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A STUDY OF THE USE OF RELATIONSHIP MARKETING STRATEGY BY SUPERMARKETS IN NAIROBI

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A research project submitted in partial fulfilment of the requirements for the degree of Master of Business Administration, Faculty of Commerce,

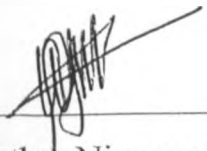
University of Nairobi

March 2003

DECLARATION

This project is my own original work and has never been submitted for a degree in any other university

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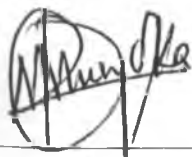
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9th SEPTEMBER 2003

This project has been submitted for examination with my approval as a university supervisor

Signed: _____



Dr Musyoka

Date _____

9/9/03

Department of Business Administration
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DEDICATION

Not to me, O Lord, not to me
But to your name be the glory,
Because of your love and faithfulness
Psalm 115: 1 (paraphrase)

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First and foremost, I would like to thank God for his faithfulness and help throughout my studies. Secondly, I would like to express my sincere gratitude to all the people who encouraged, supported and contributed to the successful completion of this project.

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ABSTRACT

This study sought to investigate the use of Relationship Marketing strategy by supermarkets in Nairobi. A cross-section of supermarkets under three categories; large, medium and small size, based on sales volumes were studied. The objective of the study was to assess the attitude of managers towards relationship marketing, to establish the relationship marketing practices adopted by supermarkets and to assess the relationship between the managers' attitude and the relationship marketing practises adopted.

The findings show the managers of large supermarkets have a highly positive attitude towards relationship marketing, and a good understanding of the concept. While managers of medium and small size supermarkets have a fairly positive attitude, and an average understanding of the concept. The managers' understanding of the relationship-marketing concept has been found to influence the attitudes held by managers. The greater the understanding of the concept and its strategic benefit, the more positive the attitude and the greater the number of relationship marketing practises adopted.

The findings also show the relationship marketing practises adopted by supermarkets are fairly similar, with most involving interaction and communication with regular customers, and provision of price incentives to the regular customers.

The results further reveal a highly positive correlation between the managers' attitudes and the relationship marketing practises adopted. Further

research however is needed to determine the intervening variables that affect the adoption of a relationship marketing strategy, to determine whether the managers' attitudes are dependant on the size of the supermarket, and to identify the attitudes of customers towards relationship marketing.

CHAPTER ONE

INTRODUCTION

1.1 Background

In 1983 Levit predicted that the future would be marked by intense business relationships in all areas of marketing of frequently purchased consumer goods. For far too long researchers and businessmen have concentrated far more on how to attract customers to 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 retailing environment.

According to Masese (2001) merchandise content is an important competitive strategy with both variety and assortment pulling in customers. The two large supermarket chains, Uchumi and Nakumatt, use this strategy. To enhance ultimate customer satisfaction supermarkets have made great efforts to provide different types of merchandise from different manufacturers' variety and assortment. Economic Liberalization and the formation of regional groupings, Preferential Trade Area (PTA), East African Community (EAC), and Common Market of Eastern and Southern African Countries (COMESA) has made this possible. By enabling all supermarkets in Kenya to have access to multiple sources of merchandise from different manufacturers within the economic regions competition has increased considerably.

Competing supermarkets however still tend to offer the same merchandise, acquired from the same vendors and they often look more alike than different. According to Berry and Gresham (1986) many stores face difficulties differentiating themselves based on merchandise selection only. Yet supermarkets can benefit by achieving distinctiveness in ways important to their target markets, hence providing competitive advantage. Odekerken-Schroder (2001) also notes that retailers are still competing with each other on the basis of the same or highly comparable marketing tactics and strategies. Typically, stores offer comparable merchandise, copy competitors' price promotions and treat customers well in terms of services offered (Berry and Gresham, 1986; Davis, 1997). Apart from experiences related to merchandise however, store experience influences customer in evaluating service quality in a retail setting (Westbrook, 1981).

In the traditional approach to marketing the marketing mix – 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 dependant on the development and execution of good customer relationships (Gronroos, 1990). A relationship marketing strategy is value enhancing thus creating a competitive advantage over a traditional marketing strategy that is transaction based.

Rosenberg and Czepiel (1984) note that as 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 toward 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 non-shoppers” (Leblang, 1981) hence the need for establishing relationships with existing customers and marketing strategies directed at them. In retailing, customer relationship marketing targets a set of regular customers, and the relationship marketing tactics have most often been part of an overall relationship strategy that 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). In the current retail environment, relationship marketing tactics play a predominant role because of the increased importance consumers attach to relational properties of their interactions with retailers (Crosby et al 1990; Dorsch, Swanson, and Kelley 1998). Customers are no longer looking for goods and services only but for a much more holistic service. According to Berry (2001) today’s shoppers want the total customer experience: superior solutions to their needs, respect, an emotional connection, fair prices, and convenience. As a result a refocusing of traditional marketing with a greater emphasis being placed upon the creation of customer value has become necessary (Gronroos, 1996).

According to Anton (1996) customer value is created when a supplier has a positive effect on the 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 the 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 service and are less likely to be motivated solely by price. Selling to existing customers has been proved 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.

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, over time, 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 that relationship are achieved.

In 1990 Gronroos formulated the following relationship-focused definition of marketing: Marketing is to establish, maintain, enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises. Such relationships are usually but not necessarily always long-term. Kotler (1998) on the other hand defines relationship marketing as the practice of building long-term satisfying relations with key parties-customers, suppliers, distributors-in order to retain their long-term preference and business.

1.2 Statement of the problem

During the 1990's relationship strategies gained new importance as customers became more demanding and competition became more intense. As a result of this 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 changing 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.

Although, much research has been conducted in the developed world on the concept of relationship marketing strategy, particularly in industrial, services, distribution and channel markets, little research has been conducted in the consumer and retail markets. In Kenya, only one research study has been conducted on relationship marketing strategy as a whole. In 1999 Thuo sort to establish the state of the understanding and practise of the relationship marketing strategy in the banking sector. The researcher however, has not come across any study on relationship marketing in the supermarket retail sector, yet no retailer today can afford to be complacent because of previous successes or rosy predictions about the future (Berry, 2001). Indeed according to Butscher (1998) customer satisfaction with a product/service offer is not on its own a guarantee of customer loyalty and customer retention. It takes an extra effort to create true loyalty, hence the importance of relationship marketing.

This study aims to answer the questions:

What is the attitude of managers of supermarkets towards the Relationship Marketing concept, and what is the practice of relationship marketing strategy in this sector?

1.3 Objectives of the study

1. To assess the attitude of managers towards relationship marketing.
2. To establish the relationship marketing practices adopted by supermarkets.
3. To assess the relationship between the manager's attitude and the relationship marketing practises adopted.

1.4 Importance of the study

It is hoped this study will help the following groups of people:

- Marketing practitioners: the study will enhance their understanding of relationship marketing strategy in a retail setting and how to operationalize it.
- Academic fraternity: It will add knowledge to the fields of marketing and strategic management, where minimal research has been carried out on the relationship marketing concept in a retail setting.
- Researchers: Being a pioneer study it will give the researchers an insight on areas for further research and studies.
- Supermarket owners: the study will provide supermarkets with a basis for benchmarking on common practices in relationship marketing that are currently in use in the sector.
- Customers/consumers: the study will educate them on the fact that long-term relationships where both parties over time 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 transaction costs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Strategy

Pearce and Robinson (1997) define strategy as an organization's large-scale, future-oriented plans for interacting with the competitive environment to optimise achievement of organization objectives. While Johnson and Scholes (1998) define strategy as the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations.

2.2 Supermarket

There is no precise definition of a supermarket as different authors defining it in different ways. Kotler (1998) defines a supermarket as a relatively large, low-cost, low margin, high-volume, self-service operations designed to serve the consumer's total needs for food, laundry, and household maintenance products. Kibera and Waruinge (1998) similarly define a supermarket as a large-scale retailing institution with several departments and operating primarily on a self-service basis. According to them a typical supermarket has a department for meat, bakery products, health products, household utensils and tools.

2.3 Relationship marketing: A new paradigm of marketing

Marketing as it is practiced today, was introduced around the 1960, and the concept of the marketing mix and the four P's of marketing-product, price, place and promotion-began to appear in marketing literature. And for almost forty years

since its introduction the marketing mix paradigm has dominated marketing thought, research and practice. However, this paradigm is beginning to lose its position as new approaches emerge in marketing research. The globalisation of business and the evolving recognition of the importance of customer retention and market economies and of customer relationship economics, among other trends, reinforce the change in mainstream marketing (Gronroos, 1997). Relationship marketing is one leading new approach to marketing that several authors have heralded as a new paradigm of marketing (Pressey and Mathews, 2000; Gronroos, 1994; Coviello et al., 1998; and Brodie et al., 1997) and particularly in consumer markets where it is considered to be a completely new phenomenon (Sheth and Parvatiyar, 1995).

According to Ravald and Gronroos (1996):

“The focus is shifting from the activity of attracting customers to activities which concern having customers and taking care of them. The core of relationship marketing is relations, a maintenance of relations between the company and the actors in its environment, i.e. suppliers, market intermediaries, the public and of course customers as the most important actor. The idea is first and foremost to create customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced”. p 19.

Over the last few decades’ studies in marketing show that the nature of interrelations with customers is changing, with the emphasis moving from a transaction to a relationship focus. Customers become partners and the firm must make long-term commitments to maintaining those relationships with quality, service and innovation (Webster, 1992). The changes in the two focuses are characterized as follows:

Transaction marketing

- Focus on single sales
- Orientation on product features
- Short time-scale
- Little emphasis on customer commitment
- Moderate customer contact
- Quality is primarily a concern of production

Relationship marketing

- Focus on customer retention
- Orientation on product benefits
- Long time-scale
- High customer service emphasis
- High customer commitment
- High customer contact
- Quality is the concern of all (Christopher et al, 1991)

Pressey and Mathews (2000) give seven indicators of relationship marketing:

- A high level of trust between parties.
- A high level of commitment between both parties.
- A long time horizon (or length of relationship).
- Open communication channels between both parties, with information exchanged between both parties.
- Having customers, best interest at heart.
- A commitment to quality for both parties.
- An attempt to favourably lock-in or retain the customer.

A number of authors have proposed that customers vary in their relationships with a firm on a continuum from transactional to highly relational bonds (Dwyer et al, 1987; Jackson, 1985). And therefore organizations may need to pursue both transactional and relational marketing simultaneously because not all customers want the same working relationship. This means customers need to be segmented according to their needs and profitability.

Relationship marketing has a strong theoretical basis in industrial and channel marketing. Relational bonds however create benefits in business as well as consumer environments (Dwyer, Shurr, and Oh 1987; Christy Oliver, and Penn 1996; Sheth and Parvatiyar 1995). In industrial marketing, services marketing, managing distribution channels and even consumer packaged goods marketing itself, a shift is clearly taking place from marketing to anonymous masses of customers to developing and managing relationships with more or less well-known or at least somehow identified customers (Gronroos, 1997). It is evident therefore, that even though much of the theory on relationship marketing is drawn from buyer-supplier research and has been developed in business-to-business context (Pressey Matthews, 2000; Dwyer et al., 1987; Wilson, 1995; Hunt and Morgan, 1994), both business marketing and consumer marketing benefit from attention to conditions that foster relational bonds leading to reliable repeat business (Arndt, 1979; Pressey and Mathews, 2000).

Although, the importance of relationship marketing has been recognized by many academics and practitioners (Berry 1995; Goff et al. 1997), systematic research in a consumer environment is lacking (Beatty et al. 1996). According to Ravald and Gronroos (1996) buyer-seller relationships in the consumer market are rather neglected and they therefore constitute a very interesting area for research. They

however do note that the importance of relationship building is advancing into the world of consumer goods marketing, where the existence of mass markets without any direct contacts for the firm causes unique challenges. In these markets market communication is a central means of reaching customers, and the focus on relationship building leads to an interest in emphasizing dialogues and creating, for example advertising campaigns that facilitate various types of dialogues with customers. Long-term relationships with customers are built through direct marketing and advertising programmes.

The development of a database is crucial in relationship marketing. Database information on existing customers is used to develop marketing communication that targets specific customers, and to develop all other marketing campaigns.

Relationship marketing starts when a company establishes contact with a new customer. After which constant contact must be maintained, as customer needs change through their lives. This regular, quality customer contact with information that reflects customers' needs is then used to build long-lasting relationships with the customers.

2.4 Levels of relationship marketing

In general, literature distinguishes among three levels of relationship marketing (Berry, 1995). A first level that relies on pricing incentives to secure customer loyalty, which is considered to be the weakest level of relationship marketing because competitors can easily imitate price. At this level marketers also provide tangible rewards as a means of appreciating customers, such as frequent flyer miles, customer loyalty bonuses, free gifts, and personalized cents-off coupons, points earned on such things as hotel stays, movie tickets, and car washes. These

rewards help customers remain loyal regardless of service enhancement or price promotions of competitors (Peterson, 1995; Sharp and Sharp, 1997; De Wulf, 2001)

A second level of relationship marketing focuses on the social aspects of a relationship, which are characterised by regularly communicating with consumers or referring to their names during encounters. Level two marketing tactics include for example:

- **Direct mail.** Retailers keep their regular customer informed through direct mail. This communication targets specific groups of customers such as regular customers as opposed to non-regular customers. Different authors have recognised that frequent buyer-seller communication increases the probability of discovering behaviours that generate rewards; enhances the prediction of behaviour of the other party and clarifies each others' roles; leads to the discovery of similarities; and encourages feelings of trust, special status and closeness (De Wulf, 2001; Dwyer et al, 1987; Morgan and Hunt, 1994).
- **Preferential treatment.** Preferential treatment refers to situations where a retailer treats and serves regular customers better than non-regular customers (De Wulf, 2001). According to Sheth and Partiyar (1995) consumer focus and consumer selectivity are implicit in the idea of relationship marketing. They recognize that all consumers do not need to be served in the same way. In fact, by not differentiating customers companies waste resources in oversatisfying less profitable customers while undersatisfying more valuable, loyal customers (De Wulf, 2001). One of a person's basic human need is to feel important and distinctive treatment enables a seller to address this need (Peterson, 1995).

- ***Interpersonal communication.*** When a retailer interacts with its regular customers in a warm and personal way interpersonal communication is said to take place. Interpersonal communication differs from preferential treatment in that it refers to the personal touch in communication between a store and its customers while preferential treatment emphasizes that regular customers receive a higher service level than non-regular customers (De Wulf, 2001). Given that relationships are inherently social processes, personal exchanges between consumers and retailers are important in influencing relationship outcomes (Beatty et al, 1996). The social interaction afforded by shopping has even been suggested to be the prime motivator for consumers to visit retail establishments. Some of the social relationship benefits received by consumers are feelings of familiarity, friendship, and social support (Berry, 1995); personal recognition and use of a customer's name; knowing the customer as a person; engaging in friendly conversation; and exhibiting warmth (De Wulf, 2001).

Level three relationship marketing, offers structural solutions to customer problems. At this level the solution to the customer problem is designed into the service-delivery system and therefore does not depend on the relationship-building skills.

2.5 Customer loyalty and retention

The primary goal of relationship marketing is to build and maintain a base of committed customers who are profitable for the organization. To achieve this goal, a firm focuses on the attraction, retention, and enhancement of customer relationships. Relationship marketing recognizes that it is more profitable to retain

and grow business with existing customers than to keep winning new ones, and therefore has customer retention as its main objective.

The fundamental issues in relationship marketing are therefore customer loyalty and customer retention (Christopher et al., 1991; Pressey and Mathews, 2000). Relationship marketing aims at establishing loyalty among customers hence retaining their patronage. Building a highly loyal customer base however, cannot be done as an add-on it must be integral to a company's basic business strategy (Reichheld, 1993).

Bagozzi (1995) argued that consumers demonstrate loyalty to certain sellers in reciprocation of these sellers investments in the relationship. De Wulf et al (2001) in a study on investments in consumer relationships confirmed that perceived relationship investment plays an important role in determining relationship quality and ultimately on behavioural loyalty. Secondly, interpersonal communication was found to be a dominant determinant of perceived relationship investment. Direct mail and tangible rewards gave mixed evidence as to their positive effects on perceived relationship investment, while preferential treatment revealed a non-significant relationship with perceived relationship investment in almost all cases. From the study they also found that customer characteristics influence the effectiveness of relationship marketing investments.

To build customer loyalty companies try to improve customer satisfaction, which strengthens bonds, by adding more value to the core product (the product quality is improved, supporting service are included into the offering and so on). According to Ravald and Gronroos (1996) customer satisfaction is one of the most important criteria for customer loyalty. Customer satisfaction indicates how well a product

use experience compares to the buyer's value expectations. And superior customer value results from a very favourable use experience compared to expectations and the value expectations of competitors (Cravens, 2000). Customer loyalty, through one-on-one customer relationships is one of the most important real assets with measurable long-term value for both large and small companies (Anton, 1996).

Numerous different forms of customer loyalty programmes have developed from the efforts of countless companies, institutions and non-profit organizations to retain customers. These loyalty schemes include:

- Customer clubs
- Book and music clubs
- Fan or user clubs,
- Consumer clubs,
- Bonus and frequency programmes,
- Discount clubs
- Warehouse clubs
- Points accumulated on value of purchases bought with a credit card.
- Training programmes
- Client seminars
- Frequent customer communications (Butcher, 1998).
- Relationship pricing for example frequent flyer programmes, reduced instalment and mortgage loan rates in return for current and savings account business, and reduced tuition for each additional family member enrolling (Berry, 1983).

Butcher (1998) further notes that an effective customer loyalty programme offers real perceived value, views loyalty from a long-term perspective, makes cost-benefit calculations to measure the financial effect of the loyalty programme, involves the entire company in the programme, integrates the programme well into current marketing plans and the corporate culture, and sets goals whose achievement are measurable.

According to Hawkins et al (2001) committed customers, in a retail setting, are developed by understanding customer desires at every stage of the shopping process, from retail advertisement through to disposition of the products. At every stage the retailer needs to move customers beyond satisfaction through delight and to affection. For example at an appliance retail store this was achieved as follows:

- *Satisfaction.* Courteous, knowledgeable salespeople, speed and efficiency in completing transaction, and credit.
- *Delight.* Sales associates with electronic notepad to scan UPC's disclosing complete product information, chocolate covered silver dollar thank-you candies, recycled paper package in the right colour, special order gladly taken.
- *Affection.* Individual birthday sales, database on individual buying patterns and requirements, discounts and awards instantly given based on past purchases, thank-you cards and gift certificates in the mail.

One of the most popular Relationship Marketing tool used by supermarkets is the loyalty card. Loyalty cards have been used successfully by many chain stores: Tesco, Boots, WHSmith, Homebase, British Home Stores (BHS) among others in Europe. One of the benefits to the stores of these cards is the collection of information on customers' shopping habits. This information is then used to tailor

promotional programs to specific profitable customers. In recent years, these in-store loyalty card schemes have been promoted and viewed as a method of achieving real differentiation and competitive advantage (Topham, 1996).

Other customer loyalty schemes used by supermarkets include money-off vouchers, special offers for regular customers (which can also be incorporated into the loyalty card scheme), and a hotline number to call in the event of a problem. According to Wright et al. (1998) “the aim of these schemes has been to establish long-term relationships between the retailer and the customer-creating a sense of belonging”.

Indeed rewards build customer loyalty. In so doing, a company seeks to share value with customers in proportion to the value the customer’s loyalty creates for the company. Studies show that customers prefer rewards programs with cash value, relevance, choice, aspirational value and convenience. For value sharing to be effective a company must keep in mind:

- All customers are not created equal.
- Value created must exceed cost of value delivered.
- Customer behaviour should drive value sharing.
- Long-term perspective is critical.
- Offers must target attractive customers (O’Brien and Jones (1995)).

According to Linton and Morley (1995) integrating strategic sales promotions with relationship marketing programmes aids in building customer loyalty. A strategic sales promotion campaign operates in a number of ways:

- Offering customers special services that support core products.

- Rewarding existing customers for renewal and repeat business.
- Using strategic promotions to reactivate lapsed accounts.
- Offering high quality incentives to support the marketing of higher value products.
- Structuring to suit different customer spending levels.

When strategic incentive programmes are integrated with relationship marketing programmes and customer promotional activities, customer retention is achieved.

However, customer retention is not enough, some long-lasting relationships, where the customers are obviously satisfied with what they get, are not profitable even in the long run, as demonstrated in a study in the banking industry (Gronroos, 1997). Segmentation based on customer relationship profitability analysis is therefore a prerequisite for customer retention decisions.

2.6 Store loyalty

Store loyalty is regarded as the conscious buying behaviour of a consumer expressed over time with respect to one store out of a set of stores and which is driven by commitment to this store. (Jacoby and Chestnut, 1978). Store commitment is defined as a consumer's enduring desire to maintain a relationship with a store (Macintosh and Lockshin, 1997). Store loyalty is important in ensuring repeat visits, and consequently repeat purchases. Emerging opinions in the retail environment suggest that product and service attributes are no longer sufficient to create a competitive advantage. Therefore, in markets where retailers offer similar high levels of product or service quality, focusing on complementary quality dimensions is an important means of gaining competitive advantage (Berry, 1995;

Gwinner et al., 1998). Stores must therefore add to the product/service offering in order to build commitment and loyalty to the store.

2.7 Success factors in relationship marketing

Commitment and trust are the key success factors in any relationship (Hunt and Morgan, 1994, Dwyer et al, 1987). Commitment is an indicator of stability and success in a relationship and is essential for a long-term relationship (Beaton and Beaton, 1995; Russbult and Buunk, 1993). Similarly all relationships require trust in-order to develop (Scanzoni, 1979; Ring and Van de Van 1992). In a study conducted by Gabarino and Johnson (1999), in a consumer environment in which customers receive highly similar services, the future intentions of low relational customers was found to be driven by overall satisfaction, whereas the future intentions of the highly relational customers was found to be driven by trust and commitment.

Commitment has been defined as an enduring desire to maintain a valued relationship. According to Hawkins et al (2001) “committed customers have reasonably strong emotional attachment to the product or firm. Generating committed customers requires that the firm consistently meet or exceed customer expectations. Further, customers must believe that the firm is treating them fairly and is, to some extent at least, concerned about their well-being.” To achieve this a customer-focused attitude is required in the firm, which is then translated into actions that meet customers’ needs. Abramson and Ai (1998) found that establishing a sense that a relationship will provide mutual benefits to both the buyer and the seller is of greatest importance in establishing an effective buyer-seller relationship. This means building a personal relationship that extends beyond

a simple business connection, by establishing what each other's needs were, and then allowing many opportunities to discuss how both sides will benefit each other.

Trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Garbarino and Johnson, 1999). An expectation of trustworthiness then results from the ability to perform (expertise), reliability, and intentionality.

Morgan and Hunt (1994) define trust as perception of confidence in the exchange partner's reliability and integrity. A successful buyer-seller relationship is dependent on the ability to build trust within the relationship. Trust is built when reliability is established through many dealings, and competence is demonstrated through fulfilment of contracts. Hence, confidence and reliability are important if trust is to be established.

2.8 Relationship marketing as a value-adding strategy

A relationship marketing strategy moves from the traditional marketing strategy that treats prospects and customers as a mass to a strategy that treats them as individuals. This requires a paradigm shift in strategic thinking in that it requires a look at the marketing universe from the inside out rather than from the outside in. It recognizes there is a mass market out there, but there is need to look inside to a firm's prospects and customers in order to accurately target the firm's prospects, turn a sale and generate loyalty (Stacey, 1993).

The foundation of any relationship strategy is delivery of value to the customer. Relationship marketing strategy therefore requires an understanding of what customers value, or might value, and at what price. The aim being to position the firm in the market in such a way as to attract and keep customers. This positioning gives the firm an advantage relative to its competitors (Christopher et al, 1997).

According to Ravald and Gronroos (1996) the value added to a core product is an important constituent of relationship marketing and the ability of a company to provide superior value to its customers is one of the most successful competitive strategies for the 1990's. This ability has become a means of differentiation and sustainable competitive advantage. A combination of a superior product with a superior service package provides the ultimate source of sustainable competitive advantage.

Ravald and Gronroos (1996) propose that for any company to provide competitive value to its customers it needs to gain a thorough understanding of its customers' needs and the activities, which constitute the customer's value chain. They further state that if this is not done, the task of providing the right value to the right customer becomes difficult, and the chances of winning the battle for customer loyalty is greatly reduced. Therefore, no matter how unique an offering might be, it might turn out to be a waste of money and time if it does not fit beneficially into the activities, sequences and links in the customer value chain.

In relationship marketing value-adding strategies seek to meet the needs of customers by adding "extras" to the core technical products or supporting services to the core solution so that the total value of the offering is increased. Some of the most important components or benefits that enhance customer-perceived value in a long-term relationship are safety, credibility, security and continuity. These together increase the trust for the supplier and thereby support and encourage customer loyalty. The benefits to the customer are therefore increased by adding something to the core product something that the customer perceives as important, beneficial and of unique value. In a retail marketing setting, for example,

disappearance of products from shelves does not build trust. The company fails to meet an unspoken commitment to meet the customers' needs and wants, leading to extra, often unnecessary costs or psychological costs. The ultimate aim of adding more value to the core product is to enhance customer loyalty.

The value provided to customers also increased by providing reducing the customer perceived sacrifice. Value-adding strategies that add value to an offering by reducing the customer-perceived sacrifice, include for example: lowering actual prices, increasing the convenience of a purchase through express counters, deliveries to customers, improved availability through changing the opening hours or introduction of call-back-services (Ravald and Gronroos, 1996).

2.9 Developing a relationship marketing strategy

According to Hawkins et al (2001) relationship marketing has five key elements:

1. Developing a core service or product around which to build a customer relationship.
2. Customizing the relationship to the individual customer.
3. Augmenting the core service or product with extra benefits.
4. Pricing in a manner to encourage loyalty.
5. Marketing to employees so that they will perform for customers.

A relationship marketing strategy must therefore take into consideration these key elements.

Christopher et al (1991) suggest the following steps in the development of a relationship strategy:

- Formulation of a mission statement or purpose statement.

- A strategic review which involves an audit of relationship markets and an industry analysis of both customers and competition.
- An internal analysis of the firm.
- The formulation of a strategy based on decisions about how and where to compete in the market place involving the development of plans aimed at both the external and internal markets.
- Implementation of the relationship strategy supported by a service-quality management system.

According to Levit (1983) to effectively manage relationships managers must meet four requirements:

1. *Awareness*. Understand both the problem and the opportunity areas.
2. *Assessment*. Determine where the company now stands, especially in terms of the desired results.
3. *Accountability*. Establish regular reporting on individual relationships, and then on group relationships, so that these can be weighed against other measures of performance.
4. *Actions*. Make decisions and allocations and establish routines and communications on the basis of their impact on the targeted relationships. Constantly reinforce awareness and action.

Table 1 highlights some components that should be focussed on in the process of establishing an effective relationship marketing strategy.

TABLE 1: The main components of a relationship marketing strategy

1. **Segmentation:** Development and maintenance of custom cluster segmentation systems.
2. **Profiling:** Exploratory data analysis for information discovery.
3. **Modeling:** Development of predictive models for customer acquisition and management.
4. **Valuation:** Calculation of customer profitability and lifetime value.
5. **Marketing audits:** Review of marketing plans to determine appropriate role of data base marketing.
6. **Strategy development:** Creation of strategic plans for relationship building programs.
7. **Customer management plans:** Development of action plans with contact stream, program recommendations, timetables and budgets.
8. **Marketing information systems consulting:** business requirements analyses.
9. **Software Development:** Creation development and support of custom software applications.
10. **Systems integrators:** Integration of “Best breed” marketing and technology tools.
11. **Solutions providers:** Development deployment and integration of marketing data warehousing applications.
12. **Data management:** Creation, set-up and maintenance of customer and prospect databases.
13. **Web site development:** Relationship strategies and interactive technologies.
14. **Telemarketing:** Scripting and program management.
15. **Prospect management:** lead generation and sales support systems.
16. **Customer development:** programs to increase loyalty and profitability.
17. **Interactive Direct marketing:** Feedback driven customized communications

(Source: http://www.Relationshipmarketing...om/service/body_services.html)

2.10 Benefits of relationship marketing

Relationship marketing makes it possible for companies to understand their customers better over time and in greater depth, making them better able to meet their customers changing needs and expectations. By shifting focus from prospects only to existing customers companies are saved from falling into the trap of short-term promotions, price discounts, or catchy ads that bring customers in but are not enough to keep customers coming back.

As previously mentioned, customer retention is directly related to profitability. Results of a study by Reichheld and Sasser (1990) show that across industries customers tend to spend more each year with a particular relationship partner than they did in the preceding period. Evidently as consumers get to know a firm and are satisfied with the quality of its services relative to that of its competitors they tend to give more of their business to the firm.

Retained customers cost less to service as maintenance costs usually drop over time. These customers are also less likely to be motivated solely by price. The marketing costs per unit of sales are typically lower for existing customers than for prospects (Berry, 1995). There are numerous costs associated with attracting new customers: advertising costs, promotion costs, operating costs of setting up accounts and systems, and time costs of getting to know the customer. Sometimes these initial costs can even outweigh the revenue expected from the customers in the short term. A successful relationship marketing strategy develops satisfied, loyal customers who are likely to provide a firm with strong word-of-mouth endorsements. This form of advertising can be more effective than any paid advertising, and has the added advantage of reducing the cost of attracting new customers.

A stable base of satisfied, loyal customers makes it easier for a firm to retain its employees. Human nature is such that people like to work for companies whose employees are happy and loyal. They find their jobs more satisfying and they are able to spend more time fostering relationships than scrambling for new customers. The customers are also more satisfied and become even better customers. As employees stay longer with the firm, service quality improves and costs of turnover are reduced, adding further to profits (Zeithaml and Bitner, 1996).

In a relationship marketing strategy apart from the inherent benefits received from a product/service, customers also benefit from the long-term relationship in that such associations contribute to a sense of well being and quality of life. In many cases the customers preferences are met and services are tailored to meet their needs. Simplifying the decision-making process also reduces the demands on the customer's time and money further improving their quality of life. In some instances the service provider actually becomes part of the customer's social support system (personal and/or work life) hence providing benefits above and beyond the technical benefits of the product/service provided (Zeithaml and Bitner, 1996).

2.11 Pitfalls

Although relationship marketing is in vogue, and managers talk about it, companies profess to do it in new and better ways, and academics extol its merits, a closer look at relationships between companies and consumers show the existence of trouble. Unfortunately, many companies tend to view relationship marketing from the point of view of the company whereby companies ask their customers for friendship, loyalty and respect without too often giving their

friendship, loyalty and respect in return (Fournier et al, 1998). Psychologists Michael Argyle and Monica Henderson (19--) point out that to maintain their customers trust and, have the chance to build the intimacy that results in truly rewarding partnerships companies need to provide emotional support, respect privacy and preserve confidences, and be tolerant of other friendships. However, according to Susan et al sometimes companies unwittingly make their loyal customers feel disadvantaged by their loyalty for example when they are inundated with inappropriate corporate mailings. And sometimes a company's preoccupation with its best customers leaves other revenue generating customers feeling left out and under appreciated.

2.12 Attitude

Attitude is a concept that psychologist have evolved to deal with the organization of experience and behaviour. Attitudes are based on our own personal experience, the influence of other people, and our emotional reactions. Attitude is a hypothetical construct; it refers to something that cannot itself be directly observed. Nevertheless attitudes can be inferred indirectly from their effects on behavioural actions, such as judgements and choices, which are directly observable. Although, attitude is a concept that has originated in social psychology, it has gained importance in other fields such as management, marketing, and organizational behaviour. Researchers and practitioners of these disciplines have adopted many of the notions about attitudes and their measurement first popularised within social psychology (Rosenfeld et al, 1988). An attitude can form through classical conditioning, instrumental conditioning or through a complex cognitive process (Solomon et al, 1999).

Psychologists define attitudes as relatively lasting organizations of feelings, beliefs, and behaviour tendencies directed towards specific persons, groups, ideas or objects (Baron and Byrne, 1981). The consumer behaviour scientists Schiffman and Kanuk (2000) define attitudes as expressions of inner feelings that reflect whether a person is favourably or unfavourably predisposed to some object. Similarly, Kotler (1998), a marketer, defines an attitude as a person's enduring favourable or unfavourable evaluations, emotional feelings, and action tendencies toward some object or idea. An object is anything towards which one has an attitude, whether it is tangible, such as a brand of vodka, a retail establishment, or intangible, such as drunk driving, a service, an idea or an issue (Solomon et al, 1999; Schiffman and Kanuk, 2000; and Kotler, 1998). An attitude is lasting because it tends to endure over time, and general because it applies to more than a momentary event.

Since attitudes are an outcome of psychological processes, they are not directly observable and are therefore inferred from what people say or do (Schiffmann and Kanuk, 2000). According to Kotler (1998) attitudes are acquired through doing and learning. These attitudes then put people into a frame of mind of liking or disliking an object, moving toward or away from it. They lead people to behave in a fairly consistent way toward similar objects, such that they do not have to interpret and react to every object in the same way. Attitudes economize on energy and thought and for that reason are very difficult to change. A person's attitudes settle into a consistent pattern, and to change a single attitude may require major adjustments in other attitudes.

Attitude researchers have traditionally assumed that attitudes are formed in a predetermined sequence, consisting first of the formation of beliefs (cognitions)

regarding an attitude object, followed by an evaluation of that object (affect) and then some action (behaviour). Social psychologists describe an attitude in terms of these three components:

A *Cognitive* component of beliefs, opinions, knowledge, and information.

An *Affective* component of feelings, sentiments, moods and emotions.

A *Behavioural* component of intention or predisposition to act (in terms of income, time) (Baron and Byrne, 1981).

The cognitive component consists of a person's cognitions, that is the knowledge and perceptions that are acquired by a combination of direct experience with an attitude object and related information from various sources. This knowledge and resulting perceptions commonly take the form of beliefs that an attitude possesses various attributes and that specific behaviour will lead to specific outcomes.

The affective component consists of a person's feelings and emotions about an attitude object. These feelings and emotions are frequently treated by consumer researchers as primarily evaluative in nature that is, they capture an individual's direct or global assessment of the attitude object. This is the extent to which the individual rates the attitude object as "favourable" or "unfavourable," "good" or "bad".

Lastly the behavioural or conative component is concerned with the likelihood or tendency that an individual will undertake a specific action or behave in a particular way with regard to the attitude object. In some interpretations, the conative component may include the action itself.

The procedures and tools commonly used in attitude assessment are attitudinal surveys and questionnaires. The questionnaires use several attitude assessment procedures: unstructured-undisguised techniques, unstructured-disguised techniques, structured-disguised techniques and structured-undisguised techniques. The structured-undisguised techniques represent the most widely used approach to the measurement of attitudes (Rosenfeld et al, 1988).

According to Schiffman and Kanuk, (2000) in trying to understand the relationship between attitudes and behaviour psychologists have constructed models that capture the underlying dimensions of an attitude. Different theorists have different views about the nature (definition) and structure of attitudes (what components they have).

2.13 Attitude Models

Three-component Model

In this model, Rosenberg and Hovland (1960) gave the most comprehensive definition of attitudes: “predisposition to respond to some stimuli with certain classes of response”. They specified three classes of response:

- Affective: positive or negative feelings about the object
- Cognitive: information and thoughts about the object
- Behavioural: tendencies to act toward the object

Unidimensional models

These models see one class of responses as the most important. They suggest the term attitude should be used to refer to a general, enduring positive or negative feeling about some person, object or issue. Petty and Cacioppo (1981) stress the affective component of attitudes. Fishbein and Ajzen’s (1975) expectancy-value

model also stresses the affective character of attitudes but tries to clarify the relationship between the affective, cognitive, and behavioural components.

The Expectancy-Value Model of Attitudes I (Fishbein & Ajzen, 1976)

Central to the Expectancy-Value Model are the following beliefs:

- A person holds many beliefs about an attitude object; an object is seen as having many attributes
- Associated with each attribute is an evaluative response (i.e., an attitude)
- Through a learning process evaluative responses are associated with the attitude object
- Learned evaluative responses summate
- On future occasions, an attitude object will elicit this summated evaluative response
- An attitude is a function of a person's beliefs about an object and the evaluative responses

The Expectancy-Value Model of Attitudes II (Fishbein & Ajzen, 1976)

An attitude can be conceptualized by the following equation:

- $A_o = (b_i \times e_i)$

A_o = The attitude toward an object (o)

b_i = A belief about the object's attributes

e_i = The evaluation of an attribute

- A belief is the subjective probability that an object has a given attribute (e.g., Bill Clinton is dishonest). A value (.00 to 1.0) could be assigned to designate the degree to which the attitude object has a given attribute

- The evaluation is a rating of the attribute along some evaluative dimension (e.g., good bad). For example, you could rate dishonesty on a scale ranging from 0 to 10

The Expectancy-Value Model of Attitudes III (Fishbein & Ajzen, 1976)

- One's attitude is a sum of the product of each belief times its evaluation
- Beliefs are held in a hierarchy
- An attitude is determined at any given time by the 5 to 9 most salient beliefs in one's belief hierarchy
- Types of beliefs
 - Descriptive belief: Based on direct experience with the attitude object. Held with maximum confidence
 - Inferential belief: Belief based on an inference process. Infer a belief from other beliefs
 - Informational belief: Belief based on information from an outside source

The expectancy-value theory suggests that people have different attitudes because they have different beliefs and/or intentions. A study by Plight et al (1982) suggests however, that different beliefs and/or values are not the only factors that differ when people have different attitudes. Beliefs also differ in their importance. People may have very different attitudes on the basis of a small number of important beliefs.

Whether attitudes are best conceived in terms of three components or just one or two remains unresolved, though the expectancy-value model does specify both structure and organization of attitudes, and is most commonly used today. Attitude measures however invariably include the evaluative component but usually neglect the other components (usually to save time and expense). Cognitive are desirable especially when people have contradictory beliefs and values about an attitude object. Behavioural measures are usually used in their own right rather than as components of attitude.

Attitude accessibility model

There are several recent theories that distinguish between beliefs and affect but which stress the processual character of attitudes, that is attitudes are cognitive structures, which systematically implicate attention and memory.

Fazio's attitude accessibility model is the most researched process model of attitude. In his model Fazio begins by pointing out that people's attitudes do not differ solely in terms of whether they are evaluatively positive or negative (attitude direction) or how positive or negative they are (attitude intensity or extremity). He notes that attitudes also differ in strength.

In this model, an attitude is viewed as an association in memory between the attitude object and one's evaluation of the object. How strongly the object and its evaluation are associated is thought to depend upon the amount of direct experience the person has with the attitude object. The accessibility of an attitude is measured by response latency (time taken to respond to a query about the attitude object).

Fazio suggests that there is a continuum from

- i. *Non-attitudes* where there is no evaluation of the attitude object stored in memory (an attitude is not available in memory), through
- ii. *Weak associations* between the object and its evaluation (where the attitude can be retrieved only through effortful reflection) to
- iii. *Chronically accessible* attitudes (attitudes that have a strong association in memory)

In a study of politicians, Fazio and Williams (1986) showed that attitude accessibility had a significant effect over and above the attitudes direction and intensity.

2.14 The Kenyan Supermarket situation

Despite the importance of relationship marketing as a competitive strategy, only one study has been conducted in the Kenyan business situation. In 1999 Thuo conducted a research to investigate the state of relationship marketing strategy in the Kenyan Banking sector. Through the study he found that the bank marketers awareness and understanding of the relationship-marketing concept was quite high, but implementation was rather low and unilateral. Banks tend to apply relationship marketing mostly to their corporate clients who form a minority of their client base as opposed to consumer clients who form the bulk of their customers.

A look at the Kenyan supermarket sector shows the mushrooming of new supermarkets or branches of the more established supermarkets. The two largest chains of supermarkets: Uchumi and Nakumatt have undertaken aggressive expansion programmes, targeting most parts of the city. And to date they have already established several one-stop mega stores that seek to meet all their customers needs. This has greatly increased competition for supermarkets situated

in those areas. It is therefore not surprising that supermarkets are looking for new and innovative marketing strategies to ensure their competitiveness and survival. This explains the growth in importance of relationship marketing strategy. Recently, Uchumi Supermarket appointed a Relationship Manager for its stores as a sign of its commitment to building relationships.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

An exploratory study will be conducted to assess the attitude of the managers of supermarket to relationship marketing, and to determine the practices currently in use.

3.2 The population

The target population for this study is all supermarkets located within Nairobi. A list of 180 supermarkets has been developed from lists obtained from House of Manji, Procter and Allan, Brookside Dairy Limited and Kenya Co-operative Creameries (See appendix I). The supermarkets are ranked in order of size according to sales volume by the respective firms (Masese, 2001; Ngatia, 2000; Lagat 1995; Karume, 1993).

3.3 The sample design

According to House of Manji and Procter and Allan the population of supermarkets is classified into three categories based on sales volume:

- The first 20 are classified as large sized supermarkets
- The next 60 as medium sized supermarkets
- The last 100 as small sized supermarkets (Masese, 2001)

Other local researchers have used the same method of classification (Ngatia, 2000; Lagat, 1995; Karume, 1993).

Stratified random sampling will be used, with all twenty large supermarkets being included in the research, and samples of twenty randomly selected from the

medium and small sized supermarkets. A random sample will be selected by drawing slips of paper with numbers representing the supermarkets within that stratum from a hat. The selected slips will be returned and mixed between every selection. Disproportionate stratified sampling will be used due to resource and time limitations.

3.4 The research instrument

Primary data will be collected using a self-reporting undisguised questionnaire (See appendix II) which will be administered on a drop and pick basis. The questionnaires will be given to the managers of the marketing function. In preliminary discussions with a number of the supermarkets, the researcher found that other than the two large supermarkets: Uchumi and Nakumatt that have designated marketing managers, the marketing function is overseen by the overall managers of the supermarkets.

The questionnaire consists of both open and closed-ended questions aimed at getting primary data from the respondents.

Section I: contains open-ended to obtain background information on the supermarkets and close-ended questions aimed at eliciting definitions of the term relationship marketing.

Section II: consists of closed ended questions aimed at assessing the respondent's attitude towards relationship marketing and the behavioural intentions in the next five years. A five-point scale will be used: 1=strongly agree to 5= strongly disagree, and 1=increase significantly to 5=decrease significantly, respectively. Questions to assess attitudes are based on the three-component attitude model.

Section III: contains closed ended questions aimed at assessing the respondent's current practices, specifically how they have implemented the Relationship Marketing strategy.

Questions requiring a yes or no answer will be used.

3.5 Data analysis

The results of the survey were analysed by descriptive statistics: frequencies and percentages. These offer clarity, preciseness and ease of understanding. The correlation coefficient, coefficient of determination and the standard error of estimate were used to study the relationship between attitudes and the practises adopted. The SPSS (Statistical Package for Social Sciences) was used.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

This chapter deals with the results of the research and their implications. Sixty questionnaires were distributed for conducting the research, twenty to each of the three categories of supermarkets. Thirty-one questionnaires were completed and returned, giving a response rate of 51.7%.

4.1 Year of establishment

The research indicates that 63.6% of large supermarkets (Table 2) were established in the last decade. This is attributed to the new trend in consumer shopping habits for fast moving consumer goods at one-stop shopping centres. As life has become increasingly fast paced, consumers have acquired time saving habits and one-stop shopping is one of them.

Unlike the large supermarkets medium-sized supermarkets have grown steadily in numbers over the years, but with most being established in the seventies and eighties. Medium-sized supermarkets are mainly found in affluent neighbourhoods such as Lavington, Westlands and Karen, and their establishment has followed the setting up and growth of these neighbourhoods.

Of the small sized supermarkets 68.7% were set up in the last twelve years alone. This is attributed to the fact that as Kenyans have sort industries to invest in, shops selling fast moving consumer goods have proved attractive. However, they have had to shift from the traditional grocery store to one-stop shopping centres in line with the new trend in consumer shopping habits.

Table 2: Year of establishment

Years	Size of supermarket					
	Large		Medium		Small	
	Frequency	%	Frequency	%	Frequency	%
Before 1960	0	0	1	10	0	0
1960 - 1969	0	0	1	10	1	11.1
1970 - 1979	2	18.2	3	30	0	0
1980 - 1989	2	18.2	3	30	2	22.2
1990 - 1999	7	63.6	1	10	4	44.5
After 1999	0	0	1	10	2	22.2
TOTAL	11	100	10	100	9	100

4.2 Number of branches in Nairobi

According to the research 72.7% of the large supermarkets (Table 3) have more than two branches. Large corporations or large extended families own these supermarkets, which makes it possible for them to access greater resources for growth and expansion. This is clearly evident from the aggressive expansion of Uchumi and Nakumatt supermarkets to almost every part of the city.

All the medium size supermarkets sampled have one branch. This is not surprising as the ownership of these supermarkets is mainly sole proprietorship or a partnership of two family members. Accessibility to resources both funding and managerial is therefore limited.

Of the small size supermarkets 77.8% have one branch, 11.1% have two branches and 11.1% have more than two branches. However, the joint sales of the branches are less than the sales volume of the single medium and large supermarkets. The ownership of these supermarkets is sole proprietorship again making accessibility to resources limited.

Table 3: Number of branches in Nairobi

Number	Size of supermarket					
	Large		Medium		Small	
	Frequency	%	Frequency	%	Frequency	%
One	1	9.1	10	100	7	77.8
Two	2	18.2	0	0	1	11.1
More than two	8	72.7	0	0	1	11.1
TOTAL	11	100	10	100	9	100

4.3 Ownership of supermarkets

Most of the large supermarkets, 81.8%, are locally owned. Kenyans of Asian origin own four of the eleven large supermarkets; Ukwala, Chandarana, City Mattresses, and Safeway, while indigenous Kenyans own three; Mesora, Tusker Mattresses, Rikana and Select 'n' Pay Supermarket (Table 4). One of the locally owned supermarkets, Uchumi Supermarket, is a public company with shares on sale at the Nairobi Stock Exchange. Only one large supermarket is foreign owned, Metro Cash and Carry (Kenya) Limited, and one jointly owned by locals and foreigners, Nakumatt Holdings Limited.

All the medium size supermarkets sampled are locally owned, nine by Kenyans of Asian origin and one by an indigenous Kenyan.

An equal number of indigenous Kenyans and those of Asian origin own small supermarkets, 88.9%, while a foreigner of Korean origin own one.

Table 4: Classification of business ownership

Ownership	Size of supermarket					
	Large		Medium		Small	
	Frequency	%	Frequency	%	Frequency	%
Foreign owned	1	9.1	0	0	1	11.1
Locally owned	9	81.8	10	100	8	88.9
Joint foreign & locally owned	1	9.1	0	0	0	0
TOTAL	11	100	10	100	9	100

4.4 Position of the respondent

Of the large supermarkets 45.5% of the respondents were managers (Table 5), 18.2% were directors while 36.4% were marketing services manager, sales and marketing and business development manager, accountant or assistant manager. In the medium size category 40% of the respondents were directors, 20% accountants, 20% managers and 20% assistant managers. Among the small size supermarkets most of the respondents, 55.6%, were directors, and the rest were sales and marketing and business development managers, accountants, managers or assistant managers.

The position of the respondents affected the quality of the answers to the questions in that the concept of relationship marketing, which is a relatively new concept in marketing, is better known and understood by marketing practitioners such as marketing services managers and sales, marketing and business development managers. However, directors and business managers had a good knowledge and understanding of the concept acquired over time from practise rather than from academics.

Table 5: Position of Respondent

Respondent	Size of supermarket					
	Large		Medium		Small	
	Frequency	%	Frequency	%	Frequency	%
Marketing services Manager	1	9.1	0	0	0	0
Sales & Marketing & Business Devt. Manager	1	9.1	0	0	1	11.1
Accountant	1	9.1	2	20	1	11.1
Director	2	18.1	4	40	5	55.6
Manager	5	45.5	2	20	1	11.1
Assistant	1	9.1	2	20	1	11.1
TOTAL	11	100	10	100	9	100

4.5 Statements associated with relationship marketing

A look at the responses given to the choice of four true statements on relationship marketing (Table 6) shows that 72.7% of the respondents among the large supermarkets agreed with all four statements, and 9.1% with most of the options. This is in line with the respondents' knowledge and understanding of the Relationship Marketing concept, which is high among marketing practitioners, directors, and business managers who made up most of the respondents. It was noted that the educational background of the managers, who formed the largest group of respondents in this category, was fairly high. Most of them were qualified professionals.

Among the medium size supermarkets 60% agreed with all the statements and 10% with most of the options. In this category none of the respondents were marketing practitioners and two of the ten respondents were accountants and two assistant managers. The limited academic knowledge and understanding of the Relationship

Marketing concept by the accountants and assistant managers affected the quality of their responses, hence the lower percentage of those respondents who agreed with all four statements.

Among the small supermarket 44.4 % of the respondents agreed with all the statements while 11.1% agreed with most of options. Again the decline in the number of respondents who agreed with all four statements can be attributed to the high number of respondents with limited academic knowledge and understanding of the concept. However, the respondent did have experiential knowledge as will be shown later by the relationship marketing practises they have adopted.

Table 6: Statements associated with Relationship Marketing

Statement	Size of supermarket					
	Large		Medium		Small	
	Frequency	%	Frequency	%	Frequency	%
Statement (a)*	1	9.1	2	20	3	33.3
Statement (b)*	1	9.1	1	10	0	0
Some options	0	0	0	0	1	11.1
Most options	1	9.1	1	10	1	11.1
All statements (a-d)*	8	72.7	6	60	4	44.4
TOTAL	11	100	10	100	9	100

The following statements are associated with relationship marketing:

- (a) *Establishing, maintaining and enhancing mutually beneficial relationship with customer, supplier, and distributors.
- (b) *Building long-term satisfying relations with key customer suppliers and distributors.
- (c) *Profitability
- (d) *Meeting the objective of all the parties involved in the relationship by mutual exchange and fulfilment of promises.

4.6 Average time taken to develop a relationship

45.5% of the respondents among large supermarkets felt that it takes between one and five months to form a relationship (Table 7), 36.3% less than one month and 18.2% between six and twelve months. Among the medium sized supermarkets 30% felt it takes less than one month, 60% between one to five months, and 10% between six to twelve months. In the small sized category 44.4% of the respondents felt it takes one to five months to form a relationship, 33.4% between six and twelve months and 22.2% less than one month.

Table 7: Average time taken to develop relationships

	Size of supermarket					
	Large		Medium		Small	
Average time	Frequency	%	Frequency	%	Frequency	%
Less than one month	4	36.3	3	30	2	22.2
Between 1&5 month	5	45.5	6	60	4	44.4
Between 6&12 months	2	18.2	1	10	3	33.4
TOTAL	11	100	10	100	9	100

Interestingly, in all three categories of supermarkets the greatest percentage of respondents felt that relationships take between one to five months to develop. This is not surprising because for long-term relationships to develop there has to be trust and commitment. According to Morgan and Hunt (1994) trust is built when reliability is established through many dealings, and competence is demonstrated through the fulfilment of contracts. This is particularly true in the Kenyan market where honesty and integrity have been eroded by graft and corruption making sellers extremely cautious. This is in contrast to communities where honesty and integrity are not only valued but are practised.

Since the concept of relationship marketing is also new to the Kenyan consumer market, most supermarkets do not have adequate programs such as loyalty cards to meet their need for long-term relationships with customers. The length of time taken to form relationships can be shortened through well thought relationship building programs. Among the large and medium size supermarkets where some rudimentary programs exist, a higher percentage of respondent felt that relationships could be formed in less than one month.

4.7 Percentage of budget allocated to building and maintaining relationships

Among all three categories of supermarkets most of the respondents, 81.8% large, 90% medium and 88.9% small, indicated that less than 5% of their organization's overall budget is allocated to building relationships (Table 8). In practise large corporations spend approximately one third of their overall budget on marketing. Therefore, the 5% being spent to build relationships is too little as this forms only one sixth to one seventh of a normal marketing budget. Yet relationship marketing should form an integral part of the marketing budget due to the competitive advantage it offers a firm in terms of customer retention and profitability.

Table 8: Percentage of budget allocated to building & maintaining relationships

	Size of supermarket					
	Large		Medium		Small	
Budget	Frequency	%	Frequency	%	Frequency	%
0-5%	9	81.8	9	90	8	88.9
6-10%	0	0	1	10	1	11.1
Over 10%	1	9.1	0	0	0	0
Missing	1	9.1	0	0	0	0
TOTAL	11	100	10	100	9	100

4.8 Attitude towards relationship marketing

4.8.1 large size supermarkets

Among the large supermarkets (Table 9) 100% of the respondents either strongly agreed or agreed with the statements that relationship marketing focuses on customer retention and emphasises high customer service. While 90.9% of the respondents either strongly agreed or agreed that relationship marketing focuses on product benefits, has a long-term focus and emphasises high customer commitment. 81.8% strongly agreed or agreed that it emphasises quality as a concern for all and 72.7% that it involves high customer contact. According to the cognitive component of the three-component attitude model, agreement with these characteristics of relationship marketing reveals the respondents' positive beliefs and opinions about relationship marketing and hence their positive attitude towards it. Therefore, in this instance more than three quarters of the respondents had a positive attitude towards relationship marketing.

A look at the respondents' feelings towards relationships with customers shows that 36.4% felt that relationships cost more than they are worth, while only slightly more than half, 52%, either disagreed or strongly disagreed. According to the affective component of the three-component attitude model, negative feelings towards the attitude object in this case relationship marketing, indicates a negative attitude towards it. Approximately half of the respondents had a positive attitude since they felt the cost of forming relationships was worth it.

63.6% of the respondents felt they should try forming relationships with every customer indicating a positive attitude, while only 45.5% felt a true relationship was possible between a supermarket and a customer. It goes without saying that

Table 9 Attitude towards relationship marketing by large supermarkets

Attitude parameters	Large supermarkets					
	Agree strongly %	Agree %	Neither agree nor disagree %	Disagree %	Disagree strongly %	TOTAL %
1. Focusses customer retention	72.7	27.3	-	-	-	100
2. Focusses on product benefits	27.3	63.6	9.1	-	-	100
3. Has a long-term focus	45.5	45.4	9.1	-	-	100
4. Emphasises high customer service	63.6	36.4	-	-	-	100
5. Emphasises high customer commitment	36.4	45.4	9.1	-	9.1	100
6. Involves high customer contact	9.1	63.6	18.2	9.1	-	100
7. Emphasises quality as the concern of all	36.4	45.4	18.2	-	-	100
8. Relationships generally cost more than they are worth	18.2	18.2	9.1	36.4	18.1	100
9. We should try forming relationships with every customer	9.1	54.5	9.1	18.2	9.1	100
10. A true relationship is not really possible between a supermarket and a customer	9.1	36.4	9.1	36.4	9.1	100.1
11. A relationship is just another term for personalized selling	9.1	54.5	18.2	9.1	9.1	100
12. If we had an option to do it again, we would still form the relationships we have	18.2	72.7	9.1	-	-	100
13. Relationships help us gain competitive advantage	45.5	54.5	-	-	-	100
Attitude parameters	Large supermarkets					
	Increase significantly %	Increase %	Neither increase nor decrease %	Decrease %	Decrease significantly %	TOTAL %
14. What are your future intentions on the number of relationships formed over the next five years	54.5	36.4	9.1	-	-	100
15. What are your intentions on the amounts invested in relationships	27.3	45.4	27.3	-	-	100

negative feelings, and hence attitudes, towards the possibility of forming true relationships between supermarkets and their customers works against their commitment to forming these relationships, despite feeling the need to try and form relationships with every customer.

Of those sampled 63.6% felt a relationship is just another form of personalized selling. According to Kotler (1998), personal selling is face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders, and is transaction oriented, while relationship marketing is the practice of building long-term satisfying relations with key parties-customers, suppliers, distributors-in order to retain their long-term preference and business. A negative attitude in this instance is therefore based on a lack of understanding of the differences between the two concepts.

90.9% of the respondents felt if they had an option to do it again, they would still form the relationships they already had while 100% felt that relationships help them to gain competitive advantage, in both instances indicating a high positive attitude towards relationships and hence relationship marketing.

In line with the behavioural component of the three-component attitude model, future intentions with regard to the number of relationships to be formed in the next five years and amounts to be invested in relationships were investigated. With regard to future intentions towards the number of relationships formed over the next five years, 54.5% indicated that this would increase significantly, and 36.4% that this would increase. This high percentage for increasing relationships reveals a highly positive attitude towards relationships and hence relationship marketing. To achieve this amounts invested in the formation of relationships would need to

4.8.2 Medium size supermarkets

The respondents in this category revealed a positive attitude towards relationship marketing based on their beliefs and opinions about the concept. 100% of the respondents (Table 10) either strongly agreed or agreed that relationship marketing focuses on customer retention, has a long-term focus, emphasises high customer service and high customer commitment. 90% strongly agreed or agreed that it emphasises quality as the concern for all and 80% that it focuses on product benefits and involves high customer contact.

With respect to feelings, 50% of the respondents' felt that relationships generally cost more than they are worth and that it was not possible to have a true relationship between a supermarket and a customer, indicating both positive and negative attitudes towards relationships. Most of the respondents however, 80%, felt that they should try forming relationships with every customer, while 70% felt that a relationship is just another term for personalized selling. 100% felt that if they had an option to do it again, they would still form the relationships they have, and that relationships help them to gain competitive advantage of their competitors.

The respondents' future intentions with regard to the number of relationships formed in the next five years indicates 40% of the respondents' had intentions to significantly increase the relationships, 50% to increase, and 10% to maintain the status quo. As for future intentions on the amounts invested in relationships, only 10% anticipated this would increase significantly, 50% anticipated an increase and 40% foresaw maintenance of the status quo.

Table 10: Attitude towards relationship marketing by medium size supermarkets

Attitude parameters	Medium size supermarkets					
	Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly	TOTAL
	%	%	%	%	%	
1. Focusses customer retention	80	20	-	-	-	100
2. Focusses on product benefits	30	50	20	-	-	100
3. Has a long-term focus	80	20	-	-	-	100
4. Emphasises high customer service	60	40	-	-	-	100
5. Emphasises high customer commitment	60	30	-	10	-	100
6. Involves high customer contact	50	30	20	-	-	100
7. Emphasises quality as the concern of all	60	30	10	-	-	100
8 Relationships generally cost more than they are worth	10	40	-	50	-	100
9. We should try forming relationships with every customer	40	40	20	-	-	100
10. A true relationship is not really possible between a supermarket and a customer	10	20	20	40	10	100
11. A relationship is just another term for personalized selling	20	50	-	30	-	100
12. If we had an option to do it again, we would still form the relationships we have	40	60	-	-	-	100
13 Relationships help us gain competitive advantage	40	60	-	-	-	100
Attitude parameter	Medium size supermarket					
	Increase significantly	Increase	Neither increase nor decrease	Decrease	Decrease significantly	TOTAL
	%	%	%	%	%	%
14. What are your future intentions on the number of relationships formed over the next five years	40	50	10	-	-	100
15. What are your intentions on the amounts invested in relationships	10	50	40	-	-	100

Positive beliefs and opinions, and feelings towards relationship marketing directly affect the number of relationships formed in the future and the amount of resources, such as time and money, invested in building relationships. Though majority of the respondents had positive beliefs and opinions about relationship marketing, had no regrets about the relationships they already had and felt relationships give them a competitive advantage over their competitors, the fact that half felt relationships cost more than they are worth and that it is not possible to have a true relationship between a supermarket and a customer can explain why only 60% of the respondents had any future intentions of increasing their investment in building relationships.

4.8.3 Small size supermarkets

100% of the respondents among small sized supermarkets (Table 11) either agreed or strongly agreed that relationship marketing focuses on customer retention and product benefits, and emphasises high customer service and quality as the concern of all. 88.8% agreed or strongly agreed that relationship marketing has a long-term focus, and 11.2 % were undecided. 77.8% agreed or strongly agreed that it emphasises high customer commitment and involves high customer contact. 11.1% were undecided and an equal percentage disagreed. As with the other two categories of supermarkets the respondents in this category also revealed a positive attitude towards relationship marketing based in their beliefs and opinions about it.

With regard to their feelings towards relationships, 44.5% of the respondents felt relationships cost more than they are worth, 22.2% felt otherwise and 33.3% were undecided. Even though such a high proportion felt relationships cost more than they are worth, 77.8% of the respondents still felt they should try forming relationships with every customer, while 11.1% felt otherwise and 11.1

Table 11: Attitude towards relationship marketing by small sized supermarkets

Attitude parameters	Small size supermarkets					
	Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly	TOTAL
	%	%	%	%	%	
1. Focusses customer retention	44.4	55.6	-	-	-	100
2. Focusses on product benefits	33.3	66.7	-	-	-	100
3. Has a long-term focus	44.4	44.4	11.2	-	-	100
4. Emphasises high customer service	55.6	44.4	-	-	-	100
5. Emphasises high customer commitment	33.4	44.4	11.1	11.1	-	100
6. Involves high customer contact	33.4	44.4	11.1	11.1	-	100
7. Emphasises quality as the concern of all	66.7	33.3	-	-	-	100
8. Relationships generally cost more than they are worth	-	44.5	33.3	22.2	-	100
9. We should try forming relationships with every customer	33.3	44.5	11.1	11.1	-	100
10. A true relationship is not really possible between a supermarket and a customer	-	33.3	22.3	33.3	11.1	100
11. A relationship is just another term for personalized selling	-	33.3	66.7	-	-	100
12. If we had an option to do it again, we would still form the relationships we have	33.3	44.4	-	22.3	-	100
13. Relationships help us gain competitive advantage	55.6	44.4	-	-	-	100
Attitude parameters	Small size supermarkets					
	Increase significantly	Increase	Neither increase nor decrease	Decrease	Decrease significantly	
	%	%	%	%	%	%
14. What are your future intentions on the number of relationships formed over the next five years	11.1	88.9	-	-	-	100
15. What are your intentions on the amounts invested in relationships	11.1	77.8	11.1	-	-	100

undecided. 33.3% felt a true relationship is not possible between a supermarket and a customer, 22.3% were undecided, while 44.4% felt it was possible. 33.3% of the respondents felt a relationship is just another term for personalized selling, while 66.7% were undecided. This high proportion of respondents who were undecided as to whether a relationship is just another term for personalized selling indicated their lack of understanding of the two concepts. 77.8% felt if they had to do it again they would still form the relationships that they have. 100% of the respondents felt relationships help them to gain competitive advantage over their competitors.

88.9% of the respondents had future intentions to increase the number of relationships formed in the next five years, while 11.1% had intentions to increase them significantly. Although the proportion of those with future intentions to significantly increase the amounts invested in relationships is also 11.1% the proportion of those willing to increase declined by 11.1%.

4.9 The relationship marketing practises adopted by supermarkets

The research sought to establish which of the eleven relationship practises under consideration the supermarkets had in place (Table 12). According to the results, 90.91% of the large supermarkets had “a customer complaint procedure”, “regular communication with customers” and offered “preferential treatment/personalized service to regular customers”, 81.82% offered “price incentives or rewards to regular customers” and had “personal interaction with regular customers”, 54.55% had “a customer feedback communication system” and offered “after sales support to customers”, while 36.36% of the respondents “grouped their customers according to their needs”, had “a customer database” and “a relationship-building program”. Finally, only 27.27% had “grouped their customers according to their

Table 12: The relationship marketing practises adopted by supermarkets

Relationship marketing practises	Size of supermarket								
	Large			Medium			Small		
	Yes %	No %	Total %	Yes %	No %	Total %	Yes %	No %	Total %
1. Customers grouped according to their needs	36.36	63.64	100	10	90	100	11.11	88.89	100
2. Customers grouped according to their profitability	27.27	72.73	100	0	100	100	22.22	77.78	100
3. Price incentives or rewards to regular customers	81.82	18.18	100	60	40	100	100	0	100
4. A customer database	36.36	63.64	100	50	50	100	11.11	88.89	100
5. A customer complaint procedure	90.91	9.09	100	50	50	100	88.89	11.11	100
6. A customer feedback communication system	54.55	45.45	100	40	60	100	66.67	33.33	100
7. After sales support to customers	54.55	45.45	100	40	60	100	66.67	33.33	100
8. Personal interaction with regular customers	81.82	18.18	100	90	10	100	100	0	100
9. Regular communication with regular customers	90.91	9.09	100	80	20	100	66.67	33.33	100
10. Preferential treatment/personalized service to regular customers	90.91	9.09	100	80	20	100	88.89	11.11	100
11. A relationship-building program	36.36	63.64	100	0	100	100	0	100	100

profitability. These results are consistent with observations that reveal large supermarkets have set up customer service desks that handle customer complaints. Regular communication with customer is also maintained through advertising campaigns in the mass media. These advertising campaigns mainly offer price incentives in a bid to secure customer loyalty. Regular campaigns offering rewards to regular customers are also held, particularly during major holidays like Christmas and Easter. All these relationship marketing practises fall under the first level of relationship marketing that relies on price incentives and rewards as a means of appreciating customers, and which is considered to be the weakest level since it easily imitated by competitors (Berry, 1995). According to observations most large supermarkets do not have customer databases and therefore have not grouped their customers according to any criteria. Very few have a relationship-building program. Uchumi Supermarket has a relationship-building program where they use customer panels for ideas and feedback.

Among the medium sized supermarkets, 90% of the respondents had “personal interaction with their customers”, 80% had “regular communication with regular customers and offered “preferential treatment/personalized service to regular customers”, 60% offered “price incentives or rewards to regular customers”, 50% had “a customer database” and “a customer complaint procedure” and lastly 40% had “a customer feedback communication system” and offered “after sales support to customers”. All the respondents in this category, 100%, did not “group their customers according to their profitability” nor did they have “a relationship-building program”. 90% also did not “group their customers according to their needs”.

Medium size supermarkets lay great emphasis on personal interaction with regular customers, which their set allows. As mentioned earlier these supermarkets are situated in the more affluent suburbs where the, better educated and exposed, customers expect special treatment for their regular patronage. The practise of relationship marketing has therefore grown naturally over the years as the directors and business managers of these supermarkets have acquired a good knowledge and understanding of the relationship-marketing concept from practise rather than from academics. It then follows that most of these supermarkets have regular communication with their regular customers through telephone calls, letters and general chitchat when they come in to purchase. They also offer preferential treatment /personalized service to their regular customers such opening for them a credit account, home deliveries, payment by cheques, special discounts, informing regular customers when stocks arrive, and reserving goods for them in times of shortages.

A good number of medium size supermarkets also offer price incentives or rewards to their regular customers especial around major holidays such as Christmas, Easter, Ramadan and Dewali. Some have a customer database but made up of their regular customers only. Few have grouped these customers according to their needs and none have grouped them according to their profitability. Some of these supermarkets have a rudimentary customer complaint procedure where complaints are made directly to the director/proprietor or the manager. Others also have a rudimentary customer communication system and offer after sales support to customers. None of the medium size supermarkets had a relationship-building program.

Of the small sized supermarkets 100% offered “price incentives or rewards to regular customers” and had “personal interaction with regular customers”, while 88.89% had “a customer complaint procedure” and gave “preferential treatment/personalized service to regular customers”. 66.67% of the respondents had “a customer feedback communication system”, offered after sales support to customers and had “regular communication with regular customers. All the respondents, 100%, did not have “a relationship-building program”, while 88.89% did not “group their customers according to their needs” nor had “a customer database”, and 77.78% did not “group their customers according to their profitability”

Small supermarkets offer price incentives or rewards to regular customers in form of discounts and free gifts particular during holidays. Personal interaction is carried out at the shop. As with the medium size supermarkets preferential treatment/personalized service is through credit accounts, payment by cheques or credit cards, home deliveries, informing regular customers when stocks arrive, reserving goods for them in times of shortages, as well as stocking special items on request from regular customers and holding advance payments. Regular communication was through telephone calls and e-mails. Some customer feedback communication system was in place in some supermarkets, and some after sale support. Very few supermarkets had any kind of customer database, and as such few had grouped their customers according to their needs or profitability. None of the supermarket had any relationship-building program in place.

4.10 The correlation between relationship marketing practises and the manager's attitude

4.10.1 Large sized supermarkets

There was a high correlation (r) between the respondents' attitude towards the relationship marketing concept based on their beliefs about it and the relationship marketing practises (table 13); price incentives or rewards are offered to regular customers (0.972), regular communication is maintained with regular customers (0.928), preferential treatment/personalized service is given to regular customers (0.928) and the existence of a relationship-building program (0.966). The coefficients of determination (r^2) were within acceptable limit of 0.8 at 0.946, 0.861, 0.861 and 0.933 respectively. The standard errors of the estimates (Se) were also fairly low at 0.17, 0.21, 0.21 and 0.24 respectively.

These high correlations mean the high positives attitudes previously noted directly and proportionately affect the adoption of the relationship marketing practises, the more positive the attitude the greater the chance of the respondents adopting the practises. The high coefficients of determination also tell us that more than 80% of the reason for the adoption of these practises depends on the respondents' attitude toward relationship marketing. The margin of error that this is the case is very low as shown by the low standard errors of the estimates.

On the other hand, the correlation between attitude based on beliefs and the practises; customers are grouped according to their needs (0.819), customers are grouped according to their profitability (0.81), a customer database is maintained (0.868), a customer feedback communication system exists (0.868) and sales

Table 13: The corelation between relationship marketing practises and the manager's attitude among large supermarkets

Relationship marketing practises	Large supermarkets								
	A			B			C		
	r	r square	Std error of estimate	r	r square	Std error of estimate	r	r square	Std error of estimate
1. Customers grouped according to their needs	0.819	0.67	0.53	0.874	0.764	0.35	0.349	0.122	0.53
2. Customers grouped according to their profitability	0.81	0.656	0.5	0.851	0.725	0.35	0.57	0.324	0.43
3. Price incentives or rewards to regular customers	0.972	0.946	0.17	0.827	0.683	0.32	0.365	0.134	0.42
4. A customer database	0.868	0.753	0.46	0.798	0.637	0.43	0.412	0.17	0.51
5. A customer complaint procedure	0.587	0.345	0.45	0.342	0.117	0.4	0.265	0.07	0.33
6. A customer feedback communication system	0.868	0.754	0.47	0.701	0.491	0.53	0.912	0.831	0.24
7. After sales support to customers	0.759	0.577	0.62	0.666	0.444	0.55	0.786	0.618	0.36
8. Personal interaction with regular customers	0.574	0.329	0.61	0.664	0.441	0.43	0.04	0.002	0.45
9. Regular communication with regular customers	0.928	0.861	0.21	0.787	0.62	0.26	0.265	0.07	0.33
10. Preferential treatment/personalized service to regular customers	0.928	0.861	0.21	0.787	0.62	0.26	0.265	0.07	0.33
11. A relationship-building program	0.966	0.933	0.24	0.66	0.436	0.54	0.64	0.41	0.43

- A. Predictors (Constant). Attitudes: Relationship marketing Focuses on customer retention; Focuses on product benefits; Has a long-term focus; Emphasises high customer services; Emphasises high customer commitment; Involves high customer contact; Emphasises quality as the concern of all.
- B. Predictors (Constant): Relationships generally cost more than they are worth; We should try forming relationships with every customer; A true relationship is not really possible between a supermarket and a customer; A relationship is just another term for personalized selling; If we had the option to do it again, we should still form the relationship that we have with customers; Relationships help us gain competitive advantage.
- C. Predictors (Constant): Future intentions on the number of relationships formed over the next five years; Future intentions on the amounts invested in relationships.

support is given to customers (0.759) is also fairly high. However, the coefficients of determination were below the acceptable limit, and the standard errors of the estimate were fairly high. This indicates other factors apart from attitude affect the adoption of these particular relationship marketing practises. These factors might include lack of financial resources to implement the practises. The high standard errors of the estimate cast doubt on the accuracy of these results. In future other statistical methods of analysis may be used to validate or invalidate these results. The lowest correlation between attitude and practise was that for; a customer complaint procedure exists (0.587).

The correlation between the respondent's attitude to the relationship marketing concept based on their feelings towards relationships, and the relationship marketing practises adopted, shows fairly high correlations for the following practises are; customers are grouped according to their needs (0.874), customers are grouped according to their profitability (0.851), price incentives or rewards are given to regular customers (0.827), a customer database is maintained (0.798), a customer feedback communication system exists (0.701), there is regular

communication with regular customers (0.787) and preferential treatment/personalized service is given to regular customers. However, all the coefficients of determination are below the acceptable limit (0.8) meaning less than 80% of the reason for the adoption these practises can be attributed to the respondents' attitudes toward relationships. Respondents' may therefore have very positive feelings towards relationships but this may not lead to the adoption of relationship marketing practises due to for example constraints in resources.

With regard to the respondent's attitude based on their future intentions on the number of relationships formed in the next five years and their future intentions on the amounts invested in relationships, the correlations were fairly low in most cases. Only two practises stand out; a customer feedback communication system exists with a correlation of 0.912 and a coefficient of determination of 0.831, and after sales support is offered to customers with a correlation of 0.786 but an unacceptable coefficient of determination of 0.618. Therefore, a positive attitude towards future intentions leads to the adoption of a customer feedback communication system.

4.10.2 Medium size supermarkets

The correlation (r) between the respondents' attitude towards the relationship marketing concept based on their beliefs and the relationship marketing practises (table 14) is high for; personal interaction with regular customers (0.988), a customer feedback communication system exists (0.971), after sales support is offered to customers (0.971), customers are grouped according to their needs (0.883), customers are grouped according to their profitability (0.883), there is regular communication with regular customers (0.883), a customer database exists (0.863), and a customer complaint procedure exists (0.857). However, only the

Table 14: The correlation between relationship marketing practises and the manager's attitude among medium sized supermarkets

Relationship marketing practises	Medium size supermarkets								
	A			B			C		
	r	r square	Std error of estimate	r	r square	Std error of estimate	r	r square	Std error of estimate
1. Customers grouped according to their needs	0.883	0.78	0.31	0.802	0.709	0.3	0.392	0.153	0.33
2. Customers grouped according to their profitability	0.883	0.78	0.31	0.802	0.709	0.3	0.392	0.153	0.33
3. Price incentives or rewards to regular customers	0.526	0.277	0.93	0.685	0.469	0.65	0.383	0.147	0.54
4. A customer database	0.863	0.745	0.56	0.942	0.887	0.31	0.507	0.257	0.52
5. A customer complaint procedure	0.857	0.734	0.58	0.878	0.771	0.44	0.169	0.029	0.59
6. A customer feedback communication system	0.971	0.943	0.26	0.839	0.705	0.49	0.304	0.092	0.56
7. After sales support to customers	0.971	0.943	0.26	0.839	0.705	0.49	0.304	0.092	0.56
8. Personal interaction with regular customers	0.988	0.976	0.1	0.976	0.952	0.12	0.392	0.153	0.33
9. Regular communication with regular customers	0.883	0.78	0.42	0.913	0.503	0.3	0.408	0.167	0.44
10. Preferential treatment/personalized service to regular customers	0.776	0.602	0.56	0.836	0.699	0.4	0.588	0.345	0.39
11. A relationship-building program	0.667	0.444	0.5	0.822	0.675	0.31	0.392	0.153	0.33

first three practises mentioned have an acceptable coefficient of determination at 0.976, 0.943 and 0.943 respectively. And fairly low standard errors of the estimate. We can therefore correctly say that a high positive attitude will lead to the adoption of these three practises, and 80% of the reason for their adoption can be attributed to the respondents' attitude towards relationship marketing.

The correlation between attitude based on feelings towards relationships and the relationship marketing practises adopted, is high for the following practises; personal interaction with regular customers (0.976), a customer database exists (0.942), there is regular communication with regular customers (0.913), a customer complaint procedure exists (0.878), a customer feedback communication system exists (0.839), after sales support is offered to customers (0.839), preferential treatment/personalized service is given to regular customers (0.836), a relationship-building program exists (0.822), customers are grouped according to their needs (0.802), customers are grouped according to their profitability (0.802). However, only "personal interaction with regular customers" and "a customer database exists" had acceptable coefficients of determination at 0.952 and 0.887 respectively, and standard errors of the estimate of 0.12 and 0.31 respectively.

In most cases therefore, although the correlation between attitude and practises is high less than 80% of the reason for adopting the practises can be attributed to the respondents' attitude towards relationships. The standard errors of the estimate are fairly high pointing toward the need for another statistical method of analysis to validate or invalidate these results.

The correlation between attitude based on future intentions to act and the relationship marketing practises adopted are all low, with most at less than 0.5.

This means the practises adopted are not necessarily dependant upon the respondents' attitude to relationship marketing based on future intentions to act on the number of relationships formed over the next five years and on the amounts invested in relationships.

4.10.3 Small size supermarkets

There was a perfect correlation between the respondents' attitude toward the relationship-marketing concept based on their beliefs and all the relationship-marketing practises under consideration (table 15). This means the adoption of these practises is dependant only on the respondents' attitudes.

The correlation based on their feelings was high for; personal interaction with regular customers (0.991), regular communication with regular customers (0.991), after sales services offered to customers (0.971), a customer feedback communication system exists (0.932), a relationship-building program exists (0.921), customers are grouped according to their needs (0.86), price incentives or rewards are offered to regular customers (0.811), existence of a customer database (0.811), existence of a customer complaint procedure (0.811), and preferential treatment/personalized service is given to regular customers (0.806). Only the first five of these practises had acceptable coefficients of determination at 0.983, 0.983, 0.943, 0.869 and 0.848 respectively, with fairly low standard errors of the estimate. Therefore, more than 80% of the reason for the adoption of these practises is dependant on the respondents' attitude towards relationships. The low standard errors of the estimate mean these results are fairly accurate.

The correlation between the respondents' attitude based on their future intentions to act and the practises adopted were low, with correlation coefficients less than

Table 15: The corelation between relationship marketing practises and the manager's attitude among small size supermarkets

Relationship marketing practises	Small size supermarkets								
	A			B			C		
	r	r square	Std error of estimate	r	r square	Std error of estimate	r	r square	Std error of estimate
1. Customers grouped according to their needs	1	1	1	0.86	0.74	0.48	1	1	1
2. Customers grouped according to their profitability	1	1	1	0.507	0.257	0.76	0.286	0.82	0.49
3. Price incentives or rewards to regular customers	1	1	1	0.811	0.658	0.39	0.189	0.036	0.38
4. A customer database	1	1	1	0.811	0.658	0.39	0.189	0.036	0.38
5. A customer complaint procedure	1	1	1	0.811	0.658	0.39	0.189	0.036	0.38
6. A customer feedback communication system	1	1	1	0.932	0.869	0.36	0.378	0.143	0.53
7. After sales support to customers	1	1	1	0.971	0.943	0.24	0.378	0.143	0.53
8. Personal interaction with regular customers	1	1	1	0.991	0.983	0.14	0.478	0.229	0.53
9. Regular communication with regular customers	1	1	1	0.991	0.983	0.14	0.478	0.229	0.53
10. Preferential treatment/personalized service to regular customers	1	1	1	0.806	0.65	0.55	1	1	1
11. A relationship-building program	1	1	1	0.921	0.848	0.26	0.189	0.036	0.38

0.5. Therefore, in this case the respondents' attitude does not have a great bearing on the practises adopted. The coefficients of determination were also low apart from "customers are grouped according to their profitability, which had a coefficient of 0.82. The standard errors of the estimate were average. Interesting to note though, is the perfect correlation between attitude and the practise 'Preferential treatment/personalized service is given to regular customers". This means the adoption of this practise is only dependant on the respondents' attitude.

CHAPTER 5

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

Having summarized the results of the study in the previous chapter, this chapter discusses the findings in relation to the research questions the study set out to investigate. The objective of the study was to find out the attitude of managers of supermarkets towards relationship marketing, to establish the relationship marketing practises in use and to study the relationship between the managers' attitudes towards relationship marketing and the relationship marketing practises in use.

5.1. Discussion

Relationship marketing is recognized as an important competitive strategy whose key objective is customer retention through building customer loyalty (Christopher et al., 1991; Pressey and Mathew, 2000; Butcher, 1998). Studies show that attitudes directly affect behavioural actions such as judgements and choice (Kotler 1998). The study therefore sought to find out what the managers' attitudes were towards relationship marketing, and whether this affected their behaviour in terms of the relationship marketing practises they had in place.

The research revealed that more than three quarters of the managers of large supermarkets had a good understanding of relationship marketing, two-thirds in the medium size category and approximately half in the small size category. This understanding is important because its impossible to act on a concept that one does not understand. According to the cognitive component of the three-component attitude model that looks at the information and thoughts held about an attitude

object (Rosenberg and Hovland, 1960; Baron and Byrne, 1981), the managers of all categories of supermarkets agreed that relationship marketing focuses on customer retention and product benefits, has a long-term focus, emphasises high customer service, high customer commitment, quality as the concern of all, and involves high customer contact (Christopher et al, 1991). Therefore, based on their understanding of the concept they revealed a highly positive attitude.

Based on the affective component of the model which assesses the positive or negative feelings about an object, all the managers in the three categories of supermarkets felt relationships help them gain competitive advantage and almost all said if they had the opportunity to do it gain they would still form the relationships they had. There is recognition here that relationships are beneficial to the organization by ensuring repeat business. Approximately half of the managers of large and medium sized supermarkets felt relationships were worth the cost of establishing and maintaining them. But, most of the managers of small supermarkets felt relationships cost more than they are worth. These feelings towards the cost of relationships did not auger well for the amounts the managers were willing to invest in relationships in terms of time and money. Most of the managers felt they should try forming a relationship with every customer, even though this is not economically feasible because customers differ in their profitability and needs, and should therefore be segmented accordingly (Dwyer et al, Jackson, 1985). With respect to whether it is really possible to form a relationship between a customer and a supermarket, all the managers were divided for and against. Most of the managers of large and medium sized supermarkets and a few of the small supermarkets felt a relationship is just another form of personalized selling. This lack of recognition of the difference between relationships and personalized selling had an impact on the attitude held towards

relationships. In summary the managers of large supermarkets still showed a highly positive attitude towards relationship marketing based on their feelings, while those of medium supermarkets was fairly positive and just positive for small supermarkets.

The intention or disposition to act (in term of income and time) which forms the behavioural component of the three component model, and results from the information, thoughts, and positive or negative feelings held about relationship marketing, pointed to the fact that almost all the managers had future intentions to increase the number of relationships formed over the next five years. However, a fair number, particular among the medium sized supermarkets, had no future intentions to change the amounts invested in relationships. According to literature there is a cost attached to relationships, and therefore it is not practical to assume relationships can be increased significantly without any costs being incurred. Having said this however, the managers' can find out whether there are ways of establishing and maintaining economically beneficial relationships without increasing the amounts invested that might not have been exploited so far. The findings also revealed that majority of the managers allocate less than five percent of their budget to building and maintaining relationships.

The research further revealed the relationship marketing practises adopted by the managers in all the categories of supermarkets were fairly similar (http://www.Relationshipmarketing...om/service/body_services.html). The most widely used were personal interaction with regular customers, preferential treatment/personalized service to regular customers, price incentives or rewards to regular customers, regular communication with regular customers and a customer complaint procedure. Apart from a few of the large supermarkets most

supermarkets did not have a laid down relationship marketing strategy whose main components would incorporate all the practises under consideration. In fact the practises currently in use arose from a natural desire to better serve regular customers rather than from a concerted effort to build relationships, even though all the managers recognized that relationships help them gain competitive advantage

The findings from the research showed a highly positive correlation between the managers' attitudes and the relationship marketing practises in use. This means the managers' attitudes towards relationship marketing directly influenced the practises adopted, which is consistent with expectations. The findings further revealed in most instances that variations in the adoption of relationship marketing practises were not entirely attributable to the managers' attitudes, since the coefficients of determinations were fairly low. This would mean there are other factors not considered in the study, which influence the adoption of a number of the relationship marketing practises. Although, the coefficients of determination were within acceptable limits for most instances, the standard error of estimates were fairly high casting doubts on the precision of the estimates.

The correlation with respect to the cognitive and affective component of the managers' attitudes towards relationship marketing and relationships was high for most of the practises for all the supermarkets. Among the small sized supermarkets in particular, the correlation was perfect with respect to the cognitive component for all the practises under consideration. The coefficient of determination was also perfect, but these results are questionable since the standard errors of the estimate were high. Interestingly the correlation with respect to the managers future intentions on the number of relationships formed over the next five years and their

intentions on the amount invested in relationships was fairly low and the coefficients of determination were even lower, while the standard errors of the estimate were quite high.

5.2 Conclusion

Supermarkets are a fairly recent mode of retailing fast moving consumer goods in Nairobi resulting from new trends in consumer shopping habits such as the need for one-stop shopping. This need has led to the mushrooming of large supermarkets in all corners of the city, and in response many grocery stores have also converted into small supermarkets. Medium sized supermarkets on the other hand have been in existence for sometime, particularly in the more affluent suburbs. It has been observed that in recent years the supermarket industry has become a major area of investment for Kenyans.

The findings show that the managers of large supermarkets have a highly positive attitude towards relationship marketing based on a good understanding of the concept. However, for most, this has not led to the development and establishment of relationship building programs. Among the medium and small sized supermarkets the managers' attitude is fairly positive, although based on an incomplete understanding of the concept. Again no relationship building programs are in place.

The relationship marketing practices adopted by supermarkets were fairly similar, and their adoption was found to be dependant on the manager's attitude toward the relationship-marketing concept. The more positive the attitude the greater the number of relationship marketing practises adopted.

Finally, the findings revealed that the greater the understanding of the relationship-marketing concept and its strategic benefit, the more positive the attitude and the greater the number of relationship marketing practises adopted.

5.3 Recommendations

The results of the research show that there is a correlation between the managers' attitude towards relationship marketing and the relationship marketing practises adopted within a relationship marketing strategy. To achieve more accurate results a more detailed study can be carried out that:

- i. Incorporates intervening variables that affect the adoption of a relationship marketing strategy despite the positive attitudes of the managers responsible for the marketing function. For example the attitude of other managers, directors/proprietors, or financial constraints.
- ii. Identify whether the managers' attitudes and the relationship marketing practises in use are dependant on the size of the supermarket.
- iii. Look at the attitudes of customers towards relationship marketing.

5.4 Limitations of the study

- i. There was a response rate of 51.7%, which posed challenges in data analysis. A considerable amount of respondent fatigue was encountered that partly explains this response rate. A better response rate would have given more accurate results.
- ii. The study did not consider factors that affect the managers' attitudes such as their level of education, marketing background or experience.
- iii. Financial and time constraints as the research encompassed the whole of Nairobi.
- iv. The study was confined to Nairobi, meaning the findings may not be applicable to other cities and towns in the country.

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APPENDIXES

Appendix I: A letter of introduction by the student

ESTHER W. NJUGUNA
P. O BOX 79607
NAIROBI

Dear Respondent

I am a Post-Graduate student of the Master of Business Administration Program, University of Nairobi, and I am currently conducting a research on the use of Relationship Marketing Strategy by Supermarkets in Nairobi.

I would be greatly obliged if you would assist me by filling in the following questionnaire. The information you supply will be used for academic purposes only.

Please let me know if you would like a copy of the report.

Thank you for your cooperation.

Yours sincerely

Esther W. Njuguna

Appendix II: A letter of introduction from the MBA coordinator



Appendix II: A letter of introduction from the MBA coordinator

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

MBA PROGRAMME - LOWER KABETE CAMPUS

Telephone 732160 Ext 208
Telegrams "Varsity", Nairobi
Telex: 22095 Varsity

P O Box 30197
Nairobi, Kenya

DATE:

TO WHOM IT MAY CONCERN

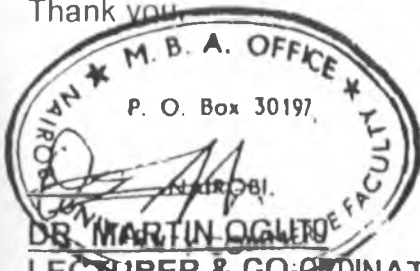
The bearer of this letter:

Registration No:

is a Master of Business & Administration student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

Thank you,



DR. MARTIN OGUKU
LECTURER & CO-ORDINATOR, MBA PROGRAMME

Appendix III: Questionnaire

Section I

1) Name of supermarket.....

2) Year of establishment.....

3) How many branches of supermarkets do you have in Nairobi? (Please tick one)

One

Two

More than two

4) How would you classify the ownership of your institution (Tick as appropriate)

i. Foreign Owned

ii. Locally Owned

iii. Joint Foreign and Locally Owned

5) Position of respondent.....

6) Which of the following statements do you associate with Relationship Marketing.

(tick as appropriate)

a). Establishing, maintaining and enhancing mutually beneficial relationships with customers, suppliers, and distributors.

b) Building long-term satisfying relations with key customers, suppliers and distributors.

c) Profitability.

d) Meeting the objectives of all the parties involved in the relationship by mutual exchange and fulfilment of promises.

7) What proportion of your customer base do you have relationship with?

- i) Retail customers.....
- ii) Corporate customers.....

8) On average how long does it take for a relationship to develop?.....

9) What percentage of your budget do you allocate to building and maintaining relationships?

Section II

Attitudes towards Relationship Marketing

10) Relationship marketing

(Tick as appropriate)

	Agree Strongly 5	Agree 4	Neither agree nor disagree 3	Disagree 2	Disagree strongly 1
Focuses on customer retention	[]	[]	[]	[]	[]
Focuses on product benefits	[]	[]	[]	[]	[]
Has a long-term focus	[]	[]	[]	[]	[]
Emphasises high customer service	[]	[]	[]	[]	[]

Emphasises high customer commitment [] [] [] [] []

Involves high customer contact [] [] [] [] []

Emphasises quality as the concern of all [] [] [] [] []

11) Tick as appropriate

a) Relationships generally cost

More than they are worth [] [] [] [] []

b) We should try forming

Relationships with every customer [] [] [] [] []

c) A true relationship is not really possible between a supermarket and a customer

[] [] [] [] []

d) A relationship is just another term for personalized selling

[] [] [] [] []

e) If we had the option to do it again, we would still form the relationships that we have with our customers

[] [] [] [] []

f) Relationships help us gain competitive advantage

[] [] [] [] []

12) Tick as appropriate

Increase Significantly	Increase	Neither increase Nor Decrease	Decrease	Decrease signific- -antly
5	4	3	2	1

What are your future

intentions on the number

of relationships formed

over the next five years

What are your future

Intentions on the amounts

Invested in relationships

Section III

The Practice of Relationship Marketing

	YES	NO
13) Are your customers grouped according to their needs?	<input type="checkbox"/>	<input type="checkbox"/>
14) Are your customers grouped according to their profitability?	<input type="checkbox"/>	<input type="checkbox"/>
15) Do you offer any price incentives or rewards to regular customers?	<input type="checkbox"/>	<input type="checkbox"/>
16) Do you maintain a database of your customers?	<input type="checkbox"/>	<input type="checkbox"/>
17) Do you have a customer complaint procedure?	<input type="checkbox"/>	<input type="checkbox"/>
18) Do you have a customer feedback communication system?	<input type="checkbox"/>	<input type="checkbox"/>
19) Do you offer any after sales support to customers?	<input type="checkbox"/>	<input type="checkbox"/>
20) Do you interact with you regular customers at a personal level?	<input type="checkbox"/>	<input type="checkbox"/>
21) Do you communicate regularly with your regular customers?	<input type="checkbox"/>	<input type="checkbox"/>
If so, how?		
<hr/>		
22) Do you give preferential treatment/personalized service to your regular customers?	<input type="checkbox"/>	<input type="checkbox"/>
If so, please specify		
<hr/>		
23) Do you have a relationship-building program?	<input type="checkbox"/>	<input type="checkbox"/>
If so, please specify.		
<hr/>		
<hr/>		

Appendix IV: A list of supermarkets in Nairobi

1. Uchumi
2. Nakumatt
3. Tusker Mattresses
4. Ukwala
5. Select n'Pay
6. Mesora
7. Jack and Jill
8. Fairlane
9. Safeways
10. Chandarana
11. Magic
12. Mega Market
13. Fairdeal
14. City Mattresses
15. Metro Cash and Carry
16. Sheela
17. Woolworths
18. Ebrahims
19. Rikana
20. Tristar
21. Mumsies
22. Lucky Star
23. Country Mattresses
24. Baranuki
25. Peponi Groccers
26. Stella
27. Muthaiga
28. Snatish
29. Gigiri
30. Starehe
31. Schilada
32. Nova
33. New Westlands
34. Deepak Cash and Carry
35. Queensway
36. Continental
37. Karen
38. Spring Valley
39. Westlands General Stores
40. Super Value
41. Spicy Spice
42. Ongata Rongai
43. Umoja Mini
44. Maridadi
45. Eastleigh mattresses
46. Muthaite
47. Roysambu Grocers
48. MITO
49. Mount Kenya sundries
50. Budget
51. South C
52. Tesco
53. Tirana Tolleys and Baskets
54. JOJAKs
55. Fair Price
56. Harry's
57. Salisbury
58. Shopping P
59. Paradise
60. Mega & Mecca
61. Ngara
62. Mis Whole Store
63. Midas Touch
64. Trichem
65. Seven Eleven
66. Lucky Shop
67. Bist Provision Store
68. Lucky and Son's
69. Continental
70. Rose Collection
71. Mathare
72. Flora petty
73. Kieni
74. Centalite
75. The Good Earth
76. African Grocers
77. Uchuzi
78. Alliance
79. Sheere
80. Robert Ondieki
81. Dry House Holdings
82. New Ricken Shopper
83. Rajesh Gloria
84. Well Brand
85. Market Ways
86. Ngara Road
87. Lilian Rahisi
88. Mwiki
89. Fransa
90. Datelvey
91. Rafaels
92. Hollifield
93. Jojan
94. Checji
95. Victory
96. Vantage
97. Stella
98. Amil and Dryesh
99. Geska
100. Green Forest
101. Donholm Star Shop
102. White Star
103. Jazeer
104. Kilimani Grocers
105. Elipa
106. Kimani
107. Woodley Grocers
108. Rose Jam
116. K & A
117. Gulabchant
118. Goodfar Stores
119. Ronnys
120. Green Spot
121. Porarim
122. Tihana
123. Susu
124. Kamidi
125. Ridgeways
126. Umoja
127. Sunrise
128. George
129. Juja Road
130. Pangani
131. Sikendo Grocers
132. Baobab Mini
133. P & Shah
134. Mumbi
135. Fontana
136. Fairose

137. Chemusia
138. Kenton
139. Decoy's Discount
140. Tricor
141. Pop-in
142. Joss
143. Hurlingham Grocers
144. Calendermiam
145. Sippys
146. Versani
147. Furaha
148. Save More
149. Shaflus
150. A & D
151. Quick Pick
152. Vijiko
153. Susy
154. Faine Fayne
155. Corner
156. Acacia
157. Borno
158. Choices
159. Supra

160. Nafroni
161. Jeska
162. Alfany
163. Marta
164. Angelas
165. Better price
166. Broadway
167. Evergreen
168. Keinani
170. Frankaal
171. Bashi
172. Toyo
173. African grocers
174. Super Value
175. Macson
176. Star supermarkets
177. New Westlands Stores
178. Foodies
179. Parklands Pricele Ltd
180. Njonde