

**A STUDY OF THE APPLICATION OF RELATIONSHIP  
MARKETING STRATEGY BY THE COURIER INDUSTRY:**

**A CASE STUDY OF G4S KENYA LIMITED**

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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN  
PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE  
DEGREE OF MASTERS IN BUSINESS ADMINISTRATION,  
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.**

**DECLARATION**

This is my original work and has not been presented for a degree or any other award in any other University.

Sign ..... Date.....

**Kinyua Nelson M**

This management project has been submitted for examination with my approval as University Supervisor.

Sign ..... Date .....

**Dr. Raymond M Musyoka**

## **DEDICATION**

This research project is dedicated to my parents; John Kinyua and Rael Wairimu for the personal sacrifices they made to make me achieve everything i have in my life. Dad and mum, thank you for believing in me from a tender age; you gave me the inspiration and drive to be who i am. I will be indebted to you forever.

May the Almighty God give you long lives and may He continue to Bless you abundantly.

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To one and all, I am very grateful for your kind support.

## ABBREVIATIONS

CCK	.....	Communication Commission of Kenya
FedEx	.....	Federal Express
UPS	.....	United Parcel Services
DHL	.....	Document Handling Company Ltd
PCK	.....	Postal Corporation of Kenya
UNCPC	.....	United Nations Central Product Classification
GDP	.....	Gross Domestic Product
EMS	.....	Expedited Mail Service
KCA	.....	Kenya Communication Act
RM	.....	Relationship Marketing
CRM	.....	Customer Relationship Marketing
CKM	.....	Customer Knowledge Management
KM	.....	Knowledge Management
IT	.....	Information Technology
FAQ'S	.....	Frequently Asked Questions

## ABSTRACT

The Courier Industry in Kenya comprises of establishments primarily engaged in providing collection, transportation and delivery services of letters, parcels or small size articles, as well as providing customers with fast, convenient and flexible business express services (CCK Annual Report 2006/2007). Due to liberalization and the demands of customers, this has called for differentiation in services for competitive advantage, hence the growth in importance of relationship marketing as a competitive strategy.

The objectives of the study were;

- 1) To establish the extent to which G4S Kenya practice Relationship Marketing,
- 2) To assess the attitude of managers towards Relationship Marketing
- 3) To establish the relationship marketing practices adopted by G4S Kenya
- 4) To establish the challenges faced by managers while practicing the Relationship Marketing strategies at G4S

The population of interest consisted of five employees in the top and middle level management of the G4S Kenya at the Kenya office headquarters in Nairobi. The G4S Kenya officials targeted for interviewing were the heads of marketing, operations, human resource, finance and administration. The data was collected using both structured and unstructured questionnaires. The response rate was 100%. The data was analyzed using descriptive statistics and results of the findings were presented in tables and percentages.

From the research findings, it was noted that there were various relationship marketing strategies adopted by G4S Kenya which include; identification and monitoring of trends of consumer changing needs, appealing customers emotional response, communication systems, ensuring customer friendly systems, upgrading of product/service quality, customer comfort, pioneer advantage, service quality and personalization of products/services.

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## **CHAPTER ONE - INTRODUCTION**

### **1.1 Background**

Porter (1980) states that strategy is a central vehicle for attaining certain competitive advantages. Many corporate organizations have witnessed accelerated and enhanced globalization, in both pace and magnitude in the latter half of the 20<sup>th</sup> Century (Ohmae, 2000). Consequently, such globalization trends have forced many firms, multinationals and other local enterprises, to reassess their competitive strategies and consciously create, renew and hopefully sustain their competitive advantages' in the global market place (Porter, 1990). As Kotler (1999) puts it, the world has become one market place due to globalization.

A wide range of critical business challenges characterizes the dynamic and rapidly changing environment in which organizations operate today (Higgins, 1989). The powerful forces of globalization have yielded significant effects on the levels of competition, efficiency and productivity of many companies in the world (Maleche, 2004). The impact of information technology, intellectual capital and change cannot be overlooked (Samms, 2000). According to Ulrich (1998), successful organizations will be those that are able to quickly turn strategy into action, manage processes intelligently and efficiently, maximize employee contribution and commitment and create the conditions that are seamless for change.

Many companies have resorted to survival strategies that would lead to profitability through growth in sales and revenues (Kirui, 2003). Changing customer values and orientations; economic, political and social problems (Kotler and Armstrong, 1997); means that it is no longer enough to concentrate all efforts on products and marketing activities. Levit (1983) predicted that the future would be marked by intense business relationship in all areas of marketing of frequently purchased consumer goods and services. For far too long, business managers have concentrated far more on how to attract customers to purchase their products and services than on how to retain them. According to Berry and Gresham (1986) it is crucial that marketing be thought of in terms of having customers, and not merely acquiring customers as fierce competition reshapes the business environment.

### **1.1.1 The Concept of Relationship Marketing**

Morgan and Hunt, (1994) describe the Relationship Marketing process as one of establishing, developing and maintaining successful relational exchanges. It is an approach which emphasizes the continuing relationships that should exist between the organization and its clients. Various other terms have been used either as substitutes for the concept or to describe some close parallel e.g micro marketing, loyalty marketing, wraparound marketing, customer partnering, symbiotic marketing and interactive marketing. Gummesson (1994) supports the view that Relationship Marketing represents a new marketing paradigm and the beginning of a new theory. According to Evans and

Laskin (1994), Relationship Marketing is a customer centered approach whereby a firm seeks long term business relationships with prospective and existing customers.

According to Ganesan (1994) a relationship marketing approach entails building a long term relationship between a buyer and a seller where both sides trust that, overtime, the benefits achieved by both will be equal. Therefore the benefits achieved by either in any individual transaction does not have to be equal because both sides trust that many future equalizing transactions will take place. Establishing a relationship with a customer therefore involves both attracting the customer and building the relationship with that customer so that the economic goals of the relationship are achieved.

Similarly, Gronroos (1990) who has opened up the debate on Relationship Marketing states that; “marketing is to establish, maintain and enhance.... relationships with customers and other partners, at a profit so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises”. Gronroos (1990) regards relationship marketing as marketing to establish, maintain, enhance and commercialize customer relationships so as the objectives of the parties are met. He indicates that beyond commercial interest, partners recognize the mutual benefit to be derived from such a relationship. This definition attempts to incorporate both the transactional and relational qualities of marketing. Given the strength of argument for Relationship Marketing schemes, the researcher considers the underutilization of Relationship Marketing in the courier industry as surprising. Overall the suitability of Relationship Marketing for a firm is to be based upon the characteristics of a market place where there is weak brand loyalty and the company can easily develop a customer data base from the courier services transacted for clients.

In the current competitive market place, there is need to reduce the cost of acquiring new customers. It is between five and ten times as expensive to win a new customer as it is to retain an existing one (Banes and Cumby, 1993). Buttle (1996), notes that there are the direct costs of conversion of a prospect into a customer (selling costs, commissions, product samples, credit-checking costs, administrative costs and database costs) as well

as the costs of unsuccessful prospecting. Thus keeping customers loyal is a sensible business strategy.

The value of customer relationships is particularly noteworthy in the service sector for a variety of reasons; first because services are intangible and customers have little to evaluate prior to making purchase commitment. Oliver (1999) has argued that customer loyalty, service quality and satisfaction are linked and are part of the cognitive process. The service provider may be the most tangible aspect of the service and in the eyes of customers may be equated with the service itself. Secondly, the difficulty of evaluating services prior to making purchase commitments often means that the customers must rely on the credibility of service providers and their prior experiences with an aim to understand whether the promised service will meet their expectations. The customer generally does not purchase services per se, but the perceived value.

A strong, healthy relationship between customers and service providers encourages the trust that is necessary for customers to commit to the service. Similarly, because it is often not possible to remove defective products before they reach customers; strong relationship often helps to recover from inevitable mishaps. Kalakota and Robinson (2001) state that “the timely delivery of excellent service is customer relationship management”. Customer relationship management plays a major role in dealing with mishaps. Professional services, in particular, require a high degree of interaction and the resulting service can suffer if due care is not taken at the initial stage. Technical, economic and psychological factors have been proposed as factors that can influence customers to switch suppliers (Greener and Brown, 1997)

Driven by intense competition, escalating marketing costs, and shortage of new sales prospects, relationship marketing's emphasis is customer satisfaction and repeat patronage (Kotler, 1991). Product/service quality initiatives, responsive and direct communication with customers, internal marketing, continuity or membership programs, customer to customer compatibility, management, affective engineering campaigns, and more detailed customer profiling leading to increased customization, are but a few of the

many strategies and tactics used to cement relationship marketing, that improves profitability and facilitates company growth (Reichheld and Sasser,1990)..

In the traditional approach to marketing, the marketing mix; i.e product, price, place, promotion - is recognized as the most important aspect of competition. Relationship marketing approach on the other hand recognizes that other than the marketing mix, competition is dependent on the development and execution of good customer relationship (Gronroos, 1990). A relationship marketing strategy is value enhancing thus creates a competitive advantage over a traditional marketing strategy that is transaction based.

Rosenberg and Czepiel (1984) note that as market forces reshape the environment in which consumer marketing operates, customer retention through the development of relationships is taking on a greater importance. In the past consumer marketing efforts have been geared towards attracting a stream of new customers, with efforts towards customer retention being neglected. Yet research shows that marketing costs per unit sales are typically lower for existing customers than for customer prospects (Berry and Gresham, 1986). ‘...it is easier to expand sales from an already loyal customer base than to convert nonshoppers’ ( Leblang 1981) hence the need for establishing relationship with existing customers and marketing strategies directed at them. In retailing, customer relationship marketing targets a set of regular customers and the relationship tactics have most often been part of an overall relationship strategy than is applied similarly to all the regular customers.

Over the years, marketers have treated their prospects and customers as a mass. These customers and prospects however no longer wish to be treated en-masse, but instead wish to be treated as individuals, leading to a marketing strategy revolution. This has necessitated a paradigm shift in strategic thinking among many marketing circles (Stacey, 1983).

According to Anton (1996) customer value is created when a supplier has a positive effect on a customer's business or, in the case of end users, their personal satisfaction. The greater the level of customer satisfaction with the relationship, not just the product or service, the greater the likelihood that the customer will stay with supplier. Customer retention and profitability are directly related and the longer the customer stays with the supplier the higher the likelihood they will place greater amount of business, even to the point of single sourcing. Retained customers also cost less to the service and they are less likely to be motivated solely by price. Selling to the existing customers has been proven to be more cost effective than the cost of searching for new ones (Hartley et al, 1995; Jackson, 1985). Relationship marketing has therefore emerged to ensure existing customers are retained for future profitability.

Similarly, because it is often not possible to remove defective services before they reach customers, a strong relationship often helps to recover from inevitable mishaps. Customers trust service providers to take whatever corrective actions necessary to ensure quality service and preserve the relationship. Next the production of many services requires that customers and service providers interact with one another. Professional services, in particular, require a high degree of interaction. If rapport fails to materialize or relationship is otherwise strained, the quality of interaction and the resulting service can suffer. Finally, many services are somewhat discretionary in the sense that customers can perform them themselves.

### **1.1.2 General Overview of the Courier Industry**

A courier is a person or company employed to deliver messages, packages and/or mail. Couriers are distinguished from ordinary mail services by features such as speed, security, tracking, signature, specialization and individualization of services, and are committed to delivery times, which are optional for most everyday mail services. As a premium service, couriers are usually more expensive than ordinary mail service, and their use is typically restricted to packages where one or more of these features are considered important enough to warrant the cost.



It began with messengers: the general post office, but over time a fledgling industry has developed from this simple act of conveying mails, packages and goods. The industry which was previously known as courier has grown even further beyond its original scope. Different courier services operate on all scales, from within specific towns or cities, to regional, national and global services. The world's largest courier companies are Aramex, DHL, FedEx, TNT N.V., ST Courier and UPS. The Courier Industry in Kenya comprises establishments, primarily engaged in providing collection, transportation and delivery services of letters, parcels or small-size articles, as well as providing customers with fast, convenient and flexible business express services (CCK Annual Report 2006/2007). Some of the services introduced in the last few years to meet changing customer needs include timed delivery services with guaranteed time of delivery (or money back) for urgent documents; and on-line real-time tracking of parcels, insurance (additional financial protection based on value of parcel, proof of delivery to sender, proactive tracking services and remote area services.

A Report of the courier industry in Lyon, France indicate that the European express and parcel market is characterized by increasing consolidation, moderate growth rates and rising operational costs. Leading global players like, UPS, FedEx, DHL and TNT are expanding not only their activities in the core express services but also diversifying their portfolio to include air and sea freight, and contract logistics. With the booming expansion of e-commerce, the international trade and B2C are expected to remain the fastest growth sectors over the coming years. The European express services are expected to reach \$53.1 billion by 2010. The four large delivery companies (FedEx, UPS, DHL and TNT), commonly known as integrators, dominate the worldwide courier, express and parcel market. These companies have strengthened their networks through international alliances, agreements and strategic acquisitions. The industry encourages alliances with other courier companies to serve the global customers; these alliances help to overcome the barriers in global delivery. Also, alliances help for optimized delivery schedule by sharing the resources of the alliance company. The opening of the Chinese express delivery market has led to these global delivery companies upgrading their strategy in

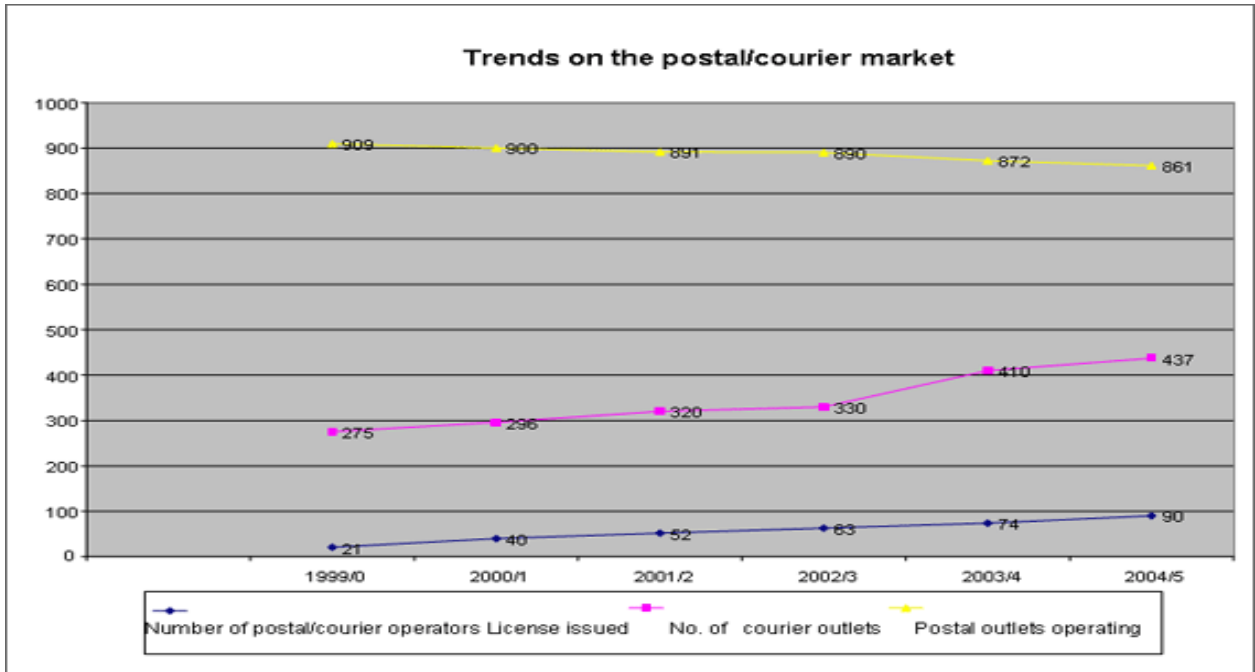
China. Another notable trend is entry of express delivery companies into the supply chain and logistics solutions (Ramaraj, 2001).

### **1.1.3 The Courier Industry and its growth in Kenya**

The Courier Industry in Kenya comprises establishments, primary engaged in providing collection, transportation and delivery services of letters, parcels or small-size articles, as well as providing customers with fast, convenient and flexible business express services (CCK Annual Report 2006/2007).

The postal and courier market consist of two distinct players: The private courier operators and the Public Postal Licensee - Postal Corporation of Kenya (PCK). The total number of outlets operated by private courier operators has continued to depict positive growth year after year (CCK Annual Report, 2006/2007). According to Crew and Kleindorfer (2003), the postal service is facing some very important challenges, arising out of the increasing high-tech nature of postal service, the entry of competition into the business by various courier operators (Figure 1 below) and new attitudes on the part of government to postal service, mainly in terms of regulation and liberalization of the sector.

**Figure 1: Trends on the postal/courier market**

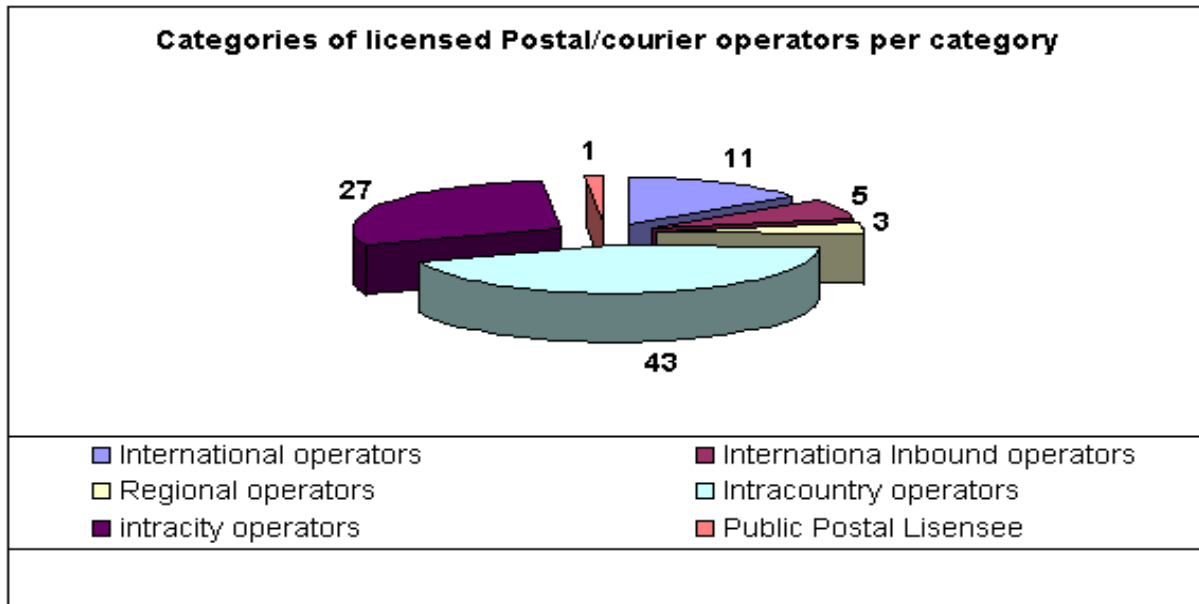


*Source: CCK Annual Report, 2004/2005*

The Courier industry is regulated by the Communications Commission of Kenya (CCK) as per the Kenya Communications Act, 1998. This responsibility involves the issuance of licenses to all operators, regulation of tariffs for basic services, enforcement of regulations to ensure compliance with license conditions, and creation of order in the postal and courier market. Currently, CCK has categorized the postal/courier operators into six main categories (Figure 2 below). The first one is called Public Postal Operator license and here the licensee is charged with the responsibility of ensuring provision of universal postal services as an obligation (USO) and has the widest International and domestic coverage. The second category is International Operator license wherein the licensee operates internationally with both worldwide and domestic networks. The third license category is International In-bound only operator who is a one-way operator, allowed to receive items from overseas for local delivery. The fourth license category is Regional Operator license which enables the operator to carryout courier business within Kenya and also with East African region. The fifth category is the Intra-country Operator license allowing the operator to carry out courier business within Kenya. The last

category is the Intra-city Operator license enabling the operator to undertake the courier business within a city/town boundary.

**Figure 2: Categories of licensed Postal/courier operators per category**



**Source: CCK Annual Report, 2006/2007**

United Nations Central Product Classification (UNCPC) defines Courier services in the Services Sectoral Classification List, sub-sector 2B, item 7,512 as multi-modal courier services consisting of pick-up, transport and delivery services, whether for domestic or foreign destinations of letters, parcels and packages rendered by courier and using one or more modes of transport, and as other courier services for goods, not elsewhere classified, e.g. trucking or transfer services without storage, for freight (World Trade Organization & Universal Postal Union ). UNCPC specifies that these services can be provided by using either self-owned or public transport media, but excluding courier services for mail by air which are classified in the UNCPC under "mail transportation by air" in Air Transport Services. The distinction between these and similar UNCPC items under postal services is that these are presumed to be services that can be provided by suppliers other than national postal administrations.

According to the CCK Annual Report for the fiscal year 2000/2001, there were 40 licensed Courier operators in Kenya, up from 21 the previous fiscal year. The number increased to 52 in the fiscal year 2001/2002, 63 in the fiscal year 2002/2003, 74, in the fiscal year 2003/2004 (CCK annual Report for 2003/2004). The number grew to 90 in the fiscal year 2004/2005 and to 105 in the fiscal year 2005/2006 (CCK annual Report for 2004/2005 and for 2005/2006). The number of Courier operators by the end of the last fiscal year was 134 as per the CCK annual Report for fiscal year 2006/2007 (Table 1 below). This indeed denotes a consistent growth of the business sector.

**Table 1: Growth in Number of licensed Postal/Courier Operators**

	Category	2002/03	2003/04	2004/05	2005/06	2006/07	5 Yrs Growth Rate (%)
I	Public Postal Operators	1	1	1	1	1	0
II	International operators	9	11	10	12	13	44
III	International Inbound Operators	3	5	8	9	11	266
IV	Regional operators	3	3	5	7	9	200
V	Intra country operators	29	32	40	47	66	127
VI	Intra city operators	18	22	25	28	33	83
VII	Document Exchange operators	0	0	1	1	1	-
	<b>TOTAL</b>	<b>63</b>	<b>74</b>	<b>90</b>	<b>105</b>	<b>134</b>	<b>112%</b>

**Source: CCK Annual Report 2006/2007**

In the same fashion, the Transport and Communications sector of which the Courier Services is a subset, has increasingly contributed to the nation's Gross Domestic Product, GDP. According to the country's Economic Survey Reports, 2007, the Communications sector contributed 9.1% in 2001/2002, 9.7% in 2002/2003, 9.2% in 2003/2004, 9.6% in 2004/2005, 9.8% in 2005/2006 and 9.76% in 2006/2007. This denotes that the sector has by and large increased its contribution to the country's GDP. The Economic Survey

Report, 2007 also indicates that the private sector wage employment in transport and communication sector has consistently grown from 46,200 in 2001 to 89,800 in 2006 ( Table 2 below). This indicates that the sector has attracted and retained an increasing number of employees.

**Table 2: Selected Economic Indicators**

INDICATOR	2002	2003	2004	2005	2006*
Population (Millions)	32.2	33.2	34.2	35.1	36.1
GDP at Market prices in (Ksh Millns.)	1,024,374	1,138,061	1,286,462	1,445,155	1,642,405
Growth of GDP at constant prices (%)	0.5	2.9	5.1	5.7	6.1
GDP per Capita (Current Ksh)	32,132	34,339	37,639	41,136	45,447
Transport & Communication GDP (Ksh Millions.)	99,378	104,684	123,476	142,291	159,481
Postal & Telecommunications GDP (Ksh Millions.)	29,593	28,507	30,167	34,921	40,518
Transport & Communication (in Ksh Millions.) as % of GDP	9.6	9.2	9.6	9.8	9.7
Postal & Telecommunications (in Ksh Millions.) as % of GDP	2.9	2.5	2.3	2.4	2.5
Private sector wage employment in Transport and communications ('000s)	47.7	49.2	62.4	74.8	89.8
Public sector wage employment in Transport and communications ('000s)	37.8	37.6	38.4	40.1	43.1
Consumer prices Annual Average (Index numbers October 1997=100)	133.6	146.7	163.7	180.6	206.7
CPI Inflation Rate (Overall %)	2.0	9.8	11.6	10.3	14.5
*Provisional + Revised Source: Adapted from Economic Survey, 2007					

**Source: Economic Survey, 2007**

Generally, growth refers to an increase in some quantity over time. The quantity can be physical, for example, growth in height, growth in an amount of money or abstract for example, a system becoming more complex or an organism becoming more mature. It can also refer to the mode of growth, that is, numeric models for describing how much a particular quantity grows over time. The growth indicators in the courier industry which include increment in the number of operators, increment in the number of services being offered, increment in the volume of business, contribution to the economy (GDP) and increment in the number of employees have been satisfied. Therefore, we can safely conclude that indeed there has been growth in the sector. According to Taylor and Hallsworth, (2000), the courier services industry has developed rapidly in the last three

decades. Formed in national niche markets, private sector corporations have grown to challenge one another and now challenge deregulated state mail monopolies. It is important for the industry players to understand the contributing factors; otherwise, the success shall remain a mere coincidental occurrence. It is only through a comprehensive understanding and appreciation of the associated contributing factors that the growth can be sustained. The billion dollar question therefore is: What are the factors that have contributed to the successes and consequently the growth of this business sector?

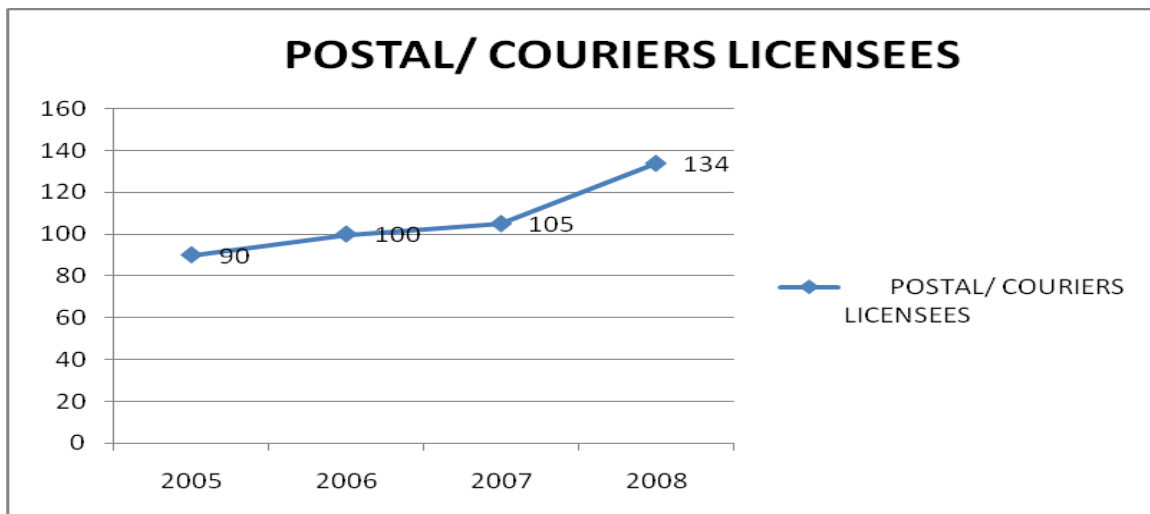
According to Garry (1999), quite a number of previous research on factors contributing to the success or growth of small firms {of which national courier operators can be classified in} has focused primarily on the entrepreneurial, managerial, or other personality attributes of owner managers. Few have examined firm or industry specific factors, which are more significant than personality attributes in explaining the variance of growth in small business. Moreover, some of these studies seem to be supported by anecdotal rather than by systematic empirical evidence.

According to a Journal on courier industry in Europe, the express {Courier} industry is set to undergo drastic transition driven by growing globalization, deregulation of the postal sector, the wave of mergers and alliances and the booming e-commerce industry. In Malaysia, the minister in charge of the postal and courier sector noted in a speech the factors contributing to the growth of the sector in his country as: Malaysia's business friendly policies, continued political stability, considerable pool of multi-skilled and multi-lingual work force, strategic geographical location and extensive state-of-the art infrastructure which includes comprehensive communications networks and ultra-modern cargo handling facilities, seaports and airports, all of which are available at a relatively low cost and are extremely conducive for business. In their Annual Report for 2005/2006, FedEx Corporation identified the contributing factors for the growth of the sector as globalization, supply chain acceleration, increase in high-tech and high value-added business and growth of the internet and e-commerce (FedEx Corporation Annual Report, 2005/2006).

There are many factors that may contribute to the growth of the courier industry. However for this research, the researcher shall limit the research to the following major growth contributing factors; Technology advancement, Infrastructure improvement, Enabling regulations and Economic growth of the country.

The advent of liberalization saw the entrance of more players in the courier industry leading to phenomenal growth. In the financial year 2006/ 2007, there were 134 licensed courier operators up from 105 in 2005/2006 operating in the various market segments (CCK Annual Report, 2005/2006, 2006/2007). The major players in courier services in Kenya include G4S (Securicor), DHL, Nation Courier and Akamba. EMS/PCK is a small player in the courier segment. Each of the firms provide a wide range of services segmented on the basis of geographical area of coverage, speed of service, and support services such as outsourced messenger and delivery services to companies

Figure 3: Status of Courier operators at the end of fiscal year 2006/2007



Source: CCK Annual Report 2008/2009

#### 1.1.4 Regulation of the Courier Business in Kenya

The government policy on liberalization and privatization was articulated in the policy framework paper 1996-98 issued on 16<sup>th</sup> February 1996. This policy document paper advocated for reforms in all sectors of the economy including the postal and



telecommunications sector to stimulate growth and development. The policy paper outlined the reform of the sector consisting among others the restructuring of the defunct Kenya Posts and Telecommunication Corporation (KPTC) into three distinct legal entities, Telkom Kenya Limited, Postal Corporation of Kenya and the Communications Commission of Kenya. The Kenya Communications Act, 1998 (KCA), was the resultant of the above policy paper. The Act came into force in 1999 after the ministerial gazette notification.

CCK therefore has the responsibility of issuance of licenses to all operators, regulation of tariffs for basic services, enforcement of regulations to ensure compliance with license conditions, and creation of order in the postal and courier market. Following the liberalization of the communications sector, the country has managed to separate regulatory and operational functions, ensure the provision of operational and decision making autonomy for the Postal Corporation of Kenya, recognized and brought into fold the activities of private Postal/courier operators together with encouragement of competition in the postal market (CCK Annual Report, 2006/2007).

#### **1.1.5 Licensing Procedures and Requirements**

According to the industry regulator, CCK, all firms offering postal service are legally subject to licensing/registration considerations (CCK Annual Reports, 2006/2007). These include the Public Postal Licensee (PCK), all Courier firms and Delivery companies which include transporters, freight and forwarding companies that handle documents and parcels appropriately falling under the definitions given in the Act.

The regulator has prescribed the postal license conditions that the licensee has to meet to ensure renewal and safeguard against withdrawal of the license. First and foremost, payment of annual operating license fees as prescribed by the Commission. Second, the Public Postal Licensee is required to meet minimum quality of service standards as set by the Commission in regard to reserved services (i.e. operation of private letter-boxes, printing & issuance of postage stamps and delivery of letters up to 350 grams). Third, the operator should operate from a permanent address registered with the Commission. Fourth, the operator should undertake to provide such information and returns as the

Commission may request for the purpose of exercising its functions as assigned under the Act. Fifth, the operator is expected to charge the right tariffs for reserved services and display tariffs and complaint procedures. Lastly, the operator is expected to notify the Commission on receipt of any postal articles suspected to have been sent in contravention of the Act e.g. illicit drugs, etc

All applications for licenses to provide postal/courier services must be addressed to the Commission (section 77 of the KCA Act). Applicants are required to pay the application fee of KShs. 10,000.00, be a Kenyan registered company and have a good record with the income tax department. In addition, the shareholding of the company must be at least 30% Kenyan. Once the Commission receives a duly completed application, the law stipulates that the application must be published in the Kenya gazette and await the expiry of 60 days. The purpose of the gazette notification is to inform the general public of the intention to license such an applicant. The public is expected to present any objection to the CCK Board of Directors before the 60 days period expires. Upon successful gazette notification, appropriate categorization of applicants is determined and the applicant advised of the category and invited to pay the associated license fee, after which the license is issued (CCK Postal and Courier Licensing Brochure, 2007)

#### **1.1.6 Postal and Courier Licensing Enforcement**

In a bid to uphold the licensing conditions, the Commission carries out actual inspection of all licensee operations with a view to determining their conformity or otherwise to stipulated license conditions. In this exercise, it liaises with law enforcement agencies to ensure compliance by all operators to license conditions and carries out tests and customer surveys on operations of monopoly services to assess performance. The Commission ensures that licensees have established and publicized complaint procedures which are geared towards receiving and handling complaints on postal and courier services. It further, investigates reported complaints relating to postal/courier services and takes necessary remedial action and levies penalties when breach of license conditions is established. This may include issuance of notices/warnings on license revocation/suspension when violation of license conditions are discovered (CCK Annual Report, 2005/2006)

### **1.1.7 The G4S in Kenya**

G4S is the world's leading international security solutions group and specializes in assessing current and future risks and developing secure solutions to minimize their impact and works across a wide range of geographic markets and business sectors. It is a major provider of risk management and protection to governments and major corporate customers around the world; it is also an expert in all aspects of local and international secure logistics and has operations in over 110 countries. It was formed in 2004 from the merger between Securicor *plc* and Group 4 Falck A/S's security business. It is listed on the London Stock Exchange (stock symbol: GFS) with a secondary listing in Copenhagen. It is the largest employer quoted on the London Stock Exchange, with over 570,000 employees and its turnover from continuing operations for the year from January - December 2007 was £4,490.4 million (2006: £3,923.2m). PBITA for the same period was up 16.8% to £312.1 million (2006: £267.1 m).

G4S Kenya Ltd is a subsidiary of G4S multinational and is Kenya's leading security and courier solutions provider and a founder member of Kenya Security and Courier Industry Associations. It has over 10,000 employees in over 100 locations across the country in virtually every district.

The company is headed by a Chief Executive Officer who is seconded from their Head Office in London. Under him are heads of key divisions of the business each headed by a General Manager. These divisions are Finance and Administration, Sales and Marketing, Operations, Security Services and Courier services. Each of the division has a dedicated team of professionals who ensure that the company's objectives are realized.

G4S vision is "to be recognized as the leader in providing security solutions in Kenya". The company's mission statement is "to be the preferred supplier of security and logistics solutions expertise in Kenya through the delivery of world class outsourcing activities in cash management, integrated security and distribution marketplace.

The company focuses on customer satisfaction. Integrity runs through their operations and by employing and developing the best people in the industry, they use their expertise to develop solutions that are customized to their client's needs. This helps them to drive service and financial performance for the organization and its shareholders.

G4S offers the following courier services;

**Next Day Service:** Goods are collected and distributed within 36 hours in the domestic locations within the delivery network of about 120 outlets. Normally delivery is done by noon of the next working day.

**Same Day Service:** Goods are delivered within one (1) working day within the country. This service is provided between and within cities of Nairobi, Kisumu, Eldoret and Mombasa. Normally they would have dedicated vehicles for customers' exclusive use. In some instances, they would provide custom built vehicles ranging from half ton to ten ton buses for a customer's exclusive use.

**Dedicated Service:** This is a service whereby independent clients can outsource manpower and resources from G4S for their (clients') courier services.

**One Hour Service:** This is an urban service in the major cities of Nairobi, Mombasa and Kisumu. It includes both dedicated motorcycle couriers and dedicated onboard courier

**Messenger and Delivery Services:** This is an outsourced messenger and delivery service to corporate bodies who may not wish to have messengers in their payroll.

**International Courier:** This is a service that targets clients who require International courier service. G4S normally liaises with DHL in this service

## **1.2 Statement of the Problem**

The Courier industry is currently undergoing a great deal of changes as new technologies and new ways of delivering courier services are being introduced. Courier players therefore must endeavor to develop innovative programs and initiatives to maintain superior customer service levels while remaining profitable. This calls upon the industry to adopt the concept of relationship marketing. The concept of relationship marketing gained new importance in 1990s, as customers became more demanding and competition became more intense. As a result of the increasingly competitive business environment where customers and sales must be fought for, relationship marketing has become an integral factor in many companies strategies and marketing efforts. Competition has increased due to similar offerings in product/ services and technological advancement. Due to liberalization and the increasing demands of customers, this has called for differentiation in services for competitive advantage, hence the growth in importance of relationship marketing as a competitive strategy.

Currently, G4S commands a market share of about 9.3 per cent of the total market share and its core customers are the cooperative societies, corporate organizations and individual citizens. The company has long been associated with offering security related solutions (guarding service, dog handling, cash in transit etc) but due to competition and declining profits, it had to diversify to other fields or revenue streams. Courier service was one of the options because they had international expertise which they had gained from other markets in other regions in the world where the company has operations.

The company has not been spared the business challenges that have dogged many companies today, which require organizations to build new capabilities. Intense competition, fast changing technological advancement, demanding customers and similar product offerings have led to erosion of market share and diminishing profits. The traditional forms of competitive advantage, i.e cost management, technology, product features, robust marketing strategies, can be copied but the people and the culture in an organization cannot be copied (Howcroft, 2004). They have become table stakes, one

must have to be a player in the industry, but they do not guarantee a company to be a winner (Ulrich, 1998).

Relationship marketing is one way G4S Kenya could use to increase profit, guarantee survival and attract both domestic and international customers. Even successful companies still face the risk of customers defecting, i.e. stop coming back or going to the competition.

Although research on relationship marketing has been carried out in other countries, for example, the United Kingdom (Luck and Lancaster, 2003) focusing on Hotel industry, the findings cannot be generalized due to differences in the economic, social, cultural and technological environments. Research in RM in Kenya done by Thuo, (1999), focused on RM on Banking sector in Kenya, other studies conducted on RM focusing on different industries such as the Paint Industry (Murage, 2002) and the Supermarkets (Njuguna, 2003) and the application of Porters Generic strategies framework (Gitonga 2003) are not specific to the courier industry, due to contextual and sectoral differences. There is need to build on previous research and undertake a specific study since no research has been done to find out the extent of adoption of RM strategies in G4S.

It is not known however to what extent the G4S Kenya practice relationship marketing to gain competitiveness in the Kenyan market. Given the role played by the courier industry, as well as the need to grow and prosper in a competitive environment, there is need for management to formulate more effective RM strategies. If G4S practices RM it will significantly overcome the challenges of fluctuating demand and stiff competition.

The study therefore fills the gap by providing answers to the following research questions.

- a) To what extent does G4S Kenya practice RM?
- b) What is the attitude of managers of G4S towards the relationship marketing concept?

### 1.3 Objectives of the study

- i. To establish extent to which G4S Kenya practice Relationship Marketing.
- ii. To assess the attitude of managers towards relationship marketing.
- iii. To establish the relationship marketing practices adopted by G4S Kenya.
- iv. To establish the challenges faced by managers while practicing the Relationship Marketing strategies at G4S.

### 1.4 Importance of the study

The results of the study is of benefit to the following: -

**Courier Industry:** All existing firms in the Courier industry in Kenya including G4S Kenya as it may put in place effective relationship-marketing strategies to enable players to develop and sustain competitive advantage in a changing environment characterized by cut throat competition. The findings assists the Courier industry managers and owners to identify business relationship opportunities, which they can exploit in order to improve on their competitiveness.

**Investors:** The study also helps potential investors in forming a better understanding of the Courier Industry and enable them to make well-informed investment decisions.

**Policy Makers:** Government agencies and policy makers can use the results to formulate positive national policies based on a framework that is relevant and sensitive to the forces influencing the Courier industry in Kenya.

**Professionals:** Marketing practitioners, the academicians and researchers may use the results as a source of reference. The study enhances their understanding of relationship marketing strategy in the courier industry setting and how to operationalise it.

**Academics & Researchers:** For the Academic fraternity, it adds knowledge to the fields of marketing and strategic management, where minimal research has been carried out on the relationship marketing concept in the courier industry

**Researchers:** Being a pioneer study it gives the researchers an insight on areas for further research and studies.

**Customers:** The study educates them on the fact that long-term relationships where both parties overtime learn to best interact with each other lead to decreasing relationship costs for the customer. And that a mutually satisfactory relationship makes it possible for the customer to avoid significant costs.



## **CHAPTER TWO – LITERATURE REVIEW**

### **2.1 Introduction**

This chapter looks at the theoretical approach and the academic works that have been written by various scholars on the subject of relationship marketing. It focuses on the use of relationship marketing strategies by the courier companies globally and in Kenya in particular. It evaluates the process and benefits that an organization would gain by adopting the Relationship Marketing strategy. Finally, the chapter concludes with the conceptual framework of the research.

### **2.2 Customer Relationship Marketing Strategies**

Relationship marketing has been advanced as the new paradigm of marketing in the 1990s (Kotler 1991) suggesting that the focus of marketing efforts are (and should be) shifting from marketing mix manipulation for the purpose of immediate exchange transactions to those that focus on longer term exchange relationships. Driven by intense competition, escalating marketing costs, and a shortage of new sales prospects, relationship marketing emphasis is customer satisfaction and repeat patronage (Kotler 1991). Product service quality initiatives, responsive and direct communication with customers, internal marketing, continuity or membership programs, customer to customer compatibility, customer knowledge management, effective engineering campaigns and more detailed customer profiling leading to increased customization, are but a few of the many strategies and tactics used to cement relationships with customers (Martin, 1996). On the balance, empirical evidence suggests that the practice of Relationship Marketing improves profitability and facilitates company growth (Reichheld and Sasser, 1990).

#### **2.2.1 Product / Service Quality Initiatives**

The hospitality industry recognizes that superior quality of service is one of the crucial factors within its control that can add value to its product and subsequently, lead to customer loyalty. Enhancing the quality of service at all levels of service delivery has therefore become mandatory for organizational survival, irrespective of the changes that might occur inside or outside the firm. The importance of service quality to customer

satisfaction, enhanced firm reputation, and customer retention cannot be overestimated. Oliver (1999) has argued that customer loyalty, service quality and satisfaction are linked, and are part of a cognitive process. Retaining customers saves money by reducing the cost of finding new ones.

Moreover, Zeithaml, Berry and Parasuraman (1996) have suggested that a long-standing relationship with current customers has a positive effect on profitability through additional sales to that customer, as well as diminished resistance by customers to paying higher prices. Increased levels of customer service create improved customer loyalty, thus leading to increases in average daily room rates, occupancies, market share, and customer retention rates (Enz and Sigauw 2000). According to Reichheld (1996) there is a positive relationship between loyalty and profitability, and increases in profitability can be the result of only a small percentage of loyal customers.

It is imperative for Courier industry to tailor its services to the changing needs and lifestyles of its customers (Min, Min and Chung, 2002) with a view to increasing customer loyalty and retention. Although there is no established theoretical framework covering all aspects of customer loyalty, there is consensus among practitioners and academics that customer satisfaction and service quality are prerequisites of loyalty (Gremler and Brown, 1997). Although price continues to play a role in maintaining customer loyalty, competitive pricing is likely to generate loyalty in the long term (Scott, 2001) and can have an adverse effect on a firm's medium term viability (Ernest and Young, 1996).

Although it has been argued that service quality is the great differentiator among service providers (Kandampully, Mok and Sparks, 2002), there has been no agreed definition of service quality. Gronroos (1984) divided service quality into three components; technical, functional and image. Juran (1988) stated that the quality of a product or service is determined by its fitness for use by external and internal customers. Gundersen, Heide and Olsen (1996) argued that a customers' experience is a product of both the tangible and intangible aspects, whereas Crompton and Mackay (1989) saw service quality as

being concerned with the attributes of the service itself, and how those attributes developed positive perceptions of the service.

It is widely accepted in the literature that service quality is dependent on consumers' needs and expectations and whether the level of service meets these needs and expectations. Service quality has thus been distinguished as a "gap" between customers' expectations and the performance they actually receive (Parasuraman et al., 1994). Asher (1996) has suggested that service transactions are subjectively judged, and that service quality depends on the degree to which customers decide when they are satisfied. This satisfaction is dependent on many factors such as the quality of tangible facilities, the responsiveness and empathy of staff to consumer needs and requests, the consistency of service quality, the accuracy of information provided and the location of the facility; e.g a hotel. A smaller gap between expectations and perceptions leads to the service being perceived as a higher quality and to customer satisfaction being increased.

Service quality has emerged as an issue of paramount importance for the hospitality industry. It has been identified as one of the most effective (albeit difficult) means of building a competitive position and improving organizational performance (Lewis 1993). Service quality can be a differentiating factor among hospitality establishments that provide otherwise identical services within a small area. Establishing high service quality enhances customer satisfaction – thus generating increased market share and profitability of providers (Hoffman and Bateson, 1977). However, despite the importance of service quality in the hospitality industry, many managers apparently do not know how to measure it. Moreover, existing measurements of service quality are controversial in terms of generating reliable information for managers (Hoffman and Bateson, 1997)

The use of comparison is central to measuring service quality. Although several comparison standards have been introduced from different perspectives, their utilization often triggers methodological problems in the measurement of service quality – such as vague conceptualization and misinterpretation (Ekinici, Riley and Chen 2000). Expectation is one of the most widely employed comparison standards in the

measurement of service quality (Parasuraman et al., 1991, 1994). According to this view, customers judge service quality by comparing their expected level of performance with the perceived service performance.

### **2.2.2 Communication Continuity**

Most service providers seem to subscribe to the principle that customers remember organizations that remember them. Thus the most popular relationship building practice seems to be the avoidance of extended periods of time during which customers are not contacted (Lindgreen and Crawford, 1999). Relationship building contacts involve following up on the past sales to ensure that promised benefits have materialized, checking to see if customers needs, interests or circumstances have changed, recognizing important events or celebrations in customers lives (eg birthday and anniversary cards) passing along helpful information, or just saying 'hello'.

Another key to enhancing the impact of continuous communication is to make it meaningful to customers. Creative hype may catch prospects' attention and entice them into a relationship, but helpful information nurtures the relationship and further enhances the credibility of the service provider (Fisher, 1998). Finally a number of service providers believe that the effectiveness of the communication is enhanced when the process is interactive (Murphy, 1996). Obviously, personal contact lends itself to engaging customers in dialogue, but less personal forms of communications can invite interactivity too. For example, newsletter, direct letters, direct mail pieces and trade advertisement can express the company's willingness to respond to customer questions, encourage customer to fill out reply cards to receive additional information or surveys to help the company assess customer needs, invite customers to call or visit their stores, log-on to the company's web sites, and so on.

### **2.2.3 Internal Marketing**

An important ingredient of strategic planning is a firm's core competency. When properly managed core competency can lead to a competitive advantage for the firm or an increase in market share or increased profits, etc. One form of competitive advantage is

customer service and the result is unwavering customer loyalty. Understanding customer expectation is a prerequisite for delivering superior service; customers compare perceptions with expectations when judging a firm's service (Parasuraman et al 1994). In "high-contact" service businesses the quality of the service is inseparable from the quality of the service provider.

Internal marketing means applying the philosophy and practices of marketing to the people who serve external customers so that best possible people can be employed and retained and they will do the best possible work. More specifically, internal marketing is viewing employees as internal customers, viewing jobs as internal products, and (just as external marketing) endeavoring to design the products to meet the needs of these customers better. As Sasser (1976) pointed out, "the successful service company must first sell the job to employees before it can sell its services to customers".

The Courier industry should enhance relationship building practices designed to support employees who serve customers. Labor intensive service firms that invest the necessary time, money and efforts to recruit, train, equip and motivate their customer contact employees are likely to enjoy stronger relationships with customers than those that fail to establish front line employees as a top priority (Lingreen and Crawford; 1999). Surprisingly, almost one-half of the firms using employee relations practices found them to be dependent upon employee cooperation and wide spread cooperation throughout the firm. This recognition emphasizes the importance of internal marketing-a philosophy that views employees as internal customers who consume the roles and responsibility of their jobs (Frost and Kumar, 2000). Just as it is common practice to aggressively seek out prospective external customers, it is also appropriate to take a marketing approach to find and recruit well-qualified job applicants.

#### **2.2.4 Customer Knowledge Management**

Rowley (2002) defines customer knowledge as; knowledge about customers, which includes knowledge about potential customers, customer segments and individual customers; and knowledge possessed by customers. Minna and Aino (2005) differentiates

customers knowledge from customer data and customer information and suggest that customer knowledge can be explicit, the structured customer information in data bases, or in tacit customer knowledge-knowledge in mind of employees and customers. In this study the term customer knowledge means knowledge about customers. There is no doubt about the importance of gaining customer knowledge.

For instance, Zineldin (2000) suggests that Information Technology tools should be used not only to provide relationship building credibility and opportunities but also to enable marketers to keep their fingers on the customers' pulse and respond to changing needs. This is emphasized by Roscoe (2003), who argues that marketers must embrace customer knowledge management (CKM) to really get under the skin of consumers and deliver a profitable relationship. CKM needs to provide customer insight, profiles; habits contact preferences and understanding to improve an organization's contact with customer. It can be argued that knowledge gained on customers will enable organizations to make intelligent decisions as to which customer to acquire and develop, what channels to use when contacting the customers, what product/ service to sell, to acquire and develop, and how to get business to deliver excellence using the CKM strategy. The strategic importance of gaining customer knowledge has been perceived by many managers, as stated by Shaw and Ivens (2002) 71% of senior business leaders say that customer experience is the new competitive battle ground and is a source of sustainable differentiation.

Customer relationship management (CRM) has been widely regarded as a company activity related to developing and retaining customers through increased satisfaction and loyalty. Information Technology (IT) based CRM systems have been applied in many industry sectors, and research on advancing these system is continuing (Xu, Yen, Lin, Chou, 2002; Bose, 2002). One approach to address future CRM systems development is to link knowledge management (KM) and CRM in order to maximize not only operational, but strategic efficiency of CRM through gaining and sharing knowledge about customers (Minna and Aino, 2005). Rowley (2004) argues that there is a need to develop an understanding of the interaction and interface between KM and relationship

marketing (RM), and to operationalize this in the parallel contexts of systems, people and processes.

The key KM process includes knowledge creation, sharing, dissemination and exploitation, and the RM process includes communication, creation of loyalty and stable customer base, customer service, trust cultivation and relationship maintenance. Rowley (2004) suggests that from a practical perspective, customer data and information can be used as a platform for both relationships and knowledge. Tzokas and Saren (2002) recognize some convergence of knowledge and relationship marketing and competitive advantages and developed a conceptualization of the dynamics of the two significant management paradigms. Minna and Aino (2005) conclude that there is an evident need in the marketing discipline to further elaborate on the concepts of “customer knowledge” and “customer knowledge management”.

Knowledge is the only meaningful economic resource (Drucker, 1996), and gaining this knowledge is becoming an important differentiator for competitive advantage (Tzokas and Saren, 2002). Bose (2002) argues that to gain competitive advantage, there needs to be a shift from mass marketing and traditional customer segmentation towards customer-centric orientation and one on one marketing, which is centered on treating every customer individually and uniquely according to the customer preference. Ahn, Kim and Han (2003) acknowledge that managing relationships with customer is a key point to solidify competitive power of a company.

However effective use of customer information and knowledge, particularly on the context of marketing decisions, is still insufficient in many organizations (Bose and Suguraman, 2003). The customer is a strategic element in a company’s down-stream supply chain which relates to the immediate business environment that a company needs to scan for strategic information. (Xu, et al, 2002). The customer, according to Daft, Sormunen and Parks (1988) environment sector classification is in the layer closest to the organizations task environment that has a direct transaction with an organization.

Changes in the type of customer, behavior and patterns of customers are likely to have immediate effect on the operations of a company and also implications for decision

making related to strategic setting in the future. It is recognized that not every customer is equally important to an organization in terms of his/her lifetime value, thus, customers need to be segmented in order to identify strategically important customers. Important factors for improving customer service are to identify the reason why customers defect and also ways of preventing customer defections. This requires information about customers' preferences and behavior patterns. However, very few studies have been established to address customer knowledge acquisition in the context of CRM implementation.

Although a range of CRM technologies, particularly CRM software, are being developed and implemented in practice ((Luck and Lancaster, 2003) there is little research addressing to what extent CRM has been implemented to provide strategic customer information; i.e to customer knowledge. Research on how to integrate analytical functions into operational CRM has been limited (Xu et al ., 2002; Bose 2002) and the conceptualization of such systems tends to be general and vague. As suggested by Ahn et al (2003) the main concern in CRM systems is to understand and make practical use of customer information, and argue that with an enormous amount of data stored in data bases and data warehouses, it is increasingly important to develop powerful tools for the analysis of such data and mining interesting knowledge from it.

### **2.2.5 Information Systems and Technology**

Technology in general and the internet in particular, are having a profound effect on service marketing (Bitner, Brown and Mueter, 2000). De Ruyter, Wetzels and Kleijnen, (2001, P.186) argue that the next vista for organizations operating in virtual market place will involve e-service, which they define as "...an interactive, content-centered and internet based customer service driven by the customer and integrated with related organizational customer support process and technologies with the goal of strengthening the customer e-service provider relationship" thus e-service is viewed as an emerging mechanism for achieving customer relationship management strategic outcomes. E-service is largely being implemented through the use of electronic customer relationship management (e-CRM) software.



Part of the attractiveness of e-service for the service marketers is the ability to shift some of the burden of after sale service and support to end users via the internet. Many marketers hope to eventually replace traditional mechanisms for after sale service such as large and expensive customer support/services call centers with digital forms of e-service (eg. Email support protocols, on line chat, FAQ's, and online knowledge basis) the mechanism for the transition to digital forms of e-service is e-CRM software that directly links an end user with a marketers human support resources and/or knowledge based. This orientation helps to make clear the linkages between e-service, e-CRM, and relationship marketing. Companies today are increasingly providing customer service, in support of relationship marketing strategic objectives, with the help of technology via e-service (Barnes, Dunne and Glynn, 2000). E-CRM software suites provide the mechanism by which companies hope to begin more effectively and efficaciously provide such e-service at a lower cost.

Accordingly, the internet has been the research backdrop of much effort and activity, as well as much controversy and confusion. Yet, as Gattiker, Perlusz and Bohmann (2000) point out; "empirical studies abound are seldom linked to conception schemes or theories". Marketing on the internet (e-marketing) is a discipline with the potential to revolutionize the way we build brands, sell products/services and even develop relationships. Yet, the term is difficult to pin down because companies are performing so many different activities that could be described as e-marketing (Chaffey et al, 2001). Additionally, few companies seem to have a focused strategy, let alone a clear understanding of the opportunities available i.e "market place" Chaffey et al, 2000). Although the objectives of websites were initially to provide information, nowadays emphasis is placed on the setting of lasting relationships between companies and customers (Reyes Pacios Lozano, 2000).

Several authors have reviewed how e-marketing can marry needs of customers with internet technology (Chaffey et al 2000) so that websites can become the greatest marketing assets for companies. Electronic customer relationship management (e-CRM) is the latest technique companies are using to increase and enhance their marketing skills and capabilities. Traditional definition of marketing according to Stanton, Miller and

Layton (1994) include a philosophy or orientation for the whole business defining the primary goal of everyone in the organization or identification and creation sustainable competitive advantage. The ultimate purpose of e-CRM products and services is to help firms build better customer relationships and maximize a customer's lifetime value. In fact, Kalakota and Robinson, (2001, p. 171) state that within the context of e-CRM ... "the timely delivery of excellence service is customer relationship management". The growing focus on e-CRM underscores the relationship marketing foundations of e-service, an important area in recent academic inquiry.

Enhancing the analytical power of CRM systems has been recognized by researchers. For example, Rowley (2004) suggests that CRM systems include online order, email and knowledge bases that can be used to generate customer profiles, and to personalize service. Xu et al (2002) states that CRM technologies allow the organization to gain an insight into the behavior of individual customers and, in turn to target and customize marketing communications and messages. In addition these tools generate data that support the calculation of customer lifetime value for individual customers. The studies, however, do not specify the key components of the system, nor how such a system can be developed.

Bose (2002) outlines a CRM development plan based on the typical system development life cycle approach, in which he suggests that the CRM involves acquisition, analysis and use of knowledge about customer in order to sell more goods or services and do it more efficiently. Developing such a system builds on an enterprise-wide integration of technologies working together such as a data warehouse website, internet/ extranet, phone support system, accounting, sales, marketing and production. The analytical function may be fulfilled by separate systems, such as decision support systems and expert systems. This support is vague on how customer knowledge might be created, because it is not clear as to what technology in practice actually turns customer data into knowledge. A similar approach is suggested by Lee and Hong (2002) to create an organization-wide KM infrastructure. In the model, data base, data warehouse, digital library, data mining and online analytical process (OLAP) are suggested as being the tools to capture and develop knowledge. The model, however, is general to

organizational KM rather than specific to customer knowledge creations. Ahn, et al (2003) proposes that data mining/analysis tools and a knowledge base should be the function of CRM systems, but did not go further to illustrate how such a system can be developed.

Although how to develop an analytical CRM is far from clear, some explorative research may benefit developing such a system. Bose (2002) based on Wells et al (1999) argument to suggest that expanding customer data needs to include non transactional information, which is equally, if not more, valuable than the transactional data. Such data may include general inquiries, support calls, suggestions, employee/management comments, registration cards and complaints. The implementation of CRM systems has been widely reported by both CRM software vendors and academic researchers. The popular CRM systems appear to be; call center, contact management, data warehousing, portals, workflow and business process management for the purpose of retaining existing customers and developing new customers. Xu et al. (2002) suggest that contact centres have been playing a major role within the CRM picture. Very few practitioners are making optimum use of their client database, because they are failing to update, quantify and qualify the information collated about the clients (Dyer, 1998).

### **2.2.6 Personalization**

Personalization refers to the customization of some aspect of the service or its delivery, treating each customer as a unique individual with a unique set of service requirements thereby creating unique fits between customers and services (Goldsmith, 1999). As such, personalization practices were recognized on three different levels interpersonally, operationally, and organizationally.

Examples of interpersonal aspects include learning and using customers' names, building rapport by encouraging face to face contact between employee and customers, "getting to know" customer in informal social setting and acknowledging customers backgrounds and achievements (Fisher, 1998). The operational level involves efforts to obtain a detailed knowledge of customers' processes and requirements. This allows the service firm to provide unique ideas to help their clients. Additionally, employees are empowered

to deviate from rigid procedures when serving customers who have special needs or unique request (Bowen and Lawler, 1995).

Although many aspects of personalization hinge on the interpersonal skills and enthusiasm of individual service providers, the choice to employ it is not entirely an individual decision. Rather, full implementation requires top management to structure organizationally the firm in order to assign employees the responsibility of serving specific customers, and to empower employees to treat each customer as a unique individual. Personalization efforts require widespread cooperation, as employees must work together to serve customers rather than focus on performing individually assigned tasks.

### **2.2.7 Pioneer Advantage**

Formulating programs to reach and cultivate relationships with prospective customers before competitors approach them can create “a first mover advantage” or “pioneer advantage” in that, once the relationships are established, it becomes increasingly difficult for competitors to lure satisfied customers away (Shaw, 1996). Indeed, classic studies investigating customers’ relationships with specific brands have found that people first exposed to the brands as children are more likely to be loyal to those brands as adults than are consumers not exposed to the brands until adulthood (Guest, 1964).

First mover’s technological leadership, for instance, could be easily secured by setting standard. First mover can also secure input factors on more favorable terms and pre-empt, or even eliminate, rivals’ access. A first mover can pick the attractive positions and force the rivals to unattractive ones (Porter, 1986). It can also pre-empt later rivals’ ability to challenge and expand.

It is generally accepted that a structured Yield Management (YM) system will significantly alter the traditional approach to accommodation management. For YM to be effective managers must adopt a proactive approach to managing the transition from traditional accommodation techniques. Several approaches to managing change have been documented in the literature. These clearly demonstrate that organizational changes

requires a clearly defined and systematic process of moving from one condition to another.

### **2.2.8 Mutual Innovation and Systems Friendliness**

Customers in a number of industries are constantly bombarded with run-of-the-mill product and service offerings. As a result, customers both desire and more often demand innovative alternatives. Innovation can play important roles in establishing and building relationships with customers (Kandampully and Duddy, 1999). They rekindle tired relationships when product lines become too familiar, and they extend the relationships life cycle as customers' needs change and outgrow the current line. Innovation gives customers reasons to continually revisit, overcome boredom and repurchase. When innovations are introduced and others are promoted as being on the horizon, customers are reminded that the present is not an opportune time to sever the relationship. But customers will deliberately try to seek variety by exiting a relationship if they get bored (Sheth and Parvatiyar, 1995).

The association between innovation and the market orientation of a firm was determined to be both positive and significant (Agarwal, Erramilli and Dev, 2003). Managers when re-examining their service offering need to decide which innovations will create value. The courier industry has an abundance of options to choose from, when determining which products and services will add value for their customers. The benefits of service innovation are apparent. What is not clear is how managers should decide on which innovations to implement. In some cases, innovative service offerings are necessary just to maintain a firm's current market share. This phenomenon suggests "...that some innovations may merely raise the cost of doing business without significant economic benefit other than to preserve current business and without providing a competitive edge...."(Reid and Sandler, 1992). However, other innovations may enhance service differentiation and induce financial gains. Thus, it is important for managers to implement innovations which are not only desired by customers but also are economically beneficial to the firm (Reid and Sandler, 1992). Managers will need to make proactive changes which focus even more intensely on customer preferences,

quality, and technological interfaces in order to stay competitive in such a dynamic environment (Karmarkar, 2004).

System friendliness refers to practices that make it easy and convenient for customers to conduct business with the company. This involves making company representatives accessible, removing contact barriers, ensuring that customer interfaces with technology are not overwhelming, and not making customers wait for service unnecessarily or perform task (eg fill out paperwork) they would rather avoid (Peppers, Rogers and Dorf, 1999). Understandably, customer relationship can suffer when unfriendly systems leave customers feeling frustrated, unwelcome and convinced that there must be a better way to acquire the service. Ideally system interfaces should leave customers with a sense of looking forward to doing business with the company in the future (Shapiro 1988).

### **2.2.9 Reinforcement Practices**

Reinforcement practices are those that encourage customers to repeat desirable behaviors and are based on the principle that reinforced behaviors are more likely to be repeated than if not reinforced. In the context of serving customers and strengthening relationships with them, the seemingly simple act of thanking customers may be the potent reinforcement tool available to service businesses. For example one study found that insurance customers were more likely to renew their policies, if they received a thank you letter prior to receiving a renewal notice (Bergiel and Troscalair, 1985).

In another study, jewelry store customers were more likely to purchase additional items within the next 12 months, if they received a follow up phone call thanking them for their original purchase (Carey, Clicque, Leighton and Milton, 1976). When purchases are linked, there is no opportune time for customers to sever relationships. Often there are customer benefits or incentives to link purchases - a form of relationship equity that is lost if the relationship is broken (Gilbert, 1996).

The sale of additional service to existing customers accomplishes obvious objectives such as building total sales volume and profitability (Ennew and Hartley 1996). From a relationship building perspective, however, cross selling also tests the strength of

relationship in that dissatisfied customers are likely to purchase additional services, provide opportunities to identify and remedy dissatisfactions that threaten relationship. Cross-selling also builds the relationship in that the sale of each additional service encourages the customer to incrementally invest more resources, more time, or more trust in the relationship (Worthington, 1996).

### **2.2.10 Customer to Customer Relationship**

Another linkage that also influences customers' experience and their inclination to patronize the business in the future is the relationship between customers and other customers. Customers influence one another in at least two interrelated ways: through word-of-mouth communications and by customer's degree of compatibility with one another. Word of mouth communications between customers are rich in information and opinions and referrals are generally perceived to be among the most influential and unbiased sources of marketplace influence. Word of mouth is particularly influential when the quality of service varies or when services are difficult for customers to fully evaluate prior to purchase (Schlissel, 1985). Customer compatibility refers to the extent to which customers get along with one another in the service environment (Martin and Pranter, 1989). The management of customer compatibility involves influencing customer to customer interaction – largely by fostering desirable, while minimizing undesirable customer behaviors (Pranter and Martin, 1991).

### **2.2.11 Customer Loyalty Programs**

Customer loyalty has emerged as a major item on the marketing management agenda. This apparent preoccupation with developing customer loyalty programs is understandable in the context of studies which have suggested that it is more profitable to retain existing customers, than constantly seeking new customers to replace lapsed ones (Reichheld and Sasser, 1990). The development of loyalty programs in the 1990s has been associated with rewards given by firms in proportion to customers' expenditure with them. The falling cost of information processing has hastened the development of incentives which can be tailored to the needs and motivations of individual customers,

with the result that many loyalty programs appear to perform similar functions to traditional sales promotions tools.

A paradox has appeared in that such programs have often been introduced as part of a “relationship marketing” strategy, yet have been associated with a decline in customers’ perceptions of the quality of their relationships with a firm (Barnes, 1994). Once established within an industry sector, loyalty programs have a habit of spreading rapidly. An early adopter of such a program may gain a period of competitive advantage before competitors imitate their program and it loses its competitive edge. It has been observed that in the later stages of development when loyalty programs have become a sector norm, their overall benefit is low (Gilbert and Karabeyekian, 1995). True loyalty based on underlying emotional attitudes is more difficult to copy.

Relationship marketing is concerned with customer loyalty because of the benefits of retaining customers, and the activities involved in it are aimed at developing long-term, cost-effective links between an organization and its customers. A loyal customer can mean a consistent source of revenue over a period of many years. However, this loyalty cannot be taken for granted. It will continue only as long as the customers feel they are receiving better value than they would obtain from another supplier. There is always the risk that a customer will defect when a competitor offers better value or a wider range of value added options.

According to Reichheld (1996), there is a positive relationship between loyalty and profitability, and increases in profitability can be a result of only a small percentage of customers. Negotiation strategies are aligned along dimensional model of behavior. In collaboration with customers a win-win approach is adapted. A five step negotiating format has been set in a bid to achieve consistency and standardization. Oliver (1999) has argued that customer loyalty, service quality and satisfaction are linked, and are part of cognitive process.



### **2.2.12 Affective Engineering**

Affective Engineering is the label assigned to a range of efforts designed with the intention of evoking customer's emotional responses to make them feel good about the company and otherwise warm and cozy in the relationship with the firm. Research suggests that customer's affective commitment is positively related to their willingness to stay in the relationship with a service provider (Shemwell, Cronin and Bullard, 1994). Involvement in community events and support for charitable organizations or social causes can generate favorable media publicity or word of mouth, thereby helping position firms positively in the communities. Image related or 'feel good' advertising frequently avoids rational appeals altogether (Alreck and Settle, 1999) for example omitting any information about price and product attributes.

### **2.3 Benefits of Relationship Marketing**

Long term value is a key benefit of Relationship marketing. Stoback (1994) demonstrates that long term value often form a base for profitable business. While specific courier customer linkages fostered by individual products may come and go, the institutional relationship will persist and lead to successive new product linkages.

RM equally results in optimization of information and communications technologies. According to Cornolly and Olsen (2000), information and communications technology is the single greatest force effecting change. Information Technology has made the world a global market. Some scholars however have argued that the effect is impersonalized service. Ford, Gadde, Turnbull and Wilson, (1998) view Information Technology as a separate supporting element in developing relationships or as facilitative relationship.

RM similarly plays a key role in profitability and growth. There is a positive relationship between customer's loyalty and profitability (Zeithaml, Berry and Parasuraman, 1996). The value of a courier relationship is frequently made explicit to a customer when some traumatic event jeopardizes the survival of the firm. A courier that is willing to assist the customer through such a crisis often establishes an extremely strong and long- lasting relationship. This can be labeled as customer's value generating process (Gronroos, 2000).

## **2.4 Relationship Marketing Process**

Morgan and Hunt, (1994) describes the RM process as one of establishing, developing and maintaining successful relational exchanges. New or improved courier products have proliferated as a result of deregulation, technological innovation, and increased competition among courier firms. Technology in general and the internet in particular have had a profound effect on service marketing (Bitner, Brown and Mueter, 2000).

An essential part of service marketing is the fact that consumption of service is process consumption rather than outcome consumption (Gronroos, 1998). If the courier's strategy emphasizes relationship service delivery, the courier identifies customers with relationship potential and concentrates on developing business ties with them.

Three areas that are vital for the successful execution of a relationship strategy are; the interaction process as the core of relationship marketing, the planned communication process supporting the development and enhancement of relationships and the value process as the output of relationship marketing. The term planned communication process is used to indicate that in this process only communication through exclusive communication media, such as advertising, TV commercials, internet banners and sales calls, are included. Customers' interactions with products, service processes and with other aspects of the interaction process also include elements of communication. These communication effects follow as a by-product from the manner in which the various interactions as managed by the firm and are perceived by the customers. However, as part of a total communication impact on customers these types of communication may very well be even more important than the planned communication efforts (Duncan and Moriarty, 1997).

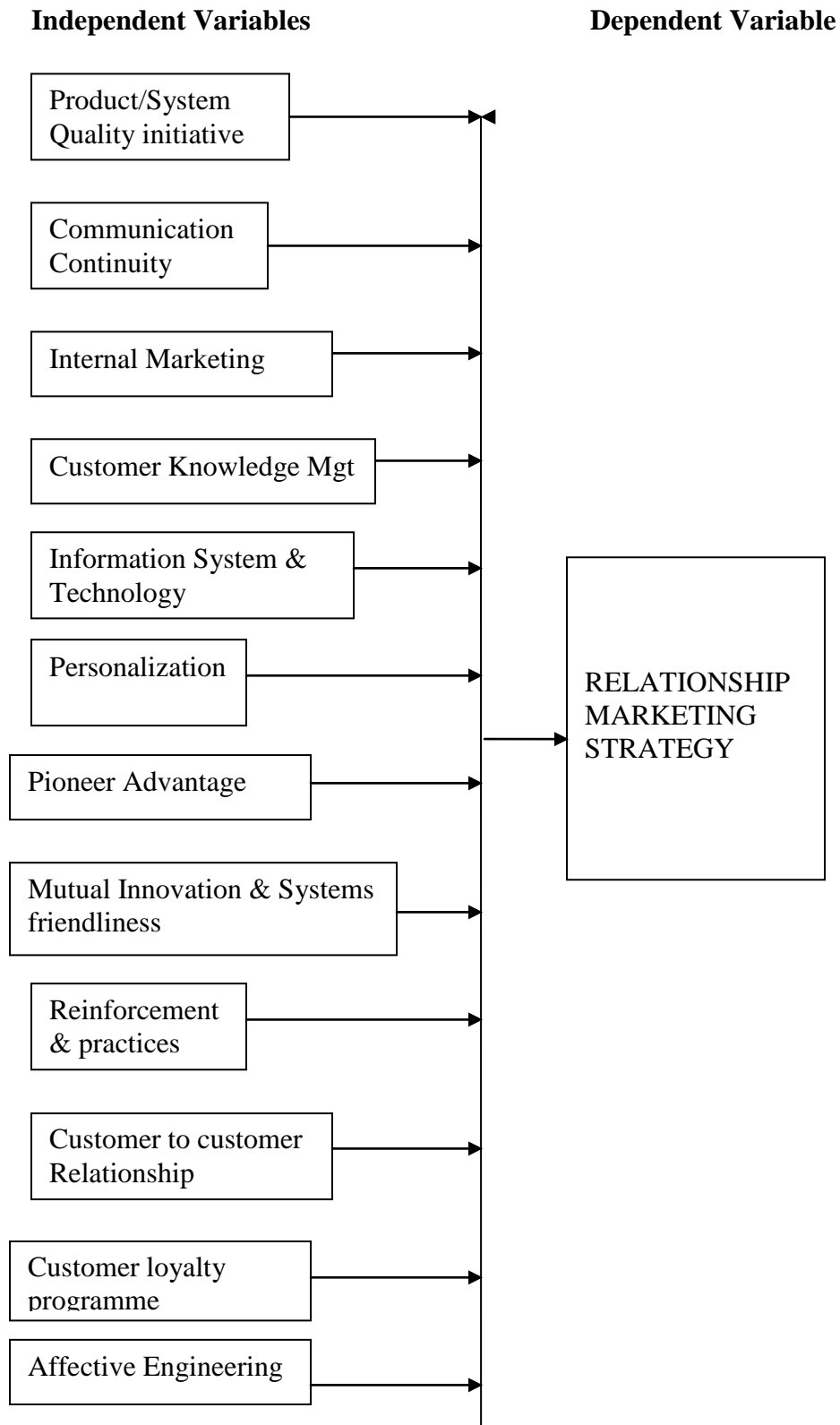
The relationship approach puts customer processes, or rather the internal value generating processes of customers, not products, at the center of marketing. To be successful, the supplier or service provider has to align its resources, competencies and processes with the customer's value generating processes. This being the case, interaction evolves as a concept which takes the place of the product concept. It has been developed as one key construct in service marketing and in the network approach to industrial marketing as

well and has been taken over by relationship marketing. Thus, as the exchange of a product is the core of transaction marketing, the management of an interaction process is the core of relationship marketing. In this process, a supplier of goods or a service firm represented by people, technology and systems, and know-how interact with its customer represented by everything from a single consumer to a group of buyers, users and decision makers in a business relationship. Sometimes, more parties in a network may be involved in the interactions (Gummesson, 1996).

## **2.5 Conceptual Framework**

Stated herewith, is the summary of the conceptual map of the RM strategies. For this research the independent variable was the Relationship Marketing strategy while the dependent variables were the Product/system Quality Initiative, Communication Continuity, Internal Marketing, Customer Knowledge Management, Information Systems and Technology, Personalization, Pioneer Advantage, Mutual Innovation & Systems Friendliness, Reinforcement Practices, Customer to Customer Relationship, Customer Loyalty Programs and Affective Engineering. Figure 2.1 below, is an illustration on the conceptual framework;

**Figure 2.1: Conceptual Framework**



## **2.6 Relationship Marketing and Courier Performance**

Courier industry have relied on performance measurement systems that at best help managers to control, monitor and make incremental improvements in operations. Unfortunately, they do not capture the relevant performance issues necessary for today's business environment. This major deficiency has caused courier players to become increasingly frustrated with existing performance measurement systems that do not support courier industry in their quest for competitive advantage. However to date there has been a paucity of academic research to assess the appropriateness of existing courier performance measurement systems in use.

Performance, however, is two dimensional. One of the dimensions is the objective performance, which involves financial or market-based measures such as capacity utilization, profitability, and market share. The other is the judgmental performance, which involves customer and employee-based measures such as service quality, customer satisfaction and employee satisfaction. According to scholars, the main goal of market-oriented companies should be the creation and retention of satisfied customers (Day, 1994).

According to Narver and Slater (1990, p.21), "To maximize its long-run mutually beneficial relationship with its buyers", statements such as "stay close to the customer", "put the customer at the top of the organization chart," and "define the purpose of a business as the creation and retention of satisfied customers," indicate that companies that offer superior customer value are "expected to enjoy superior long-run competitive advantage and superior profitability" (Day, 1994, p.37). Jones, Loveman, Sasser and Schlesinger (1994) observe that profitability and revenue growth result from customer loyalty, which in turn, is created when highly satisfied employees deliver superior customer satisfaction.

Performance has been operationalized in many ways including market share, profitability, return on assets or on investment, change in market share or profitability, new product success, and composite measures of these variables. Such measures can be classified as objective, subjective, or combinations of the two. Subjective measures center on

managers' assessment of the performance of their business unit or firm, relative to expectations or competitors. In such cases, managers may account for competitive and environmental conditions when producing subjective measures. For example, managers may rate their firms' profitability relative to major competitors'. Alternatively, managers may be asked to indicate how satisfied they are with their firm's performance, e.g sales growth. Objective measures, in contrast, assess the actual performance of the firm on absolute scales.

## **2.7 Summary of the Literature Review**

A customer is an individual or organization that makes a purchase decision. Relationship Marketing (RM) is marketing to establish, maintain, enhance and commercialize customer relationships so as the objective of the parties are met. Beyond commercial interest, partners recognize the mutual benefit to be derived from such relationships. Customer Relationship Marketing (CRM) is a process designed to collect data related to customers, to grasp features of customers, and to apply those qualities in specific marketing activities.

Various other terms have been used either as substitutes for RM or to describe some close parallel e.g micro-marketing, loyalty marketing, one to one marketing, wrap around marketing, customer partnering, symbiotic marketing and interactive marketing. The basic aim of RM is to increase profits by attaining arising proportion of specific customers lifetime spending. Some of the roles of RM strategies include creation of long time value, brand loyalty, optimization of information communication and technology and customer profitability and growth.

Driven by intense competition, escalating marketing costs and a shortage of new sales prospects, RM emphasis is customer satisfaction and repeat patronage. Product/service quality initiatives, responsive and direct communication with customers, internal marketing, continuity or membership programs, customer to customer compatibility, customer knowledge management, affective engineering campaigns, and more detailed customer profiling leading to increased customization, are but a few of the many strategies and tactics used to cement relationships with customers.

## **CHAPTER THREE – RESEARCH METHODOLOGY**

### **3.1 Research Design**

The research adopted a case study approach to identify the use of the relationship marketing strategy by courier industry with a focus on G4s Kenya. A case study was appropriate as it involves a careful and complete observation of a social unit e.g a person, institution, family, cultural group, or an entire community-and emphasizes depth rather than the breadth of study (Kothari, 1990). The design is valuable for an in-depth contextual analysis. This method was successfully used by Mwangi, (2003), Mcharo (2003), Kioi (2003) and Madger (1989). The pertinent primary and secondary data was collected to meet the objectives of the study. The researcher personally interviewed the respondents using the pre-prepared interview guide.

### **3.2 The Data Collection**

The study used both primary and secondary data. Structured interview guide and personal interviews consisting of open ended questions were used to avoid subjectivity resulting from limiting the respondent's answers to questions. Pertinent data was collected from the top and middle level management of the G4s Kenya at the Kenya office headquarters in Nairobi. The G4s Kenya officials interviewed were the heads of the following departments: marketing, operations, human resources, finance and administration.

The open-ended interview guide enabled the respondents to give as much information as possible without any form of limitation. The design of the interview guide was on the basis of the objective of the research and the study's literature review. The primary data was supplemented by secondary data from the existing records from the Ministry of Transport, Communication Commission of Kenya (CCK), Ministry of Information and Communication, Journals and organization's internal circulars.

### **3.3 Data Analysis**

Content analysis was used to analyze the data collected. This was a systematic qualitative description of the composition of objects or materials of study. It involved observation and detailed description of objects, items or things that comprise the study (Mugenda and Mugenda, 1999). The interview guide was edited for completeness and consistency. The results of the findings were presented in the form of tables. Percentages and frequencies were used to analyze the data.



## **CHAPTER FOUR – DATA ANALYSIS AND INTERPRETATIONS**

### **4.1 Introduction**

This chapter contains research findings, analysis and presentation of data obtained from the respondents. The data is summarized and presented as a feedback report from the respondents on each of the variables in question. The data was derived from the respondents working from the Head Office.

There seems to have been two main challenges during the study. According to the respondents the subject of study required them to share information that others considered confidential and for this reason some respondents were suspicious about the motive of the researcher given that there is apparently some mistrust within the industry. On the other hand the same respondents claimed to be “tired of being interviewed”, the courier industry seem to be attracting a sizeable number of researchers in different disciplines.

Five (5) questionnaires were distributed and all filled and returned. This gave a 100% response rate thus reliability and validity of the data.

### **4.2 Demographic Attributes of the Respondents**

The data was collected using both closed and open ended questions to gather general information about the respondents. This was analyzed through frequencies and percentages.

#### **4.2.1 Gender Distribution of the Respondents**

Table 1 shows that 80% (4) of the respondents were Male while 20% (1) were Female. This indicates that the respondents were dominated by male employees. This study was not able to establish the reasons for this gender disparity. Perhaps this could be attributed to the fact that male employees dominate this industry.

**Table 1: Gender Distribution of the Respondents**

Level of Distribution	Frequency	Percent
• Male	4	80
• Female	1	20
Total	5	100.0

#### 4.2.2 Level of Education of the Respondents

As shown in table 2, 60% (3) of the respondents had attained Post Graduate education while 40% (2) had acquired under graduate education. The high level of employee education imply high expectations in terms of career progression among employees and also that the G4S Kenya has resourced highly educated staff to compete favorably in the market with other courier service provider.

**Table 2: Level of education**

Level of Education	Frequency	Percent
• Post Graduate	3	60
• Under Graduate	2	40
• College	0	0
• Others	0	0
Total	5	100.0

#### 4.2.3 Length of Service of the Respondents

Table 3 shows that 40% (2) of the respondents have been in service for between below 5 years, 60% (3) have worked for between 5-10 years while other levels had no entry. This indicates that majority of the respondents have served their organization long enough to understand the relationship marketing strategy used by G4s in Kenya.

**Table 3: Length of Service in years**

Length of Service	Frequency	Percent
• Below 5 years	2	40
• 5-10 years	3	60
• 11-15 years	0	0
• Over 15 years	0	0
Total	5	100.0

#### **4.2.4 Working Location of the Respondents**

According to the findings in Table 4 below, 100% (5) respondents were working at the Head Office while none from branches, giving us an indication that most of the respondents are working at head office. This can also be attributed to the fact that strategy formulation is the work of top management who resides only at head office as seen in table 4 below.

**Table 4: Location of the Respondents**

Working Location	Frequency	Percent
• Head Office	5	100
• Branch	0	0
Total	5	100.0

#### **4.3 Market Research**

To ensure timely response to issues raised by the customers, the G4s Kenya has put in place the customer care department which plans visits to the customers, responds to customer queries within 24 hours or immediately they occur and the department also keeps records to track the turn around time. The issues are noted as they come in and the details are recorded in a book, marking the time that the issues are responded to. Where there is no immediate solution, the issues are re-directed to other levels so as not to struggle with complex issues. Marketing research is undertaken internally on a small

scale, but mostly the G4s Kenya buys research material from professional companies e.g Steadman and Consumer Insight. Customer satisfaction surveys are conducted on weekly basis using attitude and satisfaction research tests. Customer feed back are used to create a database to understand customer courier usage habit and their expectation of services offered internally or by other Courier service provider so as to identify gaps. The results are used to gauge the customers' perception of service delivery so as to manage relationship mishaps between the G4S Kenya and the clients. The results are also used as raw data for conducting market intelligence, re-branding/ packaging products/ services, product development and innovation and for identification of customer latent needs. Also, they are used to gain an insight of media preference by customers, identify socio-economic classes and regions and finally the results are used to build value chain systems in the G4s Kenya process i.e operations systems to ensure that the value identified is delivered.

#### **4.4 Extent of Application of Relationship Marketing by G4S**

The research confirmed that G4S practiced relationship marketing strategy and in particular, the firm has put the following practices in place;

##### **4.4.1 Reinforcement Practices**

Customer's response to reinforcement initiatives has been positive. Reinforcement practices used by the G4S Kenya involved sending customers' thank you notes, anniversary cards, follow up calls. The respondents indicated that it has resulted in repeat purchases, cross selling of products/ services and sales volume had been in an upward trend.

##### **4.4.2 Affective Engineering**

In order to appeal to the customers' emotional responses and strengthen relationships, the G4S Kenya had involved itself in community events and supporting charitable organizations. They have also applied the use of image related advertisements and slogans 'we are you' and positioned itself in key areas where customers can easily access so as to build the firm's brand. The aim is to give customers fulfilling experience so that

they are able to reach them quickly during work breaks and be able to return before time. The respondents indicated that this has increased the customer loyalty. The respondents agreed that this has led to increased profitability and less competition.

#### **4.4.3 Communications Continuity**

The G4S Kenya has put into place a communication system to facilitate continuity interaction and continuous feedback from customers. The system used is interactive and channels used were found to include use of newsletters, direct mail, direct letters, company exhibitions, dinners, visiting the firm's website and visiting the firm's premises. In handling complaints from customers, the G4S Kenya advises its customers to fill in 'Karibu customers' reply cards indicating their dissatisfaction at the point of interaction. These cards are read out weekly in meetings and issues raised are addressed accordingly. Feedback is given to individual customers, apologies and confirmation notes sent to them once the issues are addressed and resolved accordingly. The respondents felt that this tracking system has led to reduced customer complaints, increased customer retention and repeat patronage; urgent issues are however escalated to customer care department for immediate action.

#### **4.4.4 Mutual Innovations and System Friendliness**

To ensure that G4S Kenya systems are customer friendly, the firm has put in place innovative measures that include notifying customers through the media when there is an upgrade of system that would lead to interruptions to avoid complaints and inconvenience. The IT department has a target of 98% uptime, this being a measurable target in their appraisals. Mobile courier service and E-courier product line extensions to match customers changing needs, invention of new products, accessibility of customer care representatives at the customer care department, removal of contact barrier, customer interface with friendly technology, putting mobile vehicles at every key streets and home/office delivery and collection services so as to ease congestion in the G4s Kenya main office are some of the strategies employed. The respondents agreed that the strategy has resulted in less customer complaints occasioned by system breakdowns and

collection and delivery delays. They however, indicated the issues were not being resolved as fast as most customers expected.

#### **4.4.5 Product/ Service Quality Initiatives**

The G4S Kenya has put up measures for maintaining and upgrading products/service quality. These are driven by researchers which identify any gaps. General feedback from staff and account relationship managers give ideas for innovations, expansion of the products lines, product life cycles, getting customer feedback on current products, carrying out customer survey, conducting market intelligence and undertaking research on courier product innovation. To measure the level of customer satisfaction G4S Kenya uses an assessment of the level of the customer complaints, setting of targets e.g. the turn around time, level of customer retention, level of patronage and level of sales and market share where it was noted to have increased significantly.

#### **4.4.6 Customization**

Services/products are customized to meet customer requirements. Customization of products has created a unique fit between customers and services, created loyalty, has enabled relationship managers to negotiate product delivery times and pricing has created a barrier to prevent switching customers from moving to other competitors. This has led to increased customer satisfaction and loyalty, which in turn has led to increased market share. The firm does not involve its customers at the stage of the product innovation and all the respondents confirm. However the same group agrees that customer's perceptions of products are deduced from their continuous feedback.

#### **4.4.7 Customer-to-Customer Relationships**

To ensure that customers are comfortable at the service centers, the firm has put up mobile centres in all major streets/ towns in addition to their offices and some vehicles put on patrol to offices and homes where clients want their products collected or delivered. This has led to increased customer relations and compatibility with all the respondents affirming this, as it provides an immediate feedback, builds personalized

relationship and improves patronage. The practice has reduced the effects of competition due to increased customer satisfaction and subsequently increased market share. In preventing switching of clients to competitors, the firm has adopted competitive pricing, friendly staff, effective engineering efforts that appeal to the customers' emotional responses, making the clients feel good about the company and using positioning strategies. This has led to increased market share, business expansion and profitability. However, they all agree that value of services are difficult to evaluate and therefore customers' degree of compatibility, referrals and word of mouth create an impact that leads to growth in profitability and market share.

#### **4.4.8 Customer Loyalty Programs**

Invitation of customers to firm's activities; introduction of clubs, annual meetings engaging in games has led to increased sales and growth in the market. They have equally paid attention to the marketing mix variables and varies some of the components to create loyalty and overcome competition.

#### **4.4.9 Pioneer Advantage**

In an effort to develop pioneer advantage, the firm had developed an individual and company accounts for their clients to be offered services and they pay later. The respondents felt that the measures put in place ensure that clients do not switch to the competitors offering credit facilities. The respondents felt that competitors have managed to penetrate the firm's sector due to similar service offerings. This however affected sales and the market share, since as the moribund society's exit, new ones join in.

#### **4.4.10 Customer Knowledge Management**

The firm mainly uses surveys, call visits and clients' management reports on top of information in the customers data base in order to access, gain and exploit customer knowledge. The information obtained through such methods is used in developing and enhancing new products and aid in understanding customer needs and giving financial solutions. The firm has moved away from mass marketing to one-to-one marketing, which has resulted in personalized services with all respondents agreeing to this fact. This

has reduced the level of competition as services have been tailored to meet unique personalized needs.

#### **4.4.11 Internal Marketing**

To ensure that employees display a consistent approach at the point of interaction, the firm trains staff on customer care, matters of decorum and etiquette. Weekly customer care tips are sent to each staff. The staff operating manual has similar laid down procedures. The firm maintains a highly motivated workforce through continuous re-enforcement and giving of incentives. The firm has further defined customer service expectation in each staff's role profile and accordingly sets targets on the same. The respondents agree that this has led to increased customer satisfaction, increased sales level hence increase in firm's profitability. The firm has taken a marketing approach in recruiting its staff. The firm views employees as internal customers and jobs as internal products and this explain why the firm awards performance related bonuses when targets are met or exceeded. The respondents asserted that perceptions are difficult to measure since customer services are difficult to standardize and therefore it was not possible to relate whether customer service had met customer expectations. However they all agree that it has led to increased profitability.

In dealing with relationship mishaps the firm attempts to do a follow up or escalate issues to other levels and correct the situation where possible. For long-term clients, individualized approaches are used. In order to personalize aspects of services and its delivery, the firm continuously works on building its brand. Products are profiled according to the market segments the firm is targeting.

#### **4.5 Attitude by Managers**

The study findings established that 80% (4) of the respondents on the overall comments section confirmed that most managers had a positive attitude towards relationship marketing strategies adopted by G4S. They fully support the customer care department which recruits highly qualified professionals to handle customer related issues (Lingreen and Crawford, 1999).



#### **4.6 Challenges**

From the study findings, it was noted that 80% (4) of the respondents cited Information Technology as a challenge since good IT modules are required in order to enable customers access the G4S products and services (Gadde, Turnbull and Wilson, 1998).

A further 80% (4) confirmed that stiff competition in the industry especially from courier companies from the developed countries is a challenge to successful implementation of the RM strategy. This is further aggravated by the dynamic tastes and preferences of customers which makes them (customers) shift their loyalty to firms with products and/or services that appeal to them, Schlessinger (1994) and Reichheld (1996).

Lastly, 100% (5) of the respondents cited that both financial and human resources pose a lot of challenges to the proper implementation and sustainability of the RM program. This concurs with Duncan and Moriaty (1997)

## **CHAPTER FIVE – SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

From the analysis and data collected, the following discussions, conclusions and recommendations were made. The response was based on the objectives of the study.

The senior managers of the G4S Kenya representing the key departments of the G4S Kenya were selected. These managers were involved in setting up of the G4S strategies and the group was chosen as they were in constant with latest developments in the G4S Kenya and also are involved in strategy formulation. All the five departments were represented i.e Heads of Marketing, Operations, Human Resource Management, Administration and Finance.

### **5.2 Summary**

The research indicated that the G4S Kenya employees were aware that the firm had relationship marketing program in place. The G4S Kenya has established the Business Change and Risk Management division charged with the responsibility of undertaking marketing research to identify and monitor trends of consumer needs.

The various relationship marketing strategies adopted by the G4s Kenya were identified to include; identification and monitoring of trends of consumer changing needs, appealing customers emotional response, communication systems, ensuring customer friendly systems, upgrading of product/service quality, customer comfort, pioneer advantage, service quality and personalization of products/services. The above compares to the study carried out by (Drucker, 1996) who stated that knowledge is a meaningful resource.

It was found out that customer satisfaction surveys were conducted on a weekly basis and customer feedback forms were used to create a database of customers' perception of service delivery. In managing relationship mishaps between the G4s Kenya and the clients, the company also used raw data for conducting market intelligence, identification

of gaps in service delivery, re-branding/packaging products/services, product development and innovation and for identification of customer latent needs. This therefore assisted in building an up to date database and resolving customer complaints within the shortest time possible.

In appealing to the customers' emotional response and strengthening of relationships, G4S had involved itself in community events and supporting charitable organizations. They have also applied the use of image related advertisements and slogans 'we are you' and re-positioned itself at key areas where customers can access them easily. The use of Mobile services through vehicles and direct office/home service delivery and collection has evoked positive emotional responses. The findings concurs with the study advanced by (Shemwell, Cronin and Bullard, 1994).

In line with the findings of (Lindgreen and Crawford, 1999), the G4S Kenya has put in place a communication system to facilitate continuity, interaction and continuous feedback from customers. This system has led to reduced customer complaints, increased customer retention and repeat patronage. To ensure that G4S Kenya systems are customer friendly, the firm has put in place innovative measures including friendly customer interface systems to match customer changing needs. Notice is given when they anticipate system or service delay. Customer knowledge is used to understand customers' business and systems as to profile the system and service accordingly. In upgrading the services and quality, the firm has adopted an approach of expanding the product lines and the product life cycles. Further services/products have been customized to meet customer requirements. Other methods identified include use of invitation cards to clients to attend G4S sponsored activities, introduction of clubs etc. This cumulatively has led to increased sales and growth in the market share.

The G4S Kenya mainly uses surveys, call visits and clients' management reports besides information in the customers' database in order to access gain and exploit customer knowledge. The information obtained through such methods is used in developing and enhancing new products and help in understanding customer needs and giving financial solutions. The G4s Kenya moved away from mass marketing to one to one marketing

which has resulted in personalized services. This has reduced the level of competition as services have been tailored to meet unique personalized needs.

For consistency of display of employees approach at the point of interaction, the G4S had adopted a marketing approach in recruiting its staff, further re-reinforced by staff training, people skills tips on matters of decorum and etiquette, staff motivation and operating manual. Frost and Kumar, (2000) emphasized this aspect of internal marketing. To enhance superior quality service the G4s Kenya renovated and improved its internal décor.

In dealing with relationship mishaps the firm attempts to do a follow up and correct the situation where possible. For long term clients, individualized approaches are used. In order to personalize aspects of services and its delivery, research material is used to identify gaps: services are profiled according to the market segments the firm is targeting. This has helped the firm in resolving customer complaints. All the respondents agreed to the fact that mishaps are resolved there and then and complex ones immediately escalated to relevant departments.

### **5.3 Conclusions**

The G4S Kenya has adopted relationship marketing and this strategy has cumulatively resulted in attracting, maintaining and retaining customers. Customer loyalty has increased customer patronage which in turn has led to increased sales and market share. The G4S Kenya profitability has also increased due to reduced costs associated with marketing of products/services. Customers are more satisfied and identify with the firm's brand image due to adoption of relationship marketing strategies.

#### **5.4 Recommendations**

Based on the preceding literature and findings, the research recommends that for the G4s Kenya to continually attract, maintain and retain customers and increase its market share, more resources should be dedicated to research and development to supplement the available research materials obtained from professional research firms. Mystery shoppers should be used more often and staff motivated more and empowered since they are the ones that define, 'the moment of truth'.

It is recommended that the study be extended to establish the impact of relationship marketing strategies on performance.

#### **5.5 Limitations of the study**

This research was only limited to one courier service provider - G4S Kenya. Further, there was concentration on the Head Office more than the Branch Network. The research can be enriched by involving a bigger number of respondents ranging from the lower cadres to the top management so as to broaden ideas and widen the scope of the study.

#### **5.6 Suggestions for further research**

With the foregoing limitations, the research proposes an extension of this research to cover other courier service providers that have embraced relationship marketing. Further, the research recommends statistical data analysis to establish if there is any statistical significance between relationship marketing and the G4s Kenya's profitability. Further research can be undertaken to incorporate the wider non-management staff of the firm and the wider Branch network to get the total picture. Other variables that contribute to relationship marketing can also be introduced and measured.

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**APPENDIX 1: THE INTERVIEW GUIDE**

**Part 1**

**General Information**

- 1. Name of the respondent (optional) .....
- 2. What is your job title in G4S Kenya? .....
- 3. What gender are you?
  - a) Male (.....)
  - b) Female (.....)
- 4) What is your level of Education?
  - a) Post Graduate (.....)
  - b) Under Graduate (.....)
  - c) College (.....)
  - d) Others (.....)
- 5. How many years have you worked for G4s Kenya up to now? Please tick one
  - a) Below 5 years (.....)
  - b) 5-10 years (.....)
  - c) 11-15 years (.....)
  - d) Over 15 years (.....)
- 6. Where are you working currently? Please tick one
  - a) Branch (.....)
  - b) Head office (.....)
- 7. What is your department’s main role in the G4S Kenya?  
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**Part II**

“Relationship marketing defined as a customer centered approach whereby a firms seeks long term business relations with prospective and existing customers for purposes of achieving profit and meeting the objectives of the customer”.

- 1. Does G4s Kenya have a relationship marketing program in place? Please tick one.

- a) Yes ( )
- b) NO ( )

2. What measures are in place to ensure timely response to issues raised by the customer?

- i. ....
- ii. ....  
.....
- iii. ....  
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- iv. ....  
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3. i) Does G4S Kenya undertake marketing research to identify and monitor trends of consumer changing needs?

- a) Yes ( )
- b) NO ( )

ii) Do you conduct customer satisfaction surveys? How often?

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iii) How do you use the results?

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4. i) Reinforcement is the practice that encourages customer to repeat desirable behavior. Is the practice used in G4s Kenya?

a) Yes ( )

b) NO ( )

ii) What has been the customers' response to these initiatives?

a) Positive (.....)

b) Negative (.....)

c) None (.....)

iii) Has these resulted in repeat purchases, cross selling of the products thereby increasing the sells volume?

a) Yes ( )

b) NO ( )

5. i) What measures are in place to appeal to the customers emotional response so as to bond the relationships?

a) .....

b) .....

c) .....

d) .....

e) .....

ii) Are customers loyal and less price sensitive as a result?

a) Yes ( )

b) NO ( )

iii) Has this impacted on profitability whilst overcoming competition?

a) Yes

b) NO

6. i) What communication systems are in place to facilitate continuity interaction and continuous feedback from customers?

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.....  
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ii) How does G4S Kenya track complains and handle them?

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iii) Has these led to less complains and thus customer retention and repeat patronage?

a) Yes

b) NO

7. i) What innovative measures are in place to ensure that the G4S Kenya systems are customer friendly?

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ii) Has these resulted in less customer complains occasioned by systems breakdowns? How first do the issues get resolved?.....

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8 i) What measures are in place for maintaining or upgrading products/service quality?.....

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ii) Have the steps taken in (i) above led to the products/service improvement?.....

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iii) Has these resulted in reduction in customer complains and more satisfied customers?.....

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iv) How does the G4S Kenya measure the quality of service delivery to the customers?.....

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9. i) Do you serve customers as an individual in G4S Kenya?

a) Yes ( )

b) No ( )

ii) Are the services/products customized to meet customer requirements? If not, what systems are in place to re-brand and re-package products to suit customers quality specification?.....

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iii) Do you have a data base for individual customers? And if so, do you use the same to customize services?.....

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iv) How does customization of products create long term relationships?

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v) Does the G4S Kenya involve customers at the stage of product innovation and development?

a) Yes

b) NO

vi) What are the impacts of (v) above in customer satisfaction and loyalty?.....

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10. i) What proactive efforts have G4S Kenya put in place to ensure that customers are comfortable at the service centers? .....

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ii) Comment on impact on customer to customer relations and compatibility?.....

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.....  
iii) Has these increased the customer inclination to patronize the business through word of mouth?

a) Yes

b) NO

iv) Comment on the impact of competition and market share .....

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v) What measures are in place to prevent customers from switching to competitors?.....

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vi) Comment on impact of customer to customer relationships on market growth, business expansion and profitability.....

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11. i) Which customer loyalty programs are in place currently? .....

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ii) What has the impact been on sales? .....

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iii) Have the direct marketing costs of unsuccessful prospecting reduced as a result? .....

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12. i) Pioneer advantage is defined as efforts to reach and cultivate relationships with prospective customers before competitors reach them.

In an attempt to develop “pioneer advantage” which pioneer product has the G4S Kenya developed .....

What measures are in place to ensure that this product is retained throughout in the business?.....

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ii) What measures are in place to retain the G4S Kenya in the market sector? .....

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iii) Have competitors managed to penetrate the G4S Kenya market?

a) Yes

b) NO

And if so, why?

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13. i) What avenues are used in G4S to access, gain and exploit customer knowledge?  
(this excludes information already existing in data base).

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ii) How has the G4S Kenya used this knowledge?

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iii) Had the G4S Kenya moved away from mass marketing to one to –one marketing?

a) Yes

b) NO

iv) Has this resulted in personalized services?

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iv) Comment on impact on competition .....

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14. i) What measures are in place to ascertain that employees display a consistent approach at the point of interaction?.....

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ii) Comment on impact on customer service, sales and profitability? .....

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iii) Are employees viewed as internal customers and jobs as internal products in you G4S Kenya? Briefly comment .....

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iv) What approach does your Human Resource Department take in finding and recruiting well qualified job applicants?.....

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v) Does the level of customer service in G4S meet customer expectations? If not, why is there a variance?.....

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15 i) What steps has the G4S Kenya taken to ensure that the quality of services is superior?.....

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ii) Have the steps taken in (i) above aided in beating competition and resulted in increase in the number of courier companies?

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16. What reasons are given by customers when switching to competitors? .....

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17. Are exit interviews conducted ? and if so, what is normally the outcome?.....

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18. How does G4S deal with relationship mishaps? .....

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19 i) What structures are in place to personalize aspects of services and its delivery to customers?.....

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ii) Comment on impact of sales and profitability?.....

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iii) What kind of services/products are personalized?.....

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iv) What advertising messages are sent to them?.....

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20 i) Does G4S have a system of giving associated rewards to customers in proportion to customer usage of courier services? Briefly describe them

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ii) Has this led to loyalty resulting in extended product usage and repeat patronage?

- a) Yes (.....)
- b) No (.....)

iii) Comment on impact on these costs (selling costs, commissions, advertising costs and costs of unsuccessful prospecting).....

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21. What is G4S' Kenya Vision?

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22. Has the practice for RM facilitated reduction of costs, increase on profitability by attracting, retaining and maintain customers?

a) Yes

b) NO