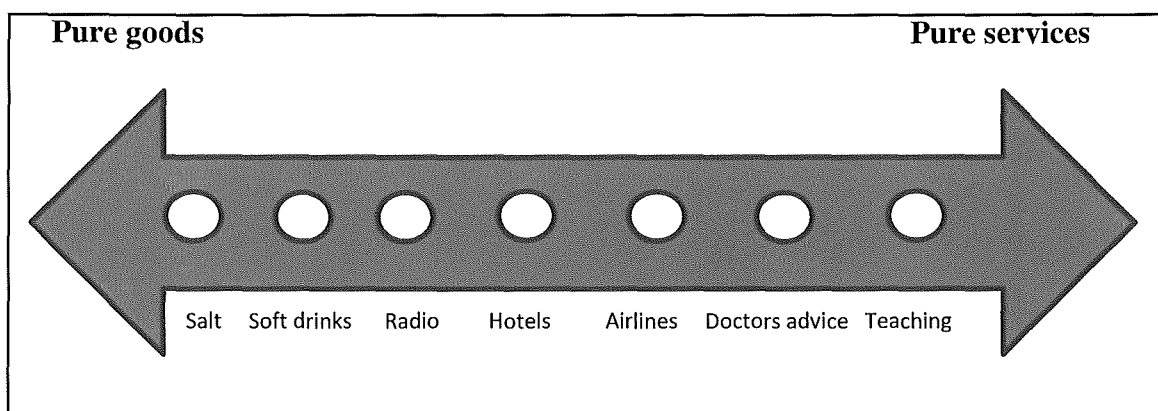


Figure 4.1: Product-Service continuum

Source: Adapted from Jordaan and Prinsloo (2004:8)

Within the context of this study the SAABSC deliver a product to their customers through using specific services, i.e. truck delivery services, crewmen, call centre agents, etc. Even though the company's sales and forecasts are product-driven this study focuses primarily on the service delivery dimensions and measures the customers' expectations and realisations within these dimension.

Once a business understands what services and services marketing are, how they can be categorised and what the unique characteristics of services are, it becomes possible to determine the best ways for services to be marketed. Table 4.1 and Table 4.2 list basic differences that distinguish goods from services.

Table 4.1: Differences between goods and services

Physical goods	Services
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution are separated from consumption	Production, distribution and consumption are part of a simultaneous process
An object	An activity or process
The core value is produced in a factory	The core value is produced in buyer-seller interactions
Customers do not (normally) participate in the production process	Customers participate in production
Physical goods can be kept in stock	Services cannot be kept in stock
Transfer of ownership is involved	No transfer of ownership is involved

Source: Gronroos (2004:47)

These aspects are now explored further.

a) Customers do not obtain ownership of services

Services cannot be owned by any customers when purchased, customers only obtain value (Fitzsimmons & Fitzsimmons, 2008:21). The services the SAABSC offer to their clients (call centre activities, delivery services and business advice by sales force) cannot be stored but will create value in the long term.

b) Service products are short-lived and cannot be stored

Fitzsimmons and Fitzsimmons (2008:18) indicate that services are produced and used at the same time, which makes it impossible to store services. Smoothing demand levels with a view of matching capacity by using price incentives and promotions, as well as opportunity identification intended at reducing a business's productive capacity to match projected fluctuations in demand should be given attention by service marketers (Lovelock & Wirtz, 2011:11; Zeithaml *et al.*, 2013:20).

Table 4.2: Basic difference between goods and services

Basic difference between goods and services	
•	Customers do not obtain ownership of services
•	Service products are ephemeral and cannot be inventoried
•	Intangible elements dominate value creation
•	Customers may be involved in the production process
•	Other people may form part of the product
•	There is greater variability in operational inputs and outputs
•	Many services are difficult for customers to evaluate
•	The time factor assumes great importance
•	Distribution channels take different forms

Source: Lovelock and Wirtz (2011:10)

c) Intangible elements dominate value creation

Fitzsimmons and Fitzsimmons (2008:20) explain that the intangible nature of services presents headaches for customers, this is due to customers being forced to depend on the reputation of the service business to assess the presented value. Marketers can use physical images and metaphors to illustrate the competencies of the service business with a view to demonstrate the benefits that can result from service delivery (Lovelock & Wirtz, 2004:10).

d) Customers may be involved in the production process

Customers usually form part of the self-service of a business when they assist in creating the service product. According to Lovelock and Wirtz (2011:12) customers in certain instances

can be viewed as an employee (only partial) by making customers more knowledgeable and productive, leads to service business gaining a great deal from this practice. Customers within the SAABSI had a huge impact on SAABSC operations when the market started to move away from glass and utilised cans; customers were involved in the evaluating the success of the end product regarding look, feel and taste.

e) Other people may become part of the product

Hoffman *et al.* (2009:28) explain that a link exists among the service provider, the customer and other customers sharing the service occurrence. The quality of employees who serve the customers usually distinguishes one service from another, and this means that a business should dedicate special attention to selecting, training and motivating employees who serve customers directly (Lovelock & Wirtz, 2011:12). There is a dominant focus on the sales force, call centre agents and delivery employees within the SAABSC to ensure they have the basic business knowledge and understanding, which they can use on a daily basis when engaging with their customers.

f) Many services are difficult for customers to evaluate

It is difficult for customers to evaluate services due to the fact that services cannot be seen, felt, tasted or touched according to Wilson *et al.* (2008:16). Customers perceived risk can however be reduced by service marketers by assisting customers to match their needs to specific service features (Lovelock & Wirtz, 2011:11). This study's primary focus is to evaluate the service delivery of the SAABSC through the usage of the SERVQUAL model. Through this there was a certain extent of evaluation that happened on specific service delivery items and an idea was obtained about the customers' expectations and realisations regarding these items.

g) The time factor is of great importance

Within a service encounter personal contact takes place in real time where certain activities are being carried out by both the customer and employee (Kasper *et al.*, 2006:58; Zeithaml *et al.*, 2013:20). Customers have numerous time constraints and priorities and these can change from one market segment to another. Service marketers need to understand this as customers

pay more for quicker service because they place great value on their time (Loveloock & Wirtz, 2011:13). The most important factor for customers within the SAABSI is the time from placing an order to receiving the actual order; certain companies promise a 24-hour turnaround (in this case) and some up to 72-hours. Most important is to deliver the customer's order on his intended/requested delivery day.

h) Distribution channels take different forms

Services are distributed from a particular location or by electronic means by businesses (Loveloock & Wirtz, 2004:13). Businesses should therefore understand that as a result of these differences, customers should be managed differently for effective communication with the intended customers and to satisfy their service needs fully and successfully. SAABSC in this instance supply their customers with electronic order confirmations services, customer account statements and invoices.

From the discussion it is clear that services are more of an intangible nature than goods. The next section provides an overview of what the main characteristics of services are.

4.2.2 Characteristics of services

When designing marketing programmes special consideration must be paid to service characteristics (Kotler & Armstrong, 2008:239). There are four main characteristics of services namely: intangibility, inseparability, heterogeneity and perishability (Etzel *et al.*, 2007:290; Dimitriades 2006:784; Brochado 2009:175; Zeithaml *et al.*, 2009:20; Jewell *et al.*, 2010:234). Figure 4.2 illustrates the four main characteristics of a service.

Table 4.3 also reflects the use of these characteristics by many authors to describe services over the years. There have been disputes over the years that a service can be tangible to a certain extent due to the fact that the service experience can be realistic enough to meet the definition of feeling and touching and that there are numerous tangible elements associated within the service environment (Oldfield *et al.*, 2000:87). Blois *et al.* (2000:4) states that services are processes and therefore consumption is equal to this process and can therefore not be separated. The consumer takes part in the service process and thus has an impact on the development and end result of the process.

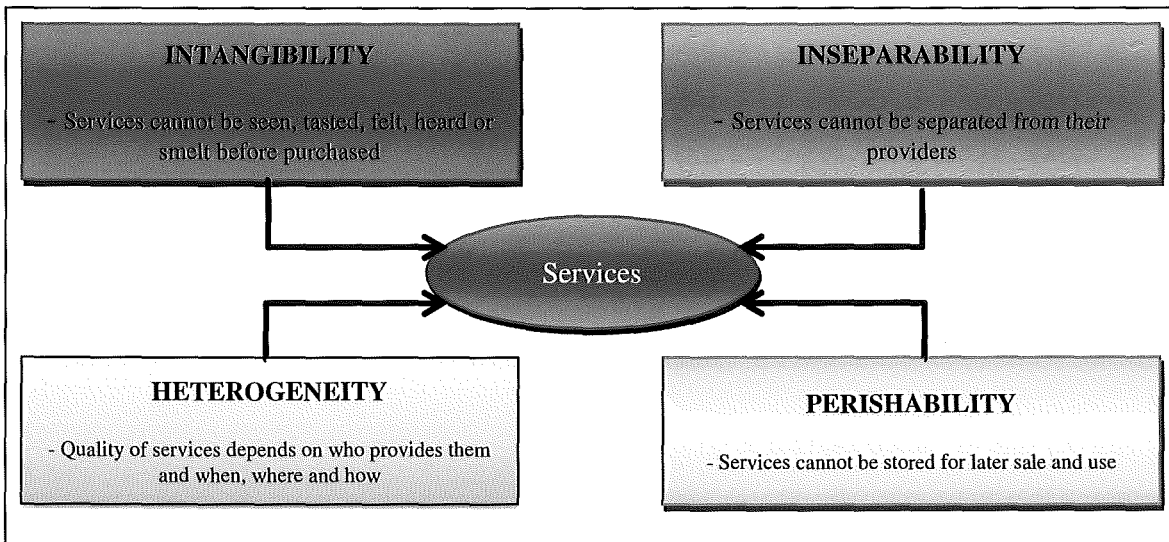


Figure 4.2: Service characteristics

Source: Kotler and Armstrong (2013:256)

Businesses must first ensure that there is adequate SQ levels in order to satisfy customers and improve their loyalty. This is confirmed by Castro *et al.* (2004:33) and Kotler and Armstrong (2013:257) who mention three important benefits of providing an excellent service; these are positive customer perception of the company formed through such services; overall company performance influenced by excellent service and positive word-of-mouth references and customer support, and reduction of cost spent on marketing efforts to obtain new customers.

Table 4.3: Characteristics of services

Authors listing unique characteristics of services					
	Characteristics of services				
	Intangibility	Heterogeneity	Inseparability	Perishability	No ownership
Ahtola 1985	x		x		
Bateson 1979	x		x	x	
Besson and Jackson 1975	x		x	x	
Blois 1974	x				
Booms and Bitner 1981	x	x	x	x	x
Cowell 1985	x	x	x	x	x
Davis, Gulhnan and Jones 1979	x	x	x	x	x
Eiglier <i>et al.</i> 1977	x		x		
George, Kelly and Marshall 1983	x	x	x	x	
Gronroos 1978	x		x		x
Gronroos 1980, 1984b	x		x	x	
Grove and Fisk	x		x		
Rathmell 1966	x	x	x	x	
Regan 1963	x	x	x	x	
Schneider 1987	x		x	x	
Shetty 1987	x	x	x	x	
Shostack 1977	x				x
Smith and Houston 1963	x		x		
Thomas 1978	x	x		x	
Zeithaml 1981	x	x	x		
Kotler and Armstrong 2007	x	x	x	x	x
Zeithaml <i>et al.</i> 2013	x	x	x	x	x
Kotler and Armstrong 2013	x	x	x	x	x

4.2.2.1 Intangibility of services

The most important characteristic according to Grönroos (2004:48) and Jewell *et al.* (2010:234) is the intangibility of services. Services are intangible, and in contrast to physical products they cannot be seen, tasted, felt, heard or smelt before they are bought (Jobber, 2004:793). Hoffman and Bateson (2009:28) define intangibility as the “characteristic that makes services unable to be touched or sensed in the same manner as goods”. Wilson *et al.* (2012:16) confirm this by stating that services are actions that cannot be seen, felt, tasted or touched in the same way in which tangible goods can be recognised.

Kasper *et al.* (2006:58) and Zeithaml *et al.* (2013:3-4) propose that a service is an activity or an experience and not a physical object. Etzel *et al.* (2007:290) further emphasise that it is very difficult and nearly impossible for potential customers to sample services by means of feeling, seeing, hearing, tasting or smelling the specific service before they want to buy it. Grönroos (2004:48; 2007:50) also indicates that customers use words such as *experience*, *trust*, *feeling* and *security* when labelling services. Services are experienced and cannot be touched or seen in the same light as goods (Hoffman and Bateson, 2010:28)

Etzel *et al.* (2007:291) suggest that four strategies can be used to minimise the effect of intangibility. These are: visualisation, association, physical representation and documentation (Etzel *et al.*, 2007:291):

- **Visualisation:** The benefit of the service is shown here to the customer. As previously mentioned, the order-to-delivery turnaround ensures that customers know exactly when they will receive their order to guarantee they have product ready for their customers.
- **Association:** A service is connected with a tangible good, person, object or place to create an image. Call centres are connected to call centre agents, delivery service is connected to delivery trucks and crew and business advice are connected to sales employees within the SAABSI.
- **Physical representation:** Symbols can be used to signify wealth and prestige, and unique delivery and support connected with the services.
- **Documentation:** Account statements and invoices form part of this within the SAABSI.

Products can also be a mix of both tangible and intangible characteristics according to Kotler and Armstrong (2013:124). What differs is the amount of each that is present. Figure 4.3 reflects that products based on services tend to have more intangible ones and goods tend to have more tangible characteristics.

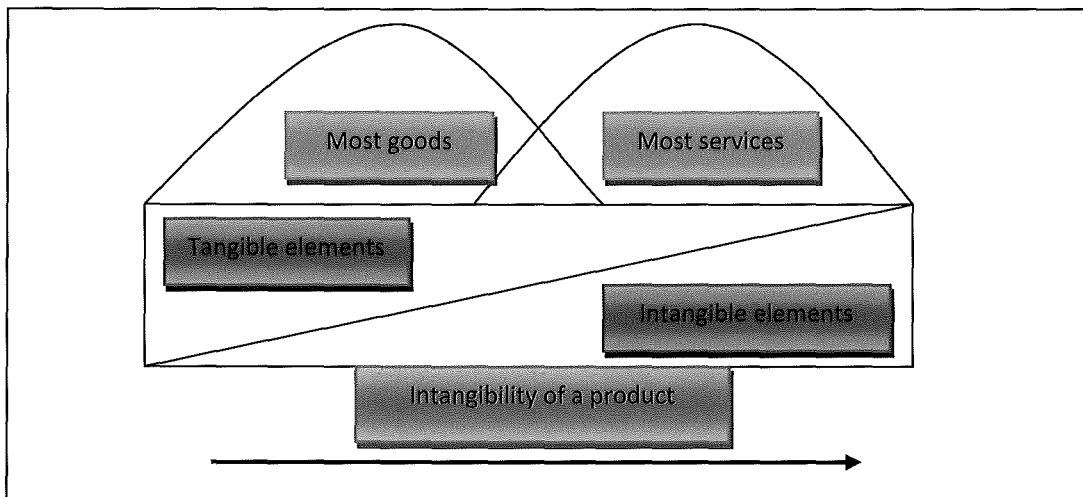


Figure 4.3: Intangibility of a product

Source: Zetihaml et al. (2013:23)

Because of the intangibility of services a number of marketing challenges appears that are normally not confronted when marketing goods, including the lack of service inventories, absence of patent protection, the difficulty involved in displaying and communicating the qualities of the service to its anticipated target market, and the pricing thereof (Hoffman & Bateson, 2010:28). Competitors can also copy services quite easily according to Wilson *et al.* (2008:16), and point out that it is challenging for customers to measure the quality of the services offered; due to the principle that services cannot be simply displayed or easily communicated to customers. Within the SAABSI the competition regarding delivery service is exceptionally high; each company competes to have a better delivery service than the other company, which projects a more professional company image.

As Kotler and Armstrong (2013:256-257) explain that marketers should at least try to make their services as tangible as possible or strive to demonstrate the benefits that will result from the use of their services. As previously mentioned, a service has to be experienced because it is in no form physical that can be touched or examined. This means that it is challenging or

even impossible for customers to evaluate the quality and suitability of services before they purchase or experience them.

4.2.2.2 Perishability of services

Perishability means that services cannot be saved, warehoused or stored (Shuttleworth, 2006:14; Wilson, 2012:17; Jewell et al., 2013:234; Zeithaml et al., 2013:22-23). Jobber (2004:796) states that services cannot be saved or stored for consumption later on in time, which indicates the perishability of service. Kasper *et al.* (2006:60) add that demand and supply is also difficult to match due to this the inability to store services. Wilson *et al.* (2012:17) highlight that for managers it is difficult to do accurate demand forecasting and creative planning for capacity utilisation. Due to customers' volatile demand for services and not having the benefit of carrying any inventory, it is a huge challenge to match demand and supply within most service businesses (Hoffman *et al.*, 2001:42; 2005:320).

Kasper *et al.* (2006:60) add that the inability to meet customers' demands may cause tension on the resources of the business. The moment they are created services stop existing. The service capacity is wasted when a service is not used when available. This is due to services not being able to be stored like physical goods but has to be shaped on demand. During peak demand service marketers are unable to keep a record of their services (Zeithaml *et al.*, 2009:22; Kotler & Armstrong, 2013:257).

Services do not have a final quality check that can be performed on them unlike with manufactured goods. The service needs to be delivered right the first time by the business and its employees. These characteristics causes quality challenges exclusively to services and must be taken into account when designing, marketing, producing and delivering services. This is why it is so important to ensure that all employees within the SAABSC are trained in customer service and the companies service delivery strategy in each of their trades; this will ensure that they are informed of exactly what is expected from them on a daily basis when interacting with their customers.

4.2.2.3 Inseparability of services

Inseparability involves the concepts of real-time production and use of services simultaneously. Whereas goods are just produced, then sold and consumed, services are first sold, then simultaneously produced and consumed (Kotler & Armstrong, 2013:256; Drummond & Ensor, 2005:10; Hoffman *et al.*, 2009:28).

Hoffman *et al.* (2009:28) define inseparability as that characteristic of services that exposes the connection between the service provider, the receiving customer and other customers sharing in the service experience. Service inseparability requires that service providers are present within the production and the marketing efforts.

Customers are forced into close contact with the production phase through inseparability since the customer being in attendance during the production of services. This is however not always the case. Certain services can be formed and delivered while the customer is not present. The customer is added as an additional process factor due to their participation in the delivery process, whereby management has little or no control over (Kotler & Armstrong, 2013:256).

The service can only be sold where there is direct contact between the customer and service provider, thus from a marketing point of view this limits the distribution options since direct selling is the only possible way that this can take place (Etzel *et al.*, 2007:29). The service encounter is usually where the personal contact in terms of services takes place and where both the customer and employee have to carry out certain actions (Kasper *et al.*, 2006:58).

A further implication of the coordinated production and consumption of a service is that the production tools and facility both add to the delivery experience (Zeithaml *et al.*, 2013:23; Kasapila, 2006:33). The customers perception of SQ can be influenced by the appearance of a supermarket, when he/she walks into it and the modernness of the equipment and technology used have an influence on the customer's perception of SQ.

4.2.2.4 Heterogeneity of services

Heterogeneity shows that goods can often be explained and evaluated by a few understood attributes that remain the same over time. Services often have many more important attributes, the related importance of which can change quite quickly.

Heterogeneity is defined as a “distinct characteristic of services that reveals the variation in consistency” according to Hoffman and Bateson (2001:39), which forms one service transaction to the next and makes it difficult to regulate output.

Due to the human factor within the production and delivery each element of the provided service is different to some degree from every other component of the same service (Hoffman *et al.*, 2009:40). Wilson *et al.* (2012:16) add in this regard that each customer experiences services in a different and unique way and that their demands also differ from one another. The service environment is further important in creating the right impression in which services are formed, because the right atmosphere will support appropriate customer facilitation in the service production process (Kasper *et al.*, 2006:59).

Wilson *et al.* (2008:16) states that it is a challenge of heterogeneity that service managers cannot always know for sure that the service delivered is the same as what was originally planned. A service provider consistently needs to balance employee control and the customer’s needs, according to Kasper *et al.* (2006:59) in order to achieve a standardised service delivery package. Service companies should therefore pay special attention to the product-planning and implementation stages of their marketing programmes with a view to cater for heterogeneity, and to ensure consistent quality and maintaining high levels of quality control (Etzel *et al.*, 2007:291).

There are three steps as outlined by Kotler and Armstrong (2013:432) to establish quality control. Firstly businesses need to invest in appropriate hiring and training procedures; it is crucial to recruiting the right service employees and then provide them with excellent training doesn’t matter if employees are highly skilled professionals or low-skilled workers. The second is standardising the service performance process throughout the organisation. The third step is to set up a comprehensive complaint system and customer surveys to observe customer satisfaction. The competency and aptitude of service business employees are

crucial for them to understand the requirements of the customer and to respond in a professional manner (Dhurup, 2003:39).

It becomes apparent that service businesses are faced with different challenges within their marketing of services due to the various characteristics of service, which include intangibility, inseparability, heterogeneity and perishability. It is important for service businesses to recognise and understand these challenges and explore a different amount of solutions to possible service marketing problems. In the next section attention is given to how services are classified.

4.2.3 Classification of services

To develop effective service strategy managers should firstly recognise which services they are dealing with (Olorunnino and Hsu, 2006:106). This entails that managers use a service classification method as they go about developing a service strategy that will be applicable to their businesses.

Even though there are a number of different classifications of services, not all services fit exactly into all of the classifications on offer. Managers for this specific reason should identify a service classification that will best work for their business needs. Following are two widely used classification methods. The first method classifies services into three groups, while the second method classifies them in terms of three processes. Services can be classified according to group or process, classification by group is explained first:

a) Services can be people-based or equipment-based

Airlines that are managed by skilled personnel and automated vending machines operations are primarily equipment-based services. Unskilled labour such as mall guards and services provided by skilled or professional such as advocates are seen as people-based. SAABSC in this instance are people-based, due to the high number of employees interacting with customers on a daily basis. These include driver and delivery crew, sales force, call centre employees and operational managers.

b) Services can be rendered either for profit or for non-profit

Non-profit services refer to the kind of services that are offered by organisations with the intent of them not making money or profit through their operations such as Greenpeace. On the other hand profit-based services include services provided by businesses with the key intent on making a profit and generating income to the business. SAABSC delivers products through utilising certain services with the purpose of generating a profit.

c) Services can be sponsored by government

This refers to municipalities or other governmental institutions that provide the community with a service.

Classification based on process

Clemes *et al.* (2000:575-576) and Olorunnino and Hsu (2006:108), indicate that services can also be classified according to three main process, namely, professional services, service shops, and mass services as seen in Figure 4.4.

a) Professional services

These services that are offered to customers include actions that are customised and primarily process-orientated and take place within the context of contact periods with customers over an extended period. This category of services are characterised by an enormous amount of time that is spent on satisfying customer needs. Specific consultants and travel agents businesses usually form part of these service category. Within the SAABSC these are consultants that work on projects that aim to improve overall productivity and efficiency regarding customer service and service delivery in the industry.

b) Service shops

This type of service is within the middle of the two previously mentioned processes. This service entails that the customer will receive to a certain extent a degree of mixture of people and equipment and also an amount of customisation, in this type of service value should be

added by the front and back offices during the entire process. Examples of this type include retail banks, rental services and hotels. Within the SAABSI this is a mixture of trucks/trailers that are used by drivers/crew to deliver the products, but within this process support is given by the call centre to inform customers about deliveries.

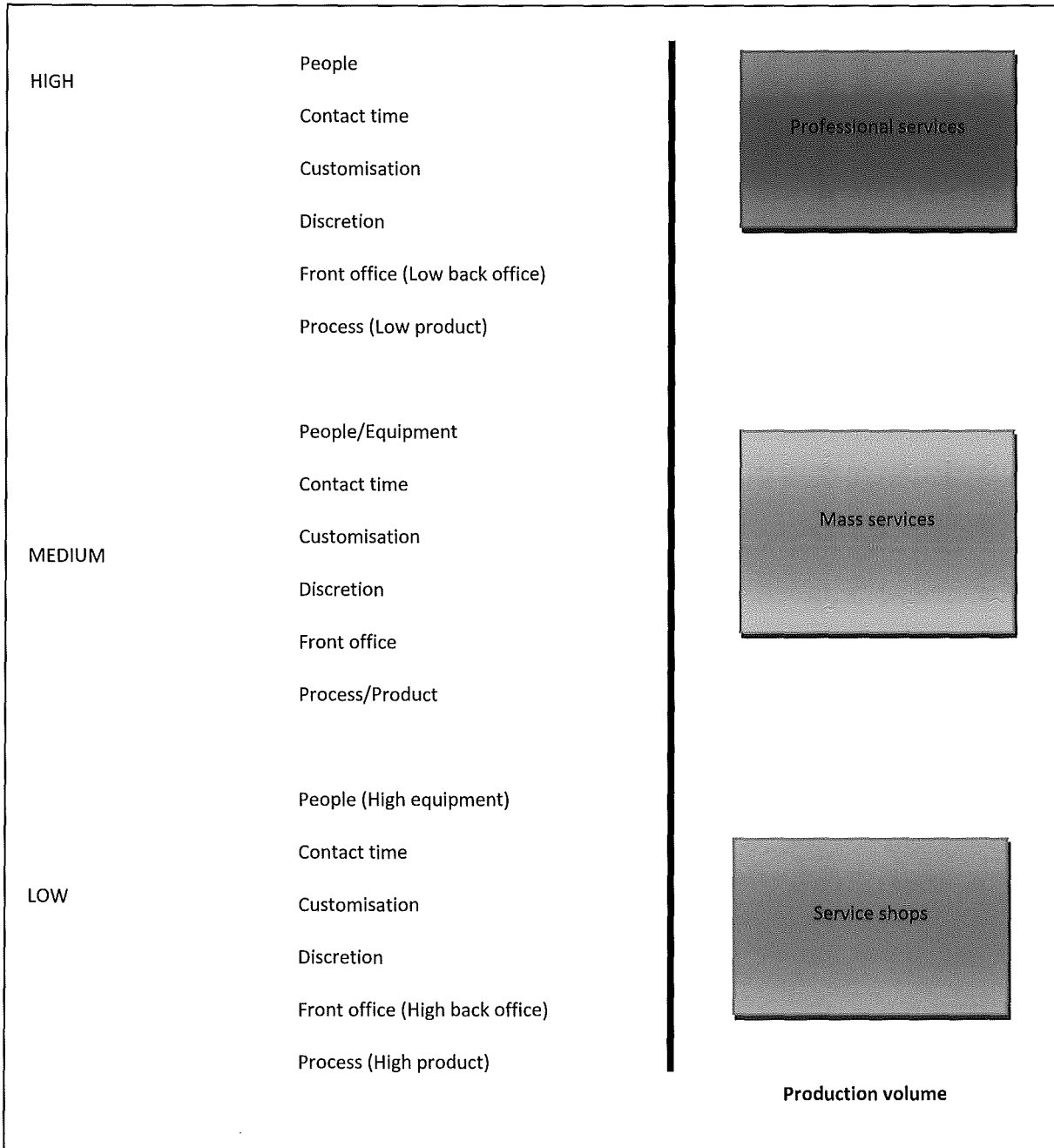


Figure 4.4: Classification of services according to processes

Source: De Meyer (2008:45).

c) **Mass services**

Olorunnino and Hsu (2006:108) state that mass services refer to customer interactions that take place within a short period of time with limited interaction and customisation. The back office usually contributes to the value that is being offered by the business. Examples include telecommunications companies, bus services, fast food outlets, airlines and airport authorities. As the number of customers handled (production volume) increases, certain trends are likely to occur. Clemes *et al.* (2000:575) explain these trends and include those where the:

- focus shifts towards an equipment base orientation from a people orientation,
- the length of contact time decreases from high to low,
- the degree of customisation also decreases from high to low,
- the level of employee discretion decreases,
- value that's been added shifts from the front office to the back office, and
- the focus moves from a process orientation to a product orientation.

Now that we have had a look at how we classify a service, we will be looking at two very important concepts, customer service and service marketing. These concepts are very important within the SAABSI as without good customer service the company will have dissatisfied customers and this will lead to a reduction in sales. It is important within the industry to inform customers about how they will be delivering superior customer service to them; hence marketing of services is of paramount importance.

4.3 CUSTOMER SERVICE AND SERVICE MARKETING

Zeithaml *et al.* (2009:5; 2013:5) describe CS as a support function to the company's core product; the customer usually doesn't incur any cost for these activities and it can occur on-site or off-site. These activities increase the value customers obtain from the merchandise they purchase. These services supply information about retailers' aid and make it more accessible for a customer to find and buy the product. CS is defined by Grabowski (2010:36) as a "representation of all efforts made by organisations to meet customer needs and expectations". Although CS and service marketing are separate concepts, they are closely linked topics in academic literature.

Gronroos (2007:6) offers a comprehensive explanation of services marketing that includes the following:

- The ability to understand the value that customers receive by using the offerings provided by the business. The business needs to understand how these services (stand alone or combined with other products) add to the value received. The business therefore needs to establish how consumers perceive quality and how it can change over time.
- The capability to determine how the business will provide this value and quality. This can be done through using customers, personnel, technology, physical resources and systems.

According to Doyle (2005:221) services marketing involves “the marketing of something that is intangible and that is usually consumed at the point of delivery”. Within the SAABSI the SAABSC market their services to their customers on a continuous basis, i.e. their call centre agents phone the customers on specific days to acquire their orders; the customers have a dedicated number to phone to enquire about any aspects of their orders, accounts or to log a complaint. Certain SAABSC even deliver their product free of charge to their customer base, and on specific days with specific trucks/trailers and delivery teams. The sales force is trained on business knowledge to assist the customer to expand their business and there are credit teams available to assist with account queries. These are just a few of the services the SAABSC offer their customers to enhance the quality of their product and sales thereof.

The next section provides an overview of those aspects that service businesses should consider when planning their marketing efforts to address CS, by specifically exploring the services marketing mix.

4.3.1 Service marketing mix

CS is viewed by customers as a combination of different individual service. The marketing mix is a set of controllable, tactical marketing tools that a business combines to create the preferred response within the target market (Kotler & Armstrong, 2008:50; 2013:68). The marketing mix concept is one of ultimate concepts within marketing and is defined by Wilson *et al.* (2012:20) as elements that can be applied to satisfy or communicate with customers and that are controllable in nature. The different elements of the marketing mix generally signify

the resources or capabilities of a business; these elements if applied correctly will lead to customer satisfaction, as it encompasses the purchase of products/service. For CS to be optimally successful the offering of these elements of CS must assist the customer cooperatively in not only experiencing satisfaction with the purchase scenario, but also making an in charge and informed buying decision that will benefit all parties involved (Gothan, 2008:26-36).

The marketing mixes consist of a wide range of instruments to assist in the implementation of a service experience (Kasper *et al.*, 2006:465; Sreenivas *et al.*, 2013:47). The marketing mix traditionally consisted of the so-called four Ps, namely product, place, price and promotion (Grönroos, 2007:240), but research has found over the years that it is gradually finding that this mix is too limiting to describe the nature of services. Therefore more marketing variables are suggested.

The shortcomings of the traditional marketing mix become distinctly clear in circumstances where service competition dominates according to Grönroos (2007:241). Wilson *et al.* (2012:20) explain that due to the renewed focus on these extra marketing variables the service marketers have adopted the concept of an expanded marketing mix for services. These additions to the marketing variables as described by Kasper *et al.* (2006:465) comprise of people (personnel), physical evidence and process; these can be combined with the traditional marketing mix to form the seven P's of marketing (Table 4.4).

Table 4.4: Extended service marketing mix

<p>Product</p> <ul style="list-style-type: none"> • Physical goods features • Quality level • Accessories • Packaging • Warranties • Product lines • Branding 	<p>Place</p> <ul style="list-style-type: none"> • Channel type • Exposure • Intermediaries • Outlet location • Transportation • Storage • Managing channels 	<p>Promotion</p> <ul style="list-style-type: none"> • Promotion blend • Sales people selection • Advertising • Sales promotion • Publicity • Internet strategy 	<p>Price</p> <ul style="list-style-type: none"> • Flexibility • Price levels • Terms • Differentiation • Discounts • Allowances
<p>People</p> <ul style="list-style-type: none"> • Employees • Recruiting • Training • Motivation • Rewards • Teamwork • Customers • Education • Training 		<p>Physical Evidence</p> <ul style="list-style-type: none"> • Facility design • Equipment • Signage • Employee dress • Other tangible reports • Statements • Guarantees 	<p>Process</p> <ul style="list-style-type: none"> • Flow of activities (standardised or customised) • Number of steps (Simplex or complex) • Customer involvement

Source: Wilson *et al.* (2012:20); Zeithaml *et al.* (2013:25)

4.3.1.1 Product/service

The product still stays at the core of the marketing mix according to Lancaster and Reynolds (2005:42). Without a product or service, there will be nothing to promote, price or distribute, and thus it must be at the forefront of any marketing strategy. Products are defined as the merchandise offering of a business and contain all the dimensions that are applicable to a product including quality, variety and accessibility (Mitchell, 2002:79). Kotler and Armstrong (2008:50; 2013:66) explain that the product element necessitates the arrangement of goods and services presented to the target market by the business. The primary goal of a product within the marketing mix is to create an acceptable and correct product for the intended market and services to support the products and satisfy customers (Perreault *et al.*, 2008:36).

In any retail channel the products, in terms of brands and types, correspond with what is regarded as appropriate and relevant for the correct market segment. Department stores thus hold a variety of products that is carefully chosen according to the needs of their intended target market. On the other hand speciality stores may offer more technological advanced and top of the range products that is earmarked for a more complicated target market (Gothan, 2008:27; Grabowski, 2010:37).

Customers do not just purchase a product, they acquire a solution to an existing problem, and this is why stores mustn't just display products, i.e. people buy ant poison only when there is a problem with ants: it usually does not form part of their normal monthly grocery shopping. While customers are in store they commonly evaluate product characteristics in the store through assessing the product right there and then when it is observed. The assessment may include a combination of functional, financial, durability, status and aesthetic factors against a set of factors that the person expects (Marx, 2005:34). Business should present their products in such a way that customers are able to evaluate their characteristics and make educated decisions in a short timeframe. Assistance from a well-trained and educated salesperson, in explaining digital, automotive and electronic appliances, is vital (Gothan, 2008:28).

The SAABSC supplies a product (range of alcoholic products) to their customers/businesses across a variety of pack and brands with specific services forming part of the product

offering. These products are then re-sold by the businesses to their customers for consumption. These products are tailor-made by the SAABSI to satisfy specific customer needs and to ensure the businesses make profit and in turn increase the SAABSC sales in the long run.

4.3.1.2 Place

The place element includes all those business activities concerned with making the product or service available to customers (Kotler & Armstrong, 2008:50). According to Hoffman *et al.* (2009:282) the level of customer interaction and involvement needed to produce a service determines where a service business's locates itself; for example, low-contact CS's sites can be situated further away from customers where it is less expensive.

According to Perreault *et al.* (2008:37) the place element within the marketing mix is concerned with all the decisions involved in getting the right product or service successfully to the target market where it is continuously available when and where it is needed. The service business location and physical surroundings also play an integral part in the customer's evaluation of the service (Kasper *et al.*, 2006:408; Sreenivas *et al.*, 2013:48).

There are three aspects a business should look at when they determine a location according to Hoffman *et al.* (2009:283). These include the visibility of the business delivering the service, the appropriate size of the site and size of buildings planned, and lastly whether the site can be easily accessed by customers.

The SAABSC have dedicated depots or re-distribution points catering for specific areas; these depots are where the sales teams, credit teams and delivery teams are situated to ensure the customers get optimal service delivery in all aspects to support their product. These teams also only assist customers within their areas of operations.

4.3.1.3 Price

Price is used by businesses to indicate and deliver external value and is an important marketing mix tool (Kasper *et al.*, 2006:469). Kerin *et al.* (2009:331) explain that price is the "exchange of money for ownership or use of a service; it constitutes an important decision as

it has a direct influence on the profit of the business”. Profitability and productivity are the two basic financial objectives of a business from an economic viewpoint and essential to the operation of many businesses, emphasis is placed also on gross margin, profit contribution and net profit. Businesses sometimes incorrectly focus on price to primarily acquire customers because profit may be a more important aspect to them than customer satisfaction (Gothan, 2008:28).

Price may be a very vital factor of a customers’ subsequent product choice, especially when it comes to high-priced products. Price is a tangible measure indicating affordability, exclusiveness, value for money and even quality to customers (Dunn *et al.*, 2002:369; Chikweche & Fletcher, 2012:512). Customers sometimes buy the most expensive product, because the price indicates an assurance of quality (certain whiskey brands or vodka), or the cheapest product (beer and low-end wine) due to affordability reasons. A customer will interpret the price as acceptable if the value of the product equals or exceeds the amount of the money that is spent on the product (Buttle, 2009:237). An expensive product is only purchased after an extensive information search due to a higher perception of monetary and psychological risk, (Solomon *et al.*, 2002:246).

A subtle form of pricing strategies that the SAABSC usually use to influence customers buying decision is the “*buy one get one free*” promotions, even though the prices will be similar if you buy the product separately; certain customers get a R-value discount of their purchase the more cases/boxes of alcohol they buy, and the popular 99 cents strategy (psychological pricing) to close a deal and customers are normally not able to guard against these (Zeithaml *et al.*, 2013:66-67). Businesses that present a higher quality CS product tend to be more expensive (Dunne *et al.*, 2002:370).

The importance of price in the marketing mix requires an understanding of six steps through which businesses proceed when making price decisions, as shown in Figure 4.5 (Kerin *et al.*, 2009:333).

Eventually all financial factors that refer to the absolute cost and affordability of a product should be revealed to ensure customer can make educated decision; this include the original purchase price, the cost of repairs, maintenance and running cost. Experienced and trained

staff will have to explain this type of information to experienced buyers in order to permit in charge buyer decision (Gothan, 2008:28).

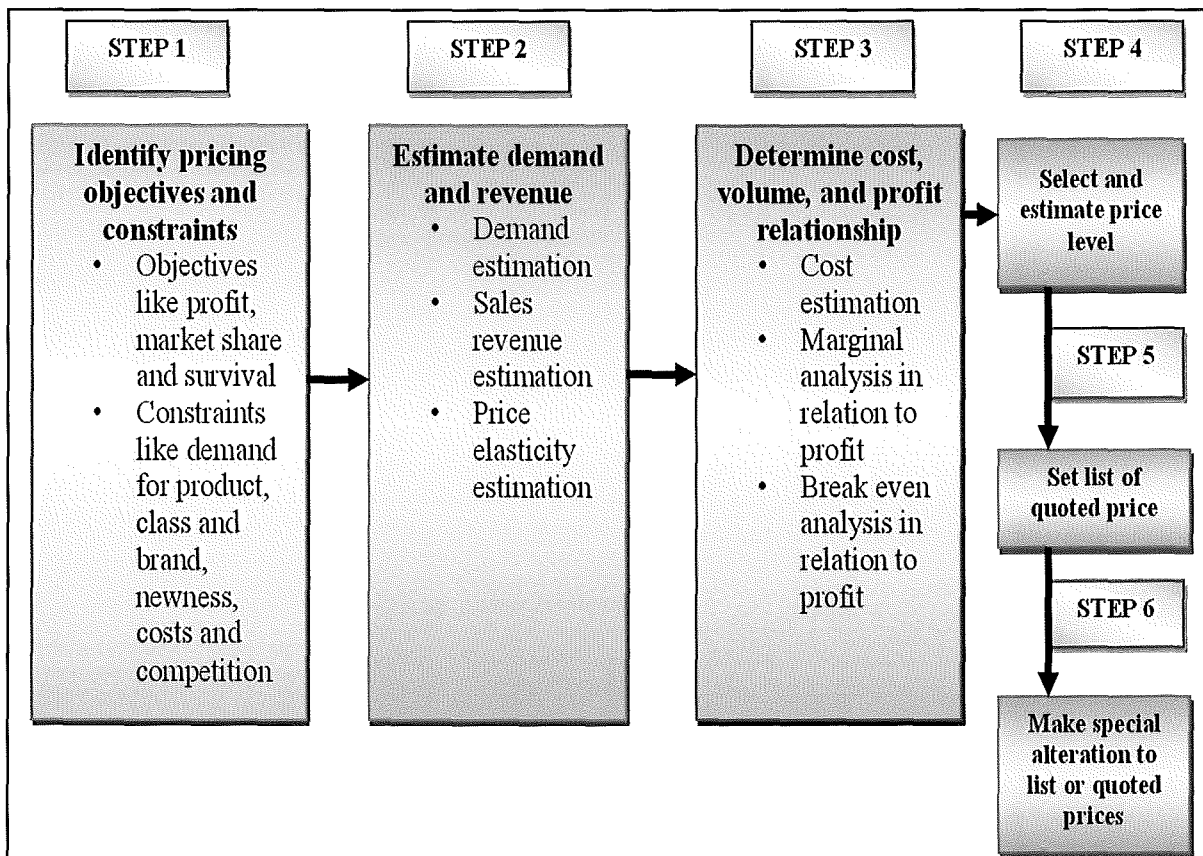


Figure 4.5: Six steps in setting price

Source: Kerin *et al.* (2009:333)

4.3.1.4 Physical environment

The physical situation outside and inside the business is significantly influential in projecting an image and in shaping customer expectations as the service that is delivered is intangible (Kasper *et al.*, 2006:468). Wilson *et al.* (2012:21) describe this marketing variable as “the environment in which the service is delivered and where the business and customer interact”. Hoffman *et al.* (2009:29) further propose that the quality of furniture, the appearance of personnel and the quality of the information on paper all form part of the physical environment, these are all features that surround a service and assist consumers in making service evaluations.

The SAABSC invest much capital in ensuring their depots or re-distribution points are always clearly marked and visible on the outside to the public driving past them; this also ensures that the customers will easily find the depot or re-distributing points if they need to come and see an employee of the company for any reason. The internal layout of the companies, i.e. buildings, offices and reception boasts neat and modern equipment and furniture to project a professional image to guests and customers.

Non-verbal, emotional elements of the environment, such as the depot design and layout, colours and décor, lighting and display fixtures, the size of the depots, temperature and noise level, smell, music, even worker sociability within the SAABSC have the capacity to sway a customer's evaluation of a product (Solomon *et al.*, 2002:273). Continuous monitoring of the business image and adjusting it to the target market is essential to improve loyalty. The physical environment thus plays an important role in deciding whether to support a company or not by a customer.

4.3.1.5 Personnel

Wilson *et al.* (2012:21) describes the personnel part of the mix as “all human actors who play a part in service delivery and who can consequently influence the customers' perceptions”. People in this sense include all SAABSC personnel and customers that play a part within the service environment. SAABSC sales people and delivery teams represent the company in the eyes of customers and they will help to form the customers' opinion of the company. Customers' participation can be increased through building a relationship (by using contact and communication) with the customer and this will benefit the business and the customers in the long run (Grabowski, 2010:33; Marx, 2005:37).

Drummond and Ensor (2005:10) believe that services are people-based and the quality of the services that are provided depends solely on the person who delivers those services. The SAABSC employees' skills, attitude and motivation determine whether the interaction between customers and employees is positive or negative, attractive or make customer distance themselves from the business. Specific skills must be invested within the SAABSC employees through training and methods to deal with customer problems, which will enable them to offer quality service and exceptional customer experiences.

4.3.1.6 Processes

Processes include the delivery of the service to the customer and increasing customer-perceived value with customer satisfaction as a central result of the service delivery process (Bendall-Lyon & Powers, 2004:115; Chikweche & Fletcher, 2012:513). Among other things within the SAABSC they involve SQ management, speedy delivery and packing of products within the customers store and/or storeroom, correct final invoices being available, which includes purchase approvals and/or special discounts and special offers. Processes by businesses contribute to minimising customer dissatisfaction, hassle-free shopping and peace of mind. Customers have convenience at the top of their mind and it is becoming quite vital in today's marketplace, especially time-related perceptions (Berry *et al.*, 2002:1).

Different cultures amongst customers will affect their attitudes with regards to a lack of time, value of time, and thoughtfulness to time-related issues. Waiting time in queues is a primary example and a significant reason for unhappiness with some businesses in the retail industry amongst sophisticated customers (Marx & Erasmus, 2006:63).

Processes also involve after-sales services within the SAABSC. They entail that all complaints within the SAABSC can be communicated with understanding, and be met with fair and suitable action, easily reported and resolved as soon and effectively as possible (Bendall-Lyon & Powers, 2004:115). Customers' usually perceive these businesses as emphatic and dependable. In a highly competitive marketplace processes could determine discriminating factors that can differentiate one business from another (Buttle, 2009:249; Sreenivas *et al.*, 2013:50).

4.3.1.7 Promotions

Promotions refer to "all forms of marketing communication that convey a company's offerings visually, verbally or auditory with the intention of influencing and attracting customers, or changing their opinions and sometimes needs" (Shiffman & Kanuk, 2007:388). Acquiring new customers and managing current ones through the use of promotional activities that communicate the value of the product or service to the customers is the focus of the promotion element within the marketing mix (Perreault *et al.*, 2008:37).

Promotions provide customers with certain useful benefits, namely savings, higher product quality an improved shopping experience as well as the overall benefit of essential motivation, self-esteem and fun (Chandon *et al.*, 2000:65). The price and practical aspects of a product is emphasised through promotions, to impress/attract potential buyers (Erasmus 2005:93). The SAABSC offer their customers different promotions (discounts on bulk packs and even certain credit discounts) on specific packs and or/brands on a continuous basis to ensure continuous buy-in from their customers.

From a CS point of view a purchase has been achieved when an informed responsible buying decision has been made by a customer that at the same time fulfils their need. Customer fulfilment and especially customer pleasure with the CS offer emotional responses that reflect a positive affect regarding cognitive and moving elements (Buttle, 2009:21). Products are not only purchased for the performance payback but also for social and psychological reasons as indicated by research and may lead to different criteria dictating the purchase decision (Erasmus, 2005:89).

In order to deliver quality service to its customers businesses should be guided by a set of clearly defined objectives as described by Dhurup (2003:78-80):

a) Creating form utility

Engraving, installation of appliances that has been bought and doing alterations to assorted clothing are some examples that businesses can use to create form utility. There is usually a time constraint on the customers' side to make the product ready for use and it will be a value adding practice of businesses to assist in creating such utilities for them. Within the SAABSI the companies supply their customers with fridges at no extra cost and also do maintenance on these units. They also put up the customers' business name on branded sheets that are displayed on the outside of the businesses.

b) Creating time utility

Customers tend to want instant fulfilment from the products they purchase. SAABSC can create time utility for their customers in certain ways; these are providing customer credit and extended ordering and delivery hours for their customers.

c) Enhancing possession utility

Possession utility involves granting permission for the immediate use of the product to customers. An example in the SAABSI is allowing customers to open accounts with businesses.

d) Increasing customer convenience

Customer convenience within the SAABSI is increased through packaging and free delivery of products.

e) Provision of customer security

Guarded parking facilities or maybe attendants in the restrooms make customers feel more comfortable and safe in a shopping experience. Customers also want to feel safe when purchasing a product. This type of security can be improved by supplying customers with warranties, return privileges, allowances, refunds and maintenance contracts. In this way the perceived risks of their purchases is minimised dramatically. Most SAABSC have a policy in place that if there is anything wrong with their products, these will be replaced as soon as possible. Certain SAABSC also pay customers that offload their own stock from a delivery truck by means of a forklift, with a handling allowance to cover for any diesel/labour cost incurred in doing so.

f) Developing a customer-focused culture

For a business to develop a customer focus culture will entail them to change its commercial culture. A customer-focused culture is one that focuses primarily on the customer. Customer focus is an understanding of the business and its employees that leads to positive experiences for its customers. This focus is only achieved through the development of a corporate culture within the business that pays attention on whether customers' needs are being met or exceeded. Table 4.5 clearly reflects the two corporate mind sets.

Table 4.5: Profit-focused and customer-focused cultures

Profit-focused	Customer-focused
Standards are adhered to	Customer designs usability
Technical skills dominate	Interpersonal skills are key
Only salespeople deal with customers	Everyone deals and interacts with customers
Policies are difficult to change	Flexibility is encouraged
Financials are the focus	Focus is on customer relationship
Profit is number one	Customer and customer satisfaction is number one

Source: Dhurup (2003:81)

The following are some characteristics of a customer-focused company according to Joy (2010):

- When customer satisfaction is achieved companies reward their staff.
- Managers who support their staff members in doing their jobs well.
- Displaying good CS skills, will advance and cause employees to be rewarded.
- Training is provided to employees to deliver outstanding CS.
- Employee feedback is asked for and used regularly when decisions are taken about key customer problems.
- Tracking of customer satisfaction regularly.
- Customer satisfaction results are communicated from the top of the business to the bottom.
- Every department takes the results into account and provides an input on how to improve them.

As can be seen from the aforementioned section, having an understanding of quality, customer service and having marketing mix in place ensures that customers are satisfied and retained in the long run. In the next section we describe the importance and relevance of service quality.

4.4 SERVICE QUALITY

The word *service* in itself has a variety of important meanings; according to Abdullah (2006:571) this poses challenges in producing a general viewpoint of SQ. Douglas *et al.* (2008:21) define SQ by stating that it is “an attitudinal type which is related to customer satisfaction, but not equal to it”. As Hoffman *et al.* (2009:324-325) explain, SQ can be

described as an attitude that is created by a long-term, all-inclusive evaluation of performance while providing ways for businesses to achieve a competitive advantage within the marketplace.

The level of involvement the customer has in the production process determines the entire service experience. This indicates that the normal quality control measures that formed part of the traditional manufacturing processes (which is based on eliminating defects and issues with products before the customer purchases it or the service) are not applicable anymore. This means that SQ cannot be achieved or finalised before the final product has reached the hands of the customer. This means that while manufacturers of physical products or services aim for very low or no defects, the main goal of a service business is to aim for low or no defections. This leads to attending to and eliminating problems as they take place in real time.

For many years the focus of quality management was on product quality, as has been reported by Levitt (1972:41). SQ is a more recent concept but generally accepted and implemented, as confirmed by Gi-Du Kang *et al.* (2004:266). But with all new concepts there are still various challenges and differences about this relatively new concept of SQ.

Abdullah (2006:571) describe SQ as a “general judgment approach about service supremacy, but admit that its exact nature is still vague and needs to be investigated further”. All the functional areas of a business are involved when it comes to quality in services, and thus it has become a very complex topic. Weitz and Wensley (2006:340) state that SQ includes a variety of different elements, namely physical quality, personnel, functional quality, corporate quality and interactive quality. A suitable mix needs to be obtained and carefully applied to obtain good SQ.

Olorunnino and Hsu (2006:109), Bitner *et al.*, (2010:203) provide some insights into how customers evaluate SQ. Table 4.6 indicates that there are five focus SQ dimensions within practice (this is also core to this study). These five dimensions are reliability, responsiveness, assurance, empathy and tangibles (or tangibility). Ganguli and Roy (2010:406) found within their study that customers experience reliability (the ability of a business to deliver on promises) as the most important of these five dimensions.

Business employees' attitudes and actions when engaging with customers face-to-face plays a crucial role in the end state of the quality of service. Customers are always seeking employees who will be responsive and who will be able to manage and amend the service offering to meet their individual needs. Employees can assist with resolving customer problems through swift acknowledgement of the problem and rapidly responding to the problem. The relationship that the business already has with its customer can be improved further through such effective actions. (Olorunnino and Hsu, 2006:109; Bitner *et al.*, 2010:203).

The researcher defines service quality as the correct usage of different elements within a business to satisfy customers' needs and wants on a continuous basis.

Table 4.6: Dimensions of service quality

Dimension	Description	Example
Reliability	Delivering on promises	Alcohol beverages are delivered on time
Responsiveness	Being willing to help	Prompt reply to customers' requests
Assurance	Inspiring trust and confidence	Professional and knowledgeable staff
Empathy	Treating customers as individuals	An ability to adapt to the special needs of a customer
Tangibles	Representing the service physically	Distinctive materials such as brochures, documents and flight tickets

Source: Bitner et al. (2010:203).

4.4.1 Defining quality

There are several different "products" for the term *quality*, including quality assurance, quality control, quality management, quality audit and quality enhancement, as pointed out by Abous (2009:281). For the purpose of this study the focus will remain on the overall *quality* term.

The word *quality* is derived from the Latin word *qualis*, which can be literally translated as "what kind of" as stated by Sahney *et al.* (2004:145). It is therefore not surprising that there are so many different interpretations of its true meaning and definition. Its meaning primarily depends on the situation in which it is used, its application and the specific measures used. According to Kotler *et al.* (2013:240) quality at its core can be defined as "freedom from defects". Lagrosen *et al.* (2003:61) admit that quality is a difficult and abstract concept to

define accurately, and have found in their literature review five major groups; these include superior definitions (individual and personal), product-based definitions (measurable), user-based definitions (customer satisfaction), manufacturing-based definitions (conformance to specifications) and value-based definitions (in relation to costs).

4.4.2 Perceived service quality

Perceived SQ has received more attention in recent market research regarding customers' attitudes towards services. Perceived SQ is defined as the “customer's assessment of the overall excellence of the service” (Sekolanyane, 2004:140; Edward and Sahadev, 2010:330-331).

A customer firstly had to have a prior experience with a service or product to form a current expectation of the product or service. Perceived service quality is said to have resulted from an evaluation between this customers' prior expectations about the service and their perceptions after actual experience (Ganguli and Roy: 2010:405). Due to this comparison between customers' expectations and perceptions of service delivered it usually results in a service quality gap. Seth *et al.* (2004:917), Chen and Hu (2009:536) define this gap exactly as a difference between customer expectations and perceived services. Mullins *et al.* (2005:426) states that perceived service quality results due to customers comparing the expected level of service with the perceived service delivery. Gronroos (2004:105-106) states that this gap is caused by continuous poor levels of quality, bad word-of-mouth communication, a negative impact on the business image and lost business.

Zeithaml *et al.* (2013:60-62) present certain aspects of quality that influence customers' perception:

- **Technical quality** – including the skills of SAABSC service personnel (drivers/crew/sales force and call centre agents) and the design of the service system (internal CRM systems/SAP or Oracle).
- **Integrative quality** – the effectiveness in which different portions within the SAABSC of the service delivery system work together. This also refers to the integration between the call centre employees, the depot operational staff and the driver and crew

teams that are in the trade every day, so that they all are aware of what needs to happen on a daily basis and how they affect one another.

- **Functional quality** – entails all the features of the method in which the product is delivered to the customer. This includes the employees dealing with the customers when an order is placed and planned, and the delivery method that is used to get the product to the customers (trucks/trailers/vans/cars, etc.).
- **Outcome quality** – whether the actual product meets both service standards and customer desires and expectations. Did the SAABSC deliver on their customer service promises in all aspects?

Satisfaction and loyalty levels within SQ will be either positively or negatively experienced by customers. Customers makes use of their own background structure, experiences and perceptions to establish the SQ-levels delivered and decide on their own anticipated levels. Figure 4.6 (from the original Parasuraman-study) illustrates the collaboration between the different concepts clearly:

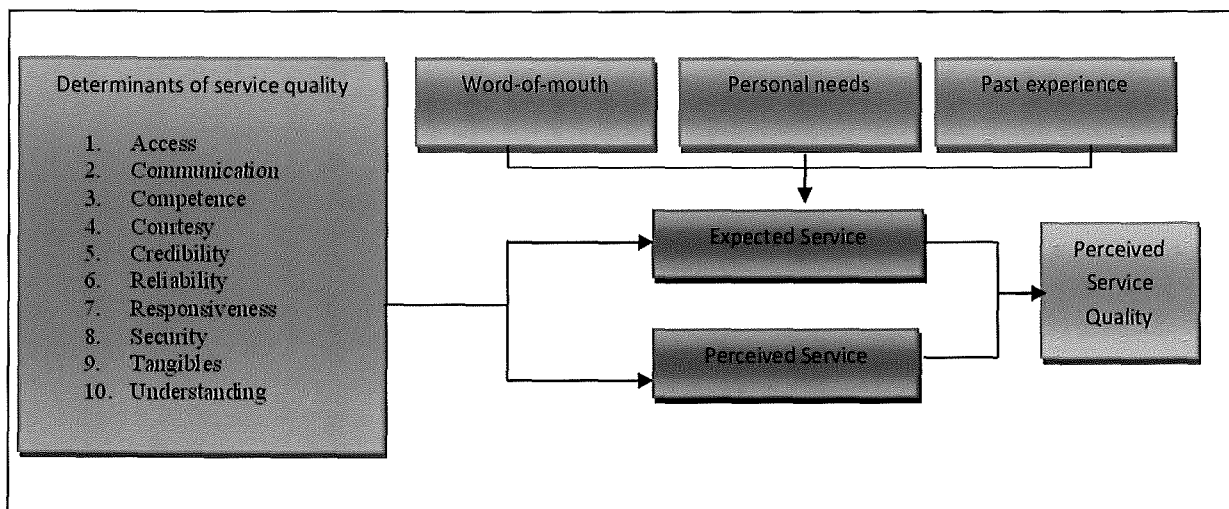


Figure 4.6: Determinants of perceived service quality

Source: Parasuraman *et al.*, (1985:46); Zeithaml *et al.*, (2013:62)

All the dimensions in Figure 4.5 can be applied in the SAABSI quality management environment; customers will enter the area with an exact perception of the support and service levels that they expect that were created by previous or current customer references, their own needs and own past experiences.

Customer will assess and measure their perceived service quality against what was promised to them and this is why SQ is related to the marketing concept. Popli (2005:18) confirms that to evaluate if your customers are satisfied is the most accurate method to evaluate quality. It indicates that the evaluation of required SQ-levels does not need to be a very complicated and drawn out process.

Lagrosen *et al.* (2006:89) states that marketing messages should be dependable and accurate whilst still being appealing to customers. Customers will only become unsatisfied and spread bad word-of-mouth message about businesses due to them creating impractical expectations within the market for themselves. It is important to realise that specific needs influence every customers particular view of quality, as pointed out by Voss *et al.* (2007:950).

Parasuraman *et al.*, (2007:591) confirmed that businesses must always strive to deliver exceptional service levels rather than try to obtain 100% service consistency as it will be impossible and too costly. He also stated that great service consistency is directly linked to a business ability to perform outstanding service recovery when needed. This approach may be useful and be quite effective, but should never be shared with customers, as they pay for the service and expects a higher level of service.

Customers already have a predetermined desired level of service in mind when they enter into a relationship with a service business, according to Voss *et al.* (2007:950). This indicates a service level which they expect to receive and have confidence in that it can be delivered. It is also important for customers to have a minimum level of acceptable service as they realise that service will not always get to their desired levels, this form of not having a consistent high level of expectations is termed as the adequate service level. There is also a zone of tolerance between these two service levels that customers are willing to accept. This implies that customers have a predicted level of service, which is the level of service they believe the company will perform. This principle needs to be understood and applied by managers in service delivery businesses.

According to Bielen *et al.* (2007:177) customers contemplate a number of benefits against the costs and work they need to put in to buy and use a service. However, Yeo (2008b:153) warns that by not understanding or knowing customer wants and needs, poor or below standard service quality levels, inconsistent service execution, promises not being kept in the

service delivery process and ignoring of customers level of tolerance could lead to a reduction in service standards and could have a negative impact on the customer experience.

It is critically important for the SAABSC to implement measures to ensure that they identify and understand the service levels their customers expect from them, as well as to evaluate their own performance on a continuous basis to ensure that any discrepancies are identified and rectified before customers become dissatisfied with their service delivery. It is also critical for the SAABSC to ensure they acknowledge customers' perceptions of their provided service. Different SQ gaps will be analysed in the following section.

4.4.3 Service quality gaps

Christopher *et al.* (2002:175); Bitner *et al.*, (2010:199-201) and Grönroos, (2007:118) define a SQ gap as the discrepancy between the expected service level and what the customer actually experienced. This indicates that perceptions, do not matter if right or wrong play a crucial role, because the customer's perceived experience is influenced by his thinking. Other factors such as past experiences, actual needs, word-of-mouth information, advertising and promotions also influence customers' perceptions.

Within the SQ concept there are seven major gaps (Stromgren, 2007:8; Shuttleworth, 2006:24; Van Heerden, 2010:18; Bitner *et al.*, 2010:199-201), that are illustrated in Figure 4.7. According to Luk & Layton, (2002); Palmer (2011:270) there are three important gaps, which are related more with external customers, include Gap 1, Gap 5 and Gap 6, since they have a direct relationship with customers:

- **Gap 1:** Difference between customers' expectations versus management perceptions: This exists within the SAABSI as a result of the nonexistence of a marketing research-orientated programme, not enough upward communication and too many management structures. This gap will not be measured within this study.
- **Gap 2:** Management's own perceptions versus service specifications; this is a result of SABSC management being dejected and an insufficient commitment to SQ. This gap will not be measured either.
- **Gap 3:** Service specifications versus service delivery, as a result of duty uncertainty and conflict, employees that are not fit for their job and usage of non-applicable

- **Gap 6:** The discrepancy between customer expectations and employees' perceptions: this is due to the SAABSC not understanding what their customer base is expecting them to deliver.
- **Gap 7:** The difference between employees' perceptions and management perceptions as a result of managers and employees within the SAABSC understanding customers' expectations differently; this can be due to employees and managers being exposed to different service elements and also personal knowledge.

4.5 IMPORTANCE AND RELEVANCE OF QUALITY SERVICE DELIVERY

It is important for the SAABSC to investigate and evaluate all the reasons for their perceived performance to be under-par as identified and made aware by their internal SQ-measuring methods. A reason for this could be that customer perception may have been influenced by a negative encounter in the past (being it a bad experience with a call centre agent, a sales employee or the delivery crew), or any inefficiency in one specific aspect of the SAABSC performance. It might also be because the company failed to understand the customer expectations, or it is above the business and their employees' competence and capability level.

Providing reliable and efficient service will benefit the SAABSC greatly over time. Companies that provide dependable and efficient services have higher levels of customer retention and benefit from positive word-of-mouth advertising (Dhurup, 2003:82; Zeithaml *et al.*, 2013:470). Market share can also be increased through the SAABSC providing excellent quality service. When service delivery is consistently reliable it will lead to reduced costs (by not having to re-perform the service), and improved productivity (resulting from higher employee morale and lower employee turnover).

The following additional benefits are derived from SQ according to study done by Beukes (2012:53):

- Improved service and higher profits.
- More opportunities to demand higher prices.
- Increased sales.
- Higher morale and passion among staff.
- Reduced cost resulting from less redoing.

However, if the SAABSC fail to deliver reliable and efficient quality service costs will increase. This will result not only in a once off sale transaction being lost but the cost of the company not being reliable will go far beyond that. Customers who have received poor quality service from SAABSC will usually not inform the company of the incident, but will rather spread the word about their experience to colleagues and relatives. The worth of SQ can be best valued when the SAABSC analyse their relationships among profitability, price, market share and productivity. These concepts are discussed next.

4.5.1 Quality and profitability

Abdullah (2005:305), Zeithaml *et al.*, (2013:472) and Ton (2009:2) report that there is a link between a higher profitability level and SQ, and businesses should therefore consider it as a vital approach to guarantee a competitive edge over competing companies. The impact of SQ and its relationship with profitability have been verified through research. The most impactful work that was done regarding this work was done through the Profit Impact of Marketing Strategy (PIMS) project. Businesses and research using the PIMS data have uncovered significant relationship links amongst SQ marketing variables and profitability.

Zeithaml *et al.*, (2009:546) and Parast and Fini (2010:258-474) indicate that businesses that deliver exceptional service reflect a higher than normal market share. They also further argue that the association between SQ and profitability takes time before the results can be evaluated, part of the time-delay is due to the unsupported expectation that the relationship is simple and straight.

Zeithaml and Bitner (2000:67) state that an investment in SQ, however, does not relate directly to profits due to numerous reasons. Firstly, SQ beneficial results, like advertising, are only realised over a long period of time. The effects are increasing of nature and therefore evidence of a link may only develop over time. Furthermore, SQ is just one variable (pricing, advertising and store image are among other variables) that can have an impact on profits. Secondly, since concepts like pricing, distribution, competition and advertising impact on company profits, it becomes difficult to determine which single variable have an impact and contribute to profits. Thirdly, spending on the right variables and not just on SQ is what will lead to profits.

Figure 4.8 represents a theoretical model that outlines the variables involved in the relationship between SQ and profits. Within this theoretical framework there is a differentiation between offensive effects (i.e. market capture and market share) and defensive effects (i.e. retaining customers, lowering marketing and promotional costs) that impact on a company's profits. Limited studies exist on offensive marketing especially the impact of service on acquiring new customers.

Studies usually reflect the relationship between SQ and forerunners of profitability such as market share, a company's reputation and the ability to ask a price premium. Defensive marketing is used to ensure businesses keep hold of their current customers (Zeithaml *et al.*, 2009:548-549; Ton, 2009:3) and as discussed already in this study it is profitable and financially important for businesses to keep existing customers and to ensure they stay satisfied. Figure 4.8 illustrates the link between customer conservancy and profits through the identified prevailing factors of cost, increased purchases, price premium and word of mouth communication.

Zeithaml *et al.* (2009:548-549) state that it is much more expensive to obtain new customers, almost five times as much, than retaining existing customers. Customer loss has a huge impact on a SAABSC profit and market share and this is confirmed by the researcher and professionals that have paid attention to this particular relationship. Satisfied customers are more willing and open to increasing the amount of money they spend on SAABSC products. It is also confirmed that companies that deliver effective and sufficient services/products and viewed as such by their customers are more willing to pay a premium price for these services and or products (Chen & Lin, 2012:1330-1332).

Word of mouth communication is seen as a more convincing method than other sources of information. Word of mouth communication is able to add customers to the SAABSC, and the financial impact of this form of encouragement can be measured by a company in terms of the promotional costs that are saved, and new income that is flowing into the company through new customers.

Zeithaml *et al.* (2009:544) also support the idea that the longer timeframe a customer's is part of a business, the lower the business cost will be to supply and satisfy them, the higher the price premium they will tolerate and the greater the positive word of mouth communication

they are involved in. SAABSC can also reduce their customers leaving or defecting from the companies' operation, which will also have a positive impact on profitability. Business strategies to gain market share and lowering costs are less profitable than retaining current customers (Zeithaml *et al.*, 2009:545). Resource spending on improving SQ and customer satisfaction within the SAABSC should be viewed as an investment rather than an expense. Loyal and satisfied customers will generate continuous revenue for the SAABSC and are viewed as assets but they do not come without a cost to acquire, retain or increase.

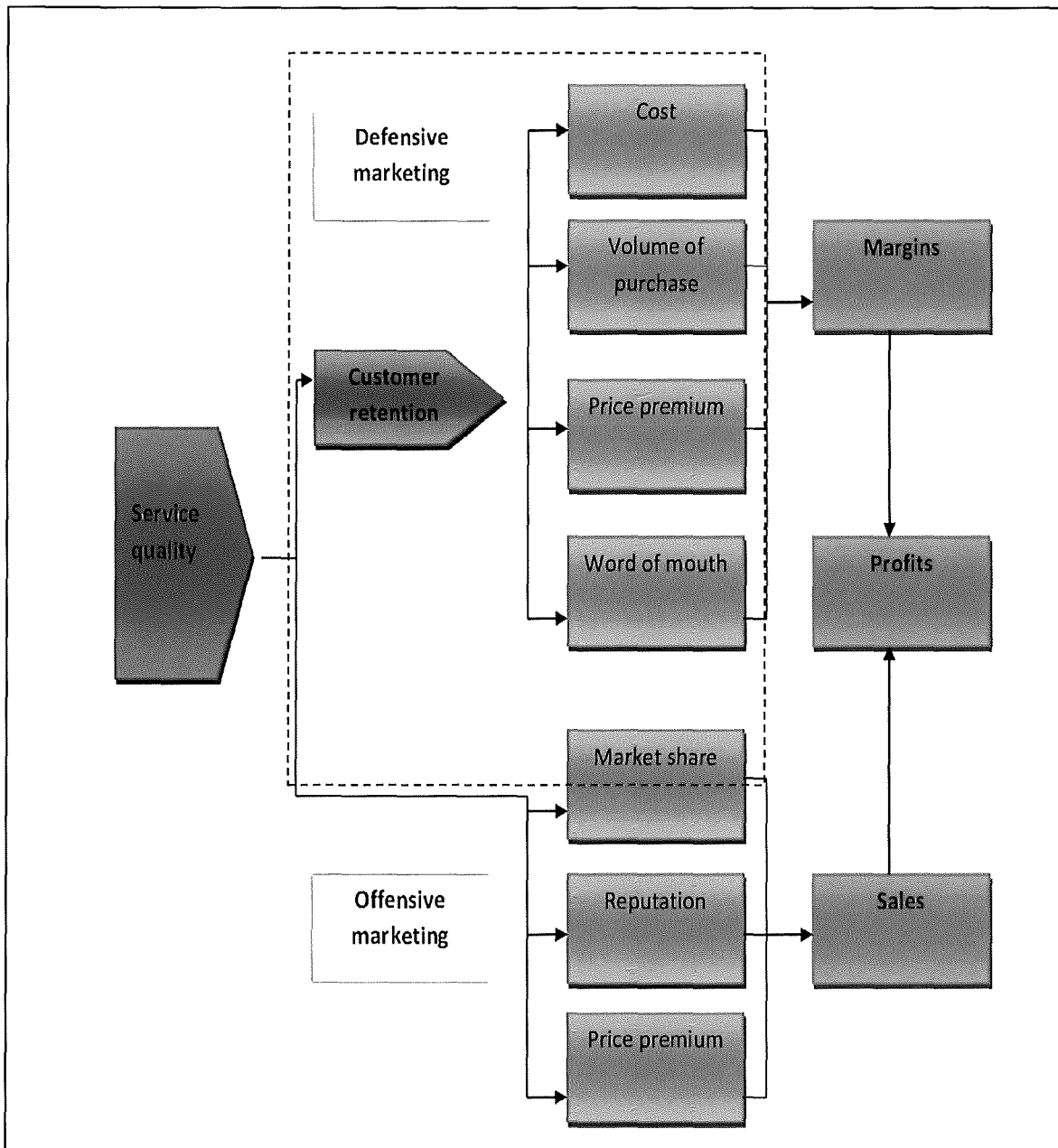


Figure 4.8: Conceptual model of service quality and profitability

Source: Zeithaml *et al.* (2013:248)

SAABSC also run the risk of overspending, wasting time and energy and not all costs spent on quality may be equally effective. Certain companies have been applauded for their SQ programmes but have run into financial problems over time, in part because they spend too inefficiently on CS. For example, the Wallace Company won the Malcolm Balridge National Quality Award in 1990. The high levels of money spent on quality allowed them to win the award, but at the same time incurred huge losses and within two years they were bankrupt. This was due to them failing to pay attention to the increasing costs caused by withdrawal by ratepayers, resulting in its quality programme being ineffective (Zeithaml *et al.*, 2009:545). These experiences therefore reveal to us that there are diminishing returns to expenditures on quality.

4.5.2 Quality and price

The relationship between price and quality was confirmed through a cross-sectional study using price and quality data over a 15-year period (1961 to 1975) by Riesz (1978:22. Price (if it is the only indicator present) serves as an indicator to quality insight and also discloses that extrinsic signals other than price (for example, company image) have a noteworthy impact on the quality perceptions of respondents.

In disagreement to the quality-profitability relationship the quality-price relationship is more debatable (Dhurup, 2003:90). Price as mentioned from a customer's standpoint is what is given up or sacrificed to acquire a product/service. Price can be viewed as a pull factor or even deter customers. Customers will also use price to indicate service cost but also quality. Zeithaml *et al.* (2009:518) state that when there are product indicators present (such as brand names and store image), then price becomes less important to the customer.

Parast and Fini (2010:260) state that previous price-quality research has been exploratory and has not been successful in resolving the question of when price is used to deduce quality. According to the authors' there are possible factors that can affect the use of price as a quality indicator which fits into three categories: informational factors, individual factors and product category factors.

Customers will only not use price as an indicator when there are fundamental cues to quality that are consistently available or when the advertising is of such nature that it communicates

the company's beliefs in the brand (Zeithaml *et al.*, 2013:482). Several individual factors may also account for variation in the use of price as a quality signal within the SAABSC. One such factor is price awareness by the customer. Customers that do not know the price of the product (Beer, wine, spirits and ciders) can obviously not use price to quantify quality.

Product categories also have an influence when customers depend on price as a quality indicator of SAABSC products. Where product prices indicate a small difference between goods (different beers on the market), the customer may not assign higher quality to products that cost only a few cents more than the competition product. In categories where there is little difference expected among brands (such as ciders and beers) price will function as an indicator of sacrifice, whereas in categories where quality variation is anticipated (such as beer versus whiskey) price may also function as a sign of quality. A SAABSC brand's name is also viewed in certain instances as more important than price regarding overall SQ.

When quality is hard to establish or when quality and price differs within a class of services, then customers believe that price is the best indicator of quality. The risk related to a service purchase is another factor that increases the dependence on price as a quality indicator. In high-price situations, many of which involve credible services such as medical treatment or consulting, the customer will look to price as an alternative for quality (Zeithaml *et al.*, 2013:482).

4.5.3 Quality and productivity

Companies are finding themselves in a changing environment these days (Dhurup, 2003:97). There is an increase in the number of services offered to customers, thus presenting the customer with various alternatives. It is therefore of paramount importance that customers be kept satisfied and engaged in their dealings with the SAABSC. To ensure satisfaction, SAABSC must understand own performance in terms of output and quality. Productivity and quality are both an appreciation of how well the resources in any activity are used. The kind of gratitude and the importance placed on productivity or quality depends on how output is defined and which persons view is taken into account within the business (Calabrese & Spadoni, 2013:6595-6597).

A strong relationship has been found between a business's performance in quality and productivity improvements by Lee *et al.*, (2001:604-625), this research results are based on currently used relationships within in Chinese businesses between quality and productivity. A similar type of study has been done by Calabrese and Spadoni (2013:6595-6605) in the production industry.

Studies done by Parasuraman (2002:6) between the relationship of SQ and productivity indicate that a disagreement often exist between cost considerations and CS improvements, which are often resolved by focussing on the former. While increasing service productivity is commendable over the short term, a solitary focus on it can be counterproductive in the long term. A producer-oriented concept of productivity, which means increasing units produced (output) but not expecting and increase or less than proportionate increase in production costs (inputs), or decline in production costs or less than a proportionate decline in units produced, is not feasible for service contexts. This is so because, in a service framework, what is produced is a set of "performances" typically produced and consumed at the same time. Customer within the service context usually play a role in assisting production, through time spent, physical effort and intellectual energy spent. Parasuraman (2002:07) defines productivity from a customer's perspective as the: "ratio of the service output experienced by a customer to the input provided by that customer as a member in the service production".

Figure 4.9 (applied to the SAABSI) displays the central role that SQ plays in linking the SAABSC and customer perceptions of productivity. Inputs from both the SAABSC and the customer influence SQ are indicated by the dotted arrow.

A noteworthy point in Figure 4.9 is that the framework displays a SAABSC output in broad terms (sales and profit) rather than in narrow terms (the number of customers served and number of transactions processed). Furthermore, the components of productivity from the two perspectives have some direct connection. The relationship labelled "1" in Figure 4.9 captures the view that a customer's view should reduce as a SAABSC channels more resources into service delivery. The linkage labelled "2" suggests that the degree to which changes in SAABSC inputs activate changes in customer inputs will be subject to how the SAABSC allocates its current available inputs.

If a SAABSC allocates increased funds (inputs) to the wrong area of business, for example, revamping a call centre with new furniture and not spending this on training, there will be a decline in customer inputs. The relationship labelled “3” in the figure reflects the interlocking of two productivity perspectives. Customer outputs may have a direct impact on SAABSC outputs (sales and profits).

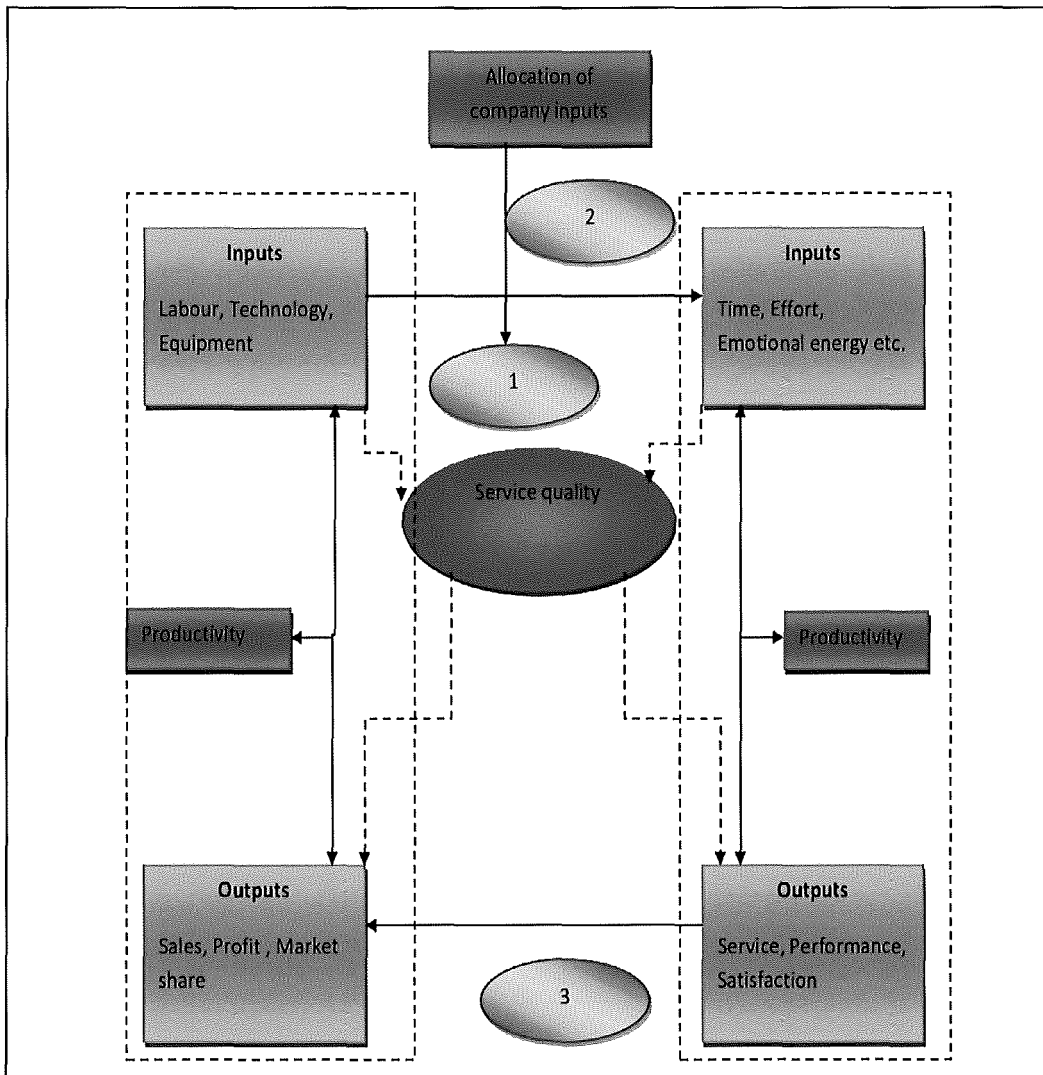


Figure 4.9: Synergistic interplay between service quality and productivity

Source: Parasuraman (2002:09)

4.5.4 Quality and market share

Zeithaml *et al.*, (2009:454) identified two streams of thought that has appeared with regard to the relationship between SQ and market share. One stream of thought comprises of the effect (in this case positive) market share has on customers perception of quality. Khandelwal (2010:1451) maintains that customers view a higher market share as an indicator to higher

quality. SAABSC usually create extra incentives to compete for market share as they try to influence customers' perceptions of quality.

The second stream of thought is what negative effects that enlarged market share may have on perceived quality. This means there is a negative relationship between market share and perceived quality, when market share increased the perceived quality decreases. Extensive acceptance can strain resources and therefore reduce quality. When product usage rises beyond a certain threshold, systems can become overloaded and service times can increase. Studies have also found negative effects of market share and quality, indicating perceived quality falls as market share rises. This is in line with the findings above, the studies also found that for premium priced brands, which are not elite, market share increases had a positive effect on quality (Khandelwal, 2010:1452-1453).

4.6 CONCLUSION

It has been pointed out in this chapter that it is extremely difficult to define a pure service. A service is defined as an activity that one party offers to another, which is essentially intangible and does not result in the ownership of anything. A service is characterised by intangibility, inseparability, heterogeneity, perishability and lack of ownership. Quality is a difficult and multidimensional concept. Eight dimensions of quality for products and services are suggested: performance, conformance, reliability, durability, service, response, aesthetics and reputation.

SQ is an indefinable concept because of the features: intangibility, heterogeneity and inseparability of production and consumption. Even though there has been extensive discussion, a widely accepted understanding of the concept *service quality* has not yet been found. The following ten dimensions of SQ have been conceptualised by Parasuraman: tangibility, reliability, responsiveness, assurance, competence, communication, credibility, security and empathy. In the next chapter attention is given to the research methodology used in this study.

CHAPTER 5

RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

This chapter focuses on the research methods followed in this study and is structured to reflect the marketing research process as illustrated in Figure 5.1. This chapter elaborates on the research methodology described in Chapter 1 by discussing the process of marketing research and by describing how this was applied to the present study. The purpose of this chapter is to:

- describe marketing research by offering a definition and discussing its importance and limitations,
- discuss the marketing research process,
- show how the marketing research process was applied to this study and clarify the reason for the study by means of the problem statement and research propositions,
- and explain the empirical research methodology that was chosen for this study by describing the sampling procedure and research instrument (questionnaire) used.

5.2 MARKETING RESEARCH

Welman *et al.* (2012) define research as the pursuit of knowledge to: establish novel facts, solve new or existing problems, prove new ideas, or develop new theories by means of various objective methods and procedures done by means of any methodical investigation entered into with an open mind. The primary purpose of basic research is to document the discovery and interpretation of data and development of systems and methods for the progression of human knowledge. The research approach depends on epistemologies, which differ significantly both within and between sciences and humanities. In this section the relevant research design and methods as well as the research process is explored and elaborated on.

5.2.1 Marketing research defined

Various definitions of marketing research are available within the marketing literature. The following section outlines some of these foremost definitions.

Mackay (2012:104) argues that marketing research supports the entire marketing decision-making process and is consequently an integral part of the marketing function. Marketing research provides significant insight into the perceptions of the customer regarding a business and its products or services. Marketing research could, if applied correctly, identify strengths, weaknesses, trends and behaviours, which all contribute to the development of an efficient marketing strategy (Burns & Bush, 2010:35).

Marketing research is the process by which information about the marketing environment is generated, analysed and interpreted to implement in marketing decision-making process (Peter & Donnelly, 2008:28).

McDaniel and Gates (2010:7) define marketing research as "... the planning, collection, and analysis of data relevant to marketing decision-making and the communication of the results of this analysis to management".

Marketing research also entails the application of a scientific method to determine the truth about the singularities of marketing. This method involves the assessment of marketing opportunities and threats, generation and evaluation of ideas followed by the observation of performance leading to an understanding of the marketing process (Zikmund & Babin, 2012:5). Despite the various definitions of marketing research, most of the elements are like-minded, some hidden and others more comprehensive. Therefore, the following marketing research definition can be formulated based on the stated variations:

Marketing research is the systematic collection, analysis, interpretation and reporting of data through the usage of accurate scientific methods. It improves the understanding of marketing as a process. Marketing research identifies a research problem, designs a data collection method that it manages and implements, analyses the results and presents the implications to businesses and/or individuals to assist in marketing decisions.

5.3 IMPORTANCE OF MARKETING RESEARCH

Marketers need to utilise opportunities while decreasing threats to survive in today's highly competitive global marketplace. Marketing managers therefore need current, reliable and useful information regarding the marketing environment to guide functional decision making (Peter & Donnelly, 2008:28).

Churchill *et al.* (2010:15) suggest that marketing research allows researchers to test and evaluate marketing concepts and is therefore of vital importance. A variety of information can be obtained and interpreted to assist in the decision-making. This includes information such as customer attitudes and intentions. In addition, marketing research enables businesses to obtain insight into what customers perceive as important, this is important to determine customer satisfaction and customer retention patterns (McDaniel & Gates, 2010:7). Accordingly, marketing research can offer a competitive advantage in an insecure marketplace.

Burns and Bush (2010:38-390) and Zikmund and Babin (2012:12-19) highlight the significance and value of marketing research in light of the following facets of decision-making:

- Marketing research can identify potential problems and opportunities to enrich the marketing efforts by observing the competitive marketplace.
- It can also be used to create, refine and evaluate certain marketing actions or strategies that can be implemented in the marketplace.
- Marketing research can inform managers whether suggested marketing strategies have been properly implemented and if objectives have been met by monitoring marketing performance.
- Marketing research can improve a business's overall marketing process.

5.3.1 Limitations of marketing research

Aaker, Kumar and Day (2011:15) propose that researchers need to understand and be mindful of the limitations of marketing research to obtain adequate and accurate results. The following topics outline aspects that can limit marketing research.

5.3.1.1 Timing

Comprehensive research is time consuming, and time is one scarce resource in today's highly competitive marketplace (Can *et al.*, 2008:6). In many situations decisions need to be taken immediately, without the availability of thoroughly researched facts and information. Marketing research can therefore only be conducted if adequate time is available prior to the instance when information is needed for the specific marketing decision (Zikmund & Babin, 2012:17). The researcher's fieldworkers informed the respondents in advance to ensure they could apply their minds fully when completing the questionnaire and not be distracted by anything else; also to ensure that there was no intrusion on the respondents' valuable time.

5.3.1.2 Type and nature of information sought

The type and nature of the information required determine the decision as to whether to conduct marketing research or not. Zikmund and Babin (2012:17) explain that market research is not needed if the required information is readily available within the marketing function. Time and money will be saved by making use of this information instead of implementing a new research process. However, if the information is insufficient to solve the problem at hand, marketing research has to be conducted. Extensive research should be restricted to important decisions (Wiid & Diggines, 2009:10). Research on daily decisions is excessive and unnecessary.

5.3.1.3 Cost-benefit analysis

Due to the fact that research is usually quite expensive, marketing managers need to perform a cost-benefit analysis before conducting the research. Wiid and Diggines (2009:10) suggest that research should only be conducted if:

- the return on investment generated by the research project justifies the expenditure,
- the research expenses signifies the best application of funds, and
- the quality of the marketing decision is considerably increased and justifies the costs.

5.3.1.4 Availability of resources

Researchers are often forced to decrease the size of the sample due to budget limitations. This can increase the rate of sample error. A lack of financial resources is often due to the fact that businesses view marketing research as an expense instead of regarding it as an investment in risk reduction. Aaker *et al.* (2011:16) and Wiid and Diggins (2009:10) emphasise that researchers should verify that sufficient financial and human resources are available, before attempting the research project. The availability of these resources will ensure that reliable and accurate results are obtained and implemented. The entire research project can be rendered as worthless if the resources diminish before finalising the research results. Trained fieldworkers were used to assist respondents to complete the questionnaire; due to the study being applied in three provinces, there were costs involved to travel to the respondents outlet, as well as accommodation costs.

5.3.1.5 Error

The researcher should be aware of the different types of errors that can occur when dealing with marketing research. Measurement errors can arise if the incorrect respondents are included in the study or if the questions are asked and documented in the wrong way. Another error that affects results is prejudice. Sample biases occur since not every person who is approached will agree to take part in the study. While errors are unavoidable, the researcher needs to try and minimise these errors as far as possible (De Meyer, 2008:193).

5.3.1.6 Relevance

Aaker *et al.* (2011:16) suggest that marketing research is frequently conducted in such a way that it verifies a manager's prior beliefs and prejudices. Research is often designed to support the preconceived ideas of management. The results obtained are consequently often misused or misinterpreted. Hence, for marketing research to be effective, it should be conducted properly and be relevant and it should be able to aid decision-making in specific situations.

5.4 **MARKETING RESEARCH PROCESS**

Derived from the definitions listed in Section 5.2.1 it is apparent that the marketing research process entails a number of steps. Some researchers fragment the marketing research process into more detailed sections, while others provide mainly a broad outline of the major steps. Shiu, Hair, Bush and Ortinau (2009:51), for example, identify only four phases of the marketing research process, namely (1) determine the research problem; (2) select the appropriate research design; (3) execute the research design and (4) communicate the research results.

Wiid and Diggines (2009:30), on the other hand, propose 11 steps: (1) identify and define the marketing problem; (2) determine research objectives; (3) develop a research design; (4) conduct secondary research; (5) select the primary research method; (6) design the data-collection tool; (7) design the sample frame; (8) gather the data; (9) prepare and process the data; (10) analyse the data and (11) interpret the results and compile the research report.

None of these processes is flawlessly correct or incorrect, but for the purpose of this study the marketing research process is based on the steps of the research process that is presented by McDaniel and Gates (2010:61-66) as depicted in Figure 5.1.

5.4.1 Step 1: Identify the research problem and objectives

The first step in the marketing research process is to identify and define the research problem to be examined carefully and accurately. This step highlights specific areas that need additional attention by including and stipulating the research objectives that are intended to support the research problem (Iacobucci & Churchill, 2010:29). Wiid and Diggines (2009:32) explain that, a problem or an opportunity in the market, has to be clearly defined before it can be solved or utilised. The research problem and its rationale have been substantiated in Section 1.4 and the primary objective of this study emanates from it.

The primary objective of the study is to determine whether differences exist between customer expectations and customer realisations of SAABSC service delivery to their customers, based on their geographical location (rural vs. urban).

In accordance with the primary objective of the study, the following secondary objectives have been formulated:

- To ascertain whether individual customers perceive customer service differently, based on their geographical location (urban vs. rural).
- To establish the perceptions customers have regarding service quality in relation to their geographical location (urban vs. rural).
- To establish whether customer service is of equal importance to customers within different geographical locations (urban vs. rural).
- To establish whether there is a difference between customers' expectations and the realisation of service delivery by SAABSC.
- To determine whether customers' experience of actual service delivery received from SAABSC is of the same standard within different geographical locations (urban vs. rural).

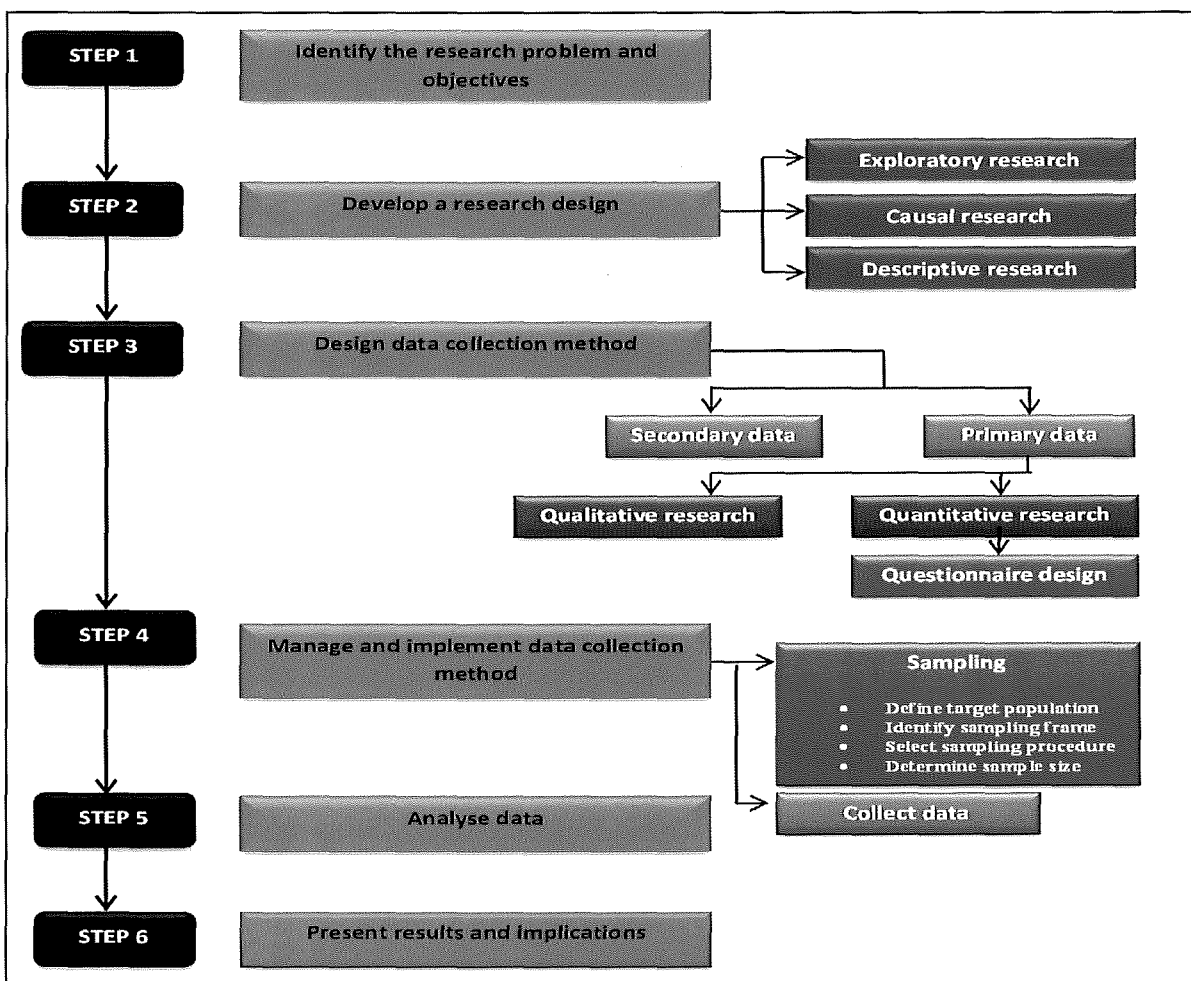


Figure 5.1: The marketing research process and framework followed in this study.
 Source: Bradley (2010:36); McDaniel and Gates (2010:76)

5.4.2 Step 2: Develop a research design

The second step in the marketing research process is determining the research design, which according to Wiid and Diggines (2009:53), simply means outlining or planning the research project. Research design, according to Welman *et al.* (2012), is the plan according to which research participants are obtained and information is gathered from them. An appropriate research design ensures that the research problems are addressed, and that errors and inaccuracies are excluded in order to increase the ultimate validity of the research findings (Saunders *et al.*, 2009:136; Zikmund & Babin, 2012:42). This could also be a set of advanced decisions that outline the exact methods and procedures used to collect and analyse information (Burns & Bush, 2010). There are three types of research approaches according to Cooper and Schindler (2011:139), Burns and Bush (2010) and Iacobucci and Churchill (2010:60) as illustrated in Figure 5.2; these are exploratory research, descriptive research and causal research.

5.4.2.1 Exploratory research

Exploratory research is flexible in terms of the research methods used, and includes methods that widen knowledge, detect problem areas and develop hypotheses on the research topic. Methods used for conducting exploratory research generally include literature searches, experience surveys, focus groups and interviews (Wiid & Diggines, 2009:55).

5.4.2.2 Descriptive research

Descriptive research is, as the name implies, conducted in order to describe the marketing problem or opportunity in detail. It describes aspects such as the characteristics of products, people, groups, businesses or environments by addressing *who, what, when, where* and *how* questions. Descriptive research assume that the researcher already understand the underlying relationship among the variables of the research problem (Feinberg, Kinnear & Taylor, 2013:57). Methods used for descriptive research include longitudinal and cross-sectional studies as identified by Wilson (2010:103).

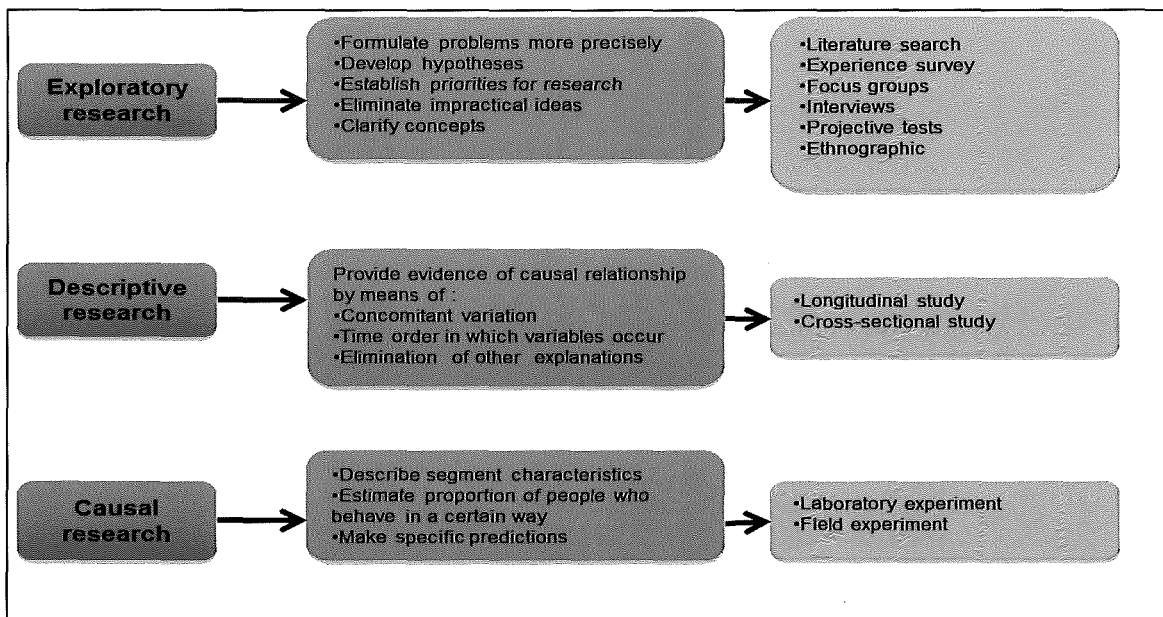


Figure 5.2: Types of research design

Source: Iacobucci and Churchill (2010:60)

a) Longitudinal studies

According to Cant *et al.* (2008:34) longitudinal studies consist of the repetitive measurement of the same sample of elements (panels) over time. The measurements are conducted at numerous points in time, throughout which the panels remain relatively constant. Two types of longitudinal study can be distinguished (Churchill *et al.*, 2010:108):

- Continuous or true panels are fixed samples of respondents of which the same variables are recurrently measured over time. Each panel member is thus measured on the same characteristic or aspect every time.
- Discontinuous or omnibus panels are fixed samples of respondents who are measured repeatedly and whose variables change from one measurement to the next. Each panel member is thus measured on a different characteristic or aspect every time.

b) Cross-sectional studies

Blumberg *et al.* (2011:199) state that cross-sectional studies involve obtaining information only once from a given sample. The following two main characteristics distinguish cross-sectional studies from longitudinal studies (Wiid & Diggins, 2009:56):

- Cross-sectional studies provide only an overview of the variables of interest at a single point in time, as opposed to longitudinal studies which provide an overview of the bigger picture of the situation (one needs to remember that changes may occur).
- Cross-sectional studies typically select the sample of elements to represent the target population.

5.4.2.3 Causal research

Causal research is conducted to determine whether one variable causes or determines the value of another variable (Tustin *et al.*, 2005:87). In other words, the cause and effect between the dependent and independent variables is determined. If a business is aware of what is required to cause or create certain outcomes, it can adapt its decisions in such a way as to control these outcomes. This, in contrast to descriptive or exploratory research, presents the business with a substantial level of control (Zikmund & Babin, 2012:44).

Causal research is often associated with experimental procedures, since, according to Churchill *et al.* (2010:117), causality can only be confirmed when some form of experimental control is applied. Wiid and Diggins (2009:56) point out that causal research is usually conducted by means of laboratory experiments where conditions can accurately be recreated in an artificial environment in order to control and manipulate variables or by means of field experiments in a natural setting, where variables cannot be controlled.

The focus of this study is to obtain information regarding the influence geographical location (rural vs. urban), has on SAABSC customers' service quality expectations. This resulted in a descriptive research method being implemented. The research is cross-sectional in nature and was executed during April - June 2014.

5.4.3 Step 3: Design data collection method

The third step in the research process is designing or selecting a relevant data-collection method. This step, according to McDaniel and Gates (2010:78), should describe all those features of the study that include aspects such as the research design methods used in the study as well as the questionnaire layout itself. Once a research problem has been defined and clearly specified, the research process logically turns to data collection, which should

focus on gathering data that can be processed into information for effective use in marketing decision-making. Two data sources, secondary and primary data, are available to support the research process and its findings (Malhotra & Birks 2006:94; Cant *et al.*, 2008:66; Saunders *et al.*, 2009:598). These two data sources are discussed in the following sections.

5.4.3.1 Secondary data sources

Iacobucci and Churchill (2010:142) indicate that data collection efforts should be grounded in existing and readily available secondary data. Secondary data is described as data that was collected for an earlier purpose and not for the study or problem at hand (Diamantopoulos & Schlegelmilch, 2006:4; Shiu *et al.*, 2009:45). Secondary data is typically historical and already collected and does not require access to respondents or their opinions (Malhotra, 2010:106; Zikmund & Babin, 2012:123).

Secondary data is generally classified by source, either internal or external (Aaker *et al.*, 2011:106). Internal data is collected within the business for which the research is being conducted while external data is obtained from sources outside the business. Figure 5.3 provides an overview of the numerous internal and external secondary data sources, including sources such as geo-demographic data, store audit data sales, invoices, loyalty records, financial records and directories.

Churchill *et al.* (2010:147) and Malhotra (2010:107) identified the most important advantages of secondary data as its ability to save the researcher a substantial amount of time and money. In addition, Wiid and Diggins (2009:71) list the following advantages of secondary data sources:

- They require less effort to gather data than primary sources.
- They can support the gathering of primary data by providing more primary data research methods.
- In certain circumstances they can be more precise than primary data sources, since information on past events can be obtained accurately from secondary sources.
- They provide comparative data that makes for a more illuminating interpretation of primary data.

- Secondary data complements primary data as it can be used to confirm results obtained, or used to help in the generation of a problem statement or hypothesis.

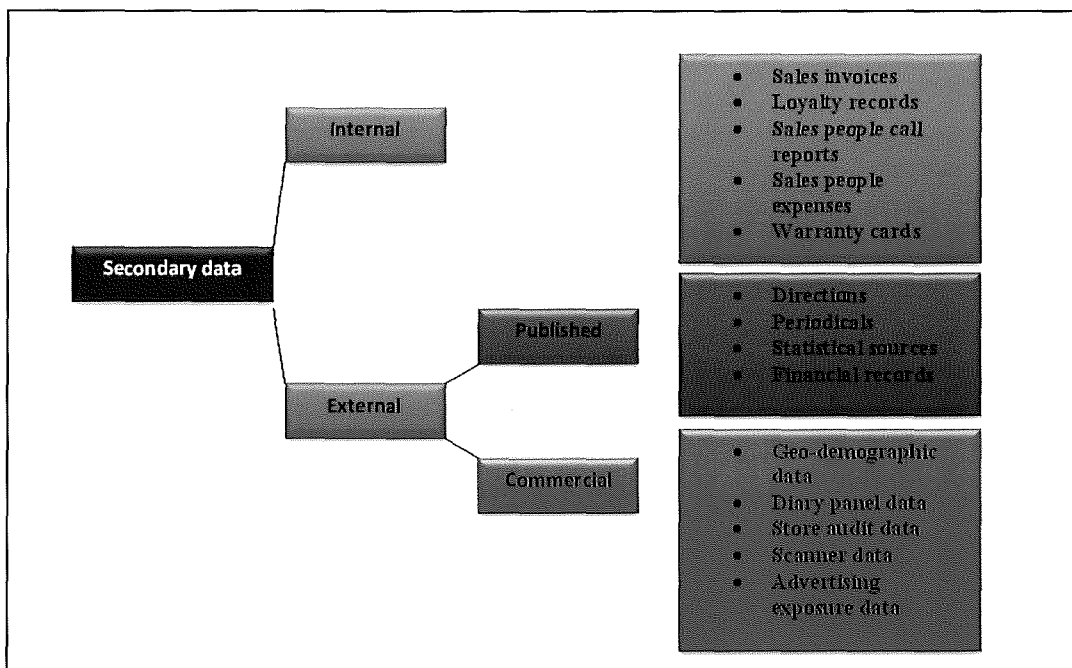


Figure 5.3: Types of secondary data source
Source: Iacobucci and Churchill (2010:149)

Despite the advantages of secondary data in research, it poses some limitations on the research process. McDaniel and Gates (2010:102-103) identify the major disadvantages associated with applying secondary data as the lack of availability, lack of relevance, inaccuracy and insufficiency of this type of data. These disadvantages are now briefly extrapolated:

- **Lack of availability:** Some research problems are of such a nature that the available secondary data simply does not fit into their perspective (Churchill *et al.*, 2010:150). In order to address problems like these, very little or no secondary data would suffice and mainly primary data sources should be consulted.
- **Lack of relevance:** Since secondary data was originally collected for use in different research situations, such data seldom fits the present research problem perfectly. This is because the measurement units in which secondary data is expressed often differ from those required for the research project; and even if these units are the same, the

classification boundaries might not meet the conditions (Iacobucci & Churchill, 2010:146). Thus, as different types of secondary data sources define and classify terms differently, the use of these sources may be limited to very specific research situations.

- **Inaccuracy:** At times research errors which might influence the accuracy and validity of the data collected arise during the data collection and analysis (Wiid & Diggines, 2009:72). This type of faulty data would accordingly make for poor secondary data sources. Researchers should thus, according to Zikmund and Babin (2012:124), try to verify if the data that is correct or attempt to determine the reasons why these errors occur.
- **Insufficiency:** Finally, researchers are often faced with large volumes of secondary data which is still not sufficient for bringing closure to the research problem even though it might be accurate and relevant to the research project (McDaniel & Gates, 2010:104).

For the purpose of this study secondary data was obtained by means of an extensive literature review (Chapters 2 to 4). The literature review focused on expanding the researcher's knowledge of theoretical constructs such as CRM (Chapter 2) as well as the interrelationships of these constructs, customer satisfaction, loyalty and retention (Sections 3.3, 3.4 and 3.5), service quality (Section 4.4), customer service (Section 4.5). Most of the secondary data was obtained from published, external sources with a view to ensuring validity and accuracy. The secondary data obtained through this literature review was consequently incorporated when developing the primary research instrument used in this study (Appendix A).

5.4.3.2 Primary data sources

Cant *et al.* (2008:88) indicate that primary data does not exist prior to the research project, and is collected to enlighten the specific research problem under investigation. Primary data can be collected by means of qualitative or quantitative research.

Qualitative research as described by Wiid and Diggines (2009:86), Leedy and Ormond (2010:146) and Peter and Donnelly (2008:30) involves the collection, analysis and interpretation of data that cannot be numerically reviewed in a meaningful way. This

research method is normally relatively unstructured, and is based on small samples that provide insight into and an understanding of the research problem.

Quantitative research, on the other hand, entails the collection of data from larger, more representative samples. Quantitative research data is typically obtained through empirical assessments, which are measured numerically and can be analysed mathematically and statistically. These findings are then used to produce data which is representative of the broader population and project future events under different conditions (Saunders *et al.*, 2009:320; Zikmund & Babin, 2012:93). Figure 5.4 provides a comprehensive comparison of the general differences between qualitative and quantitative research.

Factors/Characteristics	Qualitative methods	Quantitative methods
Research goals/objectives	Discovery and identification of new ideas, thoughts, feelings, insights on and understanding of ideas and objects	Validation of facts, estimates, relationships, predictions
Type of research	Normally exploratory design	Descriptive and causal designs
Type of questions	Open-ended, semi-structured, deep probing	Mostly structured
Type of execution	Relatively short time frame	Usually significantly longer time frame
Representativeness	Small samples, limited to the sampled respondents	Large samples, normally good representation of target population
Type of analysis	Debriefing, subjective, content, interpretive, semiotic analysis	Statistical, descriptive, causal predictions and relationships
Research skills	Interpersonal communication, observations, interpretive skills	Scientific, statistical procedure, and translations skills, and some subjective interpretive skills
Generalisation of results	Very limited, only preliminary insights and understanding	Usually very good, inference about facts, estimate of relationships

Figure 5.4: Differences between qualitative and quantitative research methods

Source: Hair *et al.*, (2006:172) and Shui *et al.*, (2009:171)

This study required a quantitative research approach owing to the planned statistical analysis application to the data received.

Qualitative and quantitative research can, as illustrated in Figure 5.5, be further subdivided into distinct techniques of data collection. In this section each of the data collection techniques is briefly discussed.

5.4.3.2.1 Qualitative data collection techniques

As shown in Figure 5.5, there are various qualitative data collection techniques, namely in-depth interviews, projective techniques and focus groups. Each of these qualitative techniques is discussed below.

a) In-depth interviews

Tustin *et al.* (2005:162) define in-depth interviews as extensive, one-on-one interviews that are conducted in order to gather qualitative data from the sample. In-depth interviews are an unstructured and direct way of obtaining information, in that the interviewer asks questions and probes for answers.

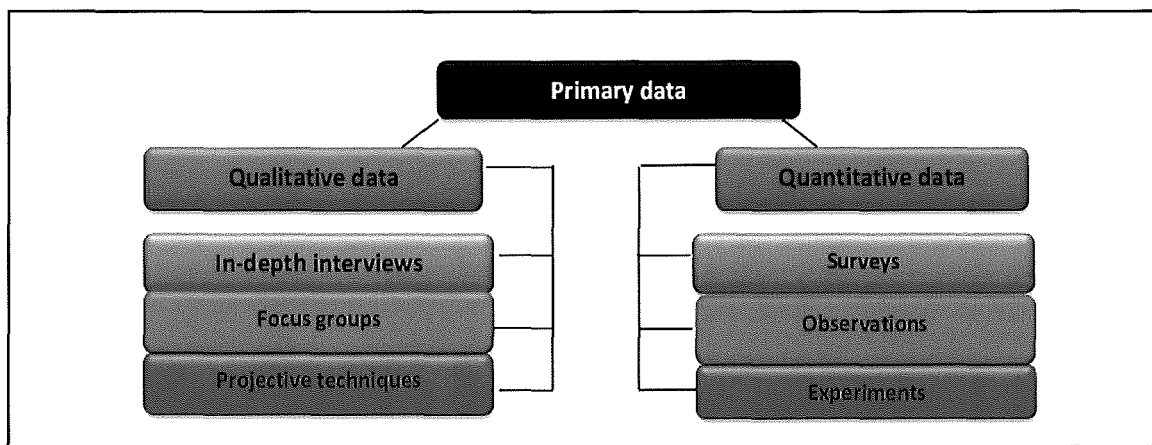


Figure 5.5: Primary data collection techniques

Source: Cant *et al.*, (2008:88)

One of the most noteworthy advantages of in-depth interviews is that this method allows the interviewer to ask probing or investigative questions on any required topic continually without delay. This gives the interviewer flexibility regarding attitudes, opinions and motivations as well as behaviour patterns and the cause of these behaviours (Shiu *et al.*, 2009:208). However, as Malhotra (2010:161) emphasises, for in-depth interviewing to be effective, interviewers must have exceptional interpersonal communication skills. Without

the essential skills, the interviewer may unintentionally allow the interview to end before the necessary data has been obtained.

b) Projective techniques

People usually tend to answer questions in a way that makes them look good. However, what they say may not reflect their true feelings or opinions on the subject (Shiu *et al.*, 2009:213-215). Projective techniques are applied to overcome this challenge and to determine respondents' true attitudes, motivations, reactions and characteristics (Wiid & Diggines, 2009:95). Several techniques can be implemented to obtain valid responses; some of the projective techniques most often used in marketing research are (McDaniel & Gates, 2010:156-160):

Word association tests: A number of words are read aloud to the respondent, one-by-one, and he/she has to mention the first word that comes to mind. These tests are usually used to select brand names, advertising campaign themes and slogans.

Sentence and story completion tests: The respondent is given an incomplete story or group of sentences and asked to complete it in his/her own words. This technique provides a more structured and detailed scenario for the respondent. The objective is that the interviewees put themselves in the role of the imaginary person mentioned in the story.

Cartoon tests: Respondents are shown a cartoon with speech bubbles, with one bubble left blank. They are then required to complete the blank bubble in their own words as a response to the other speech bubble. This allows respondents to explore ideas that might generally be considered too sensitive to articulate, even in a cartoon setting.

c) Focus groups

Focus groups are similar to in-depth interviews, in the sense that the interviewer also asks unstructured and extensive questions to respondents, with but one difference: interviews are not one-on-one but conducted in groups of eight to twelve respondents (Malhotra, 2010:145). The objective, as Blumberg *et al.* (2011:204) explain, is to obtain opinions by listening to the

group members' free-flowing discussions. In-depth interviews and focus groups also require a skilled interviewer (moderator) who initiates the discussion by providing an opening statement.

5.4.3.2.2 *Quantitative data collection techniques*

As illustrated in Figure 5.5 quantitative data collection techniques include mainly surveys, observation and experiments, which are discussed below.

a) Surveys

Cant *et al.* (2008:89) explain survey research as a process of collecting data from a large representative sample of respondents by utilising written or verbal communication. Information is usually collected by means of a questionnaire, which the respondents complete in a structured, precise manner. Wiid and Diggins (2009:108) summarise the characteristics of the survey method as follows:

According to Trochim and Donnelly (2008:119-120) various types of surveys exist that allow researchers to collect primary quantitative data, and due to recent technological and scientific improvements, surveying methods have become more flexible (Cooper & Schindler, 2006:280).

b) Observation

This form consists of observing peoples' activities or behavioural patterns without coming into contact with them (McDaniel & Gates, 2010:236). Numerous ways can be used to acquire the necessary information according to Blumberg *et al.* (2011:353) these include trained human observers or devices such as videotapes, movie cameras, audio-tapes, computers or handwritten notes. Wiid and Diggins (2009:136) strongly recommend the application of observation methods in the following situation where it is the only accurate way to collect data and where the cost involved in obtaining the data through other methods is too high.

Table 5.1: Types of survey method

Types of survey method	Description
Person-administered	
In home/ In office survey	Survey takes place in the respondents' home/or work environment.
Shopping intercept/ Mall intercepts survey	Shopping patrons are stopped and asked for feedback during their visit to a shopping mall.
Purchase intercept survey	The respondents are stopped and asked for feedback at the point of purchase.
Telephone-administered	
Traditional telephone survey	Survey takes place on the telephone. Interviews may be conducted from a central telephone location or the interviewer's home or office.
Computer-assisted telephone survey	Computer is used to conduct a telephone survey; respondents provide answers by pressing keys on their phone.
Completely automated telephone survey	Survey is administered by computer without any human intervention.
Cell phone survey	Survey is done using the respondents' cell phone in either text form or voice form.
Self-administered	
Mail survey	Questionnaires are distributed and returned via postal service.
Mail panel survey	Surveys are mailed to a representative sample of individuals who have agreed in advance to participate.
Drop off survey	Questionnaire is dropped off at the respondent to be completed at a later stage. Can be picked up by the researcher later or returned to him by mail.
Fax survey	Surveys are distributed to and returned from respondents via fax, hand or computer.
Online	
E-mail survey	Surveys are distributed to and returned from respondents via electronic mail.
Internet survey	The internet is used to ask questions and receive responses from respondents.

Source: Shui *et al.*, (2009:237)

c) Experiments

Experimentation is part of causal research and tries to establish the cause-and-effect relationship between variables by controlling an independent variable and noting the effect on another variable (Shiu *et al.*, 2009:278). According to Cant *et al.* (2008:111) experiments can be conducted in either a laboratory or a field setting.

For the purpose of this study a person-administered survey method was used; fieldworkers conducted surveys at the customers' business or outlet. This is discussed in more detail on page 166 under section 5.4.4.7

5.4.3.3 Questionnaire design and content

Since this study made use of surveys to collect primary data, it was important to develop an effective data collection instrument. This section focuses on the construction of the questionnaire as data collection instrument for this study.

According to Malhotra (2010:333) a questionnaire is a critical step in articulating the research design. This method allows the researcher to acquire data from delegates through a set of structured questions (Aaker *et al.*, 2011:312). Malhotra (2010:299) specifies that a questionnaire eventually has three specific objectives: (1) it must use specific questions in such a way that respondents can and will answer; (2) it must motivate the respondent to become part in the research process; (3) it should reduce response error.

a) **Preliminary considerations**

Aaker *et al.* (2011:313) state that the researcher must first determine exactly what information he wants to gather from respondents. The nature of the information required is determined by the research objectives of the study and should address all the requirements identified in these objectives.

b) **Question content**

According to Wiid and Diggins (2009:173) all the questions that is contained in the questionnaire must contribute to the overall research objectives and to achieve it. Pointless or unrelated questions should be removed in order to elude irrelevant information. Researchers must also ensure that all relevant questions are actually contained in the questionnaire. Changes can't be made to the questionnaire after it has been finalised which can consequently cause the research findings to become useless (Cant *et al.*, 2008:149).

c) **Question phrasing**

The way questions are formulated can influence whether the respondent answers a question or answers the questions correctly, according to Cant *et al.* (2008:155). A question that is phrased incorrectly will result in incorrect answers and render the results useless. Proctor (2005:195-199) and Tustin *et al.* (2005:389-390) provide the following guidelines, such as

using familiar words, keeping questions simple and short, avoiding questions that are not clear and avoiding embarrassing and unreasonable questions when phrasing questions.

d) Level of measurement

Before the actual questionnaire can be created, researchers need to establish the level of measurement required ensure the required information is obtained (McDaniel & Gates, 2010:307). Each level of measurement delivers a different amount of information about the construct being measured, which therefore determines the type of analysis necessary for the collected data (Proctor, 2005:167). The four basic levels of measurement, which include nominal, ordinal, interval and ratio scales are summarised and explained in Table 5.2.

Table 5.2: Four basic levels of measurement

Level	Basic empirical description	Operations	Typical usage	Typical descriptive statistics
Nominal	Uses numbers to identify objects, individuals, events, or groups <ul style="list-style-type: none"> No absolute zero No order Intervals not equal 	Determination of equality/inequality Assignment of labels	Classification <ul style="list-style-type: none"> Male/Female Buyer/Non-buyer Like/Dislike For/Against 	Frequency counts, percentages/modes
Ordinal	In addition to identification, provides information about relative amount of some characteristics of an event, object etc. <ul style="list-style-type: none"> No absolute zero Order Intervals not equal 	Determination of greater or lesser Values assigned along an underlying dimension	Rankings/Ratings <ul style="list-style-type: none"> Brand preference Attitudes Ratings of products Determining order of liking 	Median (mean and variance metric)
Interval	Has all the properties of ordinal and nominal scales plus equal intervals between consecutive points <ul style="list-style-type: none"> No absolute zero Order Equal intervals 	Determination of equality of intervals	Preferred measure of complex concepts/constructs: <ul style="list-style-type: none"> Level of knowledge of brands Temperature scale Intelligence test scores 	Mean/Variance
Ratio	Has all the properties of ordinal, nominal and interval scales plus an absolute zero point <ul style="list-style-type: none"> Order Equal intervals 	Determination of equality of ratios	When precision instruments are available: <ul style="list-style-type: none"> Sales level Time/Weight Market share Cost Number of customers 	Geometric mean/Harmonic mean

Source: McDaniel and Gates (2010:308)

e) Types of response formats

Researcher should consider in their own capacity what answers the respondent can supply and even their reaction, this needs to be done to determine the best response format (Wiid and

Diggines, 2009:117). Two main response formats can be used, namely open-ended and closed-ended questions.

Open-ended questions requires the respondent to answer the questions in their own words, open ended questions are unstructured in nature. This can pose some challenges as the interpretation of the data can be difficult as they used their own words and opinions (Burns & Bush, 2010:300-301). Tustin *et al.* (2005:396) explain that open-ended questions are naturally used in order to acquire respondents' opinions, attitudes or behaviours by giving them the opportunity to express themselves.

Because of the possible issues associated with open-ended questions, the questionnaire used for this study used only closed-ended questions (See Appendix A). However, some questions provided an “other” option, should respondents desire answers not included in the options provided.

In contrast closed-ended questions are more structured and provide the respondent with a fixed selection of alternatives that best fits his/her response (Cant *et al.*, 2008:151). The following alternatives to closed-ended questions can be identified:

- **Dichotomous questions**

Dichotomous questions are the most basic type of closed-ended question, which have only two alternative responses, such as *Yes* and *No*. Dichotomous questions are very popular since it is easy to be answered by respondents and simplifies the coding and tabulation phase for the researcher (Iacobucci & Churchill, 2010:215; Trochim & Donnelly, 2008:101).

In this study there were no dichotomous questions in nature.

- **Multiple-choice questions**

Multiple-choice questions are also structured and use fixed-alternative responses, but offer more than two alternatives. This is usually presented in a list format and respondent can choose any option closest to their view or opinion (Tustin *et al.*, 2005:398). Multiple-choice

questions are also a favourite option to be used by researchers due to the extensive range of possible responses that can be generated from them. However, these questions contain the risk of creating awareness at respondents, due to options that they were initially unaware of (Burns & Bush, 2010:301).

In this study, multiple-choice questions are presented by questions 3 to 7 (Appendix A).

- **Scaled questions**

Multiple-choice questions and scaled-response questions are very similar in nature, in that they also provide numerous alternative responses. These questions' responses are based on a scale ranging from one extreme to the other (Likert scale). Iacobucci & Churchill (2010:233) state that this type is intended to obtain respondents' intensity of feeling that cannot be determined with multiple-choice questions

In this study scaled questions were used to determine respondents' expectations and realisations regarding ABSC service quality (See Appendix A, Section B). Section B of the questionnaire set out to determine service quality expectations and realisations. The questions in this section are based on the SERVQUAL instrument of Parasuraman *et al.* (1988:23).

f) Question sequence

Burns and Bush (2010:343) state that questions should follow a logical sequence, since the order in which questions are presented to respondents can lead to them not answering the questionnaire and also influencing the quality of the response returned, and ultimately the quality and validity of the research findings.

g) Questionnaire layout

Once the question order has been established, the layout of the entire questionnaire has to be considered. The physical appearance of the questionnaire must always be appealing and indicate a professional study. Malhotra (2010:317) state that there are rudimentary aspects such as format, spacing and positioning of questions that should be kept in mind while

dividing the questionnaire into different parts. Wiid and Diggines (2009:181) suggest that a professional-looking questionnaire should include a cover letter, instructions and numbering that will assist in improving respondent' participation.

h) Pre-test, pilot test and revision of final questionnaire

According to Cant *et al.* (2008:156) pre-testing involves the testing of the designed questionnaire on a small group of respondents. This will inform the researcher of possible problem areas within his questionnaire (Blumberg *et al.*, 2011:74).

In this study the questionnaire was pre-tested by the researcher and study leader by involving a statistician to evaluate the questionnaire's content. Feedback was then given to the researcher by the statistician, where after the recommended amendments and changes were made. The questionnaire was then returned to the statistician for final approval.

After final approval a pilot test involving 20 respondents from the target population within the North-West province was conducted. No complications were noted by any of the respondents as the fieldworkers were there to answer any concerns, and all questionnaires were returned successfully and satisfactory.

The following section describes the design of the questionnaire as compiled and used for this study.

5.4.3.4 Final design and content of the questionnaire used in this study

For the purpose of this study the mentioned questionnaire design and content considerations were observed throughout the final development of the questionnaire (See Appendix A). The questionnaire for use in this study was developed by (1) bearing in mind the secondary data collected in the literature chapters and (2) obtaining guidelines from questionnaires from similar studies on the topic of service quality and customer satisfaction.

5.4.4 Step 4: Manage and implement data collection method

The next step in the marketing research process involves managing and implementing the data collection method, which also contains designing the sample and collecting the required data to be used in the research study.

5.4.4.1 Sample design

The sampling design process entails that: “a portion of a population is taken to represent and to make conclusions about the entire population”. Zikmund and Babin (2012:58) define a sample as a subset of a population, and a population as any group that, in its entirety, shares similar characteristics. Figure 5.6 illustrates a framework of the phases that the research process should follow when drawing a sample from the population. Each of these phases is discussed according to how it was applied in this study.

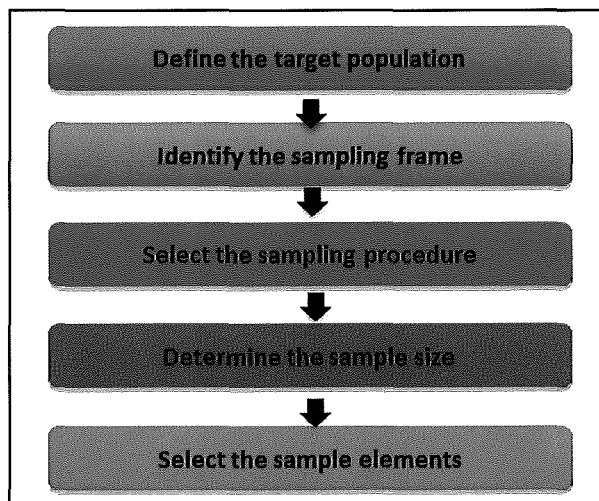


Figure 5.6: Sample design framework

Source: Malhotra (2010:336)

5.4.4.2 Phase 1: Define the target population

To acquire or draw a sample is the first phase to define the target population as indicated in Figure 5.6. The target population represents the total set of elements that is determined by the problem statement from which the research would like to draw implications according to Wiid & Diggins (2009:198). Shiu *et al.* (2009:485) this phase is critical to ensure that there

is a clearly defined target population that will enable the identification of the correct sample for data collection purposes.

For the purpose of this study the target population comprised of customers of SAABSC companies (these are customers that buy from the previously mentioned SAABSC in Figure 1.1) situated in Gauteng, Western Cape and North-West Provinces of South Africa. Only licensed customers were used in the study; licensed outlets renew their liquor license every year and sell alcohol legally. Shebeens do not have liquor licenses and have therefore been excluded from the study.

5.4.4.3 Phase 2: Identify the sampling frame

A sample needs to be drawn from the sample frame within the next step. Cooper and Schindler (2011:372) and Saunders *et al.* (2009:214) describe the sampling frame as those elements of the target population from which the sample may be drawn.

For this particular study the sample frame was obtained from a database of customers serviced by SAABSC based in Gauteng, Western Cape and North West Province. The primary alcoholic beverage focus areas in the Gauteng Province are in Isando, Chamdor and Soweto. Focus areas in the Western Cape comprise Ottery, Belville and Newlands. The North-West Province focus areas are Rustenburg, Mafikeng and Potchefstroom. A list of customers serviced by the SAABSC was acquired by using secondary data available on the customer database of the SAABSC.

5.4.4.4 Phase 3: Select a sampling procedure

The third phase in the procedure of drawing a sample involves selecting a particular sampling procedure. The researcher is generally required to draw a sample from the population, since the target population itself is too large to obtain the required data effectively. In order to obtain data that is representative of the entire population, Churchill *et al.* (2010:356) emphasise that the correct kind of sample needs to be drawn. Methods of drawing a valid and representative sample include probability sampling and non-probability sampling (Wilson, 2010:193). These methods are discussed accordingly.

a) Probability sampling

Probability samples are chosen in such a way that every respondent has a known (non-zero) chance of being included in the sample (McDaniel and Gates, 2010:423). All respondents do not necessarily have the same chance of being selected, but the probability of selection can be specified (Leedy & Ormrod, 2010:211).

According to Blumberg *et al.* (2011:243) the use of probability sampling assists to establish the possible extent of sampling error and the difference between the sample results. The results of this method can be extrapolated to the majority of the target population. The various methods of probability sampling include simple random, systematic, stratified, cluster and multistage sampling. These sampling methods are compared in Table 5.3 in terms of cost, advantages and disadvantages.

b) Non-probability sampling

In non-probability sampling the possibility of any respondent within the population being selected is not known. There is thus no way of ensuring that the sample is representative of the population (McDaniel & Gates, 2010:470). The selection of respondents is rather random, since according to Zikmund and Babin (2012:312), researchers use their own judgement when choosing sampling elements during non-probability sampling. This type of research method is often used due it being a cheaper and convenient form. Aaker *et al.* (2011:387) suggest that non-probability sampling is typically used in the following situations: During the exploratory phases of the research project, during the pre-testing stage of the questionnaire, when the target population is similar in nature, if the researchers' statistical knowledge is limited and when time and finance is limited.

Table 5.3: Comparison of probability sampling techniques

Description	Cost and degree of use	Advantages	Disadvantages
<p>Simple random: Assign a number to each member of the sampling frame. Then select sample units by random methods.</p>	<ul style="list-style-type: none"> • High cost • Moderately used in practice 	<ul style="list-style-type: none"> • Only minimal advanced knowledge of population needed. • Easy to analyse data and compute error. 	<ul style="list-style-type: none"> • Requires sample frame to work from. • Does not use knowledge of population that researcher may have. • Larger errors for same sampling size than in stratified sampling. • Respondents may be widely dispersed: cost may be higher.
<p>Systematic: Natural ordering of the sampling frame; select an arbitrary starting point, select items at a preselected interval.</p>	<ul style="list-style-type: none"> • Moderate cost • Moderately used 	<ul style="list-style-type: none"> • Simple to draw sample • Easy to check 	<ul style="list-style-type: none"> • If sampling interval is related to periodic ordering of the population, this may introduce increased variability.
<p>Stratified: Divide population into groups and randomly select subsamples from each group. Variations include proportional, disproportional and optimal allocation of subsample sizes.</p>	<ul style="list-style-type: none"> • High cost • Moderately used 	<ul style="list-style-type: none"> • Ensures representation of all groups in sample. • Characteristics of each stratum can be estimated and comparisons made. • Reduces variability for same sample size. 	<ul style="list-style-type: none"> • Requires accurate information on proportion in each stratum. • If stratified lists are not readily available, they can be costly to prepare.
<p>Cluster: Select sampling units at random, then do a complete observation of all units or draw a probability sample in the group.</p>	<ul style="list-style-type: none"> • Low cost • Frequently used 	<ul style="list-style-type: none"> • Geographically defined clusters yields lowest field cost. • Requires listing of individuals only within clusters. • Can estimate characteristics of clusters and population. 	<ul style="list-style-type: none"> • Larger error for comparable size than other probability samples. • Researcher must be able to assign population members to unique cluster or else duplications or omission of individuals will result.
<p>Multistage: Progressively smaller</p>	<ul style="list-style-type: none"> • High cost • Frequently used 	<ul style="list-style-type: none"> • Depends on techniques combined. 	<ul style="list-style-type: none"> • Depends on techniques combined.

Source: Cooper and Schindler (2008:184); Zikmund and Babin (2012:314)

According to Wiid & Diggines (2009:199) applying non-probability sampling techniques does not mean that good results cannot be obtained, the reliability of the results just can't be confirmed (Wiid & Diggines, 2009:199). Non-probability sampling methods include

convenience, judgement, quota and snowballing. These methods are compared in Table 5.4 in terms of cost, advantages and disadvantages.

For the purpose of this study a non-probability judgment sampling method was implemented from the given sample frame, which involved choosing sample units subjectively. This study focuses on customers of SAABSC. The primary alcoholic beverage focus areas (as depicted in Figure 1.4) used in the study comprised urban and rural areas within Gauteng, the Western Cape and the North-West Province.

The geographical focus areas within these selected provinces consist of Isando, Chamdor and Soweto in the Gauteng Province; Ottery, Belville and Newlands in the Western Cape Province, and Rustenburg, Mafikeng and Potchefstroom in the North-West Province. The selected number of customers within each focus area is graphically depicted in Figure 5.7. The total population of customers that receive alcohol from SAABSC in South Africa comprise of $\pm 30\ 000$ customers. The quantity of potential respondents amongst the three main geographical provinces add to 8 877. This reflects a representation of 29.59% of the total selected customer population in South Africa. Within this representation, Gauteng represents 40.89%, the Western Cape 35.14%, and North-West Province 23.96% of the total population in the three provinces.

Table 5.4: Comparison of non-probability sampling techniques

Description	Cost and degree of use	Advantages	Disadvantages
Convenience : Uses the most convenient sample or economical sample units.	<ul style="list-style-type: none"> • Very low cost • Extensively used 	<ul style="list-style-type: none"> • No need for list of population 	<ul style="list-style-type: none"> • Unrepresentative samples are likely. • Random sampling error estimates cannot be made. • Projecting data beyond sample is relatively risky.
Judgement: Select the sample to fulfil a purpose, such as ensuring that all members have a certain characteristic.	<ul style="list-style-type: none"> • Moderate cost • Average use 	<ul style="list-style-type: none"> • Useful for certain types of forecasting. • Sample guaranteed to meet a specific objective. 	<ul style="list-style-type: none"> • Bias due to experts' beliefs may make sample unrepresentative. • Projecting data beyond sample is risky.
Quota: Classify the population by pertinent properties, determine the desired proportion to sample each class, and fixe quotas for each interviewer.	<ul style="list-style-type: none"> • Moderate cost • Very extensively used 	<ul style="list-style-type: none"> • Introduces some stratification of population. • Requires no list of population. 	<ul style="list-style-type: none"> • Introduces bias in researchers classification of subjects. • Non random selection within classes means error from population cannot be estimated. • Projecting data beyond sample is risky.
Snowball: Initial respondents are selected by probability samples; additional respondents are obtained by referral from initial respondents.	<ul style="list-style-type: none"> • Low cost • Used in special situations 	<ul style="list-style-type: none"> • Useful in locating members of rare populations. 	<ul style="list-style-type: none"> • High bias because sample units are not independent. • Projecting data beyond sample is risky.

Source: Zikmund and Babin (2012:312)

If a confidence level of 90% and margin of error of 0.025 are used, then a sufficient target population for the study is 965 respondents. Based on the percentage representation of each focus province it adds to 395 respondents in the Gauteng Province, 339 in the Western Cape Province and 231 in the North-West Province. The total numbers of respondents in these three provinces were then further divided, based on the urban and rural areas complement in South Africa (60.7% urban and 39.3% rural). This is illustrated in Figure 5.7.

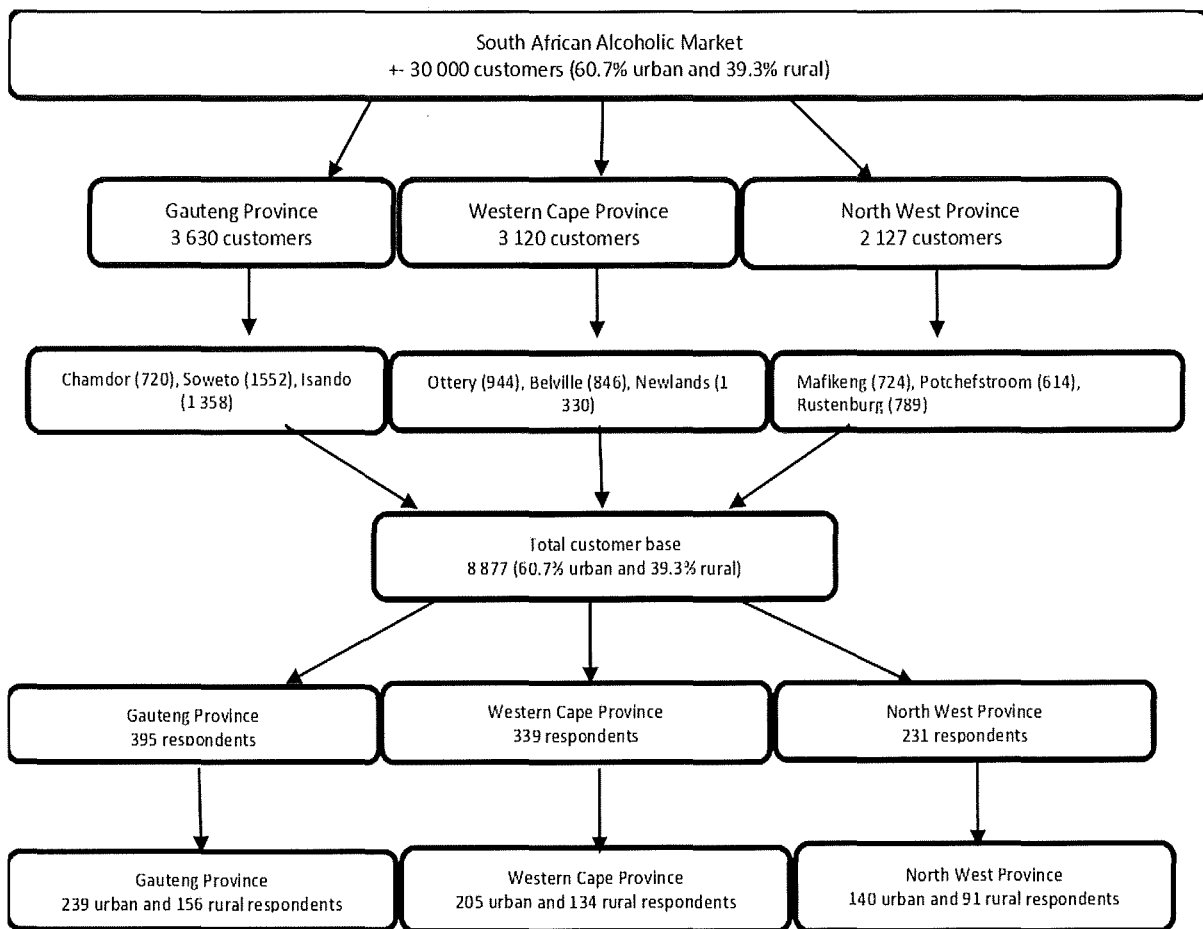


Figure 5.7: Customers per geographical focus area

Source: Beukes – Personal experience; Prinsloo – Oral conveyance (2013)

5.4.4.5 Phase 4: Determine the sample size

Establishing the sample size is the fourth phase in determining the sample, which, according to Cooper and Schindler (2011:374) is the total amount of respondents included in the final research study. This is an important step, since the sample size governs the reliability and

validity of the research findings. The following principles are identified by Blumberg *et al.* (2011:241) that influence sample size:

- The more diverse the population, the larger the sample size must be to capture this diversity.
- The larger the sample size that is required will depend on the desired accuracy of the population estimate.
- The larger the number of sub-groups of interest within a sample, the greater the sample size must be, since each sub-group must comply with minimum sample size requirements.

According to Proctor (2005:127-128) at least four different methods can be used to determine sample size:

a) Intuition

This method is subjective in nature since the judgement and insight of the researcher is used to define the sample size. Zikmund & Babin (2012:313) state that this method should only be used in special situations, since it does not consider the precision of the survey results or the costs involved in obtaining the required data.

b) Statistical precision

The sample size can also be determined through applying statistical methods. Statistics can determine the smallest number of elements that must be included in the sample to ensure an effective representation of the target population. The statistical method uses statistical formulae to determine the sample size and is based on three criteria according to Wiid and Diggines (2009:210); these are the required level of confidence, the required precision and the standard deviation of the population.

c) Cost limitations

Cost plays a crucial role when determining the sample. This method involves deducting other research costs, such as research design, questionnaire development or data processing from the existing budget, and then dividing the rest of the funds by the estimated cost per

sampling unit. Even though this method is extremely biased, it is quite an often used method within the corporate environment with financial limitations (McDaniel & Gates, 2010:446).

d) Industry standards

Industry standards refer to those standards that have been obtained from previous research. This means that attention is given to the specific industries that have been determining the sample size for their industry for the past few of years. The industry that the research will take place in determines the sample (Proctor, 2005:129). Malhotra (2010:374) identifies the following additional factors that should be considered when determining the sample size. Firstly the sample size should be large if the collected data requires complex analysis where multivariate approaches need to be used or when data needs to be analysed in great detail. Secondly previous similar studies' average sample size can also be used. Table 5.5 indicates sample sizes used in different marketing research studies, and can therefore serve as a guideline for non-probability sampling techniques. Lastly resources as mentioned also play a key role in determining the sample size. The availability of money, time and qualified fieldworkers can constrain the research process, and hence the sample size should be adapted accordingly.

Table 5.5: Sample size used in marketing research studies

Type of study	Minimum size	Typical range
Problem identification research	500	1000 - 2000
Problem-solving research	200	300 - 500
Product test	200	300 - 500
Test-marketing studies	200	300 - 500
TV/radio/print advertising	150	200 - 300
Test-market audits	10 stores	10 - 20 stores
Focus groups	2 groups	6 - 15 groups

Source: Malhotra (2010:375)

Based on the previous discussion, this study's sample size was largely determined on the basis of its nature and the number of variables used. In this study the sample size selected for the study totalled 965 alcoholic beverage customers.

5.4.4.6 Phase 5: Select the sample elements

The final phase in the sampling procedure requires the choosing of the various sample elements or respondents. These include all those respondents who ultimately participate in the research project, and whose opinions, behaviours or characteristics will represent the target population (Wiid & Diggines, 2009:214).

For the purpose of this study the sample elements were selected based on convenience and availability (purposively based), and included customers of SAABSC situated in Gauteng, Western Cape and North-West Provinces of South Africa. Only licensed customers were used in the study.

5.4.4.7 Collection of the data

The next step in the marketing research process involves collecting the primary data from the respondents identified in the sampling procedure. This is the phase where questionnaires, survey and interviews need to be conducted (Iacobucci & Churchill, 2010:328). Fieldworkers generally used to conduct interviews with respondents and complete questionnaires. These fieldworkers should be properly chosen, trained, supervised, validated and evaluated to ensure that they understand the questions included in the questionnaire as well as the area of research (Cant *et al.*, 2008:179).

In this study the survey method was used to collect the primary data. Data was collected by means of a structured questionnaire. Items in the questionnaire were based on the SERVQUAL model adapted (only adaptations done to the questionnaires was to improve the flow of the questions and wording, no extra scales or dimensions were added) to fit this specific study. All questions were adapted to be applicable to the industry of the study; they were collated in the format of a book with a cover page explaining the purpose, objectives and application of the study.

Section A comprise of the demographic details of the respondents. Section B consists of a five point Likert scale, based on the 22 items in the SERVQUAL questionnaire. The five service quality dimensions were made up from the 22 and delegates had to give

their expectation and realisation on each item. Responses on this scale range from 1 = strongly agree to 5 = strongly disagree.

Questionnaires were hand-delivered to all respondents. The fieldworkers were selected and trained by the researcher. They were offered the opportunity to participate voluntarily, and were compensated financially for their assistance. Before executing the fieldwork, these recruits were trained in conducting fieldwork, and received detailed instructions on how to administer the questionnaires in the assigned research setting. The roles of the fieldworkers were to assist respondents by answering questions related to the research topic. The fieldworkers also had to check whether all the questions had been completed and whether the questions and instructions were clear to the respondent. This process was completed over a two month period during April to May 2014.

5.4.5 Step 5: Analyse data

Step six in the marketing research process involves preparing and analysing the primary data collected from the respondents. According to Iacobucci and Churchill (2010:32), data is useless unless the findings are correctly analysed and the results understood with reference to the research problem. Data analysis starts with preparing the data for editing and coding (Zikmund & Babin, 2012:352).

In this study the questionnaires were checked manually for completeness, consistency, accuracy and correct numbering (coding). All the returned data was captured on an excel spreadsheet. Finally, the SPSS statistical programme (SPSS, 2010) was used to capture the data and to create a data set. Analysis of the data also requires that the researcher should determine the reliability and validity of the study as well as different types of descriptive and multivariate statistics for analysis.

5.4.5.1 Reliability and validity

Welman *et al.* (2012:142) identified types of reliability and validity and are presented in Figure 5.8. According to Burns and Bush (2010:319) the success of a study is greatly influenced by the reliability and validity of the measurement instrument. Iacobucci and

Churchill (2010:258) define a reliable measure as: “one in which the respondent answers in a very similar manner to an identical or near-identical question”. Reliable feedback thus indicates the consistency of the measurement instrument. Malhotra (2010:318-319), Welman *et al.* (2012:142-149) and McDaniel and Gates (2010:313-316) have identified three approaches by means of which to assess reliability; these are test-retest, equivalent forms and internal consistency.

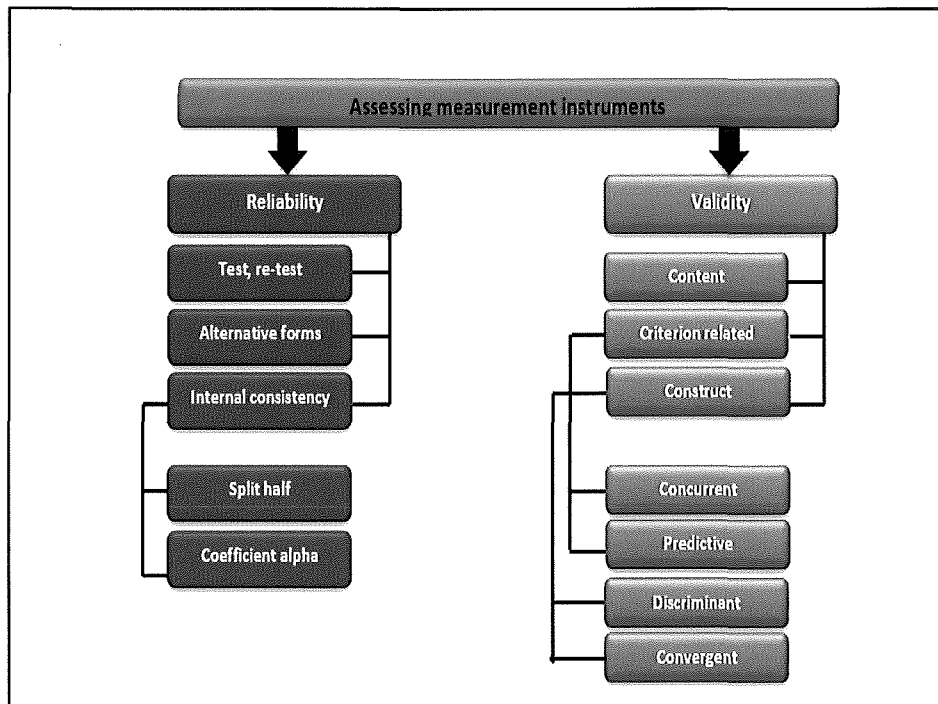


Figure 5.8: Types of reliability and validity

Source: Adapted from Welman *et al.* (2012:142-148)

a) Test-retest reliability

With test-retest reliability respondents answer the same questions with the same instrument at two different times periods under conditions that are similar or as near to similar as possible. Kent (2007:142) states that reliability is then determined by comparing respondents’ result of the first and second tests. There are certain problems associated with the test-retest approach (Malhotra, 2010:319):

- Time between retesting is crucial. The longer the time interval, the lower the correlation between the tests tends to be, and the lower the reliability.

- Respondents can maybe not be reached the second time, which makes retesting impossible.
- Respondents can remember their responses on the original test and this can change the outcome within the next test.
- Environmental or personal factors may change, influencing a respondent's outlook and, accordingly, affecting the results of the second test.

b) Equivalent/alternative forms reliability

According to McDaniel and Gates (2010:315) the problems associated with the test-retest approach can be prevented by creating equivalent forms of a measurement instrument. Equivalent forms reliability involves the same respondents completing two measurement instruments within different time-frames, but these instruments are identical in nature. The results are then compared in order to establish the reliability of the test (Malhotra, 2010:319). This method unfortunately also has its problems as the process of developing these equivalent forms is time-consuming and expensive, and not easy to achieve.

c) Internal consistency reliability

Cooper & Schindler (2011:285) explains that internal consistency reliability evaluates the consistency of results received across different items within a measuring instrument (Cooper & Schindler, 2011:285). Unlike test-retest and equivalent forms reliability, this method is administered once to the sample unit. The Cronbach alpha technique is the most popular technique in this instance and it indicates the extent to which all the items measure the same construct (Cooper & Schindler, 2011:285). According to Zikmund and Babin (2012:249) a Cronbach's alpha value between 0.80 and 0.96 indicates very good reliability, a value between 0.70 and 0.80 indicates good reliability, and a value between 0.60 and 0.70 indicates fair reliability. Scales with a Cronbach's alpha value below 0.60 indicate poor reliability.

For the purpose of this study the Cronbach's alpha values were used to determine the reliability of the measurement instrument (the questionnaire). The Cronbach's alpha values obtained for the questionnaire of this study ranged between 0.680 and 0.887. This indicated sufficient reliability.

The validity of the measurement instrument also needs to be established. Burns and Bush (2010:319) describe validity as: “the extent to which a test truthfully represents a concept”. Iacobucci and Churchill (2010:256-258), Leedy and Ormrod (2010:94) and Malhotra (2010:320-321) identify three major types of validity, namely content, criterion and construct validity. **Content validity** - According to Cooper & Schindler (2011:281) content validity on its own is not a sufficient measure this is due to this type of validity subjectively assessing the degree to which the measuring instrument sufficiently covers the aims and objectives of the study. **Criterion validity** - reflects whether a measurement instrument performs as expected in relation to other variables that have been selected as meaningful criteria. If these two variables are measured at the same time, concurrent validity is established, and if the measure can predict some future event, then predictive validity has been established (Malhotra, 2010:320). **Construct validity** - evaluates whether the measurement instrument actually did measure what it was originally intended to measure (Zikmund & Babin, 2012:250).

For the purpose of this study both face (as done by statistician and study leader) and construct validity were used. As for face validity, the questionnaire was pretested among a sample of 20 respondents from the target population so that they could assess whether the requisite statements had been included in the questionnaire. In terms of construct validity, a confirmatory factor analysis was conducted for each of the SERVQUAL dimensions measured in the questionnaire (Section 6.6.2).

5.4.5.2 Data analysis

Different descriptive and inferential statistics can be used when working with quantitative data and questionnaires. Churchill *et al.* (2010:454) define descriptive statistics as: “a method used to describe the distribution of responses on a variable in symbolic form”. Descriptive statistics permits the researcher to establish trends and properties of the data by analysing one variable (univariate analysis), two variables (bivariate analysis), or more than two variables (multivariate analysis) (Aaker *et al.*, 2011:446; Zikmund & Babin, 2012:325).

- **Descriptive statistical techniques**

A brief description of the descriptive statistical techniques used in this study follows below.

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- **Descriptive statistical techniques**

a) Frequencies

Frequencies (indicated by the symbol f) are the most basic kind of statistical description, and indicate a direct frequency count of the number of times a particular response of a variable occurs in every category (Field & Miles, 2010:559; Zikmund & Babin, 2012:336).

b) Percentage

Percentages are the quantity of respondents who answered a question in a specific way, noted as a percentage (Aaker *et al.*, 2011:438). Cooper and Schindler (2011:506) state that the use of a percentage has two purposes within data analysis: (1) it simplifies the data and (2) it allows for comparisons to be made between chunks of data.

c) Top and low box scores

Top box scores usually refer respondents who chose the most favourable response to a question whereas low box scores specify the opposite; these are the respondents who chose the least favourable response to a question. These scores are useful to researchers as they indicate a rather exclusive portion of respondents with extreme responses (Zikmund & Babin, 2012:327).

d) Mean

Kent (2007:310) describes the mean as a measure of central propensity, which is obtained by calculating through adding all the values in a distribution and dividing it by the number of observations made.

e) Standard deviation

The standard deviation determines the extent to which the data varies from the average data value of the population. This allows researchers to determine the amount of difference that exists between respondents in the sample (Malhotra, 2010:487).

- **Inferential statistical techniques**

A brief description of the inferential statistical techniques that are used in this study follows below. Burns & Bush (2010:463) state that inferential statistics builds on the results of descriptive statistics by drawing conclusions about a population from the data provided by the sample. In other words, the results from the research sample are generalised to the target population. Welman *et al.* (2012:237) proclaim that descriptive research comprises of comparing the mean of one group with the mean of another, and for this reason *t*-tests and analysis of variance (ANOVA) were appropriate inferential techniques to consider.

- a) **Paired-samples *t*-tests for dependent groups**

Churchill *et al.* (2010:461) define a paired-samples *t*-test for dependent groups as a technique used, “for comparing two means when scores for both variables are provided by the sample”.

In this study paired-sample *t*-tests for dependent groups were used to measure respondents’ expectations and realisations of the five SERVQUAL dimensions.

- b) ***T*-tests for independent groups**

T-tests for independent groups are typically used to make interpretations about the population mean by determining the statistical significance between a sample distribution mean and a population parameter (Burns & Bush, 2010:533). A *t*-test for independent groups, according to McDaniel and Gates (2010:540), should be used only with small sample sizes ($n \leq 30$), whereas a *z*-test is suggested for larger samples ($n \geq 30$). **In section 6.7.1 the *t*-test for independent groups are presented, urban vs rural expectations and also urban vs rural realisations.**

- c) **ANOVA**

Zikmund & Babin (2012:384) state that an analysis of variance (ANOVA) can be used to define the variances among the means of two or more independent. ANOVAs also test whether the means of independent samples or populations are equal. One-way ANOVAs are

variances within or between groups, post-hoc tests can also be used to determine where these variances are. Post-hoc tests are also created to safeguard against the likelihood of an error during comparisons. Two of the most common post-hoc tests include Tukey's Honestly Significant Different test (HSD) and the Scheffe test (Pallant, 2010:207).

In this study one-way ANOVA's (section 6.7) and two-way ANOVA's (section 6.8) were applied.

5.4.5.3 Guidelines for interpreting statistics

According to Wiid and Diggins (2009:246) statistical techniques such as paired-samples, *t*-tests for dependent groups, *t*-tests for independent groups and ANOVAs are applied with a view to define the statistical and practical significance of the data. These significance levels, whether it is statistical or practical, assist the researcher in the interpretation of the research results.

a) Statistical significance

If there is a particular difference found within the sample, and if this difference is large enough to be unlikely to have occurred because of chance or sampling error, then the difference is statistically significant (McDaniel and Gates, 2010:521). Meaning difference that is found in the sample really exists in the population from which the sample was taken. The level of significance is presented by the probability-value or p-value. A low p-value therefore suggests that the statistical expectation is true. The most acceptable amount of error, and therefore the acceptable significance level, is 0.1, 0.05, or 0.01 (McDaniel & Gates, 2010:524; Zikmund & Babin, 2012:380). For the purpose of this study a significance level of 0.05 was applied.

b) Practical significance

Practical significance was also tested within this study. Fraenkel *et al.* (2012:413) describe practical significance as a result that indicates that a research finding is practically important

c) **Practical significance for difference in means**

Cohen's effect size (*d*-value) can be applied in order to establish the effect size of the practical significance for the difference between two means according to Cooper & Schindler (2011:281). Cooper and Schindler (2011:281) explain that an effect size of 0.20 can be considered practically insignificant, whereas a practically significant effect size is indicated by a *d*-value of 0.80 or more; this can be depicted as follows:

- $0.20 \leq d < 0.50$ indicates small practical significance.
- $0.50 \leq d < 0.80$ indicates medium practical significance.
- $0.80 \leq d$ indicates large practical significance.

For the purpose of this study, if results were not statistically significant, the practical significance was not reported. Practically significant results of large ($d > 0.60$) effect sizes have been reported.

5.4.6 Step 6: Present results and implications

After all these steps have been completed, the final step in the marketing research process entails interpreting the research results, defining the implications and expressing the correct conclusions for managerial decisions and future research possibilities (Malhotra, 2010:11). This step is presented in Chapters 6 and 7 of this study, where the results of the research are presented and the findings of the results are interpreted and discussed.

5.5 APPLICATION OF EMPIRICAL DATA ANALYSIS RESULTS

As is depicted in Figure 5.9, from the data analysis possible gaps can exist between the respondents' expectations and realisations of SAABCC within the same province and also between provinces. Through identifying these possible gaps between respondents' expectations and realisations solutions can be proposed to combat these customer service gaps in the form of a proposed structure/guidelines; these can then be used by any beverage supplying company in South Africa to improve their service delivery to their customers.

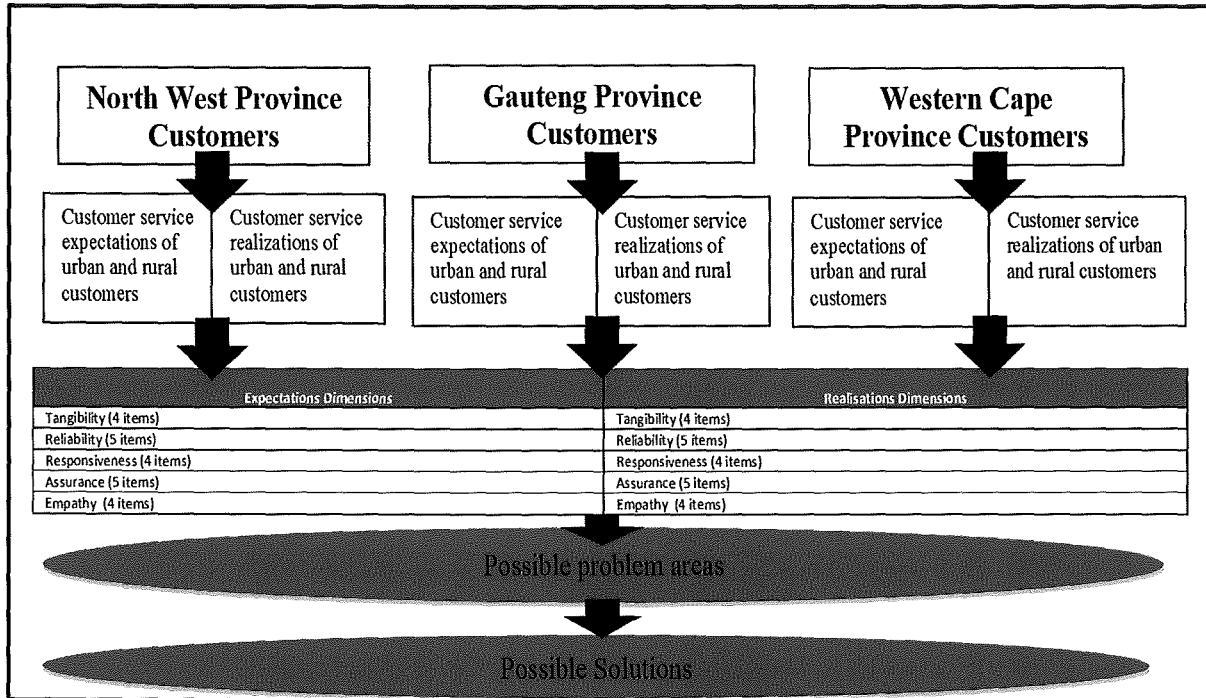


Figure 5.9: Proposed structure/guideline for SAABSC

5.6 CONCLUSION

In this chapter the way in which the marketing research process was applied to the current study is discussed. The research problem and objectives are clarified, the creation of a research design is discussed, and the process of selecting an appropriate research method and sample is explained. The final part of this chapter focuses on collecting, analysing and reporting the results of the primary data. The following chapter forms part of the final step of the marketing research process by representing the results obtained from the empirical research.

CHAPTER 6

RESEARCH RESULTS AND FINDINGS

6.1 INTRODUCTION

In the previous chapter the research methods and design used in this study were discussed in length. This chapter builds on the research methods described by presenting, discussing and interpreting the results obtained from the empirical research. This is necessary in order to be able to answer the research questions asked in Chapter 1, to make recommendations that will contribute to the development of the field of specialisation, and to assist the beverage supplying industry management in making strategic decisions to benefit from these recommendations.

SPSS Version 22.0 for Windows was used to perform and evaluate the data analysis. The statistical analysis was performed by the Statistical Consultation Services at the North-West University, Potchefstroom Campus. The first stage involved analysing the descriptive statistics. The next section discusses the preliminary data analysis procedure.

6.2 PRELIMINARY DATA ANALYSIS

A preliminary data analysis by means of coding and tabulation was performed before the data was analysed. The coding and tabulations of the data are discussed below.

6.2.1 Coding

Burns and Bush (2010:352) define coding as the “use of numbers associated with question response options to facilitate data analysis after the survey has been done”. The data should be grouped into relevant categories and numerical codes assigned to these categories. This creates a suitable data set for analysis.

Questions in the questionnaire used in this study were classified into the following three sections:

- Section A – demographical data of respondents.
- Section E – respondents’ expectations of alcoholic beverage supply companies’ service delivery.
- Section R – respondents’ realisations of alcoholic beverage supply companies’ service delivery.

For the purpose of this study *expectations* refers to that which the customers (respondents) of alcoholic beverage supply companies expect certain items of service delivery to be, or what satisfaction levels they would want to get out of specific service delivery items. *Realisations* refers to what the reality of customers (respondents) of alcoholic beverage supply companies are, this is to say what the real-life situation for the customers on the same service delivery items are.

One questionnaire was developed and was distributed among urban and rural customers of alcoholic beverage supply companies. These questionnaires measured the expectations and realisations of both customer groups separately. With the exception of urban and rural customers, the content of the questionnaire was identical.

6.2.2 Tabulation

To tabulate the data is the next step after the data has been coded. Cant *et al.* (2003:233) define tabulation as the “simple process of counting the number of responses in each of the categories”. There are different ways to tabulate data, this is usually through one-way tabulation or cross-tabulation. One-way tabulation focuses on the frequency of a single variable, whereas cross-tabulation compares two variables in one table. In the next section the realisation rate of the study is discussed.

6.3 REALISATION RATE

As discussed in the previous chapter, the questionnaires were hand-delivered by trained

Chapter 5 (page 162) 965 respondents were identified to form part of the final target population. Figure 6.1 displays the summary per province as identified in Chapter 1 and Chapter 5. Table 6.1 provides the data of the number of questionnaires distributed as well as the number of usable questionnaires obtained after editing and coding.

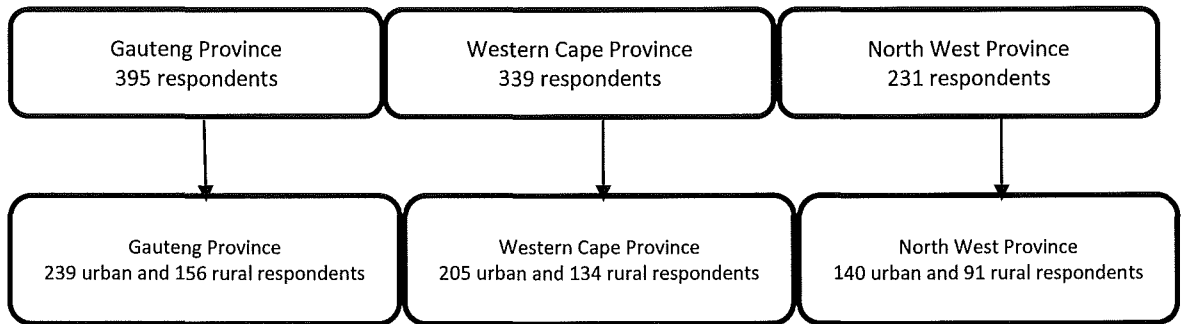


Figure 6.1: Summary of targeted respondents per province

As Table 6.1 indicates, 965 questionnaires were distributed to respondents. Due to certain questionnaires not being completed correctly or in full the total usable questionnaires that were obtained were 926, thus culminating in a realisation rate of 96%. When consulting with the statistical consultant at the North-West University (Potchefstroom Campus), it was determined that 926 questionnaires were sufficient for statistical analysis.

Table 6.1: Realisation rate

Province	Urban or Rural	Questionnaires distributed		Usable questionnaires	
		Frequency	% of distributed	Frequency	% of usable
North-West province	Urban	140	14.51	132	14.25
	Rural	91	9.43	87	9.4
Gauteng province	Urban	239	24.77	221	23.87
	Rural	156	16.17	152	16.41
Western Cape	Urban	205	21.24	202	21.81
	Rural	134	13.89	132	14.25
	Total	965	100	926	96

The next section outlines the demographic profile of the respondents.

6.4 DEMOGRAPHIC PROFILE OF RESPONDENTS

In order to comprehend the results obtained from the questionnaire fully, it was important to profile the type of respondent that receives delivery service from a SAABSC. The demographic profile of respondents that was determined in terms of gender, age, position in the business, highest qualifications, home language and type of business assisted in this regard. Demographic profiles form part of Section A of the questionnaire.

Table 6.1 reflects that most respondents were situated in Gauteng Province, followed by the Western Cape and North-West Province. From Table 6.2 it can be determined that more male respondent (71.30%) participated in the survey than female respondents (28.7%). The majority of male respondents (63.30%, 418 out of 660) were situated in urban areas. Urban female respondents were slightly more (51.5%, 137 out of 266) than in rural areas. The majorities (50.0%) of the respondents were aged between 31 and 40 years, followed by the ages between 41 to 50 (24.3%). In the urban areas 50.6% of the respondents were between the ages of 31 to 40 years, followed by the 41 to 50 age group at 24.5%. In the rural areas 49.1% of respondents were between the ages of 31 to 40 years, followed by 24% in the 41 to 50 age groups.

Table 6.2 also indicates that 81.9% of the respondents were business owners, 14.9% were senior managers and 3.2% middle managers. In both the urban and rural area the majority of respondents were business owners (Urban 79.8% and rural 84.9%). As depicted only 34.2% (13.4% + 11.2% + 9.6%) of the respondents had a post-matriculation qualification, with the majority (43.8%) of the respondents having only a matriculation certificate. A total of 38.2% of respondents in the urban areas had a matriculation certificate; in the rural areas 52.3% had a matriculation certificate.

There was also a good distribution between the home language of the respondents as displayed in Table 6.2, with 23.3% of respondents' home language being Tswana, 23.1% being English, 21.4% being Afrikaans, and 20.1% being Xhosa. In the urban areas 27.9% of respondents' home language was English, 22.9% Afrikaans, 19.3% Tswana and 18.9% Xhosa. Within the rural areas 29.4% respondents' home language was Tswana, 21.8%

Table 6.2: Demographic profile of respondents

			Count	%	Total Frequency	Total %
Gender	Male	Urban	418	75.30	660	71.27
		Rural	242	65.20		
	Female	Urban	137	24.70	266	28.73
		Rural	129	34.80		
Age	20-30	Urban	118	21.26	205	22.10
		Rural	87	23.45		
	31-40	Urban	281	50.63	463	50.00
		Rural	182	49.06		
	41-50	Urban	136	24.50	225	24.30
		Rural	89	23.99		
	51-60	Urban	20	3.60	33	3.60
		Rural	13	3.50		
Position in the business	Middle Manager	Urban	21	3.80	30	3.20
		Rural	9	2.40		
	Senior Manager	Urban	91	16.40	138	14.90
		Rural	47	12.70		
	Owner	Urban	443	79.80	758	81.90
		Rural	315	84.90		
Highest qualifications	Secondary (Grade 7-11)	Urban	122	22.00	203	21.90
		Rural	81	21.80		
	Matric	Urban	212	38.20	406	43.84
		Rural	194	52.30		
	Tertiary education	Urban	73	13.20	124	13.39
		Rural	51	13.70		
	Trade Program	Urban	71	12.80	89	9.61
		Rural	18	4.90		
	Tertiary qualification, (BA, Bcom etc)	Urban	77	13.90	104	11.23
		Rural	27	7.30		
Home language	Afrikaans	Urban	127	22.90	198	21.38
		Rural	71	19.10		
	English	Urban	155	27.90	214	23.11
		Rural	59	15.90		
	Zulu	Urban	61	11.00	112	12.10
		Rural	51	13.70		
	Tswana	Urban	107	19.30	216	23.33
		Rural	109	29.40		
	Xhosa	Urban	105	18.90	186	20.09
		Rural	81	21.80		
Type of business	Tavern	Urban	0	0.00	283	30.56
		Rural	283	76.30		
	Specialist liquor	Urban	159	28.60	159	17.17
		Rural	0	0.00		
	Counter Service	Urban	247	44.50	310	33.48
		Rural	63	17.00		
	Bar	Urban	63	11.40	63	6.80
		Rural	0	0.00		
	Informal re-distributor	Urban	76	13.70	101	10.91
		Rural	25	6.70		

In Table 6.2, depicting the type of business of the respondents, the Counter Service COT contributed 33.5% of the total population. This was followed by respondents in the Tavern COT at 30.6%, and Specialist Liquor at 17.2%. Counter Service contributed to 44.5% of the urban areas respondents COT; 28.6% were Specialist Liquor. Taverns contributed 76.3% of the rural areas respondents COT and 17.0% COT were contributed by Counter Service respondents. There was no Tavern COT within the urban areas as all of these were situated in rural areas.

The following section describes the descriptive statistics obtained from the study.

6.5 DESCRIPTIVE STATISTICS

Descriptive statistics are concerned with the description and/or summary of the data obtained for a group or individual, according to Welman *et al.*, (2012:230).

The frequency of response of urban area respondents is displayed in Table 6.3.

Table 6.3 represents the frequency of response from the urban area respondents' questionnaire. This questionnaire was successfully answered by 555 respondents. The results show the percentage of respondents that chose each option for each of the items. The mean values within the urban area expectations ranged from 1.35 to 1.90. The highest frequency of response on the high-volume expectations was on the *Strongly agree* and *Agree* options. The percentage frequency of these items ranged between 23.2% and 71.2%. There were no responses on the *Strongly disagree* option in the urban area responses.

The mean values within the urban area realisations ranged from 3.50 to 4.33. The majority of the frequency of response was on the *Neutral*, *Disagree* and *Strongly disagree* options. The percentage frequency on these items ranged from 4.0% to 72.4%. None of the respondents in the urban realisations questionnaire indicated that they strongly agreed on any of the items.

Table 6.3: Frequency of response: urban area respondents

Expectations - Urban area								
Dimension	Questionnaire Number	% of Strongly Agree	% of Agree	% of Neutral	% of Disagree	% of Strongly Disagree	Mean	Std Deviation
Tangible	E1	36.2%	62.0%	1.8%	0.0%	0.0%	1.66	0.51
	E2	25.8%	58.9%	15.3%	0.0%	0.0%	1.90	0.63
	E3	29.4%	62.9%	7.7%	0.0%	0.0%	1.78	0.57
	E4	33.2%	57.8%	8.3%	.7%	0.0%	1.77	0.62
Reliability	E5	32.3%	62.0%	5.8%	0.0%	0.0%	1.74	0.56
	E6	25.0%	63.1%	11.9%	0.0%	0.0%	1.87	0.59
	E7	27.6%	65.8%	6.7%	0.0%	0.0%	1.79	0.55
	E8	40.0%	47.6%	12.4%	0.0%	0.0%	1.72	0.67
	E9	31.9%	63.4%	4.7%	0.0%	0.0%	1.73	0.54
Responsiveness	E10	46.3%	48.1%	5.6%	0.0%	0.0%	1.59	0.59
	E11	23.2%	71.2%	5.6%	0.0%	0.0%	1.82	0.51
	E12	50.1%	44.3%	5.6%	0.0%	0.0%	1.55	0.60
	E13	39.1%	55.3%	5.6%	0.0%	0.0%	1.66	0.58
Assurance	E14	39.1%	56.2%	4.7%	0.0%	0.0%	1.66	0.57
	E15	62.0%	38.0%	0.0%	0.0%	0.0%	1.38	0.49
	E16	41.1%	54.2%	4.7%	0.0%	0.0%	1.64	0.57
	E17	39.8%	55.9%	4.3%	0.0%	0.0%	1.65	0.56
	E18	40.7%	59.3%	0.0%	0.0%	0.0%	1.59	0.49
Empathy	E19	64.7%	35.3%	0.0%	0.0%	0.0%	1.35	0.48
	E20	42.5%	55.1%	2.3%	0.0%	0.0%	1.60	0.54
	E21	38.2%	59.5%	2.3%	0.0%	0.0%	1.64	0.53
	E22	37.8%	57.5%	4.7%	0.0%	0.0%	1.67	0.56
Realisations - Urban areas								
Dimension	Questionnaire Number	% of Strongly Agree	% of Agree	% of Neutral	% of Disagree	% of Strongly Disagree	Mean	Std Deviation
Tangible	R 1	0.0%	.9%	51.9%	43.2%	4.0%	3.50	0.59
	R 2	0.0%	.4%	40.2%	54.6%	4.9%	3.64	0.58
	R 3	0.0%	1.8%	35.7%	53.7%	8.8%	3.70	0.65
	R 4	0.0%	3.6%	35.1%	56.9%	4.3%	3.62	0.63
Reliability	R 5	0.0%	0.0%	21.6%	51.2%	27.2%	4.06	0.70
	R 6	0.0%	0.0%	15.5%	40.9%	43.6%	4.28	0.72
	R 7	0.0%	0.0%	18.2%	52.3%	29.5%	4.11	0.68
	R 8	0.0%	0.0%	19.6%	27.4%	53.0%	4.33	0.78
	R 9	0.0%	0.0%	25.8%	58.2%	16.0%	3.90	0.64
Responsiveness	R 10	0.0%	1.6%	22.7%	30.3%	45.4%	4.19	0.84
	R 11	0.0%	2.2%	14.4%	60.9%	22.5%	4.04	0.67
	R 12	0.0%	1.3%	22.7%	37.5%	38.6%	4.13	0.80
	R 13	0.0%	3.2%	13.0%	68.1%	15.7%	3.96	0.64
Assurance	R 14	0.0%	2.3%	40.9%	49.2%	7.6%	3.62	0.66
	R 15	0.0%	1.6%	13.9%	50.3%	34.2%	4.17	0.72
	R 16	0.0%	2.3%	48.8%	38.2%	10.6%	3.57	0.71
	R 17	0.0%	3.1%	16.8%	72.4%	7.7%	3.85	0.59
	R 18	0.0%	3.6%	26.3%	62.0%	8.1%	3.75	0.65
Empathy	R 19	0.0%	0.0%	15.9%	48.6%	35.5%	4.20	0.69
	R 20	0.0%	1.4%	54.2%	29.7%	14.6%	3.57	0.75

There is thus a tendency towards a stronger expectation level in comparison with realisations among urban area respondents.

Table 6.4: Frequency of response: rural area respondents

Expectations - Rural areas								
Dimension	Questionnaire Number	% of Strongly Agree	% of Agree	% of Neutral	% of Disagree	% of Strongly Disagree	Mean	Std Deviaton
Tangible	E1	46.9%	50.9%	2.2%	0.0%	0.0%	1.55	0.54
	E2	29.4%	56.1%	14.6%	0.0%	0.0%	1.85	0.65
	E3	29.9%	62.5%	7.5%	0.0%	0.0%	1.78	0.57
	E4	32.9%	57.1%	9.2%	.8%	0.0%	1.78	0.64
Reliability	E5	29.6%	62.5%	7.8%	0.0%	0.0%	1.78	0.57
	E6	26.4%	58.0%	15.6%	0.0%	0.0%	1.89	0.64
	E7	27.0%	64.7%	8.4%	0.0%	0.0%	1.81	0.57
	E8	50.9%	33.4%	15.6%	0.0%	0.0%	1.65	0.74
Responsiveness	E9	35.0%	59.0%	5.9%	0.0%	0.0%	1.71	0.57
	E10	57.7%	37.7%	4.6%	0.0%	0.0%	1.47	0.58
	E11	25.1%	70.1%	4.9%	0.0%	0.0%	1.80	0.51
	E12	58.8%	36.7%	4.6%	0.0%	0.0%	1.46	0.58
Assurance	E13	39.6%	55.5%	4.9%	0.0%	0.0%	1.65	0.57
	E14	34.5%	60.9%	4.6%	0.0%	0.0%	1.70	0.55
	E15	66.3%	33.7%	0.0%	0.0%	0.0%	1.34	0.47
	E16	50.4%	45.0%	4.6%	0.0%	0.0%	1.54	0.58
Empathy	E17	47.4%	47.7%	4.9%	0.0%	0.0%	1.57	0.59
	E18	53.6%	46.1%	.3%	0.0%	0.0%	1.47	0.50
	E19	64.7%	35.3%	0.0%	0.0%	0.0%	1.35	0.48
	E20	42.0%	54.7%	3.2%	0.0%	0.0%	1.61	0.55
	E21	36.9%	59.8%	3.2%	0.0%	0.0%	1.66	0.54
	E22	38.5%	55.0%	6.5%	0.0%	0.0%	1.68	0.59
Realisations - Rural areas								
Dimension	Questionnaire Number	% of Strongly Agree	% of Agree	% of Neutral	% of Disagree	% of Strongly Disagree	Mean	Std Deviation
Tangible	R 1	0.0%	.8%	51.5%	43.4%	4.3%	3.51	0.59
	R 2	0.0%	1.6%	39.4%	52.6%	6.5%	3.64	0.63
	R 3	0.0%	2.2%	32.9%	54.2%	10.8%	3.74	0.67
	R 4	0.0%	4.3%	29.4%	61.7%	4.6%	3.67	0.63
Reliability	R 5	0.0%	0.0%	21.6%	51.8%	26.7%	4.05	0.69
	R 6	0.0%	0.0%	15.4%	39.4%	45.3%	4.30	0.72
	R 7	0.0%	0.0%	18.6%	52.0%	29.4%	4.11	0.69
	R 8	0.0%	0.0%	20.8%	26.7%	52.6%	4.32	0.80
Responsiveness	R 9	0.0%	0.0%	27.5%	55.3%	17.3%	3.90	0.66
	R 10	0.0%	.8%	20.5%	29.9%	48.8%	4.27	0.81
	R 11	0.0%	.5%	13.2%	62.3%	24.0%	4.10	0.62
	R 12	0.0%	.3%	20.5%	39.6%	39.6%	4.19	0.76
Assurance	R 13	0.0%	2.4%	11.1%	71.7%	14.8%	3.99	0.60
	R 14	0.0%	1.3%	41.8%	49.1%	7.8%	3.63	0.65
	R 15	0.0%	1.6%	12.4%	50.4%	35.6%	4.20	0.71
	R 16	0.0%	1.6%	46.1%	42.0%	10.2%	3.61	0.65
	R 17	0.0%	1.9%	19.9%	70.6%	7.5%	3.84	0.57
	R 18	0.0%	1.9%	30.5%	58.5%	9.2%	3.75	0.66
	R 19	0.0%	0.0%	15.1%	48.0%	36.9%	4.22	0.66
	R 20	0.0%	0.0%	15.1%	48.0%	36.9%	4.22	0.66

Table 6.4 represents the frequency of response from the rural area respondents. The questionnaire was successfully answered by 371 respondents. The results show the percentage of respondents that chose each option for each of the items.

The mean values within the rural realisations ranged from 1.34 to 1.89. The highest frequency of response in the urban respondents' expectations was on the *Strongly agree* and *Agree* options. The percentage frequency on these options ranged from 25.1% to 70.1%. The majority of the frequency of response within the rural area realisations were also to the *Neutral*, *Disagree* and *Strongly disagree* options. The mean values range from 3.51 to 4.32. None of the respondents in the rural questionnaire indicated that they strongly disagreed on any of the items.

Thus there is a tendency towards a stronger expectation level in comparison with realisations among rural area respondents.

6.6 VALIDITY OF THE STUDY

According to Bradley (2010:322) *factor analysis* is a term that is used to describe a set of techniques used to reduce and compile data. It seeks to establish the factors underlying any relationship. This method purpose is to discover simple patterns, and it happens by combining the variables and minimising them to a small set of factors. For the purpose of this study both exploratory and confirmatory factor analysis were conducted.

The questionnaire was designed into different factors based on the five dimensions of service quality, namely tangibility, reliability, responsiveness, assurance and empathy. These are reflected in Table 6.3 and in Table 6.4. The items in each dimension as identified in the literature are reflected in Table 6.5. Tangibility consisted of 4 items, reliability of 5 items, responsiveness of 4 items, assurance of 5 items and empathy of 4 items.

Table 6.5: Dimension items as identified in literature

Dimension	Question
Tangible	1. Alcoholic beverage supplying companies will have modern looking equipment.
	2. The physical delivery trucks at alcoholic beverage supplying companies will be visually appealing.
	3. Employees at alcoholic beverage supplying companies will be neat in their appearance.
	4. Materials associated with the service (pamphlets or statements) will be visually appealing at alcoholic beverage supplying companies.
Reliability	5. When alcoholic beverage supplying companies promise to do something by a certain time, they do.
	6. When a customer has a problem, the alcoholic beverage supplying companies will show a sincere interest in solving it.
	7. Alcoholic beverage supplying companies will perform the service right the first time.
	8. Alcoholic beverage supplying companies will provide the service at the time they promise to do
	9. Alcoholic beverage supplying companies will insist on error free invoicing.
Responsiveness	10. Employees of alcoholic beverage supplying companies will tell customers exactly when services will be performed.
	11. Employees of alcoholic beverage supplying companies will give prompt service to customers.
	12. Employees of alcoholic beverage supplying companies will always be willing to help customers.
	13. Employees of alcoholic beverage supplying companies will never be too busy to respond to customers' requests.
Assurance	14. The behaviour of employees in alcoholic beverage supplying companies will instill confidence in customers
	15. Customers of alcoholic beverage supplying companies will feel safe in transactions.
	16. Employees of alcoholic beverage supplying companies will be consistently courteous with customers.
	17. Employees of alcoholic beverage supplying companies will have the knowledge to answer customers' questions.
	18. Alcoholic beverage supplying companies will give customers individual attention.
Empathy	19. Alcoholic beverage supplying companies will have operating hours convenient to all their customers.
	20. Alcoholic beverage supplying companies cares about their customers businesses.
	21. Alcoholic beverage supplying companies will have their customers' best interest at heart.
	22. The employees of alcoholic beverage supplying companies will understand the specific needs of their customers.

For the purpose of this analysis, no differentiation was made between urban and rural respondents' responses. Expectations and realisations were treated as separate units within the context of the factor analysis. They are depicted in table format, reflecting their determinant, Kaiser-Meier-Olkin (KMO), Bartlett's test results (Sig.) determinant, and their communalities and total variance explained for respondents' expectations and realisations separately.

6.6.1 Exploratory factor analysis

Table 6.6 reflect the KMO, Bartlett's test and communalities for the expectations section of the questionnaire.

Table 6.6: KMO, Bartlett's test and communalities results: Expectations

KMO and Bartlett's Test - Expectations		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.724
Bartlett's Test of Sphericity	Approx. Chi-Square	6748.832
	df	231
	Sig.	0.000
Communalities		
	Initial	Extraction
E 1	1.000	.730
E 2	1.000	.801
E 3	1.000	.650
E 4	1.000	.671
E 5	1.000	.503
E 6	1.000	.685
E 7	1.000	.591
E 8	1.000	.622
E 9	1.000	.516
E 10	1.000	.789
E 11	1.000	.683
E 12	1.000	.784
E 13	1.000	.782
E 14	1.000	.548
E 15	1.000	.656
E 16	1.000	.725
E 17	1.000	.602
E 18	1.000	.510
E 19	1.000	.708
E 20	1.000	.726
E 21	1.000	.683
E 22	1.000	.817

The Kaiser-Meier-Olkin (KMO) measure measures sampling adequacy. Sample adequacy, according to Field (2009:25), reflects the ability of the sample to contain the organism of interest. A result of < 0.5 is perceived as not acceptable; between 0.5 and 0.7 is medium; 0.7 - 0.8 is good; 0.8 - 0.9 is very good and > 0.9 is superb. The returned result on expectations of respondents was 0.724. This indicates that the sample sizes were acceptable.

A Bartlett's test was also conducted; Field (2009:25) states that it measures whether the correlations between the items are high enough; the p-value returned must be lower than 0.05 to reflect adequate correlation. This section returned a p-value of < 0.05 . This shows a high enough correlation between the section items.

Communalities in Table 6.6 reflect the proportion of the item's variances explained by the factors. All communalities must be above 0.3 (Field 2009:25). All the communalities for this section were above 0.3 and this shows that the proportion variance of the item as explained by the factors is sufficient.

Table 6.7 displays the total variance of the respondents' expectations. The total variance is explained by extracted factors, and it must be higher than 50%. The expectations of

Table 6.7: Total variance explained: Expectations

Total Variance Explained - Expectations				
Component	Initial Eigenvalues			Cumulative %
	Total	% of Variance		
1	3.472	15.783		15.783
2	2.775	12.614		28.398
3	2.480	11.274		39.672
4	1.961	8.914		48.585
5	1.857	8.441		57.027
6	1.184	5.383		62.410
7	1.054	4.789		67.199
8	.879	3.995		71.194
9	.758	3.445		74.639
10	.659	2.995		77.633
11	.607	2.761		80.394
12	.553	2.512		82.906
13	.551	2.505		85.411
14	.497	2.260		87.670
15	.450	2.047		89.718
16	.429	1.951		91.669
17	.361	1.642		93.311
18	.352	1.600		94.911
19	.333	1.514		96.425
20	.297	1.352		97.777
21	.261	1.184		98.961
22	.229	1.039		100.000

The pattern matrix of the respondents' expectations is displayed and explained next (Table 6.8). To facilitate the explanation the items have been colour-coded according to the items as explained in literature.

Table 6.8: Principal Component Analysis, Rotation Method: Expectations

	Pattern Matrix - Expectations						
	Component						
	1	2	3	4	5	6	7
E 2	.898						
E 1	.859						
E 3	.806						
E 4	.798						
E 16		.814					
E 15		.810					
E 17		.737					
E 14		.732					-.205
E 6			-.831				
E 8			-.797				
E 7			-.764				
E 5			-.709				
E 9			-.685				
E 12				.885			
E 13				.880			
E 22					-.904		
E 20					-.856		
E 21					-.743		.279
E 18						.902	
E 11				.819		.745	
E 19							.846
E 18		.248					.576

From Table 6.8 it is evident that factor 1 (Tangibility, E1-E4), factor 2 (Assurance, E14-E18)

Factor 4 and 6 (Responsiveness, E10 - E13), and factor 5 and 7 (Empathy, E19 - E22) were regarded as two different factors by respondents.

Upon investigation (depicted in Table 6.9) it was found that in the dimension *Responsiveness*, question E11 and E13 were still regarded by respondents as the responsiveness of SAABSC but only time-based, whereas question E10 and E12 were seen as attitude responsiveness. Therefore the factor will be treated as one for the purpose of this study.

Table 6.9: Responsiveness items

Responsiveness	10. Employees of alcoholic beverage supplying companies will tell customers exactly when services will be performed.
	11. Employees of alcoholic beverage supplying companies will give prompt service to customers.
	12. Employees of alcoholic beverage supplying companies will always be willing to help customers.
	13. Employees of alcoholic beverage supplying companies will never be too busy to respond to customers' requests.

When looking at the *Empathy* dimension items (depicted in Table 6.10), question E20 - E22 were seen as normal empathy. Question E19 was regarded by respondents as a type of practically expected empathy. For the purpose of the study it will be viewed as one factor going forward.

Table 6.10: Empathy items

Empathy	19. Alcoholic beverage supplying companies will have operating hours convenient to all their customers.
	20. Alcoholic beverage supplying companies cares about their customers businesses.
	21. Alcoholic beverage supplying companies will have their customers' best interest at heart.
	22. The employees of alcoholic beverage supplying companies will understand the specific needs of their customers.

The structure of the expectations dimensions are confirmed with CFA in the next section. The KMO, Bartlett's test and communalities for the realisations section of the questionnaire are discussed.

The returned KMO result on realisations of respondents as depicted in Table 6.11 was 0.575. This indicates that the sample sizes were acceptable. A Bartlett's test was also conducted on the respondents' realisations; this section returned a p-value of < 0.05. This shows a high enough correlation between the section items.

Communalities extraction in Table 6.11 was above 0.3 for this section and this shows that the

Table 6.11: KMO, Bartlett's test and communalities results: Realisations

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.575
Bartlett's Test of Sphericity	Approx. Chi-Square	11066.921
	df	231
	Sig.	0.000
Communalities		
	Initial	Extraction
R 1	1.000	.603
R 2	1.000	.446
R 3	1.000	.694
R 4	1.000	.491
R 5	1.000	.729
R 6	1.000	.604
R 7	1.000	.709
R 8	1.000	.739
R 9	1.000	.685
R 10	1.000	.718
R 11	1.000	.532
R 12	1.000	.652
R 13	1.000	.525
R 14	1.000	.604
R 15	1.000	.669
R 16	1.000	.653
R 17	1.000	.579
R 18	1.000	.698
R 19	1.000	.823
R 20	1.000	.697
R 21	1.000	.597
R 22	1.000	.569

Table 6.12 displays the total variance of the respondents' realisations. The total variance is explained by extracted factors and must be higher than 50%. The realisations of respondents displayed that five factors were returned, explaining 63.707% of the variance.

Table 6.12: Total variance explained: Realisations

Total Variance Explained - Realisations			
Component	Initial Eigenvalues		
	Total	Variance	Cumulative %
1	3.629	16.497	16.497
2	3.053	13.876	30.372
3	2.693	12.242	42.614
4	2.426	11.029	53.644
5	2.214	10.063	63.707
6	.959	4.360	68.066
7	.855	3.885	71.952
8	.801	3.639	75.591
9	.751	3.414	79.005
10	.645	2.931	81.936
11	.615	2.796	84.732
12	.506	2.299	87.031
13	.470	2.137	89.168
14	.443	2.012	91.180
15	.411	1.866	93.046
16	.373	1.695	94.741
17	.277	1.258	95.999
18	.262	1.189	97.188
19	.216	.983	98.171
20	.200	.910	99.080
21	.183	.830	99.910

The pattern matrix in Table 6.13 shows that the realisation section of the questionnaire returned five factors, these being factor 1 (Reliability R5 - R9), factor 2 (Assurance R14 - R18), factor 3 (Empathy R 19 - R22), factor 4 (Responsiveness R10 - R13) and factor 5 (Tangibility R1-R4), thus confirming construct validity.

Table 6.13: Principal Component Analysis. Rotation Method: Realisations

Pattern Matrix - Realisations					
	Component				
	1	2	3	4	5
R 8	.859				
R 5	.855				
R 7	.843				
R 9	.826				
R 6	.771				
R 18		.821			
R 15		.819			
R 16		.805			
R 14		.777			
R 17		.746			
R 19			.905		
R 20			.832		
R 21			.771		
R 22			.753		
R 10				0.848	
R 12				0.807	
R 11				0.727	
R 13				0.719	
R 3					.831
R 1					.767
R 4					.694
R 2					.662

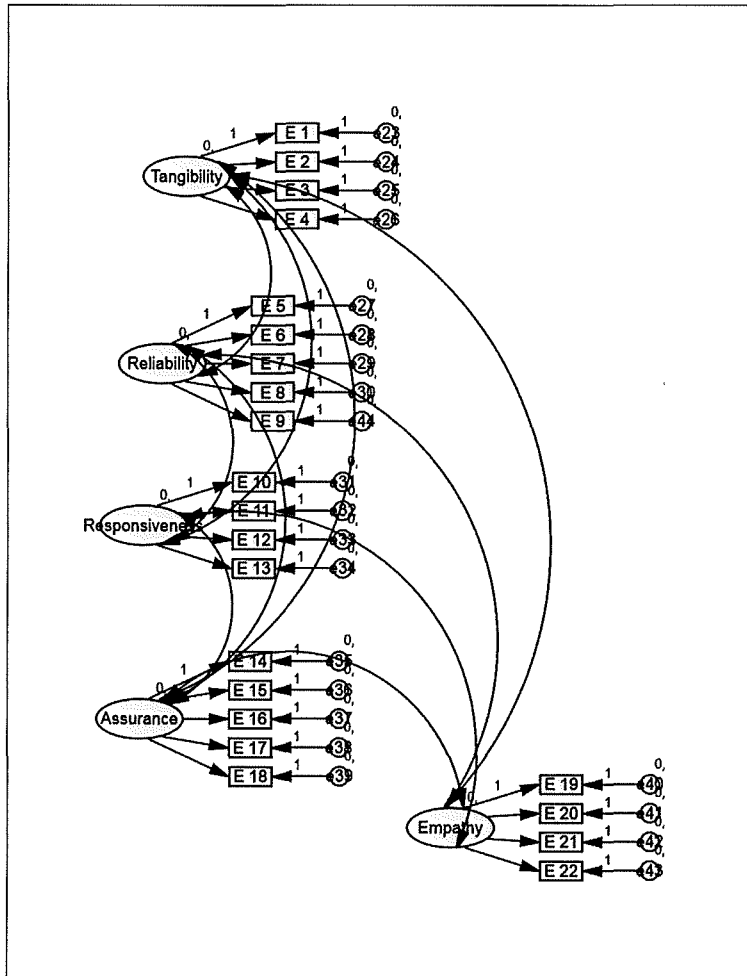
In the following section the returned results on the confirmatory factor analysis that was done on respondents are discussed.

6.6.2 Confirmatory factor analysis on expectations

In this section the confirmatory factor analysis model for expectations based on the theoretical SERVQUAL dimensions is outlined. The goodness of fit statistics of these models is also explained.

The confirmatory factor analysis model for expectations is indicated in Figure 6.2. Dimensions were grouped based on collected empirical data and are as follows: Tangibility (E1 - E4), Reliability (E5 - E9), Responsiveness (E10 - E13), Assurance (E14 - E18) and

Figure 6.2: Confirmatory factor analysis model: Expectations



The standardised regression weights (β) and correlations between the SERVQUAL constructs based on the items and dimensions for expectations, as indicated in Table 6.14 are all statistically significant and interpretable. The standardised regression weight for E19 was only 0.088, while all other regression weights were above 0.209. This confirms results in exploratory factor analysis that E19 does not load together with other empathy items but is loaded as a unique factor – practical expected empathy. As explained for exploratory factor analysis it will be viewed as part of the Empathy dimension.

Table 6.14: Standardised regression weights: Expectations

Expectations - Items				
			p-value	β weight
E1	<---	Tangibility	< 0.001	0.758
E2	<---	Tangibility	< 0.001	0.894
E3	<---	Tangibility	< 0.001	0.709
E4	<---	Tangibility	< 0.001	0.766
E5	<---	Reliability	< 0.001	0.587
E6	<---	Reliability	< 0.001	0.829
E7	<---	Reliability	< 0.001	0.744
E8	<---	Reliability	< 0.001	0.671
E10	<---	Responsiveness	< 0.001	0.798
E11	<---	Responsiveness	< 0.001	0.397
E12	<---	Responsiveness	< 0.001	0.757
E13	<---	Responsiveness	< 0.001	0.209
E14	<---	Assurance	< 0.001	0.530
E15	<---	Assurance	< 0.001	0.686
E16	<---	Assurance	< 0.001	0.831
E17	<---	Assurance	< 0.001	0.711
E18	<---	Assurance	< 0.001	0.371
E19	<---	Empathy	< 0.001	0.088
E20	<---	Empathy	0.012	0.703
E21	<---	Empathy	0.012	0.650
E22	<---	Empathy	0.012	0.916
E9	<---	Reliability	< 0.001	0.571

In Table 6.15 the correlation between expectations dimensions is represented.

Table 6.15: Correlation between expectations dimensions

Expectations - Dimensions				
			p-value	Correlation
Tangibility	<->	Reliability	<0.001	0.146
Tangibility	<->	Responsiveness	0.463	0.029
Tangibility	<->	Assurance	0.681	-0.016
Empathy	<->	Tangibility	0.036	0.144
Reliability	<->	Responsiveness	0.540	0.025
Reliability	<->	Assurance	0.463	0.029
Empathy	<->	Reliability	0.063	0.107
Responsiveness	<->	Assurance	0.174	0.057
Empathy	<->	Responsiveness	0.321	0.043
Empathy	<->	Assurance	0.041	0.139

In Table 6.15 it is evident that the p-value of three correlations are below 0.05, which indicates a statistically significant correlation. These were on the Tangibility-Reliability, Empathy-Tangibility and Empathy-Assurance dimensions. All three correlation values of these dimensions were small, which indicates that the correlation between the factors are also small (Tangibility-Reliability ($r = 0.146$), Empathy-Tangibility ($r = 0.144$) and Empathy-Assurance ($r = 0.139$)). The conclusion can then be drawn that all dimensions of expectation can be seen as different dimensions