

**THE EXTENT OF USAGE OF RELATIONSHIP MARKETING
STRATEGIES TO ENHANCE BRAND LOYALTY OF
INDUSTRIAL CUSTOMERS: - THE CASE OF THE PAINT
INDUSTRY.**

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**BY
MURAGE W. PAUL**

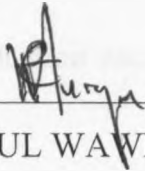
**A MANAGEMENT RESEARCH PROPOSAL
SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR MASTER OF BUSINESS
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UNIVERSITY OF NAIROBI.**

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DECLARATION

THIS PROJECT IS MY OWN ORIGINAL WORK AND HAS NOT BEEN PRESENTED FOR A DEGREE IN ANY OTHER UNIVERSITY

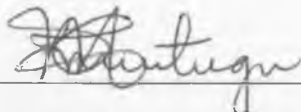
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PAUL WAVERU MURAGE

THIS PROJECT HAS BEEN SUBMITTED FOR EXAMINATION WITH MY APPROVAL AS THE UNIVERSITY SUPERVISOR.

SIGNED



MR. T. MUTUGU

SENIOR LECTURER (BUSINESS ADMINISTRATION)

DATE

29-10-02

DEDICATION

In the memory of my dear uncle, Mr. John Wallace Mathare, for his love of education.

To my dear parents, for their love and parental care.

To my girlfriend Carol, for her love and understanding

To my sisters, for their encouragement and support.

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ABSTRACT

The Relationship Marketing concept is a philosophy of management that calls for the development of integrated marketing programme that places emphasis on creation of customer value for enhancement of customer relation. According to this concept, it is the marketer's for customer retention that leads to sustained profitability.

The survey for the study reported here was done between 1st August and 26 September 2002. The study sought to identify the relationship marketing strategies manufacturer use on industrial customers. The study also sought to measure the extent of usage of relationship marketing strategies in enhancing brand loyalty of industrial buyers.

The population of interest included all paint manufacturers in Nairobi. The information in this study was collected using a structured questionnaire and analyzed and presented using proportions and percentages. Sixteen executives from various firms completed the questionnaire and provided the information used in this report.

The findings of the study suggested though majority the paint industry executives were not aware of the relationship-marketing concept most of the respondents were aware of the different aspects of the concept and undertook these activities particular the ones to do with customer orientation such as identifying customer needs through research and also responding promptly to customer complains. The respondents also indicated to having mechanism of identifying and keeping in touch with their potentially loyal customers. There were various aspects whose application was not so widespread.

Concerning the extent of usage of relationship marketing strategies in enhancing brand loyalty of their customers, most of the respondents recognized their importance and used reinforcing promotions for their best customers as a tool for enhancing brand loyalty to their products.

The study was constrained by a non-response of some companies and hence it could not be determined how these paint companies would have responded. Time was insufficient for data collection hence the study may not have been sufficiently intensive. Collecting data on self-reported beliefs, feelings and action tendencies is quite dynamic and so the researcher may not have been given “true” responses.

In conclusion, it was found that executives the paint industry used various relationship marketing strategies in marketing their products. They also undertook these strategies to enhance their brands.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

According to Kotler (1991), marketing management is the analysis, planning, implementation, and control of programmes designed to create, build, and maintain beneficial exchanges with target buyers. Marketing has also been defined as “the art of finding and keeping customers. McCarthy and Perreault Jr (1990) define marketing as performance of activities that seek to accomplish an organization’s objectives by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producers to customers or clients. This is the basic dilemma facing marketers today.

The development of marketing is influenced by the development of society and its economy. Marketing management has evolved through four major stages, each of them characterized by different managerial philosophies and practices. Ngahu (1986) states that marketing management must change to suit the needs of society. It has to keep abreast of the changes being experienced in the wider society for it to maintain its place and play its role in the society.

Payne et al (1995) have argued that previously marketers put a lot of emphasis on the ability to finding new customers. Sales people spend most of their time hunting rather than cultivating customers. Payne et al (1995) further note that new customer is celebrated like a winning trophy. The existing customers find themselves serviced with less gusto. Companies are being pushed to make more sales so as to show more revenue. Traditional thinking has it that the purpose of the corporation is to maximize share-holder value. This has compelled companies to get the ideal competitive advantage that will serve to achieve their goals. According to Kotler (1991) this is best illustrated in the selling concept, which assumes consumers will not buy enough of the organization’s products unless the organization expends substantial selling

effort. This philosophy accepts the fact that some selling and promotion effort by the producer is essential if products are to be bought in sufficient quantities. However the whole marketing effort is still looked at from the sellers' point of view (Kibera and Waruingi, 1988)

Porter (1985) cites three winning competitive strategies. These include 'price leadership', 'cost leadership' and 'product differentiation'.

Of these one of the most commonly used strategies is price leadership. Price wars are becoming more common because managers tend to view a price change as an easy, quick, and reversible action.

Kotler (1999) notes that if customers only bought core products without the augmented features then all products in the category would be the same and the only difference would be on price. All markets would be price markets. Then all companies would have to accept the market – made price.

But the situation is different on the ground as the following examples show:

- ◇ Kirenget bottled water charges more than any other brand.
- ◇ Crown Berger gets 10 percent more for its paint
- ◇ Unga ltd gets 5% more for its maize flour.

It important to note that though these brands charge significantly more they are the market leaders in their product categories.

Another winning competitive strategy according to Kotler (1999) is winning through offering more benefits to the customer. This is the essence of relationship marketing. Berry (1983) defines relationship marketing as attracting, maintaining and enhancing customer relationships. Servicing and selling to existing customers is viewed to be just as important to long-term success as acquiring new customers. The relationship marketing mindset is that acquiring customers is merely the first step in the marketing process. According to Payne et al (1995) the relationship-marketing firm invests in formal marketing programming not only to attract new customers but also to keep and improve the existing ones.

Gronroos (1990) defines relationship marketing as the establishment, maintenance, enhancement and commercialization of customer relations (often long term) so that the objectives of both the parties are met.

According to Payne et al (1995) relationship marketing is applicable in situations where there is a periodic desire for service and the consumer has wide selection of alternative sources from which they can choose. This concept is critical to firms that are vulnerable to customer loss due to intensifying intratype and/ or intertype competition.

Gronroos (1990) notes that the major principle applicable in relationship marketing is that the customer needs to be given an incentive or reason to remain being a customer.

The aim is to give the customer one or more reasons not to change suppliers.

Levitt (1983) points out that the real value of a relationship between customer and supplier is added after the sale is made. He continues to argue that the seller's focus needs to move from just closing a sale to delivering a high level of customer satisfaction over the lifetime of the relationship. His article draws attention to the need to understand what the customer is buying – an augmented product – and it is this which the customer values

Payne et al (1995) states relationship marketing as marketing process that places greater emphasis on creation of customer value. Customer value is the summation of all positive effects that a supplier has upon the customer's business or in the case of the end-user, their personal satisfaction. Levitt (1983) calls this form of relationship 'reciprocal dependency' and insists that the seller is responsible for initiating and nurturing it. He compares this relationship to a romance with the seller as the suitor.

According to Kotler (1999) various components of relationship marketing include customization, more and/ or better service, coaching, training, or consulting, extraordinary guarantees and membership benefit programmes.

Various studies have been undertaken on relationship marketing. Some of the most famous writers include Levitt (1983), Berry (1983) and Gronroos (1990). Levitt (1983) in an article "After the sale is over", points out that the real value of a relationship between customer and supplier is added after the sale is made. He argues that the seller's focus needs to move from closing a sale to delivering a high level of customer satisfaction over the lifetime of the relationship. The central theme in

Berry's article (1983) is the need to transform customers into clients. He argues that by treating the customer as a client, they are more likely to be loyal.

In the studies done on various organizations, banks seem to be at the forefront in the application of relationship marketing. Their aim being to hold onto and develop their existing customers. Some of methodology applied by the banks includes categorization and segmentation of their customers. Payne et al (1995) note that banks have introduced different types of accounts such as the 'Gold account' customer who are high net individuals, making up 20% of the total customer base but provide 80% of the bank's profit. They further state that it is with this in mind that banks have created/ provided relationship managers whose responsibility to act as the interface between corporate clients and the various services provided by the banks with an aim of enhancing customer relation. Other companies according to Payne et al (1995) use the concept of key account management the same way.

The Industrial Marketing and Purchasing Group (IMP), according to Payne et al, (1995) has undertaken various studies in European firms whose emphasis has been building and developing buyer – seller relationships in industrial markets. The IMP group has carried out research on both sides of the buyer – seller relationships. The aims being to guide marketing managers develop strategies that will enhance interactions between buyers and their supply markets.

Aaker (1996) has stated that the use of relationship marketing strategies enhance brand loyalty. Relationship marketing aims at getting the customer closer. Most companies have recognized the need of keeping the customer close by coming up with various programmes. According to Aaker (1996) one such programme that has been undertaken is illustrated in the Saturn story. The manufacturers of Saturn set out to create a new brand and one way they did this is by creating a strong relationship between Saturn the brand and its customers. Aaker (1996) notes that an important part of Saturn's brand identity is its commitment to treat customers with respect and as a friend. This relationship has the potential to create an intense, enduring brand loyalty. According to Kotler (1997) people form brand preferences. Brands are familiar, they create an expectation. Brands represent more than the product. Brands represent a configuration of services, values, and promises made by the seller. The challenge

facing marketers is how to communicate this to the consumer and remove their focus from price to the value gotten from the product.

Another tool that has been used in relationship marketing is the use of customer data. Customer data is used for data-base marketing targeting narrow, focused segments. According to Aaker (1996) news about new products and special products can be tailored to have those segments most likely to respond. Targeted customers will feel the firm is connecting with them individual and the customer brand relationship becomes stronger.

Relationship marketing is still a relatively new concept that was first propagated in the 1980s. Though there has been studies on relationship marketing done in the Western World, there is no study on relationship marketing that has been done in Kenya and this is the gap the study will be attempting to fill.

1.2 Statement of the Problem

The paint industry has been dominated by the Crown brand for many years. With the onset of liberalization in the 1980s and 90s, more players have come in. These include the manufacturers of Duracoat, Sadolin paints, and Galaxy paints among others.

Crown has been, and still is, the best paint brand known to many Kenyans. Due to the liberalization of the economy, and the onset of the many paint manufacturers, consumers have tended to shift to lower priced paint brands. This situation has posed a threat to the traditional market leader, Crown. Therefore the market leader will need to adopt a strategy that will halt this situation in a bid to maintain its leadership position.

Price wars can create economically devastating and psychologically debilitating situations that take their toll on the individual and the company's profitability. In today's hyper-competitive market place, companies in the paint industry are struggling to make their products different while at the same time not succumbing to the temptation of engaging in a price war.

Crown is simply not selling paints. It should strive to sell a fine service and a promise to its customers to get the maximum out of its products. It aims to transform the core product into an augmented product. Payne et al (1995) state that today's smart marketers are not just selling products but benefit packages. They strive to make the

customer not just see the purchase value but the sell value. The aim is to remove the customer's focus from the price of the product to the value of the product. The aim is also to improve customer loyalty on a long-term basis through relationship marketing. Since this is a relatively new approach, this study seeks to find out the extend of usage of relationship marketing strategies to enhance brand loyalty of industrial buyers.

1.3 Objectives Of The Study

1. Identify the relationship marketing strategies manufacturers use on industrial customers.
2. Measure the extent of usage of relationship marketing strategies in enhancing brand loyalty of industrial buyers.

1.4 Importance Of The Study

This study is expected to be of benefit to many groups:

- a) To the business community the study will hopefully contribute to the awareness of the concept and hence its adoption for the long-run company and consumer value. If well utilized this information will help the manufacturers adopt more competitive strategies to foster the increasing competition.
- b) To the academicians, the study will improve their knowledge base and hopefully act as a pivot for further research.

1.5 Organization of the Study

This research report is divided into five chapters. The first chapter is the introduction of the study. It gives some background information of the study, statement of the problem, objective of the study and the importance of the study.

Chapter two gives a review of the literature pertinent to the study area. It is in this chapter that the concepts, principles and previous research on the relationship-marketing concept are reviewed.

The third chapter deals with the research design for the study. That is, the relevant population, sampling procedure, and the data collection method are discussed in this chapter.

The fourth chapter gives a discussion of data analysis and interpretation of the results. The final chapter presents the summary and conclusions and also highlights the limitations of the study. Finally, the author gives suggestions for future research at the end of this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1. Development of Relationship Marketing.

Berry (1998) defines relationship marketing as process of attracting, maintaining and enhancing customer relationship. Servicing and selling to existing customers is viewed to be just as important to long term marketing success as is acquiring of new customers. Good service is necessary to retain the relationship. Good selling is necessary to enhance it. The relationship-marketing mind set is that the attraction of new customers is merely the first step in the marketing process.

Payne et al (1995) argue that relationship marketing is a special field all its own and is as important to preserving and enhancing the intangible asset commonly known as 'goodwill' as is the management of hard assets.

Dr Barbara Bund Jackson (Payne et al, 1995) conducted research for her book 'winning and keeping industrial customers'. Based on her research she argues that building and maintaining customer relationships involves concentrating on a number of things, which must be executed in a consistent manner over long periods. She also points out that coordination tasks on the part of the seller in the managing the needs of the customer over time.

According to Rust, Zahorik and Keinigham (1999) maturing markets, lower population growth and increased global competition have forced marketers to examine the cost of winning new customers versus retaining their old ones. It is with this in mind that Gronroos (1990) redefines marketing as establishing, maintaining and enhancing relationships with customers and other partners, at a profit so that the objectives of the parties involved are met. This is achieved by the mutual exchange and fulfillment of promises. According to Rust, Zahorik and Keinigham (1990) the concept of promises made is the key to the relationship. The promises made by the seller include the obvious ones that are part of the selling process. These include product quality and delivery attendant services and others. To make and cement these relationships there is need for the seller to show a deeper commitment to the buyers

success. SKF North American firm that manufactures and sells bearings shows an example of this deeper commitment. In addition to this the firm now provides its customers with assistance in mounting and maintaining of all its bearings to reduce downtime in their factory. This is an example of a firm going an extra mile to create this relationship with the customers.

2.2. Components of Relationship Marketing

Kotler (1999) states that companies need to sweeten their offerings to their customers. He adds that value-adding companies have figured out a stronger value offering or benefit bundle to win the buyers preference. These benefits go a long way to convince the customers that they benefit more by sticking with a certain supplier. Some of the benefits noted by Kotler include customization, more convenience, faster service, more and /or better service, coaching, training, or consulting, useful hardware and software tools and membership benefits programmes.

2.2.1. Customization

Kotler (1999) argues that a company practices “customer intimacy” when it can customize its offerings to a particular customers’ requirements. The concept of mass customization is applicable here. According to Kotler mass customization is the ability to prepare on a mass basis individually designed products, services and communications. He further states that this is possible through flexible manufacturing and computer databases that stores and analysis information gathered from customers’ past records which enables companies to offer one-of-a-kind products to hundreds, thousands or millions of their customers. An example given by Kotler is the Levis Jeans where Levis sales clerks can measure a person’s exact dimensions, customize a pair of jeans, and deliver it in two days. The customer can order additional jeans without visiting the store again.

2.2.2. Mass customer convenience

Kotler (1996) notes that sellers have a better chance of attracting and satisfying customers when their customers find it easy to reach them, to see their products, and to place orders. He further states that one way of doing this is through offering

customers more hours for contact. Banks previous had very limited hours of contact. Some banks according to Collins and Rapp (1998) have extended their contact hours. Other banks are exploiting options of on line banking to extend banking hours. This is one way of establishing contact with the customers beyond the norm

2.2.3. Faster service

According to Kotler (1999) some companies have positioned themselves as speed leaders serving customers who want faster service. The whole fast food industry according to Kotler grew on the pretext that it could provide a reasonably tasty and inexpensive meal in the shortest amount of time. He continuous to state that service marketers can distinguish themselves by offering faster service. An example quoted is Citibank, which uses a software programme that can tell mortgage applicants in a matter of minutes as to whether the bank can extend a mortgage to them.

2.2.4. More and/ or better Service

Kotler (1999) states that all businesses must be service business. He adds that manufacturers need to deliver service along with their products. An example is Caterpillar, which promises to repair its equipment anywhere in the world within twenty-four hours. Kotler notes that Caterpillar makes 60 percent of its profits by selling aftermarket parts and service. Another example noted by Collins and Rapps (1998) is that of Amil Health Insurance Company in Brazil, which has developed outstanding high level of service and customer delights. For example Amil can be phoned twenty-four hours a day, seven days a week and will give medical advice and assistance over the phone.

This high level of service has given Amil Insurance Company an edge over its competitors.

2.2.5. Customer Training and/ or Coaching.

Kotler (1999) states that smart companies will help their customers get maximum use value out of their offerings. They will seek to understate their customers' businesses and offer training and coaching programmes to these customers. An example quoted by Kotler is that of GE Plastics which sends productivity teams to help customers use a product and even shows them hoe to make less use of. According to Kotler (1999)

Otis Elevators offers a remote elevator monitoring services so that it can anticipate imminent customer problems.

2.2.6. A membership benefit program

Kotler (1999) notes that this is an effective way to win, keep and grow customers by rewarding them for being customers. Examples noted here include airline frequent flyer programmes and such membership groups as Harley Owners Group (HOG), which presents an attractive set of benefits to the Harley motorcycle owners. According to Kotler (1999), in the 1980s American Airlines introduced its Advantage Programme, which offered points that could be used to obtain free flights or upgrades. This programme created a strong customer preference for American Airlines that other airlines countered by introducing their own frequency award programmes.

2.3 Relationship marketing and creation of Customer Value

There is now a widely held view that marketing should be viewed as a business wide process - process that has a goal of creating superior customer value.

Payne et al (1995) state that to maximize customer value at the least cost to the business will frequently require a rearrangement of the sequence in which the tasks are performed. In some instances these tasks will be eliminated or combined with other tasks or even performed in parallel. Examples of these tasks include research and development, value engineering, inbound logistics, order fulfillment and customer service. The basis of this re-engineered sequence of events is the relationship chain. This notion was advanced by Gluck (1980) and Porter (1985) who recognized the importance of business processes as a sequence of events whereby value is created and costs incurred. According to Payne et al (1995) relationship marketing is itself not a new concept rather it's a refocusing of traditional marketing with greater emphasis being placed upon the creation of customer value. Customer value is the summation of all the positive effects that a supplier has upon the customer's business or, in the case of end users, their personal satisfaction.

Payne et al (1995) say that the fundamental principle upon which relationship marketing is founded is that the greater the need of customer satisfaction with the relationship, not just the product or service, then the greater the likely hood that the

customer will stay with us. The importance of retaining customers is that there is strong evidence that customer retention and profitability are directly related. The longer the customer stays with us, the more the likely hood that they will place a greater amount of business with us, even to the extent of single sourcing and that they will be less motivated solely by price.

At the heart of relationship marketing approach according to Berry (1983) is the integration of company wide of hitherto separate customer service and total quality initiatives with the main stream of marketing strategy. Conventionally customer service and quality have been managed separately from marketing. In the relationship marketing paradigm they are intertwined and managed as one, the logic being it is through service and quality that the relationship is built.

2.4 Relationship Marketing and Brand loyalty

In the words of Henry Ford (Payne et al 1995) “business must be run at a profit or else it will die. But when anyone tries to run a business solely fro profit.... then also the business must die for it no longer has a reason for existence.”

Reichheld (1993) states the true mission of the firm is to create value for the three constituents of a business system: customers, employees and investors. The value-creation process of this trilogy is at the core of any successful enterprise. It is the customer however who us considered the first among equals because customer loyalty must be earned each and every day.

The impact of brand loyalty on marketing costs, according to Aaker (1996), is often substantial. It is simply much less costly to retain customers than to attract new ones. Regular customers place frequent, consistent orders and therefore usually cost less to serve. Longer established customers tend to buy more. Reichheld (1993) further notes that satisfied customers may sometimes pay premium prices. Customers who are brand loyal represent a substantial entry barrier to competitors in part because the cost of enticing customers to change loyalties is often prohibitively expensive. Satisfied customers often refer new customers to the supplier at virtually no cost.

Aaker (1996) has stated that the use of relationship marketing strategies enhance brand loyalty. Relationship marketing aims at getting the customer closer. Most companies have recognized the need of keeping the customer close by coming up with various programmes. . According to Aaker (1996) one such programme that has

been undertaken is illustrated in the Saturn story. The manufacturers of Saturn set out to create a new brand and one way they did this is by creating a strong relationship between Saturn the brand and its customers. Aaker (1996) notes that an important part of Saturn's brand identity is its commitment to treat customers with respect and as a friend. This relationship has the potential to create an intense, enduring brand loyalty. Kotler (1999) mentions other relationship marketing strategies have been implemented include frequent – buyer programmes which were pioneered by airlines for example British Airways Frequent Traveller programmes where travelers earn points that can be redeemed through up grades or free tickets. Collins and Rapp (1998) write of such a programme initiated by Nestle Foods in France where the company set up breastfeeding booths along main roads where new mothers could stop and breastfeed their babies. They could rest, chat each other and get free advise from Nestle Foods personnel on childcare. This ended up enhancing loyalty towards Nestle products and its market share increased tremendously. According to Collins and Rapp (1998) and Aaker (1996) the manufacturers of Lexus also set up customer relationship programmes by initiating activities that Lexus owners could take part in. Frequent buyer programmes provide direct and tangible reinforcement for loyal behaviour. According to Aaker (1996) these programmes not only enhance value proposition of a brand and often its point of differentiation as well, they also affirm the commitment that the firm is making to loyal customers. It is clear that their loyalty is not taken for granted

Customer clubs can precipitate a potentially more intense loyalty level. Aaker (1996) observed that kids who joined the Nintendo Fun Club, received newsletters and access to on call advisors, were rabid Nintendo users and were at the heart of the firm's early success. The Casa Buitoni club according to Collins and Rapp (1998) played a key role in establishing Nestlé's Buitoni brand of Italian pasta in the UK. Members received a regular full colour newsletter. Other benefits included a toll-free line for cooking advice, chances t win an invitation to the original Casa Buitoni villa in Tuscony, cookery weekends and opportunities to sample new products

Aaker (1996) noted that the frequently – buyer programmes and the customer clubs provided visible evidence that the firm really cared about its clientele. While the frequently buyer programmes are somewhat passive and inclusive, customer clubs are

potentially more involving. The customer clubs provide a vehicle by which customers can identify with the brand.

2.5. Characteristics of relationship marketing

Some of the most significant contrasts between the traditional approach and the emerging concept of relationship marketing are presented in the table below

The shift to relationship marketing

Traditional marketing	Relationship Focus
1. Orientation to single sales	Orientation to customer retention
2. Discontinuous customer contact	Continuous customer contact
3. Focus on product features	Focus on customer value
4. Short time scale	Log time scale
5. Little emphasis on customer service	High customer services emphasis
6. Limited commitment to meeting customer expectations	High commitment to meeting customer expectations
7. Quality is the concern of production staff	Quality is the concern of all staff.

Adapted from Payne et al, Relationship marketing for competitive advantage Butterworth-heinemann (1995)

2.6. Relationship transition

Relationship building is a long-term process. Payne et al (1995) have developed a process through which customer relation is developed. This is the relationship transition which illustrates the process of development in customer relations with the firm.

Prospect

This is the first stage in the marketing process. This is the target market. Classical marketers have tended to focus the means by which individual or organization might be converted into a customer.

Customer

In the relationship marketing model a customer is someone who has only done business with the company once or occasionally. The relationship between the firm and the customer is not enhanced.

Client

This is the next step beyond the customer stage. A client is someone who will do business with the firm on a regular basis. Its important to note that though the client does business with the firm he may have neutral or negative feelings about the company. Examples are the banks. Most people though they do business with the banks may do so out of inertia rather than loyalty.

Supporter

Marketers strive to convert clients into supporters. This is the time when the relationship becomes apparent. Supporters like being associated with the company and value their relationship with the company.

Advocator

These are supporters who actively recommend the company to others.

Partner

This is the final stage of the relationship ladder. The customer now is a partner and together they seek to identify ways in which mutual advantages can be gained from the relationship.

From the above model, the emphasis in relationship marketing is upon finding appropriate means to move customers up the ladder and to keep them there.

Conventional marketing on the other hand tended to focus on acquiring new

customers and in winning market share without any significant attempt at to develop strategies for customer retention..

Another significant characteristic of relationship marketing according to Payne et al (1995) is the wider view of market that it adopts. Rather than simply focusing on the end user Payne et al (1995) have suggested a wider view of markets' is appropriate. The idea is that in order to build and sustain real customer value it is important to recognize that relationships must be built with a number of important constituencies. These markets include:

Internal markets

These individuals and groups within the organization who by their actions and beliefs determine the organizational culture. It is important to note that developing shared values in support of a customer oriented organizational culture is a critical requirement for sustained success in the market place.

Referral markets

These can be an effective source of new business. Referral come from various respected sources such as bankers, lawyers, doctors and accountants as well as from existing satisfied customers. This is even more effective if the person from whom the advise is being sought from is an opinion leader. In the paint industry referrals from architects and other building industry consultants is highly valued. Building relationships with these sources of word of mouth recommendation should be an integral part of marketing strategy.

Influence markets

These comprise of individuals or organizations that have the ability to impact positively or negatively the marketing environment within which the company operates. Companies strive to build up positive pubic relation which has become an integral part of the marketing process. Successful companies tend to have good relationships with critical sources of influences relevant to their markets.

Employee markets

Employee form a focal point for relationship marketing because of the critical need to recruit and retain employees who will further the aims of the company. The aim should be to attract people who share similar visions with out the company stands for.

Supplier markets

These refers to the network of organizations that acre supplies of materials, products or services to which the marketing company adds further customer value. Companies that have developed close relations with their suppliers have benefited immensely. Some of the significant advantages that accrue from this closer relationship include improved quality, faster time to market, more innovative products and lower levels of inventory.

Customer markets

These represent all the people or organizations that buy goods or services from a company. They can be end users/ consumers or intermediaries. A particularly powerful element in the relationship marketing mix as far as the market is concerned is the customer service.

3. RESEARCH METHODOLOGY

This chapter deals with research methodology used to conduct the study. It covers the population of study, the sample, data collection methods and data analysis techniques.

3.1 The Population and Sample

The population of interest in this study consists of all registered paint manufacturers in Kenya. According to the registrar of companies there are about forty registered paint manufacturers. Due to the small number of the population its prudent to carry out a census survey.

3.2 Data Collection Instrument

The primary data was collected using a structured questionnaire (Appendix 1A). An introductory letter accompanied all questionnaires to the respondents. The questionnaire contained open-ended, multiple choice questions and attitude statements of opinions related to the relationship marketing concept..

Section A of the questionnaire has been designed to get information on the responding company. Section B has been designed to elicit data related to the level of awareness of relationship marketing concept in the paint industry.

Section C has been designed to bring out the components of relationship marketing that may be applied and practiced. On the other hand Section D will collect data pertaining to extent to which relationship-marketing strategies have been used to enhance brand loyalty in the paint industry.

In preparing the questionnaire, reference was made to the relevant literature and discussions with experts in the area of study. The researcher administrated the questionnaire to the potential respondents.

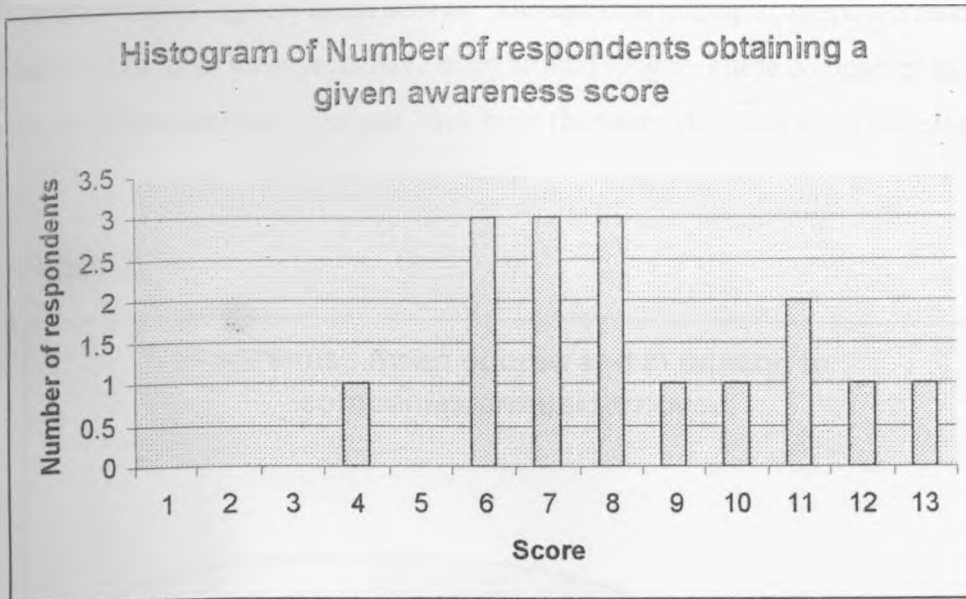
3.3 Data Analysis Techniques

The data was analyzed using proportions and percentages. Summary statistics, including percentages and cross tabulations were used to present the findings. Descriptive statistics such as proportions, frequency distribution, mean scores and standard deviations were also used to analyze the data.

3.3.1 The Likert-type Scale

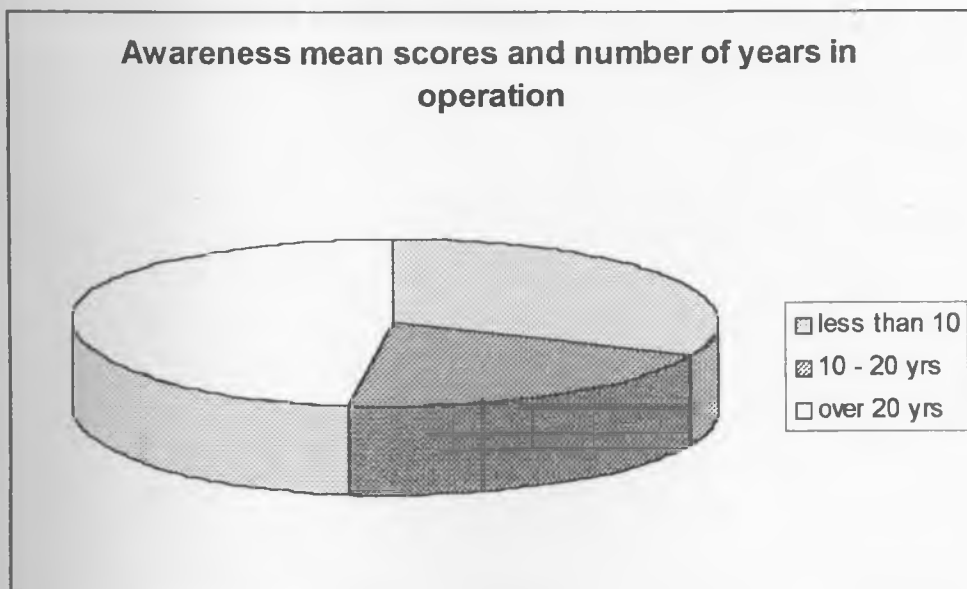
This involves a series of statements related to the attitudes in question. The respondent is required to indicate the degree of agreement or disagreement with each of these statements. Responses will be given a numerical score that will consistently reflect the direction of the person's attitude on each statement. The respondent's total score will be computed by summing up score for all statements. The five-point Likert Scale consists of strongly agree, agree, neither agree nor disagree, disagree and strongly disagree statements.

Figure 1



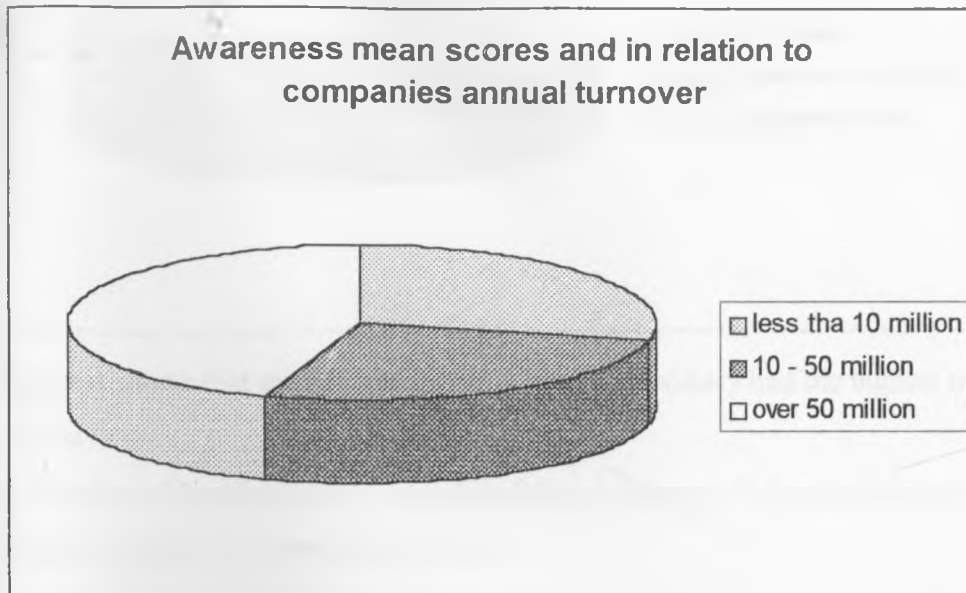
The figure clearly shows that majority of the respondents attained a score of between six and eleven though only two got a score of twelve and above. This implies that the respondents were aware of some aspects of the relationship marketing concept. Each score attained indicates awareness of a specific aspect of the concept.

Figure 2 Respondents awareness mean score and the number of years their companies have been in operation



The figure 2 shows that those companies that have been in operation longer than 20 years obtained highest mean scores. Though relationship concept is a relatively new concept most of its aspects have been around longer. These companies have also evolved management wise and have over the years identified some winning strategies.

Figure 3



The figure clearly shows that the highest awareness scores were got by companies that have an annual turnover of over 50 million as opposed to those companies that have turnover less than 10 million shillings.

Figure 4

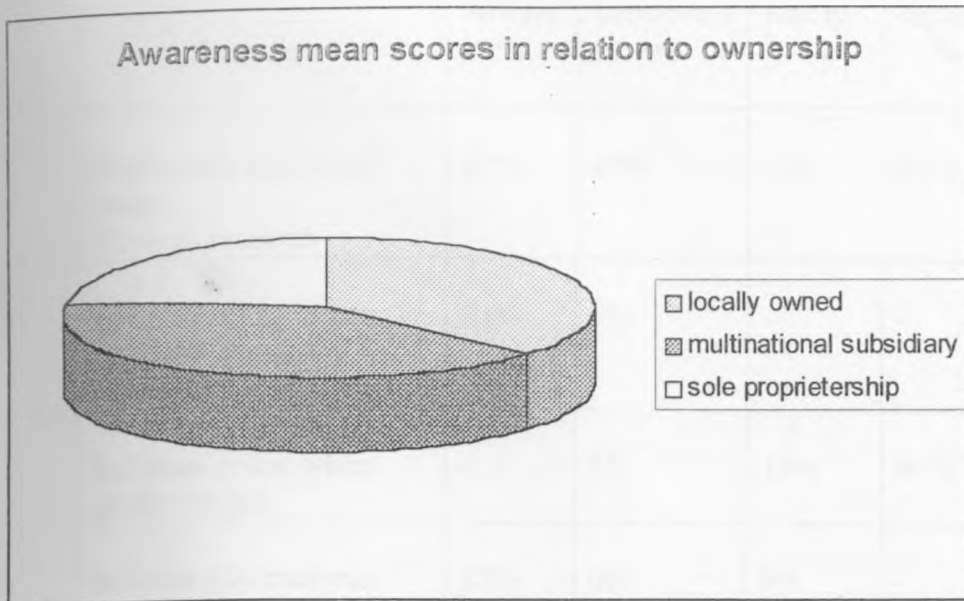


Figure 4 shows that executives of multinational subsidiary had the highest mean scores

Executives of locally owned companies followed closely. Sole proprietorship companies had the lowest mean scores.

4.2 Relationship strategies manufacturers use on industrial buyers.

To identify the different aspects of relationship marketing concept that are currently being used by paint manufacturers, the main tenets were presented to them and they were asked if they were indicative of what their company did in the process of producing or marketing their products.

As shown in the table below, a higher proportion of the respondents were found to undertaking these activities.

Table 2 Relationship strategies used by manufacturers on industrial buyers

	Statement	Always %	Sometimes %	Rarely %	Never %	Total %
1.	Determines consumer needs Through research	25%	44%	19%	12%	100%
2..	Has a clear channel for customer complaint redress	94%	6%	-	-	100%
3.	Increases prices when profits decline	-	6%	13%	81%	100%
4.	Believes that customer cultivation is only the role of the marketing department.	37%	6%	6%	-	* 49%
5.	Places emphasis in the interaction between customers and suppliers	13%	19%	44%	24%	100%
6.	Considers internal markets just as important as external markets	-	-	19%	81%	100%
7.	Functional department operate in their own sphere individually	32%	19%	-	-	49%*
8.	Responds promptly to customer complains	25%	75%	-	-	100%
9.	Is aware of the value of personal relationship	94%	6%	-	-	100%
10.	Trains sales personnel in customer relations	6%	44%	38%	12%	100%
11.	Trains employees to calculate value of customer relations	19%	75%	6%	-	100%

12.	Identifies and keeps in touch with loyal customers	94%	6%	-	-	100%
13.	Considers having an excellent data base and managing it as crucial	31%	-	19%	50%	100%
14.	Establishes customer clubs and frequency customer awards programmes as an effective way of winning and growing customers	19%	13%	13%	55%	100%
15.	Organizes customer training workshops	19%	13%	6%	63%	100%

Table 2 reveals that the respondents generally found to be undertaking some relationship marketing practices. It was, however, noted that there were clear differences toward different aspects of the concept.

A brief discussion of the tenets in use follows.

4.2.1 Customer orientation.

On the whole most of the companies were aware and undertook these activities. Majority of the respondents determined customer needs through research though not always. 94% of the respondents always had a clear channel for customer complaint redress. 25% of the respondents always responded promptly to customer complains while 75% of these respondent sometimes, but did respond. An overwhelming majority (94%) were aware of the value of having personal relations with their customers and strived to make sure that customers dealt with only those they were familiar with. The respondents also indicated that they had mechanisms of identifying and keeping in touch with their potentially loyal customers.

There are various aspects of relationship marketing concept whose application was not so widespread. An example is the establishment of customer clubs and frequent customer award programmes. Only about 32% of the respondents always or sometimes established these customer clubs. A vast majority 55% never had these

Only 32% of the respondents' organized customer training workshops compared to 63% who never did.

4.2.2 Internal market orientation

The role and importance of internal market is enhanced in relationship marketing concept. This involves the development of a customer – orientation culture in the organization with employees being recognized as an important resource. This is one aspect of relationship marketing concept that is clearly missing among the respondents. 43% of the respondents believe that customer cultivation is the role of the marketing department while the rest have no opinion on this. 81% of those interviewed do not consider internal markets as important as external markets. A big majority believe that functional departments should operate in their own spheres individually. 50% of the respondents rarely or have never trained their sales staff to recognize and calculate the value of customer relations.

4.2.3 Role of suppliers

68% of the respondents do not consider the role of suppliers as important to as a source of competitive advantage. Only 13% of the respondents said that they placed emphasis on continuous interaction with their suppliers.

4.2.4 Integrated Marketing

37% of the respondents agreed that customer cultivation is the role of the marketing department while the majority agreed that each functional department should operate individually from the others. The role of data base marketing is also underscored with 50% of the respondents not considering it as essential as opposed to only 31% of the respondents who consider it as essential.

4.3 Extent of usage of relationship marketing strategies in enhancing brand loyalty of industrial buyers

The respondents were asked to give their opinion as to whether the strategies they use enhance brand loyalty of their buyers. This is shown in the table below.

Table 3 Extent of usage of relationship marketing strategies in enhancing brand loyalty of industrial buyers

	statement	5	4	3	2	1	Index
1.	Sales calls are more efficient and productive with familiar customers than with new ones	44%	56%	-	-	-	100
2.	Establishment of relationship with individual users enables sellers to identify and learn key influencers in buyers organization	56%	25%	19%			81
3.	Continous contact with customers does not enable manufacturer understand customer needs	-	-	31%	25%	44%	-69
4.	Customization enables company fulfill customers' special requirements	25%	25%	25%	19%	6%	25
5.	A customer hot line will make it more convenient for customers	81%	6%	13%	-	-	87
6.	Free deliveries do not enhance brand loyalty and attract more customers	-	-	44%	38%	18%	-56

7.	Having the shortest lead time between ordering and supplying is a sure way of customer retention	75%	25%	-	-	-	100
8.	Having direct fax and telephone lines only increase costs and not customer orders	-	-	6%	50%	44%	-94
9.	The company provides before and after sales service to customers	63%	19%	18%	-	-	82
10.	Training workshops help painters get the best out of our products	56%	19%	19%	6%	-	75
11.	Giving extra-ordinary guarantees which our competitors can't match enhances our brand	12%	-	88%	-	-	12
12.	Undertaking painting subcontracts is an additional service offered to our customers	-	-	6%	6%	88%	-94
13.	Frequent customer awards programs make customers more loyal	38%	38%	19%	5%	-	71
14.	Big buyers should enjoy VIP status.	100%					100

- Key a) 5 = Strongly agree, 4 = Agree, 3 = Neither agree nor disagree
2 = Disagree and 1 = Strongly disagree
- b) Index = percentage of respondents agreeing with the statement minus the percentage of those disagreeing.

The data in table 3 suggests that relationship-marketing strategies do enhance brand loyalty. The table shows that respondents agreed that the aspects of relationship marketing did indeed enhance brand loyalty.

4.3.1 Sales Force and Customer Service Connections

100% of the respondents agreed or strongly agreed that sales calls were more efficient and productive with familiar customers than with new ones. 81% of the respondents also agreed that the establishment of relationship with individual users enables sellers to identify and learn key influencers in organization buying centers therefore enabling them serve them better and be in a better position to anticipate and respond more effectively to their concerns and needs. 69% of the respondents did not agree that continuous contact with customers did not enable manufacturer understand customer needs.

4.3.2 Product extras/ customization

Only 25% of the respondents didn't think that customization enables companies fulfill customers' special requirements. The respondents didn't think that giving an extra service such as free delivery did not enhance their brand loyalty i.e. 87%. 94% also didn't consider giving extra services such as undertaking painting contracts.

4.3.3 Reinforcing promotions

The respondents agreed that training workshops did help the painters get the best out of their products (69%). 88% of the respondents neither agreed nor disagreed that giving extra ordinary guarantees which their competitors couldn't match enhanced their brand. Only 12% thought it could. A vast majority though did think that frequent customer awards make customers more loyal (71%).

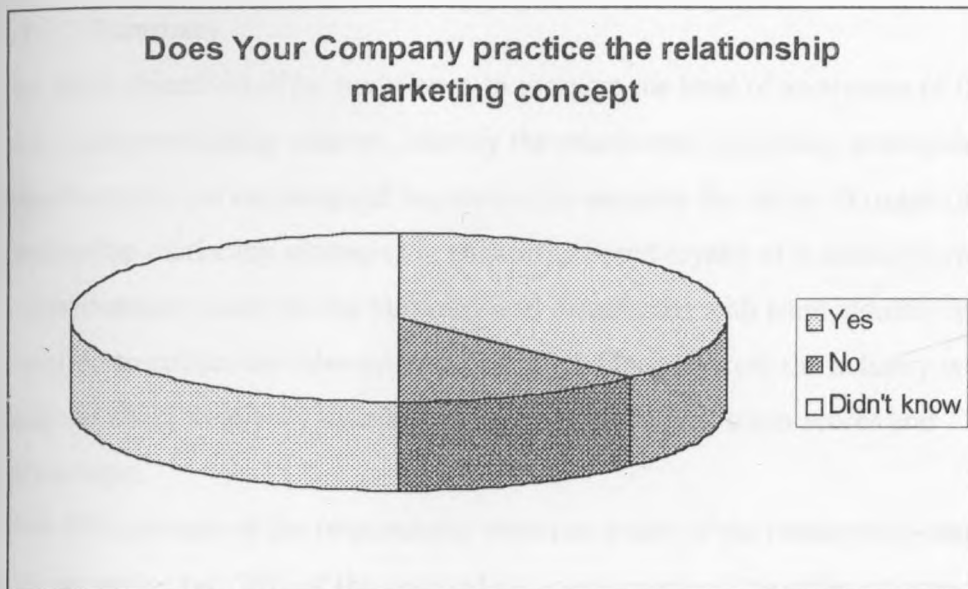
All the respondents strongly agreed that their big customers enjoyed special VIP status (100%). This is one way they used to maintain their customers' loyalty towards their brands.

4.3.4 Pre and Post Purchase communication

A customer hot line makes it more convenient for customers to place their orders and subsequently enhance the brand. 81% of the respondents strongly agreed to this.

100% of the respondents also recognized that having the shortest lead-time was a sure way of retaining customers. No customers want to place their orders and wait for long periods of time before they are supplied with the products or services. A whopping 94% of the respondents didn't agree that fax and telephone lines only increased cost and not customer convenience. To most respondents (82%) having before and after sales communication and service was essential to their customers. This would help customers get the best out of their products.

Figure 5



Over half the respondents didn't know whether they practiced the relationship-marketing concept. This is because they are not aware of the concept. It's important to note although this was the case the respondents did recognize strategies used. Most of them applied these same strategies to acquire and maintain their customers. Those respondents who said they didn't practice the concept still did practice various strategies in the process of marketing their products. Only a few of the respondents did claim to practice relationship marketing.

CHAPTER FIVE

5. SUMMARY AND CONCLUSION

This chapter contains the study's summary, conclusion, limitations of the study and suggestions for future research

5.1 Summary

The three objectives of the study were to measure the level of awareness of the relationship marketing concept, identify the relationship marketing strategies manufacturers use on industrial buyers and to measure the extent of usage of relationship marketing strategies in enhancing brand loyalty of industrial buyers.

A questionnaire based on the literature and discussions with paint industry marketers was used to collect the relevant data. The data obtained from the industry was analyzed using frequency distribution, graphs, pie charts, mean scores and percentages.

Over 50% percent of the respondents were not aware of the relationship-marketing concept per se but 56% of the respondents were aware of the different aspects of the concept. There was found to be a relation between the number of years a company had been in business and being aware of some aspects of relationship marketing. The longer a company had been in operation the more likely it was aware of different aspects of relationship marketing concept. Companies with higher annual turnover were also found to be more aware of the concept. In relation to ownership, sole proprietorship companies were the least aware of the concept.

As far as the different relationship marketing strategies in use most respondents were able to identify them. Majority of the respondents did undertake certain practices that lead to customer retention. For example 94% of them had clear channels for customer complaint redress.

The importance of internal markets was not fully appreciated by the respondents. A clear majority of them did not have any programs for enhancing the role of employees.

Most of the respondents also under emphasized the role of suppliers in their operations. Most probably they had a lot of suppliers.

On the other hand though most of the respondents didn't undertake relationship marketing strategies, most of them recognized their importance in enhancing brand loyalty. Majority of the respondents agreed that customers responded better to people and situation they were familiar with. Most respondents also agreed that the sales force connections were important in enhancing brand loyalty.

The respondents also used reinforcing promotions such as frequent customer award schemes, training workshops and special VIP privileges for their best customers as a tool for enhancing their brand loyalty to their products.

5.2 Conclusion

The current study's findings have shown that executives in the paint industry were aware of some aspects of relationship marketing though this could have been possibly accidental as attested by over 50% of the respondents who were not aware of the concept. In the process of producing and marketing of their paints, most of the respondents identified different activities they undertook. Again this might have also been accidental because most activities undertaken in relationship marketing concept are not new or unique but eminent from the traditional marketing practices. The only difference between traditional marketing and relationship marketing is that the latter emphasizes on long term customer satisfaction and the role of employees and suppliers in enabling a company achieve this is underscored.

As pointed out in the literature review to effectively undertake relationship marketing concept flexibility and coordination within the organization will be important.

Marketing will not be limited a single department as is the case now but will have to be a cross functional activity, where the role of customer satisfaction is done by all in the organization.

Emphasis in the interaction between suppliers and customers will have to shift from transactional to a relationship focus. Closer relationships with suppliers and customers enables them cooperate better for example they are able to anticipate their customer needs better and develop customized deliveries.

Another implication of the study is that, although the relationship marketing concept may be viewed as the ideal guideline in formulating a management policy for a

marketing organization, the key factors involved have to be weighed carefully against each other before a decision can be made on the appropriate policy for each organization. No policy of management can be appropriate for all organizations, at all times and under all circumstances. Therefore, considerations regarding the tenets of relationship marketing, the nature of the organization and the circumstances in the industry in which the firm is operating have to be considered before arriving at a policy that is suitable and applicable to the individual firm.

The firms have to customize their offerings taking the above into consideration.

5.3 Limitations to the study

The study was constrained by several factors. These include the following.

None response by several of the paint companies targeted in filling of the questionnaire was a major drawback as it is not possible to know how these potential respondents would have responded. There is however no reason to believe that these would have responded in a different way.

The time available for data collection was insufficient. The scope and depth of the study may therefore not have been thoroughly researched.

Conducting research in any industry where sensitive issues are kept secret by the owner(s), more or so the family owned business is not easy in such a study. At times the potential respondents sought to get permission to fill the questionnaire. This procedure was a limitation because it is difficult to know whether the respondents withheld some important information or falsified it.

There are limitations of measurements that are common to all surveys. Beliefs, feelings and action tendencies that are used in the study may change over time and also the respondents may give biased answers.

APPENDIX 1

Paul M Waweru
Faculty of Commerce
University of Nairobi
NAIROBI

1ST September 2002

Dear Respondent,

I am a graduate student at the University of Nairobi and working on my final project. The title of the study is “ the extent of usage of relationship marketing to enhance brand loyalty of industrial customers: The case of the paint industry.”

Your responses will be treated in strict confidence and in no instance will your name or that of your organization be mentioned in the report. Your cooperation will be highly appreciated.

Thank you in advance for your support

Yours truly,

Paul M Waweru.

MBA II 2002

APPENDIX 2

RESEARCH QUESTIONS

SECTION A

1. Name of the company (optional) _____
2. For how long has your company been in operation here in Kenya:
 - Less than 10 years
 - 10 – 20 years
 - Over 20 years
3. Is your company
 - Locally owned
 - Multinational subsidiary
 - Sole proprietorship
 - Others (Specify) _____
4. Give the approximate number of employees in your company _____
5. What is your annual turn over.
 - Less than 10 million
 - 10 – 50 million
 - Over 50 million

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SECTION B

Which of the following statements are true about the relationship-marketing concept.

(Tick the true statements only)

if there are some that you consider true but which have not been included, please write them in the space for “others _____”

1. Focus is on maximizing profits ()
2. The key goal is to satisfy consumers' needs ()
3. Profits are viewed through consumer satisfaction ()
4. Our goal is to sell all units produced ()
5. Employee welfare is of utmost importance ()
6. Customer complaints are addressed immediately ()
7. Quality service is our overriding objective ()
8. We value customer satisfaction more than the profits earned ()
9. We have specialized staff who handle each set of customer' specific needs ()
10. We adequately train our employees before deploying them to the various departments. ()
11. We have a specific set of suppliers ()
12. Do you believe in establishing long-term relationships with the customer. ()
13. Do you provide value added services and products ()
9. High customer retention means higher market share which in turn means higher revenues. ()
10. Long-term customers often purchase greater quantities than new Customers ()
11. Satisfied employees will deliver better services which leads to further productivity. ()

Others (please specify):

SECTION C

Indicate with a tick, which of the activities listed here below are indicative of what your company does in the process of producing or marketing its services. If there are activities which you consider true but which have not been included, please write them in the space labelled "others"

Our company _____	Always	Sometimes	Rarely	Never
1. Determines consumer needs through research	()	()	()	()
2. Has a clear channel for customer complaint redress	()	()	()	()
3. Increases prices when profits decline	()	()	()	()
4. Believes that customer cultivation is the role of marketing department only	()	()	()	()
5. places emphasis in the interaction between suppliers and customers	()	()	()	()
6. Considers internal markets as important as external markets	()	()	()	()
7. Functional departments should operate in their own spheres individually	()	()	()	()
8. Responds promptly to customer complaints	()	()	()	()
9. Is aware of the value of personal relationships that employees have with their customers and seeks to keep				

- | | | | | |
|--|-----|-----|-----|-----|
| them in contact with the same people. | () | () | () | () |
| 10. Trains sales reps in trust building and
in questioning skills and
listening to customers. | () | () | () | () |
| 11. Trains employees to calculate
value of customer relations. | () | () | () | () |
| 12. Identifies and keeps in touch with
potential loyal customers . | () | () | () | () |
| 13. Considers having an
excellent database and capacity to
organize, analysis and segment as
essential. | () | () | () | () |
| 14. Establishes customer clubs and frequent
customer award programmes as an effective
way to win, keep and grow customers | () | () | () | () |
| 15. Organizes customer training workshop | () | () | () | () |

Others (please specify)

SECTION D

Indicate with a tick in the appropriate box the extent to which you agree or disagree with each of the following statements.

	Strongly agree	agree	neither agree Or disagree	disagree	strongly disagree
	5	4	3	2	1
1. Sales calls are more efficient and productive with familiar customers than with new ones.	()	()	()	()	()
2. Establishment of relationship with individual users enables seller to identify and learn key influencers in organizations buying centers	()	()	()	()	()
3. Continuous contact with customers does not enable manufacturers understand customer needs	()	()	()	()	()
4. Customization enables company fulfill customer special requirements	()	()	()	()	()

5. A customer hot line will make it more convenient for customers () () () () ()
6. Free deliveries do not enhance brand loyalty and attract more customers. () () () () ()
7. Having the shortest lead time between ordering and supplying is a sure way of retaining customers. () () () () ()
8. Having direct fax and telephone lines only increases costs but not customer orders. () () () () ()
9. The company provides before sales and after sales service to customers () () () () ()
10. Training workshops help painters get the best out of our products () () () () ()
11. Giving extra ordinary guarantees which our competitors can't match enhances our brand () () () () ()
12. Undertaking painting subcontracts is an additional service we offer to customers. () () () () ()
13. Frequent customer awards Programs make customers More loyal () () () () ()

14. Big buyers should enjoy

Special VIP status. () () () () ()

I. Would you say that your company practices relationship marketing concept?

Yes ()

No ()

Don't know ()

II. If your response to the above question is "NO", please indicate with a tick the reason which best describes your company's position

No interest ()

Lack of money ()

Not aware of the concept ()

Other (please specify)

III. Demographics

a. Sex of the respondent () Male () female

b. What is your approximate age

() Below 30 years

() 30 – 40 years

() 40 – 50 years

() Over 50 years

c. How many years have you worked in the paint industry

() Less than one year

() 1 – 5 years

() 5 – 10 years

() 10 – 15 years

15 – 20 years

Over 20 years

d. What is your formal education level?

Primary School (1-8years)

Secondary school (9-14 years)

College/ Diploma certificate

University degree

Post Graduate Certification

e. What is your professional qualification _____

Thank you for your cooperation.

Appendix 3

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