

UNIVERSITI TEKNOLOGI MARA

**IDENTIFYING THE DIMENSIONS
OF RELATIONSHIP MARKETING IN
THE FOODSERVICE INDUSTRY**

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Thesis submitted in fulfillment
of the requirements for the degree of
Master of Science

Faculty of Business Management

February 2013

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institutions or non-academic institution for any other degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

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. 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 followed by Communication, Empathy and Commitment.

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CHAPTER ONE

INTRODUCTION

This chapter provides details of the background, statement of the problems, research questions and objectives for the study. It also includes the scope of the study, limitations, significance and definition of terminologies.

1.1 BACKGROUND OF THE STUDY

1.1.1 Relationship Marketing

The 1990s witnessed a major change in marketing, shifting from a traditional, transaction-based marketing paradigm, centered on the Four Ps (Product, Price, Place, Promotion) of the marketing mix towards relationship marketing, an alternative marketing approach based on the establishment and management of relationships (Grönroos, 1994), where the focus is on nurturing and retaining existing beneficial customers by maintaining and strengthening win-win relationships over time rather than continuously attracting and acquiring new ones (Ravald & Grönroos, 1996; Palmer, 1996; Sheth, 2002; Ward & Dagger, 2007), with the aims to "...achieve customer loyalty so that a stable, mutually profitable and long-term relationship is enhanced" (Ravald & Grönroos, 1996, p.19).

In contrast to the transactional approach, the relational approach broadens the marketing focus beyond technical aspects of exchange, and emphasises establishing, maintaining and enhancing strong relationships with customers (Berry, 1983; Grönroos, 1990; Berry & Parasuraman, 1991; Takala & Uusitalo, 1996) and other stakeholders (Grönroos, 1990; Morgan & Hunt, 1994; Ravald & Grönroos, 1996). As Buttle (1996, p.1) notes, "Marketing is no longer about developing, selling and delivering products. It is progressively more concerned with the development and maintenance of mutually satisfying relationships".

Gaining and sustaining long-term relationships with customers and stakeholders is seen to be crucial for business success and survival particularly service firms (Benapudi & Berry, 1997; Duffy, 1998; Bhardwaj, 2007; De Madariaga &