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**CUSTOMER LOYALTY TOWARDS BRANDS  
WITHIN BOTSWANA'S PETROLEUM INDUSTRY**

GOABAONE MOKABIRI

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not for loan.*



Cape Peninsula  
University of Technology

**CUSTOMER LOYALTY TOWARDS BRANDS  
WITHIN BOTSWANA'S PETROLEUM INDUSTRY**

By

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**PRESENTED IN PARTIAL FULLFILMENT OF THE REQUIREMENT FOR  
THE DEGREE IN MASTER OF BUSINESS ADMINISTRATION (MBA)**

**SUPERVISED BY;            PROFESSOR ANDRE SLABBERT**

**DATE OF SUBMISSION: AUGUST, 2009**

***"When your product is indistinguishable from that of your competitors,  
service is of utmost importance," Belinda Robins.***

**DECLARATION**

**I Goabaone Mokabiri hereby declare that this dissertation is my own work and it has not been submitted to any institution for the award of any other degree or for any academic purposes. All sources used in this document have been correctly acknowledged and referenced.**

**Signature**  \_\_\_\_\_

**GOABAONE MOKABIRI**

**AUGUST 2009**

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Above all, praise to the Almighty who provided me with both life and strength to persevere when all seemed impossible, He kept his promise to me; "I will never, never leave nor forsake thee" (Heb13:5)

## DEDICATION

I dedicate this to the late Mr Mojoki "Modi" Lebusamotse Mokabiri, my loving father, my mentor and role model, and to my mother; Kgopolo Mokabiri who has lived long enough to see this work completed by the grace of God. As parents, mentors and coaches you instilled the values of the essence of hard work, honesty, integrity and endurance, and those ethical values have produced a long desired product, the Masters in Business Administration degree.

*Dad, I wish that you had lived long enough to witness the fruits of your labour.*

Rest in Peace.

Eldest daughter

Goaboane

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## **CHAPTER ONE: INTRODUCTION**

### **1. Introduction**

The retail and distribution industry in Botswana's deregulated economy is one of the largest and most difficult sectors in which to operate, mainly because of levels of competition amongst Botswana companies and the global competitive industry, in general. Hill (2000:539) postulates that competition in free market economies generally tends to be tense depending on differences between distribution systems such as retail concentration, channel length and channel exclusivity. At the same time the retail industry grapples with other complex social and structural problems as they face ever increasing marketing problems that relate to attracting and maintaining customers (Luh, 2006:1). In view of the intense competition, it is more expensive to obtain a new customer than to retain and maintain an existing customer. Consequently, retailers should develop competitive and sustainable ways to maintain the customers that they have and should develop strategies to retain any new customers that the business acquires (Naylor and Frank, 2000:37).

Botswana practices a free market and a heavily deregulated economy, which causes an increase in competition (Luh, 2006:1) and creates greater expectations from customers in pursuit of satisfaction and value (Peter and Donnelly, 2007:179) for their money. In Botswana, petrol and diesel prices are regulated by government, there is therefore no competition between the rivals based on prices. The competition landscape therefore shifts to amongst others, namely; service provision, location of the petrol station, and fuel brand in general. Petrol and diesel retail outlets should focus on areas of operations that will give them a sustainable competitive advantage over their competitors without altering the price of products. Mehta, Lalwani and Li Han (2000:21) posit that increased competition between retail businesses forces rivals to focus on good customer

service as the only critical factor in the operation of their business (Zairi, 2000: 332).

Customer loyalty is therefore, the most effective way to keep customers and to maintain profitability through repeated purchases (Luh, 2006:2). Loyalty is used to describe the behaviour of repeat customers, their ratings of the business, positive testimonials, and business from existing customers, as well as overall perception, about the business from the existing customers.

The study focuses on the petroleum industry in an environment where there are several competitors, relative to the size of the country, offering goods and services that are close substitutes. The industry in Botswana is characterised by five competitors that offer heavily substitutable products (BP Report, 2006:1-4). These rivals are BP, Shell, Caltex, Engen and Total.

## **1.2 Background of the study**

Customer loyalty marketing has become a global trend because of tight competition for a larger market share and industry's best customers (Smith, 2000:1). Customer loyalty was first formally identified in the airlines' market. Uncles, Dowling and Hammond (2003:294) posit that in the most successful companies, a small percentage of customers generate a bigger percentage of profits for the organisation, comprising 20%, which make up 80% of the profit, while the rest keep companies in business. Uncles *et al.* (2003:295) postulate further that 10% of customers form the critical balance between business' profits and losses. By implication, the value of potential customers appreciates over a period of time, and retention of these customers underscores the importance of customer loyalty in ensuring that the market share is expanded through referrals. Customers who are referred to the business and become satisfied become potentially loyal customers to the business. These satisfied customers will subsequently refer other customers to the business.

The cost connotation of customer loyalty and retention in an organisation, as postulated by Luh (2006:1), creates sustainable competitive advantages. Peter *et al.* (2007:111) allude to this assertion and, in their observation, conclude that loyal customers are an asset to the business. Current loyal customers cost much less to maintain in comparison to working to obtain new customers for the business. Interactive modes of communication such as sales people and websites are considered critical for effective customer retention. It costs a company six to ten times more in monetary terms to obtain a customer than it would take to maintain an existing customer. Huber, Herman and Morgan (2001:42) agree with the fact that if a business can reduce a loss of customers by 5%, the business can save 25-85% of the profits. Luh (2006:1) concurs with the statistical findings and submits that, in the current competitive environment, maintaining, enhancing and developing customer loyalty, is critical to an organisation's prosperity.

Large amounts of resources are used for firms to advertise in an effort to obtain new customers and to maintain existing customers, while 70% of advertising expenses do not bring profits to the business (Murphy, 2001:18). Advertising and promotions to establish a brand, are expensive and both human and financial resources are wasted unless the product focus is of a high quality (Uncles *et al.*, 2001:295), and in adequate demand. Creating demand for a product is not only expensive, but, is also a slow process that may take time to build a reliable reputation (Cooley, 2002:551).

Another assertion regarding importance of creating a loyal customer base was further underscored by Coopers and Lybrand's (1997) survey of the retail industry, which is cited by Murphy (2001:18). Findings from the survey revealed that 4% of customers account for 20% sales and 29% profit; 26% account for 50% sales and 55% profit; while the remaining 70% account for 30% sales and 16% profit. The survey indicates that customer loyalty and, hence retention, is, in the long run, beneficial to the organisation. A report on perfecting customer

retention and recovery revealed that increasing customer retention by 5% adds more than three years to average customers. Cumberland Bank (Murphy, 2001:19) analysed 5% of their branches' customer base. The findings of the study revealed that the 5% generated 40% of the total deposits. The analysis further revealed that an increase of 5% in customer retention resulted in a 4% increase in profitability.

Currently, petroleum companies' operating strategies focus on high volumes within growth areas in the eastern part of the country such as Francistown and Gaborone. The petroleum industry in Botswana is competitive, with five players competing for a small, but highly liquid market. These five competitors are Shell, BP, Caltex, Engen, and Total (BP's Volumes Report, 2006:2), which is tabulated in Table 1.1 below.

**Table 1.1**  
**Market share of petroleum companies in Botswana**

<b>Company</b>	<b>Market share (%)</b>	<b>Cumulative (%)</b>
Shell	34.5	34.5
BP	21.5	56
Caltex	20.5	76.5
Engen	16	92.5
Total	7.5	100

*Source: BP's Volumes Report November (2006)*

It is evident from statistics, observations and arguments from the preceding observations that enhancing customer loyalty to the organisation can enable the business to drastically decrease its costs, increase its gross contribution margins and possibly stay ahead of its rivals. This study will evaluate levels of customer retention, as well as how well petroleum companies have utilised customer loyalty in maintaining their current market share, as well as staying ahead of competition.

### **1.3 Problem statement**

Lovelock and Wirtz (2004:58) observed that in a service business, the organisation should set itself apart from the competition by way of service differentiation and niche marketing to meet the needs of the market segment. It is evident from the literature review that, in order for an organisation to survive in the current competitive environment (Luh, 2006:1), it should maintain its current client base as it is more expensive to acquire new clients than to maintain current clients. Competition within the petroleum industry is tense, as indicated by the BP Botswana Volumes Report (2006), with five players dealing with products that are close substitutes. Botswana, as a country, has a relatively small market and expansion of the market is difficult without gaining customers from competition. In view of the preceding discussion, customer loyalty is a critical success factor through which an organisation within the petroleum industry can maintain its current market share, while staying ahead of the competition.

The study investigates levels of loyalty amongst existing customers of petroleum companies and at the same time seeks to determine factors that enhance customer loyalty towards brands within the industry, namely customer service, personnel, environment and customer relationship management programmes.

### **1.4 Purpose of the study**

The purpose of this study is to establish the levels of customer loyalty to the five different petroleum companies in the Gaborone metropolitan in Botswana.

### **1.5 Research objectives**

In order to enable responses to the research problem, the study seeks to achieve the following:

### **1.5.1 Primary objectives:**

- 1.5.1.1 To identify customers' most preferred petroleum company within the Industry in Botswana.
- 1.5.1.2 To determine levels of customer loyalty towards brands amongst the players in the Botswana petroleum industry.
- 1.5.1.3 To evaluate levels of management regarding factors that enhance customer loyalty to brands within the petroleum industry in Botswana.
- 1.5.1.4 To establish types of relationships between factors that enhance customer loyalty towards brand and customer loyalty towards competing brands within the petroleum industry within Botswana.

### **1.5.2 Secondary objective**

To learn what should to be done if customer loyalty to the brand should be enhanced amongst the competitors within the petroleum industry in Botswana.

### **1.6 Research questions**

The research objectives were realised through answering the following research questions;

- 1.6.1 Which is the most preferred petroleum company within the industry in Botswana?
- 1.6.2 What is the level of customer loyalty towards the brand amongst competing companies within Botswana's petroleum industry?
- 1.6.3 How well managed are factors that do enhance customer loyalty towards brands amongst competitors in Botswana's petroleum industry?
- 1.6.4 Is there a significant relationship between customer loyalty and factors that enhance customer loyalty to the brand amongst the competitors in Botswana's industry?
- 1.6.5 What can be done by competitors to enhance customer loyalty towards their brands within Botswana's petroleum industry?

## **1.7 Significance of the study**

- 1.7.1 The study will benefit the petroleum companies as the organisation will know the level of customer loyalty to their respective brands.
- 1.7.2 The study will increase the existing body of knowledge in the field of customer loyalty.
- 1.7.3 The study will enhance the knowledge of the researcher in the field of customer loyalty.
- 1.7.4 The study will underscore the importance of customer loyalty not only within the petroleum industry but to other related industries in the country and the region.

## **1.8 Hypotheses of the study**

The following null and alternative hypotheses were developed in order to help draw conclusions from the current study.

$H_0$ : There is no significant relationship between levels of customer loyalty towards brands and factors that enhance customer loyalty towards brands within Botswana's petroleum industry.

$H_1$ : There is significant relationship between levels of customer loyalty towards brands and factors that enhance customer loyalty towards brands within Botswana's petroleum industry.

## **1.9 Research methodologies**

Two research methods were utilised for the study, which are listed and discussed below, namely: literature review; and empirical study.

### **1.9.1 Literature review**

A literature review relating to customer services, customers' perceptions of quality and customer loyalty was conducted. The study included, amongst other sources, textbooks about retail and service marketing; retail and services

journals; trade magazines about retailing and services marketing; newspapers; and the Internet. These assisted in providing necessary theoretical background on the investigation concerning customer loyalty in the retail and services industry.

### **1.9.2 Empirical review**

The empirical investigation sought to provide a practical basis to ensure significant accuracy which is necessary for scientific assessment of the study. A simple random sampling was used for the purpose of data collection from motorists within Gaborone, and a total of 200 respondents were sampled for the study. This gave an equal chance for participation in the study to all members of the target population where sampling took place (Martins, Loubser & Van Wyk, 1999:260). Primary data was gathered through the use of a questionnaire, which was designed by the researcher with assistance of a registered statistician.

- **Research design**

A quantitative research method was used to collect the data that was required for the study. This method was chosen because it is scientific, less expensive and easy for purposes of this study (Zikmund, 2000:200).

- **Target population and sampling**

The target population of this survey comprised motorists in the Gaborone metropolis because of the heavy traffic experienced in this area. Random sampling methods were used on an estimated population of 3 000 motorists for the greater Gaborone. The number of cars in the main mall vicinity has been estimated to be not more than 1000 motorists on the average. The research was restricted to the Gaborone Metropolis, specifically at the filling stations around the main mall.

- **Data collection method**

A well structured questionnaire was used to collect required data. The questionnaires were given directly to the motorists by the researcher with assistance from the petrol attendants. All questions asked by the respondents were answered / addressed by the researcher in person. All answered questionnaires were collected by the researcher soon after they were filled in.

- **Data analysis**

Responses were statistically analysed by using frequency distribution descriptive statistics, factor analysis and correlations. The Software Program for Social Sciences (SPSS) and Microsoft Excel were used to analyse the data.

### **1.10 Assumptions of the study**

1.10.1 Identified motorists were interested and genuinely participated in the study.

1.10.2 Respondents were unbiased in their responses to questions in the questionnaire.

1.10.3 Records that were accessed during the study were accurate.

1.10.4 The situation within Gaborone (main mall) is the same as it is in other parts of the country, hence findings of the study can be generalised.

### **1.11 Scope and limitations of the study**

1.11.1 The research was limited in its scope as it was not spread through out the Greater Gaborone to include other motorists who may work outside of the city area.

1.11.2 The study was not restricted to the residence in the vicinity of the mall, as such travellers from outside of Gaborone were interviewed in the survey.

1.11.3. Limitations due to time constraints and financial resources did not allow the research to extend for long periods [weeks]. The study was only limited to filling stations in the peripheries of the Greater Gaborone Metropolis.

1.11.4. The experiential findings may not be a correct reflection of the situation in Botswana at large, but it does provide valuable information for the petroleum business with in urbanised province of Gaborone.

1.11.5 All external factors that may have impacted on customer loyalty were not evaluated during the course of the study as it was felt that they were not under the control of the organisations under focus.

1.11.6 The data-gathering instrument measures perceptions and attitudes of customers, hence it may be subject to bias.

### **1.12 Delimitations of the study**

1.12.1 The study excluded all motorists with exception of those located in Gaborone's main mall and those who drove into the main mall filling stations, owing to time and financial constraints.

1.12.2 The study excluded all external factors that may contribute to customer loyalty as these are constant within the competitive environment and are also not within the control of the management of petroleum companies.

1.12.3 The study excluded the views of staff and limited its evaluation to the views of customers (motorists), as it was felt that they were better placed to respond to the questionnaire, as opposed to members and staff at filling stations who may not be objective in their responses as they are interested parties.

### **1.13 Clarification of terms**

*Customer loyalty* – building and sustaining relationships with customers, which lead to repeated purchase of an organisation's products or services.

*Customer relationship management* – a process that addresses all aspects of identifying customers, creating a customer knowledge base, building customer relationships and shaping their perceptions of the organisation.

*Customer service* – Way in which services/products are delivered to the customers.

*Environment* – location and atmospherics of an outlet.

*Personnel* – employees of the filling station.

### **1.14 Organisation of the study**

The study is divided into five chapters, which are briefly summarised here to provide for accessible presentation of the dissertation.

**Chapter One** provides a the background, to the study, the problem statement, research questions, objectives, of the study, significance of the study, limitations of the study, delimitations of the study, a clarification of terms and the organisation of the study, which all provide a clear structure for the research study.

**Chapter Two** comprises a literature review, which places the study in perspective.

**Chapter Three** deals with technicalities of how the study was conducted.

**Chapter Four** presents and discusses analyses and interprets findings of the study.

**Chapter Five** outlines conclusions and recommendations, which are derived from the research study.

### **1.15 Summary**

The study of customer services and the subsequent customer loyalty are critical for the success of any retail and services business. The research objectives and

research methodology were used to address the structure and format that were followed to conduct the research and to define the research questions.

A literature review is discussed in the following chapter and all theoretical objectives are recorded in detail according to different sources that were consulted in preparation of the research proposal.

## **CHAPTER TWO: LITERATURE REVIEW**

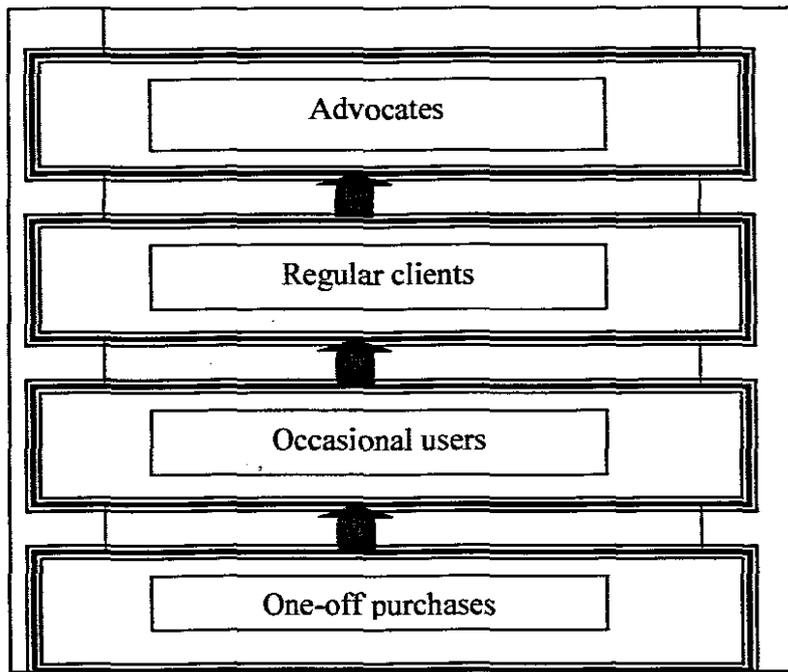
### **2.1 Introduction**

This chapter discusses literature that was reviewed and its relevance to this study. The literature review enabled a deep understanding of the research problem and led to development of the theoretical framework. The theoretical framework then formed a basis for the study and sought to justify the approach that was applied for the study. All variables, which are indicated in the conceptual framework, are discussed in detail along with other studies that relate to the current study.

### **2.2 Theoretical foundation**

A paradigm shift is required to enhance customer loyalty (Murphy, 2001:2), which may be realised through product differentiation in terms of prices or the type of customer service that is provided, regardless of the market segment of organisation services. Strydom (2004:294) expresses customer loyalty as being a deep and lasting commitment by a customer to buy and re-buy or to re-patronise a preferred product or service consistently in future, regardless of situational influences and marketing from competitors. The diagram in the next page refers to loyalty ladder, representing different types of customer loyalties found in a business.

**Figure 2.1 – Loyalty Ladder**



*Source: Strydom (2004:294)*

Customer loyalty is characterised by customers who;

- are willing to buy again;
- buy because they are satisfied; and
- tell other customers to buy.

Critical to the establishment of customer loyalty is satisfaction of customers' preferences and expectations. Customers' expectations are pre-trial beliefs that a client has about the performance of a service, which are then used as a basis for reference by the customer (Strydom, 2004:293). Any changes that should be implemented will follow the same basic pattern, guided by customers' preferences. Lewison (1998:495) concurs and adds that quality service to a customer is the difference between the customer's expectations and the customer's perception of the service, which is actually rendered. The customer experiences four stages in the process of attaining customer loyalty; these stages include the following steps, which are outlined below.

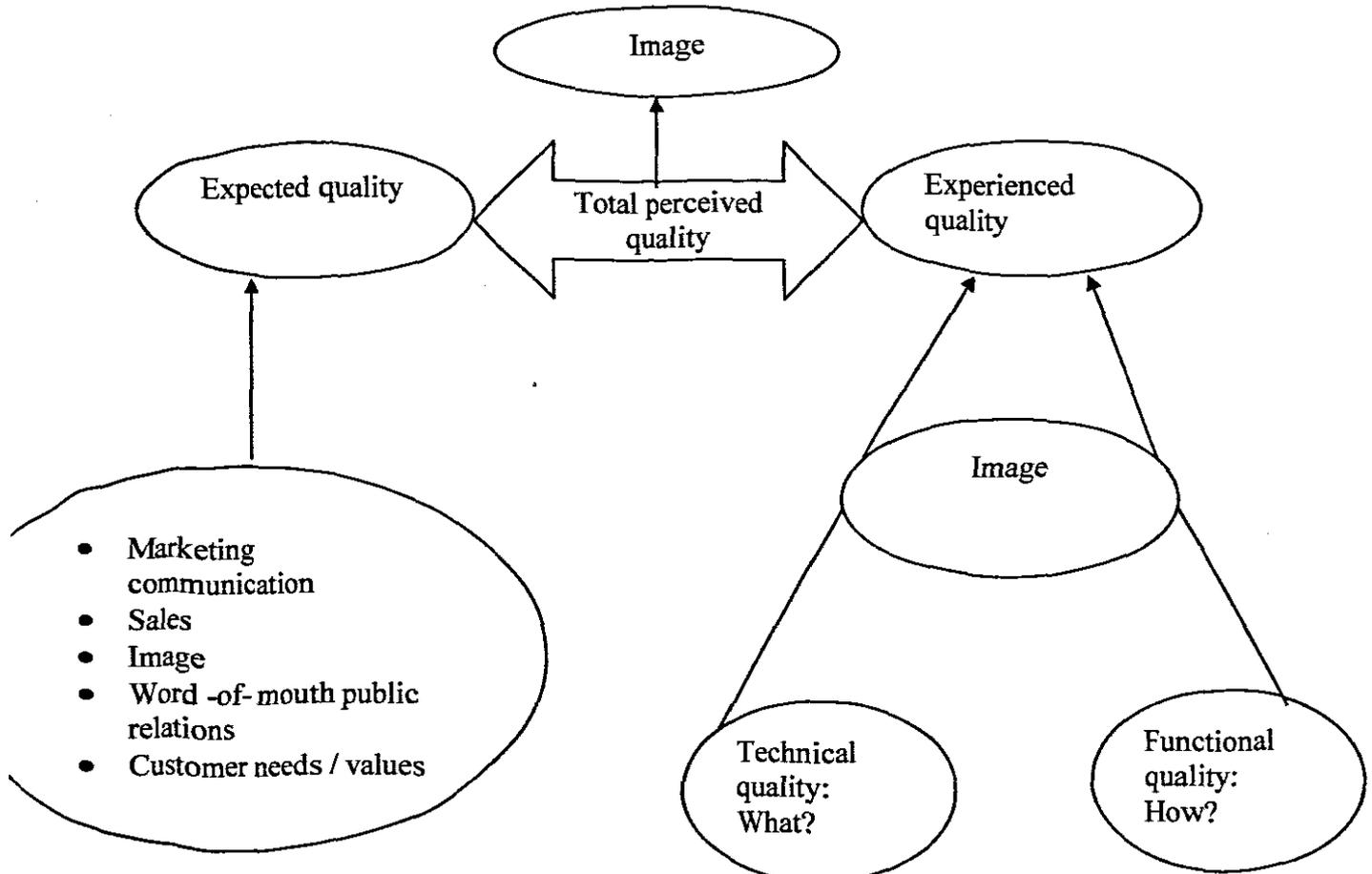
- Firstly, they become loyal in a cognitive sense;
- Secondly, they attain affected loyalty where they develop preference for the brand;
- Thirdly, they develop co-native loyalty where they become committed to buying the same brand; and
- Finally, they attain action loyalty.

Lovelock *et al.* (2004:352) suggest that the key to customer loyalty and retention is quality service, and this will last as long as the customer continues to experience superior quality which is relative to the price that they pay for the product or service. Due to the nature of global competition, service quality has increasingly become an important tool for global competition, asserts Kotler and Armstrong (2008:244), and service is, according to Bebko (2000:23), characterised by numerous generic dimensions, namely:

- intangibility;
- reliability;
- responsiveness;
- courtesy; and
- communication.

These characteristics should be emphasised as indispensable tools for quality service if the goal of the service is to attain customer loyalty. The quality of any service is how it is perceived by the customer and is not determined by the supplier of the service (Gronroos, 2001:67). The diagram below explains total perceived quality.

**Figure 2.2 – Total Perceived Quality**



Source: Gronroos (2001: 67)

Service quality leads to sustainable profitability through increased gross contribution margins. Cognisance is, however, taken of the difficulty experienced in standardising quality service that leads to customer loyalty. Service quality is measured against performance because services are frequently produced in the presence of the customer, hence by their nature they are labour intensive, and are not storable and cannot be objectively examined to qualify for a specific standard (Peter *et al.* 2007:180), which makes customers determine the value of service quality in relation to available alternatives.

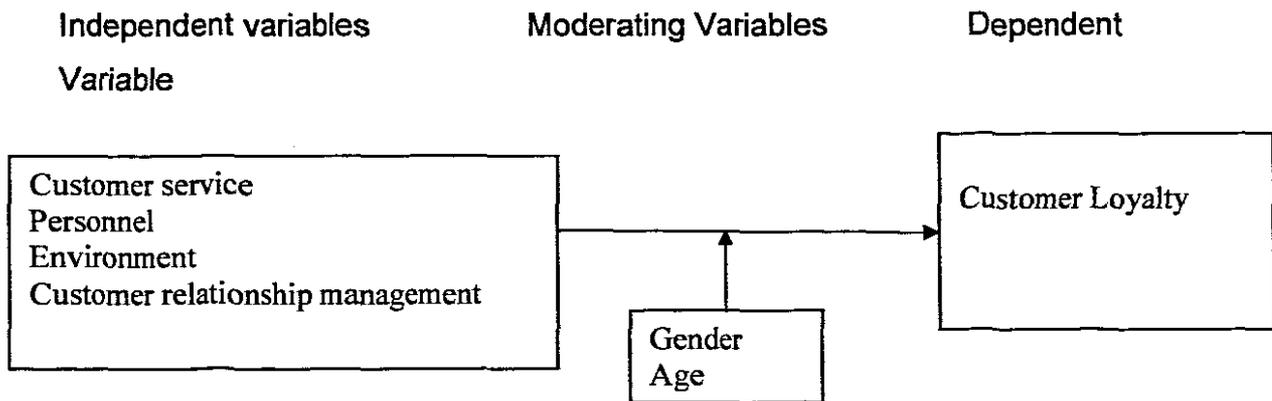
Murphy (2001:4) suggests that there are four different types of factors that cause customer loyalty, namely quality, incentives, employee loyalty and loyalty to the location or environment. Murphy (2001:6) further postulates that customer service integration framework requires amongst other things, customer focus; processes and systems; employee involvement; training and development of employees; performance measurement; and enhancement of customer retention and loyalty.

The assertion in the preceding paragraphs draws the conclusion that the location, personnel, customer relationship management programs, and customer service, are major factors that enhance customer loyalty and retention within an organisation. Proper management of these dependent variables invariably increases levels of customer loyalty, retention of customers for the business and profitability of the enterprise (Kotler *et al.* 2008:243).

The theoretical framework for the current study is based on the four dependent variables outlined in the above paragraphs. These dependent variables are listed as customer service, personnel or people, environment or location and customer relationship management. The researcher presupposes that if all the structures that enhance customer loyalty are well implemented, it will lead to the establishment of a desired loyal customer base.

Figure 2.3 below presents the conceptual framework in a diagrammatic form to simplify the framework and to enable adequate understanding of the theoretical foundation for the current study (Cooper, 2002:114).

**Figure 2.3: Conceptual framework**



*Source: Cooper (2002:114)*

### **2.2.1 Customer loyalty**

Customer loyalty has traditionally been used to describe fidelity and enthusiastic devotion by customers, but has more recently been used in business to describe a customer's willingness to continue patronising a firm over the long term (Lovelock *et al.* 2004:352), purchasing and to use its goods and services on a repeated and preferably exclusive basis, whilst recommending the firm's products to friends and associates. Wilson and Gilligan (2005:206) agree with Kasper, Helsdingen and Vries (1999:316) and contend that the best customer loyalty is modelled around a relationship between the customer and the business, which require the following;

- Affective commitment – reflecting on customers' affective motivation and positive willingness to continue the relationship; and
- Calculative commitment – reflective of customers' calculative motivations based on incurred losses and costs to switch from one supplier to another compared to maintaining a relationship.

Long term relationships are beneficial to both parties as they will both minimise their transactional costs by keeping a relationship and making it more effective and efficient (Kasper *et al.* 1999:317). This provides a greater willingness amongst marketers to build and maintain the relationship in view of the reduced

time that it takes to make a diagnosis, reduce diagnosis error, reduce defensive steps, which makes working together easier and allows for concessions from both sides.

Luh (2006:1) posits that customers of an organisation are basically from three sources namely:

- current customers;
- *new customers from competitors; and*
- customers using the product for the first time.

Customer loyalty involves building and sustaining a relationship with the customer (Magrath, 2000:23), which results in repeated purchases of products or services. A loyal customer base allows management to devote their energies to other business issues, helps to keep costs low and increase the business' profits (Lovelock *et al.* 2004:352).

Levels of customer loyalty are measured by evaluating customers' willingness for repeat purchases and recommendations from customers, which is assessed through the use of a questionnaire to obtain information from customers themselves. Customers show loyalty in different ways, for example, by repeat purchases or by increasing the quantity of their purchases (Luh 2006:1).

### **2.2.2 Customer service**

Because of the highly competitive nature of retail and services business (Lovelock *et al.* 2004:57), customers may not perceive much difference in the product or service-offerings amongst competing businesses. Competitors regularly establish new strategies and copy from their competition with better service provisions and competitive advantages, which narrows differences in product differentiation. Perceptions may force customers to make their choices based on prices and the quality of services that are provided. Researchers further suggest that a well trained labour force supported by a good product and service, provides a quality customer service, which is difficult to imitate. Wilson *et*

*al.* (2005: 206) concur and add that the cost of training accumulates as a part of the quality level for services that are provided.

Good customer service makes the business less vulnerable to competition because it supports satisfied customers, which leads to branding (Berry, 2000:128 - 137), and brands increase customers' trust in the business and enhances loyalty. When customers are satisfied with a specific brand, they develop brand loyalty, which may be seen in repeat purchases, positive word-of-mouth advertising of the brand to friends and relatives. This quality and brand loyalty will transform a company to a well-known business where customers will personalise the good service, which will differentiate the business from its competitors.

Lewison (1998:495) defines quality service as the difference between a customer's expectation and a customer's perception of the service, which is actually received. In the same mode, Terblanche (1998:373) defines it as the consumer's overall impression of the relative inferiority or superiority of a firm and its services. If perceptions exceed expectations, the service is considered to be excellent and service quality is linked to perception and expectation.

Quality service is the sum of customer perceptions of the service experienced and service quality can only be defined in customer terms and perceptions and not by the business that provides the service. An organisation should, therefore, develop its services to match the customer's expectations, (Kotler *et al.*, 2008:13), as customers are satisfied when their expectations are met. The secret in satisfying a customer is to create a good package of services; unbalanced service packages can confuse customers and leave them unsatisfied. The organisation should strive for consistency in terms of the quality of its service offerings between locations.

Zikmund and d' Amico (1998:334) postulate that quality service should be made available at the convenience of the customers, namely ample parking facilities, product information and the right location for customers. Other added features should accompany the sale of a product and these may include checking oil, water, tyre pressure and cleaning of windscreen.

### **2.2.3 Customer relationship management**

The customer relationship management concept, according to Bergeron (2002:1), concerns working to attract a customer and working to retain the customer. CRM is a process by which relationships with customers are started, built and maintained. This is done by using technological systems to store large amounts of information regarding customers, thereby offering a unified customer interface. CRM focuses on technology, process, finite long relationships and need for consistency with regard to customers (Lovelock *et al.* 2004:377).

CRM is a process, which addresses all aspects of identifying customers, creating customer knowledge, building customer relationships and shaping their perceptions of organisations' knowledge (Peelen, 2005:1). The aim of the organisation is not only to close a deal, but also to establish a long-term relationship (Lovelock *et al.* 2004:377) between the customer and the supplier that will lead to customer loyalty and repeated buying. CRM relies on a number of components or competencies, namely customer knowledge, relationship strategy, communication and individual value proposition (Peelen, 2005:7).

There is a need to know each individual customer in order to establish a long-term relationship. CRM is achieved through knowledge of individual customers' profiles, namely what the customer bought, what mode of communication the customer prefers, and how the customer may be characterised further (Hughes, 2007:1). The organisation should collect all necessary information for a large number of its customers. Several businesses presently have a wide customer base and personal recognition of customers is difficult which results in a decline

in the level of customer recognition and retention, hence this position leads to a reduction in levels of customer loyalty.

Customer relation marketing practices and implementation programs estimated at between 55% - 60% fail and the key reason for this failure rate is that firms equate installation of CRM systems with having a customer relationship strategy, whilst oblivious of the fact that the system is only a tool which is utilised to enhance the business' customer service capabilities.

In the last 15 years, use of computers has made it possible to economically maintain a large customer information base, which is used for customer recognition and personal attention. Databases which have accurate information can be used to access individual customer information that is valuable to establish a long-term relationship with the customer (Lovelock *et al.* 2004:357). Technology is used to identify and build databases of current and potential customers; databases will deliver differentiated messages, which are based on consumers' characteristics and preferences, and enable monitoring costs of customer acquisition and the lifetime value of resulting purchases. The ability of a business to deal with individuals has become practical because of technology, which introduced unknown capabilities which have allowed for the business' customisation, computers, Internet and database marketing software (Kotler & Keller, 2006:18).

The collecting and capturing of individual customer information is to develop long-term relationships with customers and any data that does not support this aim, should be discarded. A study by the Metavate Corporation as cited by Lager (2006:1), underscores the importance of customer knowledge, his /her rights and the product choices available to him. This particular study involved the use of periodic telephone interviews to follow up and monitor the satisfaction levels of the customers. The survey indicated that satisfaction numbers of customers were high, but not high enough. More data concerning customers was required to

provide deeper insights into customers' true feelings and needs, as well as more loyalty, and commitment between the customers and the organisation.

The relationship strategy should be guided by individual customer information at hand (Lovelock, *et al.* 2004:204). This information is used to develop long-term relationships and the formulation of a customer retention strategy, indicative of a deep interest in the customer. The strategy should ensure that purchases by the customer are merely the beginning of a long-term relationship, which is built on trust and commitment that should grow over time (Peelen, 2005:8).

The organisation should carry out a dialogue with individual customers (Lovelock, *et al.*) to enable customers to express their preferences and acquire information that they need from the organisation. Several organisations lack the necessary experience and capacity that enables them to conduct and maintain meaningful dialogue with their customers. The inability by the business to keep constant information flow to the customers, leads to misunderstanding between customers and the organisation, which, in turn, leads to lower levels of customer loyalty. Communication should be both internal and external (Lovelock, *et al.* 2004:204). Internal communication motivates employees through informing them regarding successes and failures of the organisation, as well as enlightening them on goals and objectives of the organisation. Peelen (2005:8) suggests that external communication ensures that customers understand what the organisation has to offer in terms of service with an aim of managing and meeting the customers' expectations.

The organisation should serve specific needs of customers through adaptation of the physical product, service and price of individual circumstances (Peelen, 2005:8). Together with the customer, a company can customise the design of a product and/or service to suit individual customers (Peelen, 2005:8). This should, however, be carried out if it is economical to do so and for the right customers.

As observed, technology empowers employees as they can fully concentrate on customers rather than spend customers' contact time tracing records and, or asking for assistance from fellow employees. In order to offer the customer experience that creates loyalty requires employees who are quick and personal in their response to customers' requests, whether for product information, transaction history and/or pending orders (Gantenbein, 2006:1). With easy access to information about the product and customers, it is easy to meet customers' expectations, leading to delighted customers, hence customer loyalty (Gantenbein, 2006:1).

Though customisation of individual customers has been greatly added by the use of computers and modern technology, it is however clear that not all businesses may be able to practice one-to-one marketing. In other instances required investment in information collection, hardware, and software that should be used, may exceed benefits (Kotler *et al.*, 2007:18) and the payout from the establishment of such a system. Information that is required to establish a database will be mostly information on each customer's past transactions, demographics, psychographics, media preferences, distribution channel choices and preferences, resources and capabilities of customers, as well as their needs, goals and trends concerning their purchasing patterns of other services.

#### **2.2.4 Personnel**

There is a close link between customer satisfaction and loyalty and employee satisfaction and loyalty, which lead to employees' commitment to quality in their work and willingness to go an extra mile to deliver quality service to customers. This means that employees are able to make or break the business. Employees themselves are interlinked to resources in the production process of a service such as financial, physical, human, technological, organisational resources and the reputation of the organisation itself. These resources also include intangibles such as knowledge, experience, and specialised skills. Employees offer quality

customer service because they care about their company and what others think about it and they care for customers as individuals.

Having the right corporate culture and a well trained and motivated workforce, is crucial to achieving excellent quality service. Corporate culture contributes to excellent service as it directs employees' efforts and motivates them to continue putting customers first (Mackenzie, Podsakoff & Rich, 2001: 1515 – 134) and show performance above and beyond the call of duty because it is consistent with their own values, beliefs and attitudes. The culture can either be strong or weak, while a strong positive corporate culture is crucial as it gives positive guidance to employees in their handling of individual customers. Berry (1999:236) advocates for a value-driven leadership that inspires and guides service providers, which display passion and commitment for serving. Amongst the core values found in excellent service were excellence, innovation, joy, respect, integrity and social profit.

Employees play a major role in an organisation, since they communicate with customers on behalf of the organisation, convince customers to accept their point of view, convince customers to take a certain course of action and they help develop customer relationships. Employees are, therefore, catalysts that facilitate the economic function and keep customers abreast of information about the company products and services (Zikmund *et al.*, 1999:467). It is important to note that courteous personal service and information provided by employees can make a difference between the success and failure of an organisation. Peter *et al.*, (2007:182) suggests that service quality begins with proper and careful personnel selection and hiring and there should be an emphasis on employees' attitudes towards their work and customers, specifically.

Employees should not only show how the needs of customers can be satisfied by products and services of a company, but are also expected to be aware of changes in the market that they serve and to give feedback to management.

Employees should be flexible as they perform their duties and should forge relationships with customers (Zikmund *et al.*, 1998:410). Employees should be highly trained in customer care and product knowledge since they interact directly with customers.

Murphy (2001:11) underscores the critical role of employees in the enhancement of customer loyalty. The right employees should be recruited; they should have a service contract as part of their working conditions with the organisation. These employees should be properly trained and should be given a clear career path for each employee to motivate them. The organisation should think of employees as they think of the organisation's customers because satisfied employees will satisfy customers. A system, which employs a culture that allows leaders of an organisation to listen and respond to the needs of employees, should be established.

It is a huge mistake to think that culture is a soft issue (Shapiro, 2006:3-4) and there is a need that emphasises that culture makes a big difference as it has strong influence on an organisation's competitiveness. It is necessary to ask if the current organisational culture gives the organisation a competitive advantage, whether the culture suits the organisation strategy, and whether employees' attitudes, mind set and behaviour, help to achieve the organisation's objective. Demonstrating the impact of culture in an organisation is a good example of a firm with a strong culture is Southwest Airline, which uses continuously new and creative ways to strengthen its culture (Lovelock *et al.*, 2004: 334). In their study of 6 500 employees at 76 Holiday Inn Hotels which measured whether hotel managers showed behavioural integrity, indicated that behavioural integrity of the hotel's managers were correlated with employees' trust, commitment and willingness to go the extra mile (Lovelock *et al.*, 2004: 336). An increase of 1.8 in a hotel's overall behavioural integrity score on a 5 – point scale was associated with a 2.5 percent increase in revenue and a \$250,000 increase in profits per year, per hotel (Simons, 2002:2-3). In a service context, a strong well-established culture

enhances an appreciation for good service and customer orientation that are critically more important than in a traditional manufacturing environment (Gronroos, 2007:417). Culture makes a service-oriented strategy 'come alive' for employees and directs their behaviour.

### **2.2.5 Environment**

Success in creation of a relationship with a customer is enhanced through improvement of the accessibility of the existing products or services to the customers. While organisations may want to centralise their services in order to enjoy economies of scale, consumers seek local access to services or products at a time that may not be economical for the producer to cater for (Palmer, 2005:307). In determining the location, there is a need for a trade - off between the consumer and the supplier; however, it is important to note that the consumer dictates upon location decisions, Palmer, (2005:307) further states that an access strategy can be developed, which meets the needs of each segment, namely economic status, psychographics, cultural background, age and frequency of customers. Physical environment can evoke extreme positive or negative reaction from clients and service providers and retail management should pay a great deal of attention to developing a retail location strategy.

According to Zikmund *et al.*, (1999:415), the layout and appearance of an outlet creates an atmosphere that may attract or discourage current and / or potential customers. Organisations create an atmosphere, which is conducive to shopping because the longer customers stay on the premises, the more they are likely to purchase. The retail strategy should also ensure that the outlet property and its characteristics provide an environment conducive to buying. The exterior, interior, layout and display either positively or negatively influence the mental impression of the customer. The exterior environment exerts a strong influence on the new customers' willingness to visit the outlet. The architectural design of the building, parking facilities and the outlet front may either encourage or discourage

customers. The lighting, colours and perceptions of un-crowded space happen to foster favourable customer attitudes.

Design of the physical environment plays a vital role in creating a particular corporate identity and in shaping the nature of the customer's experience (Lovelock *et al.*, 2004:286). The service environment impacts on buyer behaviour in three ways, namely:

- firstly as a message, which creates medium, using symbolic cues to communicate to the intended audience about the distinctive nature and quality of the service experience;
- secondly, as an attention creating medium to make the service spot stand out from those of competing establishments and to attract customers from target segments; and
- thirdly, as an effect creating medium, which uses colours, textures, sounds, scents and spatial design to enhance the desired service experience and /or to heighten an appetite for certain goods, services or experiences.

### **2.3 Other related studies**

Divett (2003:109-123) carried out a study after realisation that past attempts to enhance customer loyalty had failed. The study sought to explore alternative ways of enhancing customer loyalty and repeated buying. In carrying out the study, 240 customers were sampled and were required to respond to a questionnaire that evaluated the impact of increases in levels of approachability and responsiveness to customer complaints. The findings from the study revealed that an increase in levels of approachability and responsiveness to customer complaints resulted in the improvement of customers' purchasing behaviour, and hence customer loyalty (Divett, 2003:109-123).

Customer loyalty is commonly viewed as an attitude that could be enhanced through embracing customer relationship management programs (Uncles *et al.*, 2003:294-311). However, from an empirical study, which was conducted by Uncles

*et al.*, (2003:297), it was concluded that customer loyalty and repetitive buying are functions of passive acceptance of brands rather than strongly held attitudes of customers.

## **2.4 Summary**

It can be concluded from the literature review that customer loyalty is important to an organisation, as it is less expensive to maintain current customers than to acquire new ones. In order to enhance customer loyalty, efforts should be directed towards the improvement of levels of customer service and the training of employees in the field of customer care, whilst business premises should be attractive to customers and the organisation should adopt customer relationship management policies.

The following chapter outlines steps that were followed to conduct the study and is presented in the form of research methodology.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes how this investigation into levels of customer loyalty towards brands within Botswana's petroleum industry, was carried out. The type of research and methods that were used for data gathering, which was required for evaluation, are outlined. These include:

- the research design;
- the population;
- the sample and sampling method;
- the data gathering instrument;
- data collection methods; and
- data analysis procedures.

### **3.2 Research design**

Research design is described as a framework or action plan that gives direction concerning steps and procedures that are required to see the study to its fruitful conclusion (Churchill, 2002:144). It is a plan by which research participants are obtained and information is collected from them (Welman, Kruger, Mitchell, 2005:52). It describes what will be done with participants in order to reach conclusions regarding the research problem (Welman *et al.*, 2005:52). In order to ensure that the current study was successfully concluded, the researcher adopted a survey approach, which was descriptive and quantitative in nature. The descriptive approach is used to investigate behavioural regularities of everyday situations amongst individuals or groups (Welman *et al.*, 2005:52).

The descriptive approach was, therefore, utilised since the study was concerned with frequency / regularities with which something occurred between independent and dependent variables. The quantitative approach was adopted as the study sought a relationship between the independent variables (customer service,

personnel, environment and CRM) and the dependent variable (customer loyalty) (Kobus, 2008:259). The data gathering instrument, namely the questionnaire (in this case), was structured with a range of predetermined responses to questions that were included in the questionnaire. A quantitative approach was also utilised because of the relative ease and speed with which the research can be conducted (Cooper, 2002:114).

### **3.3 Population**

Population consists of all elements that have a chance of being sampled to participate in the study (Churchill *et al.*, 2002:630). In the current study the population consisted of motorists within Gaborone's main mall approximated to be visited by about 1000 motorists at any time during week days.

### **3.4 Sample**

It is common in a majority of research not to include the entire population in the study, particularly where the population is large. As such, a sample should be used (Kobus, 2002:172). The sample can be described as elements of the population, which the researcher plans to include in the study (Churchill *et al.*, 1998:628). In determining the sample size that can provide views of the population, emphasis should be on drawing the sample in such a way that it would be valid to generalise its results to the population (Kobus, 2008:172). In his contribution, Kobus (172) goes on to explain that the right sample size ensures that the subjects included in the study are sufficient to estimate characteristics of the population under focus. Since the study was quantitative, and questionnaires were used instead of interviews, a large sample of not less than 200 respondents were used for the study to produce reliable and valid results. The researcher used random sampling method where a questionnaire was administered indiscriminately to all motorists pulling on to the petrol stations. The research and the petrol assistants waited patiently for the respondents to complete the questionnaires.

### **3.5 Data collection method**

The main instrument for the collection of data was a questionnaire that was specifically designed by the researcher for purposes of collecting data for the current study.

Questionnaire design is an integral part of the research process since it is the instrument with which data is generated (Kobus, 2007:158). The decision to conduct a questionnaire survey should:

- itself be the culmination of a careful process of thought and discussion involving consideration of all possible techniques; and
- ensure clarity of concepts and variables involved in relationships being investigated (Welman *et al.*, 2005:174).

Badenhorst (2008:127) observes that questions stimulate thoughts, define tasks, convey problems and identify issues, and help give direction to thinking, therefore, the better quality the questions are, the better quality the thinking. The author concludes with a suggestion that, ultimately, research is about asking questions. Welman *et al.*, (2005:174) went on to explain that when designing a questionnaire, the researcher should look out for previous researches on the topic or related topics and derive information there in designing the data collection instrument to be used in the current study. In designing questions, there is a choice to pose them as open – ended or closed ended questions. The researcher chose the use of closed-ended questions that were structured after close consideration and planning. The researcher administered the questionnaire in person with assistance from the petrol attendants and cooperation from the management, and, in the process, ensured that clarification was made with regard to the questions that were not clear to respondents.

### **3.6 Data analysis**

Once data is collected, something should be done with it in order to turn it into useful information (Hofstee, 2006:116). Data analysis investigates variables, as

well as their effect, relationships and patterns of involvement with the world (Welman, *et al.*, 2005:211). Therefore, data should be analysed in a manner that ensures that research questions and hypotheses are addressed to ensure that the research objectives are achieved (Anderson, Sweeney & Williams, 2001:97).

In order to achieve these, the researcher coded the collected data and analysed it with the help of the SPSS programme (version 10) and Microsoft Excel. The purpose of coding is to analyse and make sense of the collected data (Welman, *et al.*, 2005:211). The researcher further derived meaning from the data through the use of descriptive statistics such as means, percentages and multiple regression analysis in order to determine the relationship between dependent and independent variables. Tables were used for data presentation, interpretation and discussion. Data presented in the form of tables portray a flash view of what the writer wants to pass on to the targeted audience, reduces the amount of data to be presented, and makes it easy for comparison (Welman *et al.*, 2005:211). In order to enable ease of interpretation and discussion of findings, the table below (Table 3.1) shows mean intervals and have meanings attached.

**Table 3.1**  
**Evaluation of the five Likert scale section of the Questionnaire**

<b>Scale</b>	<b>Mean interval</b>	<b>Meaning</b>
5	4.51-5.00	Best
4	3.51-4.50	Better
3	2.51-3.50	Good
2	1.51-2.50	Fair
1	1.00-1.50	Poor

(Source: *Researcher's own*)

### **3.7 Ethical Issues**

Ethical behaviour is important in any research particularly when it involves human subjects. Principles that underlie research ethics are universal and concern issues such as honesty and respect for the rights of individuals (Welman *et al.*, 2005:181). General principles usually invoked in codes of research ethics are:

- no harm should befall the research subjects; and
- subjects should take part freely, based on informed consent.

Welman *et al.*, (2005:181) revealed that ethical considerations come into play at three stages of a research project; namely:

- when participants are recruited;
- during intervention and / or the measurement procedure to which they are subjected; and
- in the release of results that are obtained.

The researcher followed Welman *et al.*, (2005:181) advice on being ethical in carrying out the research study and in the process ensured that:

- Respondents' permission to participate in the study was verbally obtained by the researcher requesting and explaining to participants the purpose of the research. The purpose was also clearly indicated on the top of each questionnaire that was administered.
- The information provided by respondents was not divulged to anybody else but was only used for this research. Respondents were not requested to include their names on the questionnaire; and
- Findings from the study are for academic purposes and would not be published or copyrighted. However, these research findings will be accessible to anyone of the public, the petroleum companies or academia through the library of the Cape Peninsula University of Technology whose property they become at graduation.

### 3.8 Pilot study

It is useful to test a new measurement instrument before administering the actual sample by means of a pilot study. A pilot study is described as a “dress rehearsal” for the actual research investigation by *Welman et al., (2005:148)*. It is a small scale version of the proposed study with a limited number of the same population in order to establish reliability and validity of the designed data collection instrument (*Welman et al., 2005:148*).

The purpose of the pilot study can be summarised as follows:

- To detect possible flaws in measurement procedures such as ambiguous instructions;
- To identify unclear or ambiguously formulated items; and
- An opportunity for researchers and assistants to notice non – verbal behaviour.

Reliability of the instrument is determined by producing the same results if the same instrument is used at different times or used for different subjects from the same population, while the validity of an instrument refers to the extent to which it measures what it is supposed to measure (*Kobus, 2007:215*).

The following factors are threats to the validity of an instrument:

- The reliability of the instrument - if the instrument is not reliable, it cannot be valid;
- Some respondents may tend to say “yes” or “no” to all questions;
- Respondents answer in a manner they think is expected as opposed to how they really feel; and
- Biasness – some people or groups systematically score items higher or lower than others owing to external factors such as language or cultural differences.

In order to ensure that the questionnaire was both reliable and valid, a pilot study, which comprised 30 motorists who did not form part of the final study were

randomly chosen from visitors to the main mall in Gaborone. Responses were analysed and the questionnaire was modified to ensure that it captured what it was meant to capture. Once this process was complete, the researcher proceeded with collection of final data.

## CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION

### 4.1 Introduction

This chapter discusses process the survey data, which is graphically presented in the form of diagrams and of tables. Above each diagram, an analysis of the results is provided, based on Microsoft Office (Excel) and SPSS programs computations. Both Microsoft Office and SPSS were chosen because of their simplicity and user friendliness.

### 4.2 Questionnaire check in and demography of respondents

A total of 200 questionnaires reached the respondents, and all questionnaires that were taken to the respondents and administered in person with assistance from the petrol attendants were returned, providing a 100% response rate. However, there were numerous questionnaires that were discarded during the process of editing the questionnaires for completeness and correctness. Details of the response rate of these questionnaires are graphically represented in Table 4.1 below. All respondents who participated in the survey completed the questionnaires. After editing the instrument for correctness and completeness, 163 (82%) of the 200 questionnaires were eligible for the study. The remaining 37 questionnaires (18%) were not included in the final analysis of the data owing to incompleteness or incorrectness.

**Table 4.1: Questionnaire check in**

<b>Sampling stratum</b>	<b>Distributed</b>	<b>Returned</b>	<b>Correct</b>	<b>Incorrect</b>	<b>Total</b>
Gaborone	200	200	163	37	200
<b>Total</b>	<b>200</b>	<b>200</b>	<b>82%</b>	<b>18%</b>	<b>100</b>

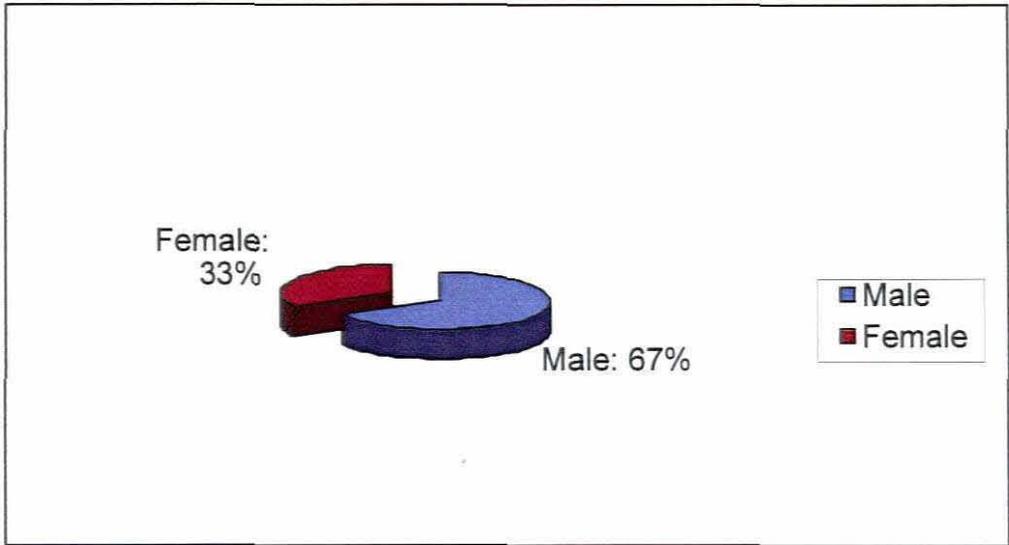
The response rate was 100% and the following assumptions were made regarding why the response was that high:

- they were personally administered by the researcher with the help of petrol attendants,;
- the questions were simple, short, and clear;
- there was no confidential information required;
- the required information did not need any referencing; and
- the attendants were adequately trained for the survey.

Figure 4.1 by coincidence gave vital information which had not been directly sought for in the questionnaire. It was however put as part of the biography to enable the researcher to understand the distribution of gender diversity. It however became one of the most important discoveries of the research, though no purchased volumes were specifically referred to, women are by and large an important component for the economic planning as well as brand marketing strategies. This has both an economical as well as marketing implication for practitioners. A total of 109 males (67%) and 54 females (33%) were involved in the survey. The questionnaire was not based on gender preferences, but sought to identify gender numbers that patronise specific petrol brands. Assumptions were made to explain possible reasons for the difference in gender numbers. The assumptions include the following:

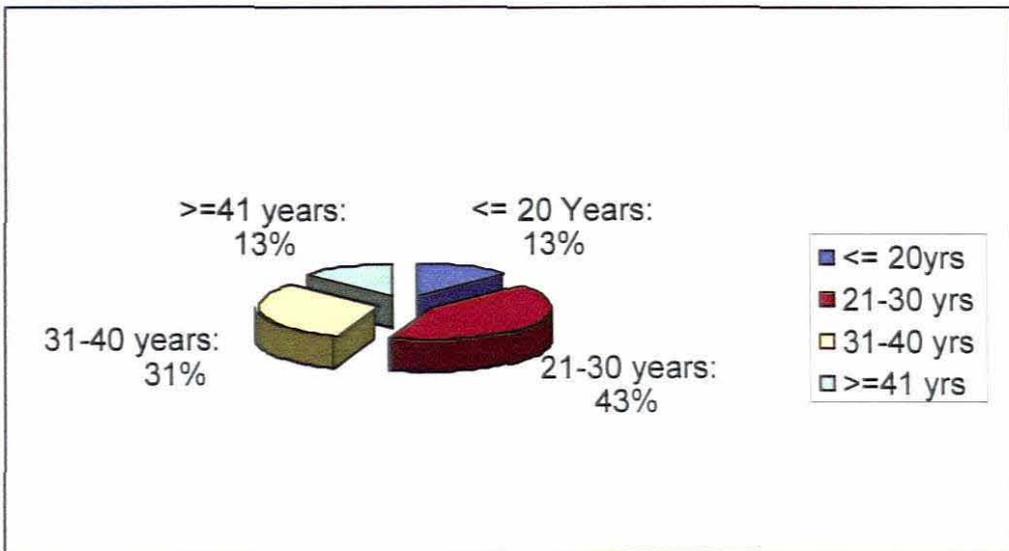
- the time of day when the survey was conducted might be a factor;
- more men may be driving or are responsible for family transport;
- more men than women are employed as professional drivers;
- less women may own cars or opt to drive less most of the time; and
- the time of the month and a possibility of budget petrol purchases.

**Figure 4.1: Gender responses to the survey**



Another aspect of demographics within the questionnaire required respondents to reveal their age group. This was also thought to be able to assist in developing a model brand loyalty according to the age group. Figure 4.2 below graphically presents details of the age distribution as depicted in the survey.

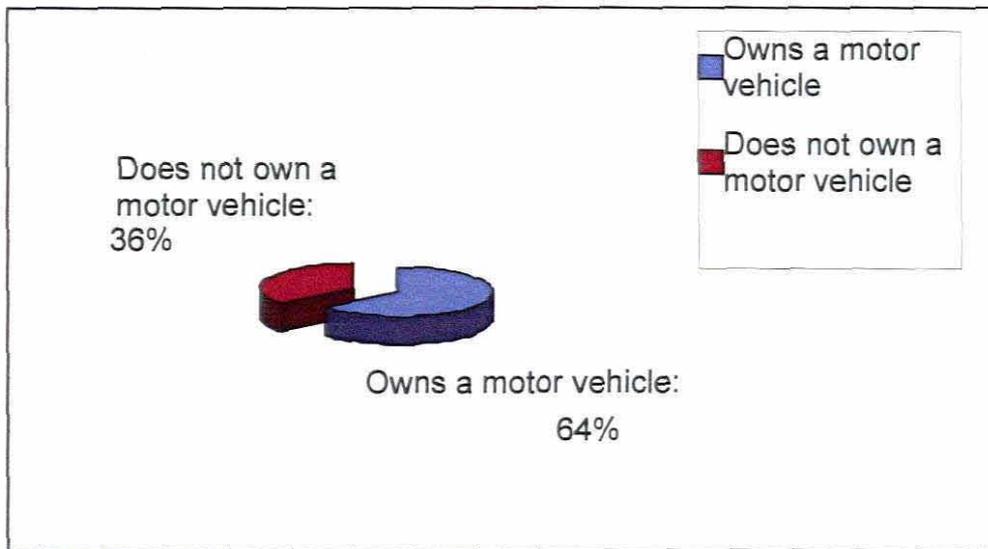
**Figure 4.2: Age of respondents**



The 21-30 age group comprised of 70 respondents (43%), while the 31-40 group comprised of 51 respondents (31%), and the 40 years and above, together with the below 20 years of age groups, share 21 respondents each. Assumptions that were made include:

- 21 – 30 year olds may either be excited by driving or are involved in occupations that require driving;
- 31 – 40 group may comprise middle to high income groups that can afford to buy cars for themselves;
- 40 years and older may occupy senior positions and may be in their offices most of the time; and
- the time of day may also be a contributing factor; however, this was not taken into consideration for this research.

**Figure 4.3: Ownership of motor vehicle**



The above diagram, Figure 4.3 shows that 104 (64%) of respondents confirmed that they owned the cars that they drove, whereas 59 (36%) did not own the vehicles that they drove. There are interesting implications from these results as brand loyalty campaigns are likely to be effective, since the number of people who own cars is high and they are likely to be brand conscious. The above

results also suggest that campaigns that are directed towards owners of cars, may increase brand awareness and loyalty

**Figure 4.4: Employment status**

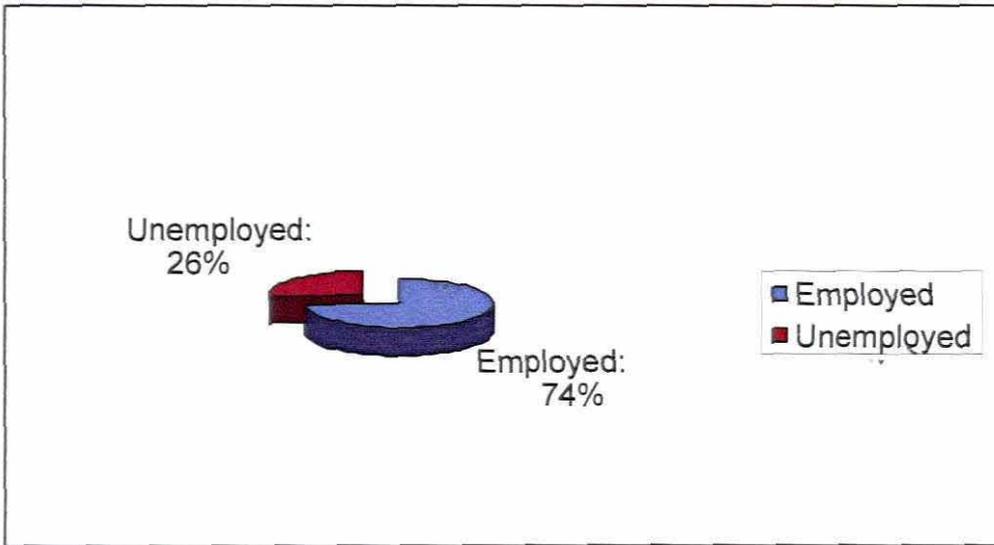


Figure 4.4 shows that in the driver's category, 121 (74%) respondents were employed, while 42 respondents (26%) were unemployed. This seems to indicate that brand loyalty may be effectively implemented if appropriate factors that are known to enhance customer loyalty are established. It also indicates that most respondents (74%) will probably have sufficient money to purchase fuel for their regular use. If this assumption is correct, brand loyalty may be effectively used by petroleum companies as a competitive advantage. The question did not distinguish on the basis of either gender or age, but concentrated on employment status.

**Figure 4.5: Purchase responsibility**

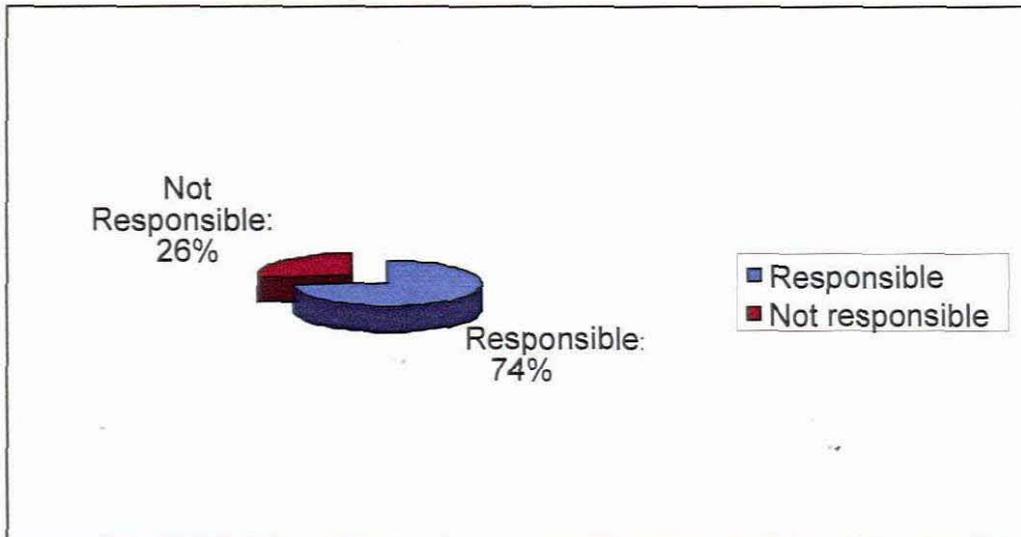


Figure 4.5 above indicates that respondents who are responsible for purchasing petroleum products (74%) are far more than those who are not. The implication in the above case is that customer loyalty is bound to bear fruits as a majority of motorists are responsible for making purchase decisions hence, individually, petroleum companies are bound to benefit through enhancement of customer loyalty.

Motorists who are responsible for making decisions to purchase fuel should be marketed to directly by petroleum companies. It is important for petroleum companies to establish what exactly makes these motorists decide to buy a certain brand of fuel.

**Figure 4.6: Level of income**

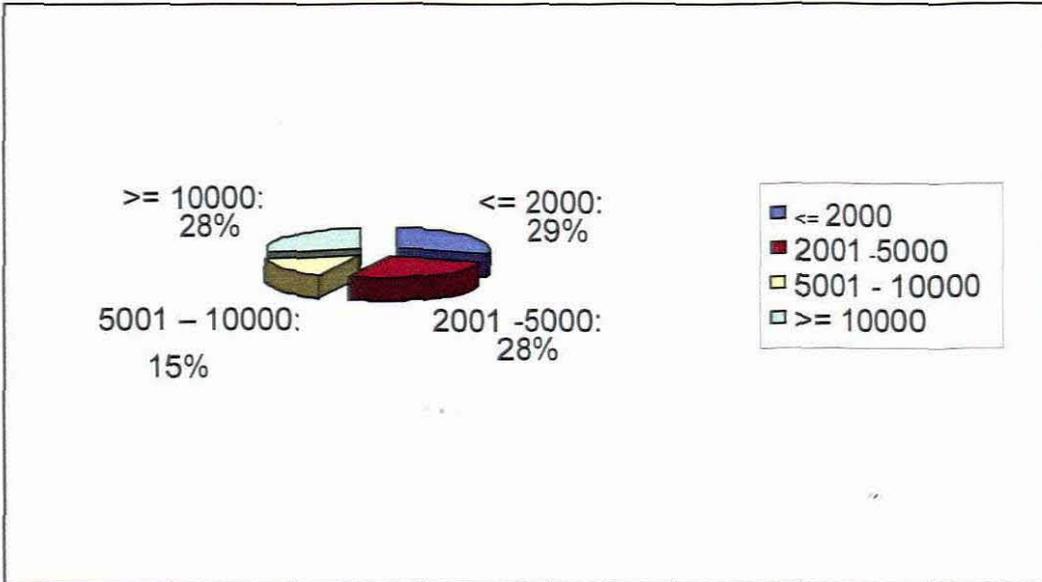


Figure 4.6 reveals that all respondents who are both employed and unemployed somehow enjoy some source of income, and are, therefore, in a position to make a purchase. The implication deduced from these figures is that customer loyalty campaigns should be targeted at all different groups, as individual petroleum companies seek customer loyalty from all motorists. Buyers who earn above P10, 000 comprised of 45 (28%) of the public surveyed, while those who earn P5, 000 up to P9, 999 comprised 25 (15%). The larger part of the population was below P2, 000 and those between P2, 001 and P4, 999 comprised 47 (29%) and 46 (28%), respectively.

A high percentage of low income people who purchase in larger numbers is a worrisome statistic, while the research has not found any possible reasons for this anomaly. There is a likelihood that such people are employed in micro and small to medium businesses and that they do not make much money. However, if the reason relates to the time of day and month when the survey was conducted,

the survey may have been conducted at a time when most working people were at work.

**Figure 4.7: Use of motor vehicles**

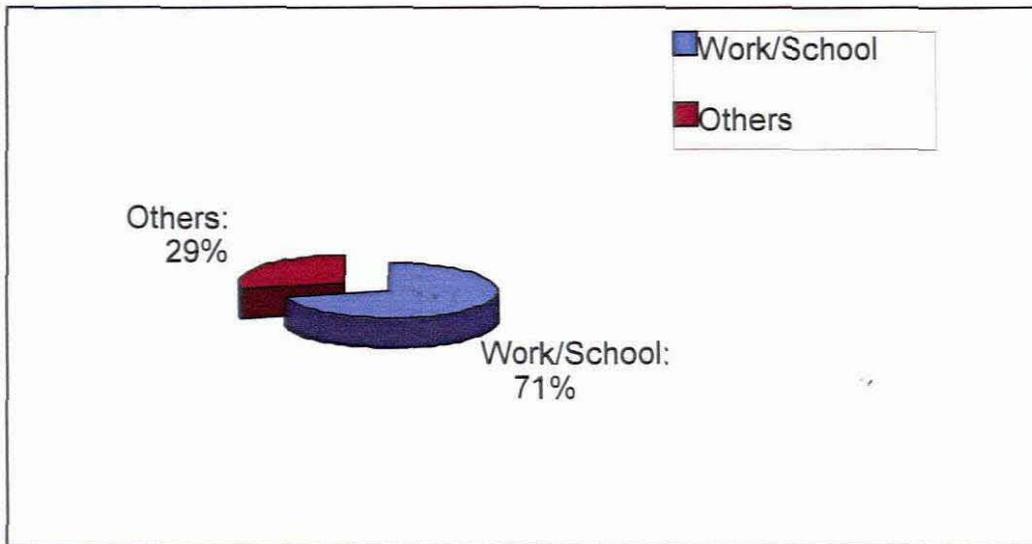


Figure 4.7 above shows that 116 (71%) respondents use motor vehicles for work and / or school related purposes. This question sought to establish the purpose for which vehicles were used by respondents, and to make inferences regarding, which customers use cars and who should be targeted for customer loyalty programs. The implication is, therefore, that their consumption of petroleum - related products is guaranteed and it stands to benefit any of the five petroleum companies in the country that strives to enhance a loyal customer base.

A total of 29% (47) of respondents use vehicles for any other purposes, however the question did not try to identify what these other uses could be, but assumptions are made that this would be their daily fuel uses for convenience and leisure purposes. Even then, these respondents still comprise a big enough population to be targeted for customer loyalty programmes.

**Figure 4.8: Weekly consumption in litres**

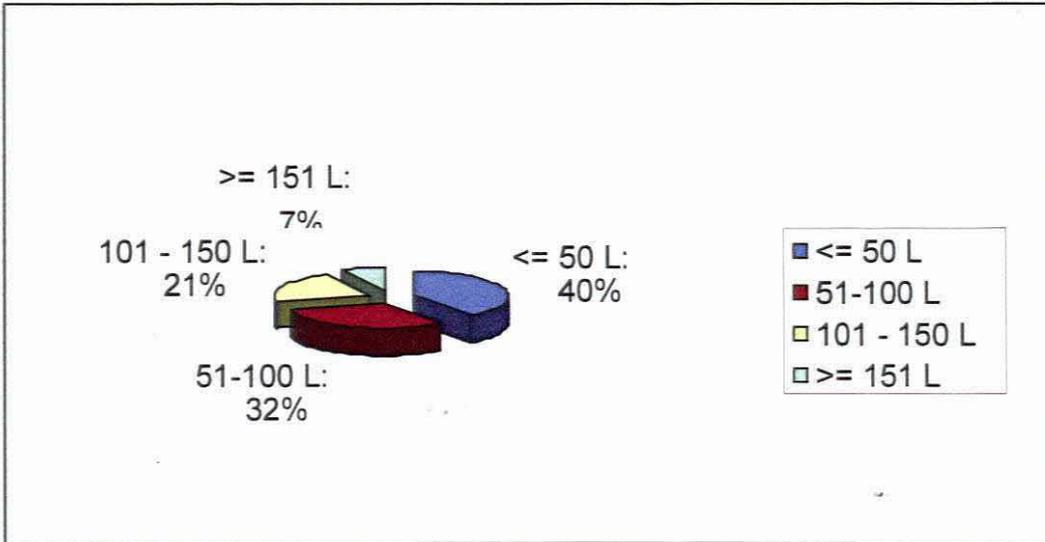


Figure 4.8 shows that a majority of respondents (40%) are people who use less than 50 litres of fuel per month. This is followed by 51 up to 100 litres per week that comprises 32% of respondents. It appears from the research results that numbers dwindle as it reaches the higher volume groups, understandably because they will be fewer in number and may buy their fuel requirements by bulk at given intervals. The implication is that a loyal customer base is necessary in order to retain as many as possible of these consumers. It is important to obtain, keep and maintain existing customers because it is extremely expensive to get the old customers back, or get new customers than it would be to maintain existing clientele.

**Figure 4.9: Location respondents to the outlet**

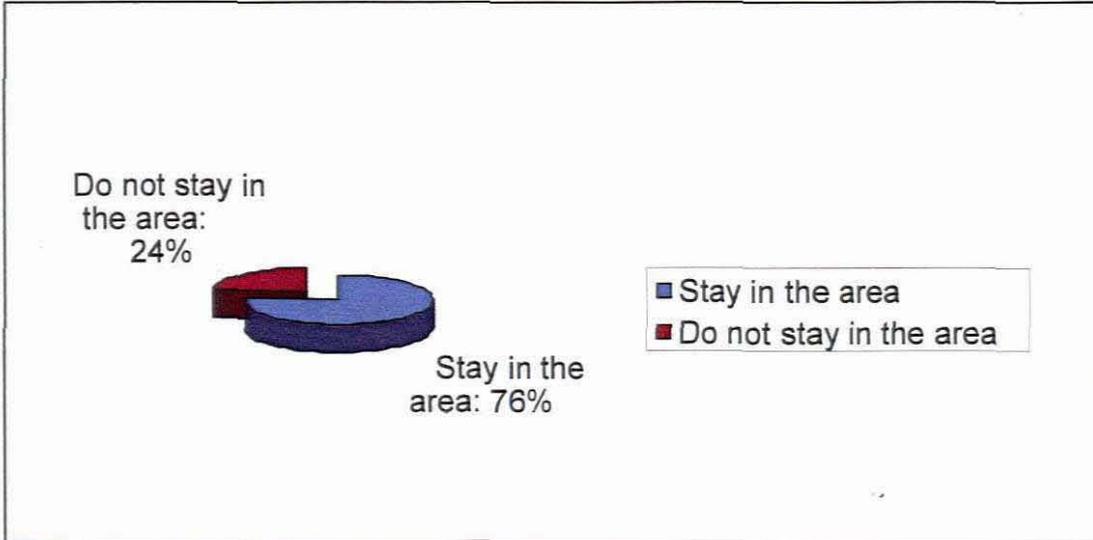


Figure 4.9 shows that a majority of respondents, namely 124 (76%), purchase from the petroleum outlet close to where they live or work. It would appear that this convenience is considered more important than brand loyalty, since prices are government controlled. The price control leaves only the variable that can be utilised by petroleum companies as customer service. However, in several instances there will be numerous different brands in the vicinity, in which case customer loyalty may apply.

It is also acknowledged that there are no two service stations from the same company that provide the same service. Part of the loyalty may emanate more from the type of service, which is service peculiar to a particular group of attendants more than it will have anything to do with the brand. Of the remaining 39 respondents, (24%) indicated that they do not stay in areas where they buy fuel, since these may be passers-by, or people who are happy with the services of a particular station.

**Figure 4.9: Location respondents to the outlet**

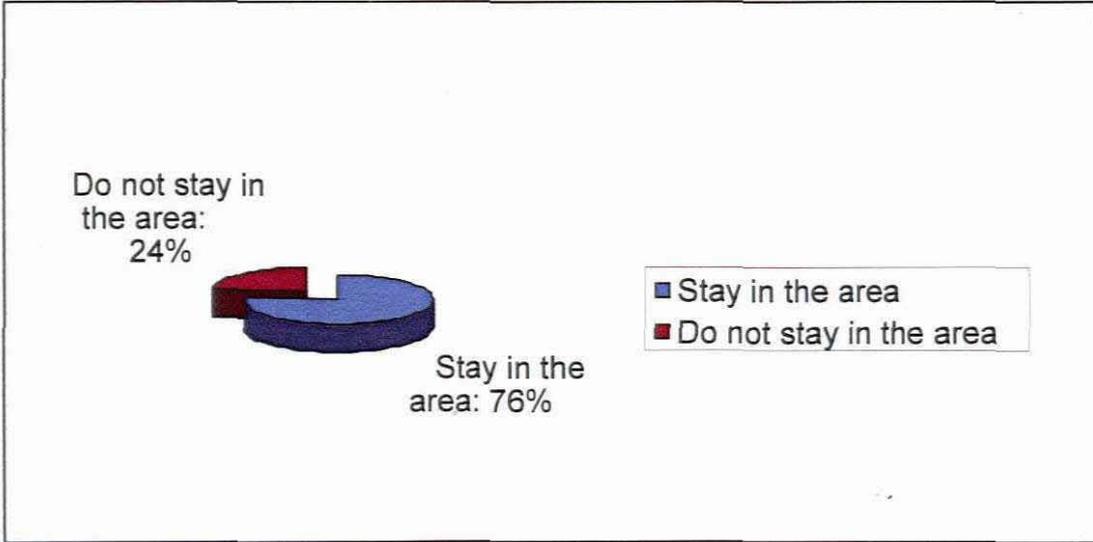


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**Figure 4.10: Tendency to frequent same service station**

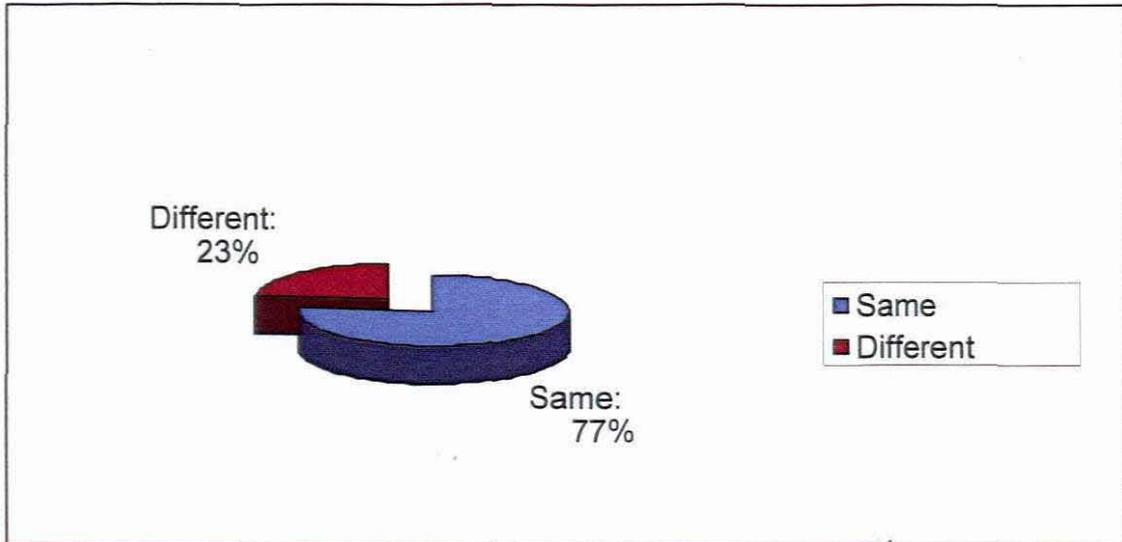


Figure 4.10 produced interesting results that relate to the purpose of the study. A total of 77% (125) of respondents claimed that they use the same brand or possibly service station all the time. This may be in response to brand preferences, but it is important to note that the regularity of these purchases should be considered in conjunction with the proximity to the service station, the convenience element and the possibility of credit facilities that are provided to motorists. It is important here to make a comparison with the response in Figure 4.9, which showed that 76% of respondents buy from places close to where they live or work.

This could either be owing to proximity to the outlet or customer loyalty to the specific brand. The positioning of the service stations in relation to the residence or industries where people work, may aid in ultimate loyalty if it provides convenience and good customer services. Of the 23% of respondents who frequent different service stations, it may be necessary for future research to identify reasons why they do not frequent the same service stations or buy specific fuel brands.

**Figure 4.11: Reason for frequenting a certain service station**

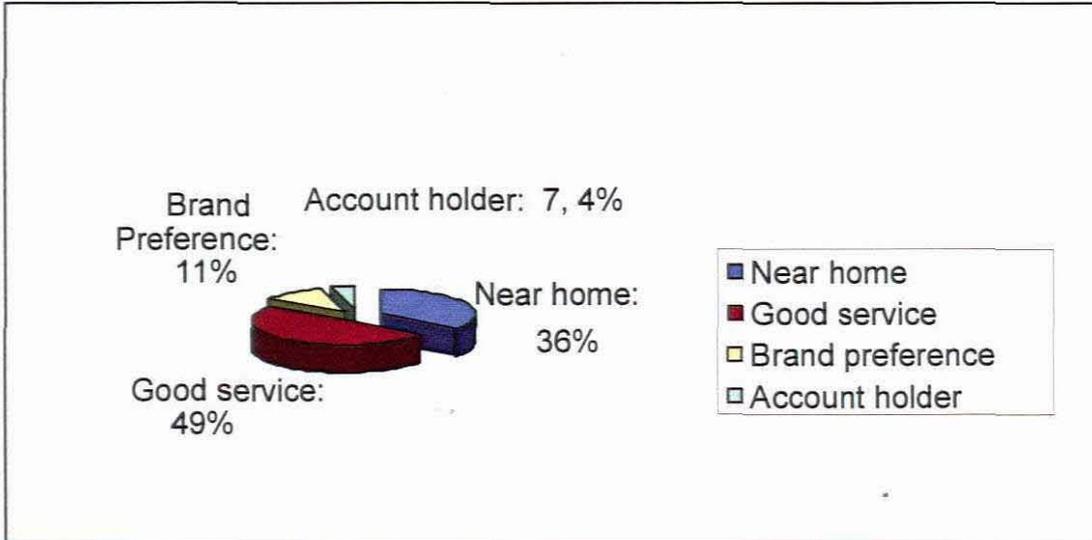
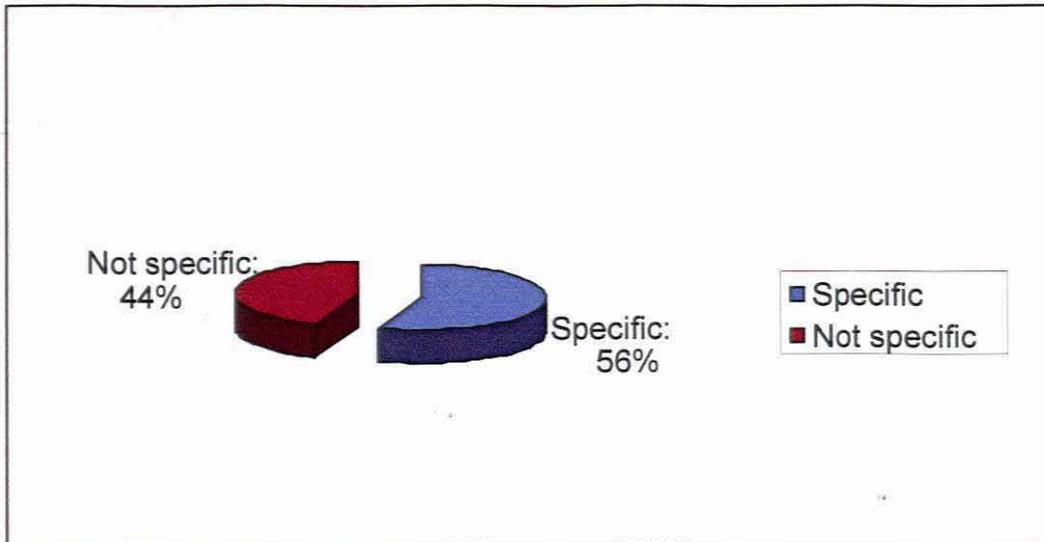


Figure 4.11 reveals that, 80 respondents or a bit fewer than 50% (49%) frequent a particular service station, which should be compared to 58 respondents (36%) who pledged loyalty because of proximity to their residence. A small number of 16 respondents (7.4%) frequent particular service stations because they are account holders. 18 respondents (11%) claim that they are loyal to a particular brand.

When the question was posed to probe for possible reasons for buying from specific service stations, questions that were asked were whether they chose brand preference, account holder or closeness to home, when brand loyalty was given a minimum rating. However, there was a direct contrast between answers given in Figure 4.11 and those given in Figure 4.12.

**Figure 4.12: Brand preference**



The question that was asked for Figure 4.12 was “Do you have any specific fuel brands that you like?” A total of 91 (56%) respondents stated that they had specific brand preferences, while 77 respondents (44%) did not have any preferences. There is a likelihood that the question in Figure 4.11 may not have been clearly understood, and the 44% non-brand preference respondents may be attributable to the substitutable nature of the products and the regulation of prices by the government.

Notwithstanding the anomaly shown when Figure 4.11 and Figure 4.12 are compared, customer loyalty marketing may be the most effective way for companies to progress and create competitive advantages and sustainable critical success factors for their businesses. There is evidently a large population of respondents who do not show strong brand loyalty, which may provide room for weaker petroleum companies to grow their market share through well organised and targeted customer loyalty branding programs.

### 4.3 Data presentation

The second part of the research survey concentrated on details of brand preferences by respondents, and each graphical representation is provided for in response to specific questions. The questions and the graphic representations follow below.

#### 4.3.1 Research question 1

*Which is considered the best petroleum company in Botswana?*

**Figure 4.14 Best petroleum companies (impression)**

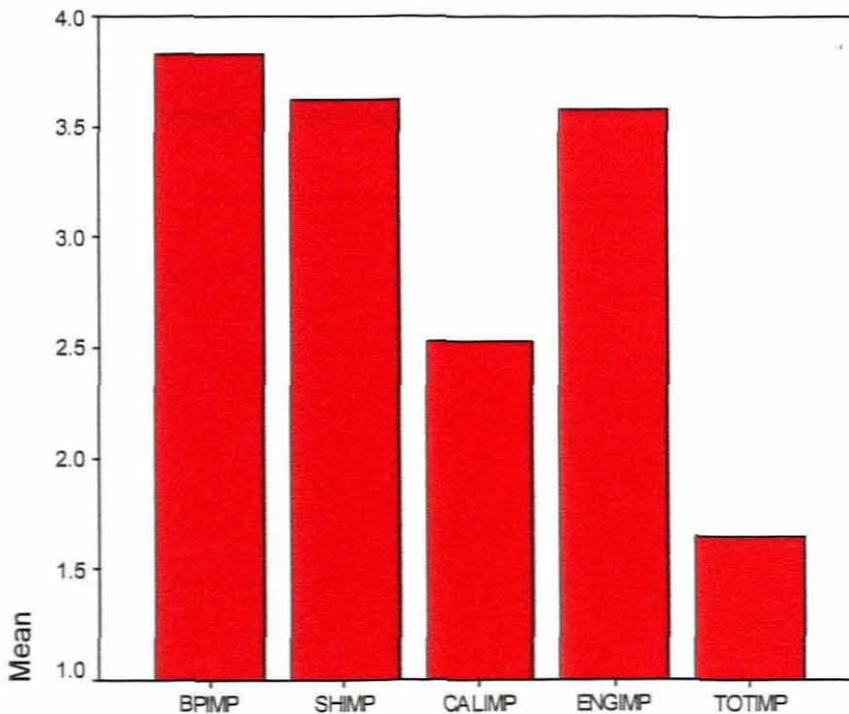


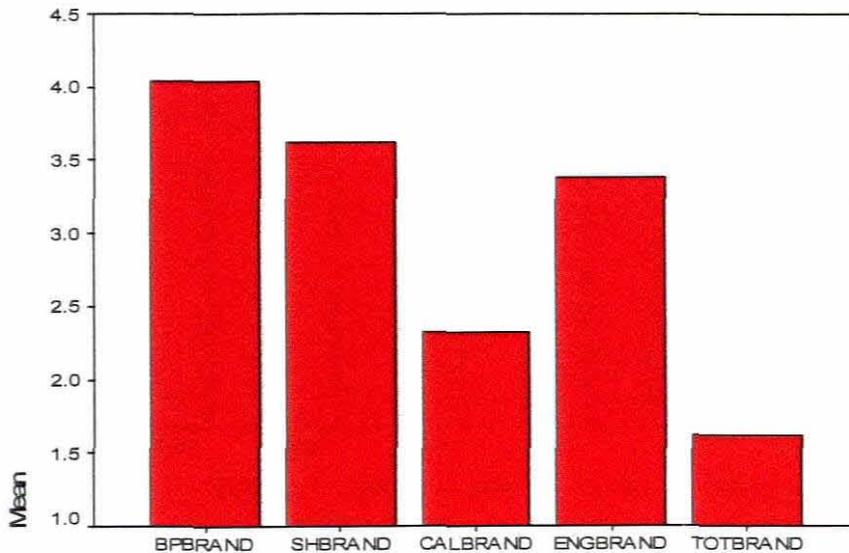
Figure 4.14 above reveals that BP was rated as the best petroleum company in Botswana followed by Shell, Engen, and Caltex with Total tailing the list. The findings imply that there is a close relationship between market share and customer appeal, which is further supported by the BP Report (2006:1-4) that revealed that Shell and BP controlled the biggest market share at 34.5%, and 21.5%, respectively, and according to the current study they are considered to

have the highest appeal amongst the five petroleum companies. The current research shows a possible shift in the impression more in favour of BP when compared to Shell. However, it should be stated that there was no stratification of the sample used, as there is a likelihood that most respondents might have chosen BP Botswana after all. The findings of this survey are in agreement with the BP Report (2006:1-4), which dealt with petroleum companies that have the least appeal, and control a limited market share.

### 4.3.2 Research question 2

*Which is the most preferred brand amongst all petroleum companies in Botswana?*

**Figure 4.15 Brand preference**

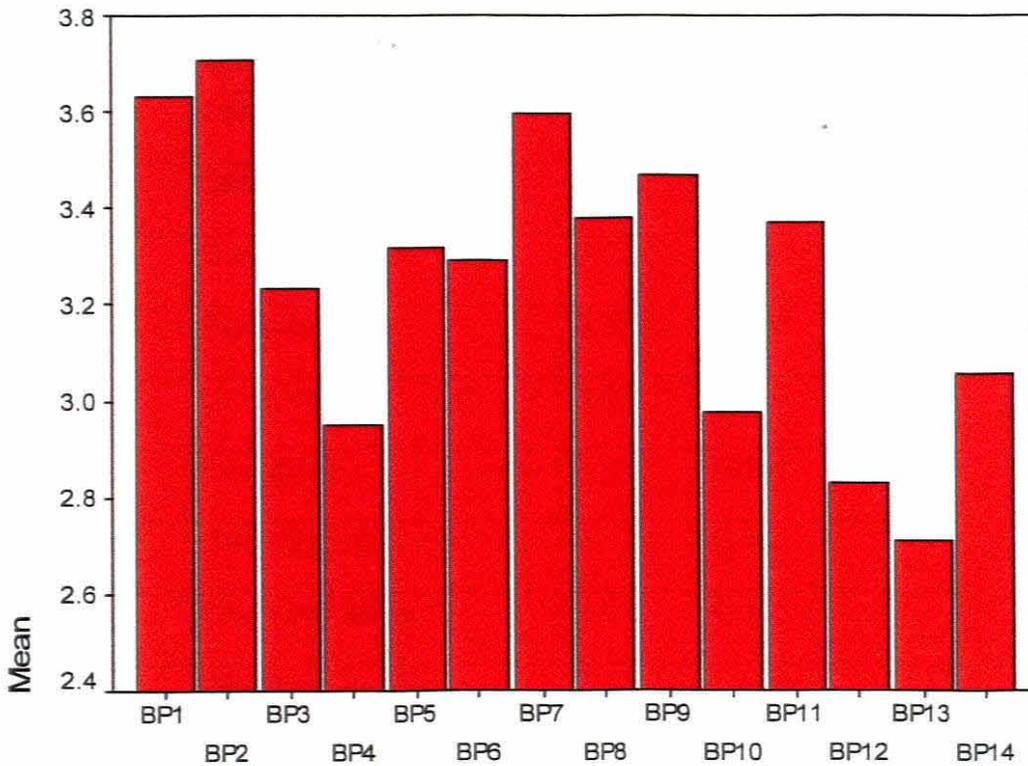


The research results indicated that the market showed a favourable response towards BP Botswana as the most preferred brand. This question did not specifically ask for reasons why BP Botswana is the most preferred, but the mean results appear in descending order, namely BP Botswana, Shell, Engen, Caltex and Total.

### 4.3.3 Research question 3

*How well managed are factors that enhance customer loyalty towards petroleum companies in Botswana?*

**Figure 4.16: Factors that enhance customer loyalty (BP)**



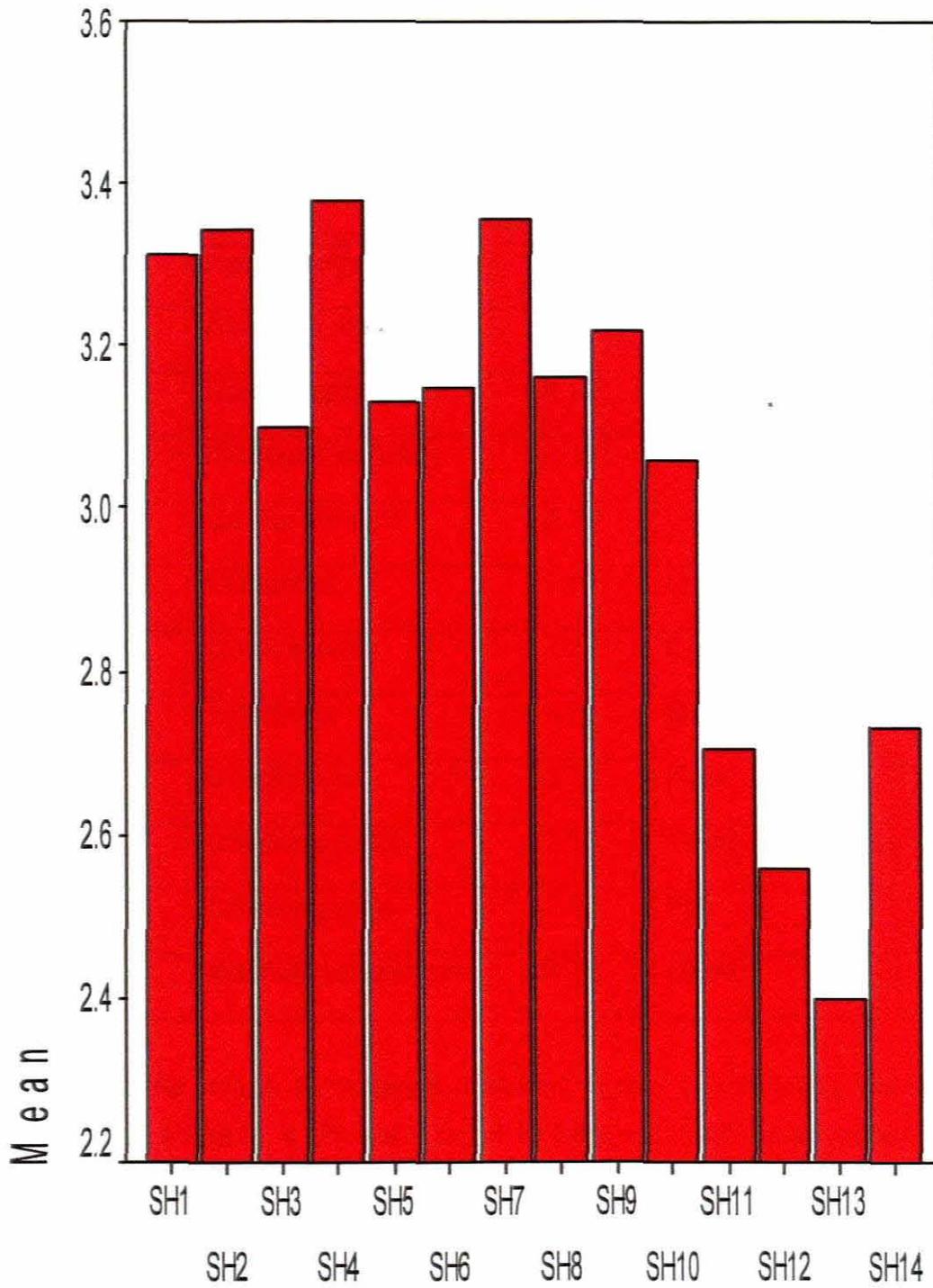
Question 4.16 covered a broad view of perceptions that customers have of compelling petroleum corporations in the country. Figures 4.16, 4.17, 4.18, 4.19, and 4.20, as well as Tables 4.1, 4.2, 4.3 and 4.4 provide graphical details of customer perceptions regarding the firms under study. The finer details are described in Table 4.1.

**Table 4.2: BP – Factors that enhance customer loyalty BP****n= 163**

		<b>Mean</b>	<b>Verbal interpretation</b>
BP1	Corporate colours	3.63	Better
BP2	Brand	3.70	Better
BP3	Accessibility	3.23	Good
BP4	Attractive site	2.95	Good
BP5	Convenience store	3.31	Good
BP6	Customer service	3.29	Good
BP7	Quality product	3.60	Better
BP8	Personnel	3.38	Good
BP9	Quick service	3.47	Good
BP10	Incentives	2.98	Good
BP11	Checking oil	3.37	Good
BP12	Checking water	2.82	Good
BP13	Checking tyres	2.71	Good
BP14	Washing windscreen	3.06	Good

Of the factors of BP that enhanced customer loyalty towards the brand (Table 4.2 and Figure 4.16), none was rated as the best. The implication is that there is room to enhance customer loyalty levels by enhancing all aspects of customer loyalty at BP to that of being the best. The immediate action by BP would be to ensure that petrol attendants check water and tyres as these were rated lowest.

Figure 4.17: Factors that enhance customer loyalty (Shell)



**Table 4.3: Shell – Factors that enhance customer loyalty**

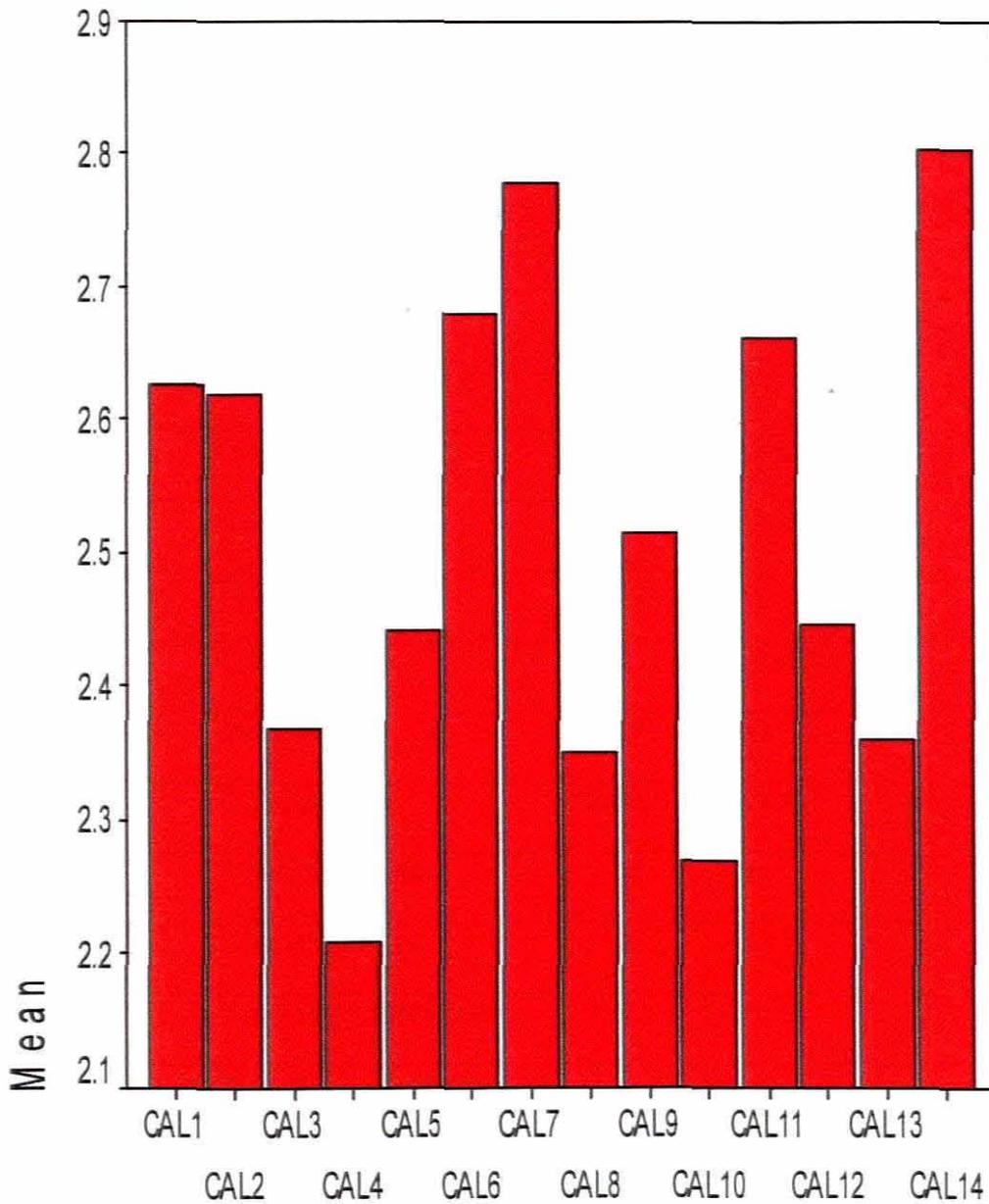
**n= 163**

		<b>Mean</b>	<b>Verbal interpretation</b>
SH1	Corporate colours	3.31	Good
SH2	Brand	3.34	Good
SH3	Accessibility	3.09	Good
SH4	Attractive site	3.38	Good
SH5	Convenience store	3.12	Good
SH6	Customer service	3.15	Good
SH7	Quality product	3.35	Good
SH8	Personnel	3.16	Good
SH9	Quick service	3.22	Good
SH10	Incentives	3.06	Good
SH11	Checking oil	2.70	Good
SH12	Checking water	2.55	Good
SH13	Checking tyres	2.40	Fair
SH14	Washing windscreen	2.73	Good

Factors that are known to enhance customer loyalty to the brand within Shell (Table 4.3 and Figure 4.17) were found to be good, with an exception of the aspect of checking tyres, which was found to be fairly executed. Customer loyalty towards the Shell brand could possibly, therefore, be enhanced through

improvement of all aspects to that of being considered as best with more emphasis being on checking tyres, which was rated as being fairly executed.

**Figure 4.18: Factors that enhance customer loyalty (Caltex)**



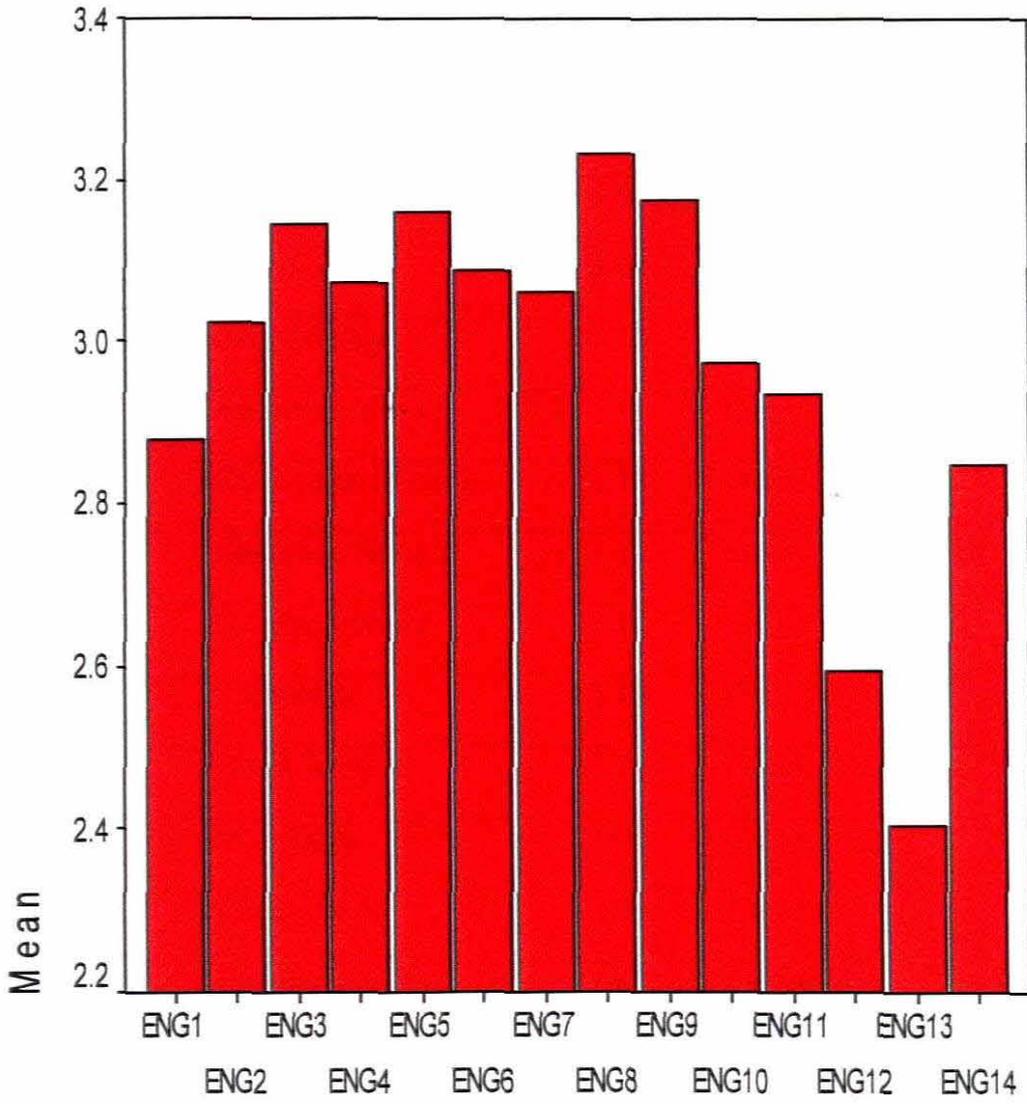
**Table 4.4: Caltex – Factors that enhance customer loyalty****n= 163**

		<b>Mean</b>	<b>Verbal interpretation</b>
CAL1	Corporate colours	2.62	Good
CAL2	Brand	2.61	Good
CAL3	Accessibility	2.37	Fair
CAL4	Attractive site	2.20	Fair
CAL5	Convenience store	2.41	Fair
CAL6	Customer service	2.68	Good
CAL7	Quality product	2.78	Good
CAL8	Personnel	2.35	Fair
CAL9	Quick service	2.51	Good
CAL10	Incentives	2.27	Fair
CAL11	Checking oil	2.66	Good
CAL12	Checking water	2.45	Fair
CAL13	Checking tyres	2.36	Fair
CAL14	Washing windscreen	2.80	Good

Findings from the study (Table 4.4 and Figure 4.18) reveal that, on average, factors that enhance customer loyalty are fairly executed with a few aspects rated as good in terms of implementation. To enhance customer patronization and the consequent loyalty, Caltex needs to look critical at; physical features, i.e. accessibility of their premises, general attractiveness of sites, and, they need to

erect attractive convenience stores to compliment their stations and service. A lot more needs to be done in; training of the staff and providing them with bright attractive colours, incentives and competitions for customers, and the general extra service courtesy like checking tyres and water and oil.customer service n order to enhance customer loyalty to the Caltex brand, enhancement of all factors with more focus on improvements in aspects of accessibility, should occur.

Figure 4.19: Factors that enhance customer loyalty (Engen)



**Table 4.5: Engen – Factors that enhance customer loyalty**

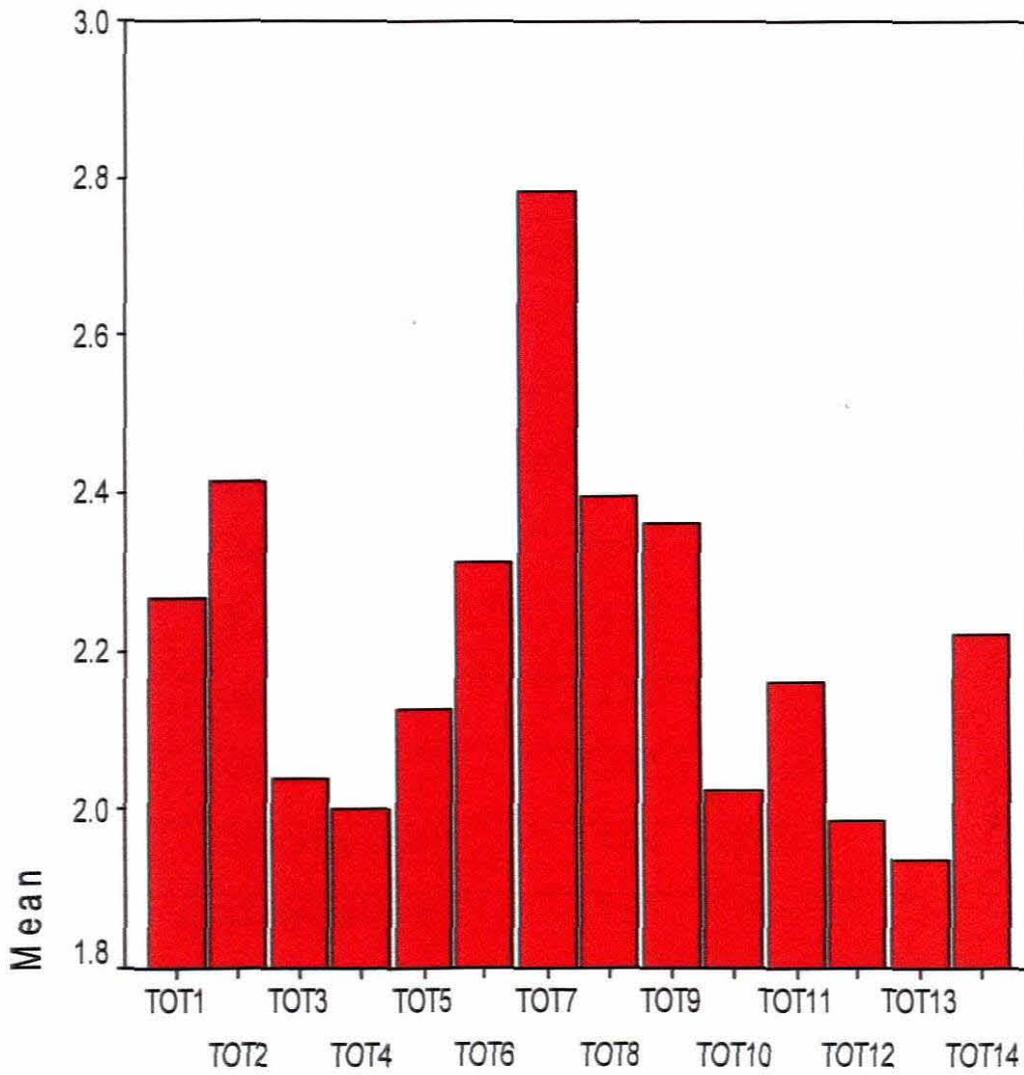
**n= 163**

		<b>Mean</b>	<b>Verbal interpretation</b>
ENG1	Corporate colours	2.89	Good
ENG2	Brand	3.04	Good
ENG3	Accessibility	3.18	Good
ENG4	Attractive site	3.11	Good
ENG5	Convenience store	3.18	Good
ENG6	Customer service	3.12	Good
ENG7	Quality product	3.10	Good
ENG8	Personnel	3.26	Good
ENG9	Quick service	3.21	Good
ENG10	Incentives	3.00	Good
ENG11	Checking oil	2.94	Good
ENG12	Checking water	2.63	Good
ENG13	Checking tyres	2.38	Fair
ENG14	Washing windscreen	2.89	Good

Factors that enhance customer loyalty for the Engen brand (Table 4.5 and Figure 4.19) were, on average, rated as good in terms of implementation with the exception of the aspect of checking tyres, which was rated as fair. The implication is that customer loyalty to the Engen brand will be enhanced when all

these factors are improved to the level of being best in implementation with an immediate focus on petrol attendants checking tyres, which was rated as lowest.

**Figure 4.20: Factors that enhance customer loyalty (Total)**



**Table 4.6 Total – Factors that enhance customer loyalty**

**n= 163**

	<b>Factor</b>	<b>Mean</b>	<b>Interpretation</b>
TOT1	Corporate colours	2.28	Poor
TOT2	Brand	2.42	Poor
TOT3	Accessibility	2.06	Poor
TOT4	Attractive site	2.06	Poor
TOT5	Convenience store	2.10	Poor
TOT6	Customer service	2.30	Poor
TOT7	Quality product	2.75	Fair
TOT8	Personnel	2.38	Poor
TOT9	Quick service	2.39	Poor
TOT10	Incentives	2.04	Poor
TOT11	Checking oil	2.17	Poor
TOT12	Checking water	1.99	Poor
TOT13	Checking tyres	1.90	Poor
TOT14	Washing windscreen	2.20	Poor

As indicated in Table 4.6 and Figure 4.20, all the customer loyalty factors of Total were poorly executed and it, therefore, calls for improvement in all aspects if the company wants to create a loyal customer base.

#### 4.3.4 Research Question 4

*Is there any significant relationship between customer loyalty to the brand and factors that enhance customer loyalty to the brand amongst petroleum companies in Botswana?*

**Ho1:** *There is no significant relationship between customer loyalty to brands and factors that enhance customer loyalty to brands amongst petroleum companies in Botswana.*

**Table 4.7: Multiple regression- Model summary for all petroleum companies  
n=163**

Petroleum company	Adjusted R-Square	F-Statistic	Level Significance at 95% (p-value)
BP	0.245	4.689	0.000
Shell	0.492	11.980	0.000
Caltex	0.268	5.157	0.000
Engen	0.204	3.854	0.000
Total	0.293	5.613	0.000

Multiple linear regressions were performed on the data that was collected from motorists at main mall in Gaborone between factors that enhance customer loyalty towards petroleum companies and customer loyalty towards petroleum companies.

With regard to BP, Table 4.6 reveals that the predictors that entered into the regression model with an adjusted R-Square of 0.245, accounted for 24.5% of the variance in the model, which means that 75.5% of the variance is explained by other factors beyond those that were used in the regression model. With the F-statistic of 4.689, which is higher than the critical value of 1, the implication is

that the relationship between the predictors that entered BP's customer loyalty model did not occur by chance. With the p-value of the model summary at 0.000, as it is less than the established 0.05 at 95% level of significance, it indicates that the hypothesis that states that there is no significant relationship between the predictors of customer loyalty and customer loyalty to the BP brand, should be rejected as it is evident that there is a significant relationship. The null hypothesis  $H_0$  in respect of BP is rejected and an alternative hypothesis is adopted. The implication is that if BP wants to enhance customer loyalty, it can achieve this by improving the way that it manages aspects of customer loyalty.

Findings with regard to Shell reveal that the R-square was 0.492, which means that customer loyalty factors that entered into the customer loyalty model, explained about 49% of the variance in the model. The F-statistic is 11.980, which is beyond the critical value of 2, and means that the relationship that was established within the model did not occur by chance. With the p-value at 0.000, which is less than the acceptable value of 0.05 at 95% significant level, the null hypothesis, as in the case of BP, is rejected and the alternative, which states that there is a significant relationship between customer loyalty to the Shell brand and factors that enhance customer loyalty within Shell, is adopted. The implication, as in the case of BP, is that customer loyalty to the Shell brand can be enhanced through enhancement of the mentioned factors.

Findings with regard to Caltex are in line with that of BP and Shell, and have an R-square value of 0.268, which means that 27% of the variability in the customer loyalty model is explained by factors within the customer loyalty model. The F-statistic at 5.157 provides credibility to the relationship, which was established in the customer loyalty model as having not occurred by chance, while the p-value at 0.000, which is less than the set value of 0.05 at 95% level of confidence, rejects the hypothesis and the alternative statement that there is a significant relationship amongst variables in the customer loyalty model. The implication, as

in the case of BP and Shell, is that customer loyalty for the Caltex brand can be enhanced through improving the mentioned factors that impact on customer loyalty.

Engen and Total's findings, as in the case of BP, Shell and Caltex, indicated that the relationship between factors of customer loyalty and customer loyalty for the specific brand, did not occur by chance as the F statistic in both cases was above the critical value of 2. The relationship between factors concerning customer loyalty and customer loyalties for both Engen and Total was established as the p-value at 0.000 for both models, which was less than the set of 0.05 at 95% level of confidence. The implication, as in the cases of BP, Shell and Engen, is that regarding customer loyalty for the brands of the two companies, enhanced attention should be directed towards customer loyalty factors as a means to improve them.

#### **4.4 Summary**

Findings from the study reveal that customer loyalty varies amongst different petroleum companies. The study further revealed that customer loyalty to brands could be enhanced, while the Total brand requires much more focus, should it appeal to customers, while BP and Shell were more appealing, followed by Engen and Caltex.

The following and final chapter outlines conclusions and recommendations, which are based on findings from this research study.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The study evaluated the factors that are known to enhance customer loyalty to brands amongst petroleum companies in Botswana, as well as levels of appeal and brand loyalty regarding different petroleum brands. This was achieved through an attitude survey that was conducted amongst consumers of petroleum products (motorists) at main mall, Gaborone. Research questions, hypotheses and a theoretical framework were developed, while a literature review revealed that customer service, personnel, environment and customer relationship management (CRM) could play a major role in the enhancement of customer loyalty to brands.

### **5.2 Conclusions**

Findings from the study concluded that:

- 5.2.1 In terms of appeal to customers, BP was rated as having the highest appeal followed by Shell, Engen and Caltex, with Total being the least appealing.
- 5.2.2 In respect of customer loyalty to brands, BP was first followed by Shell, Engen and Caltex, with Total tailing the list.
- 5.2.3 Regarding the issue of the level of management of factors that are known to enhance customer loyalty to brands, the study revealed that BP was the highest, followed by Shell and Engen, while all of them were rated as good, and Total was placed last and was rated as poor.
- 5.2.4 The relationship between factors of customer loyalty to the brand and levels of customer loyalty amongst all five petroleum companies was significant, which led to the rejection of the null hypothesis ( $H_0$ ), hence the alternative hypothesis ( $H_1$ ), which stated that there is a significant relationship between factors of customer loyalty and levels of customer loyalty, was adopted in respect of all petroleum brands.

### **5.3 Recommendations for petroleum companies in Botswana**

Findings from the study enabled the researcher to make the following recommendations to the respective petroleum companies. Whilst this is an academic document, any participating petroleum companies may be allowed access into these findings for operational use. Even then, it should remain clear that this was an academic study. This information will subsequently be in the public domain as it will be owned by the library for public use.

#### **5.3.1 BP Botswana**

Despite being rated the best in terms of appeal and customer brand loyalty, the company should improve from its current level, which is considered better to the desired level of being the best. The company can realise its objective through improving all factors that are known to enhance customer loyalty to its brand, with a major focus on ensuring that petrol attendants at their filling stations include checking motor vehicles' oil, water, tyres as part of their after-sales service.

#### **5.3.2 Shell**

The organisation should strive to improve its appeal, as well as loyalty to its brand from its current level, which is considered as better to that of being the best. The company can achieve this through improvement in all factors that enhance customer loyalty to its brand with more emphasis on ensuring that the after sales service includes checking of motor vehicles' tyres.

#### **5.3.3 Engen**

As in the case of BP and Shell, Engen should strive to enhance its appeal and brand loyalty from its current levels in order to be considered as being best. This can be brought about by taking deliberate action towards improvement of factors that influence customer loyalties to the brand, with a major focus on aspects of including checking customers' tyres as part of their after-sales service.

#### **5.3.4 Caltex**

The organisation should place more efforts on improving its appeal, as well as brand loyalty from its current low level of being considered poor to a desired level of being the best. This can be achieved through improvement of all factors that enhance customer loyalty to the brand to a desired level of being the best, with more focus on accessibility to customers, attractiveness, convenience stores, personnel, incentives to customers and checking of customers' tyres.

#### **5.3.5 Total**

The company was rated the worst with regard to all aspects and, therefore, should put more effort on enhancing its appeal and brand loyalty from its current level, which is considered as poor, to a desired level of being the best. The company can achieve this objective through placing unprecedented efforts on all the factors, which are known to influence customer loyalty to brand.

#### **5.4 Recommendations for further studies**

The current study identified factors that should be enhanced should customer loyalty levels be improved, as well as the fact that these factors indeed have a significant influence on customer loyalty to brands of respective petroleum companies. The researcher proposes that an exploratory study should be conducted that will in future explain what petroleum companies in Botswana should do in order to identify and implement measures that will realise high levels of customer loyalty to petroleum brands.

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13. Grade the following according to your preference on a scale of 1 – 5 (1 being lowest and 5 best).

	BP	SHELL	CALTEX	ENGEN	TOTAL
Corporate colours					
Brand					
Accessibility					
Attractive site					
Convenience store					
Good general customer service					
Quality products					
Trained personnel					
Quick service					
Incentives					
Do they check your oil?					
Do they check your water?					
Do they check your tyres?					
Do they wash your windscreen?					

14. Choose in order of preference, which brand you prefer most, from 1 – 5, number 5 being the best.

BP	SHELL	CALTEX	ENGEN	TOTAL
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15. Does your favourite filling station personnel know you by name?

YES	NO
-----	----

16. Do they have any of your previous purchase records?

YES	NO
-----	----

17. Is that the main reason that you buy from them?

YES	NO
-----	----

18. Rate your complete impression of a good oil company from 1 – 5, with number 5 being the best

BP	SHELL	CALTEX	ENGEN	TOTAL
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Thank you.