

FINAL REPORT

EVALUATION ON CUSTOMER CENTRICITY IN SOUTH AFRICAN RETAIL BUSINESS STRATEGY AND PROCESSES



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Submitted by:



Underhill Investment Holdings CC t/a
Underhill Corporate Solutions (UCS)
Company registration no: 2007/196267/23

Contact Person:

Edmore Mahembe
Suite No. SF02, Hatmed Office Park
484 Hilda Street, Hatfield,
Pretoria, South Africa, 0083
Cell: +27 (0)83 757 3733
Tell: +27 (0)12 751 3237
Fax: 086 540 7052/ 086 639 8976
E-mail: info@underhillsolutions.co.za
eddiem@underhillsolutions.co.za
Website: www.underhillsolutions.co.za

Table of Contents

EXECUTIVE SUMMARY	iv
1 PURPOSE AND OBJECTIVE OF STUDY	iv
2 RESEARCH METHODOLOGY	iv
3 MAIN FINDINGS.....	v
4 RECOMMENDATIONS.....	viii
1 INTRODUCTION AND BACKGROUND	1
1.1. Introduction	1
1.2. Background Information	1
1.3. Functions of W&RSETA	1
1.4. Sector Profile.....	2
1.5. Skills development in South Africa	2
1.5.1. National Skills Development Strategy (NSDS) III	2
1.6. Significance of skills planning.....	3
1.7. Rationale for undertaking the study	3
1.8. Research objectives	4
2. LITERATURE REVIEW	5
2.1. Customer centricity.....	5
2.2. Customer activity cycle	6
2.3. Information	7
2.4. Decision Rights.....	8
2.5. Metrics and rewards	8
2.6. A contingency theory perspective	9
2.7. Resource based view of the firm	9
2.8. The marketing concepts.....	9
2.8.1. Trust	10
2.8.2. Customer satisfaction	10
2.8.3. Positive word of mouth.....	10
2.8.4. Cross selling.....	11
2.8.5. Customer loyalty	11
2.9. Small and Medium Enterprises (SMEs).....	11
2.9.1. Location of SMEs.....	12
2.9.2. Importance of SMEs.....	13

2.9.3.	Challenges faced by SMES.....	13
2.9.4.	Skills needs for SMEs.....	14
2.9.5.	Best approaches in implementing SMEs.....	15
3.	RESEARCH METHODOLOGY	17
3.1.	Introduction	17
3.2.	Research Design.....	17
3.2.1.	Data Collection and Sampling	17
4.	RESEARCH FINDINGS.....	19
5.	CONCLUSION AND RECOMMENDATIONS.....	40

FIGURES

Figure 1:	Customer Activity Cycle	7
Figure 2:	Best Approaches in implementing SMMEs	16
Figure 3:	Number of employees	21
Figure 4:	Customising of products based on customer needs by retailers.....	21
Figure 5:	Customising of products and services to target specific individuals based on their needs	22
Figure 6:	Market Space	22
Figure 7:	Mass Targeting.....	23
Figure 8:	Customizing communication of products and services per individual based on needs	24
Figure 9:	Frequent meetings with employees to identify future customer needs.....	24
Figure 10:	Market research to understand customer needs.....	25
Figure 11:	Monitoring of direct interactions with customers to improve services	26
Figure 12:	Regular customers	26
Figure 13:	Engagement of customers on desired products.....	27
Figure 14:	Building and deepening of relationships with customers	28
Figure 15:	Figure Information sharing on product development	28
Figure 16:	Understanding customer needs, wants and desires Retailers perspective.....	29
Figure 17:	Existence of independent divisions focus on maximising customers.....	30
Figure 18:	Customer complaints	30
Figure 19:	Customers by province	31
Figure 20:	Gender analysis of customer respondents	31
Figure 21:	Customer satisfaction from customers.....	32
Figure 22:	Positive word of mouth from customers.....	33
Figure 23:	Reasons for recommending.....	34
Figure 24:	Loyalty to retail shop	35
Figure 25:	Trust	35

TABLES

Table 1:	Classification of Retail SMMEs	12
Table 2:	Schedule for data collection in the regions for customers and retailers.....	19

Table 3: Subsectors of retailers who responded	20
Table 4: Customers interviewed per subsector	32
Table 5: Top 20 Hard to Fill skills	36
Table 6: Type of assistance given by W&RSETA.....	37
Table 7: Source: Suggestions on skills development	37

EXECUTIVE SUMMARY

1 PURPOSE AND OBJECTIVE OF STUDY

The purpose of this study was to evaluate customer centricity in the South African Retail Business strategy and processes. The study centred on identifying approaches on to how to best implement SME projects to ensure growth and sustainability, impact of SME related projects and find out scarce business development skills needs faced by SME. The thrust of the study was to find out how to build a sustainable customer base, especially for emerging retailers and small traders and identify skills needs for small and emerging businesses. Recommendations on how to inform sector skills planning processes within the Wholesale and Retail sector will be explored as well as highlighting contributions that can be made into producing new knowledge to address the National imperatives as highlighted in the NSDS III.

2 RESEARCH METHODOLOGY

The research methodology used for this study included both quantitative and qualitative research methods. Secondary (desktop) research was conducted on SMEs as well as customer centricity. A cross examination was undertaken by a review of existing literature in the public space. Primary data collection was undertaken to collect data from wholesalers, retailers and customers using online and face to face interviews.

Purposive sampling method was employed to select respondents from each predetermined strata (retailers and customers) based on the participants in 6 provinces namely Gauteng; KwaZulu-Natal; Western Cape; Free State; Limpopo and Mpumalanga. All participants from Northern Cape responded through online surveying through Survey Monkey. These provinces were selected on the basis that they represent both urban and rural set up where Small to Medium Enterprises (SMEs) are located.

The study conducted in depth interviews with SMEs and emerging retailers. The main purpose being to evaluate the Customer Centricity Strategy Design and Implementation; management of relationships and consultation and to understand lessons learnt in strategy formulation and implementations. Semi-structured interviews (survey) with some of the customers (to be randomly selected at the location of SMEs). The main purpose of the interviews is to evaluate the customer's experience with the SME retailers.

Qualitative data obtained from the respondents were analysed using Thematic Content Analysis (TCA). The content analysis performed using an analytical structure that is linked to the overall

evaluation framework. The qualitative analysis framework guided by the overall evaluation objective. Meaning units were emerging from the data were integrated into themes, using a grouping procedure based on both similarities and differences; using the principles of internal homogeneity and external heterogeneity. Use of content analysis permitted the research team to identify theme cores and nodes that emerge from the data, allowing the researcher to proceed from the abstract to the general. The quantitative analysis was done using the Statistical Package for Social Sciences (SPSS) which allowed the production of statistical graphs, figures and descriptive statistics (mean, mode, median and frequency- which ever will be applicable).

3 MAIN FINDINGS

Market Spaces

There is classification of market spaces amongst the retailers through market segmentation. Definitions of market space were given by retailers from a customer segment. The outcomes of the responses are customer based showing inclination towards customer centricity

Targeting practices

Retailers under study used targeting practices to track the customers' needs desires and wants using mass targeting strategies. A great shift from product centric to customer centric was observed from the findings as indicated by the high percentage of respondents who agreed to designing of products and services to target market segments. This strategy ensures interaction between the retail and customer exploiting feedback of specific customers. The retailers under study used the segmentation approach which allows for viewing market spaces through segments. Targeting practices provide the retailers with information on customers and allows the information to be analysed and used accordingly to target the market. Customers can engage with the retailers on the desired products and services. There is a deepened relationship with customers ensuring a strong customer base. Majority of retailers acknowledged to having regular customers.

Customer centricity

The study finds out that most emerging retailers and SMEs are employing various strategies of customer centricity to retain regular customers who can improve their revenues. Some of the strategies being employed are customising products and services based on customer needs, customising products and services to target specific individuals based on their needs, mass targeting, holding frequent meetings with employees to identify future needs of their customers. In addition to this, other strategies which are being used involves monitoring of direct interactions with the customer to improve services, engaging customers on desired products and building and deepening of relationships with the customers.

The existence of customer centricity amongst the retailers in their strategy and processes to suit individual needs has also been confirmed by high levels of customer satisfaction amongst the customers leading to loyalty and trust of retailers. Most customers also indicated that they would recommend their retail outlets to friends and relatives because of loyalty.

Business unit collaborations

Business unit collaborations existed within the departments of a retailer. Flow of information about customers across departments were found to be existing to most retailers. High Sharing of information across departments and customer insights across the retailer's aids in speeding up decision on products and services thereby maximising customer value across departments.

Cross Business Unit Collaborations between wholesalers and retailers

Contrary to retailers having business collaborations within departments little or no collaborations existed between the wholesalers and retailers. This leads little customer-based information amongst retailers and wholesalers meaning each wholesaler and retailer drives to meet customer desired products and services solely. Lack of collaborations results in low or lack of information flow amongst wholesalers and retailer. The study finds out that cross business unit collaborations amongst wholesale and retailers was limited which is a cause for concern as the two forms integral part of retail value chain system. Cross business unit collaboration was measured by the existence of sharing of information amongst the wholesale and retail sector in product development. Only 32.9% or retailers indicated that they do share information with wholesalers. This illustrate that there are little collaborations between the wholesale and retail sectors. For emerging retailers to sustain their growth and development they are need for close collaboration with the wholesalers who provides them with their feeder stock. This is an area in which W&RSETA can intervene and support close collaborations between emerging retailers and wholesalers across different subsectors.

Satisfaction

With the high levels of satisfaction from the customers view point most customers recommend the retailer to friends and relatives because of loyalty to the retailer. Targeting and pleasing individuals sought by retailers as findings reveal that retailers track what the customers does outside our business unit to improve service enables retailers to add meaningful value and growth through the repeated purchases. It was found that most retailers are driven by customer activities and processes in their strategy rather than company processes and activities, this alignment is towards a truly customer centred approach.

Trust

One benefit of customer centric strategy, which is trust was realised among customers. The customers understudy revealed that high levels of trust existed amongst customers for the respective retailers. High levels of trust are likely to lead to more purchases by customers thereby ensuring high survival rates for retailers.

Current interventions of W&RSETA to retailers

The study also finds out that the role of the SETA is also acknowledged by the retailers as they were able to identify some of the interventions being made by W&RSETA in addressing skills development in the sector thereby supporting the growth and sustainability of the emerging retailers and SMEs. Majority of respondents (27.5%) indicated that they have received grants and funding for skills development while 20.8% indicated that they have received support in the form of training programmes and further 11.7% have indicated that they have received learnerships from W&RSETA. However, about 9% of respondents indicated that they are yet to receive any support from W&RSETA which highlights the need to equitably spread the interventions of skills development initiatives to other areas and other sub-sectors to ensure growth and sustainability of SMEs.

Skills development issues

As the main driver of skills development in the sector, W&RSETA carries an enormous responsibility in ensuring that emerging and SMEs retailers overcome many challenges which retard their growth and sustainability because of skills gaps. W&RSETA has the responsibility not only identify skills gaps but also intervene to address them. The study found out that emerging retailers and SMEs do have some training needs which they need to be supported with to improve the management and operations of their businesses. Majority of respondents (26.8%) would like W&RSETA to offer them soft skills while 25.6% would like W&RSETA to offer them technical training in their respective line of businesses. Other respondents also indicated their desire to see W&RSETA assisting them with on the job training/in store training (24.7%) and coaching and mentoring (21.5%). This information is critical in sector skills planning and in ensuring skills development initiatives which focus on areas of strategic importance to stakeholders. The areas highlighted are at the core of the SETA skills mandate and therefore need interventions to ensure growth and sustainability of emerging and SMEs retailers.

Hard to fill occupations

The study also finds out that they are some skills which emerging retailers and SMEs across various subsectors are finding difficult to fill owing to factors such as skills shortages of qualified and experienced people. The term “skills shortages” is used to refer to both the quantitative mismatches between demand and supply in the labour market and qualitative deficiencies within the skills sets of employees. Skills shortages typically manifest in high staff turnover rates and difficulties experienced by employers to retain certain categories of staff. To gauge the nature and extent of skills shortages experienced in the sector, employers were asked to identify the occupations in which they find it difficult to find suitable employees. About 14.2% of the respondents indicated that they find it difficult to fill positions of Managers while about 11% of respondents indicated that Sales Representatives are also difficult to fill. Other skills which considered to be most challenging to find include Administrative and Operations Managers, Confectionary Bakers, Pattern Making Facilitators, Information and Technology skills, Administration Clerks and Butchery Specialists, etc.

Suggestions on skills development and training

The respondents were also generous to suggest areas in which they would like W&RSETA to support to equip them with the necessary skills and information for them to be able to grow and sustain their

businesses. Majority of the respondents (20.9%) indicated that W&RSETA should hold regular staff training to upskill their skills for them to provide services and products which satisfies their customers. About 11.9% also felt that the W&RSETA should increase the allocation of grants for skills development to ensure that a wide array of recipients receive training. Increase in support to learnerships and improving engagement with retailers are also some of the expectations from the emerging retailers and SMEs. Other areas which the retailers pointed out to enhance skills development and training relates to timeous communication of any activities by W&RSETA, developing user friendly methods of submitting Work Skills Plans and improve the accessibility and visibility in rural areas.

4 RECOMMENDATIONS

Skills Development issues

The study finds out that emerging retailers and SMEs continues to face skills shortages in managing their businesses in a way which allows them to grow sustainably. Furthermore, the sector also faces some skills shortages across various subsectors for them to perform well. W&RSETA is called upon to scale up the support on skills development initiatives in training retail employees on customer care, communication skills as well as marketing skills. There is need for regular staff trainings should be done across all sectors.

Accessibility and visibility

The findings outlined the strong need for W&RSETA to enhance its accessibility and visibility to all retailers irrespective of their sizes or location of emerging retailers and SMEs. This is an important stakeholder as they can contribute to socio-economic wellbeing of the entire economy. It is recommended that W&RSETA needs to improve its accessibility and visibility particularly in the rural areas to support skills development to rural SMEs for them to be able to be equipped with skills and knowledge to manage and grow their business.

Collaboration amongst players and other stakeholders

The study finds out that collaboration between wholesalers and retailers as well as other stakeholders is limited hence the need to improve cross business unit collaboration between the stakeholders. While it seems collaboration between retailers, suppliers and manufacturers exists, it has become more essential to success as consumers are becoming more and more demanding. Consumer-goods manufacturers, wholesalers and retailers ought to work together to improve their performance. W&RSETA is called to play an important role in facilitating such collaboration in terms of developing the necessary skills as well partnering on initiatives that extend beyond day-to-day business and that aim to deliver significant long-term value for both parties with the aim of supporting the growth and sustainability of emerging retailers and SMEs.

1 INTRODUCTION AND BACKGROUND

1.1. Introduction

This report centres on evaluation of customer centricity in the South African Retail Business Strategy and processes. Focus is on how SMEs conduct their processes and strategy to ensure customer centricity. While the contribution of SMEs to development is undeniable, the survival rate of the SMES has been low hence the report responds to the need to identify approaches on to how to best implement SME projects to ensure growth and sustainability as well as inform sector skills planning processes within the Wholesale and Retail sector. It is reckoned that the research study will highlight SME business development skills needs and the findings will contribute into producing new knowledge to address the National imperatives as highlighted in the NSDS III.

1.2. Background Information

The Wholesale and Retail Sector Education Training Authority (W&RSETA) is a statutory body Established in 2000 through the Skills Development Act of 1998 to enable its stakeholders to advance the national and global position of the wholesale & retail industry.¹ This legal entity is responsible for supporting skills development in the wholesale and retail (W&R) sector of South Africa through the implementation of learning programmes, disbursement of grants and monitoring of education and training as outlined the *Act*, accompanying *regulations* and the *National Skills Development Strategy III (NSDS III)*.² Wholesale trade deals with the bulk buying of goods from various manufacturers and the breaking down of this bulk into smaller quantities which is then sold to the retailer. Retail trade deals with the buying of goods from the wholesaler and selling of such goods to the consumer sector (Skills Plan 2016).

1.3. Functions of W&RSETA

The functions and responsibilities of SETAs are set out in Chapter 3, section 10 of the Skills Development Act, 1998 which are to:

- a) Develop and implement a sector skills plan. This is a plan to describe the trends in each sector, the skills that are in demand and to identify priorities for skills development
- b) Develop and administer Learning Programmes. These include Skills Programmes and Learnerships
- c) Support the implementation of the National Qualifications Framework. The National Qualifications Framework (NQF) is the framework, based on eight levels, on which any qualification or learning outcome can be registered.

¹ http://wrlc.org.za/wp-content/uploads/2014/12/WRSETA-Sector-Skills-Plan-Update-2014-15_Final-Report_30092014.pdf

² <http://www.wrseta.org.za/>

- d) Undertake Quality Assurance on provision of learning in line with the QCTO requirements which include the following: Accredite education and training providers, monitor provision to ensure that programmes are being followed, Register Assessors and collaborate with other Education and Training Quality assurers.
- e) Disburse levies collected from employers in their sector. Employers pay 1% of their salary payroll to SARS monthly. 80% of the portion of this contribution is distributed to SETAs and is allocated to administration costs and grants to be claimed back by companies
- f) Report to the Minister. SETAs are statutory bodies. This means that they are established by Act of Parliament and they are given clear responsibilities to be discharged in the public interest as they are custodians of public funds (levies). SETAs are required to report to the Director-General of the Department of Higher Education and Training, on the efficient and effective use of funds. SETAs are also governed by the Public Finance Management Act, the provisions of which are designed to ensure that public bodies operate in a manner that is not wasteful or irresponsible.³

1.4. Sector Profile

According to the 2016-2017 report the Wholesale and Retail Sector had 3.161 million people, or 20.4% of the total active labour force. Retail sales year on year in South Africa is expected to be 2.3% by the end of the 2nd quarter, according to Trading Economics expectations.⁴

There are 87 790 active Wholesale and Retail enterprises. These consist of 77 196 small (88%), 2370 medium (3%) and 919 (1%) large enterprises. There are 7 305 (8%) unclassified enterprises. Gauteng has the largest concentration of enterprises (37%); Western Cape has 18% and Kwa Zulu Natal 15%.⁵

1.5. Skills development in South Africa

1.5.1. National Skills Development Strategy (NSDS) III

The National Skills Development Strategy (NSDS) is the overarching strategic guide for skills development and provides SETAs with direction for sector skills planning and implementation that is in line with wider national goals and objectives. The new NSDS III (2011-2015) was launched in January 2011 and represents an explicit commitment to encouraging the linking of skills development to career paths, career development and promoting sustainable

³ <http://www.wrseta.org.za/inner.aspx?section=1&page=226>

⁴ <http://www.wrseta.org.za/downloads/2016-7%20WRSETA%20%20Sector%20Skills%20Plan.pdf>

⁵ <http://www.wrseta.org.za/downloads/2016-7%20WRSETA%20%20Sector%20Skills%20Plan.pdf>

employment and in-work progression.⁶ The emphasis is particularly on those who do not have relevant technical skills or adequate reading, writing and numeracy skills to enable them to find employment. The NSDS III emphasised that developing Sector Skills Programme (SSP) is core to the SETAs' mandate. The Sector Skills Programme must outline current and future learning and qualifications needs of workers and their employers to develop interventions that are agreed on with stakeholders that can improve the match between education and training supply and demand, the current and projected needs of the sector and sector employers.

1.6. Significance of skills planning

The National Skills Development Strategy (NSDS) III seeks to ensure increased access to training and skills development opportunities and achieve the fundamental transformation of inequities linked to class, race, gender, age and disability in our society. It also seeks to address the challenges of skills shortages and mismatches South Africa face as a country and improve productivity in the economy.

There is currently no institutional mechanism that provides credible information and analysis regarding the supply and demand for skills.⁷ While there are many contrasting information databases and research initiatives, there is no standardised framework for determining skills supply, shortages and vacancies, and there is no integrated information system for skills supply and demand across government (*ibid*). SETAs play an important role in gathering statistics and other relevant information on labour market skills needs and training provision. Their close contact with industry places them in a good position to document and communicate recent and emerging trends, as well as to develop solid baseline indicators. Such information is essential in planning to meet the country's skills needs and guiding investment in education and training provision.⁸

1.7. Rationale for undertaking the study

The basis for undertaking the study is founded on the premise that SMMEs make up approximately 90% of all business entities that are operating in SA (Mouloungui, 2012), while also providing employment opportunities to between 61% and 80% of the national workforce. Despite the above, SA SMMEs are believed to have one of the worst sustainability rates in the world (Fatoki, 2014) hence it is against this backdrop W&RSETA's seeks to identify approaches on to how to best implement SME projects to ensure growth and sustainability as well as find out SME business development skills needs. Undertaking the study is aimed at informing sector skills planning processes within the Wholesale and Retail sector as well as how this

⁶ <http://www.dhet.gov.za/Booklets/NSDS%20III%20Progress%20Report%20-%207%20October%202013%20-%20V11.pdf>

⁷ <http://www.nationalskillsauthority.org.za/wp-content/uploads/2015/11/NSDSIII.pdf>

⁸ <http://www.nationalskillsauthority.org.za/wp-content/uploads/2015/11/NSDSIII.pdf>

study can contribute into producing new knowledge to address the National imperatives as highlighted in the NSDS III.

1.8. Research objectives

The objectives that this study intends to achieve are

- to evaluate customer centricity in South African retail business strategy and processes.
- define how to build a sustainable customer base, especially for emerging retailers and small traders
- identify skills needs for small and emerging businesses.

2. LITERATURE REVIEW

2.1. Customer centricity

In the contemporary world more and more firms throughout the world are adding value to their core corporate offerings through services. The trend that is prevailing in almost all industry is customer driven rather than product driven and perceived as sharpening competitive edge. This section reviews customer centricity in South Africa retail business strategy and processes. The literature under review can be classified into four main categories: customer centric strategy, customer activity cycle, contingency theory perspective and scarce skills in critical supply.

As technological developments occur and customer needs advance with time, the consequent product-centric systems and processes has been found wanting, making it mandatory for firms to adopt client centric strategies Naidu & Mashanda, (2017). Disruptive customer centricity as defined in Vandermerwe, (2014) includes overturning old market, sector or industry beliefs, convictions, assumptions and habits, creating a new industry standard, a different way of doing things and a breakthrough that brings something to the market that makes customers, organisations and others better off. Customer centricity is therefore the ability to get and stay ahead by giving long term value to and getting long term value from customers, in a way that makes it difficult for competitors to catch up Vandermerwe, (2014).

Understanding customer needs has been viewed to increase the scope of products through market synergies Kindstrom & Kowalkoski (2014) cited by Ching'andu, (2016). In the face of growing competition, scarce resources, and more demanding customers, business leaders are striving to increase profitability by becoming more customer-centric. In a customer-centric approach, all organizational activities are centered on customers rather than on products (Bonacchi & Perego, 2011). This essentially means long term value for the customer can never be viewed from a historical perspective, this view has to be futuristic and requires a shift in mind-set supported by an investment in relevant technologies designed with the customer at centre.

Sheth et al., (2000) postulate that a client centric approach investigates trends of individual customer providing a forward-looking view to enable a firm to gain competitive advantage. Bonacchi & Perego, (2011) view customer centricity through the perspective of the use of customer-based information in the firm's decision-making process allocation of decisions rights metrics and incentives. This enable firms to identify and priorities profitable customers and outsource less profitable ones by aligning their selling activities with customer life cycles as opposed to aligning them from the transactional point in time (Sheth et al., 2000). This is inclination towards customers rather than focus on marketing activities. According to

Bharadwaj & Dong, (2014) a client centric strategy provides the firm with dynamic capabilities that help the firm provide superior products and services.

Given that different customers have different needs a client centric firm must strive for individual customer as opposed to product and market segment. The need to understand and design for the ever-evolving needs of the customer of today and the future is at the heart of the customer centricity Naidu and Mashanda, (2017). Firms aligning to individual customers as opposed to mass segment are likely to yield more significant information per on customers that can be used to strategise on production of more appropriate products and services.

Mickelson, (2014) suggest that client centric firm must view outcomes and services form a customer's point of view. This perspective will effectively shift power to customers as they choose to look onto the firm as opposed to getting looked in by it. Mickelsson (2014) argue that customer activities and processes rather than company processes drive client centric strategies as customer activity approach counters the firm dominant logic and replaces it with customer dominant logic at the centre of strategy. This approach provides an intimate understanding of the end customer rather than operations.

Hamilton, (2016) postulates that a consumer-based strategy is a better approach as it focuses on total market consumers and not current customers. However, Vandermerwe, (2004) points out that using a customer centric strategy that tracks activities before, during and after interacting directly with the customer would include non-customers. Ethiraj et al., (2012) notes that while client centric strategies indicate that customer demands should be priorities there is a danger that too much emphasis is placed on current customers and not potential ones. The customer activity cycle is customer-focused strategy tool designed to help firms become more focused on their customers' needs.

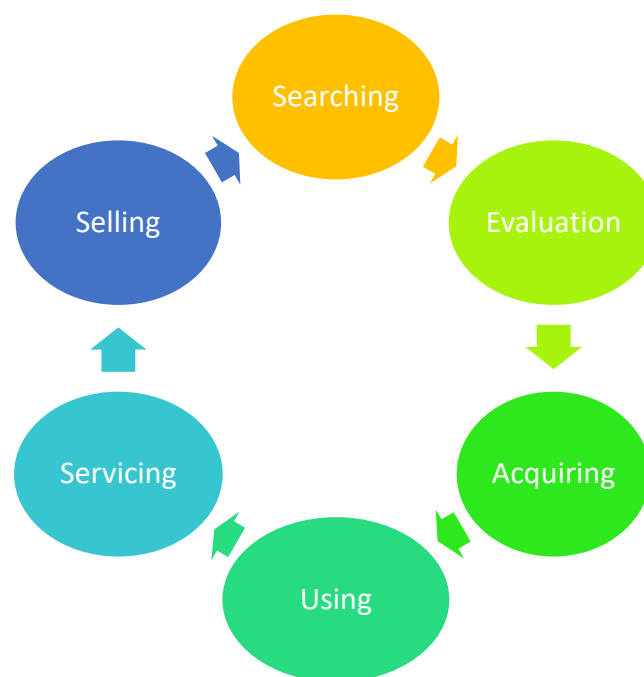
2.2. Customer activity cycle

The customer activity cycle begins with 'pre-activities' (such as seeking information, deciding what to do and purchasing), 'during- activities' (such as using or operating), and finally post activities such as reviewing, renewing or extending Mickelson, (2014). The cycle is a tool designed to help the firm track customer actions before, during and after interactions with the firm. For firms to gain meaningful proximity to clients there is need to understand the activities customers engage to meet desired outcomes in a market space.

The customer activity cycle must differentiate core, related and unrelated activities that a customer goes through to achieve the final desired outcome (Mickelsson, 2014). Core activities relate to the direct interactions that customers have with a service provider, related activities are the ones close to direct interaction but are not easily observable to the firm and unrelated activities are those that are not seen by the firm but inform the client's decisions.

Vandermerwe, (1999) postulate that value identified in the customer activity cycles have depth of customer insights, are not obvious are imperfectly irritable across organisations and industries to deliver an integrated customer experience. The customer activity cycle enables organisations to move from superficial client centric view limited to interactions within the firm to all activities that a customer goes through to achieve the final desired outcomes (Mickelson, 2014). Bharadwaj et al., (2012) suggest that the ability to gain a deep understanding of customers allows a client centric firm to create superior value propositions.

Figure 1: Customer Activity Cycle



Source: Sawhney 2006

Mickelson, (2014) argues that access to information acquired through the customer activity cycle tool can enable an organisation to enhance its decision-making process making it possible to design metrics aligned to the customer requirements. The customer activity cycle increases interactions with customers. According to Mickelson, (2014) such interactions make up the building blocks of customer engagement. This is made possible as Vandemerwe, (1999) state that value identified in the customer activity cycle have depth of customer insights, as opposed to product marketing that focus on demand management through promotions.

2.3. Information

As a result of customer activity cycle expanding the information that a firm can obtain enables a firm to fill in gaps from primary or adjacent activities by providing value adding services et al., (2006). Mickelsson, (2014) notes that it also enables a firm to bring in information that is not directly visible to customer and service provider interaction.

Rumelt, (2012) cited by Chingandu, (2016) suggests that building a strategy centred on clients would require having the customer at the centre of the firms guiding policies thereby ensuring that such policies incorporate information obtained from formulating an evaluation of customer activities. Therefore, customer activity cycle expands the information that a firm can obtain and enables a firm to fill value gaps from primary adjacent activities by providing value adding services. Chingandu, (2016) suggest that advances in database technology and monitoring customer information allows a firm to select profitable customers to which would enable it to cross sell. Sheth et al., (2000) suggest that as customer demographics change, and customer needs get demanding client centric marketing will become more important thereby enhancing the information gathering and processing abilities. This allows firms to track the changing needs at a client level and not market level.

2.4. Decision Rights

Client centric strategy should be supported by an organizational structure that allows information and decisions to travel across departments. Bonnachi & Perego, (2011) suggest that the success of client implementation is based on the integration of decision rights, metrics and incentives.

Wallace et al., (2010) Clarity on decision rights is critical as it allows for opening up the firm to learn more about what customers' needs this is paramount if the firm is clear about who makes decisions based on this information. Decision rights lucidity is paramount for all effective organisations, but for firms adopting a customer-centric strategy it is critical, for at least two reasons.

First, poorly managed decision rights mean that the rich customer insight the organisation has accessed will go unused. Product designers will continue to make decisions on product features in isolation from operations managers (Wallace et al., 2010). Decision rights must be clear to avoid having cross-functional decision making either slow the process down while consensus is reached or duplicate effort (and cost) as each function continues to operate in isolation. This requires the organisation to first understand what the critical decisions are, then define who is accountable for making these decisions versus those that provide information to support the decision-making process.

2.5. Metrics and rewards

Customer equity drives the firm's profitability and metrics are designed to measure the extent to which it is grown (Bonacchi and Perego 2011). Used to measure performance against business targets, metrics include measurement of churn, service and acquisition costs and lifetime revenue. Such metrics ensure that firm activities are directed toward delivering value to customers, (Chingandu 2016).

Wallace et al., (2010) states that tracking and monitoring consumer response to product performance and service levels and communicating the result is a critical part of creating buy-in and maintaining the momentum for a change to a customer-centric perspective. In the best customer-centric companies, employee incentives and customer metrics are all truly aligned to drive customer profitability. These metrics are very serious and have the same rigor and measurability as other financial measures in the firm.

2.6. A contingency theory perspective

Client centric strategies are aligned with the contingency theory which states that the optimum strategy of a firm is not fixed but is rather dependent on internal and external matters. This relates to how a firm sources information from the environment in which it operates, processes it internally and uses it to make decisions that translate into products and services. By using individual customer needs to provide the external and internal context for the firm's success, the success of the firm is therefore based on its ability to source external information, process it internally and use it to make decisions (Sheth et al., 2000).

There is also need to align resource to the external environment conditions of firm. This aligning to customer activities by client centric firms can bring in information that tracks changes in the market and customer needs. As such client centric strategy is reliant on being aligned to customers in the environment that a firm operates in (Ching'andu 2016).

2.7. Resource based view of the firm

The resource-based outlook of the firm views the firm's resources as a source of its competitive advantage. The ability of a client centric firm to make linkages and exploit the various actors in a market space add value to customers as a resource (Kindstrom & Kowalkoski, 2014) cited by (Ching'andu, 2016). This is achieved by having greater knowledge about the customer that enables firms to develop better products and services. Good customer-based information and knowledge allows the firm to develop strategies that balance adding new services to maintain loyal customers and developing service to induce marginal customers (Chingandu, 2016).

Bharadwaj & Dong, (2014) concur that the ability to develop better ways of filling customer needs has been viewed as valuable resource for client centric firms. Client centric strategies have also been found to increase customer loyalty which in turn increase cross selling and lifetime value (Bonacchi and Perego 2011).

2.8. The marketing concepts

Customer centricity is an extension of the marketing concept of adding value. The market strategy gains dominance as gains from product focused marketing lead to commoditisation

which results in customer dissatisfaction. (Seth et al., 2000) affirms that the marketing concept has placed firm's success as being contingent on understating and satisfying customer needs. The decisions of firms must be geared toward satisfying customer needs by ensuring that the controllable parameter of the marketing mix is aligned to the customer Chingandu (2016).

Ching'andu, (2016) postulates that a client centric firm goes beyond identifying the needs of customers by understanding how and when to introduce products and services. By using customer activities before during and after direct interactions with a firm, information about customers evolving needs is brought into the firm through the marketing concept. Below is a discussion on some of the gains of client centric strategy on a business and its survival.

2.8.1. Trust

Trust is viewed as an essential component of building long term relationships with organisations. The increase in trust make purchasing more likely for customers to make additional purchase with the firm by reducing uncertainty (Ching'andu, 2016).

The customer activity cycle tries to eliminate the limitations between firms and their customers. As customer purchasing activity reiterates, trust can become an antecedent for future purchases. Trust can therefore lead to customer satisfaction.

2.8.2. Customer satisfaction

Being a customer focused firm enables firms to deal better with the complex and fast changing customer needs and expectations due to intimate understating firms have for their clients. Client satisfaction and loyalty are competitive advantages to companies as this enhances the firm's sustainability (Ching'andu, 2016). The ability to produce better products and service lead to high customer satisfaction. Higher customer satisfaction leads to positive word of mouth.

2.8.3. Positive word of mouth

The viral word of mouth has been found to have the ability to influence adopter's expectations and thought about a service or product. Satisfaction has manifested itself in many ways including recommending the service or product to other potential customers (Wang 2011) cited by (Ching'andu, 2016).

Research on customer advocacy, which is a form of customer centricity established that customers will advocate their service provider to peers if they are satisfied with the offerings and have developed a trust on the firm. If products and services provided by a customer

centric firm create a more stratified customer due the superior capabilities, customers are likely to speak positively about it (Ching'andu, 2016).

2.8.4. Cross selling

Client centric strategy has the potential to reduce acquisition and serving costs customer enabling firms to take advantage of economies of scale and scope. Profitability can therefore be increased through cross selling behavior that is created by customer avoiding switching the costs and purchasing more products and services from the same firm (Brush et al., 2012). Optimal matching of resources and markets maximizes the value of shared resources (Schmidt et al., 2016).

2.8.5. Customer loyalty

Customer loyalty is an attitude referring to positive feelings towards a brand or a firm and encompasses both attitudinal and behavioural practices. Customer loyalty has been generally described as occurring when customers repeatedly purchase goods and services overtime holding favourable attitudes towards the firm supplying the goods and services (Yuen & Chan 2010). Research has proven the many benefits of customer loyalty, such as making it a trend for retailers to follow, as well as developing and maintaining a loyal customer base. Loyal customers are important assets to companies; they make proportionally more purchases at their 'first choice' store than customers who switch (Yuen & Chan 2010). Research reflects that a move towards customer centricity is inevitable as it is likely to strategies enhance the customer loyalty thereby increasing marketing efficiency.

2.9. Small and Medium Enterprises (SMEs)

There is an emergent appreciation of the significant role small and medium enterprises (SMEs) play in economic development in any economy. SMES are often termed as proficient and creative job creation and engines of development. The issue of what constitutes a small or medium enterprise is a major concern in the literature. Different authors have usually given different definitions to this kind of business. SMEs have certainly not been spared with the definition problem that is usually associated with concepts which have many components. The definition of firms by size varies among researchers. Some attempt to use the capital assets while others use skill of labour and turnover level. Others define SMEs in terms of their legal status and method of production (Abhor & Quartey 2010).

In South Africa (SA), Small, Medium and Micro Enterprises (SMME) are defined by the National Small Business Act No. 102 of 1996 as follows: "A separate and distinct business entity, including cooperative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the national economy" (South Africa, 1996).

Table 1: Classification of Retail SMMEs

Description	Full-time Employees
Micro	0-5
Very Small	6-20
Small	21-50
Medium	51-200

Source: National Small Business Act, 1996

In South Africa, the National Small Business Act 102 of 1996 (South Africa, 1996) amended by Act 29 of 2004 (South Africa, 2004) categorise small organisations into four categories namely micro enterprises, including survivalist enterprises; very small enterprises; small enterprises; and medium enterprises. The differentiating factor between these categories, excluding micro enterprises, is the number of employees (Smit & Watkins 2012).

In practice, SMEs are defined in many ways, generally with reference either to the number of employees or to turnover bands (or a combination of both, as in the National Small Business Act 1996, which also allows for variations according to industry sector. The definition of SMEs by size is essential, but it is not adequate for a comprehension of a sector where the realities are not only multifaceted, but also dynamic.

SMEs are also defined as a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy.

Small businesses range from medium-sized enterprises, such as established traditional family businesses employing over a hundred people, to informal micro-enterprises. The latter includes survivalist self-employed persons from the poorest layers of the population. These firms can take the form of street trading enterprises, backyard manufacturing and services, and occasional home-based evening jobs. The informal sector comprises almost exclusively of SMMEs; those classified as survival entities have very little growth potential and are less likely to hire staff (The DTI, 2008).

2.9.1. Location of SMEs

The Small, Medium and Micro Enterprise sector of South Africa report (2016) state that in seven of the nine provinces, there are significantly more informal SMMEs compared to formal ones. Only in the Western Cape and Northern Cape are the numbers virtually equal. Rural provinces tend to have more informal SMMEs, due to their high number of hawkers and informal traders. Nearly half of South Africa's formal SMMEs operate in Gauteng (46%), followed by the Western Cape (16%). Gauteng also has the most informal SMMEs (31%),

followed by Kwa Zulu Natal (19%). The correlation between the number of formal SMMEs per province to GDP is 98%, while that of informal SMMEs is 92%.⁹ Of the 2.2 million SMMEs in South Africa, most (944.5 thousand) operate in the domestic trade (wholesale and retail) and accommodation sector of the economy, followed by the community, social and personal services sector (ibid).

2.9.2. Importance of SMEs

The South African government is fully aware of the importance of SMEs and a framework to support and develop SMEs is in place. The importance of SMMEs is also enshrined in National Small Business Act of 1996 which outlines their responsibility for adding socio-economic value to the SA economy by reducing unemployment through the creation of employment opportunities and alleviating poverty through both the generation and dissemination of wealth (Masutha and Rogerson, 2014; Koens and Thomas, 2015). To emphasise the importance of retail SMMEs their legal classification based on the number of full-time employees employed, as per the National Small Business Act No. 102 of 1996. The SME sector of the economy is actively promoted by several initiatives, including:

- The National Small Business Act of 1996, which defines SMEs and provides for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency (Ntsika).
- Khula Enterprise Finance has a mandate to improve the SME sector's access to finance, primarily through the provision of 'wholesale finance' or guarantees to retail financial intermediaries, which, in turn, finance the provision of 'wholesale finance' or guarantees to retail financial intermediaries, which, in turn, finance the SME sector. Another initiative is the Skills Development Programme, which was launched by the government in 1998. Through this initiative, SMEs can obtain assistance with two of the challenges that they face, i.e. "a lack of management skills" and "developing relationships with customers". Improving skills leads to improved productivity and effectiveness and therefore to a more stable organisation and increased profits.¹⁰

2.9.3. Challenges faced by SMES

Despite the acknowledgement of the importance and SME contribution to economic growth, SMEs across the globe and in South Africa in particular, SMEs are still faced with numerous challenges that inhibit entrepreneurial growth. Apart from SME funding and access to finance, the GEM Reports (2001-2010) noted that South African SMEs also suffer from poor

⁹<http://www.seda.org.za/Publications/Publications/The%20Small,%20Medium%20and%20Micro%20Enterprise%20Sector%20of%20South%20Africa%20Commissioned%20by%20Seda.pdf>

¹⁰ https://www.bankseta.org.za/downloads/Small_and_Micro_Enterprises_Brochure.pdf

management skills, which is a result of a lack of adequate training and education. This results in high rates of business failure as SA has one of the lowest SMEs survival rates in the world.¹¹

Balwanz & Ngcwangu (2016) argue that South Africa faces a severe skills shortage which if not resolved could place heavy constraints on economic growth and significantly limit South Africa's potential to compete with other countries in the world or take advantage of growth opportunities provided by technological advancement which depends on skill. Skills shortages, or gaps (i.e., absence of qualified labour to fill vacant positions) and mismatches (i.e., when those who are seeking employment do not have the skills or qualification requested of vacant positions), as well as information asymmetry (i.e., when potential employees or employers do not have information which could improve matching), are some of the main issues identified by mainstream labour economists engaging in the skills discourse (Balwanz & Ngcwangu 2016).

The National Development Plan (NDP) notes that small business in the services sector is negatively affected by a shortage of skills. This shortage is mostly true for business services such as accounting and sales capabilities. The Department of Trade and Industry (2008) acknowledges that a shortage of skills and limited entrepreneurship capacity act as constraints to employment growth. Smit & Watkins (2012) concurs with this notion that research conducted on SME failures in South Africa revealed that failure was primarily caused by a lack of management skill and training.

Ms Mandisa Tshikwatamba, Small Enterprise Development Agency Chief Executive Officer in the 2017 Performance report indicated that 92% of SEDA's clients were black-owned businesses, 49% were female-owned, while only 1% of the clients were disabled business owners. In terms of the client sectoral background, 58% were involved in the service industry, while 16% and 12% were involved in manufacturing and agriculture respectively. A total of 240 cooperatives were supported, while 104 SMMEs were also created by SEDA. Overall, 1 270 clients were supported, but some of the challenges faced by SEDA included lack of project management skills, failure to attract and retain skills, and inadequate funding to support SMMEs.¹²

2.9.4. Skills needs for SMEs

SME actors throughout Europe and the world at large including South Africa today regard the need to improve their innovation capacity and the upgrading of qualification and skills as a crucial challenge. It is also noteworthy that this challenge is faced not only by larger SMEs but by micro companies and not only in Europe but in South Africa as well. The capacity of SMEs to innovate requires a complex set of skills, networks and processes (Guide for training SMES 2009). Marketing, financial, legal and entrepreneurial skills seem to be the most salient business skills required for the success and longevity of a small enterprise. Marketing

¹¹http://www.ncr.org.za/pdfs/Literature%20Review%20on%20SME%20Access%20to%20Credit%20in%20South%20Africa%20Final%20Report_NCR_Dec%202011.pdf

¹² <https://pmg.org.za/committee-meeting/25446/>

management is viewed as an interactive process aimed at satisfying or exceeding customers' needs. It is this interactive process of satisfying customers' needs that enables small enterprises to exist and grow, even in difficult times. Financial skills are essential for the growth and success of small enterprises. Financial skills as being the control and monitoring of the performance of an enterprise using management accounts and cash-flow information. Legal skills are of significance value to small enterprises to ensure that owners are aware of issues relating to litigation that could be harmful to the business should the small enterprise not comply with the law.¹³

Bekele & Worku, (2008) state that in enterprises where owners possess sound managerial skills, the enterprises stand a better chance of longevity. Nieman & Bennett, (2006) as well as Pettinger (2007), identified three key managerial skills, namely conceptual, interpersonal and technical skills. Although these skills have been investigated more from a corporate point of view (Nieman & Bennett, 2006) state that their application can also be adopted by the small enterprise (Pettinger, 2007). It is imperative to note that these skills differ depending on various identifiable managerial levels.

2.9.5. Best approaches in implementing SMEs

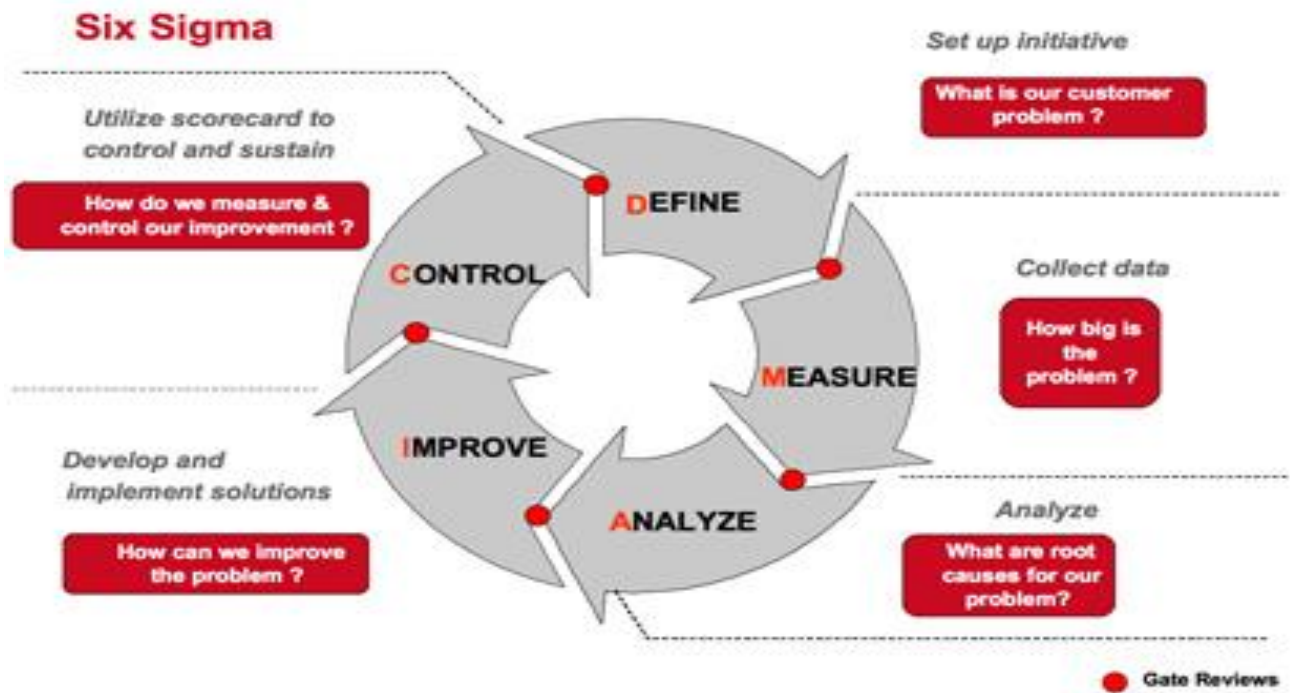
Six sigma is a well-established approach that seeks to find and eliminate weaknesses, mistakes or failures in business processes or systems by focusing on those process performance characteristics that are of critical importance to customers (Snee, 2004). Six sigma can be an effective methodology for smaller organisations and plays a major role in continual improvement based on the ISO 9001:2000 requirements. Small to medium-sized businesses that have successfully implemented Six Sigma usually began by identifying core business processes--those that deliver value to customers. ¹⁴ Spanyi & Wurtzel, (2003) postulate that as many SMEs operate their business processes at the "two to three sigma quality level", an improvement of even one sigma represents a huge step in improving customer satisfaction and reducing costs. Spanyi & Wurtzel (2003) have identified the following elements for successful launch of a six sigma initiative in an SME environment:

- visible management commitment;
- clear definition of customer requirements;
- shared understanding of core business processes and their critical characteristics;
- rewarding and recognising the team members;
- communicating the success and failure stories; and
- selecting the right people and the right projects.

¹³ <http://actacommercii.co.za/index.php/acta/article/view/186/224>

¹⁴ https://www.qualitydigest.com/july03/articles/01_article.shtml

Figure 2: Best Approaches in implementing SMMEs



Source: Adapted from Sai Global

3. RESEARCH METHODOLOGY

3.1. Introduction

This section discusses and describe the research methods and processes which will be used in evaluating customer centricity in retail business in South Africa with a focus on emerging retail businesses and SMEs projects. The collection of primary data for this research is carried out with the use of quantitative and qualitative techniques, using online survey on Survey Monkey and face to face semi-structured interviews and focus group discussions from selected retailers and customers.

3.2. Research Design

The major objective of the study sought to evaluate customer centricity in South African retail business strategy and processes. By responding to this objective, the study hoped to contribute into producing new knowledge to address the National imperatives as highlighted in the NSDS III as well Inform sector skills planning processes within the Wholesale and Retail sector. This contribution is expected to broaden knowledge on SMES strategy and policies as well as inform future directions that would help in monitoring the impact of SME related projects. The proposed methodology involved the use of both quantitative and qualitative research methods and well as the employment of secondary and primary data.

3.2.1. Data Collection and Sampling

Purposive sampling is a type of non-probability sampling in which the units to be observed are selected based on the researcher's judgement about which ones will be the most useful or representative. Purposive sampling method will be employed to select respondents from each predetermined strata which will be based on the participants in 6 provinces namely Gauteng; KwaZulu-Natal; Western Cape; Free State; Limpopo and Mpumalanga. Northern Cape was also covered with respondents responding on an online survey through survey monkey. These provinces have been selected on the basis that they represent both urban and rural set up where Small to Medium Enterprises (SMEs) are located. The study employed in-depth interviews and semi-structured interviews as discussed below.

3.2.2. In-depth interviews

The study conducted in depth interviews with main retailers. The main purpose being to evaluate the Customer Centricity Strategy Design and Implementation; management of relationships and consultation and to understand lessons learnt in strategy formulation and implementations.

3.2.3. Semi-structured interviews

Semi-structured interviews (survey) with some of the customers (to be randomly selected at the location of SMEs). The main purpose of the interviews is to evaluate the customer's experience with the SME retailers.

3.3. Data Analysis

The preliminary data analysis involved producing frequency distribution tables and computing reliability coefficients. In addition to aiding the data cleaning process, frequency distribution tables assisted in deriving summary demographic statistics.

Qualitative data (both transcripts and field notes) obtained from the provinces were analysed using a technique known as Thematic Content Analysis (TCA). The content analysis performed using an analytical structure that is linked to the overall evaluation framework. The qualitative analysis framework guided by the overall evaluation objective. Meaning units were emerging from the data were integrated into themes, using a grouping procedure based on both similarities and differences; using the principles of internal homogeneity and external heterogeneity. Use of content analysis permitted the research team to identify theme cores and nodes that emerge from the data, allowing the researcher to proceed from the abstract to the general. The quantitative analysis will be statistical graphs, figures and descriptive statistics (mean, mode, median and frequency- which ever will be applicable).

The survey data collected from respondents was coded, entered and analysed using the Statistical Package for Social Sciences (SPSS). This was done mainly through using descriptive statistics and inferential analysis. A description of the characteristics of participants and variables was undertaken to compare variables. The level of statistical significance will be limited to a probability level of less than or equal to 0.05 ($p \leq 0.05$).

4. RESEARCH FINDINGS

4.1. Introduction

Primary data was collected using questionnaires that were distributed by Survey Monkey to retailers and wholesalers. Customers to the retailers who were purposefully selected were interviewed face to face. The questionnaire was designed to provide quantitative responses, as well as some elements of qualitative responses, especially with the interviews. Since the survey was administered electronically, the instructions to the participants, background and purpose explanation of the study was elaborated on the body of the e-mail over and above the introduction on the questionnaire itself, and for interview-based survey, such was also discussed verbally prior to the interview.

4.2. Primary data responses

Table 2 shows the provinces in which data collection was carried out and the number of responses from wholesalers, retailers and customers. Data collection for retailers was done in six provinces namely Free State, Gauteng North and South, KwaZulu-Natal, Limpopo, Mpumalanga and Western Cape.

Table 2: Schedule for data collection in the regions for customers and retailers

Province	Wholesalers		Retailers		Customers	
	Number	%	Number	%	Number	%
KwaZulu-Natal	1	12.5	107	43.5	38	13.5
Free State	2	25.0	18	7.3	42	14.9
Gauteng (North & South)	4	50.0	63	25.6	79	28.1
Limpopo	-	-	22	8.9	42	14.9
Mpumalanga	-	-	22	8.9	42	14.9
Northern Cape	1	12.5	10	4.1	38	13.5
Western Cape	-	-	2	0.8	-	-
*Blank	-	-	2	-	-	-
Total	8	100	246	100	281	100

**Blank refers to responses from retailers whose provinces were not indicated*

Source: Customer Centricity Survey (2018)

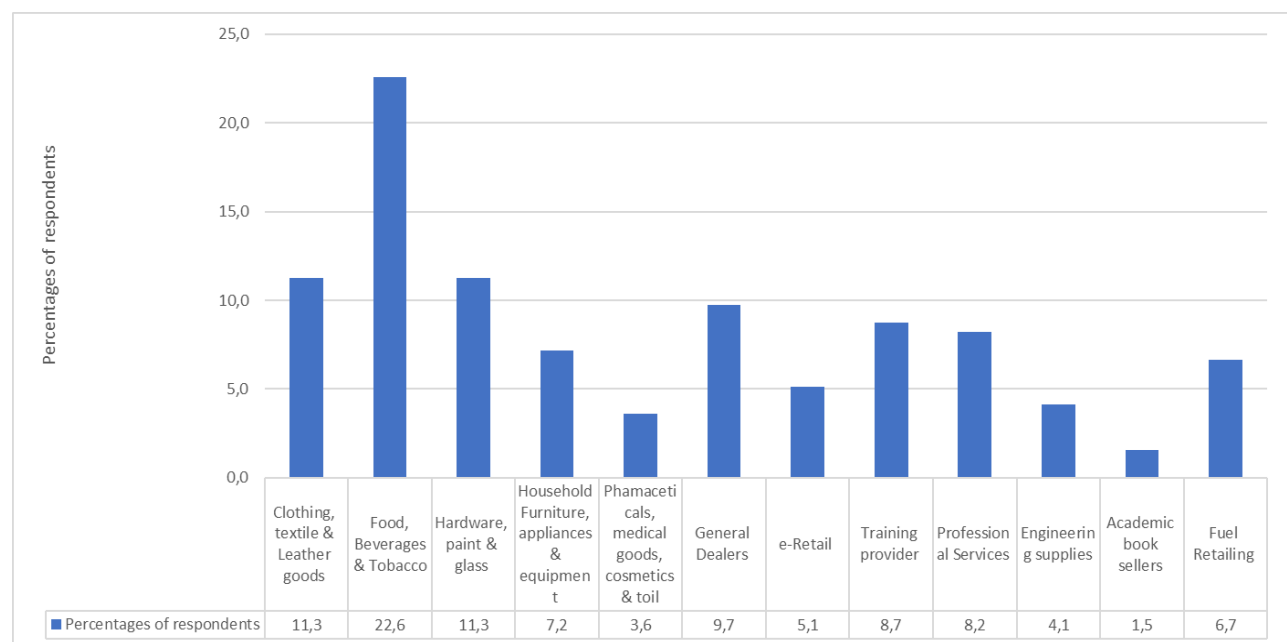
Table 2 shows that KwaZulu-Natal had the highest number of respondents totalling 43.5%, followed by Gauteng which had 25.6%. Northern Cape had 4.1% respondents who responded through online survey monkey. Western Cape had the lowest number of respondents of 0.8%.

4.3. Retailers

4.3.1. Subsectors of the retailers who responded

Table 3 indicates the subsectors of retailers who responded to the questionnaires which were sent through Survey Monkey. Retailers that partook in the study indicated to belonging to the Food beverage & Tobacco constituting 22,6% sector, Clothing, textile and leather 11,3% as well as the hardware paint and glass with 11,3%. The other sectors were Hardware, paint and glass 11,3%, General dealers 9,7% and others as shown on table 4.

Table 3: Subsectors of retailers who responded

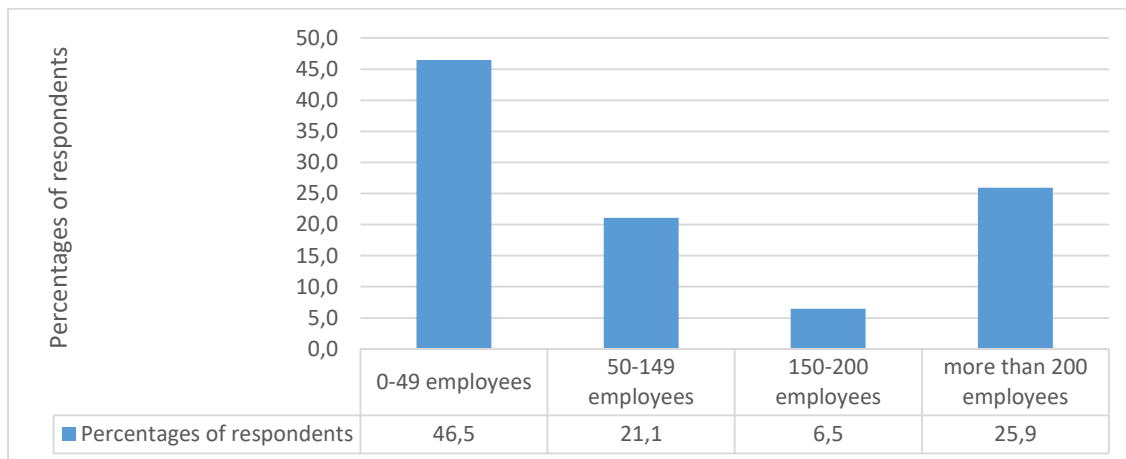


Source: Customer Centricity Survey (2018)

4.3.2. Number of employees from Retailers who responded

Figure 3 demonstrate that 46,5% of the retailer respondents had 0-49 employees, 21% have 50-149 employees and 6,5% with 150-200 employees. This institute a total of 74,1% of retailers with employees 0-200. This percentage figure illustrates that 74,1% of the respondents were SMEs as indicated according to the Small business act 102 of 1996 constitute SMEs. 25,9% of respondents had 200 or more employees.

Figure 3: Number of employees



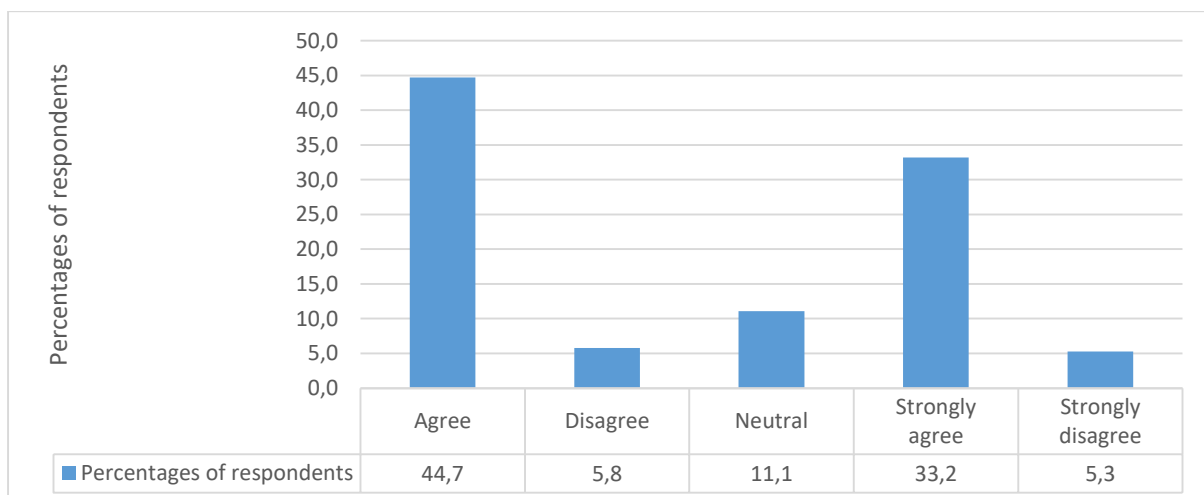
Source: Customer Centricity Survey (2018)

4.3.3. Customer centricity practices by retailers

4.3.3.1. Customising products based on customer needs

Bharadwaj et al., (2012) posits that the voice of the customer can lead to meaningful product and process improvements for customers. Customer centricity from retailers was measured by how retailers customize products and services to meet individual needs and interest. Figure 4 shows that 44,7% of the retailers agreed to customising products to target specific individual's needs. 33,2% strongly agreed to customising products to target individual needs. 11.1% were neutral whilst 5,3% and 5.8% strongly disagreed and disagree respectively.

Figure 4: Customising of products based on customer needs by retailers

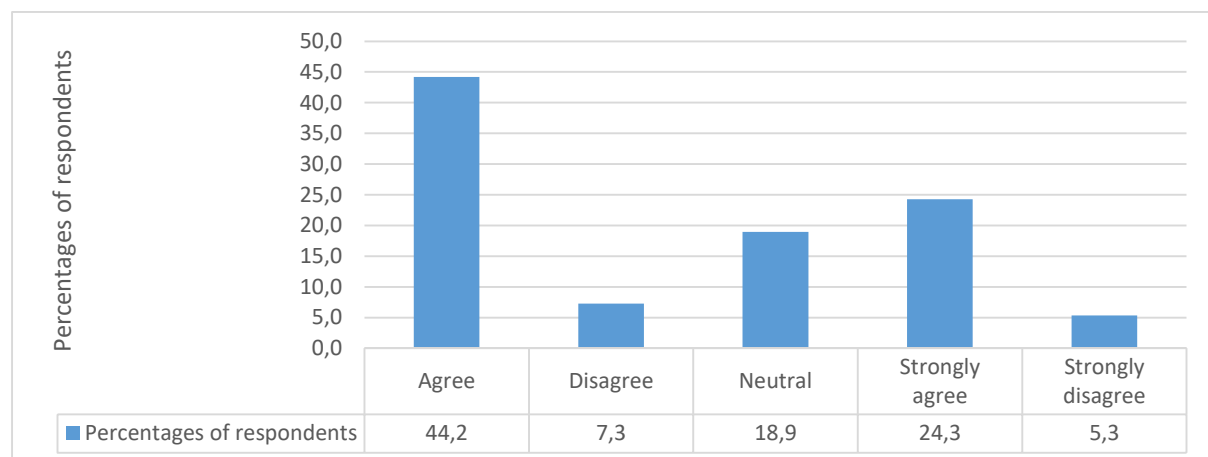


Source: Customer Centricity Survey (2018)

Figure 5 shows the proportion of retailers who customize their products and services to target specific individuals based on their needs. About 24,3% of the retailers strongly agreed that

they customise their products and services to target specific individuals based on their needs while 44.2% agreed giving a total of 68,5% respondents who customise their products and services to target specific individuals based on their needs. The remaining 18.9% were neutral whilst a total of 12,6% disagreed and strongly disagreed to customisation of products and services to target specific individuals based on their needs.

Figure 5: Customising of products and services to target specific individuals based on their needs

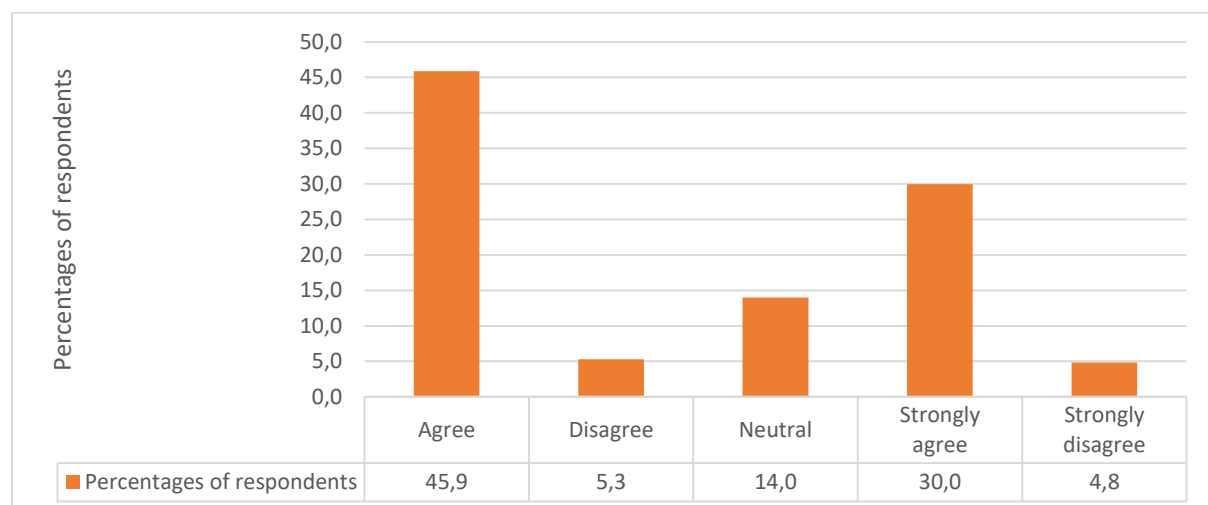


Source: Customer Centricity Survey (2018)

4.3.3.2. Market spaces

Customer centricity is conceptualised with an articulation of the market space as it defines how the organisation intends to add value to customers (Vandermerwe, 1993). This must be articulated from a customer's perspective with the goal of benefiting the customer. Using the contingency theory perspective, customer centric firms must place themselves in a situation where it would be able to source relevant customer information.

Figure 6: Market Space



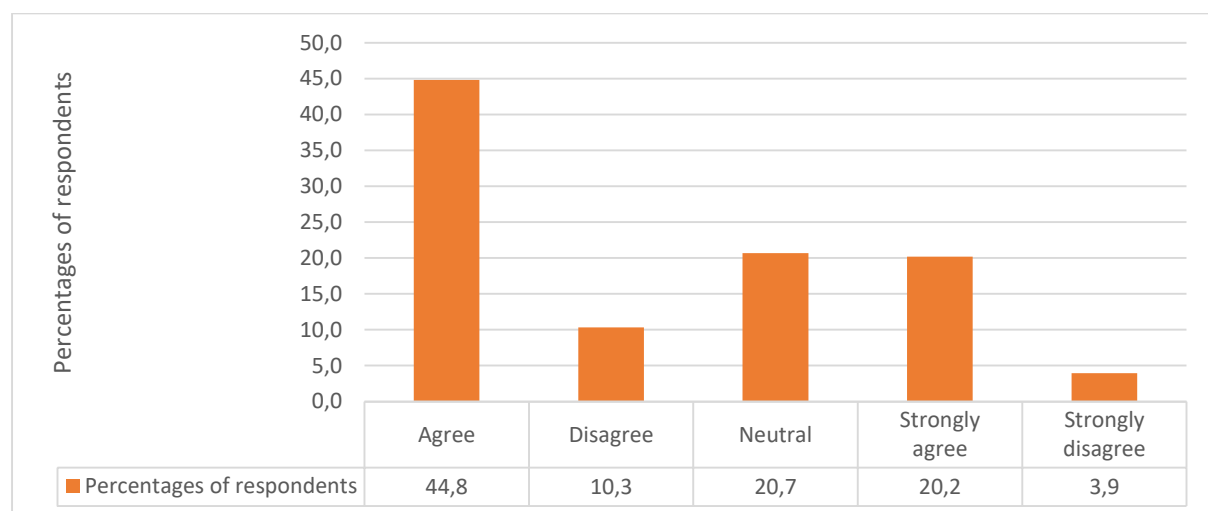
Source: Underhill Corporate Solutions (2018)

As shown on Figure 6, the study reveal that a total of 75,9% of retailers indicates agreeing and strongly agreeing to defining customers segments. 10.1% of the retailers disagreed and strongly disagreed to market segmentation.

4.3.3.3. Mass Targeting

Customer centric organisations target individuals and grow through a market as customers become an advocate of the firm (Bonachhi & Perego, 2011). Many organisations according to Bonachhi & Perego, (2011) often overestimate segmentation. The change from product centric to customer centric is seen as interaction strategy that exploits feedback of a specific customer. Targeting practices provide a firm with superior customer information obtaining a competitive advantage. A truly customer centric approach must allow an organisation to track changes in the customer that help identify when customer need a product. As technological advancements have improved, firms move to a more customer centric approach that focus on understanding the needs and wants of customers.

Figure 7: Mass Targeting



Source: Customer Centricity Survey (2018)

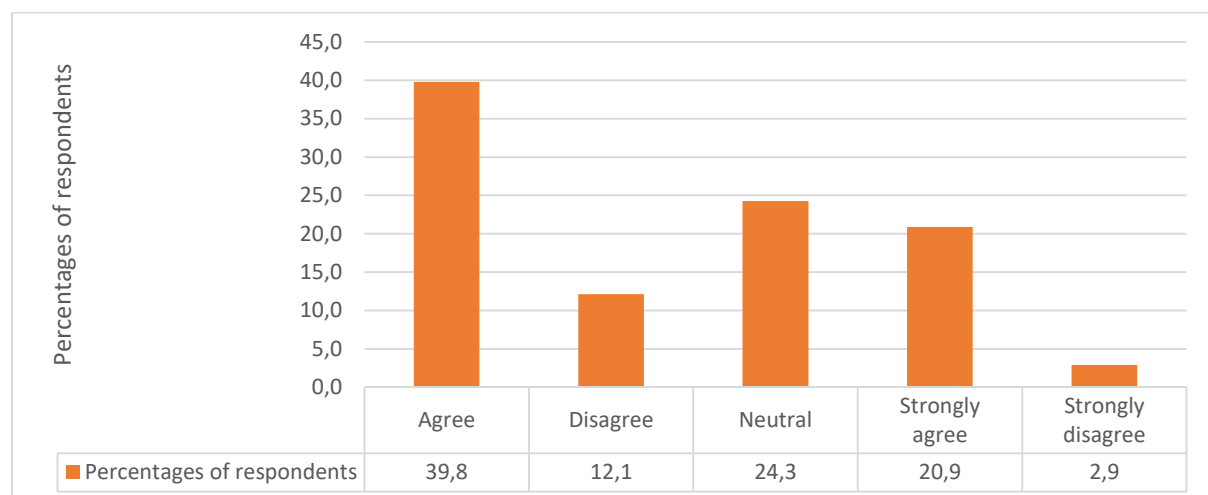
Figure 7 illustrates results from the study indicate retailer's preferences to mass targeting is high as most firms indicated communication with the customers on products and services offered. 44.8% agreed and 20,2% strongly agreeing thereby constituting 65% using mass targeting. A total of 14,2 % disagreed and strongly disagreed (Table 5).

4.3.3.4. Customizing communication of products and services per individual based on needs

Individual customer focus also measures how retailer's targets customers at individual level as opposed to segmentation. The study used customising of communication of products and services per individual based on customer's needs which is shown in Figure 8. Results indicates that about 39.8% of retailers agreed on customising their communication of

products and services for their customers whilst 20.9% strongly agreed to that notion implying that most of the retailers (60.7%) customise their communication of products to their customers. Only 15% disagree to customising their communication of products and services to their customers.

Figure 8: Customizing communication of products and services per individual based on needs

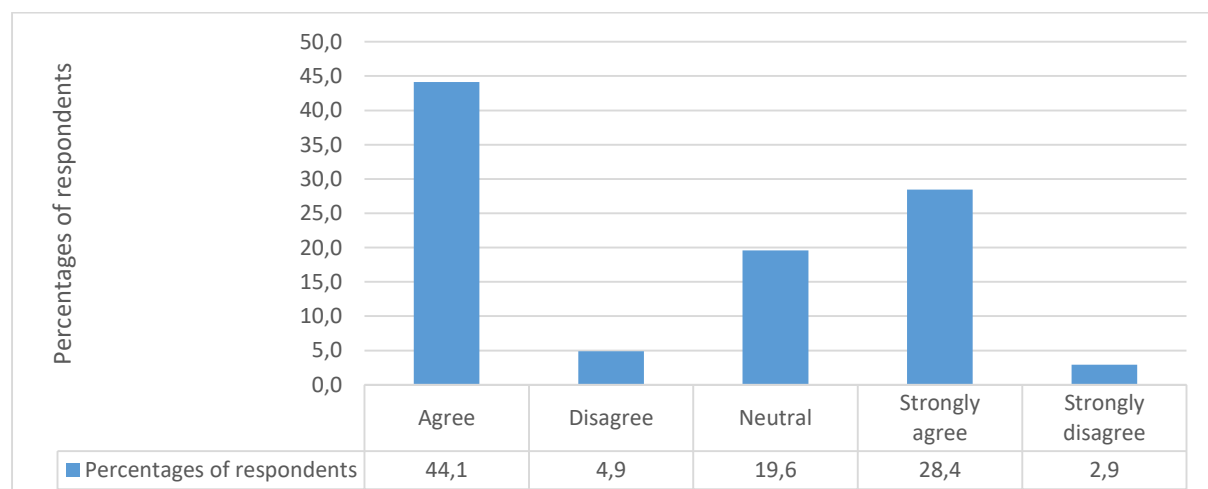


Source: Customer Centricity Survey (2018)

4.3.3.5. Frequent meetings with employees to identify future customer needs

Market research measures the extent to which external and internal research is utilised to develop strategies to satisfy customers. In the study market research was measured by how retailers frequently meet with departments to identify customer's future needs. Figure 9 shows the frequency of meetings of retailers with their employees in identifying customer needs.

Figure 9: Frequent meetings with employees to identify future customer needs



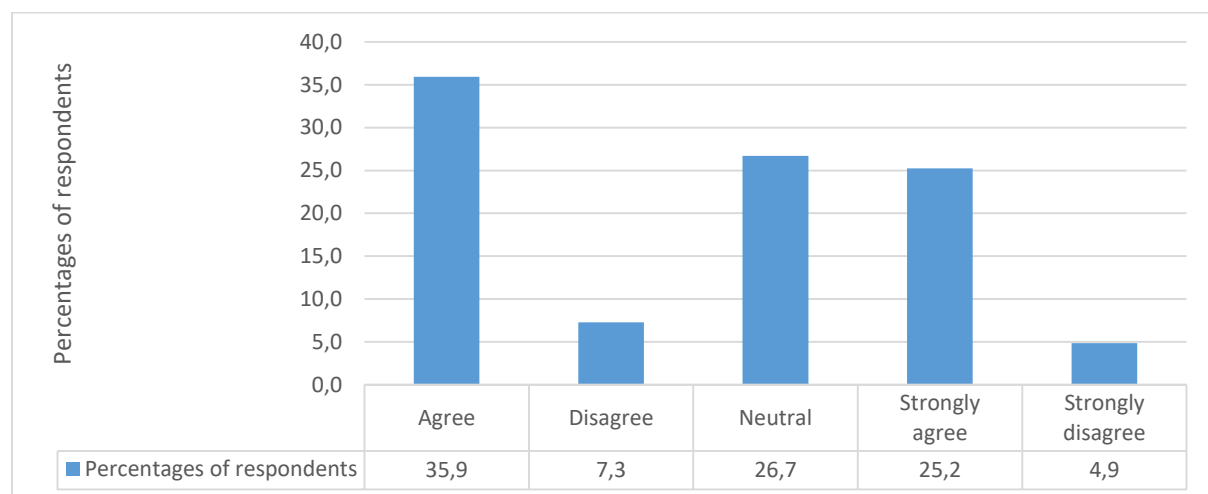
Source: Customer Centricity Survey (2018)

About 44.1% of retailers agreed that they hold frequent meetings with employees to identify future customers needs whilst 28.4% strongly agreed to the same notion. Only 7.8% of retailers disagreed to the holding of meeting to identify customer needs.

4.3.3.6. Market research to understand customer needs

Figure 10 shows engagements of retailers with customers as a strategy in practicing customer centric practices as a way of identifying customer needs. The figures show that 61,1% of retailers do market research. Only 12,2% does not carry a lot of market research on customers. This implies that retailers use information at individual level to target and communicate with the customers. The above strategy coupled with a lot of market research to understand customer needs signifies a holistic approach to customer centricity.

Figure 10: Market research to understand customer needs

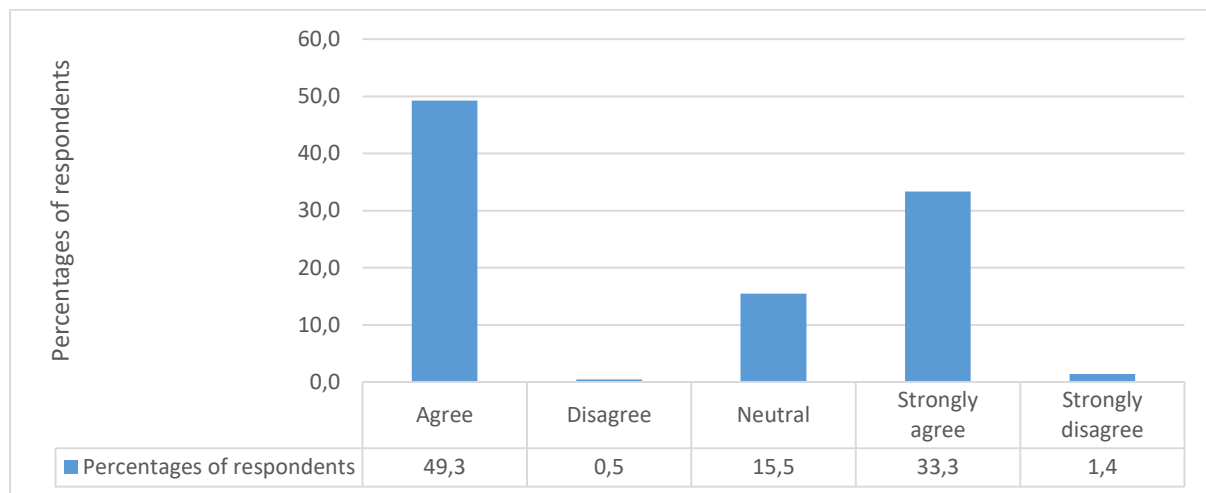


Source: Customer Centricity Survey (2018)

4.3.3.7. Monitoring of direct interactions with the customer to improve services

Monitoring of direct interactions with customers to improve customer service allows the retailer to select profitable customers which enables cross selling. Cokins, (2015) postulate that companies experience challenges in measuring and reporting customer profitability. This complicates analysis required for identifying customers to acquire, retain, grow and win back. Despite this inability monitoring ensures movement by retailers towards customer centric strategies and Figure 11 shows the results of retailers who directly monitor their interactions with the customer to improve their services. About 49,3% and 33,3% of the retailers agreed to monitoring direct interactions with the customers to improve products and services. Only 1,9% disagreed to carrying out this strategy.

Figure 11: Monitoring of direct interactions with customers to improve services

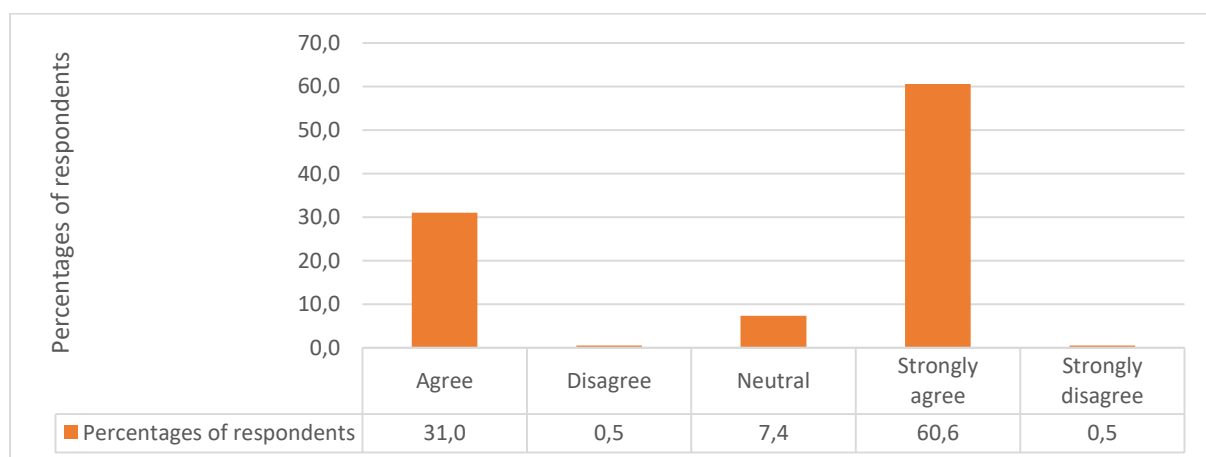


Source: Customer Centricity Survey (2018)

4.3.3.8. Regular customers

Regular customers are an important source of source of revenue to the business as they reduce the costs to the business, support the business, increase revenues and assists business owners in understanding their target market. Figure 12 shows the proportion of retailers who indicated that they do have regular customers to their businesses. About 91.6% of retailers agreed to strongly agreed that they do have regular customers who ensures steady revenues to their businesses. The remainder of retailers were either neutral or disagreeing in having regular customers.

Figure 12: Regular customers



Source: Customer Centricity Survey (2018)

4.4. Value Proposition development

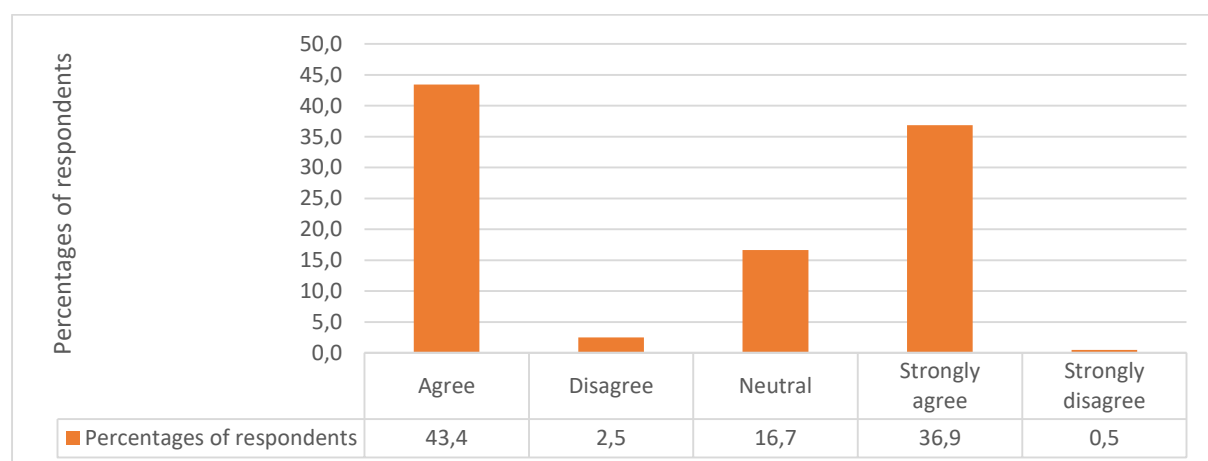
Mickelsson, (2013) found that customer activities with multiple actors in value adding can provide the firm with deep insights on customers. This can achieve goals, value gaps that customers experience. The use of tracking customer activities aligns the firm towards the

customer goals providing it with customer sensing abilities. This enables bringing in of relevant customer information thereby ensuring growth in the customer base. Synchronisation with customer needs ensures maintenance of high quality products and services that meets the customer (Bharadwaj & Dong, 2014). The ability to track customer changes as they evolve, can be a resource, allowing a deeper understanding of customer needs.

4.4.1.1. Engagement of customers on desired products

Bonacchi (2011) argues that for an organisation to be customer centric, decision rights must be spread across departments and staff. Figure 13 shows the proportion of retailers who engage customers on their desired products. Results shows that 72,5% of retailers agreed to frequently meeting with employees who interact with customers to identify future needs. This suggests high flow of information across the retail within different departments. This implies high levels of sharing information and customer insights across departments.

Figure 13: Engagement of customers on desired products

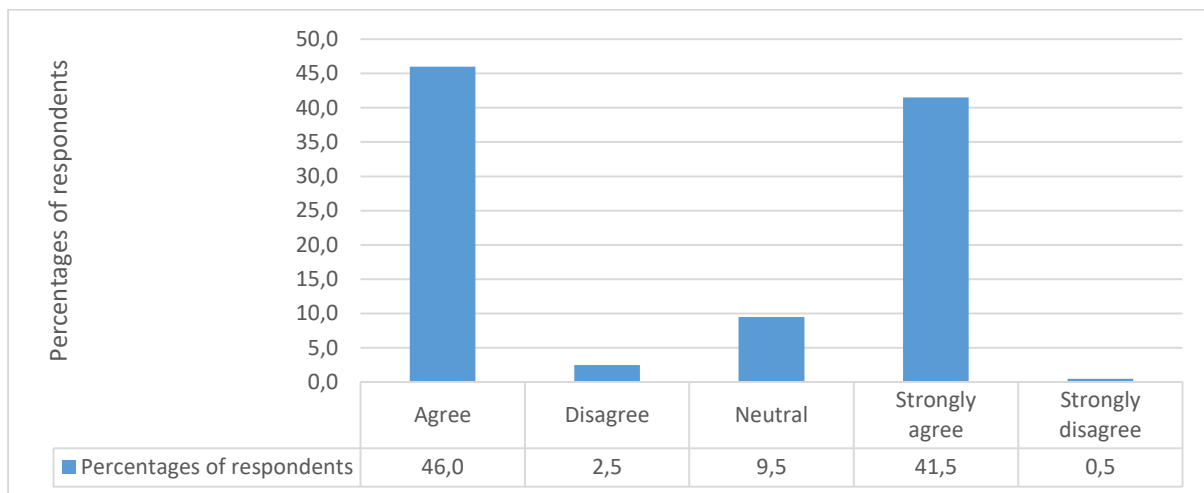


Source: Customer Centricity Survey (2018)

4.4.1.2. Building and deepening of relationships with customers

Deepening business relationships and building new ones is a matter of understanding client expectations and exceeding them. Although it is difficult to do in general it ensures growth of a business from long and profitable relationships with its customers. Figure 14 shows the proportions of retailers who indicated that they seek to build and deepen relationships with their customers.

Figure 14: Building and deepening of relationships with customers



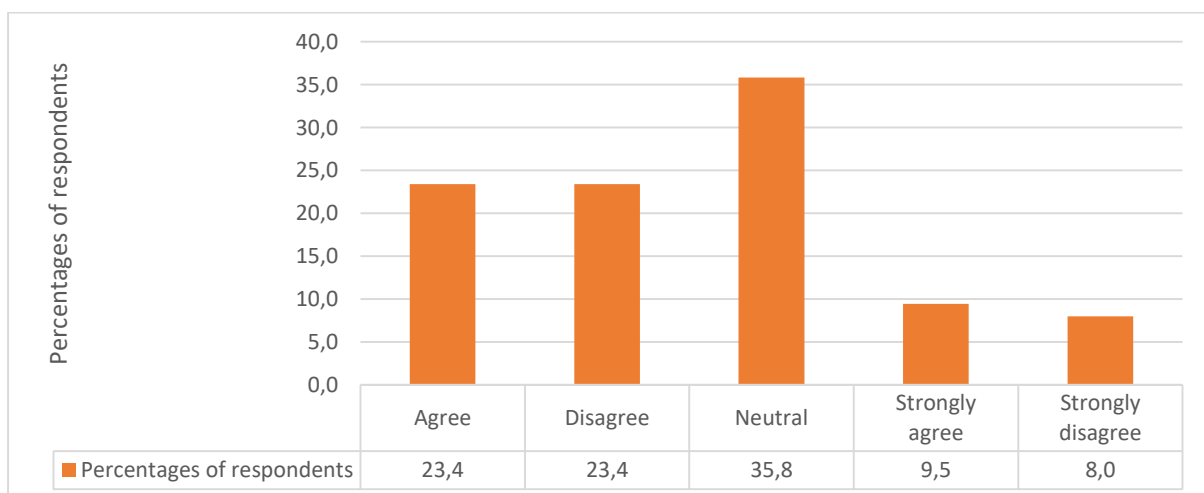
Source: Customer Centricity Survey (2018)

About 46% of retailers agreed that they do have strategies build and deepen their relationship with customers while 41.5% indicated that they strongly agree to the notion. The remaining proportion of the respondents were neutral or not agreeing to the need to build and deepen relationships with customers.

4.4.1.3. Cross Business Unit Collaborations between wholesalers and retailers

Cross business unit collaborations amongst wholesale and retailers was measured by the existence of sharing of information amongst the wholesale and retail sector in product development.

Figure 15: Figure Information sharing on product development



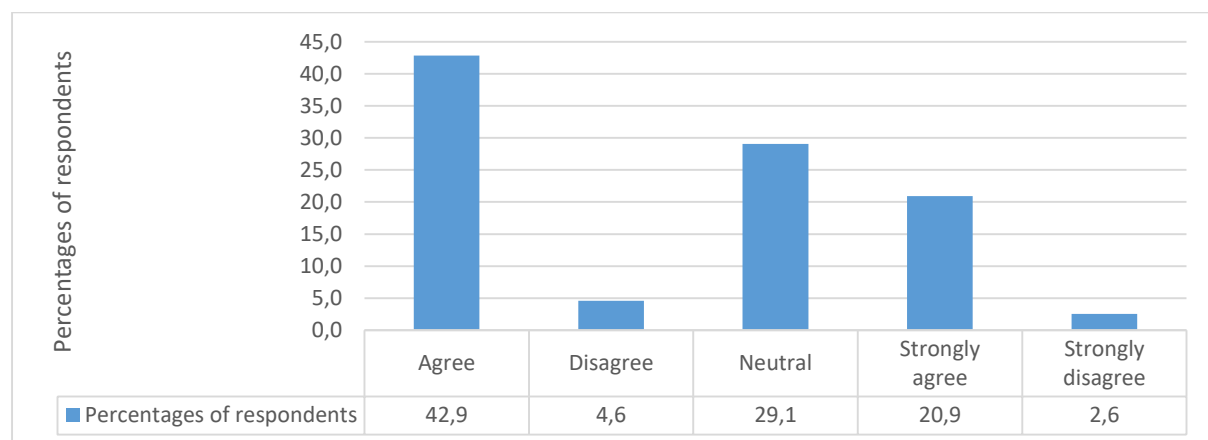
Source: Customer Centricity Survey (2018)

Figure 15 shows that 9,5% of retailers strongly agreed to sharing of information whilst 23.4% agreed. This is a total of 32.9% which shares information. This illustrate that there are little collaborations between the wholesale and retail sectors. 31% disagree on sharing information on products whilst 35.8% were neutral.

4.4.1.4. Understanding customer needs, wants and desires Retailers perspective

Despite the lack of collaborations amongst wholesalers and retailers there is high level of understanding of customer needs, wants and desires amongst the wholesalers and retailers.

Figure 16: Understanding customer needs, wants and desires Retailers perspective



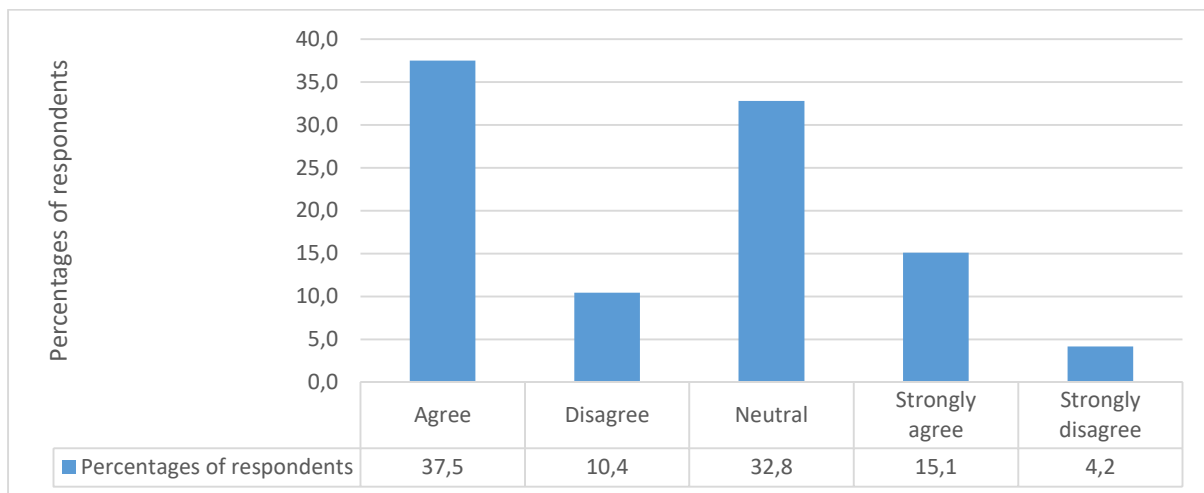
Source: Customer Centricity Survey (2018)

Figure 16 shows that about 63.8% agreed and strongly agreed to understanding of customer needs. 7.2% disagreed on understanding customer needs.

4.4.1.5. Existence of independent divisions focus on maximising customers

Independent divisions focusing on maximising customers seemed to exist in the retail sector. Results from the study in Figure 17 show that 52.6% strongly agreed to having divisions within the retail that focus on maximising customers.

Figure 17: Existence of independent divisions focus on maximising customers

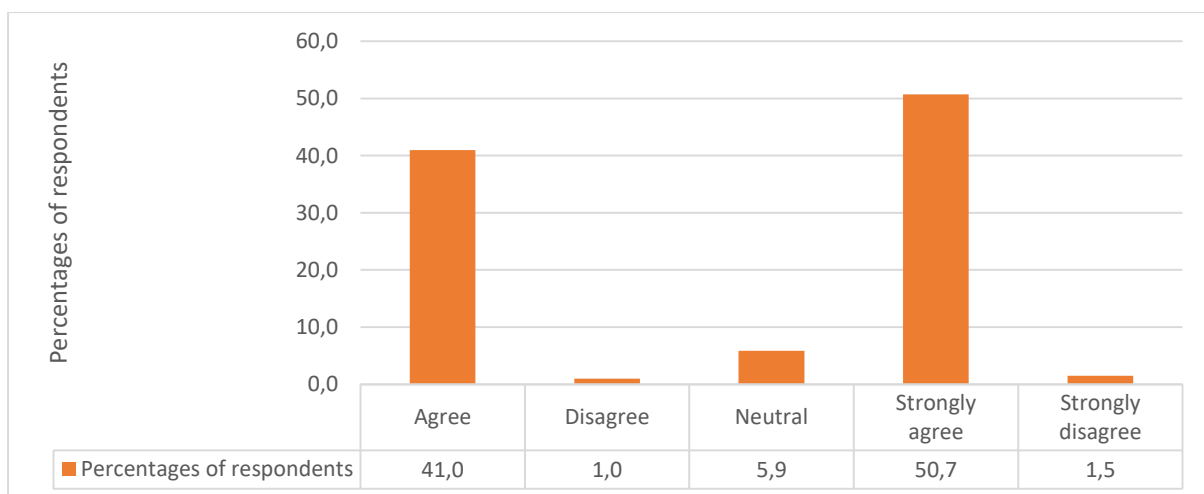


Source: Customer Centricity Survey (2018)

4.4.1.6. Customer complaints

Having independent divisions that focus on maximising customers ensure customers complaints accordingly. This is shown in Figure 18 by the high proportion (91.7%) of retailers who strongly agree and agree to dealing with customer complaints accordingly.

Figure 18: Customer complaints

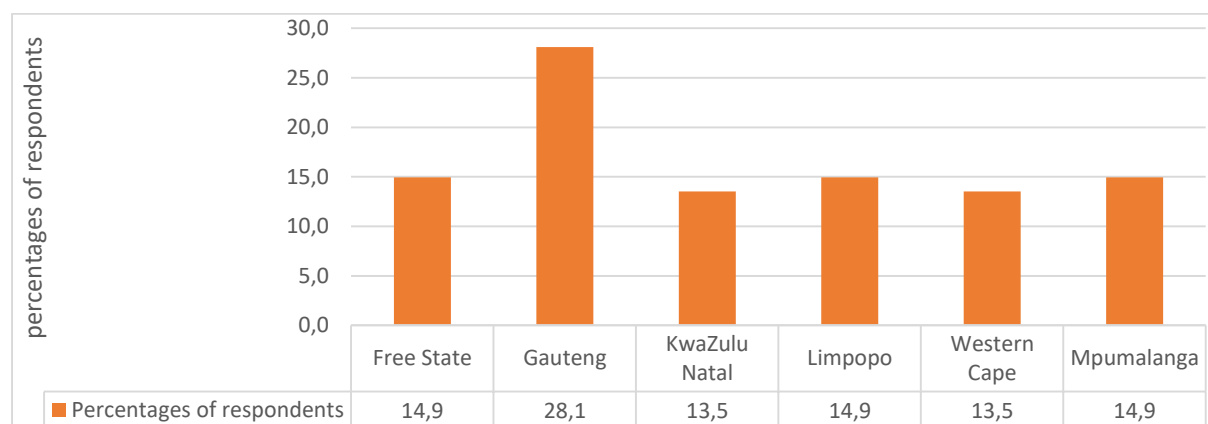


Source: Customer Centricity Survey (2018)

4.5. Customers

As indicated in Figure 19 a total of 281 customers were interviewed in all the 6 provinces with Gauteng comprising the highest percentage of respondents. Western Cape and KwaZulu-Natal had the lowest percentage of respondents with 13.5% respectively.

Figure 19: Customers by province

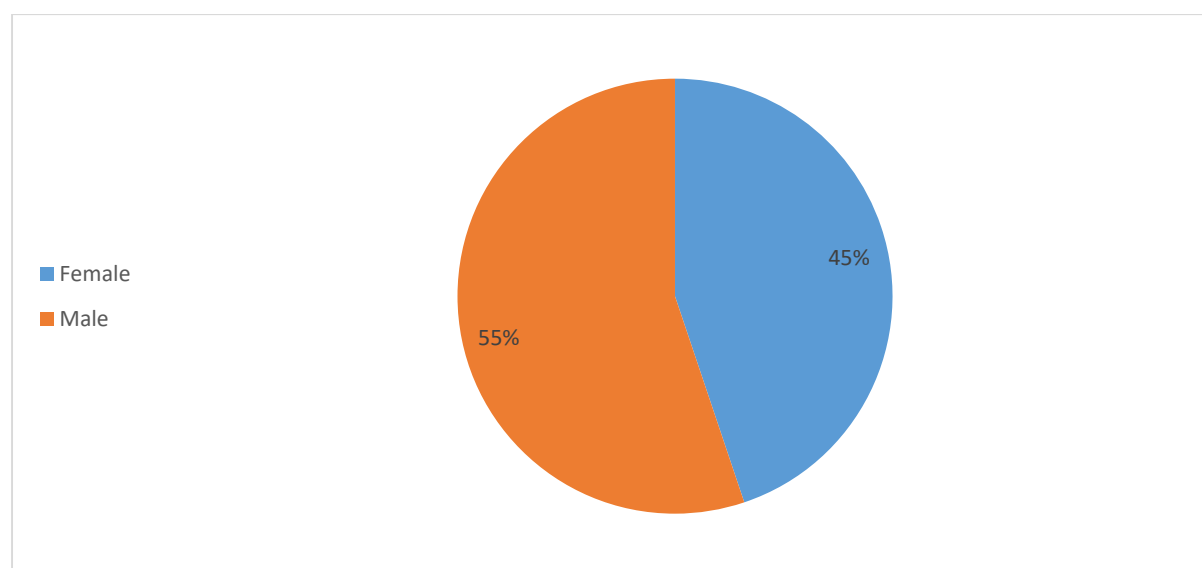


Source: Customer Centricity Survey (2018)

4.5.1. Gender of respondents

Figure 20 indicates that most customers who were interviewed in the six provinces majority are male constituting 55% while 45% were females.

Figure 20: Gender analysis of customer respondents



Source: Customer Centricity Survey (2018)

4.5.2. Customers interviewed by subsectors

Table 4 indicate that 64.4% customers interviewed revealed shopping at the Food Beverage & Tobacco sector, followed by the Textile Clothing and Footware with 23,8%. Other sectors had low percentage of customers. Precious stones jewellery and silverware had the lowest percentage of shoppers interviewed with 3,9%.

Table 4: Customers interviewed per subsector

Subsector	N	%
Food beverages & tobacco	181	64,4
Machinery & equipment & supplies	16	5,7
Other household goods except precious stones	6	2,1
Precious stones, jewellery & silverware	11	3,9
Textiles, clothing & footwear	67	23,8
Grand Total	281	100,0

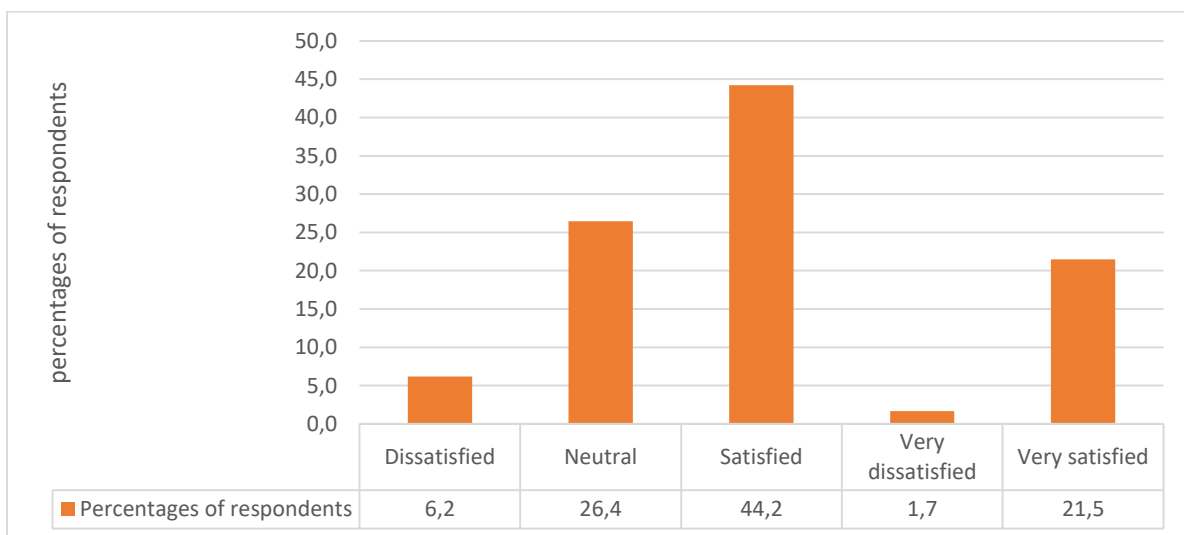
Source: Customer Centricity Survey (2018)

4.6. Customer Centricity perceptions by Customers

4.6.1. Customer satisfaction

Multiple authors have indicated that customer centricity leads to better products and services that satisfy the customer (Bharadwaj & Dong 2014; Bonacchi & Perego 2011). Achievements is usually done by gaining deep insights into what customers values most. Leverin & Liljander studied the impact of customer loyalty and satisfaction. It was found out that customer focus led to satisfaction.

Figure 21: Customer satisfaction from customers



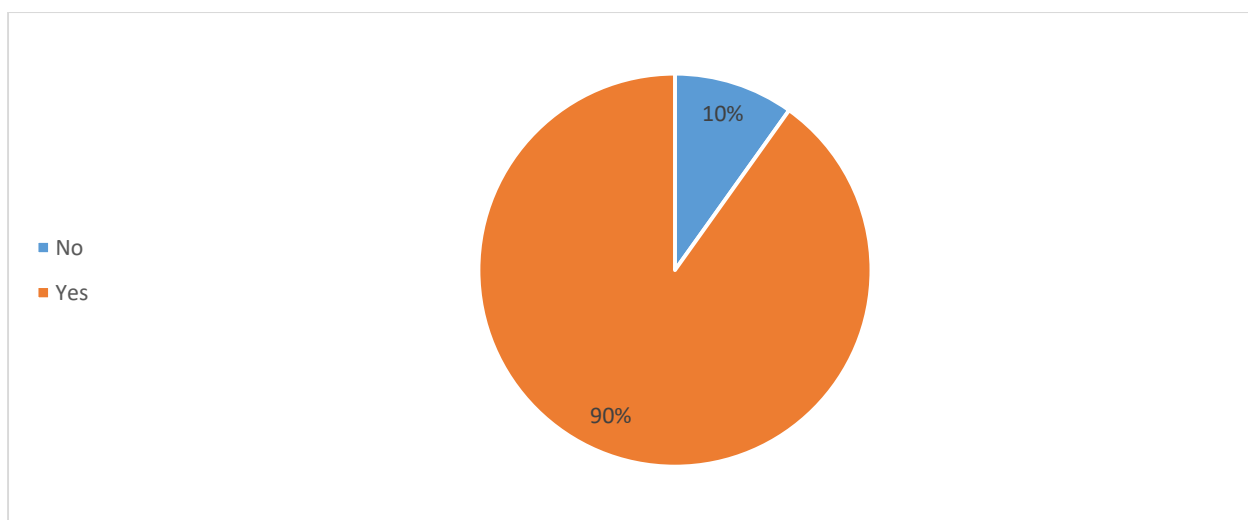
Source: Customer Centricity Survey (2018)

Figure 21 indicates that 44,2% of the customers agreed to be satisfied with the retailers whilst 21,5% indicated to be very satisfied with the retail shop where they shop. This indicates a total percentage of 65,7% of satisfied customers. 26,4% were neutral with 1,7% very dissatisfied and 6,1% dissatisfied.

4.6.2. Positive word of Mouth

Positive word of mouth occurs when customers recommend and give positive account about retailers. Satisfaction has been found to have impact on positive word of mouth (Bharadwaj et al., 2012). This turns customers to be advocates in marketing the retailer. Customer centrics have the potential to create product and services that satisfy customers which can lead to positive word of mouth as they are likely to recommend the retailer to others. Figure 22 provides information on the proportion of customers who indicated that they are willing to recommend their retail outlets to their friends and relatives. About 90% of the customers interviewed indicated that they would recommend their retail outlets to their friends and relatives while the remainder were not willing to recommend the retail outlets to their friends.

Figure 22: Positive word of mouth from customers

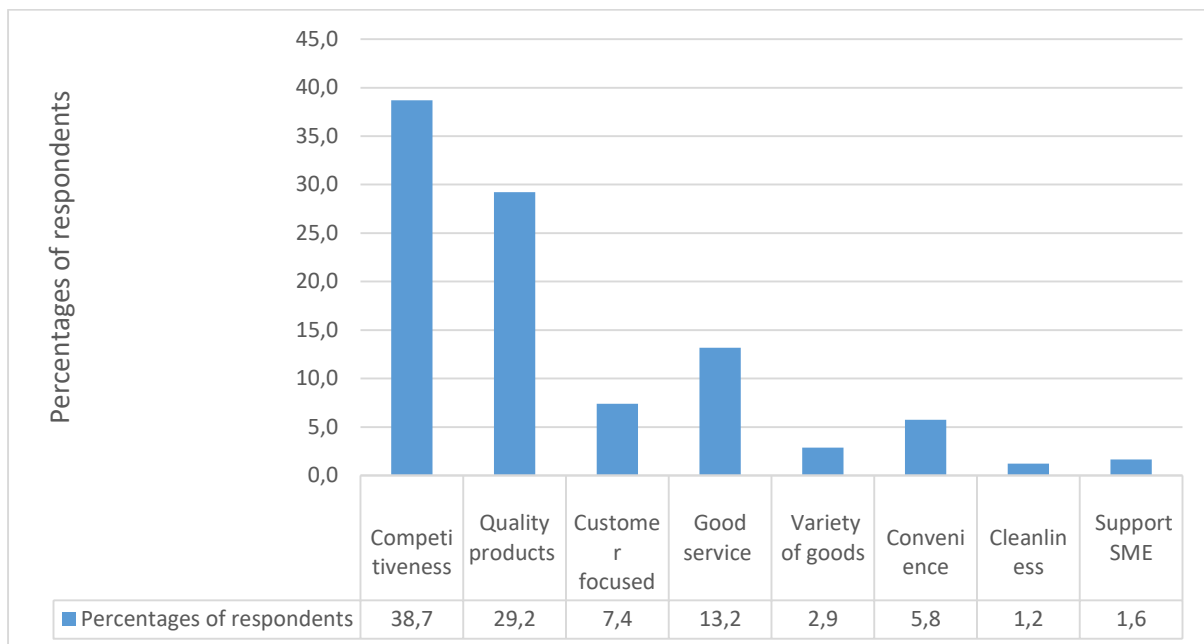


Source: Customer Centricity Survey (2018)

4.6.3. Reasons for recommending

Various reasons were given by customers on why they would recommend their retail outlet to their friends and relatives. Figure 23 shows the reasons which customers offered on why they would recommend their retail outlets to their friends and relatives. Most of the respondents (38.7%) indicated that their retail outlet has competitive prices when compared to other retail outlets while 29.2% were recommending because quality products. Other reasons which were highlighted includes the fact the retailers offer good services, that they are customer focussed, have variety of goods, convenience, cleanliness as well as the need to support SMEs

Figure 23: Reasons for recommending

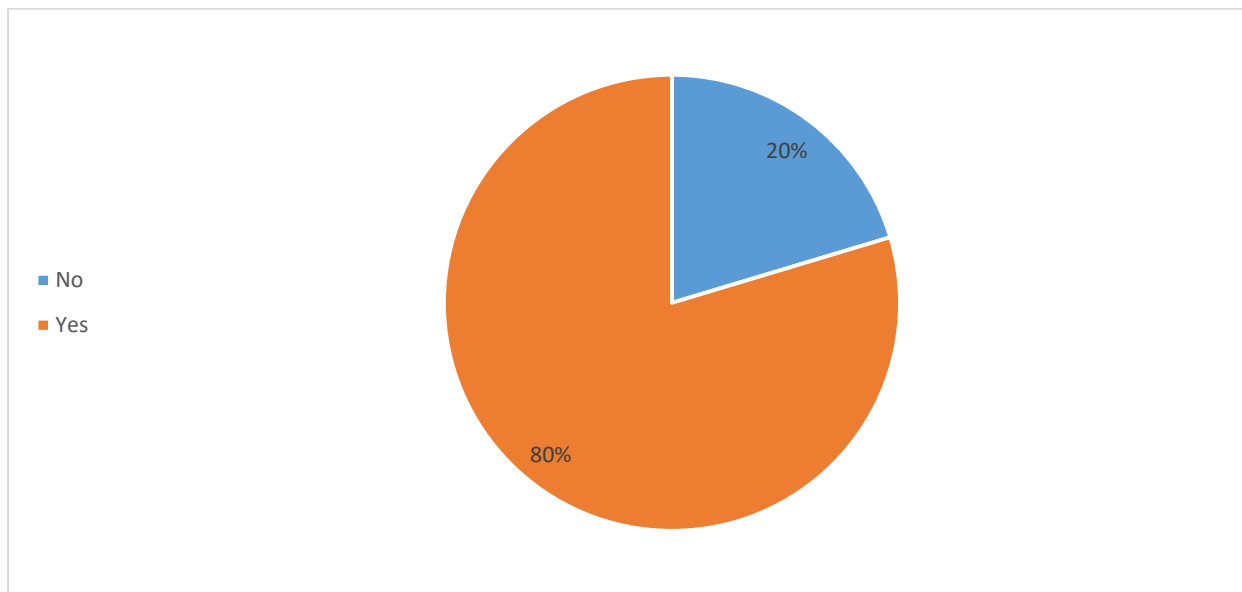


Source: Customer Centricity Survey (2018)

4.6.4. Customer loyalty

Customer loyalty is a deep commitment to continue using products and services from a firm despite circumstances that may lead to switching to other retailers (Chebat et al., 2011). Loyalty is gained by customer centric retailers as they maximise customer lifetime value. Figure 24 shows the proportion of customers who indicated that they are loyal to their retail outlets. About 80% of customers indicated that they are loyal to their retail outlets whilst 20% indicated that they are not loyal to their retail outlets. Increase in loyalty is achieved by improving customer satisfaction which is essential in acquiring loyal customers who will recommend the firm to others. A customer focused firm is likely to increase loyalty in its customers.

Figure 24: Loyalty to retail shop

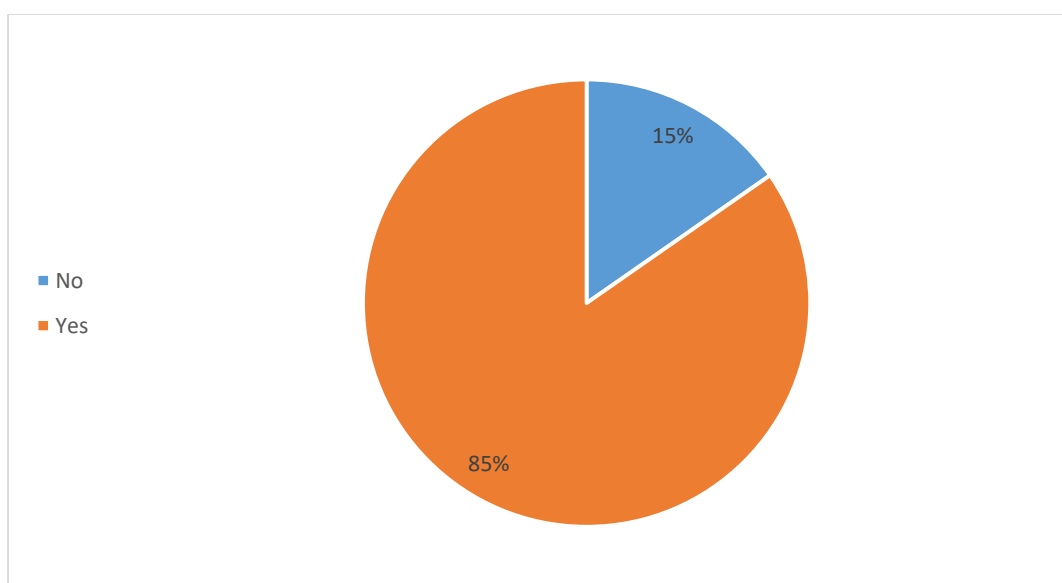


Source: Customer centrality Survey (2018)

4.6.5. Trust

Trust is one benefit of customer centrality, being antecedent for customers to engage. Roy (2013) postulate that placing customers interest first will increase trust and satisfaction which in turn leads to loyalty. Satisfaction has been perceived to have a positive influence on trust. A higher level of satisfaction from a customer centric strategy has a positive influence on trust. As alluded earlier that customers had high level of satisfaction, this has translated to high level of trust. Figure 25 shows the proportion customers who trust retailers.

Figure 25: Trust



Source: Customer Centrality Survey (2018)

Figure 25 shows that 85% of the customer respondents indicated trust in the retail stores they shop in. only 15% did not trust the shops they were shopping in. The results of trust leads to be a regular customer as indicated by the % of those who trusted and being a regular customer.

4.7. Skills Development Issues

W&RSETA has the responsibility not only identify skills gaps but also intervene to address them. The study found out that emerging retailers and SMEs do have some training needs which they need to be supported with to improve the management and operations of their businesses.

4.7.1. Hard to Fill skills

The study also finds out that they are some skills which emerging retailers and SMEs across various subsectors are finding difficult to fill owing to factors such as skills shortages of qualified and experienced people. The term “skills shortages” is used to refer to both the quantitative mismatches between demand and supply in the labour market and qualitative deficiencies within the skills sets of employees. Skills shortages typically manifest in high staff turnover rates and difficulties experienced by employers to retain certain categories of staff. To gauge the nature and extent of skills shortages experienced in the sector, employers were asked to identify the occupations in which they find it difficult to find suitable employees.

Table 5 shows top 20 hard to fill skills. It shows that about 14.2% of the respondents indicated that they find it difficult to fill positions of Managers while about 11% of respondents indicated that Sales Representatives are also difficult to fill. Other skills which considered to be most challenging to find include Administrative and Operations Managers, Confectionary Bakers, Pattern Making Facilitators, Information and Technology skills, Administration Clerks and Butchery Specialists, etc.

Table 5: Top 20 Hard to Fill skills

Occupation	Percent of Respondents
Managers	14,2
Sales representatives	11,0
Administrators and Operations Managers	7,4
Confectionary Baker	5,5
Pattern Making Facilitators	5,5
IT Skills	5,5
Admin clerks	4,8
Butchery Specialist	3,9
Business Intelligency	3,2
Merchandise Assistants	3,2
Buyers	2,9
Tele Marketing	2,9
Customer service	2,3

Accounting skills	2,3
Computer Software development	2,3
Planners	2,3
Chef	1,9
Cashiers	1,6
Stock controller	1,6
Deli Specialist	1,6

Source: Customer Centricity Survey (2018)

4.7.2. Assistance given by W&RSETA

Retailers who participated in the survey acknowledged W&RSETA as the organisation that has assisted them with the improvement of skills for retailers. Table 6 shows the type of assistance which retailers indicated that they have received from W&RSETA. Majority of respondents (27.5%) indicated that they have received grants and funding for skills development while 20.8% indicated that they have received support in the form of training programmes and further 11.7% have indicated that they have received learnerships from W&RSETA. However, about 9% of respondents indicated that they are yet to receive any support from W&RSETA which highlights the need to equitably spread the interventions of skills development initiatives to other areas and other sub-sectors to ensure growth and sustainability of SMEs.

Table 6: Type of assistance given by W&RSETA

Type of assistance	Percentage of Respondents
Provision of grants and funding	27,5
Training programmes	20,8
Helpful in many areas but not specified	13,3
Learnerships	11,7
No assistance has been offered	9,2
Submissions of WSPs	6,7
Graduate placements	3,3
Accreditation	1,7
Total	100

Source: Customer Centricity Survey (2018)

Table 7: Source: Suggestions on skills development

Suggested Interventions	Percentage of Respondents
Regular staff trainings	20,9
Increasing grant allocations	11,9
Increase support to butchery + bakery learnerships/skills program	9,0
Improve engagement with the retailers	9,0
Better, timeous communication from W&R Seta	7,5
Develop user friendly method for submission of WSP	7,5
Accessibility to rural areas	6,0
More cashier based training programmes	6,0
Increase absorption of learners after completing learnerships	6,0

more accreditation training providers	6,0
Visibility in rural areas	4,5
timeous dissemination of information e.g grant letters	3,0
Funding for ABET	3,0
Total	100

Source: Customer Centricity Survey (2018)

Table 7 indicates that 20,9% of the respondents recommend that more regular trainings to be done for retailers in the SMEs category. Grant allocations was another issue raised as 11.9% of retailers suggested there should be an increase. 9% of the retailers suggested that butchery and bakery learner ships should be improved upward. A total of 9% of the retailers propose for an improved engagement between the W&RSETA and the retailers. The need for better, timeous communication between the W&RSETA was also alluded to as 7,5 respondents raised the issue. Another 7,5% raised the need for user friendly methods of submissions for WSPs. 4.5% of the retailers suggested more visibility of W&RSETA to the rural SMEs.

4.8. Summary of results

The findings postulate that there is high level of customer satisfaction amongst the customers. Customers seemed to be satisfied by the services and products of the retail shops they engage with. The likelihood by the customers to recommend the retailers to other people is so high as indicated by the high percentage of respondents who will recommend the shop to friends and relatives.

The results of the study show that retailers employed the activity cycle in their strategy and process as there was high percentages of retailers tracking customers. This ensures an improvement in products and services during and after engagements. This enables movement from superficial customer centricity view by retailers to direct interacts that helps in decision making.

Increase interactions between the retailers and customers appeared to be part of retail practice as there was high percentage of customising of products and services to meet customer needs. This will ensure sustainability of SMEs and growth as the customer base is increased.

Information flow was also realised as high as high levels of engagements within the retailer employees on customer needs. Tracking of customers outside business can lead to improved service and satisfaction of the customer.

From a contingency theory perspective retailer were able to gather information, process and make decisions on products and services that satisfies the customer. This enables retailers to

learn and make changes necessary about customers. A high percentage of retailers 85% tracks customer needs in supplying services and products. This strategy eliminates boundaries amongst retailers and customers leading to benefits such as loyalty and trust.

The research has shown that most retailers use customer centricity in their strategy and processes. The research further reveals that gains from customer centricity strategies such as satisfaction, loyalty and positive word of mouth are realised by retailers as indicated by customers.

5. CONCLUSION AND RECOMMENDATIONS

The purpose of this study was to evaluate customer centricity in the South African Retail Business strategy and processes. The study centred on identifying approaches on to how to best implement SME projects to ensure growth and sustainability, impact of SME related projects and find out scarce business development skills needs faced by SME. The study sought Determine the extent to which retailers carry out their strategy and processes in a customer centric manner. The study then extended to determine if customers believed that South African retailers were customer centric from the customers perspective.

5.1. Limitations of Study

The study done was able to meet most of the objectives but there are several limitations that need to be mentioned. By being purposive in nature, majority of respondents who did not attend W&RSETA meetings could not participate in the survey, hence study could not generalise the views to be that of South African perspective. The survey for retailers was done through an online platform which excludes the retailers in the rural areas, who have no access to internet.

5.2. Recommendations

5.2.1. Skills Development issues

The study finds out that emerging retailers and SMEs continues to face skills shortages in managing their businesses in a way which allows them to grow sustainably. Furthermore, the sector also faces some skills shortages across various subsectors for them to perform well. W&RSETA is called upon to scale up the support on skills development initiatives in training retail employees on customer care, communication skills as well as marketing skills. There is need for regular staff trainings should be done across all sectors. This will enhance customer centricity and ensure growth of the retail sector.

5.2.2. Accessibility and visibility

The findings outlined the strong need for W&RSETA to enhance its accessibility and visibility to all retailers irrespective of their sizes or location of emerging retailers and SMEs. This is an important stakeholder as they can contribute to socio-economic wellbeing of the entire economy. It is recommended that W&RSETA needs to improve its accessibility and visibility particularly in the rural areas to support skills development to rural SMEs for them to be able to be equipped with skills and knowledge to manage and grow their business.

5.2.3. Collaboration amongst players and other stakeholders

The study finds out that collaboration between wholesalers and retailers as well as other stakeholders is limited hence the need to improve cross business unit collaboration between the stakeholders. While it seems collaboration between retailers, suppliers and manufacturers exists, it has become more essential to success as consumers are becoming

more and more demanding. Consumer-goods manufacturers, wholesalers and retailers ought to work together to improve their performance. W&RSETA is called to play an important role in facilitating such collaboration in terms of developing the necessary skills as well partnering on initiatives that extend beyond day-to-day business and that aim to deliver significant long-term value for both parties with the aim of supporting the growth and sustainability of emerging retailers and SMEs.

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