

# Relationship Marketing

Developing Seller-Buyer Relationships,

Case: Fitness Empire

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ABSTRACT

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The sphere of marketing has undergone dramatic changes over the years. The goals and objectives of companies have changed as well as their focus on customers to attract. Changes have happened from the side of customers too. Their perception of goods, companies and decision making in general is now much different. In the thesis, the author thoroughly studies relationship marketing. The main objective of the research is to develop seller-buyer relationships of the case company. The purpose of the research is to give recommendations for the case company to gain more loyal customers.

In the theoretical part of the thesis the main concepts of marketing, marketing analysis tools and relationship marketing are explained. Both primary and secondary types of data are included in the research.

Empirical research is presented next. Firstly, the case company is introduced. The data is collected with the help of the interview and the questionnaire. Thus, the research method of the thesis is qualitative. Both deductive and inductive research approaches are used in the thesis. The author starts deductively with theoretical issues and then comes to observations. After that development recommendations are given referring to the theory. It represents inductive research method.

The development plan is created by the author combining theoretical and empirical research. In the development plan three types of analysis are employed: SWOT, four actions framework and value proposition canvas. Comments on determinants of the case company relationship marketing are given in the development plan. Moreover, possible development of marketing strategy and relationship development process of the case company are presented.

As a result of the research, the author is able to answer all the research questions and the research is considered to be reliable and valid.

Key words: benefits, customer loyalty, development, relationship marketing, value

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## ABBREVIATIONS

CRM – customer relationship management

SWOT – strengths, weaknesses, opportunities, threats

RM – relationship marketing

WOM – word of mouth

SM – social media

# 1 INTRODUCTION

This chapter presents an overview of the thesis. Firstly, it identifies the background of the research as well as explains the topic and the reasons for the author to conduct the research. Secondly, the author discusses thesis objectives, research questions and gives comments on limitations of the research. After that the chapter is followed by explanations of theoretical framework, research methodology and data collection. Finally, the author clarifies the structure of the entire thesis and introduces the timetable of the theses.

## 1.1 Research background

Over the last years, the entire concept of marketing has changed significantly and it continues to change nowadays (Nandwani 2016). It is essential to study the history of marketing development in order to understand nowadays marketing.

### 1.1.1 History

Marketing is normally divided into five evolution eras since the appearance of the concept: trade, production, sales, marketing development, marketing company eras (White 2010).

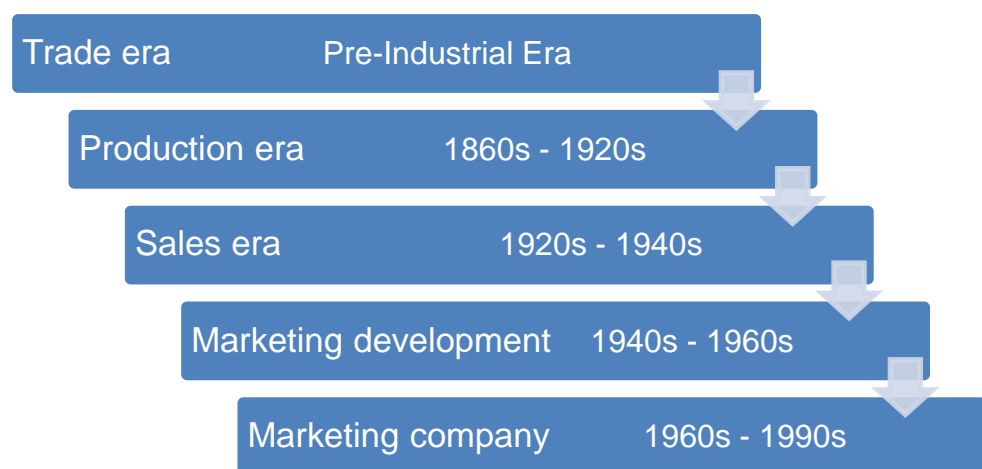


FIGURE 1. Marketing eras (White 2010)



The Figure 1 shows five eras of marketing development. Each of the phases helps to understand how nowadays marketing was formed. The trade era (also called simple trade era) can be described as the period of time when everything was made by hands and in very limited quantities. Goods were the top priority. This era was replaced by production era. It can be presented as the time of mass production. Commodities became available to everyone due to the production of things in large quantities. Next one was sales era in between 1920 and 1940 years. Companies could easily sell their products since the competition increased dramatically. In order to sell the commodities, companies had to grind away. (White 2010).

Production era was followed by marketing development era. It was the time when sellers realized that old patterns must be developed to stay profitable. Consumers gained power over the marketplace. All the marketing activities such as promotion or advertising were united in one department. Finally, the era of marketing company appeared in between 1960s and 1990s. It can be represented as the period of time when the needs of customers were the main priorities. (White 2010).

### 1.1.2 Marketing nowadays

According to D. Steven White (2010), in 1990s the boom of relationship marketing started and it lasted for 20 years. Companies tried to gain more loyal customers rather than just attract attention for a single purchase. Certainly, relationship marketing era still has its place in nowadays marketing. The main aim of relationship marketing can be described as building long-lasting and mutually beneficial relationships with customers.

Finally, social marketing era appeared in 2010. This is the era when all business operations throughout the day are connected to current and potential customers. Communication and information exchange play a key role in social marketing era. (White 2010).

## 1.2 Thesis objectives, research questions and limitations

Research objectives point out the specific research themes in details. They set the plans of the work to study and investigate issues stated in the goal of the research. (Thomas & Hodges 2010, 39-41.)

The thesis is aimed to study the relationships between a buyer and a seller as well as the benefits that both sides gain from interaction. The main objective of the thesis is to develop seller-buyer relationships for the case company though deeper understanding of marketing evolution from transaction-based marketing to relationship marketing. Moreover, the research includes a set of actions to be taken in order to develop relationships between two parties. The purpose of the research is to give recommendations for the case company to gain more loyal customers.

As soon as satisfactory research questions are composed, it is time to start the research. Qualitative research questions define more precisely what the researcher wants to investigate, help to plan possible directions of the entire research. The main research question emerges from the main objective of the thesis. The findings are supposed to help the case company to develop their marketing operations. (Agee 2009, 431-433.)

Thus, the research question is the following:

***What should be developed in operations of the case company to gain more loyal customers?***

Sub-questions are important since they help the author to answer the main research question. The right formulation of sub-questions eases the process of undertaking the research. Answers to sub-questions lead the author to answer the main research question. (Thiel 2014, 19-20.)

In the thesis, the sub-questions are determined as follows:

*What is relationship marketing?*

The research question is set to study the importance of relationships and the formulation from transaction-based marketing to nowadays relationship marketing. Understanding the background of relationship marketing and its origins is the cornerstone when working on developing marketing operations of the case company.

*What is the development process of seller-buyer relationships?*

It is essential to examine the entire development process of seller-buyer relationships. Firstly, it gives us an overall picture from the point where a seller and a buyer meet until the point where a customer becomes loyal or break up the relationships. The development process explains each step in building relationships. Therefore, it helps to understand the factors that influence decision-making of both parties.

*What are the determinants of relationship marketing outcomes?*

The question is relevant since it concerns the topic of main interaction factors. Benefits obtainment is the goal a seller and a buyer strive to achieve. Consequently, to be able to develop seller-buyer relationships of case company it is important to estimate the value of the relationships for both parties.

The limitations of the study are the characteristics that have affected the outcomes of the investigation. These characteristics are the constraints that have narrowed the range of the research. All the researches have limitations and it is important to inform readers about them. (Price & Murnan 2004, 66-67.)

The thesis has limitations that are crucial to mention. Firstly, it is important to note that relationship marketing is closely linked with customer relationship management. However, in the thesis the author focuses only on relationship marketing without building any software or computer systems. It means that the thesis is aimed to study sales and marketing concepts that stand in between a seller and a buyer excluding customer relationship management (CRM) tools. Secondly, the author faces the time

limit problem. Therefore, only three marketing models are explained and analysed on the case company. Last limitation of the thesis is that the author deals with service sector. Thus, the results of the thesis can be applied only for the case company in a specific business sector.

### 1.3 Theoretical framework

The goal of the thesis is to develop seller-buyer relationships of the case company to gain more loyal customers. While working on developing process, it is crucial to carefully study the theory before making any assumptions and suggestions. The Figure 2 presents theoretical part of the thesis.



FIGURE 2. Theoretical framework of the thesis

The author starts with an overall explanation of marketing, marketing strategies and ways to develop them in chapter 2. The chapter is followed by a presentation of three analysis tools. The first one is strengths, weaknesses, opportunities & threats analysis (SWOT) which helps to analyse case company's current activities as well as its opportunities and possible threats. The next one is the value proposition canvas which deeply analyses customers' side and emotions of customers. Finally, right after the value proposition canvas four actions framework is explained.

The 3<sup>rd</sup> chapter is fully dedicated to relationship marketing. The chapter starts with an explanation of a shift from transaction-based marketing to relationship marketing. Then a detailed overview of relationships as well as a definition of relationship marketing are shown. After that the chapter proceeds with determinants of relationship marketing (RM) outcomes.

Finally, the chapter gives a description to each phase of an entire relationship development process.

#### 1.4 Research methodology and data collection

This sub-chapter gives an overview of research methodology and data collection methods. First of all, the author presents the research methods. Secondly, the author describes the research approaches. Finally, the research approaches are followed by the types of data sources.

The research approach can be deductive or inductive. Depending on the purpose of the research, the appropriate approach should be chosen. The deductive research approach is based on a theory and then it leads to observations. Thus, a researcher develops the theory and makes a plan to test a hypothesis. The inductive research method comes from observations to the theory. It means that firstly the data is collected and the theory is developed based on the outcomes of the data analysis. (Saunders, Lewis & Thornhill 2009, 124-126.)

The research methods can be qualitative or quantitative. Quantitative research method contains numerical data, analyzation of numerical data by statistics, tables and diagrams. It may vary from simple frequency of occurrences to rental costs or test scores. Qualitative research method is non-numeric or it presents the data that have not been transformed to numbers. It may vary from open-ended questions to long and complex interviews. (Saunders, Lewis & Thornhill 2009, 414-416 480-481.)

There are primary and secondary data sources. The primary data can be described as information gathered by a researcher for a specific goal of the research. Meanwhile, the secondary data is information originally gathered by other researchers and reused for another research. (Kempf-Leonard 2005, 593-596.)

In the research both deductive and inductive research approaches are used. The author starts from the theory and then comes to observations. It presents deductive research approach. After that the author creates a

development plan for the case company based on the theory and gained observations. It shows inductive research approach. As for the research method, the qualitative research method is used in the form of a questionnaire and an interview. Furthermore, the research includes both primary and secondary data types.

## 1.5 Thesis structure & timetable

The following sub-chapter gives an overview on the structure of the thesis and presents the timetable of the research.

### 1.5.1 Thesis structure

The entire thesis is separated into two broad parts: theoretical part and empirical part. Suggestions as well as summaries are presented in the end of the thesis. The Figure 3 shows a plan of the thesis step by step.



FIGURE 3. Thesis structure

The first chapter introduces the reader to a topic, gives some comments about the thesis as well as presents the background of the research. Introduction chapter is followed by the theoretical part which is presented in the second and third chapters. The chapter two studies marketing concepts in details, whereas the next one tells about relationship

marketing. Relationship marketing gives great importance to relationship development process. In the end positions from both seller and buyer sides are explained.

The fourth chapter starts with a presentation of a case company. The chapter proceeds with empirical research in a form of an interview and a questionnaire. When all the issues are concerned, the author introduces the development plan for the case company based on all the outcomes of the research. In chapter six answers to research questions are given, reliability and validity of the thesis is evaluated as well as suggestions for further research are described. The final seventh chapter presents a summary of the entire thesis.

#### 1.5.2 Thesis timetable

The preliminary timetable of the thesis is presented in the Figure 4. The thesis is written during the 2017 year. Firstly, the thesis starts with an introduction part. It is written in the first part of February. Then comes theoretical part which consists of three chapters. The theoretical part is written within the middle of February until the beginning of March.

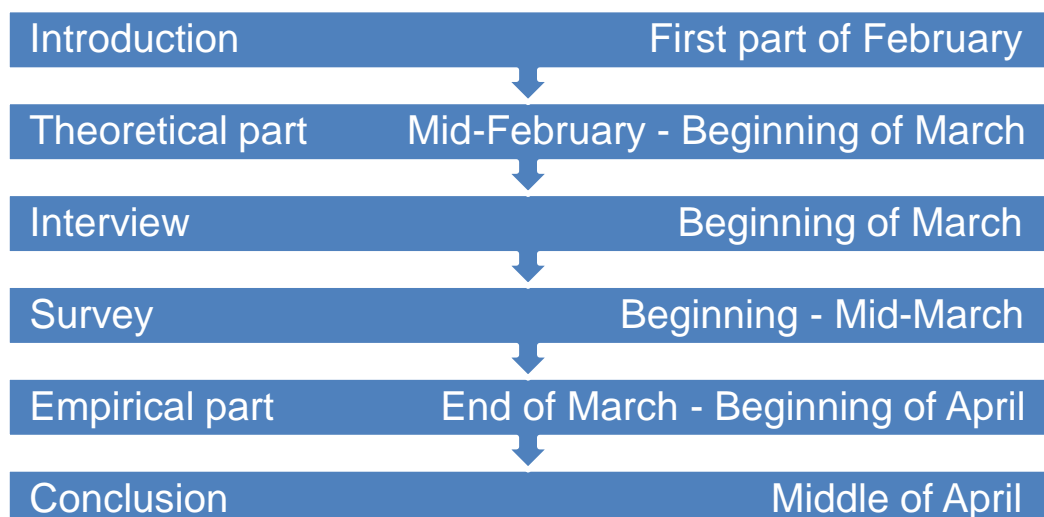


FIGURE 4. Thesis timetable

Moreover, the interview with case company manager is planned at the beginning of March as well as the questionnaire among customers of the company. After the data for empirical research is gathered, empirical part of the thesis is written from the end of March until the beginning of April. Finally, the conclusion is done by the middle of April.



## 2 MARKETING AND MARKETING ANALYSIS TOOLS

Second chapter of the thesis introduces the reader to marketing concepts. It starts with the definition of marketing and then narrows down to more specific aspects of marketing. Firstly, strategic marketing is explained as well as the ways to develop marketing strategy. Secondly, the term of marketing models is identified. Finally, three marketing models such as SWOT, the value proposition canvas and four actions framework are introduced and explained in detail.

### 2.1 Definition of marketing

Marketing is a process through which companies create value for their customers and build reliable and strong relationships with them in order to gain the value in exchange (Kotler & Armstrong 2012, 5-6).

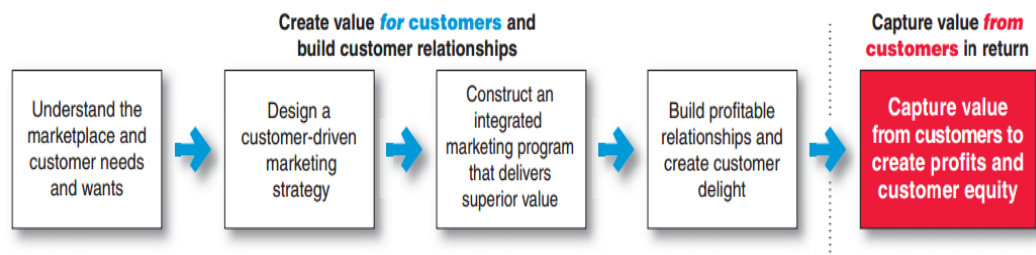


FIGURE 5. A model of marketing process (Kotler & Armstrong 2012, 5)

The Figure 5 shows the entire marketing process of building relationships. Marketing process model is presented in a nutshell. All the actions from a seller side are conducted with the goal of creating value for customers thereby building strong relationships. By building customer relationships, a seller aims to get value from customers in return.

### 2.2 Strategic marketing

Strategic marketing is an area of study that has developed over the years and continues to develop nowadays. Strategic marketing can be described

as a set of actions and behaviors aimed at customers, competitors and other key parties in a marketplace. (Shankar & Carpenter 2012, 9-15.)

The marketplace does not remain the same all the time; customers' needs change and preferences vary. Therefore, strategic marketing is very important. It includes market-driven strategies that help to operate in permanently changing business environment. (Cravens 1991, 64-67.)

There are several essential factors to be taken into consideration while building a strategy. First, a strategy should be focused on a market. Secondly, a company should pay attention to environmental turbulence. Thirdly, a company should be conscious about the degree of customer satisfaction. Finally, it is important to note that strategic marketing is aimed at increasing financial performance of a company. (Cravens 1991, 65-66.)

All four factors together build a new strategy for a company to follow. An organization does not only operate to increase sales as it was in traditional marketing but it develops current strategy in a beneficial for all parties way. Strategic marketing is aimed to reach competitive advantage that needs good groupwork as well as interaction in between all the team members. (Cravens 1991, 65-66.)

### 2.2.1 Developing marketing strategy

Marketing situation analysis is the first thing to be done when planning to develop a marketing strategy. Normally, the analysis is conducted on planning stage as well as after the implementation of the strategy.

Situation analysis before actual planning gives an overview of the current market situation, it shows what are the points to be changed, what points work finely and should remain the same in the new marketing strategy.

Situation analysis after the implementation of the strategy tells if the strategy is good enough to remain and what are the outcomes of strategy implementation. (Cravens 1991, 67-68.)

As shown in the Figure 6, strategic marketing planning process consists of four interconnected stages: marketing situation analysis, designing

marketing strategy, marketing program development and implementation of marketing strategy (Cravens 1991, 68).



FIGURE 6. Strategic marketing planning process (Cravens 1991, 68)

The process of planning starts with analysis phase as it was mentioned in the previous paragraph. Analysis phase consists of markets analysis as well as competition analysis. The analysis of competition helps to monitor and estimate competitors' strategies, find their strong and weak sides. Such an analysis gives a company an opportunity to plan a new marketing strategy based on weak points of competitors. Market segmentation is also included in the first phase. It divides customers into several segments with similar wants and needs. In such a way, a company finds an appropriate way to serve each of them. (Cravens 1991, 68-71.)

The phase of building marketing strategy comes after the analysis phase. Having enough information based on the analysis, it is time to create a new marketing strategy. This is the stage of market targeting and positioning strategy. (Cravens 1991, 71-77.) In other words, an organization determines segments the management is aiming to serve in a frame of product-market. The number of segments may vary depending on the analysis of the market. Thus, a company might decide to target one single segment or two and three at the same time.

There is information from each market target that should be gathered in order to plan marketing strategy in the future. The information includes such factors as a size and growth of market target segment, characteristics of end users and features of end users (preferences and habits). A company may also decide a set of new products if applicable to a specific target segment in order to differentiate from others. (Cravens 1991, 71-73.)

According to Cravens (1991, 73-77) marketing positioning strategy can be also called marketing mix. It can be described as a set of marketing place, promotion, product and distribution strategies that rival with competitors when aiming to serve customers. As in target marketing, positioning marketing strategy has several important issues to be taken into consideration. The first thing to note is benefits that every buyer is searching for when making a purchase. Secondly, a company should not be a copy of other companies. It means that there should be key points that will attract the attention of a buyer to their company. In other words, a company should distinguish itself. Finally, a company should pay attention to the limitations of products that a buyer wishes to get. It relates to products that a company has at the display and competes in sales with other companies.

Planning marketing strategy is followed by the development of marketing program. It is the time for company to evaluate and change old patterns of price, promotion, distribution as well as product portfolio strategies.

Developing marketing program a company should decide the importance and the specific role of each marketing mix component. A company should also pay attention to expenses and define the most cost-effective way for each component. Marketing program development goes step by step. A company highlights possible development ways for each component based on analysis, compares to previous marketing program and creates a new marketing program curve to follow. (Cravens 1991, 78-81.)

Finally, the phase of marketing strategy implementation takes its place. The budget control as well as managing control should be conducted by a

company. Moreover, at this phase the effectiveness of marketing strategy is evaluated. The evaluation should take place regularly in order to see the adaptation of new strategy and possibly make some changes. (Cravens 1991, 81-85.) It is important to note that all stages of planning process are interconnected. The same range of strategic planning may repeat again whenever a company feels the need for it.

### 2.3 Marketing models

According to Timmers (1998) a business model is an architecture for service, product and information flows. It includes the description of business actors and their activities, potential profits and sources of revenue. Marketing models represent business models together with marketing strategy of business sector.

#### 2.3.1 SWOT

In order to evaluate and develop marketing activities of a company, a deep analysis of a company should be conducted. Therefore, a SWOT analysis is conducted. (Kotler & Armstrong 2012, 53.)



FIGURE 7. SWOT (Kotler & Armstrong 2012, 53)

The Figure 7 shows SWOT analysis. Each letter in a name of the analysis stand for one side of company's description: S – strengths, W –

weaknesses, O – opportunities, T – threats. Moreover, a SWOT analysis is divided into internal factors such as strengths and weaknesses and external factors such as opportunities and threats. The analysis is also divided into positive and negative factors. Strengths and opportunities stand for positive factors, whereas weaknesses and threats stand for negative factors. (Kotler & Armstrong 2012, 53.) Each of the factors is explained next.

Analysing company's activities marketers refer to internal resources as well as capabilities and differentiation aspects to strengthen the position of a company. Meanwhile weaknesses are shown as internal limitations and all possible negative factors that may affect customers' opinions about a company and its production/services. Opportunities stand for company's external possibilities to improve business operations towards current or potential customers. Finally, threats represent external negative factors that may affect company's productivity. (Kotler & Armstrong 2012, 53-54.)

First of all, the goal of a company is to carefully assess current situation with the help of SWOT analysis. After that the company should try to improve their activities based on SWOT analysis results. (Kotler & Armstrong 2012, 54.) Strengths show the factors a company deals well with. However, it would be better if a company found a solution to enhance the strengths. The factors appeared in weaknesses part should be eliminated or transformed into strengths by development process. A company should find a way to turn possible opportunities into reality. In such a way opportunities become strong points of the company. Regarding threats, a company should find a solution to minimize them.

### 2.3.2 The value proposition canvas

According to Thomson (2013), in 2012 Alex Osterwalder together with his team introduced value proposition template. A value proposition canvas is one of canvas templates that contributes and develops marketing operations of an organization. It is a tool that helps a company to analyse

customers' needs, wants and fears to create value by offering products/services of a company.

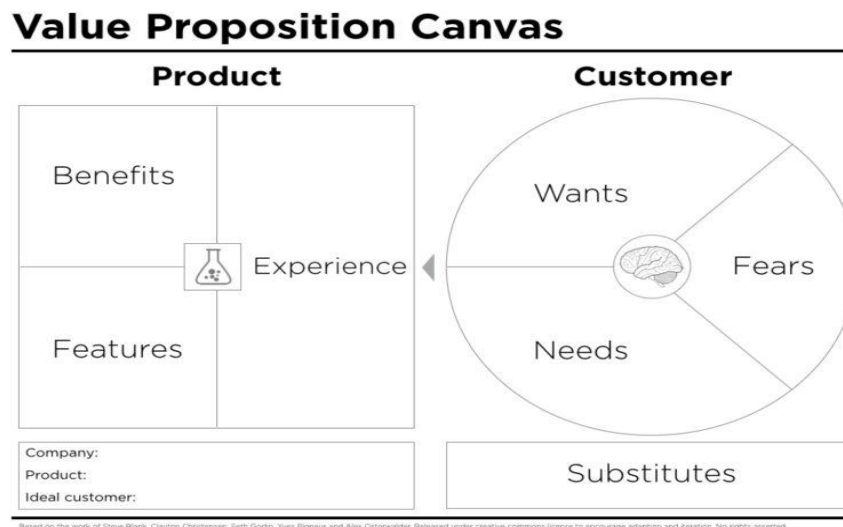


FIGURE 8. Value proposition canvas (Thomson 2013)

As seen in the Figure 8, there are two sides of the diagram. The left side stands for product section and the right one stands for customer section.

The customer section includes: wants, needs and fears. Wants of customers show the emotional side of choice and purchasing decisions. Wants also represent the things customers want to do, to be or to have. Customers' wants are conscious dreams of what they would like to have in reality. The second part of customer section shows the needs of customers. Needs include reasonable things that customers need to be done or to be owned. The third part represents all fears that may affect customers' opinion. The fears include possibilities to make a mistake or to miss out. (Thomson 2013.) In other words, fears are the inner factors that make a customer doubt when planning a purchase.

Needs and wants of people are not always the same. Moreover, sometimes they are completely different. For example, a person needs a simple phone just for phone calls. However, s/he wants to have the latest model of the new phone range. The example shows that wants and needs of people vary significantly.

The product section includes: benefits, features and experience. Benefits part shows what customers gain when buying a product of a company. Benefits are supposed to increase the pleasure of owning a product. Moreover, considerable attention of a company should be focused on benefits since they are the cornerstone of value proposition. Features indicate the functions of a product, they also show what distinguishes a product from other products in the same sector. Experience part stands for explanation of customers' feelings when buying a product of a company. It is true to say that experience is a combination of product features and benefits customers gain. Experience is closely linked with emotional and psychological sides of customers. Experience gives an answer to a question why customers buy specific products of a company. (Thomson 2013.)

Besides customer and product section, a diagram might help a company to identify substitutes. Substitutes are not evident competitors of a company; substitutes tell about similar businesses, what other people currently do instead. (Thomson 2013.)

### 2.3.3 Four actions framework

According to Ferrell & Hartline (2014), professors Mauborgne and Chan developed a four actions framework tool. The tool describes a strategic focus of a company, it shows factors to be changed in order to lead a company to a new value curve.



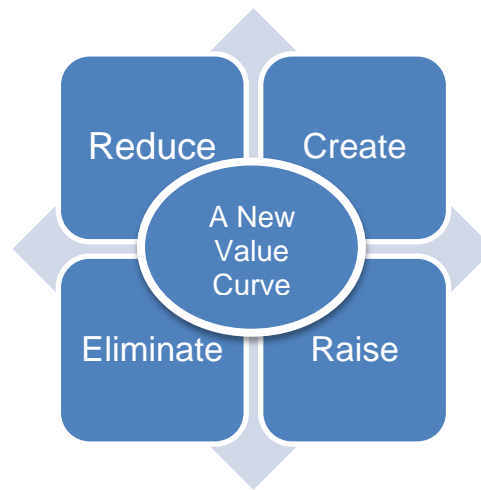


FIGURE 9. Four actions framework (Farrell & Hartline 2014)

The Figure 9 presents four actions framework. It consists of four sections: reduce, create, raise, eliminate. The first sector presents factors to be reduced. Reduction of some factors can help a company to save the budget. For instance, a company may decide to reduce the number of personnel or reduce the number of deliveries from a specific supplier. The second sector stands for new possibilities of a company to be created. In this case, a company should determine what else can be created in order to bring additional revenue to a company or to attract new customers. (Farrell & Hartline 2014, 106.) For example, a company may create a new short-term campaign for one of the products to attract potential customers.

The third sector shows possibilities to raise some of the production lines. In this case, a company should evaluate the most successful aspects of their business and try to raise some of them. On the other hand, a company may see weak points of their business and try to raise aspects related to it. For example, a company may raise the price of specific products or raise the number of sales. Finally, the last sector raises a question of which factors can be eliminated from a company. A company should decide what takes their resources but does not bring enough of profit. The factors that fall under this definition should be eliminated. (Farrell & Hartline 2014, 106.) All four sectors are interconnected.

Furthermore, they complement each other and lead a company to a new value curve.

### 3 RELATIONSHIP MARKETING ECONOMICS

This chapter introduces the concept of relationship marketing as well as explicates the shift from transaction-based marketing to relationship marketing itself. The chapter starts with an explanation of RM roots and general importance of relationships. After that the determinants of RM outcomes are shown and discussed one by one. Finally, relationship development process is presented and all its stages are identified in detail.

#### 3.1 Shift from transactional to relationship marketing

According to Sheth & Parvatiyar (1995), transactional marketing is a marketing trend that was widely used in the beginning and in the middle of 20<sup>th</sup> century. As discussed in the first chapter, this period falls on production, sales and marketing development eras. Linked together the eras present a generic term of transactional marketing. Transactional marketing is a strategy that focuses on an exchange of goods and money between people. In transactional marketing companies do not plan to keep customers for a longer period. On the other hand, their actions are aimed to gain more customers and commit transactions with them.

By the end of 20<sup>th</sup> century marketing trend experienced some changes. Sellers started to realize that there is another way of committing deals. Instead of searching for a new customer, it is possible to gain loyal customers that will have some emotional bonds to company's commodities or services. It was the beginning of relationship marketing era. (Sheth & Parvatiyar 1995.)

There are two axioms of transactional marketing. Both of them are presented in the Figure 10. The first axiom states that competition in transactional marketing gives customers an opportunity to compare goods and decide which one is the most appropriate for them. (Sheth & Parvatiyar 1995.) In other words, every time before making a transaction a customer has a display of companies that offer a service s/he needs or sell goods s/he needs.

Relationship marketing is shown in comparison to transactional marketing. RM suggests customers' joint cooperation. It means that a company utilizing RM pay significant attention to customers, therefore is interested in their opinions and tries to develop company's activities. (Sheth & Parvatiyar 1995.)

The second axiom of transactional marketing claims that independence between sellers and buyers offers great benefits to both sides. The reason of that is the same as in the first axiom – freedom of choice. Contrary, RM has a focus on interdependence. (Sheth & Parvatiyar 1995.) Companies based on RM believe that joint dependence lead companies to better interaction with their customers. Being dependent on each other, companies and customers create a strong bond that help them to change relationships towards improving.

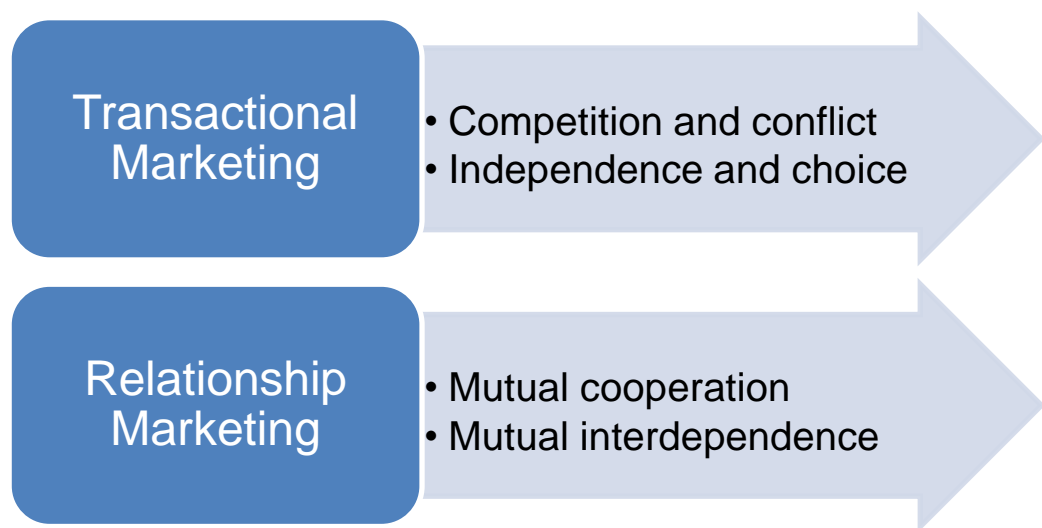


FIGURE 10. Axioms of transactional marketing and relationship marketing (Sheth & Parvatiyar 1995)

### 3.2 Definition of relationship marketing

According to Buttle (1996, 1-28), relationship marketing represents the new phase in marketing world. It is a big step forward from transaction-

based marketing where great attention is paid on transactions themselves rather than customers.

Relationship marketing can be described as a management tool to build and develop long-term relationships between a seller and a buyer that are beneficial for both sides of interaction. RM highlights the importance of customers that make them feel special to a company. (Buttle 1996, 1-28.)

Nowadays companies try new strategies when implementing RM. For instance, companies search for an appropriate interconnection between customers' satisfaction and trust. (Buttle 1996, 1-28.) In the following subchapters, a wider range of RM aspects is explained.

### 3.3 Importance of relationships

According to Berscheid (1999), relationship science is closely related to psychology, however, it is not a solely field of psychology. Moreover, relationship science acts as a link in psychological disciplines. In order to understand human relationships, it is important to study feelings and behavior patterns of people. Having an overview of what and why people do, it is possible to make assumptions of their interaction and relationships with other people.

It is impossible to see actual relationships between people. Existence of relationship may be identified exceptionally by a method of observation, analysis and summarizing. (Berscheid 1999.) A person is not able to distinguish relationships between, for example, two people simply looking at them. This fact leads to the next important issue of relationship science – interrelations.

All the processes around us are linked, one process influences another process or changes the starting point of followed by process. Relationship science studies interrelations between things (Berscheid 1999). In this case, the word " things" refers to all possible aspects involved in relationships. Therefore, relationships science studies correlations between two individuals on a broader scope, correlations between two

specific behavior patterns or even correlations between an action and a subsequent reaction.

The significance of relationship science is aimed at improvements in the sphere of human understanding as well as behavior between people (Berscheid 1999). Future patterns of relationships between people can be set only based on current relationships and predictions of their development by the analysis. Furthermore, relationship science contributes to social psychology (Berscheid 1999). Studying individuals and relationships between two or more individuals, relationship science helps to understand their intentions, wishes, possibilities and fears. Therefore, relationship science benefits public psychology.

In a broad meaning, the process of studying relationships brings new and unexplored knowledge of people and their communication. In addition, the process helps people to improve their relationships as well as build new ones.

#### 3.4 Determinants of relationship marketing outcomes

According to Hennig-Thurau, Gwinner & Gremler (2002), there is a model of interconnected factors of relationship marketing. These factors represent the main points to be taken into consideration when building long-term relationships. As can be seen in Figure 11, customer retention, trust, commitment, benefits, customer satisfaction and word of mouth are the determinants of relationship marketing outcomes.

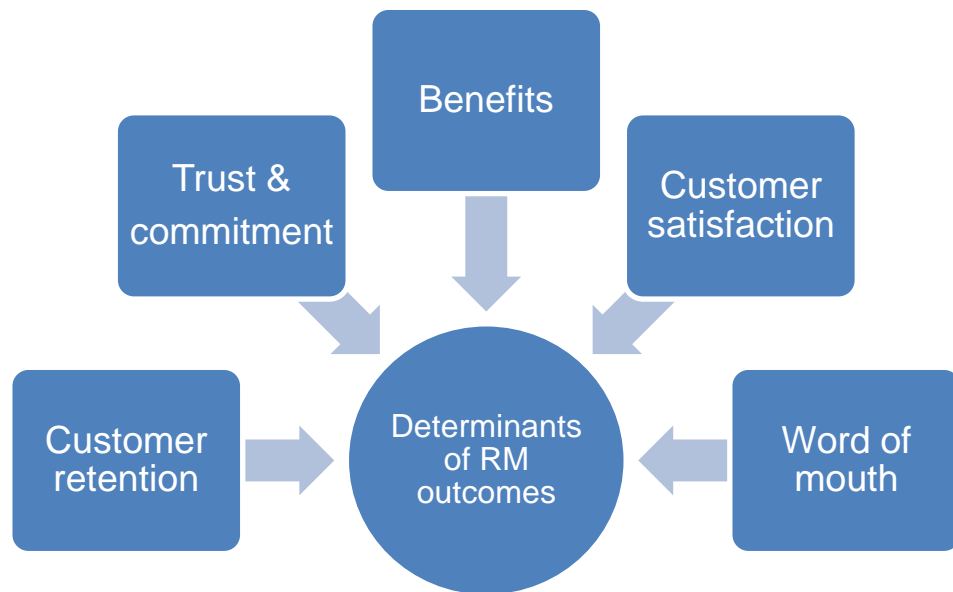


FIGURE 11. Determinants of RM outcomes (Hennig-Thurau, Gwinner & Gremler 2002).

### 3.4.1 Benefits

The first factor shows benefits that both parties gain through their interaction. There are three possible types of benefits. The first type stands for benefits that give a person feelings of being secure and safe. The second type highlights communicative benefits. These benefits are gained via friendly interconnection between sellers and buyers. The third type of benefits is special treatments. Special treatments identify treatments for a particular customer. (Hennig-Thurau, Gwinner & Gremler 2002.) Reduced price of the product or service out of turn are several examples of special treatments in relation to a customer. Summing up, there are different types of benefits that sellers and buyers obtain making a purchase. Consequently, sellers have greater benefits rather than just revenue from customers. At the same time buyers gain much more rather than just the fact of owning new product. The benefits are the key-drivers that motivate both sides interact with each other. Thinking about a new purchase, a buyer evaluates all possible benefits s/he may obtain. The same thing happens at the seller side, benefits perspective dominates decision making process.

### 3.4.2 Customer satisfaction

According to Hennig-Thurau, Gwinner & Gremler (2002), a level of customer satisfaction has a great effect on customers' commitment. In other words, the more customer is satisfied with company's interaction, the more likely s/he will be committed to company's activities. It happens since satisfaction builds a stronger binding in seller-buyer relationships. Benefits obtainment brings satisfaction to both parts of interaction. Moreover, satisfaction leads to commitment as well as loyalty and positive word of mouth.

All in all, customer satisfaction shows the extent to which a customer is happy with company's activities. There are a lot of factors that may influence customer satisfaction. For instance, good customer service or product delivery on time.

### 3.4.3 Trust & commitment

Commitment identifies strong and reliable relationships between sellers and buyers. Therefore, both sides trust each other. It means that trust affects customer's commitment in a positive way (Hennig-Thurau, Gwinner & Gremler 2002). Thinking of relationships in general, trust and reliability are the key factors in any relationships. It takes time to build reliable relationships; the same applies to business world. When the seller and the buyer meet each other, relationships between them are very fragile. It means that a mistake from one party may undermine the trust of the other party. Consequently, over time of cooperation both sides ensure in relationships' credibility, trust level increases and commitment has more chances to settle down.

### 3.4.4 Customer retention

Customer retention is the same as loyalty of customers. It can be described as frequently recurring transactions which occur due to marketing actions of companies. (Hennig-Thurau, Gwinner & Gremler

2002.) The idea of relationship marketing activities stands behind building strong relationships and gaining loyal customers rather than searching for new customers all the time.

#### 3.4.5 Word of mouth

According to Buttle (1998), word of mouth can be explained as interaction between people that leads to information flow about services or products. In such a way one person receives non-commercial information based on experience of information representative. Moreover, word of mouth (WOM) can be both positive and negative. For example, customer A bought a product from a shop. He met customer B and told him about successful purchase and wonderful service in the shop. In this case, WOM has a positive connotation. Having good impressions of the service in the shop, customer A shares his experience with customer B. Thus, word of mouth in such situation represents free and unplanned advertising.

In addition, WOM does not occur only after the purchase is made. It also takes place before the purchase. For instance, customer A might tell customer B about planning a purchase. In this situation, WOM does not have any emotional connotation based on personal experience. So, customer A just states the fact of the planned purchase. Furthermore, it is important to note that WOM does not exist only between customers, it can occur among suppliers, employers and employees (Buttle 1998).

#### 3.5 Relationship development process

According to Dwyer, Schurr and Oh (1987), there are five steps in the process of relationship development. The Figure 12 presents all five relationship development steps. Each of the steps highlights relationships between sellers and buyers as well as explains decision making thoughts from both sides.



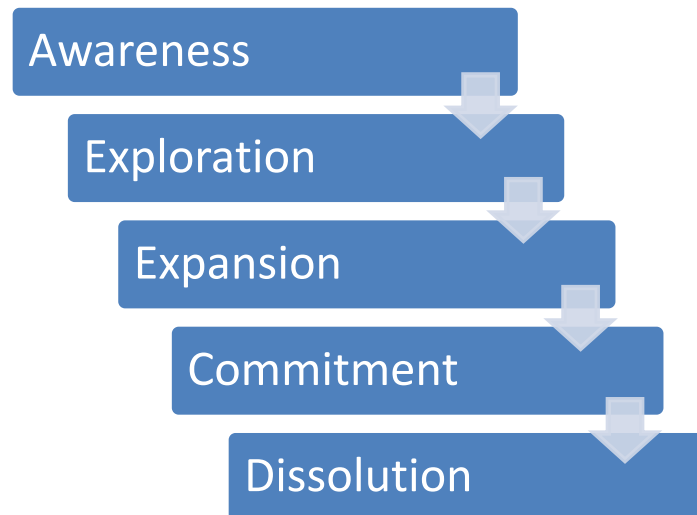


FIGURE 12. The relationship development process (Dwyer, Schurr and Oh 1987)

### 3.5.1 Awareness

The first step of development process stands for awareness. It is the first stage where a seller and a buyer have not got to know each other yet. However, they know about existence one another. (Dwyer, Schurr and Oh 1987.) For instance, a buyer coming to a new place might know what kind of companies are settled there. S/he could hear about some brand names from advertisements or friends. Even though the buyer knows about the company, s/he has never used the services or bought the goods of the company. The seller is also aware of potential customers. For example, being a café on the outskirts of the town, the seller might know that students of a university campus nearby are his potential customers. Thus, the first stage is called awareness.

### 3.5.2 Exploration

The second phase characterizes a point when a seller and a buyer meet each other. Moreover, relationships between two sides start to arise. (Dwyer, Schurr and Oh 1987.) For example, a customer saw an advertisement of furniture company in the internet, got interested and decided to go to a store of the company. In the store the customer asked a

consultant about commodities s/he liked. Such a situation explains at first the stage of awareness and later exploration stage. Furthermore, even a test purchase might take a place at the moment of formation seller-buyer relationships.

After getting to know the company, the customer starts to investigate more information about it. For instance, the customer may think of benefits that s/he gains through the purchase as well as compare the products of the company to other companies' products. In addition, the customer might ask some of his friends if they have ever bought anything from the company. All these examples show the exploration part. Moreover, it is important to note that there are five undergoing processes at exploration stage: attraction, communication, manifestation of power, norm improvement and expectation improvement (Dwyer, Schurr and Oh 1987). Next the author takes a closer look at these processes in order to get to know more about them.

The first process to be pointed out is attraction. A possibility to gain some rewards causes attraction between two sides of interaction. An example can be a simple purchase from customer side. The reward in this case will be the payment to the seller. Another process occurring at exploration stage is communication. It can be explained as negotiation between two sides while making a deal or discussing the issues of the exchange. (Dwyer, Schurr and Oh 1987.) An important thing to be taken into account is limited trust from customer side. With no communication experience, both parties are likely to doubt in each other. Relational benefits including trust are discussed in detail in one of the previous sub-chapter of the thesis.

The third process in exploration phase is linked with manifestations of power (Dwyer, Schurr and Oh 1987). One of the sides may exert power over the other side. Dependence in such a case plays a key role. For example, the seller has a power over the customer since the customer is dependent on his products/services. However, the rupture of relationships

between sellers and buyers happens very often at this stage because the dependence is not strong enough.

The fourth process stands for a guideline in relationships of two sides. In other words, it is a process of building possible norms in communication. Finally, the fifth process at exploration stage highlights the expectations of both sides. It shows what the seller expects to gain from the customer as well as what the customer expects to get in return. (Dwyer, Schurr and Oh 1987.)

### 3.5.3 Expansion

Exploration stage is followed by expansion stage. It is the time when mutual dependence between two parties strengthens. Moreover, the number of gained benefits increases from both sides of interaction. All five processes that occur at exploration stage take their place at expansion stage as well. An essential issue to note is that all the processes occur at a new level with greater dependence and trust. (Dwyer, Schurr and Oh 1987.) The customer having a positive communication and transaction experience is willing to build stronger relationships with the seller. Furthermore, being satisfied with concomitant situation around transaction processes the customer wants to cooperate with the seller in the future. All in all, expansion stage is relationships growth phase. Being aware of each other existence, having trial interaction and some satisfactory experience both sides wish to continue mutual communication and cooperation.

### 3.5.4 Commitment

Commitment stage comes after expansion one. It is the phase of seller-buyer relationships when both parties are devoted to each other. They have already built strong and durable relationships. (Dwyer, Schurr and Oh 1987.) In addition, they are fully dependent on each other and easily find a solution to correct possible mistakes in communication procedure.

There are several points to be highlighted in seller-buyer relationships that show their commitment. The first sign is that both parties contribute to their relationships. In this case, contribution can be in a way of emotions or time spending. Another factor showing commitment is linked with continuance of relationships. If relationships last for a long period, it means that both sides are satisfied with all processes occurring between them. They do not want to break up relationships, therefore it proves their commitment. Finally, one more sign of commitment is relationships coherence. (Dwyer, Schurr and Oh 1987.) Commitment is shown via willingness to sustain relationships and find a compromise in all difficult situations. For instance, the customer who has just got to know the company and is not satisfied with their service will break up and find another company with better services. On the contrary, another customer will try to solve the problem if s/he is not satisfied with some services of the company s/he knows for a long time and has good relationships with.

### 3.5.5 Dissolution

Dissolution is the process of breaking up the relationships. It might happen at any stage of relationship development process and there are various reasons why it might happen. Sometimes it is not so easy to identify the reasons of relationship dissolution. (Dwyer, Schurr and Oh 1987.) For example, emotional side as well as psychological side can play a key role while making a decision to break up relationships. The customer may hear some bad rumors about the company and decide to terminate relationships without even making sure that the rumors are truthful.

Even though in most cases it is not easy to understand the reason of break up, most likely the dissolution is linked with unsatisfactory experience. The tendency to break up is higher in the first part of relationship development process. For example, at the awareness stage the customer might not get interested in company's products and quit. S/he might also make a trial purchase and after that decide whether it meets his/her expectations. If not, then the dissolution is likely to happen.

## 4 EMPIRICAL RESEARCH AND DATA ANALYSIS

The fourth chapter describes empirical part of the thesis. It starts with presentation of the case company. After that data collection methods are identified. The chapter proceeds with presentation and explanation of received data. Finally, the chapter ends with an overall analysis of results gained.

### 4.1 Case company

The case company of the thesis is Fitness Empire company. It was founded 7 years ago in Petrozavodsk, Russia. Fitness Empire is a chain of fitness clubs around Petrozavodsk. It consists of four gyms in different parts of the town. Each of the gyms includes a fitness equipment room, rooms for group trainings and a sauna. Moreover, the gym offers its customers a bar, a room for children, a solarium, a separate equipment room only for women, a swimming pool and rental services of some items used in the gym. Group trainings as well as personal trainings are arranged in the swimming pool. The main gym of Fitness Empire is located in the center whereas the others are located in different areas of the town away from the center. (Yakovenko 2017.) In the following thesis, Fitness Empire company is perceived as a whole without division into different gyms.

### 4.2 Data collection methods

In the following sub-chapter data collection methods of the thesis are presented in detail. As it was described in the first chapter, the data collection of the thesis is based on two methods: an interview and a questionnaire. The Table 1 shows data collection methods employed in the thesis. Furthermore, it states the type and the date when the data was collected. The first method to collect data is the interview. The interview was conducted face-to-face with the general manager of Fitness Empire. The interview took place on the 9<sup>th</sup> of March 2017. The second method to collect data is the questionnaire. The questionnaire was composed for

customers of Fitness Empire and distributed among them in person directly in the fitness club.

TABLE 1. Data collection of the thesis

Data collection method	Date & Type
Interview	9 March 2017  Face – to – face interview
Questionnaire	6 – 12 March 2017  Distributed face – to – face questionnaire

#### 4.2.1 Interview

There are two main types of interviews: face-to-face and telephone. Face-to-face interviews represent actual physical presence of interviewer and interviewee in front of each other. On contrary, telephone interviews do not require interview participants to meet and can be conducted over large distances. (Mathers, Fox & Hunn 2009) Face-to-face interviews are normally more long-lasting. Therefore, it is the best option in case you wish to get detailed information. Moreover, during face-to-face interviews it is easier to gather complex information rather than via telephone interviews. Regarding telephone interviews, they present time efficient way of data collection. Furthermore, they are easy to schedule since interview participants do not need to worry about the place to conduct interview. Telephone interviews are perfect in cases when the interviewer and interviewee are in different towns or even countries.

Interviews in its origins can be structured, semi-structured and unstructured. Structured interviews normally have a list of questions planned in advance. The interviewer follows the list and asks questions

one by one. Moreover, the interviewee might have a set of suggested answers. In such a case the interview is thoroughly planned and the interviewer knows the entire process by following the plan. On contrary, unstructured interviews do not have a set of prepared questions. There might be several topics that the interviewer wants to talk about and s/he asks some questions related to these topics. (Bryman & Bell 2015, 389 – 510). Interviewee in its turn freely answers the questions. Unstructured interviews are similar to normal conversations between two or more people. Each question comes from the previous one; there are no patterns to follow. Consequently, unstructured interviews are very flexible. The interviewer might cover more or otherwise less topics than thought.

According to o Bryman & Bell (2015), one more type of interviews is semi-structured interview. In this situation, a researcher usually has a prepared list with questions to ask. However, not all the questions might be covered. Moreover, according to interviewees answers the interviewer can decide to ask questions that are not included in the list. Semi-structured interviews stand in between structured and unstructured interviews. They have characteristics from both types.

In the following thesis, face-to-face and semi-structured interview types are utilized. The interview was conducted with the general manager of Fitness Empire company in Russian language in order to ease the interview procedure. Initially, a list of questions was planned before the interview. However, due to interviewees answers, a few more clarifying questions were asked by the researcher.

All the questions for the interview are created so that the answers to them bring special value for the thesis. The interview questions are attached in the section of appendices as the appendix 1. The first question gives general information about the company, its operations, marketing state and target customers. The reason for the first question to be asked is to get an overall picture of the company. The second question is about the customers of the company. In order to build reliable and long-term relationships, it is essential to know potential and current customer of the

company. The question is included in the interview to understand what segment of customers the company is aiming to reach. It is impossible to attract all segments of population. Therefore, it is easier to find, attract and serve customers dividing them into segments with similar characteristics.

The third question of the interview relates to marketing strategies the company utilizes. Appropriate marketing strategy helps the company to attract new customers as well as to keep the interest of current customers. Thus, the question is formed in order to understand what strategies the case company is using at the moment. The knowledge about marketing situation helps to develop actual marketing strategy or to plan a new one. The next question of the interview requests information about short-term programs. Short-term programs help to attract attention and involve people into interaction. Most people like the idea of trying something that is limited in time. Therefore, the question regarding short-term programs is included in the interview. Based on the answers from the case company, short-term programs might be one of effective development ideas to utilize.

The fifth question of the interview relates to customers' satisfaction. The question is composed with the purpose to find out whether the company is interested in customers' satisfaction. Moreover, the author wants to get to know the ways how the case company gathers and evaluates information regarding customers' satisfaction. All companies should be interested in their customers to be satisfied. The next question of the interview is aimed to find out if the case company has a database of customers and if the company analyses it properly. Any database contains a lot of information. Some companies do not get use of it and leave their database unmonitored. Thus, the author includes the question about databases with a perspective of increasing company's activity towards customers' information.

The seventh question of the interview is formed in order to understand the ways the company maintains relationships with customers. It is crucial to be active and constantly maintain relationships with customers. Customers want to see the interest in them, they want to see that the employees of



the company listen to them and try to interact. The following question of the interview is created with the aim to get information regarding loyal customers. If the case company wants to gain more loyal customers, the company should provide them with special bonuses. Bonuses and benefits for loyal customers increase the interest of current customers. It means that customers are willing to maintain relationships with the company and become loyal in order to get some additional benefits.

The last question of the interview is aimed to find out information about competitors of the case company. It is important to objectively assess the competitors of the company, their strong and weak sides. Competitors' monitoring helps to understand an overall situation in the market. Therefore, the question is formed to understand if the case company is aware of its competitors and if the company acknowledges its weaknesses. Recognition of weak sides is the first step towards development.

#### 4.2.2 Questionnaire

Questionnaires are convenient ways to get needed data from greater number of people. They represent a set of questions with or without suggested answers. Moreover, questionnaires are distributed to a specific group of people. For instance, employees of a company, students of a university or users of online application. Only clear and well-structured questions lead to reliable results. The same applies to suggested answers in the questionnaire. There are several important points to take into consideration when planning a questionnaire. Each questionnaire needs a title. Some questionnaires might have a cover letter where the reasons of the questionnaire are explained in short. (Mathers, Fox & Hunn 2009)

According to Mathers, Fox & Hunn (2009), various types of questions can be included in the questionnaire. For example, closed questions state a question and a limited number of suggested answers. A respondent should choose one of the answers that suits him/her best. Another type of questions is open-ended questions. Open-ended questions state a

question and give a respondent a possibility to answer in his own words. Thus, a questionnaire participant might interpret a question in his own way and write what he considers as necessary. Two more types of questionnaires are partial pre-coding and coding. The idea behind them is that each of the answers has a corresponding number. The number helps to code the answers received and draw an overall picture of questionnaire participants' opinion.

In the thesis, the questionnaire was conducted among customers of Fitness Empire. The questionnaire was formed in Russian language in order to guarantee that all respondents understand the questions and suggested answers correctly. In general, the questionnaire in mother tongue of respondents increases chances to receive more answers. The author decided to arrange face-to-face questionnaire. There are several reasons in favor of face-to-face questionnaires. Firstly, people usually do not pay attention to any advertisements or other printouts at the reception. Secondly, the reception is the place where customers come to check in before the workout or check out after it. It means that they are in a rush and do not have time to fill in any questionnaires. Finally, if people fill in questionnaires being in a rush, they do not pay much attention to it. Therefore, they might leave some questions empty. Especially it relates to open questions where the answer should be written by customers and not just marked.

The questionnaire was conducting for a week from 6th until 12th of March. The questionnaire has a name and starts with a cover letter. In the cover letter the author introduces the reasons to conduct the questionnaire. People are more willing to answer questionnaires when they know the purpose of the questionnaire and what contribution they might bring to it. The cover letter of the questionnaire can be found in the end of the thesis as an appendix 2. The questionnaire itself consists of 8 questions. A few questions have suggested answers, two questions expect the respondents to write an answer with their own words and one question has answers and comment box to specify them. In total the number of answers received accounts for 48. A few thousand of people are active customers of the

case company. However, due to not updated database of the case company, it is not possible to state the actual number of current customers. The entire questionnaire is attached in the end of the thesis as an appendix 3. The answers of customers are presented and analysed next.

In the thesis, different types of questions are used in a questionnaire. Different types of questions and answers to them bring various information chunks. Open-ended questions gather detailed information. Therefore, they are very hard to analyse for researcher and time-consuming for respondents. Most of questions in the questionnaire formed for the thesis are closed questions. Open-ended questions of the questionnaire help to get a broader overview of customers' opinions and do not put them into frames of suggested answers. One question of the questionnaire has response options as well as a comment box to explain chosen answer or state your own. Further the chapter continues with a short explanation of each question in the questionnaire.

The first question of the questionnaire requests information about the gender of the respondent. The question is asked to know the ratio of men and women answered the questionnaire. The perception of the same things by men and women may differ a lot. Therefore, both men and women should participate in the questionnaire in order to find out the general opinion. The second question identifies the age of respondents. The reason of the question to be included is to understand the main age segments of Fitness Empire gym. A lot of issues depend on the age segments of the gym members. For example, the range of gym group sessions. Young members of the gym probably prefer more active group sessions compared to aged people.

The next question the questionnaire is aimed to study the goals and motivations of people to start practicing sports in general and go to a gym. For example, when planning marketing strategy or trying to advertise the company should know the main factors that interest people. Therefore, the question helps to find out what motivates people to start doing sports in

order to use gained information later. The fourth question shows for how long the respondents of Fitness Empire attend the fitness club. The question is formed to understand ratio of ordinary and loyal customers. Customers can purchase loyalty cards for 6 or 12 months. Therefore, suggested answers to the question are formed with a division into loyal and not loyal customers. People who attend the gym for a period less than 6 months are not loyal customers since they have only their first card. People who buy loyalty cards for the second time or attend the gym for over 6 months are loyal customers. They have already tried all facilities of the gym and decided to continue attending it.

The fifth question of the questionnaire is aimed to understand the strong sides of Fitness Empire. The main purpose of the question to be composed is to find out what customers like about the gym most of all. Information regarding strong points helps the company to plan further operations. Sometimes the company might be mistaken when trying to evaluate its own strengths. Therefore, Fitness Empire should know customers' opinion regarding it in order to set objective solutions for future developments. The sixth question is formed to understand weak sides of the company. Weak sides are the factors to be changed and developed. When building reliable seller-buyer relationships, the company must consider opinions of customers.

The next question is designed with the purpose to analyse customers' satisfaction related to customer service. Sometimes it might happen so that a customer is satisfied with everything in the company, however, s/he does not like customer service. Consequently, it might negatively influence seller-buyer relationships. In order to prevent such situations, the question about customer service is asked. Finally, the last question is focused to understand the wishes of the customers and take them into consideration when creating a development plan. Customers are the cornerstone of the all company's operations; therefore, special attention should be paid to them.

### 4.3 Data analysis

In the following sub-chapters the results of received data are presented. At first, information gathered during the interview is presented. Secondly, information based on the questionnaire is shown.

#### 4.3.1 Data analysis of the interview

The interview was held on the 9<sup>th</sup> of March in person with the general manager of Fitness Empire. The interview lasted for about 40 minutes. Based on the interview, the company is aimed to mainly attract two groups of the population: 22-24 years old and 37-40 years old people. Both groups consist of people who engage in sports at the amateur level and wish to improve their physical form. Regarding financial situation, income of segment groups is average or slightly below average level.

Fitness Empire mainly focuses on high quality of service and its availability to people. The company believes that sport should be accessible to everyone. Thus, the cost of one visit as well as membership cards is cheaper than in the most of gyms competitors around the town. Moreover, the gym offers group sessions with the new trends in fitness. For example, classes called Zumba toning. Zumba toning represents cardio training with dumbbells accompanied by Latin American music.

As for short-term programs for attraction customers, Fitness Empire offers trial loyalty cards that are valid for a week. These cards are supposed to give customers an opportunity to try all the activities of the gym. Moreover, they are free of charge. Fitness Empire also invites fitness trainers from other towns for master classes. Furthermore, fitness club organizes parties for its customer during new year eve and on season opening.

Based on the interview, Fitness Empire has a database of all customers. The database is analysed in the perspective of customers whose subscription is about to expire. In this case fitness club administrators make phone calls and suggest buying a new loyalty card.

Regarding customer service, Fitness Empire does not have a department that deals with customer problems or conduct surveys of customers' satisfaction. Therefore, customers come up to reception and administrators deal with all the problems or questions.

As it has already been mentioned, administrators of Fitness Empire deal with customer service. They also deal with marketing issues due to a lack of marketing department. The fitness club tries to maintain relationships with customers by offering VIP loyal cards. Customers who purchased a loyal card once, receive VIP cards. The card allows them to buy all subsequent loyal cards with 7% discount. (Yakovenko 2017.)

#### 4.3.2 Data analysis of the questionnaire

The questionnaire starts with the question about the gender of the respondents. The Figure 13 shows gender division of questionnaire participants. Based on the answers, most Fitness Empire members participated in the questionnaire are women. Twenty-seven respondents are women, it accounts for 56% of all people who responded to the questionnaire. Consequently, twenty-one respondents are men. The total percentage of men accounts for 44%. In general, the gym does not have any restrictions, both women and men are free to use all facilities of the gym. However, the gym offers separate equipment rooms for the use of women. This factor might influence women's choice of the gym in favor of Fitness Empire.

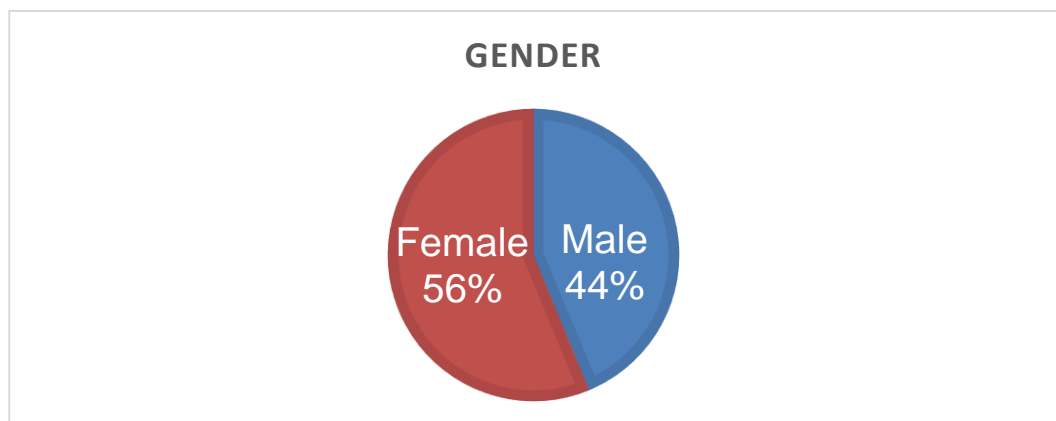


FIGURE 13. Gender division of questionnaire participants

The second question of the questionnaire identifies the age groups of fitness members. As it was explained before, Fitness Empire is focused on two customer segments: people between 22-24 years old and 37-40 years old. Thus, the question is formed in way that people of these ages fall into one group. As seen in the Figure 14, the results of the questionnaire show that the majority of gym members are 18 - 24 years old. With a slight difference of two percent, people aged between 35 and 44 years old create the second biggest segment of Fitness Empire. People aged 25 to 34 represent the third biggest segment among customers. They occur 15 percent of total number of respondents which is nearly two times less than people between 18 – 24 years old as well as 35 – 44 years old. Two smallest age groups presented in Fitness Empire are people more than 44 years old together with people less than 18 years old.

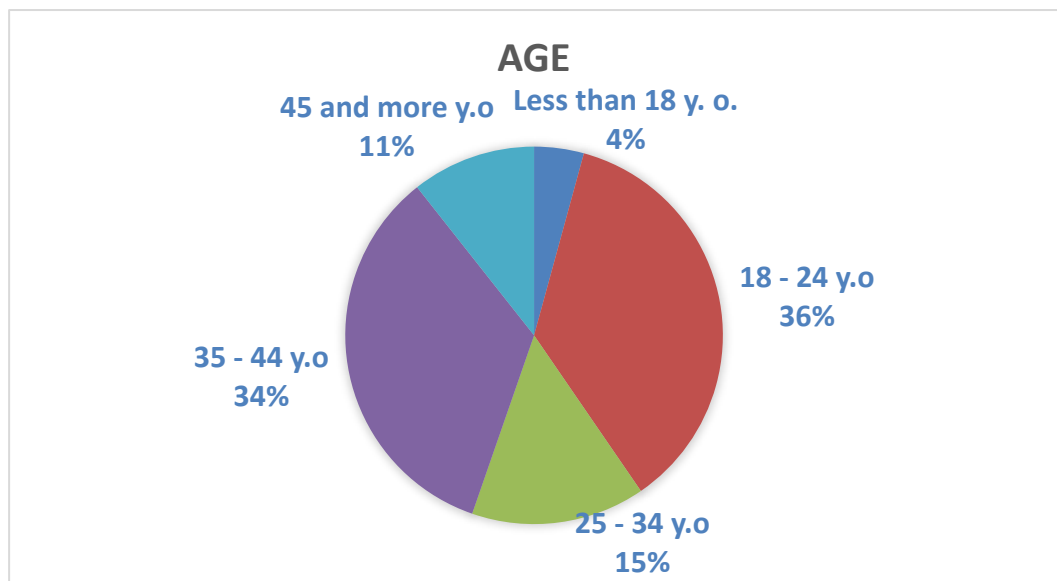


FIGURE 14. Age division of questionnaire participants

The next question the questionnaire identifies the main factors that make people start practicing sports. In the questionnaire, this question does not have any suggested answers, therefore respondents can freely answer the question with their own words. Reading through the received answers to this question, it is possible to divide all of them into three main categories. The diagram in Figure 15 shows the main categories.

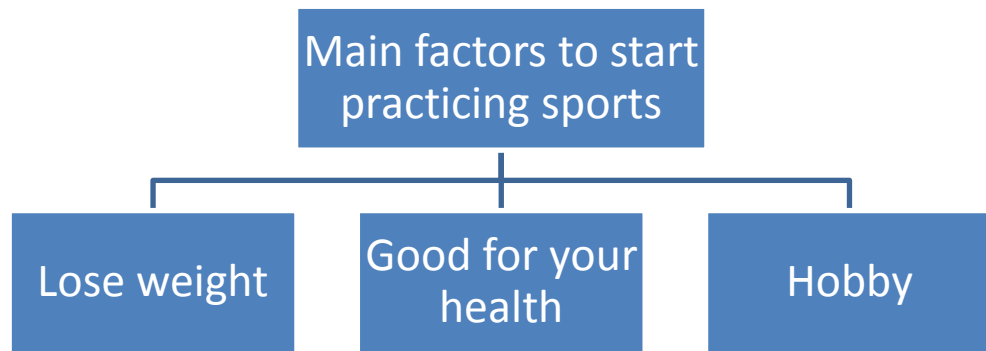


FIGURE 15. Main factors to start practicing sports

The first and biggest category of people mentioned that they want to lose weight with the help of the gym. The second most popular answer states that sport is good for health, therefore, people are motivated to start practicing it. The third most mentioned answer tells that sport and the gym in general are hobbies for them. A decision to start doing sports for them is a way to spend free time.

The fourth question of the questionnaire discovers the period of membership among customers. The Figure 16 represents the duration of Fitness Empire membership among people answered the questionnaire. Based on the results of the questionnaire, 18 people attend Fitness Empire for the period between 6 – 12 months. Then comes the group of 15 people who attend the gym for 2 - 6 months. After them the group of 12 people answered that they attend the gym for the longest period – 12 months and more. Finally, 2 people answered that they attend Fitness Empire for a month and one person among respondents attends the gym for less than a month.



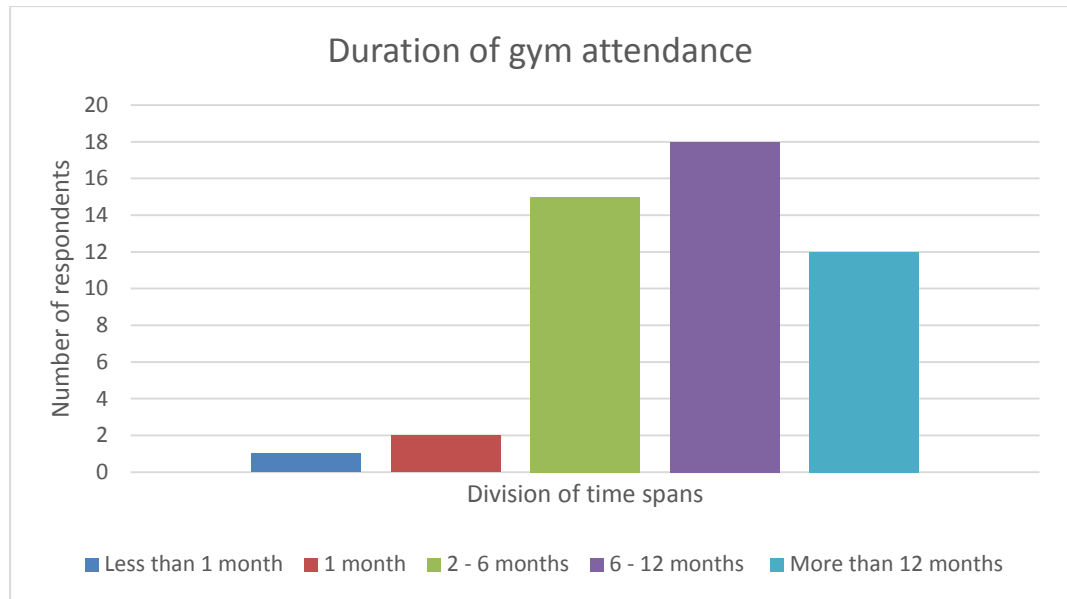


FIGURE 16. Duration of gym attendance

The answers to the fifth question of the questionnaire present strong sides of the company in customers' opinion. The answers to the question are suggested and customers are supposed to choose two main factors. However, there is an option to write your own answer and specify it if none of the answers match respondent's opinion. The majority of people state that the variety of group sessions as well as the price are the main factors they like about the gym. More than a half of respondents chose those two answers. However, it seems that some customers could not choose only two main factors, therefore, they marked one more. Professionalism of trainers is the third most popular answer.

In the sixth question the person should state the factors that s/he does not like about the gym. The most popular answers received from respondents in this case are about the overcrowding in the gym, free space in dressing rooms and the timetable of group classes. Almost 30% of people answered the questionnaire marked the option with overcrowded gym. The same percentage of people pointed out the lack of space in dressing rooms. As for the convenience of the timetable, about 25% of people chose the option of the timetable as a drawback of the gym. About 10% of people expressed their full satisfaction with everything. Finally, a few

people wrote their own answers regarding shared showers. None of the respondents complained about the cleanliness of the gym.

In the next question of the questionnaire members of the gym are asked to evaluate their satisfaction of customer service. The question consists of 5 suggested answers and a comment box to clarify the choice. The division of answers among customers is presented in Figure 17.

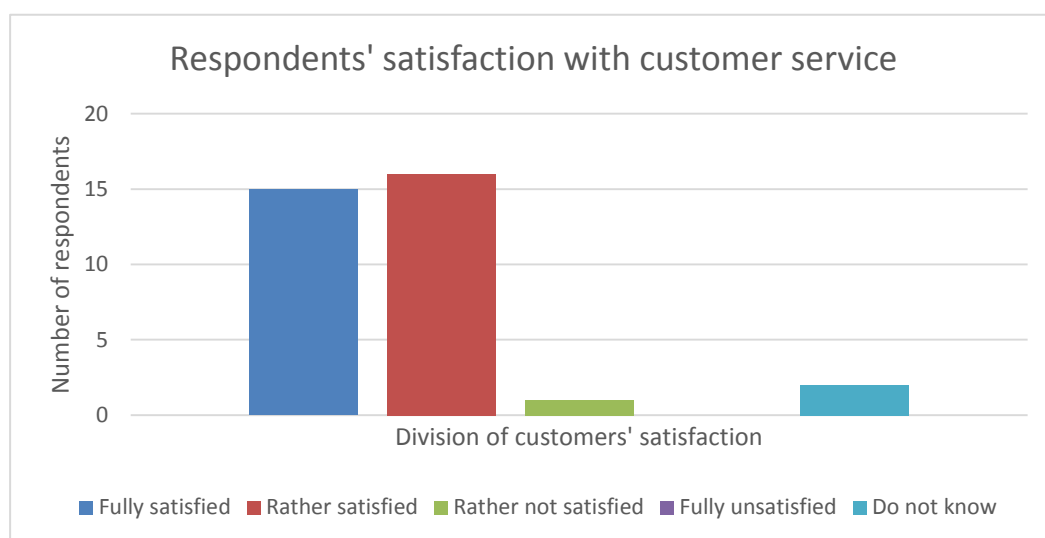


FIGURE 17. Respondents' satisfaction with customer service

The majority of Fitness Empire members are either fully satisfied or rather satisfied with customer service. One person stated customer service to be rather not satisfied and two respondents did not know the answer to the question. None of the people answered the questionnaire are fully unsatisfied with customer service of the gym. In the comment box people wrote about the inconvenience of administrators to deal with all the issues related to gym. Some people wrote that administrators did not pay enough of attention to them due to phone calls and check in/check out of other customers. One person told about the situation when a few of his emails were ignored.

Finally, the last question of the questionnaire relates to improvements that customers would like to see in the gym. About one third of respondents suggested to change the working hours of the gym on the weekend. They

would like Fitness Empire to open at least one hour earlier and close 2 hours later. Currently, the gym opens at 10 o'clock in the morning and closes at 8 o'clock in the evening. Moreover, a few people expressed their desire to open one more gym in the center of the town. A few more people would like to have more group trainings in the morning. Furthermore, several people complained about the lack of sockets in the dressing rooms and 5 people expressed their dissatisfaction with the joint showers.

#### 4.4 Overall analysis

##### Interview analysis

Based on the interview with the general manager, there are several important points to be considered when creating a development plan. Firstly, the company is very popular in fitness industry in the town of its location and has a lot of customers. It means that customers enjoy attending Fitness Empire gym and choose it among many gyms at the display. Secondly, Fitness Empire has a wide range of offers such as a sauna or a room for children. It is a great advantage over competitors. Most people like to have everything at one place. Therefore, a gym in this case turns out to be more than just a place for workouts. Moreover, a lot of women would like to start practicing sports but they do not have anyone to stay with their children. Fitness Empire found a solution to the problem by organizing children's room.

Thirdly, currently the company has only one gym in the center of the town and other three gyms are located in remote areas of the town. On one hand, it is good for those people who live in remote areas of the town to have a gym next to their home. On the other hand, many people work in the center of the town and go to a gym right after their working day. So, it is very likely that the gym in the center will always be full and overcrowded with customers. Fourthly, Fitness Empire does not have marketing department; it means that administrators are in charge of everything. A lot of responsibilities entrusted on administrators limits their time per

individual customer. It means that the possibility of dissatisfaction among customer is very likely to raise.

One more point to be highlighted is the fact that Fitness Empire has a database of customers but not enough attention is paid to it. The company refers to database only in case of membership expiration. The database contains a lot of information that can be used in order to maintain relationships with customers. Moreover, the company does not shoot short-term programs except the one with trial loyalty cards. Being interested in attracting loyal customers, companies should launch short-term programs. It gives potential customers a possibility to get to know the company as well as to remain customers loyal to their company in a future perspective.

An interesting thing to be pointed out is related to evaluation of customers' satisfaction. The results of the interview showed that satisfaction of gym members is not evaluated frequently. According to the words of general manager, all customers express their dissatisfaction whenever feel the need for it. However, not every customer comes up to reception with his/her problems. In this case, questionnaires or feedback meetings are very useful.

Finally, two more issues from the interview should be displayed. Regarding loyal customers, Fitness Empire has only one benefit for loyal customers – a card with 7% discount. Any fitness club is interested in keeping loyal customers who are satisfied and willing to attend the gym for long years. It is much harder to constantly stay at a stage of finding and attracting customers. Thus, by creating more benefits for loyal customers, Fitness Empire has more chances to turn ordinary customers into loyal customers. As for strong and weak sides of the company, it is good that Fitness Empire knows its strong sides as well as admits its weaknesses. There are possibilities to increase the number of strengths and get rid of weaknesses or turn them into strengths as well.

Questionnaire analysis

Regarding the questionnaire, there are many interesting results to be analysed. First of all, the question about the age of respondents showed that two groups prevail over other groups. Most of customers who attend Fitness Empire are in between 18 – 24 years old and 35 – 44 years old. Basically, the results absolutely converge with the words of general manager. In the interview, she stated that Fitness Empire is aimed to attract loyal customers around this age. Based on the age of customers, their interests in sport activities vary. Consequently, different tactics should be undertaken.

Another question of the questionnaire deals with the motivation to start practicing sports. Most of participants answered that they want to lose weight. Two more popular answers state that sport activities are good for health and represent a way to spend leisure time. In general, these are the main factors to start doing sport activities to most people. Knowing this, the company might create a plan how to motivate people to go to Fitness Empire. In the following chapter motivation ways are explained more detailed.

Initially, there was an idea behind the division of membership period into five time spans. People who attend the gym for less than a month are currently at the awareness stage of buyer-seller relationship. People who attend the gym for 1 month are at the stage of exploration. Those who attend the gym for 2 – 6 months already bought their first loyal card and are currently on expansion stage. Consequently, gym members who attend Fitness Empire for a longer period than 6 months are at the commitment stage. They represent the group of loyal customers of the gym. The results of the questionnaire indicate the fact that most of participants are either on the expansion stage of relationship development process or loyal customers of Fitness Empire.

The question about the main factors customers like about the gym highlights the strong side of Fitness Empire, whereas the question about factors customers do not like about the gym shows weak sides of the gym. These two questions present Fitness Empire situation in the eyes of its

customer. Since customers are the starting point of all operations, special attention should be paid to their preferences and discontent.

One more question of the questionnaire requests information about customer service of the gym. Based on the results, the majority of Fitness Empire customers are either fully satisfied or rather satisfied with customer service. There is only one person who is not satisfied with customer service. The question also had a comment box so that people could explain their choice. All in all, it seems that Fitness Empire deals well with customer service and tries to serve members of the gym appropriately. However, a few comments of respondents highlighted the problem of insufficient attention to customers that should be solved.

Finally, the last question in the questionnaire refer to possible improvements of Fitness Empire. Respondents had a chance to express their opinion regarding changes in the gym. A lot of valuable advice is gathered from the question. Most of the answers are included in development plan of Fitness Empire.

## 5 DEVELOPMENT PLAN

The following chapter of the thesis highlights development ideas and suggestions for the case company. Firstly, SWOT analysis of Fitness Empire presents current situation of the company. SWOT analysis is followed by value proposition canvas. The value proposition canvas identifies both customers' and products' sides in details. After that four actions framework represents the ways to develop company's operations by raising, creating, reducing and eliminating certain factors. Determinants of Fitness Empire RM are identified next. Furthermore, development suggestions for case company marketing strategy and the entire relationship development process are shown in the end of the chapter.

### 5.1 SWOT

The Table 2 presents the summary of Fitness Empire strengths, weaknesses, opportunities and threats. Next each of the factors is explained in more detail.

#### Strengths

Fitness Empire company has a lot of strong and competitive aspects. First of all, the gym has many customers. It is a huge advantage of the company as it means that company's services are in high demand. Furthermore, a company has a great variety of group sessions as well as a wide range of facilities. Group sessions are perfect for those people who do not know how to do exercises correctly. Since Fitness Empire is a fitness club mostly for amateurs in sport, group sessions are popular among gym members. Another advantage of Fitness Empire is relatively low price of membership. As it was mentioned in the interview, the company is aimed to gain customers with average or slightly below average salary. Thus, if Fitness Empire rises the prices, there is a great possibility to lose customers.

One more point of fitness club to be highlighted is a large number of professional trainers for personal trainings as well as group sessions. The

results of the questionnaire showed that professionalism of trainers is one of the main factors in favor of choosing Fitness Empire club among customers. Moreover, the fact that Fitness Empire organizes master classes is a great advantage for the fitness club. It gives gym members as well as trainers excellent opportunities to share experiences and to try out something new. Finally, the gym provides people in distant areas with a possibility to practice sport. In most of the cases, gym chains are located in the center or in the areas around the center. Distant areas of the town usually have small fitness clubs. Therefore, by having 3 gyms in distant areas of Petrozavodsk, Fitness Empire gives access to sport for more people.

### Weaknesses

With no doubts, Fitness Empire has many strong sides. However, the company has weak sides to be identified too. As it was mentioned before, Fitness Empire has a lot of customer. Being an advantage on its own, it brings corresponding disadvantages. Based on the results of the questionnaire, overcrowded gym is one of the factors customers dislike about Fitness Empire. Moreover, people stated the fact of limited space in dressing rooms. It presents one more weak side of the fitness club. Furthermore, the company is missing marketing and customer service departments. All work is entrusted to administrators of the gym. Again, it causes corresponding problems such as insufficient attention to customers and the possibility to make mistakes due to multitasking.

Finally, the low marketing activity of the company represents one more weak side of Fitness Empire. Nowadays, our life is closely linked with social media(SM). Therefore, the presence of companies in SM give them great advantages. It is a way to find new customers as well as to maintain relationships with current customers. An important thing to remember is that it is not enough to just create an account in SM. In addition, SM account should have a descriptive and interesting content as well as to be updated regularly.



TABLE 2. SWOT analysis of the case company

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Large number of customers</li> <li>- Variety of group sessions</li> <li>- Price</li> <li>- Professional trainers</li> <li>- Master classes</li> <li>- Wide range of facilities</li> <li>- Gym accessibility for people in distant town areas</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Overcrowded gym</li> <li>- Limited free space in dressing rooms</li> <li>- Lack of marketing department</li> <li>- Lack of customer department</li> <li>- Low marketing activity</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Changes in timetable</li> <li>- Short – term programs</li> <li>- Bonuses for loyal customers</li> <li>- Satisfaction surveys</li> <li>- Customers database analysis</li> <li>- Arrangement of events</li> <li>- Open gyms in new locations</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Low salaries of customers</li> <li>- Decline in demand</li> <li>- New requirements for the certification of instructors</li> <li>- Decline in competitors' prices</li> <li>- Increase in competition, new gyms</li> </ul>

### Opportunities

Opportunities part of the Table 2 shows the prospects of the company. Firstly, a company may slightly change the timetable of group sessions. According to the results of the questionnaire, about one quarter of the respondents are not fully satisfied with the timetable. Therefore, Fitness Empire might think of possible changes in the timetable to satisfy the customers. Right now, the timetable consists of group sessions such as stretching and yoga in the morning and more active group session in the

evening starting from 5 o'clock. Furthermore, it would be a good idea to introduce short-term programs. Short-term programs do not only attract new customers but also help to maintain relationships with current gym members. The general manager of Fitness Empire during the interview stated that loyal customers get a card with 7% discount. It seems to be not enough in order to keep customers loyal to a company. Thus, one of the prospects might be an increase in the number of bonuses for loyal customers. For instance, loyal customers might have a free meeting with a trainer once a month in order to plan system of exercises or healthy diet.

Furthermore, it is essential to pay attention to customers' opinions. Satisfaction questionnaire is an option to monitor customers' satisfaction as well as a way to plan a set of actions to develop company's operations. Speaking about ways of customers' monitoring, customers' database analysis should be conducted frequently. Normally, databases contain a lot of information about customers. Definitely, most of the customers would not like to constantly get advertisements to their email address. However, there are other ways to interest customers and not to annoy them. For instance, based on customer's activity, a company way find out the months when s/he is most active. After that the company can send a personalized offer if his subscription card is expired.

Arrangements of events can also be very beneficial when trying to maintain relationships between sellers and buyers. There are a lot of possible themed events to be organized. For example, Fitness Empire can arrange celebration events (Christmas/New Year/First day of summer) with both employees of the gym and customers. Another option is to organize info sessions where customers will get to know how to do exercises correctly. Such events are normally held in an informal atmosphere. Thus, it is a perfect way to maintain develop relationships between employees of the company and gym members.

## Threats

Threats of the company show possible situations that may influence Fitness Empire operations. For example, the economic situation of the region/town can reduce the salary of the population. Low salaries can change consumers' behavior. Thus, people might decide to stop attending gyms or the demand in gyms might decline. It represents already the second possible threat. In addition, the introduction of new requirements for the certification of instructors can also problems to Fitness Empire. Firstly, the company will need resources to train current trainers. Secondly, it will be harder to find new trainers for the gym.

Moreover, the decline in competitors' prices is one more threat for Fitness Empire. It may lead to new customers' decrease being a company with prices slightly lower than competitors'. Thinking about the costs of the services, people will have a broader choice of gyms. Therefore, the probability of potential customers to go to competitors increases. The increase of competition and appearance of new gyms also gives customers a wider choice and one more threat for Fitness Empire.

## 5.2 The value proposition canvas

The value proposition canvas gives an overview of three main aspects (fears, wants, needs) that influence customers' decisions. It also indicates three aspects (experience, benefits, features) that Fitness Empire offers to customers to get rid of fears and satisfy their wants and needs. The Table 3 represents the value proposition canvas created for Fitness Empire. The table is divided into two sides: customer and product.

### Customer

The customer side starts with a presentation of possible fears that customers might have thinking to start practicing sports. Firstly, customers worry about the lack of knowledge about exercises. They do not know how to get started and how to do exercises properly. Therefore, they have a fear of doing something wrong and to harm themselves. Moreover, many

people have worries about public opinion. For example, they do not feel comfortable to go jogging in the morning or to go to a park for some physical exercises. People are worried about being judged by others. One more fear of people is laziness. They do not wish to start practicing sports since they know that in a couple of days they will quit it anyway. Laziness is a big problem even for people who regularly go to gym. People tend to find excuses and to do something else instead of doing physical exercises.

Wants of customers show their desires on an emotional level. It means that people do not think rationally in this case. For instance, a person might want a new car but s/he does not have money for that and do not actually need it since the car s/he owns is completely fine. Wants and needs of Fitness Empire potential customers are presented next.

First of all, people who are about to start practicing sports want to lose some weight. In most cases, it is the main reason that makes people do sports. Secondly, people want to have an activity to spend their free time on. Sport activity is a good option for a hobby. Many people want to spend their time on something interesting and beneficial at the same time. Thus, sport activities are perfect in this case. As opposed to one of the fears, people want to feel self-confident. They do not want to experience discomfort while doing exercises. Of course, people also want to have social life, interact with others and share experiences.

Regarding needs of people, they need to be fit and to healthy. In addition, they need to have motivation that will stimulate them to start doing sports. There are many possibilities to motivate people. For example, stories of other people practicing sports or video advertisements on TV can motivate people to start doing sports themselves. Fitness equipment is also something that people need in order to do exercises. Without any equipment exercises might become monotonous after a while.

Furthermore, people need advice when doing sports. Being beginners in sport activities, people need advice of what and how to do. Advice presents needs of people since improper exercise may result in injury.

TABLE 3. The value proposition canvas of the case company

Product	Customer
<b>Features:</b> <ul style="list-style-type: none"> <li>- Bar</li> <li>- Room for children</li> <li>- Separate room for women</li> <li>- Personal trainers</li> <li>- Swimming pool &amp; sauna</li> </ul>	<b>Fears:</b> <ul style="list-style-type: none"> <li>- Worries about public opinion</li> <li>- Lack of knowledge about exercises</li> <li>- Laziness</li> </ul>
<b>Benefits:</b> <ul style="list-style-type: none"> <li>- Weight loss</li> <li>- Confidence</li> <li>- A way to spend leisure time</li> <li>- New hobby</li> <li>- A large number of acquaintances</li> </ul>	<b>Wants:</b> <ul style="list-style-type: none"> <li>- Lose weight</li> <li>- An activity to spend free time</li> <li>- Feel self-confident</li> <li>- Social life</li> </ul>
<b>Experience:</b> <ul style="list-style-type: none"> <li>- Variety of equipment</li> <li>- Knowledge about physical exercises</li> <li>- High motivation</li> <li>- Personal recommendations</li> </ul>	<b>Needs:</b> <ul style="list-style-type: none"> <li>- Be fit</li> <li>- Be healthy</li> <li>- Motivation</li> <li>- Equipment</li> <li>- Advice</li> </ul>

## Product

The product side explains experience and benefits that customers gain as well as features of presented company. In addition, it shows the relation between a customer and a product by getting rid of customer fears and meet customer needs and wants.

In our case, Fitness Empire has a wide range of features. A company offers bar service with healthy food and drinks. It is a good option for those customers who want to relax after exhausting workout and have a snack or a meal. Moreover, Fitness Empire offers children room for those parents who want to attend the gym but do not have anyone to stay with their child. This feature makes Fitness Empire stand out among many other fitness clubs. Furthermore, a company offers a separate room for use only by women. It makes women feel more confident while practicing sports. Thereby, it makes them get rid of one of their fears – worries about public opinion. Personal trainers teach gym members how to exercise properly excluding possible injuries. Moreover, Fitness Empire has a swimming pool and sauna that diversifies sports activities. Therefore, it makes sport activities more interesting and attractive to people.

Choosing Fitness Empire, customers find a new hobby as well as a way to spend free time. Instead of spending time on something insignificant, they benefit both physical and emotional sides. Moreover, practicing sports frequently, customers get in shape and lose weight. The weight loss results in self-confidence. People start to feel better and self-esteem increases. One more feature of Fitness Empire is a possibility to have active social life. Since the fitness club has a lot of places to spend time before/after trainings such as sauna or bar, people find new acquaintances there and interact with each other.

Attending Fitness Empire, customers gain knowledge about exercises, learn new trends in fitness and try them out. In addition, a big variety of equipment is a great advantage for those people who attend the gym regularly. It gives people a chance to change exercises and not to follow

the same pattern every training. Talking to trainers, gym members get personal recommendation about workouts or proper nutrition. Definitely, customers of fitness club get motivated by seeing other people's achievements in fitness industry.

### 5.3 Four actions framework

Four actions framework identifies factors of the company that should be changed to improve company's operations and increase customer satisfaction. The Table 4 shows a description of Fitness Empire factors to be raised, created, reduced or eliminated on the way to development.

As it was discussed before, marketing plays a very important role nowadays. Therefore, marketing activity of Fitness Empire should be increased to draw attention of current and potential customers. Moreover, the company should plan strategies that will help them to maintain relationships with customers. In the following sub-chapter, possible strategies are covered in detail. The results of questionnaire conducted among members of the fitness club showed that customers would like fitness club to have longer working hours on weekends. Many people have a possibility to attend the gym only on the weekends and it is problematic since Fitness Empire is open until 8 o'clock in the evening. Thus, extension of working hours is one of company's prospects.

Moreover, having a lot of people during rush hours of the gym influences quality and amount of attention to an individual customer. So, a good idea would be to raise a number of staff members. It would also solve the problem of having responsibilities assigned on administrators. One more factor to be raised is the number of sockets in dressing rooms. The need to charge the device can appear at any time and it would be perfect if the gym gives such a possibility to do it. Many people spend a lot of time in the gym, thus, they need to charge devices that count calories or play music.

There are several points that help to attract and to keep customers' attention to fitness club. Speaking about online marketing, the content on

official website of the fitness club should change frequently. The same applies to social networks. For example, a company may post videos from different trainings in order to introduce customers to new fitness trends. Another example would be open conversation with customers on a certain topic. Such a method will attract customers' attention and make them interact with each other as well as with the company. A good idea would be to shoot motivating videos. The lack of motivation is a big problem. Thus, seeing positive results of other people in fitness is very motivating.

The results of the questionnaire showed that people would like Fitness Empire to open gyms in other areas of the town. Currently the company has 4 gyms in different parts of the town. It might be a good idea for the future when company decides to expand. In addition, a second gym in the center will reduce the workload of Fitness Empire current gym. It is important to note that customers want to feel special, they want companies to take their opinion into account. Therefore, feedback time arranged in fitness club would be an option to maintain relationships with customers.

TABLE 4. Four actions framework of the case company

<p>Raise</p> <ul style="list-style-type: none"> <li>- Marketing activity</li> <li>- Strategies</li> <li>- Staff members</li> <li>- Power sockets</li> <li>- Working hours</li> </ul>	<p>Create</p> <ul style="list-style-type: none"> <li>- Motivating videos</li> <li>- Interesting online content</li> <li>- New gyms in other areas of the town</li> <li>- Feedback time</li> </ul>
<p>Eliminate</p> <ul style="list-style-type: none"> <li>- Solarium</li> <li>- Rental of towels</li> </ul>	<p>Reduce</p> <ul style="list-style-type: none"> <li>- Prices in the bar</li> <li>- Prices for children room</li> <li>- Equipment complexity</li> </ul>



Apart from certain factors to be raised and created, Fitness Empire has possibilities to reduce some of current factors. For example, the fact of having the bar in fitness club is a great advantage. However, more people would attend it and buy products if Fitness Empire slightly reduced the prices. The same suggestion relates to children room. The service of children' room is paid separately; it depends on number of hours the child spends in the room. Therefore, for parents it might be quite costly to come to the gym with a child for a long time. A solution for such a situation is to reduce the price per hour. For instance, Fitness Empire might plan a strategy of price reduction on specific dates and in limited time periods. One more issue to be pointed out is equipment complexity. Many people are not familiar with proper use of equipment. Therefore, a stand with step-by-step instructions would be very useful for beginners in fitness.

Regarding factors to be eliminated, there are two suggestions. First one is to get rid of solarium in the gym. The maintenance of solarium is quite costly especially in case people do not attend it frequently. The costs remain and stay uncovered. As it was mentioned before, Fitness Empire offers rental services. However, not all the items are appropriate to be rented. Thus, the second suggestion is to get rid of towel rental services. Most likely people are not eager to rent towels or other personal belongings since they care about hygiene.

#### 5.4 Improvement suggestions

Analysis tools presented in the previous sub-chapters give a broad picture of Fitness Empire company as well as their customers. Moreover, these analysis tools help to see each of the interaction sides individually and in cooperation. As seen from the value proposition canvas, there are a lot of wants and needs of customers that are satisfied by Fitness Empire. The only thing is that they need improvements. So, in this sub-chapter a few more important development ideas are highlighted. Furthermore, a short plan of actions to start development changes is explained.

#### 5.4.1 Determinants of case company RM

The importance of RM determinants was explained in the third chapter of the thesis. In relation to case company, there are several essential things to be pointed out. A short explanation of several main determinants is given and suggestions on possible improvements are presented next.

Benefits represent the first determinant. All in all, the presence of benefits is the core factor that influences customers' decisions. Based on all three analyses, it is possible to draw a conclusion that the company tries to serve customers in an appropriate way. However, customers always want to feel important. Therefore, a good idea would be to draw public attention to certain benefits of the company. Basically, it relates to advertisements. Fitness Empire advertisements should differ from competitors. Moreover, they should shortly show crucial advantages of the company and not just represent the company.

The second determinant to be considered is customer satisfaction. Customer satisfaction can be monitored and evaluated in relation to a specific factor (trainers, equipment, cleanliness etc.) or in general showing customers' satisfaction of Fitness Empire as a whole. In the questionnaire, customer satisfaction regarding customer service was estimated. A suggestion for the case company is to conduct similar questionnaires frequently. Questionnaires may help to analyse new strategies or minor changes like replacement of group sessions. In addition, by filling in questionnaires customers feel their importance to the company, the fact that their opinion is considered.

One more determinant to be considered is word of mouth. It is not surprising that some companies might have either positive or negative word of mouth. One negative situation can bring a bad name to a company and scare away potential customers. It is not possible to make people spread positive word of mouth. However, Fitness Empire should do its best to prevent negative word of mouth. Good attitude towards

customers may lead only to positive word of mouth. Thus, it should be a goal for Fitness Empire company.

#### 5.4.2 Developing Fitness Empire marketing strategy

There are four steps to be taken in order to develop a marketing strategy of the company: marketing situation analysis, designing marketing strategy, marketing development, implementation (Cravens 1991). The marketing development plan helps to organize actions in a clear way for a company.

Firstly, Fitness Empire should analyse current situation in marketing sphere. It would be a good idea to have a joint meeting with employees and trainers to listen to their opinions. If it is not possible, then the general manager might simply ask some employees in person about strong and weak sides of current marketing. Moreover, the company might ask potential customers about the sources from where they got to know about the company. Such a way will show what kind of marketing activities works better in the way of attracting customers. In addition, Fitness Empire can talk to customers and ask them more specific questions. For example, gym member may be asked if they are satisfied with current content in social networks or if advertising of the company appears too often all around etc.

After information is gathered, it is time to plan development plan for marketing strategy. A lot of development suggestions were identified before. However, there are a few important issues to pointed out as well. Taking into consideration social networks, it would be a good idea to organize discussion topics where customers can get an advice from professional trainers. In such a way customers could ask questions that worry them. The topics could be about healthy food, correct execution of tasks or anything else that interests members of the gym.

When Fitness Empire designed a set of actions to develop marketing activities of the company, it is time to develop marketing program. First of

all, the company needs to consider its price strategy. In other words, employees of the company should try to decline the prices for the children room or/and the bar of the gym. It will increase the number of customers using these services. Secondly, the company should take into consideration promotion strategy.

Finally, Fitness Empire company should implement new improvements to reality. It should be done step by step. It means that Fitness Empire should introduce changes gradually and not to shock customers one day with another manner of marketing behavior. Moreover, gradual changes give the company a chance try new changes and evaluate outcomes.

#### 5.4.3 Relationship development process of Fitness Empire

All in all, there are 5 stages of relationship development process. Each of the stages include certain actions/reactions from both sides of interaction. In this sub-chapter, each of the stages is explained in relation to Fitness Empire. The suggestions to prevent dissolution stage are shown as well.

Awareness stage is the first step in the way of building relationships. Therefore, Fitness Empire should make sure that many people get to know about the company. Advertisements, presence in various social networks – these are the ways to reach potential customers. However, there should be something special that will interest customers to choose and try out the gym of Fitness Empire. For instance, people tend to like limited editions. The reason for that is psychological; people like to think that they have got something others do not have or get something for a better deal. Drawing a conclusion from this fact, Fitness Empire can organize corresponding limits. For example, a discount on loyalty cards for the first week of spring. The limited discount should have a clear and attractive slogan explaining it as, for example, relating to the time to start practicing sports and get ready for the summer.

Thinking about exploration stage, Fitness Empire should do its best to satisfy potential customers. When customers come to the gym to get to

know more about it, employees should pay appropriate attention to them. An administrator should describe everything in details personally and not to give a document to read as people do in some companies due to the lack of time. Moreover, it would be good if administrator showed a potential customer all the rooms of the gym. S/he might also introduce a customer to trainers of the gym and other customers. It builds a personal link between people. Hearing opinions of other customers, a person gets a broader picture of the gym.

Expansion stage is crucial time in seller-buyer relationships. Fitness Empire should make sure to do its best to build strong relationships with customers. For example, a customer came to the gym, had a tour around, went to a trial session and bought a card for one month. From this moment, the company should have a goal to make new customer loyal.

The most important thing at expansion stage is building trust with customers. Fitness Empire should make customers feel company's interest in them. Insignificant things at first glance might mean a lot to customers. For instance, friendly greetings or wishes to have a lovely day at the reception set people in a positive way. Moreover, administrators at the reception can greet frequent customers by their names and have a small talk. From a psychological point of view, customers feel important when people remember their names and do not consider them as one of many customers. Eventually, such little attention signs build stronger and more reliable relationships between Fitness Empire and its customers.

Commitment stage comes when Fitness Empire has strong and reliable relationships with a customer. In this case, it is important to maintain good relationships. Benefits for loyal customers is a good solution to keep customers dedicated to the company. Furthermore, some companies stop paying attention to their customers as soon as they reach commitment stage. It a big mistake that can ruin relationships built with customers. Thus, a suggestion for Fitness Empire is not to stop paying attention to regular customers and focus on new customers only.

There are many different reasons why customers may decide to break up relationships with a company and stop using its products or using its services. Sometimes dissolution decisions from customer side might be unexpected for the company. The suggestion for Fitness Empire company is to keep in mind that dissolution might happen at any of the stages. The important thing is not only to build relationships but also to maintain them in a proper and reliable manner for a long period of time. All the factors such as customer satisfaction, word of mouth and attention to customers mentioned above should be considered when building long-term relationships.

## 6 CONCLUSION

In the following chapter the answers to main research question as well sub-questions are given. Moreover, the reliability and validity of the entire thesis are evaluated. In the end of the chapter suggestions for further research are presented.

### 6.1 Answers to research questions

Sub-questions of the thesis helped to answer the main research questions. Thus, the author gives answers to sub-questions first and answers the main research questions next.

#### *What is relationship marketing?*

Relationship marketing is one of marketing phases. It can be described as a set of marketing actions aimed at customers in order to build reliable and long-term relationships. Relationship marketing pays special attention to customer and makes them feel special. Furthermore, relationship marketing highlights mutual cooperation and mutual interdependence between a seller and a buyer.

#### *What is the development process of seller-buyer relationships?*

The development process of seller-buyer relationships includes five stages. The first stage is awareness which represents the time when seller and buyer get to know about each other existence. The second exploration stage is the period when a seller and a buyer meet each other. The third stage is called expansion stage. It identifies the time when seller-buyer relationships become more trusting and reliable; the dependence on each other start to increase. The fourth stage is commitment. It represents mutual dependence of sellers and buyers on each other. The last stage of development process is dissolution. Dissolution is a break up in seller-buyer relationships. It might happen due to various reasons at any stage of development process.

### *What are the determinants of relationship marketing outcomes?*

Benefits is the first determinant of RM. Both sellers and buyers receive benefits through their interaction. Customer satisfaction is the second determinant that shows the extent to which buyers are satisfied with sellers' attitude towards them, services, quality of products etc. Trust and commitment represent two more determinants of RM. Customers' commitment comes with time through joint trust. Another determinant of RM is customer retention. Customer retention is the same as customer loyalty. Thus, it is a goal for sellers to gain loyal customers. Moreover, word of mouth represents one more RM determinant. Word of mouth is communication about sellers among buyers; it can be either positive or negative.

### **What should be developed in operations of the case company to gain more loyal customers?**

The results of the interview and the questionnaire showed an overall picture of the company's interaction with customers. The conclusions are drawn from gathered information and development suggestions are identified to gain more loyal customers. The theory presented in the first chapters combined with empirical research helped the author to answer the main research question. The fifth chapter of the thesis is fully dedicated to developments of Fitness Empire company to gain more loyal customers. The important thing to be pointed out is that it is important to pay attention to each customer, to listen to their opinions and solve their problems.

## 6.2 Reliability and validity

Measurements are extremely important when working on a research paper. There are two types of measurements used in empirical research: reliability and validity. Reliability shows if the results of a research remain the same after several tests. In order to trust the result of the research, it should be not only reliable but also valid. Validity indicates if the data



collected covers the specific topic it is supposed to cover. (Carmines & Zeller 1987.)

The theoretical part of the thesis is based on primary and secondary sources. The sources are marked in the text and listed in the end of the thesis. The empirical part consists of the face-to-face interview and questionnaire. The results of received data is carefully evaluated. The suggestions for development are given based on both theoretical and empirical parts. Thus, the information presented in the thesis is reliable. Moreover, the interview and the questionnaire are attached to the thesis. It means that the research can be repeated by other researchers later if needed.

The data for theoretical part is gathered from sources relevant to the topic of the thesis. In the beginning of the thesis, the goal of the thesis as well as the research questions are stated. Throughout the thesis, the author answers one question after another finally coming to the answer to main research question. Therefore, the thesis is valid.

### 6.3 Suggestions for further research

The research is focused on relationship marketing paying great attention to relationship development process, customer satisfaction and benefits both parties gain. The thesis excludes any software or computer systems. Thus, the further research can be conducted with a focus on CRM tools. For instance, a CRM system can be created for Fitness Empire company. In this way, such factors as customers' history, customers' loyalty, growth sales and many others are much easier to sort, evaluate and analyse.

## 7 SUMMARY

The aim of the thesis was to study seller-buyer relationships in detail as well as to discover the benefits that both parties gain through their interaction. The main objective of the research was to understand current situation in the case company, evaluate it and give specific recommendations that will help Fitness Empire to gain loyal customers.

The thesis started with the theoretical part explaining main concepts of marketing, marketing tools and relationship marketing. The theoretical basis gave a broader understanding of relationship marketing prerequisites and its importance. Moreover, the author carefully studied the main determinants that influence sellers' and buyers' decision making as well as the entire process of relationship development.

Having theoretical knowledge, the author proceeded to the empirical part of the research. The author conducted the interview with the general manager of Fitness Empire and the questionnaire among customers of the company. The idea behind the use of two data collection methods was to get extensive information from both sides of interaction. As a result of data analysis, the researcher found out the strong and weak points of the company, current marketing channels and improvement wishes from customers' side.

Based on theoretical knowledge and results of empirical research, the author created the development plan for Fitness Empire. The development plan includes a lot of possible changes that will lead to an increase in the number of loyal customers. Customers of the company in general, their opinions and wishes should be in the priority for the company. Only cooperative interaction of sellers and buyers leads to positive interaction, satisfaction and benefits obtainment from both sides.

In the final chapter of the thesis the author completed the research by answering research questions, explaining reliability and validity of the thesis and giving suggestions for further research.

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## APPENDICES

### APPENDIX 1. Interview

- 1) Could you tell me a little bit about your company?
- 2) Who are the customers of your company?
- 3) What marketing strategies do you utilize?
- 4) Do you organize any short-term programs to attract customers' attention?
- 5) Are your customers satisfied? How do you know it?
- 6) Do you have database with customers? How do you analyze it?
- 7) How do you maintain relationships with your customers?
- 8) Do loyal customers have any benefits?
- 9) What are the competitors of your company? What are your strengths and weaknesses compared to them?

## APPENDIX 2. Cover letter of the questionnaire

### Assessing relationships of Fitness Empire with customers

My name is Anastasiia and I am a student about to graduate from the University. Currently I am working on the thesis. My thesis is related to development of seller-buyer relationships. I am aimed to improve operations of Fitness Empire company with its customers. The following questionnaire will help me to create development plan for Fitness Empire. Thank you for taking part in the questionnaire!

### APPENDIX 3. Questionnaire

1) Gender

- Male
- Female

2) Age

- Less than 18 years old
- 18 – 24 years old
- 25 – 34 years old
- 35 – 44 years old
- 45 and more years old

3) What are the main factors that motivated you to start doing sports?

4) For how long do you attend Fitness Empire gym?

- Less than 1 month
- 1 month
- 2 - 6 months
- 6 – 12 months
- More than 12 months

5) What are the main factors you like about the gym? (name two)

- Location
- Variety of equipment
- Variety of group sessions
- Professional trainers
- Price
- Timetable
- Other (specify)

6) Are there any factors you DO NOT like about the gym?

- Cleanliness
- Free space in dressing rooms
- Overcrowded gym
- Timetable
- Other (specify)
- I am satisfied with everything



7) Are you satisfied with customer service in the gym? Please clarify your answer

- Fully satisfied
- Rather satisfied
- Rather not satisfied
- Fully unsatisfied
- Do not know

Comment box:

8) Is there anything you would like to improve in the gym?