ACHIEVING HAIR SALON COMPETITIVENESS THROUGH RELATIONSHIP MARKETING MODEL: A CASE OF HAIR SALONS IN THE FREE STATE PROVINCE IN SOUTH AFRICA

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Abstract

This paper is based on research on growing competition within hair salons. The study found evidence of such competition and identified relationship marketing (RM) as a tool to support competitive strategy. Hair salons are regarded as emerging small, medium and micro enterprises (SMMEs) – a status achieved due to participation in competitive social-economic activities. This paper presents a RM model compatible with the requirements of emerging SMMEs. It is hoped that this model will promote hair salons’ competitive strategy, thus contributing to South African socio-economic mantra. There is a perceived lack of relationship marketing by SMMEs, particularly for emerging SMMEs like the hair salons. This perception amplifies the importance of strategic tools to support competitive strategy for successful competition. A survey data collection method was used to collect quantitative and qualitative data from 145 respondents, randomly selected owner/managers of hair salons and customers. These responses were supported with personal interviews to improve generalizability. The evidence of lack of awareness and the importance of RM activities was found. This finding supports the need for RM model presentation and hair salon competitiveness and emphasises the requirements for hair salons as emerging SMMEs.

Keywords: Relationship marketing, Competitiveness, Competitive strategy, Free State Province, Relationship management, SMMEs

Introduction

The growing competition within hair salons in the Free State, a province of South Africa, has necessitated the identification of relationship marketing (RM) as a tool to support competitive strategy. Hair salons are seen to be emerging small and medium enterprises (SMEs) in the province – a status achieved due to participation in competitive socio-economic activities. Currently the problem of unemployment facing the youth and the low-cost start-ups has led to the proliferation of hair salons, creating fierce completion among them. Thus, they are uncompetitive, which has caused many of them to fold. Therefore, a RM model has been suggested as a marketing strategy that should be used to build, develop, and maintain a successful relational exchange for competitiveness (Po-Tsang Chen and Hsin-Hui Hu, 2010).
It can be assumed that with an increased consumer appetite for service quality and pressure of increased profit and market share, hair salons would benefit from the application of RM to build a customer base. This assumption relates to the domain of both RM strategies and the services hair salons provide to achieve favourable interaction with customers. With determination, the interactions should enable hair salons to engage, network, and collaborate with customers for improved services.

Previous study by Che, Binti, and Jamil (2009) on RM suggests that the primary focus of interaction is to understand customer preference, taste and lifestyle and use this understanding to build closer relationships for competitiveness. The authors argue that to achieve a sustained competitiveness, the quality of interaction with the understanding of customer’s taste, preference and lifestyle is vital for customized service, customer attraction and retention. This argument is supported and expanded by Cosic and Djuric (2010) who include business development strategy through network-interaction concepts. In the context of the hair salon industry the network-interaction concept is related to the achievement of a RM strategy that is highly competitive. It is suggested that success of the model would be realised by the utilization of relational exchange theory which is a source of business partnerships; based on buyer-seller relationships (Kanagal, 2010).

**Theoretical and conceptual frameworks**

This study was underpinned by relational exchange theory, which relates to a long-term relationship between the business and customers. According to Jham and Khan (2008), building relationships requires customer satisfaction as a pre-requisite to meeting customers’ expectations. Khan (2012) also states that the continuity of the business relations between the customer and the business is dependent on customer retention. Therefore, the study considers customer satisfaction and retention as critical to relationship building between the customer and the business.

Conceptually, it was assumed in this study that the application of RM components such as trust/confidence, communication, responsiveness, tangibility, complaints handling and empathy ((Deng, Wei and Zhang, 2010; Anabila, Narteh and Tweneboah-Kodua, 2012; Rezvani et al., 2011; Kassim and Abdulla, 2010; Pournaserani, and Mousavian, 2011) serve as independent variables and could lead to service quality, customer satisfaction and retention as dependent variables for a business to achieve competitiveness and growth. This could make RM theoretically appealing for hair salons.

**METHODOLOGY**

**Research design**

The research design was exploratory research. The study was exploratory because it investigated how RM can be used and what impact it has on hair salon competitiveness, which is a virgin area. The importance of hair salon competitiveness provided the rationale for the development of the RM model. The exploratory design is selected for its quantitative
relevance to contextual interplay of data collection and analysis. It employs both descriptive and quantitative research approaches.

**Population and sampling**

The target population for this study were the owners and customers of the hair salons in the Free State. With the population size of 550, a sample of 200 was considered adequate for this study through a pilot study which was conducted to identify the salons suitable for this specific study aimed at quality improvement effort and data reliability. A probability sampling method was adopted for the following reasons: there was a large sample comprising 550 hair salons in the region, which allowed for representativeness; there was a need to generalize the results of the study; and the population was well defined.

**Data collection**

A lack of suitable previous research on the subject necessitated the construction of a custom-made questionnaire. A pilot study using 20 respondents was conducted in the Mangaung area of Bloemfontein to improve readability and clarity of the questions. The questionnaires were administered personally. Thirty eight itemized Likert-type questions were used to collect the primary data for analysis. According to Cooper and Schindler (2011), Likert-type scales consist of statements that express either a favourable or an unfavourable (agree or disagree) attitude toward the object of interest. Thirty eight itemized questions were used to prevent the respondents from guessing about a choice. They needed to indicate specifically the type of information that was required by the researcher. The structured questionnaire was made up of two sections, the first one dealing with the drivers for service quality, customer satisfaction, and retention, and the second requiring the respondents to answer questions on the elements of RM practices such as confidence/trust, communication, responsiveness, tangibility, empathy, and complaints handling.

**Data analysis**

Data collected was analysed using the SPSS statistical computer software package proven to produce reliable inferential and descriptive statistics. The data was statistically analysed using frequency counts and percentages. Cronbach’s Alpha coefficient statistic for reliability analysis, correlation and regression models was also used for relationships.

**Credibility and reliability of constructs**

The Cronbach’s Alpha statistic is the main tool used to measure reliability of the various constructs in the study. Cronbach’s Alpha co-efficient of around 0.70 is deemed acceptable for internal consistency of a measuring instrument (Lai et al., 2010; Field 2012; Khan et al., 2012).

**LITERATURE REVIEW**

This literature review discusses the main concepts on which this study focused, namely RM and its elements and the dependent variables.
Relationship marketing defined

According to Gilaninia, Danish, and Shahmohammadi (2012), RM is a strategy to attract, retain, and promote customer relations, while Cosic and Djuric (2010) define RM as paradigm change, which shifts the focus of business from transaction to relationship. Alrubai and Al-Nazer (2010) state that RM involves the directing of all marketing activities toward building loyalty (keeping and winning customers) by providing value to all the parties involved in relational exchanges. These authors further maintain that the main theme in customer RM is to acquire and retain customers.

Kanagal (2009) describes RM as the identification, establishment, maintenance, enhancement, modification and termination of relationships with customers to create value for customers and profit for the organisation through a series of relational exchanges that have both a history and a future. According to Alqahtani (2011), RM is seen as a core business activity directed towards setting up, improving, and maintaining successful relational exchanges with customers, suppliers and even other businesses.

Implicit in the above definitions is that RM involves activities aimed at developing long-term cost-effective links between an organization and its customers for their mutual benefit. Organizations can maintain and enhance relationships by treating customers fairly and offering better service. For the service provider, a valued relationship is one that is financially profitable in the long term.

Conceptualisation of the independent variables

Trust

Trust is viewed as an essential ingredient and a mainstay of a successful relationship (Jiun-Sheng Chris Lin & Chung-Yuen, Wu, 2011). Sohail (2012) argues that trust is the willingness to rely on an exchange partner in whom one has confidence, and this builds relationships.

Complaints handling

According to Komunda, Kibeera, Munyoku and Byyarugaba (2015), customers’ complaints are the responses triggered by perceived dissatisfaction due to inadequate integrity, reliability, responsiveness and functionality. Therefore, complaints management must be one of the marketing tools used to bring two parties together to foster relationships.

Communication

Anabila, Narrey and Tweneboah-Kodua (2012) argue that communication has a positive effect on customer acquisition and retention, and that the frequency of communication between parties indicates the strength of the relationship, which has a positive effect on customer loyalty.

Responsiveness

In their study, of Ladhari, Ladhari and Morales (2011) refer to responsiveness as the willingness to help customers and provide prompt service. Thus, understanding customer
requirements and developing the service based on responsive feedback enhances service satisfaction and relationship building.

**Tangibility**

According to Jaya and Manhalingam (2011), tangibles of services are the equipment, signage, appearance of employees and man-made physical environment surrounding the service, which are commonly known as the servicescape – the aesthetic and visual appeal of the business in the eyes of the customer. The visuals benefit the business by providing what the customers need in the form of service quality and satisfaction.

**Empathy**

Kassim and Abdullah (2010) argue that empathy is the service dimension that focuses on individualised attention or care, easy access, good communication and customer understanding which leads to relationship building.

**Conceptualisation of service quality, customer satisfaction and customer retention and their influence on relationship marketing**

**Service quality**

Service quality is seen as having an impact on customer satisfaction, customer loyalty, profitability and business performance (Santouridis & Trivellas, 2010). Thus, it leads to customer retention and effective RM.

**Customer satisfaction**

According to Ganiyu, Uche and Adeoti (2012), customer satisfaction is the heart of marketing. These authors contend that it is an antecedent to customer loyalty and retention which mediate between RM and business competitiveness and growth.

**Customer retention**

Khan (2012) defines customer retention as the continuity of the business relations between the customer and the business. Satisfying customers in order to retain them results in customer retention (Jawaria, Imrnan, Khashif, Ayse, Nadeem and Hassan, 2010). Customer retention is similar to satisfaction in that they are the most important indicators of customer satisfaction: the more satisfied customers are, the greater their retention, and the greater the RM.

**GAPS IN THE EMPIRICAL ANALYSIS**

Table 1 shows the overall varieties of gaps in the empirical analysis. These gaps relate to RM elements not fully practised in the salons’ operations, namely trust/confidence, handling of complaints, communication, responsiveness and empathy. These gaps were used to develop the RM model presented in Figure 1.
Table 1: Gaps in the empirical evidence

<table>
<thead>
<tr>
<th>Assumed practice of elements of relationship marketing in salons (100%)</th>
<th>Gaps not found in the practice of relationship marketing in the salons</th>
<th>Empirical evidence of practice of the elements of relationship marketing in salons (average %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>14.3%</td>
<td>85.7%</td>
</tr>
<tr>
<td>Handling of complaints/queries</td>
<td>17.6%</td>
<td>82.04%</td>
</tr>
<tr>
<td>Communication</td>
<td>32.6%</td>
<td>67.4%</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>9.7%</td>
<td>90.3%</td>
</tr>
<tr>
<td>Empathy</td>
<td>34%</td>
<td>66%</td>
</tr>
</tbody>
</table>

**Explanations of the gaps**

**Trust**

As can be seen in Table 1, about 14.3% of the salons do not consider and do not show trust towards their customers. It means some owners of the salons do not demonstrate high levels of integrity such as consistency, honesty, fairness, helpfulness and responsibility which go with trust within the business. Thus, the absence of these aspects may reduce the level of commitment in a relationship between the salon and the customers. This is consistent with Sohail’s view (2012) that trust is higher among buyers who believe they receive more value from a relationship, and that it is another important determinant of customer loyalty. Therefore, the absence of trust within some of the salons is a crucial concern to be addressed if they want to win more customers.

**Handling of complaints or queries**

Customers’ complaints are usually related to their queries or problems and if they are satisfactorily resolved, the customer’s loyalty towards the organisation is enhanced. It follows that poorly managed queries in the salon business – as in any other organisation – would interfere with relationships. A 17.6% gap for this marketing practice means a great loss of customers to those salons; therefore, complaints handling is a huge investment in time, productivity gains and relationship building for a business.

**Communication**

Another gap emanates from ineffective communication systems among the salons. It seems, for any particular organisation to be known and heard by its customers, it should consistently communicate with its customers rather than only produce and price its products. As shown in Table 1, 32.6% of the salons do not practise this element of RM or they may find it difficult to inform, remind, persuade and differentiate offerings from competitors. Anabila, Narteh, and Tweneboah-Kodua (2012) argue that communication has a positive effect on customer
acquisition and retention, and that the frequency of communication among the parties indicates the strength of the relationship marketing.

**Responsiveness**

Also included among the gaps is responsiveness as an element of RM which is not well adhered to by some of the hair salons. It denotes speed and timeliness of service delivery. Table 1 shows that 9.7% of the salons do not practise this element as a driver for customer satisfaction and retention – and for that matter, RM. This suggests that these salons have a negative attitude towards this relationship element. Kassim and Abdulla (2010) allude to this aspect and describe responsiveness as a company’s ability and willingness to provide prompt service when customers have questions or problems. Thus, understanding customer requirements and developing the service based on responsive feedback enhances service satisfaction, loyalty and relationship building.

**Empathy**

Empathy as an element of RM is another driver for building the customer-provider relationship. It reflects personal attention, preferences, understanding and caring of the customer. Empathy pre-supposes that owners of businesses are expected to implement customer-oriented strategies whereby businesses must show sincere interest in solving clients’ problems and requirements. Table 1 shows that 34% of the salons do not practise empathy within their businesses. This means that these salons do not personalise services and generally do not demonstrate caring behaviour in all of their interpersonal dealings with customers – these represent a gap in the literature to be addressed. Therefore, the issue that stands out from all these gaps is that there is a critical need to address them if RM can succeed within the hair salons.

**THE RELATIONSHIP MARKETING MODEL**

The graphical representation of the RM model presented in Figure 1 here is based on the conclusion derived from the gaps in the empirical data analysis (see Table 1). It is hoped that this framework will support and promote RM success in small businesses, particularly hair salons, through the application of RM elements identified to be effective in influencing service quality, customer retention, and satisfaction.
Discussion of the relationship marketing model

The key variables of the model were extracted from some of the gaps found in the empirical analysis which are: trust/commitment, communication, handling of complaints/queries, responsiveness, and empathy as independent variables. The mediating variables are customer satisfaction, service quality and customer retention. It is assumed that if these gaps or perceptions are addressed and the business addresses them, it would be able to provide quality service, customer satisfaction, and retention, which would ultimately lead to competitiveness, profit/market share, and relationship building.

Application of the relationship marketing model

The model can be used to influence customer perceptions that have to do with the way in which customers view and react to the products and services that are available to them especially when the product or service is a novelty. The management strategies in the model could be applied to the operations of marketers. For example, marketers in their campaigns to get customers’ attention by convincing them to purchase a specific product or service use marketing communication strategy. The purpose of this model is to ensure that management functions are aligned with service quality strategies, cutting across the marketing activities, determining customer satisfaction and retention of the adoption process. It supports the challenges that management of the hair salons face that have become imperative with the increase of, for example, new demands of customers for service quality, current fashionable hairstyles and even current hair chemicals within the industry context.

With increased competition, changes in customers’ taste for current hairstyles and lifestyles in the context of hair salons, this model can be used to communicate differentiated features of
services and products offerings. By so doing, hair salons’ competitive abilities would benefit from the application of the model.

**Application of the model to relationship management**

Since the customer is the central block of RM building, one of the benefits of the model is the fostering of long-term customer relationships. It is noteworthy that long-term customer relationships build mutual rewards that benefit both the firm and the customer, while the organization can also gain quality sources of marketing intelligence for better planning of the marketing strategies (Jesri et al., 2013:56). In addition, this RM model allows flexible access and interaction of a business with customers as opposed to traditional marketing practices where customers were passive partners.

The model can be used to encourage hair salon businesses to develop a competitive plan by fostering intense, difficult-to-duplicate marketing relationships with customers, employees and even competitors as partners. For example, this could be done by the management developing special treatment such as extra services, special prices, coupons, free hair products and higher priority over other customers, or providing fast and flexible salon services or product information to customers.

The model assumes that the management steps up the marketing management process to manage all the marketing activities with commitment, trust, empathy and responsiveness. Management’s commitment is essential in promoting the concept of customer relationship management within and outside of the business. It is necessary to institute frequent changes in marketing activities and introduce support structures such as trained staff that are required to make the model a success because RM is a partnership in nature.

**RESULTS AND DISCUSSION**

**Response rate**

The questionnaires were administered to a sample of 200 hair salons out of which 145 were completed and returned. This represents a response rate of 72.5%. All the returned questionnaires were correctly completed.

**PERCEIVED RELATIONSHIP MARKETING AWARENESS AND PRACTICES**

An overall measure of perceived awareness and elements of RM practices were calculated, using frequency distribution and percentages.

The information in Table 2 shows the average percentages of the items of the questions under each construct as summaries.
2: Summary of the statistics of the perceived RM awareness and practices

<table>
<thead>
<tr>
<th>Constructs</th>
<th>No. of Respondents</th>
<th>No. of items</th>
<th>Agree /strongly agree Average %</th>
<th>Comments: Perceived relationship marketing practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awareness of relationship marketing</td>
<td>145</td>
<td>5</td>
<td>63.7</td>
<td>Not very much</td>
</tr>
<tr>
<td>Service quality</td>
<td>145</td>
<td>7</td>
<td>97.0</td>
<td>Practice</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>145</td>
<td>6</td>
<td>94.4</td>
<td>Practice</td>
</tr>
<tr>
<td>Customer retention</td>
<td>145</td>
<td>4</td>
<td>88.4</td>
<td>Practice</td>
</tr>
<tr>
<td>Confidence/trust</td>
<td>145</td>
<td>4</td>
<td>85.7</td>
<td>Practice</td>
</tr>
<tr>
<td>Complaints handling</td>
<td>145</td>
<td>5</td>
<td>82.04</td>
<td>Practice</td>
</tr>
<tr>
<td>Communication</td>
<td>145</td>
<td>4</td>
<td>67.4</td>
<td>Not very much</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>145</td>
<td>3</td>
<td>90.3</td>
<td>Practice</td>
</tr>
<tr>
<td>Tangibility</td>
<td>145</td>
<td>3</td>
<td>90.6</td>
<td>Practice</td>
</tr>
<tr>
<td>Empathy</td>
<td>145</td>
<td>2</td>
<td>66.2</td>
<td>Not very much</td>
</tr>
<tr>
<td>All 10 constructs</td>
<td></td>
<td>43</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CONCLUSIONS

The conclusions that follow are based on the literature review and the empirical findings. It was found that some of the salons needed to address certain gaps in practising some of the RM variables. The majority of the respondents strongly agreed that it is very good to practise the elements of the RM in the salons. Therefore, these findings support the need for an RM model for hair salon competitiveness and growth.
RECOMMENDATIONS

Formalization of the hair salon industry
The study revealed that most of the hair salons in the industry are not formalized and not registered. Efforts must be made by the Free State government, in partnership with small-business-oriented NGOs to formalize these informal hair salons into economically viable ventures by registering them to be sustainable commercial industry. The financial implication for the formalization would make them get provincial guarantees enabling them to access financial credit facilities from the banks and other financial institutions. With this financial back-up, hair salons would be able to finance any marketing practices such as RM management, which may be costly to undertake.

Development of hair salon academies
The study shows that already hair salon academies are spreading across in some major cities of the country illustrating the importance, financial, job creation, and self-employment potential of the business, which seems to be limited in the Free State. It is suggested that such training centres be established in the various cities of the province. There must be a curriculum blend of both hair care and marketing practices such as RM and other business skills to stimulate growth in this market. In order to boost its potential for novelty and growth, and in collaboration with the Skills Education and Training Authority (SETA), such academies could be accredited. This step would draw more unemployed into the industry to make it of value.

Development of skills training
It is recommended that basic training in business management and entrepreneurship be incorporated in the academies mentioned earlier to assist salon owners to overcome skills shortages. The aim is to prepare the students to run their own businesses with the knowledge gained. The local municipalities and private collaborators could practise capacity training by setting up development and training programmes for salon operators. In these programmes, areas such as marketing management, marketing practices, simple financial management, marketing research, and more importantly the knowledge of RM could be included, so that the operators of these salons would gain mastery of RM management to enhance customer relationships

RECOMMENDATIONS FOR FURTHER RESEARCH
The results of this empirical research necessitate further research on the following pertinent issues:

- Whether the findings of this study are applicable to other parts of South Africa by replicating this research on a larger scale, preferably nation-wide;
- Why RM is not practised by some hair salons to any appreciable extent in the Free State province;
- To validate the findings of this study to suggest that the RM framework influences hair salon competitiveness, performance, and growth.
References


