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The impact of independent retailers' relationship marketing practices on business performance

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Abstract

The purpose of this research article was to determine the relationship marketing practices of independent retailers in Soweto. The article, furthermore, purported to determine if relationship practices impact on independent retailers' performance. Relationship marketing has been a subject of investigation for many decades. However, no existing studies have investigated relationship marketing practices of independent retailers in South Africa (SA). Since independent retailers face severe competition from large retailers that have entered the townships and rural areas, independent retailers could use relationship marketing strategies with their suppliers as a competitive advantage.

The research targeted small independent retailers in Soweto, Johannesburg, SA. Soweto is the largest township in Johannesburg and is an amalgamation of several different townships A survey was conducted among 102 independent retailers to determine the relationship marketing practices of independent retailers as well as to determine the impact of relationship marketing practices on business performance. A convenience sampling method was adopted owing to lack of access to a database of independent retailers in Johannesburg. Data were analysed using SPSS, version 24. The findings showed that independent retailers are involved in long-term and collaborative relationships. Independent retailers share information with their suppliers and that supplier evaluation is an important aspect of relationship marketing.

Furthermore, relationship marketing was found to have impact on performance of independent retailers. For example, independent retailers involved in collaborative relationships reported an increase on the number of customers. Independent retailers involved in long-term relationships also reported increased profit and increased market share, which support that relationship marketing impact on independent retailers' performance

Key phrases

collaborative relationships; independent retailers; long-term relationships; relationship marketing; small businesses; suppliers; supplier evaluation

1. INTRODUCTION

Independent retailers are facing severe competitive pressure from large retailers that are increasingly expanding their market base and entering the townships and rural areas of South Africa (SA) (Department of Economic Development 2015:4). This is due to shopping centre development taking place in SA where more shopping centres are opening in previously disadvantaged areas such as the townships and rural areas. Independent retailers are increasingly losing customers to major retailers in SA since customers are spending less in independent stores compared to large retailers (Durham 2011:34). Small independent retailers have small product and brand ranges and the selection of packaging is small. Their prices are high compared to larger retailers, which is a disadvantage for these businesses (D' Haese & Van Huylenbroeck 2005:98). On the other hand, major retailers in SA have also increased their market penetration and have increased marketing efforts through brand promotion and advertising (Durham 2011:34).

According to Das Nair and Dube (2015:4), independent retailers target low-income consumers and are a means through which small suppliers can enter into the supply chain. Due to the size of businesses, independent retailers are unable to procure goods at low prices compared to their large competitors. Suppliers also do not offer fair prices and terms of supply to independent retailers (Das Nair & Dube 2015:4). Independent retailers need to match large retailers that provide a variety of products at relatively cheaper prices, given economies of scale and global sourcing strategies (D' Haese & Van Huylenbroeck 2005:95). Therefore, independent retailers need to build relationships with their suppliers to build their capabilities to buy products at competitive prices.

While relationship marketing is important for all businesses, large and small, existing research has focused mainly on large businesses (Adams, Khoja & Kauffman 2012:20). The developments in technology, consumer demands and the changing nature of competition demands that small businesses manage relationships with their suppliers and customers in order to survive (Naude & Badenhorst-Weiss 2012:101; Rizan, Warokka & Listyawati 2014:9). Relationships between suppliers and buyers emerged because of aggressive globalisation, internationalisation, deregulation and rapidly advanced scientific and technological innovations (Hsu, Kannan, Tang & Leong 2008:296). As with large businesses, small retailers have to build and manage relationships with their suppliers in order to survive in a highly competitive environment.

Existing research has proven that successful management of these relationships contributes to business performance (Pitchipoo, Venkumar & Rajakarunakaran 2013:3903). Since retailers are dependent on their primary and support suppliers for products and services that enable them to satisfy their target market's needs, they do not operate in isolation in a business environment (Dos Santos 2010:102). It is understood that relationship marketing is important for the survival of retailers regardless of size.

Relationship marketing is a customer-centered approach, which seeks long-term relationships with existing as well as prospective partners to the marketing process including suppliers, alliances, competitors, distributors, employees and consumers (Steyn, Ellis & Musika 2004:35-36). The main purpose of relationship marketing is to establish a long-term relationship with customers of the business as well as other role-players, which will contribute to the successful operation of the business in the future (Eiriz & Wilson 2006:275-276). Instead of placing more focus on customers, businesses have realised the importance of relationships with suppliers, which involve suppliers in new product development activities and creating multi-functional teams with customers and suppliers (McIvor, Humphreys & McCurry 2003:152).

A study investigating how craft retailers select their suppliers reported that retailers select suppliers that are willing to cooperate with them and those that want to be involved in long-term relationships. The study further revealed that craft retailers look for quality when buying craft products (Makhitha 2013:261). Customers look for a business that is interested in their general well-being, rather than purely in what can be sold to them (Rizan *et al*. 2014:8). This implies that small retailers will gain competitive advantage through practicing long-term relationships with customers. This article will report on an investigation into the relationship practices of small independent retailers in Soweto, SA.

2. LITERATURE REVIEW

2.1 Independent retailers in SA

Independent retailers in SA fall into the Department of Trade and Industry's (DTI) definition of small, medium and micro enterprises (SMMEs) as outlined by the National Strategy for Small Business Development. They are businesses that are privately owned and do not belong to any large chain store (W&R Seta 2011:2). The small, medium and micro enterprises (SMMEs) generally are referred to as the SMEs globally. The small and medium businesses (SMEs) play a vital role in the economic development of a country (Mensah 2012:36).

SMEs fulfill a number of roles ranging from poverty alleviation and employment creation to international competitiveness (Ciubotariu 2013:202). The informal and independent portion of this category was estimated at R73.9 billion in 2010 and forecast to grow by 45 percent to R115.6 billion in 2013 (Sustainalytics 2012:19).

A staggering 22.5 percent of total consumer spending on food and groceries is done at informal or independent retailers, who service 81 percent of households in SA (Italian Trade Agency 2013:1). The number of consumers who shop from the independent retailers grew from 45% in 2015 to 54% in 2016. A Nielsen study on shopper trends found that sales in independent retailers grew 13.4% over a year to March 2017 (Business Day 2017:1).

The SA retail sector is composed of the formal and informal sector. The informal sector consists mainly of spaza shops, hawkers and street vendors, which are found in townships. They are served mainly by the wholesale market (Ravhugoni & Ngobese 2010:7). A spaza shop is an informal convenience shop usually run from home. Spaza shops supplement household incomes of owners by selling everyday household items (Wikipedia).

Large retailers, especially the supermarkets, offer the supplementary service of arranging a wide assortment of other, non-food products selling concurrently in a convenient setting and location with a focus on quality, service, 'one-stop' shopping and an overall shopping experience (Basker & Noel 2013:4) that some independent retailers do not have thus creating a competitive disadvantage. Supermarkets also invest in logistics, distribution centres, networks and inventory maintenance more than independent retailers do (Das Nair 2015:1; Reardon, Timmer, Barrett & Berdegue 2003:1142).

Independent retailers target low-income consumers and are a means through which small suppliers can enter into the supply chain (Das Nair & Chisoro 2015:2). Recent trends in the independent grocery retail industry suggest that it is growing again (through foreign ownership) after facing a sharp decline in the late 90s/early 2000s. Independent retailing represents an alternative model of entry for small players in the supermarket industry as opposed to the traditional supermarket chain model (Das Nair & Dube 2015:4).

In SA, estimates suggest that the modern retail industry accounts for approximately 70 percent of national retail markets and within this, supermarkets are an important source of supply in the retail food sector (Durham 2011:34). This has created pressure on independent retailers (both formal independent supermarkets and spaza shops); although, it appears that this trend may be changing as independent retailers find alternative methods to benefit from economies of scale.

2.2 Relationship marketing

Morgan and Hunt (1994) are some of the early writers who published on relationship marketing. Relationship marketing refers to all activities directed towards establishing, developing and maintaining successful relational exchanges (Morgan & Hunt 1994:21). Relationship marketing is not restricted to customers but focuses on the development and management of relationships with various stakeholders including customers, suppliers, channel intermediaries and other market stakeholders. Gupta and Sahu (2012:59) further define relationship marketing as "an approach to develop a long-term association with customers, measure the satisfaction level and develop effective programs to retain the customer with the business".

Relationship marketing focuses on customer retention over the longer-term and emphasises product benefits with high service, high customer contact and high customer commitment. Some definitions on relationship marketing define relationship marketing from a consumer's perspectives (Berndt & Tait 2014:7; Gupta & Sahu (2012:59). However, other authors defined relationship marketing from a business-to-business perspective, which also encompasses building relationships with other stakeholders (Kannan & Tan 2006:756; Makhitha, Cant & Theron 2016:283; Morgan & Hunt 1994:21).

Traditionally, businesses focused on transaction relationships. Transaction relationships apply when a business focuses on minimising the price of goods and services purchased. Businesses involved in these relationships buy products from a large number of suppliers and use short-term contracts to obtain a high bargaining position against competition suppliers (Makhitha *et al*. 2016:287).

Transaction marketing focuses on a single sale in the short-term and involves moderate contact and limited customer commitment (Humphreys, Shiu & Lo 2003:236). Transactional relationships take place in adversarial relationships, which are characterised by distrust and where there is limited communication and at arm's length where relationships are limited to simple purchasing transactions, but at the same time lacks distrust (Swink, Melnyk, Cooper & Hartley 2011: 294). However, there has been a trend away from short-term contracts involving buying from many suppliers to long-term contracts involving sourcing from fewer suppliers (Humphreys *et al*. 2003:236; Mudambi & Schrunder 1996:119).

Developments in relationship marketing have seen businesses practicing collaborative relationships, which involves building long-term relationships with suppliers and customers. In a collaborative relationship, relationships are guided by trust and commitment from both parties together with their willingness to share information with communication taking place at all levels and involving sharing information and continuous improvements (Bataineh, Al-Abdallah, Salhab & Shoter 2015:127). Moreira (2009:109) advocated the need for information and knowledge sharing by businesses and their suppliers since this enhances supplier's knowledge base in terms of new product development and quality practices. Information is communicated between partners where the accuracy, adequacy and timeliness refer to the quality of information (Koh, Demirbag, Bayraktar, Tatoglu & Zaim 2007:105). Relationship with suppliers and customers is regarded as the best way of improving costs, quality, delivery, time schedules and other measures of performance (Monczka, Handfield, Giunipero, Patterson & Waters 2010:109).

Collaborative relationships are more successful when parties share information, synchronise activities and share costs and risks (Cao & Zhang 2010:364). According to Liker and Choi (2006:23), by relying on their suppliers, businesses can reduce costs, enhance quality and develop innovations faster than their competitors' suppliers. This can be achieved if retailers can build relationships with suppliers who are able to learn, improve and grow in the relationship (Naude & Badenhorst-Weiss 2012:95).

The development in information technologies has paved way for businesses to build strong relationships with their customers and suppliers (Brun, Durif & Ricard 2014:573). Advancement in information technology has enabled businesses to develop and extend customer knowledge as well as to develop successful relationships with customers. It enables businesses to understand customers, their individual preferences, expectations and changing needs. Businesses are able to capture information on customers, monitor the customers' buying behaviour and communicate with these customers on an individual basis, often with personalised offers.

Information sharing refers to the extent to which information is made available to all parties in the supply chain and contains both tactical and strategic information and that it impacts on business performance (Hsu *et al*. 2008:298). Information sharing is more crucial in long-term and collaborative relationships (Claro & Claro 2010:227).

In collaborative relationships, customers also place greater emphasis on fewer suppliers, which allows a customer to concentrate order volumes and gain more influence over their suppliers. This enables retailers to focus on selected suppliers, which reduces total cost of ownership (Eggert, Ulaga & Hollman 2009:145).

The importance of building customer relationships is apparent when one considers that it is much more costly to get new customers than to keep existing ones. One of the most commonly mentioned outcomes of relationship marketing is customer loyalty (Rizan *et al*. 2014:9). This is because retaining customers is cheaper than having to attract new ones, which translates into more profit. With existing customers, the businesses do not have to spend more to impress them, as they already know what to expect from the business.

According to Lessing (2005:8), the relationship between a business and its suppliers will continuously depend on the quality of the products being delivered by the supplier. There is also a greater exchange of information between buyers and suppliers involved in long-term relationships (Johansson 2001:341). Suppliers might have to adapt their products, services, procedures and processes, which requires more open communication between the buyer and supplier (Chinomona & Pooe 2013:6). With communication the supplier is able to learn about the buyer's needs, the buyer can identify the supplier's capabilities and it enables both agents to match their business approaches (Bordonaba-Juste & Cambra-Fierro 2010:399). Small businesses lack necessary resources to ensure formal control needed in managing the relationships. Electronic commerce is useful to facilitate information exchange and enhanced communications between organisations and can reduce costs, risk and uncertainty while also increasing interdependency and joint investment (McIvor *et al*. 2003:152). However, small businesses lack access to internet technology, which creates a challenge for them to build and manage successful relationships (Dhurup & Makhitha 2014:246).

2.3 Small businesses and relationship marketing

A study by Coviello, Brodie & Munro (2000:531) informed that smaller businesses are more likely to emphasise the product/service offering in their market planning activities and they are more likely to be interpersonal in their contact with primary customers, invest in personal relationships and emphasise marketing communication that is directed to a specific customer segment rather than the mass market.

Coviello *et al*. (2000) further stated that transaction marketing is also relevant to smaller firms, since it involves managing the areas of product, price, promotion and distribution in a manner appropriate to the smaller firm. It is believed that through transaction marketing, businesses can develop a base on which to develop customer relationships and can develop the capacity to compete as a larger business.

Drotskie and Okanga (2016:213), who state that small businesses prefer short-term relationships, support this. However, for relationships to be successful, small businesses need to integrate their logistics activities with suppliers through information sharing. This implies that information sharing is important for relationships between the business and suppliers particularly because it leads to timely and accurate sharing of strategic information, can foster the reduction of unwarranted wastages and costs in a supply chain, leading to increased SME profitability (Chinomona & Pooe 2013: 6).

Small businesses are more likely to be driven by interpersonal relationships established at individual level, making it easier for them to collect market information. The development of personal relationships is useful for them to develop the businesses and obtain information. Due to resource constraints, small businesses are more relational than larger businesses and have relationships that are more direct with customers and other players in the market (Coviello *et al*. 2000:531). Big businesses prefer loose relationships with small businesses as customers or suppliers due small businesses having to limited resources (Van Scheers 2011:50).

Adams *et al*. 2012:31 found that small businesses are more likely to foster long-term relationships, which improves organisational performance due to knowledge and process sharing. Relationship marketing influences how customers select their suppliers (Choi & Hartley 1996:334). For example, retail buyers select suppliers with whom they can establish a long-term relationship and ensure a stable source of supply (Mason & Mayer 1990:491).

Information requirements are great when parties are involved in long-term relationships (Johansson 2001:341). The purpose of this research was to determine the nature of relationships between independent retailers and their suppliers.

2.4 Relationship marketing and business performance

Businesses apply relationship marketing because it influences their performance. Businesses that want to survive and build revenue and profitability build relationships with all stakeholders including suppliers and customers (Wiid, Cant & Makhitha 2016:34). Wagner (2006:554) listed the benefits of relationship marketing as ensuring cost savings, ability to offer higher-quality products and ensure reliable performance as demonstrated by producers on a day-to-day basis, such as delivery reliability, delivery time and product quality. Other benefits of relationship marketing include ensuring sustainable competitive advantage, maximising profitability due to increased sales, increasing customer loyalty because of more personal and efficient service enabling micro-segmentation of markets according to customers' needs and wants, collaborating with customers for joint value creation (Rizan *et al*. 2014:9).

According to Kannan and Tan (2006:756), developing relationships with key suppliers leads to improved quality or delivery of service and reduced cost. Kannan and Tan (2006:756) further stated that relationship marketing could benefit the business at a strategic level through improvements in product quality and innovation, enhanced competitiveness and performance.

Other studies found that relationship marketing impacts on profitability, market share and customer satisfaction (Adams *et al*. 2012:34); customer retention, sales growth and profitability (Coviello, Winklhofer & Hamilton 2006:47); customer share and sales growth (Palmatier, Scheer, Houston, Evans & Gopalakrishna 2007:220) and market performance-overall product quality, overall competitive position and overall customer service levels and financial performance, which entails market share, return on assets and average selling price (Hsu *et al.* 2008:305). In this article, the relationship between relationship marketing and business performance was measured through increased number of customers, increased profits and increased market share.

3. PROBLEM STATEMENT

It is difficult for retailers to forecast accurately what will be needed and what to order (Fearne, Barrow & Schulenberg 2006:3). This implies that retailers may order more than what they need or run short of stock due to inability to predict what will be needed. Large retailers are now accessing markets previously served by independent retailers, which is leading to the disappearance of the small independent retailers (Ravhugoni & Ngobese 2010:1). Makhitha (2016:102) studied the challenges independent retailers face in SA. The findings reflected that independent retailers suffer from competition from other retailers followed by the high costs of buying merchandise. Therefore, relationships could help retailers plan their purchases in collaboration with their suppliers to ensure that what they needed is supplied as and when they need it. Relationships, particularly long-term and collaborative relationships, generate certain benefits for retailers such as profitable market for their products, cost savings, increased efficiencies and reduced risk (Dos Santos 2010:117).

The burgeoning of new shopping malls across the country, especially those opening in previously disadvantaged areas has brought about challenges to small independent retailers who must find ways to compete against these large retailers and survive. The independent retailers operating in townships and rural areas and are owned by SA blacks, are also under competitive pressure from those owned by foreigners who operate in cities, townships and rural areas. There has been an increase in SA in the number of foreigners, especially black foreigners who are entering the township market such as Soweto and establishing independent retailers in the area. These foreign owned retailers sell products cheaper and use price discounting as a strategy to capture the market from existing stores. The SA owned independent retailers are survivalist micro enterprises while the foreign owned ones are big enough to be considered formal businesses (Liedeman, Charman, Piper & Peterson 2013:3).

Existing research on relationship marketing largely focused on large businesses. Few studies exist on relationship marketing in small businesses and particularly independent retailers. Research on relationship marketing is also scant from a developing country perspective. Independent retailers, as small businesses, have the advantage of having closer contact with customers and are more flexible, responsive to change and more innovative than larger firms (Moriarty, Jones, Rowley & Kupiec-Teahan 2008:295).

Unless independent retailers build relationships with suppliers, they will be unable to gain competitive advantages over their competitors. Small businesses face barriers such as financial and marketing related challenges that inhibit them from implementing relationship marketing successfully. This includes inadequate supporting budgets and poor communication (Ozgener & Iraz 2006:1357). They need to put strategies in place and invest in relationship building to achieve sustainable competitive advantage (Percy, Visvanathan & Watson 2010:2602). Since building relationships with customers and suppliers creates a competitive advantage for businesses, this article seeks to address the following two research questions: What are the relationship practices of independent retailers in Soweto SA? Do relationship marketing practices of independent retailers impact on business performance? To address the two questions, the following objectives were formulated:

- to determine the relationship marketing practices of small independent retailers in Soweto, South Africa;
- to ascertain if the relationship marketing practices influence the performance of the small independent retailers.

4. RESEARCH METHODOLOGY

The study targeted small independent retailers in Soweto, Johannesburg, SA. Soweto is the largest township in Johannesburg and is an amalgamation of several different townships. Over 43 percent of the population of the city of Johannesburg lives in Soweto in 2004 (Ligthelm 2008:37). Soweto was incorporated into the Greater Johannesburg Metropolitan area in 2001.

Shopping centre developments have taken place in Soweto, including one regional shopping mall – Maponya Mall. Such development is part of 2005 Soweto Retail Strategy, a Soweto Development Initiative and the Township Development Programme for Soweto in 2002 (Bardenhorst-Weiss, Cilliers & Eicker 2014:369). The development of shopping malls in Soweto and other townships created challenges for small businesses in the area since these small independent retailers have to compete with large retail chains. Independent retailers selling different types of products were considered for the research.

A convenience sampling method was adopted owing to lack of access to a database of independent retailers in Johannesburg, SA. Convenience sampling is a sampling method that allows a researcher to choose whoever is available at a lower cost (Cooper & Schindler 2006:245).

Data were collected using two fieldworkers who were trained prior to data collection. The questionnaire was pre-tested with 20 independent retailers. Feedback from the pilot test was used to adapt the wording of the questionnaire. The questionnaire was of self-completion nature. Fieldworkers distributed the questionnaires to independent retailers who were responsible for completing the questionnaire.

Over 200 questionnaires were distributed; however, only 102 were completed, yielding a 51 percent response rate. This was due to the lack of willingness from independent retailers to participate in the study. The questionnaire was designed using information collected from the literature on supplier selection and studies focusing on independent retailers. There were 24 items listed in the questionnaire to measure the relationship practices of independent retailers with their suppliers. Three other items were added to determine the impact of relationship marketing practices on the performance of independent retailers. A Likert scale was used to determine the relationship practices with extremely important = 5 and not important at all = 1. There were 14 demographic questions listed on the questionnaire.

Data were analysed using SPSS, version 24. Descriptive statistics and ANOVA tests were conducted and the results are reported and discussed in the next section. ANOVA is a statistical analysis used to test for differences between two means or more group means (Sudman & Blair 1998:483).

Where it is found that the means do not differ significantly, it is assumed that all the group means originate from the same sampling distribution of means, indicating that the observed differences are due to sampling and not because the grouping variable has an effect on the population.

Where the group means are found to differ significantly, it can be concluded that they were drawn from the different sampling distribution of means and the null hypothesis that all pairwise means differences are zero can be rejected (Tabachnick & Fidell 2001:36). A significant ANOVA result indicates that at least one pair of means differs significantly, therefore, *post hoc* tests can indicate the pair, or pairs, that differ significantly (Hair, Black, Babin & Anderson 2010:473).

5. RESULTS AND DISCUSSIONS

5.1 Demographic profile of respondents

Table 1 shows the demographics of the retailers.

TABLE 1: Demographic profile of respondents

		N	Percentages
Gender	Male	62	60.8%
	Female	40	39.2%
	Total	102	100.0%
Age group	20-24 years	8	7.8%
	25-29 years	15	14.7%
	30 -40 years	31	30.4%
	41- 50 years	30	29.4%
	51- 59 years	17	16.7%
	60+ years	1	1.0%
	Total	102	100.0%
Level of education	No matric or grade 12	15	14.7%
	Completed grade 12/matric	52	51.0%
	Post school qualification - diploma/certificate	28	27.5%
	Post school qualification- degree	6	5.9%
	Post school qualification – post graduate	1	1.0%
	Total	102	100.0%

Source: Author's processing of data from questionnaire

The majority of respondents (60.8%, n=62) were males, which shows that retailers are either owned or managed by males. Respondents over the age of 30 to 40 years (30.4%, n=31) were in the majority compared to the other age groups. Exactly 51 percent (n=52) of the respondents have either completed grade 12 or a have a certificate/diploma.

There were more respondents who have been in operation for between 1 and 5 years (69.6%, n=71) than those who have been in operation for less than one year (9.8%, n=10) and over 10 years (22%, n=25). Almost 70 percent (48.6%, n=35) of the respondents are owners of their businesses and manage them. Five of the respondents specified that their position in the business is something other than owner/manager. The buying mostly is done by the owner/manager or the manager (57%, n=59). About 80 percent (n=81) of the respondents have 1-10 suppliers. Only five respondents indicated that they have more than 20 suppliers. Contrary to these findings, Koh *et al*. (2007:111) found that small businesses buy from a large number of suppliers due to unreliability of suppliers.

Close to 67 percent (66.78%, n=68) of the respondents specialise in the sale of groceries. The second largest group are those that specialise in clothing (9.8 %, n=10). More than 60 percent (64.7%, n=66) of the respondents buy their stock/merchandise directly from wholesalers. The second largest group are those that buy their stock/merchandise directly from the manufacturer (22.5%, n=23). This confirms findings of Ravhugoni & Ngobese 2010:7, who stated that they source products from wholesalers because they do not have sufficient scale to source from suppliers.

Regarding the support respondents receive from their suppliers, survey results showed that suppliers deliver directly to independent retailers. Suppliers also charge affordable prices and charge discounted prices. However, suppliers do not seem to provide sign post, which could be that they buy directly from wholesalers instead of manufactures. Suppliers also do not provide training and do not provide shop equipment. This could be that independent retailers buy from wholesalers that do not provide such services as sign post and shop equipment since they are not manufacturers. The majority of the independent retailers (77.5%) have access to computers. They use the Internet for various reasons such as communication with suppliers (41.2%, n= 42), placing orders (37.3%, n=38), selling and advertising (29.4%, n=30). They use the Internet less for communicating with customers and monitoring stock availability.

Most respondents were black South Africans followed by blacks who are non-SA citizens. Most of them generate an annual revenue of between R100 001 and R400 000 (35.3%, n=36) followed by those generating less than R100 000 (28.4%, n=29). Some of them (21.6%, n=22) earn an annual revenue of between R400 001 and R900 000.

5.2 Relationship marketing practices

The principle component analysis (PCA) with IBM SPSS Statistics 24 was used to examine patterns of correlations among the questions used to measure the relationship practices of independent retailers. The factorability of the correlation matrix was investigated using Pearson's product-moment and Spearman correlation coefficients. The correlation matrix, (Table 2) demonstrated a number of coefficients of 0.3 and above. The Kaiser-Meyer-Olkin value was 0.710, well above the recommended minimum value of 0.6 (Field & Miles 2010:560). The Bartlett's test of sphericity (Hair *et al.* 2010:92) reached statistical significance, p<.001. Thus, the correlation matrix was deemed factorable.

TABLE 2: Correlations among the latent constructs
(Pearson's in the lower half / Spearman's in the upper half)

	C1	C2	C3	C4	C5	C6
C1	1	0.440**	0.024	0.284**	0.368**	0.401**
C2	0.389**	1	-0.254*	0.282**	0.284**	0.132
C3	0.023	-0.235*	1	0.212*	0.079	0.072
C4	0.225*	0.309**	0.121	1	0.410**	0.307**
C5	0.434**	0.344**	0.081	0.320**	1	0.165
C6	0.432**	0.189	0.063	0.252*	0.234*	1

**. Correlation is significant at the 0.01 level (2-tailed)

*. Correlation is significant at the 0.05 level (2-tailed)

Source: Author's processing of data from questionnaire

Varimax rotation was performed. Factor loadings of less than 0.5 were excluded from the analysis. Hair *et al.* (2010:117) consider factor loadings of 0.30 acceptable. Although variables with a loading of 0.30 can be interpreted, it should be noted that the higher the loading, the more the variable is a pre-measure of the factor.

Table 3 shows 24 items and six components. Five of the items were dropped from the analysis due to them not loading satisfactorily. Three items loaded on the first component, which was named collaborative relationships. Four items loaded on the second component, named long-term relationship while component 3 was named transactional relationship and loaded two items. The information sharing was named component 4 and loaded three items followed by component 5, which loaded four items and named supplier evaluation. The last component was named supplier feedback and loaded three items. Table 3 below presents the results for factor analysis.

TABLE 3: Exploratory factor analysis

Variables	C1: collaborative relationship	C2: long- term relationship	C3: transactional relationship	C4: info sharing	C5: supplier evaluation	C6: supplier feedback
We exchange performance feedback	0.799					
We select suppliers looking at criteria other than price	0.733					
We maintain close relationship with a limited pool of suppliers	0.618					
Sustaining relationship with our suppliers is important		0.846				
We expect our relationship with suppliers to last a long time		0.760				
We have plans to continue this relationship		0.652				
We buy from suppliers who sell to us at low price		0.602				
We change suppliers from time to time			0.814			
We buy similar products from different suppliers			0.813			
We drop suppliers for price reasons				0.762		

Variables	C1: collaborative relationship	C2: long- term relationship	C3: transactional relationship	C4: info sharing	C5: supplier evaluation	C6: supplier feedback
We communicate our changing needs to suppliers				0.625		
We share new product ideas with our suppliers				0.555		
We evaluate suppliers using many criteria					0.820	
We share information with our suppliers regarding quality of the products					0.595	
We sometimes change suppliers if they are not performing well					0.519	
We get multiple price quotes from suppliers before ordering					0.504	
We share competitor information with our suppliers						0.809
We rely on a small number of high-quality suppliers						0.703
We review all our supply relationships regularly						0.515
Eigen value	4.66	2.58	1.79	1.38	1.32	1.22
Percentage of variance	23.34	12.91	8.97	6.93	6.61	6.13
Cumulative percentage	23.34	36.25	45.23	52.16	58.78	64.92
Reliability (Cronbach Alpha= 0.784)	0.743	0.739	0.712	0.579	0.595	0.520
Mean scores	3.653	4.227	3.289	3.781	4.049	3.349

Source: Author's processing of data from questionnaire

The reliability analysis yielded an overall Cronbach's alpha of 0.78. The individual Cronbach's alpha of each construct was between 0.59 and 0.823. According to Malhotra (2010:319), Cronbach's alpha coefficients of less than 0.50 are deemed unacceptable; those between 0.50 and 0.69 are considered adequate, whereas those above 0.70 are regarded acceptable. To determine the validity of the instrument, the threshold of 0.59 to 0.81 was maintained on the communalities, as well as a cut-off point of 0.30 on the Pearson's correlations as guided by Kim and Mueller (1978). Items classified into higher-level latent constructs to reduce the dimensionality. The constructs that explains over 60 percent of the variation were used for further analyses.

Judging by the mean scores of factors from the above table, it can be deduced that independent retailers value supplier evaluation more than other aspects of relationship marketing. Implying supplier evaluation enables them to select those suppliers who can make meaningful contributions to the bottom line. Kannan and Tan (2006: 769) proved that supplier evaluation and selection lead to successful relationships between the buyer and suppliers. Suppliers are evaluated against a predetermined set of criteria to establish if suppliers meet set business requirements (Karsak & Dursun 2015:92). Good suppliers allow businesses to achieve good performance and get the maximum benefits for the business (Pitchipoo *et al*. 2013:3903). Selecting the right suppliers also contributes to increasing firms' performance (Wouters, Anderson & Wynstra 2005:190). It appears that independent retailers select suppliers they want to be involved in long-term relationships (M=4.23, SD=0.67) as well as those they can share information with (M=3.78, SD=0.76). Furthermore, independent retailers prefer collaborative relationships (M=3.65, SD=0.86).

An investigation of travel agencies' relationships with suppliers listed that travel agencies prefer to develop long-term relationships with suppliers (Roberts-Lombard 2010:10). According to Torres, Akridge, Gray, Boehlje and Widdows (2007:6), leading businesses in the market emphasise long-term relationships. Chung, Sternquist and Chen (2006:354) also found that Japanese retailers have long-term relationships with their suppliers and that they maintain long-term relationships with their suppliers, which is the case with independent retailers in SA. Coviello *et al*. (2000:538) found that small businesses develop cooperative relationships and build individual long-term relationships as compared to large businesses. The study also stated that small businesses are less involved in an arm's length relationship than large businesses.

According to Cao and Zang (2010:364), businesses in collaborative relationships share information about their business and products. Furthermore, communication between suppliers and customers enables the suppliers to know the buyer's needs, permits the buyer to identify the supplier's capabilities and enables both to match each other's needs

(Bordonaba-Juste & Cambra-Fierro 2009:399). Parties could also improve their service delivery to customers by sharing information on product development, marketing and promotional strategies as well as future distribution initiatives (Roberts-Lombard 2010:11).

Although independent retailers exhibit some characteristics of a transactional relationship (M=3.29, SD=1.08) it can be deduced that not all independent retailers prefer transactional relationships as judged by the high standard deviation above one. This is contrary to existing findings that small businesses are involved in transactional relationships (Morrissey & Pittaway 2006:293) and support findings that found small businesses prefer long-term and collaborative relationships. Independent retailers also provide feedback to suppliers (M=3.35, SD= 0.80), which is important for information sharing and sealing long-term and collaborative relationships.

5.3 Relationship marketing practices and independent retailer performance

The respondents were asked to identify one supplier that they have recently purchased merchandise from and to indicate how buying from this supplier has benefited their business relative to increased number of customers, increased profits and increased market share.

Standard multiple regression was performed by using each of *Buying from this supplier increased the numbers of our customers*, *Buying from this supplier increased our profits* and *Buying from this supplier increased our market share* respectively as dependent variable and in each case, collaborative relationship, long- term relationship, transactional relationship, information sharing, supplier evaluation and supplier feedback as independent variables.

Only increased number of customers and increased profits were significantly affected by some of the independent variables. Basic descriptive statistics and regression coefficients are shown in Table 4 for increased number of customers and Table 5 for increased profits. R for regression was significantly different from zero for both increased number of customers ($F(6,102) = 3.60$, $p<.01$) and for increased profits ($F(6,102) = 4.80$, $p<.001$).

Of all the independent variables, only collaborative relationships demonstrated a significant effect on increased number of customers while long term relationships and supplier evaluation had significant effects on increased profits.

TABLE 4: Relationship marketing and business performance (increased number of customers)

	Increased number of customers	Collaborative relationships	Long term relationships	Transactional relationships	Information sharing	Supplier evaluation	Supplier feedback	B	β	sr^2
Collaborative relationships	0.364**							0.425**	0.398	0.10
Long term relationships	0.089	0.389**						0.022	0.016	
Transactional relationships	0.173	0.023	-0.235*					0.157	0.184	
Information sharing	-0.022	0.225*	0.309**	0.121				-0.163	-0.135	
Supplier evaluation	0.187	0.434**	0.344**	0.081	0.320**			0.087	0.059	
Supplier feedback	0.075	0.432**	0.189	0.063	0.252*	0.234*		-0.104	-0.091	
						Intercept =	2.473			
Means	4.02	3.65	4.23	3.29	3.78	4.05	3.35			
Standard deviations	0.92	0.86	0.67	1.08	0.76	0.62	0.80		R^2 =	0.19[a]
									Adj R^2 =	0.13
									R =	0.43**

*p < 0.05

**p < 0.01

[a]Unique variability = 0.100; shared variability = 0.085

Source: Author's processing of data from questionnaire

TABLE 5: Relationship marketing and business performance (increased profit)

	Increased profits	Collaborative relationships	Long term relationships	Transactional relationships	Information sharing	Supplier evaluation	Supplier feedback	B	β	sr^2
Collaborative relationships	0.263**							0.106	0.113	
Long term relationships	0.355**	0.389**						0.260*	0.216	0.03
Transactional relationships	-0.039	0.023	-0.235*					-0.011	-0.015	
Information sharing	0.238*	0.225*	0.309**	0.121				0.112	0.105	
Supplier evaluation	0.383**	0.434**	0.344**	0.081	0.320**			0.346*	0.267	.05
Supplier feedback	0.009	0.432**	0.189	0.063	0.252*	0.234*		-0.170	-0.168	
					Intercept	= 1.530				
Means	4.24	3.65	4.23	3.29	3.78	4.05	3.35			
Standard deviations	0.81	0.86	0.67	1.08	0.76	0.62	0.80		R^2 =	0.23[a]
									Adj R^2 =	0.18
									R =	0.48**

*p < 0.05

**p < 0.01

[a] Unique variability = 0.080; shared variability = 0.153

Source: Author's processing of data from questionnaire

6. RECOMMENDATIONS AND MANAGERIAL IMPLICATIONS

Independent retailers buy from fewer suppliers, which is an indication that they are involved in long-term and collaborative relationships. This is contrary to transactional relationships who buy goods from a large number of suppliers that can be played against each other to gain advantages and use only short-term contracts (Thakkar & Deshmukh 2008:95).

The findings of this research also imply that small businesses involved in long-term and collaborative relationships perform better than those that are not. These businesses experience increased number of customers and increased profits. Therefore, it is understood that independent retailers need to manage their relationships with suppliers and strive towards building long-term and collaborative relationships.

The research findings further revealed that supplier evaluation leads to increased profit. Independent retailers should continue using price and quality when evaluating suppliers since these two criteria are important for their survival. For example, they need to be price competitive against their competitors. They compete with large retailers and foreign owned independent retailers that are able to sell products at lower prices. Therefore, it is important for them to consider price when evaluating suppliers. Long-term and collaborative relationships imply that independent retailers will be supplied with good quality products by their suppliers (Roberts-Lombard & Steyn 2008:25).

Since long-term and collaborative relationships impact positively on their performance, independent retailers must continue managing their relationships with suppliers. They should also select those suppliers with potential to develop long-term relationships. Information sharing is the foundation of success for any relationship. Therefore, independent retailers must also continue sharing information with their suppliers.

Independent retailers have access to the Internet, which they use for various reasons such as communication with suppliers, placing orders, selling and advertising. This is important for them to share information with suppliers, which will enhance their performance (Chinomona & Pooe 2013:6).

Since some independent retailers are not members of a buying group, they need to join the buying groups who could buy on their behalf. The advantage is that the buying groups are able to negotiate better prices, which independent retailers are unable to do. Being a member of the buying group would advantage them particularly with getting products at competitive prices. The penetration of large retailers into townships has affected small informal independent retailers, leading to a decrease of these retailers, with some of these retailers experiencing a decline in profitability (Department of Economic Development 2015:4). Therefore, buying at competitive prices would enhance their profitability. The entrance of these large retailers in the townships has influenced consumer behaviour since consumers have reduced their spending in independent retailers (Durham 2011:34). Therefore, independent retailers could also succeed in keeping customers to their businesses through charging competitive prices.

7. LIMITATIONS

The main limitation for this study was that it focused on independent retailers in Soweto and not all independent retailers operating in SA. The study also adopted convenience sampling due to the unavailability of a database of independent retailers in Johannesburg.

The findings of this study cannot be generalised to all independent retailers in SA. Another study could investigate independent retailers from areas outside Soweto and those in other provinces. Other studies could also investigate the attitudes of consumers towards buying from independent retailers compared to large retail stores to determine areas of improvement for independent retailers.

Furthermore, another study could investigate consumer loyalty in independent retail stores.

8. CONCLUSIONS

Independent retailers practice collaborative and long-term relationships. They share information with their suppliers and prefer suppliers with whom they can build long-term relationships. Independent retailers use quality and price when evaluating suppliers and drop those suppliers that are not performing well. They evaluate suppliers using price and quality and provide feedback to suppliers, which is important for managing and maintaining relationships.

The findings revealed that independent retailers benefit through long-term and collaborative relationships since these types of relationships affect their performances through increasing customers and increased profit. The regression analysis showed that there is a positive relationship between the strength of collaborative relationships and whether buying from this supplier increased the number of customers. Regression results also proved that there is a positive relationship between increased profits and strength of long-term relationships and supplier evaluation.

The majority of retailers were found to source products from wholesalers instead of manufacturers. This could be a disadvantage for them since they compete with large retailers that buy directly from manufacturers and are able to negotiate better prices due to volumes of products they purchase. Independent retailers could consider joining a buying group that will purchase products on their behalf and negotiate better prices for them. Independent retailers should also attend training on business management, marketing and how to source products competitively so that they can better their position in the market.

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