

**IDENTIFYING AND MANAGING THE DIMENSIONS OF RELATIONSHIP
MARKETING FOR THE FOODSERVICE INDUSTRY**



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1. Letter of Report Submission

Date : 1st October 2012
Project No :

Assistant Vice Chancellor
Research Management Institute (RMI)
Universiti Teknologi MARA
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Dear YBhg Professor,

FINAL RESEARCH REPORT ON “IDENTIFYING AND MANAGING THE DIMENSIONS OF RELATIONSHIP MARKETING FOR THE FOODSERVICE INDUSTRY”

With reference to the above, enclosed are two copies of the Final Research Report entitled “IDENTIFYING AND MANAGING THE DIMENSIONS OF RELATIONSHIP MARKETING FOR THE FOODSERVICE INDUSTRY” by a group of researchers from Universiti Teknologi MARA (UiTM) Sarawak. This is a Student under Supervision Research Project.

Thank you,

Yours sincerely,



Assoc. Prof. Dr. Firdaus Abdullah

Leader
Research Project

5.2 Enhanced Executive Summary (Abstract of the research)

As competition is becoming more intense, customers are increasingly demanding and price sensitive. Thus, building strong relationships with customers to gain competitive advantage and customer loyalty is crucial for survival and success in today's business environment. Although the relationship marketing discipline is relatively well researched, measuring instruments are limited and practically nonexistent in the foodservice industry. Therefore, this study proposes a new measuring instrument of relationship marketing which is uniquely designed for the foodservice industry. In particular, the underlying dimensions of relationship marketing as perceived by customers are identified and a framework for the enhancement of relationship marketing is developed. The study is expected to provide useful information to the foodservice industry in managing more effective relationship marketing programmes. The proposed 31-item instrument has been empirically tested for unidimensionality, reliability and validity using both exploratory and confirmatory factor analysis. A factorial analysis suggests that relationship marketing is a multidimensional construct consisting of four key dimensions namely Communication, Trust, Empathy and Commitment. Communication emphasises the necessity to communicate in understanding manner, giving clear explanations and providing helpful advice. Trust refers to the ability to inspire confidence and to make reliable promises, whereas Empathy stresses the importance of exhibiting sympathy and reassurance, giving individual attention and understanding customer's specific needs. Lastly, Commitment describes the desire to provide excellent service and build long-term customer relationships. A subsequent multiple regression analysis reveals that the dimensions of relationship marketing were positively correlated with customer loyalty and Trust is found to be the most important dimension within the foodservice industry.

5.3 Introduction

Over the past two decades, the concept of relationship marketing has gained considerable attention in marketing academic circles as well as in practice. In the academic field, numerous conceptual and empirical studies on relationship marketing have been conducted by researchers across the globe, particularly those within the field of services and industrial marketing (e.g. Berry, 1983, Grönroos, 1990, Berry & Parasuraman, 1991; Morgan & Hunt, 1994; Sheth & Parvatiyar, 1995; Gummesson, 1997; Takala & Uusitalo, 1996; Palmer, 2002; Theron & Terblanche, 2010). Likewise, in the business world, many marketing practitioners have been seriously looking into programmes designed to build customer relationships that promote retention, referrals and increased spending. Some of the most influential factors that contribute to the emergence and growing interest in relationship marketing are the maturing of the services marketing literature, increased recognition of relationship marketing's benefits to both firms and customers and rapid advances in information technology (Berry, 1995), inadequacy of good product quality for a company to gain competitive advantage (Christopher, Payne & Ballantyne, 1991) and the emergence of powerful, user-friendly databases (Treacy & Wiersema, 1993).

As the foodservice landscape evolves and competition intensifies, foodservice operators are facing greater challenges in sustaining their competitive position and retaining existing beneficial customers. Doney and Joseph (1997) suggest one of best ways to cope with these challenges is by establishing collaborative relationships with customers and suppliers. Indeed, as competition and price pressures increase, understanding how to establish and sustain buyer-seller relationships is becoming increasingly important for marketing practitioners (Peltier, Schibrowsky & Davi, 1998). Previously many foodservice providers practiced cost leadership through standardization and economies of scale and differentiation strategies to achieve competitive advantage in the marketplace (Lee & Hing, 1995). However in today's world of imitation, these strategies are no longer adequate because they can easily be