

Title

Improving customer relations through relationship marketing – How can Greenheart Plants improve its relationships with customers to create a competitive advantage?

1.0 Points of Departure

In this section I will present the reasons for choosing the topic. An introduction to the garden nursery industry and the case company, finally the research problem, purpose and its limitations, followed by an outline of the thesis.

1.1 Areas of Interest

In deciding a topic for my dissertation an important factor was that I would enjoy the subject, and be interested in it. After enjoying the level two “Services Marketing” module, specifically the ‘Relationship Marketing’ topic, I thought it would be a challenging area of subject, one I could succeed in and enjoy enough to dedicate my time to.

Horticulture and more specifically the garden centre/nursery has been of importance to me because I have worked part-time, for five years in such a nursery.

The concept of relationship marketing is beginning to be major aspect of many businesses; however I had noted that it had not really been introduced into horticulture. This sparked an idea of combining those areas for my thesis.

I talked to the owners of the nursery and found that they wanted to introduce a marketing scheme and afterwards agreed to give me all the information needed to assist me in the project, in return for deciding on a relationship marketing strategy that would be successful for the nursery.

1.2 Introduction to the Garden Centre/Nursery Industry

The garden centre is increasingly important to homeowners. The Horticultural Trades Association (HTA) valued the garden market at just over £3 billion in 2000 with consumer spending seeing an increase of £0.98 billion over the past six years (source: MINTEL). 2002 figures were predicted to be £4 billion. The rapid rise in popularity of television programmes, such as Ground Force, along with other increased media coverage has turned gardening into a fashionable past time encouraging comprehensive garden makeovers.

Gardening is one of the most enduring of leisure interests for the British. In common with other leisure pursuits, gardening as a hobby is linked to the various life-stages that consumers go through. It usually reaches full fruition among those who are recently retired from full-time work and have all the time necessary to cultivate the soil and grow plants. However, the trends to 'leisure gardening' and the media coverage (consumers have been attracted to the 'sexy' Charlie Dimmock and the makeovers and knowledge of Alan Titchmarsh) have certainly broadened out the market, bringing in a younger generation of consumers showing an interest in garden 'makeovers'. This new market along with the traditional gardener's base has to be kept happy. This makes it vital to investigate what the situation currently looks like, compare it to how it used to look, and try to imagine how it will come to look in the future.

1.3 The Case Company - Greenheart Plants

The case company Greenheart Plants is a grower and supplier of horticultural plants and garden accessories. Located in Hopton, Stafford. Greenheart Plant was formed in 1993 when the owners Stewart and Maxine Pawley purchased a derelict garden nursery and opened it as a specialist grower of shrubs and annual summer bedding and winter pansies and polyanthus. Their aim is to offer the highest quality plants for the lowest possible price within the region.

Increased custom has led business to respond, and there is increased competition in the gardening world (from Wyevale the leading Garden Centre with 151 nurseries to a man selling home-grown plants at his local car-boot sale). Greenheart Plants is aware that, with increased choice in the wholesale and commercial areas, valuable consumers may go elsewhere.

The owners have decided to respond to this threat. The intention is to improve relationships with customers - wholesale and retail - by bringing them extra value through adapting the marketing and product to their needs. By having a customer relationship focus the company aims to help satisfy existing customers, as well as creating new business relationships through the competitive advantage they hope it will create.

1.4 Research Problem

The garden industry has lagged behind in marketing terms, most not bothering at all. Crocombe, Enright and Porter, (1991), stated: "Traditionally agricultural producers have produced and operated with little regard to the needs of others Marketing approaches by agribusinesses (if they are done at all) are aimed at creating brand awareness among end consumers. Little research has been carried out on the development of competitive advantages through developing relationships".

Many garden nurseries are unprofessional, mainly family businesses relying on old principles and gardening knowledge not business terminology and practice, not seizing competitive advantage through areas such as relationship marketing and not in return enjoying loyal customers who become advocates of them. This regard to marketing must change, and Greenheart realise this. To date, Greenheart has been successful with a very limited marketing plan, mainly advertising in local newspapers, and relying on referral marketing to bring in new custom. However, as the industry grows, management feels that there is a need to evaluate the marketing strategy and establish a strategy that is deliberately planned and intended with specific attention to the customer. Addressing this issue is the research problem.

1.5 Purpose and Objectives

The purpose of this thesis is to establish a relationship marketing strategy for Greenheart Plants, helping to create a competitive advantage over competing firms in the gardening market. In order to achieve this, I will aim to satisfy the following objectives:

1. To establish what relationship marketing is, and why a company which is focused to the needs of its customers (and which maintains close personal relationships with them) can be increasingly successful
2. To identify and assess the methods of relationship marketing which the owners of the company would feel effective to them in the gardening market. To identify possible improvements which could be made within the company, to attract new customers from the wide market for their products and service
3. To determine the marketing strategy of competitors to Greenheart Plants, their product and services, and whether their existence compromises Greenheart
4. To analyse the external environment of Greenheart in order to find opportunities for future profitability and success for the company
5. To determine the views of current customers, both in the wholesale and commercial markets, to determine their needs and how Greenheart Plants could satisfy those needs
6. To segment and critically analyse the customer base of the company and decide which of these segments the company should prioritise for the customer relationship marketing plan
7. To establish a focused customer relationship recommendation plan for the company, from which they can implement the recommendations into their business

1.6 Scope and Limitations

-The business will be represented by Greenheart Plants.

- The focus will be on the garden nursery local to Greenheart Plants.
- The focus will be on the creation of a customer relationship marketing plan.
- When talking about competitors, customers etc, the focus is on the garden nursery segment similar to Greenheart Plants, and not those whose secondary service is the garden plants (e.g. B&Q).

1.7 Outline of Dissertation

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2.0 Theoretical Framework

In this section I will introduce the theories and concepts which are used in the project in order to generate background information which will be used to analyse Greenheart Plants, helping to complete the relationship marketing strategy.

2.1 Literature Review

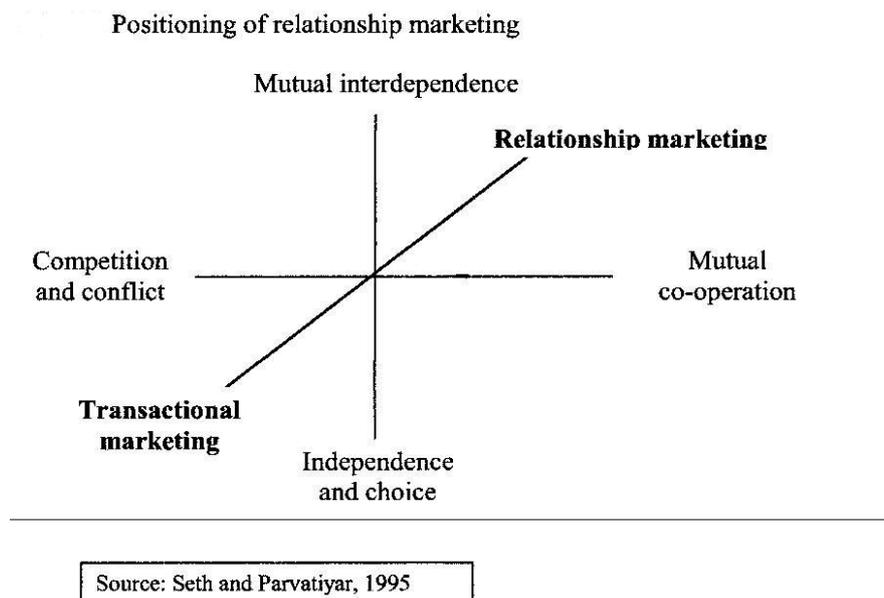
2.1.1 Introduction to Relationship Marketing

The definition for relationship marketing according to the chartered institute of marketing is “... the process of getting closer to the customer by developing a long-term relationship through careful attention to service needs and their quality delivery”.

The need for relationship marketing stems from the changing dynamics of the global marketplace and the expanding requirements for competitive success (Rich 2000). Literature seems to agree that the relationship approach is an emerging perspective in marketing literature (Gummerson 1997; Moller and Halien 2000). Scott (1995) stated the progression of relationship marketing by suggesting that “Relationship selling moves the dyadic exchange associated with personal selling from a short-term transaction orientation to a life-long process where immediate closings might be postponed on the basis of more effectively meeting customer needs”, as Yau et al. (1999) stated “The primary impetus behind the concept of relationship marketing is to foster a long-term relationship and thereby create repeat purchases”.

Wilson and Jantrania (1996) found that although relationship marketing is a relatively new concept, the whole idea of relationship is not when stating that “The importance of creating relationships is not a new concept, but to use relationships as a strategic weapon is”.

Figure 2.1 Shows the position of Relationship marketing in comparison to other stems of research.



Relationship marketing originates from many stems of research therefore varying interpretations of the term arise (Gummerson 1996). According to Gronroos (1991) “...the aim of relationship marketing is to establish, maintain and enhance relationships with customers and other parties, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises”. Ravald and Gronroos (1996) took this further when suggesting “exchanges are not considered individually (transactional based) but becoming meaningful insofar as they are connected to another past or future episodes”. However, Yau et al (1999) stated concern about the exchange theory stating “... It is still not clear whether the exchange theory can sufficiently explain the existence of relationships.

In conjunction with most of theorists, Morgan and Hunt (1994) defined relationship marketing as “all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges”. In later work Hunt (1997) said that relationship marketing can be seen as a means of gaining competitive advantage especially through the acquisition of

intangible assets. Primary findings indicate a regular positive response to literature of relationship marketing and its abilities in the business world.

Findings that relationship marketing can help introduce successful strategies were put forward by Li and Nicholls (2000) who said “For most companies, the adoption of relationship marketing approach represents a strategic choice”. The need for relationship marketing was stated by Paul (1998) “As the business environment changes and customers become more demanding, firms must practice relationship marketing to compete effectively”.

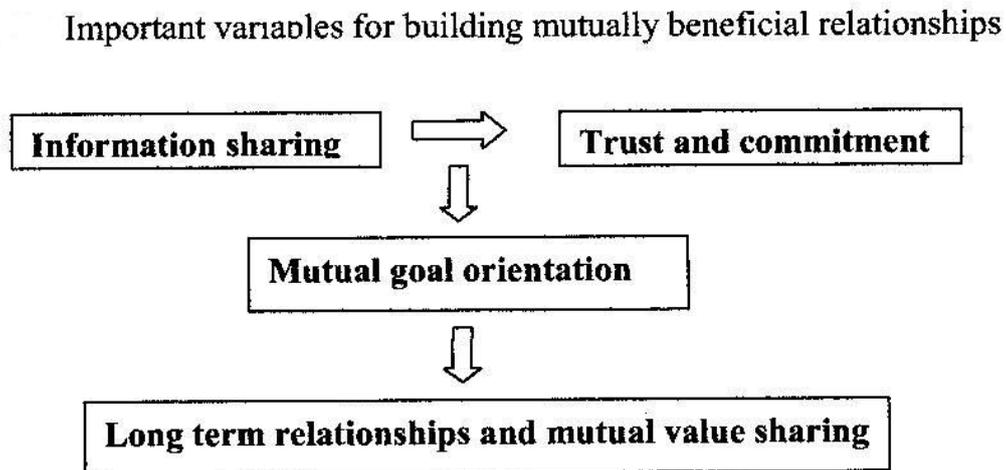
However, not all research supports the advantages of relationship marketing. Those outside of the marketing world find marketers less than productive for the compensation they receive. They feel marketers should eliminate their obsession with loving customers since it has become a distraction from the basics of selling and tracking the origins of sales success (Shaw 1999) and research by Moorman et al. (1992) was unable to support the hypothesised link between relational factors and client’s use of marketing services. However, Smith (1991) conducted research which showed a positive correlation between relationship marketing and business performance. His research studied direct marketing in the insurance sector and found that relationship marketing will help to maximise long-term profitability.

Theorists also admit that much of what is written is untrue or substantiated, Gummerson (1996) stated that much of what is written on relationship marketing is theoryless. “a stack of fragmented philosophies, observations and claims which do not converge in the direction of emerging relationship marketing theory”. He gives the example that relationship marketing is often presented as a new promotional package to be sold to the customer.

Most of the studies on relationship marketing were criticised as overly simplistic because of their use of a uni-dimensional perspective (Yau 1995). A common approach, which came under criticism, is researchers’ use of only a single dimension such as trust, commitment or satisfaction to assess relationship marketing.

For the purpose of this project, relationship marketing will be assessed of the following key characteristics; Relationship value, quality, customer satisfaction, commitment and management.

Figure 2.2 shows important variables on the process to building relationship (Rott 2000).



2.1.2 Relationship Quality and Value

Important issues remain poorly addressed in relationship marketing literature (Naude 2000), questions such as: “What are the features that distinguish successful relationships from unsuccessful ones? What is it that makes a relationship highly valued by those within it?” are poorly answered. Despite this lack of address and a variety of approaches used by authors, there has been some useful information to address the issues (Naude 2000). Their research showed that there is some face validity to the sentence “high quality relationships will create value and be regarded as successful by the parties in it”.

A general definition of quality is “the totality of features and characteristics of a product or service which bears on its ability to meet/satisfy stated or implied needs; fitness for use”.

Gummerson (1987) identified relationship quality as one of four forms of quality encountered by customers. He stated “... high relational quality contributes to customer perceived quality and thus enhances the chances for a long term relationship”.

It has been suggested that relationship based strategies are required for developing a point of differentiation, and an effective way of achieving competitive advantage (Sheth 2001, Cravens 1998). Crosby's work highlighted that relationship quality had a significant influence on the customer's anticipation of future commitment (1990).

Despite these arguments, the need for more work in this area is highlighted by Mohr and Spekham (1994) who stated that "... an understanding of the characteristics associated with partnership success is lacking". They decided that the following areas are needed for successful relationships: commitment, coordination and trust, communication quality and participation, and conflict resolution through joint problem solving.

Relationship marketing is about targeting customers with the best long-term value (Rott 2000) and also about creating mutually beneficial relationships where both parties are gaining knowledge and understanding from the relationship and continuous learning and improvements are made which will increase the overall quality of any customer relationship.

It is clear that high quality relationships hold a high value with consumers, which can favourably impact the chance of long-term relationships.

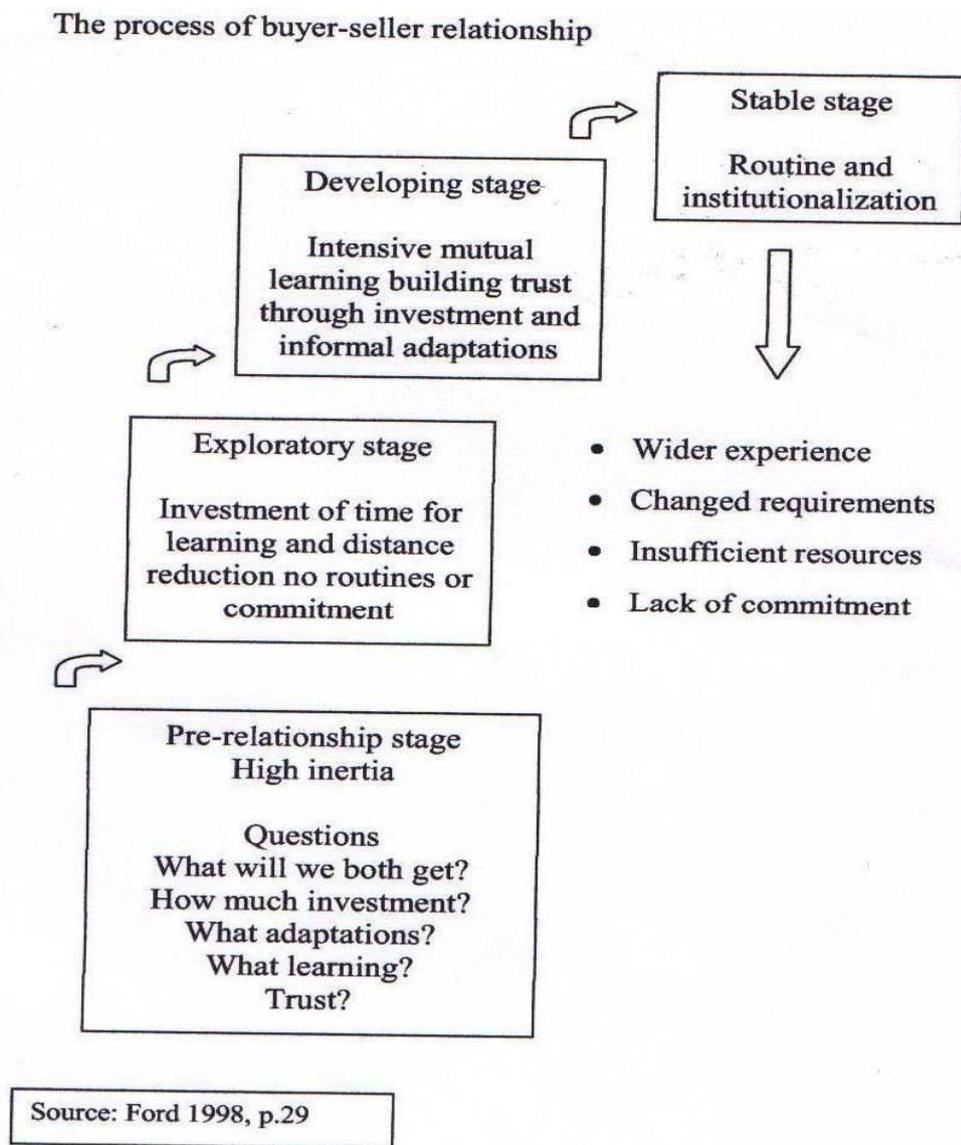
2.1.4. Customer Satisfaction

It has been long thought that customer satisfaction was sufficient to promote customer retention (Naude 2000). However further research indicates that: Satisfied customers may defect, and dissatisfied customers may remain loyal (Buttle 1999). It shows that a significant percentage of satisfied customers are not retained, taking their business elsewhere despite their satisfaction with products and services. Research by Reicheld (1993) points out that 65-85% of recently defected customers claimed they were satisfied or very satisfied with their previous suppliers.

This research makes it a clear argument that customer satisfaction alone is not a cause of relationships between the buyer-seller. Ulrich (1989) compounded this thought when stating: "Satisfied customers are pleased, humoured and fulfilled; committed customers are dedicated

and faithful”. An aspect of commitment is needed to bring the loyal customers into a relationship plan.

Figure 2.3 Shows the stages of the buyer-seller relationship



2.1.5 Trust and commitment

In marketing literature there is a lack of clarity in the concept of trust (Blois 1999): however it can be described as “the willingness to rely on an exchange partner in whom one has confidence” (Moorman, Deshpande and Zaltman 1993). Morgan and Hunt (1994) argue that trust is the cornerstone of relationship commitment, without it commitment flounders. Research

by Geyskens and Steenkamp (1995) showed that trust brings about a feeling of security, reduces uncertainty and creates a supportive environment.

An objective of marketing strategies is to change customer behaviour so that loyalty replaces the threat of defection to the increasing competitive products. This loyalty will come about through trust, which creates satisfaction and long-term association over and beyond any normal buyer-seller relationship. Another way of increasing loyalty and trust is for both parties to make investments in the relationships. These investments can be intangible (e.g. knowledge) or tangible (e.g. property). Investments serve as exit barriers (Naude 2000).

Commitment is the ability to maintain a relationship and it consists of three different components; sacrifice of some value, willingness to act in certain ways, and efforts to secure consistency and continuity in the relationship (Rott 2000). Commitment is important as it saves time and effort in looking for new partners. In addition to trust, commitment is the second most important component of a relationship (Johansson et al. 2000).

Rich (2000) said: "Many companies perceive that the best initial approach toward relationship marketing is investing in complaint handling procedures to demonstrate customer commitment resulting in customer loyalty". A study by Tax et al. (1998) found that satisfaction with complaint handling has a direct impact on trust and commitment as can override the initial negative experience if handled to the customer's satisfaction or delight.

This research concludes that increased trust and commitment has a direct impact on the likelihood of further collaborations, good relationships are based on the model of high trust and commitment between the involved parties.

2.1.6 Importance of management

Successful relationships begin with internal commitment to relationship performance and success (Wilson 2000). Successful implementation of the relationship strategy can be brought

about by a commitment by the key functions that support the delivery of value to the relationship. In the case of Greenheart this is the owners of the company,

Management has to allocate resources between different relationships in order to make sure each is successful. Existing customers should be maintained, new ones should be added, and unprofitable ones should be fired, whilst assessing its customer portfolio in order to understand what customers are contributing and what they will contribute in the future. It will then be easier for the company to see which are valuable relationships, and which are unprofitable (Ford 1998).

As Rich (1998) stated: management must not only accept the proposition of relationship marketing from an intellectual perspective, but should be willing to invest the necessary time, labour, and financial resources to make it an effective reality.

2.1.7 Relationship Marketing in Horticulture

Unfortunately, except for some works in general horticulture relationship strategy literature, little attention has been paid to the specific garden nursery industry. Therefore to date, there is a poor understanding of any role of relationships in garden nurseries.

A lack of uptake of relationship marketing in the garden nursery market gives the case company a chance of taking a first mover advantage. This can be defined as when the initial occupant of a strategic position or niche gains access to resources and capabilities that a follower cannot match (Rott 2000). A company can attain a first mover advantage by acquiring resources and capabilities in a new market before competitors do (Grant 1998).

2.1.8 Aspects for Further Attention

Wyner (1999) stated the following; “Relationship marketing forces the examination of some classical methodological issues in a new way. As the marketing focus shifts to relationships, key questions need to be answered for that transition to be effective, including:

1. Who is the customer?
2. What is the provider's presence?
3. How extensive is the customer relationship?
4. How long has the relationship with the provider lasted?
5. Who else participates in the relationship?"

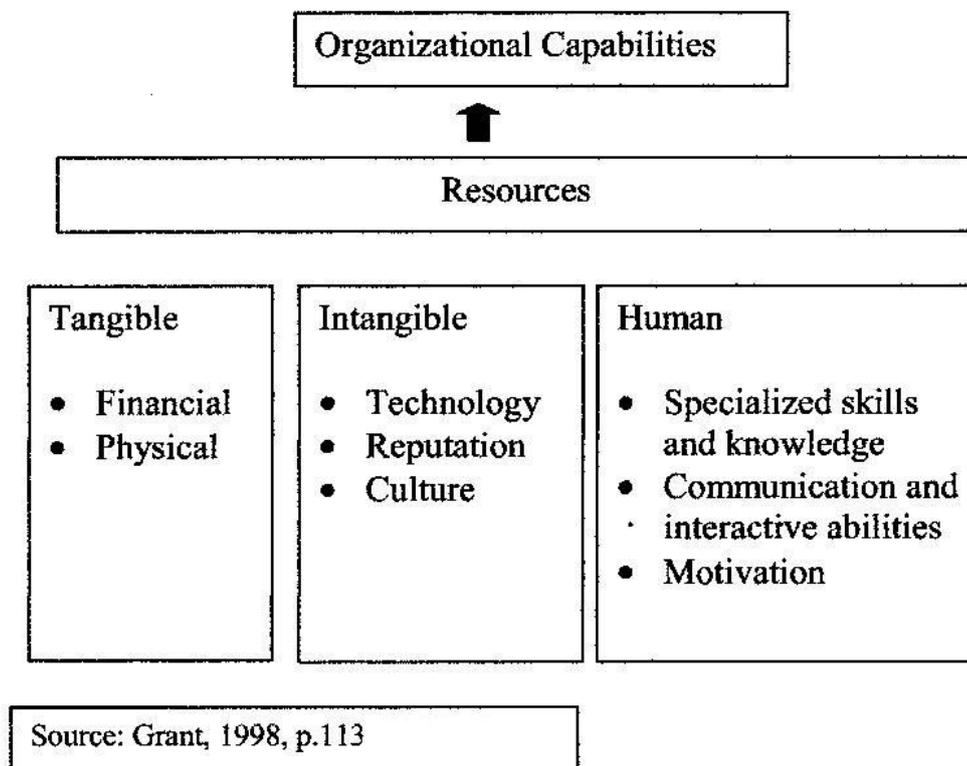
The objectives of this thesis will answer these questions.

2.1.9 Internal Company Analysis

A company's strategy is based upon matching its resources and capabilities to the requirements of the external environment (Rott 2000). Although SWOT analysis has weaknesses, as suggested by Grant (1998) who stated that it is not always easy to define what the strengths and weaknesses are, SWOT will be used to analyse the fit between the internal environment and its environment. The external environment will be analysed through STEP analysis. The below module will also be used when analysing the organisation.

Figure 2.4 Shows the resources of an organisation which can affect a relationship strategy

Analysis of Resources and Capabilities

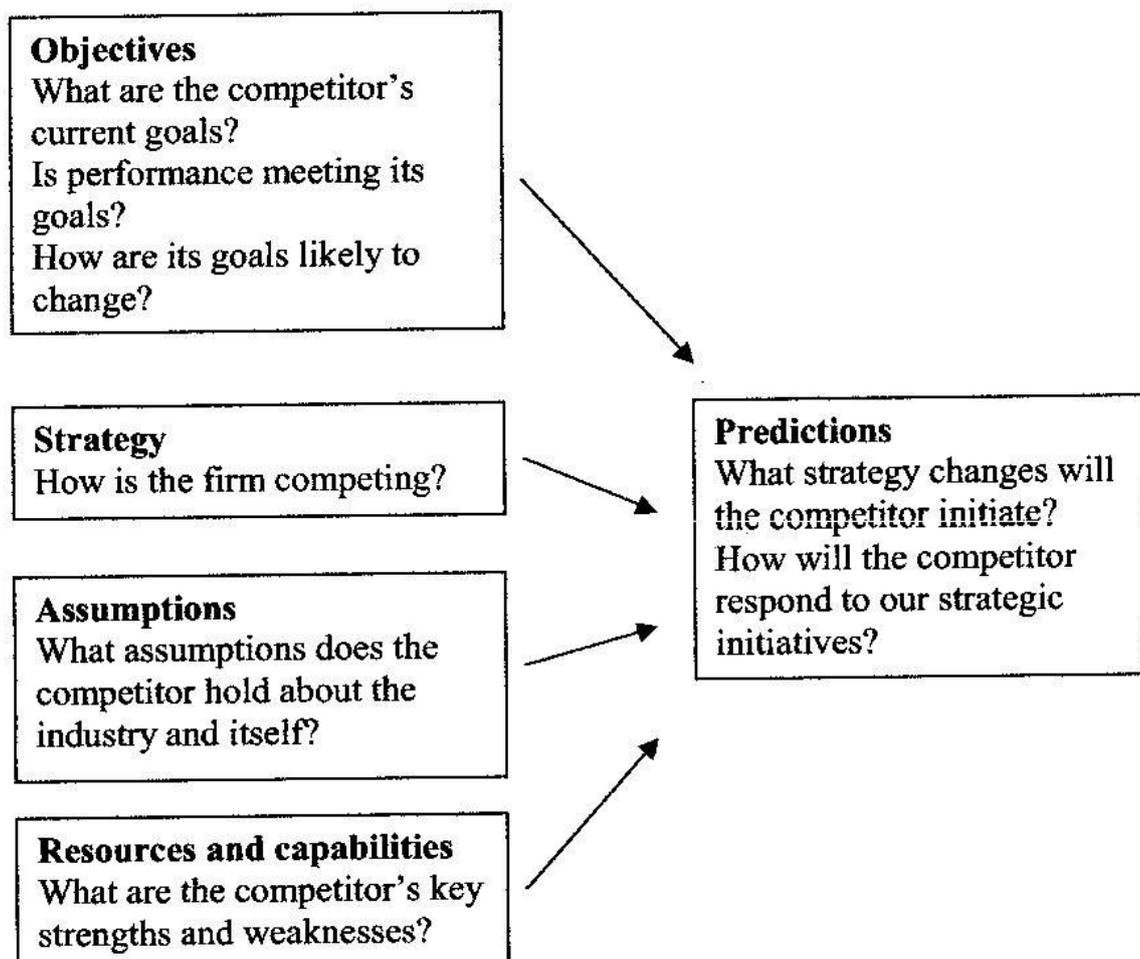


2.1.10 Competitor Analysis

A competitor's analysis is important in order to be able to assess the impact a competitors relationships have on a company's relationship. A company can not ignore what the competitors are doing or how competitors will react to a strategic change by the company (Grant 1998). The below module will be used to analyse the competition.

Figure 2.5 Shows the framework for a successful relationship strategy competitor analysis

Framework for competitor analysis



Source: Grant, 1998, p. 97

3.0 Methodology

The methodology is a plan for collecting, organising and integrating collected data so that an end result can be reached (Merriam 1994). In this section I will discuss the research strategy, different research methods, techniques, collections and ways of analysing data, as well as discussing the quality of research.

3.1 Research Strategy

The research strategy undertaken depends on how the problem looks, what questions the problem leads to and what end result is desirable (Merriam, 1994).

I have undertaken a case-study approach; I came to this approach due to my research question.

A company specific thesis needs to be focused on that company.

Case studies are appropriate to answer “how and why” questions, when the focus is on a contemporary phenomenon with a real life context (Yin 1999). The same author also stated that; case studies are suitable for practical problems, which are often problem centred, small scaled and entrepreneurial. A main advantage of a case study project is its ability to draw information from many different sources such as interviews, observations and historical data.

However, the case study approach can easily be manipulated to better meet the researcher’s goals and purpose. Another problem is case studies do not provide a good basis for comparisons, as no two businesses are the same results will be different and are time consuming.

For the purpose of this project the single case study strategy is the perfect approach to take. Case studies are said to be complete, reality based, empirically grounded, and exploratory (Merriam 1994). The end product of a case study is an extensive descriptive analysis of the case studied.

3.2 Research Method

There are two types of research methodology:

The positivist approach, testing hypothesis generated from theory, mainly quantitative data and statistical analysis. It decides if results confirm or refute the theory. The quantitative approach makes it possible to do statistical comparisons and compare series of data (Andersson and Nylander 1999). And;

The phenomenological approach derives its conclusions based on investigation, qualitative data, and lets the investigation guide the project. This approach increases the understanding of the case studied since it can penetrate deeper into each case (Rott 2000).

Methodological triangulation, collecting both qualitative and quantitative data, avoids using just these extremes. I will conduct a case study based on both qualitative and quantitative sources. Small samples of wholesale customers and the managers themselves will be analysed by a qualitative approach, allowing me to draw my own conclusions based on results. The larger sample of retail customers will have a quantitative and qualitative approach, questionnaires will be statistically analysed to ensure complete analysis. Buying behaviours will be observed in a qualitative manner.

In the thesis I will take the abductive approach, coming from a starting point of empirical findings and existing findings which I will refine and alter both empirically and theoretically to suit the case company. This is a suitable approach when trying to find a deeper understanding about a phenomenon. (Andersson and Nylander 1999).

3.3. Collecting Evidence

In a case study the evidence comes from six different sources; documents, archival records, interviews, direct observation, participant-observation and physical artefacts (Yin 1994). The material can be primary or secondary nature. Primary data is collected to satisfy the specific purpose of the study. Secondary data is published findings from earlier research studies, often collected at the beginning of research to provide a background and basic information about the

topic being researched (Andersson and Nylander 1999). Combining the two types of data will give a deeper understanding of the quantitative data (Halvorsen 1992).

I started by using unstructured interviews with the owners of the company, and spent time there making observations on customer behaviour, buying patterns and customer groups as well as practises which the company uses. I was soon familiar with the situation to be researched. A comprehensive secondary data analysis was carried out to give a better understanding of the literature and theory behind the relationship marketing phenomenon.

Primary data was collected first through interviews. Merriam (1994) said that; Interviews are the best form of collecting evidence if the researcher wants to find out facts that cannot be observed. I used these interviews to find the views of management and also all five wholesale customers, the largest individual clients of Greenheart Plants. The interviews were semi-structured in order to get in-depth result, while still keeping some control (Yin 1994). This approach as enabled me to elaborate on points which were not comprehended, or further investigation on certain topics, the interviews provided me the views of the interviewee.

Standardised questionnaires were given to retail customers of the nursery. These were carefully planned, piloted and collected in order to give me important statistical and factual data straight from the customers. A random sampling approach was used with no researcher bias. 50 questionnaires were given out to customers over four dates from 3rd - 8th March 2003. In order to increase validity I ensured that the questions were not leading and that there were both open and closed ended questions. Assess to customers and information needed was available at all times.

Observations were carried out on March 15-16th on general customer buying behaviours. On the 11th of March five competing nurseries were visited in order to establish their positioning.

Primary qualitative interviews were analysed on spot in order to find the direction of future research, but for quantitative data evidence was collected then analysed. After the final data was collected, the analysis moved into an intensive phase, drawing conclusions from it.

3.4 Quality of the design

To have a successful research methodology the quality of it must be high, to judge this the validity and reliability is assessed.

Validity concerns the issue whether or not the findings can be shown to be valid for the problem that is being investigated. Data collected must be relevant to the problem and the purpose of the thesis otherwise there will be low validity. Irrelevant data and unnecessary information leads to low validity. According to Merriam (1998) there are six strategies that can be used to check validity i) Triangulation, ii) Checks, iii) Long-term observation, iv) Peer examination, v) Participatory/ collaborative models of research, vi) Researcher's biases.

In order to increase validity, I used many different types of data collection and had friends to check the data I received, and asked them to help design a successful questionnaire. Irrelevant answers during interviews were ignored and the questions were design with the interviewee at mind, questions were kept simple in terms of data. Secondary data always came from reliable and trusted sources, so is highly reliable. Interviews were written up just after conducting them so all information was remembered and researcher bias avoided. These factors make me feel that the content is relevant to the purpose of the thesis.

Reliability concerns the issue of consistent results of the study if it was replicated. A good guideline is to make sure that if someone did the project again, the same results would be found (Rott 2000). Reliability is an important aspect of doing a case study and the goal of reliability is to minimise biases and errors in the research study. A prerequisite for reliability is that all the documentation is in order and can be easily found (Yin 1994).

Questions followed a set agenda generating relevant and reliable results; however answers from people can be highly subjective as people base responses on perception. However I feel my questions did not lead people and the answers I got were consistent. Respondents were assured of their anonymity. Heneman (1974) has shown that subjects are more likely to give unbiased responses when anonymity is assured.

The findings of the case study can be applied to other businesses in the industry. The results identify important factors in the development process of establishing relationships in relationship marketing in horticulture. I believe the thesis is both valid and reliable.

3.5 Linkages

To meet my objectives it is essential that the data was collected with them specifically in mind. Figure 3.2 shows how the information was collected to meet the objectives.

Figure 3.2 How I found the information to meet my objectives

Objective	Linkages
What I wanted to find out	How I found out the information
1. To establish what relationship marketing is, and why a company which is focused to the needs of its customers (and which maintains close personal relationships with them) can be increasingly successful	Literature Review, comprehensive search on internet sites such as EBSCO, FT.com, and looking at many journals of marketing
2. To identify and assess the methods of relationship marketing which the owners of the company would feel effective to them in the gardening market. To identify possible improvements which could be made within the company, to attract new customers from the wide market for their products and service	Interview with the owners of the company, followed up by lots of informal chats. Observations of processes of the company
3. To determine the marketing strategy of direct competitors to Greenheart Plants, their product and services, and whether their existence compromises Greenheart	Visit competing firms in the market and observe their practises, product and services and compare with Greenheart Plants
4. To analyse the external environment of Greenheart in order to find opportunities for future profitability and success for the company	STEP analysis, Porters Five Forces analysis to provide a comprehensice analysis of the garden nursery market
5. To determine the views of current customers, both in the wholesale and commercial markets, to determine their needs and how Greenheart Plants could satisfy those needs	Question retail customers to gauge views. Informal interviews with wholesale customers
6. To segment and critically analyse the customer base of the company and decide which of these segments the company should prioritise for the customer relationship marketing plan	Market segmentation, study of the target customers for the garden nursery market. Basket analysis from observations. Tie-in theory
7. To establish a focused customer relationship recommendation plan for the company, from which they can implement the recommendations into their business	Comprehensive data analysis from which results can be collected and collated in order to establish conclusions and recommendations for the company found

4.0 Data Analysis – Greenheart Plants

In this section Greenheart Plants is analysed. The company's strategies, policies, critical success factors, strengths and weaknesses will be assessed by analysing my interviews with the owners and by general observations made, as well as from company data.

4.1 Strategy

See appendix one for an in-depth description of my interviews with the owners.

My talks with the owners led me to see that Greenheart Plants is pursuing a local competitive edge strategy where it clearly intends to offer the most competitive quality products within the local region, no national advertising is carried out, and advertising is currently in local newspapers. They aim to compete with competitors on all aspects of service and they believe they are successful and point to their growth rate for proof (Greenheart doubled the amount of tunnels growing plants in 3 years). They see their competitors to be everyone selling garden plants within Stafford and the surrounding area. However they do not see Bridgemere Garden World and similar large centres as competitors but as alternatives to the garden nursery market.

They stated “People who shop here will not shop at Bridgemere and vice-versa”. They believe this is because the two are opposite. Greenheart prides itself on its “plants matter” approach; there is no coffee shop, no crazy golf, and no unnecessary services which cause price increases but instead “quality plants at quality prices sold by people who care about what they are selling”. A price comparison for a Camellia shrub showed a Greenheart price of £8.95 and a Bridgemere selling an identical size plant for £17.95 (prices as of 11th March 2003).

The focus is on growing and selling annual plants such as summer bedding and winter pansies, but also an extensive selection of perennials and hardy shrubs as well as other products. 95% of the plants sold are produced within the nurseries tunnels (horizontal integration). This is to ensure everything which is sold has been grown to the quality which the company prides itself on. The owners have no plans to diversify into selling a larger range and garden materials and

enhancements believing “we can only specialise in so much”. They also are happy with selling solely at the nursery and have no plans to start selling at fetes and markets.

The company sells primarily retail to consumers at the nursery, however its five individual biggest customers all are wholesale buyers who purchase goods from the nursery at wholesale prices, and the owners say they are looking for more wholesale links over future periods without damaging retail links which provide more profit. The owners see their target market as local elderly and ABC1’s; “these are the people with the money and or time to spend in their garden”.

Pricing is a low-cost strategy whilst still ensuring high quality by keeping low cost of sales and overheads and by not spending on things which people who buy plants do not want (i.e. cafes). The owners do not believe the nursery could survive by competing in the Bridgemere market, instead they prefer to keep the minimalist approach to their garden nursery and offer customers plants which they want. Although minimalist, the nursery is planted to be attractive.

In order to offer a competitive edge over nurseries they want to introduce a relationship approach with their customers, aiming to use high quality products and superior prices with close customer relationships to increase customer loyalty and retention for the company.

The owners made it clear that they did not have a particular approach they wanted to follow, but indicated they did not want to expand products or distribution channels too much in order to create relationships, instead they would favour a cost effective relationship approach (the company has a small budget for marketing) where the customer will really be benefited by increased satisfaction with the service.

When asking why they wanted a relationship strategy the owners referred to the increasingly difficult market financial situation and increasingly competitive competition in the area, and in horticulture as a whole, although the companies profit and sales are increasing they are aware they cannot sit and wait whilst competitors act, and themselves must attack a new direction and they believe a relational approach is the most attractive solution.

4.2 Strengths

See appendix two for the complete SWOT analysis of Greenheart Plants

From my observations, talks and notes I was able to compile an analysis of the strengths of the company. A main observation was made with product quality; all the plants which were sold were of Class A quality, I heard comments from customers confirming this and from personal knowledge I could see all plants were healthy and of apparent high quality.

A simple infrastructure means all orders are processed exceptionally quickly.

Currently the only loyalty schemes apply to bulk buying, the more that a wholesale customer buys, the more discount they will receive. Bulk buying for retail is also present, but not in a sufficient form, however bulk buying is encouraged increasing usage rates.

Intangible strengths were apparent on observation, the owners showed knowledge and care about products and customers, time and time again they went out their way to offer a customer with a product which was not on display and spent 10 minutes walking around with the customer showing them plants which would suit their needs. This strength was apparent and if put across correctly would provide Greenheart will a clear competitive advantage over quick sale motivated competitors. Staff was motivated to help customers with all aspects such as taking the sale to the car and providing information on soil requirements etc when needed.

The owners feel that face to face contact is the best way to build customer relationships. A strong bond with customers was apparent with certain clients, familiarity and friendship was apparent, a clear respect was shown by both parties, as literature stated trust and commitment is a valuable tool for relationship success

4.3. Weaknesses

As well as strengths it was essential to look for the weaknesses of the company.

There is no service network at the company, although the company would offer help to enquiries for information there is no process to help customers find information needed after they have purchased a product. After sales services are non-existent.

The distribution network is lacking. No customer deliveries are done, and the only place for retail customers to purchase from the company is the nursery. Wholesale deliveries are undertaken but that is all. The company has no website where it could attract customers and supply information on products and services increasing its distribution channels.

The marketing budget is small and the amount of advertising done is very small, this reduces the customer awareness of the company within the local area which is the market of the company. Loyalty schemes are insufficient and need to be brought up to date.

The biggest weakness observed was the lack of ability to accept credit and debit cards. In the modern retail world it is essential for modern business to accept this form of financing, in my time of observation two sales were refused due to this problem.

4.4 Critical Success Factors

Critical success factors are strategic factors crucial to the success of an organisation; they are the strengths and weaknesses that critically affect its success. Greenheart must give customers what they want and better (however better is defined by customers) than competitors. Analysis of Greenheart plants has led the following CSF's to be defined for Greenheart Plants:

- High quality plants grown to meet customer needs and available to meet their demands
- Products priced to compete successfully within the local region
- Staff showing knowledge and understanding of products and services giving customers full details of the features of each product
- Customer loyalty and retention with clients of the company through strong relationships and mutual trust and respect

The CSF's are comparatively close to the objectives, strategies to meet these CSF's will be given in the conclusions and recommendations to the company.

5.0 Data Analysis – Competitors

In this section I will analyse the competition of Greenheart Plants which were visited to make a comparison with the case company to benchmark them against Greenheart Plants as well as giving a clear picture of the current market situation.

5.1 Strategy

See appendix three for detailed information and analysis gathered from five competitors to Greenheart.Plants

Any organisation should not develop a business and marketing strategy without reference to the competitive environment. Competitive strategy, its analysis and development must become a major concern of any business, reflecting the changing environment.

Competitors are an important factor that will influence the eventual success or failure of a business. Ignoring competition will increase the likelihood of being caught out by a new and strong development from a competitor.

Large and small scale garden centres are present in and around Stafford; these are the direct competitors of Greenheart whom could steal potential Greenheart customers, for this reason alone it is essential to analyse the operations of competitors to see how they operate and how that affects Greenheart Plants.

On March 11th 2003 I visited five competing companies within a five mile radius of Greenheart and made a number of observations (*appendix three and figure 5.1*).

The price comparison basket analysis which I conducted showed that Greenheart came out the cheapest on terms of retail price which would please the owners and their belief of selling the cheapest plants in Stafford, seven various items were checked which were sold in all centres.

From my visit it was clear to see different centres operated different strategies. Figure 5.1 shows a table with the five competitors and the different strategies observed as well as their main strengths and weaknesses observed in the limited time which I visited them:

Figure 5.1 Centres have been kept anonymous to protect their identity. All five centres were visited on 11th march 2008

Competitor	Price	Quality 1	Service
1	Plants seem to be premium priced with promotions and discounts on display	Very good healthy plants	Many staff were present offering advice when needed
2	Differentiation focus - expensive plants due to service enhancements	Very good healthy plants	Advice was available at designated places
3	Low cost focus predominate with a differentiation on certain products	Very good healthy plants	Limited staff available but plants were labelled well
4	Very mixed pricing policies, with promotions evident	Very good healthy plants	Labelling on most plants and staff at hand in needed
5	Low-cost focus was evident and many special offers were found on display	Very good healthy plants	Labelling and advice from staff on request
Competitor	Facilities	Strengths	Weaknesses
1	Limited but has basic amenities for customers	Customer care was on evidence from my visit, promotions increase incentives, quality products	No relationship strategy implemented, no feedback forum, quite expensive in comparison to others, weak product range
2	Full facilities where customers would have no problem filling a whole afternoon	Good reputation, chain company and established, extra facilities will bring in many customers on day trips, huge car-parks, loyalty card means start of relational approach, feedback area	Expensive plants and accessories, loss of some market segments from high pricing policy
3	Has a add-on accessories for garden centre, but little else	Chain of garden centres, well known in local area, good location for customers, accepts credit cards, quality and affordable prices, discounts for pensioners	Staff were not very evident, small product range, weak relationship policy
4	No extras to the product offering	Promotions made some products seem attractive, centre was well presented although no extras were there to enhance the service	No relationship strategy implemented, no feedback forum. No services to attract customers other than pure plant buying
5	Sells only garden plants and additional garden equipment	Sells plants on a no-frills basis, quality plants at low price	Very small scale, no credit cards accepted, no facilities or relationship strategy
1. I felt I was not sufficiently qualified to judge quality of plants, although all plants looked healthy to me			

5.2 Benchmarking

Greenheart must study the differences and benchmark its competitors in order to excel in the market and satisfy customer's needs.

5.2.1 Price

Most of the company's used low cost strategies, however differentiation strategy was evident. Greenheart tries to have prices which are under the competitive rate, and the basket analysis proved the success of this. The comparative price was very similar within the low cost focus companies; I visited one centre with much higher prices which charged almost 50% higher prices.

5.2.2 Service

From the minimal observations I observed I would suggest that the service encountered at all garden centres was very similar, all had staff which were helpful upon request, as would be expected the most formal procedures was in the garden centre with the most facilities and the highest price. Additional services were sparse, no guarantees were observed. Delivery was not an option even with big orders and only one competitor had a feedback policy implemented. In my time at the centres I did not hear any complaints about the service. However this does not mean that people were totally satisfied. Quality was perceived to be very standard throughout.

5.2.3 Personal Relationships

Overall the customer experience would be very similar, at Greenheart more emotion was attached to the experience and a lot more personal relationships were noted. This mutual dependence can create a strong bond of trust and commitment and therefore enhance loyalty. As for implementation of relationship strategies, one loyalty card system was in place offering

10% discounts for all owners and another centre had a pensioners discount. However all companies simply relied on promotions or discounts as a standard way of selling products.

5.2.5 Intangible assets

Staff was evident at all competitors and as with Greenheart most of the centres had no uniform, only the chain centres had standardised uniform, these uniforms would help customers to identify staff members and ask them for help when required.

5.2.6 Financing

Only two centres accepted credit cards which suggest out-of-date processes in accepting cash, as increasingly people do not carry cheques or cash around with them. Credit was not available at any centre. Financing for retail was pay on receipt at a checkout.

5.2.7 Loyalty Programmes

One loyalty programme was found at the chain garden centre, offering their customers 10% off goods at any of their stores, this card cost £10 to join a year, other benefits included newsletters and planting information. This helped this centre to create a database of its customers and was the first sign of recent marketing developments which I encountered in the garden centre. Greenheart should be aware of this development as they have not developed as advanced systems.

5.2.8 Facilities

Greenheart lacks any extra facilities to add as attractions to their service, most other centres had limited facilities such as toilets or garden accessories on sale such as weed killer. Cafes, shops, telephones and other amenities were evident in the chain garden centres.

6.0 Data Analysis -Environment and Customers

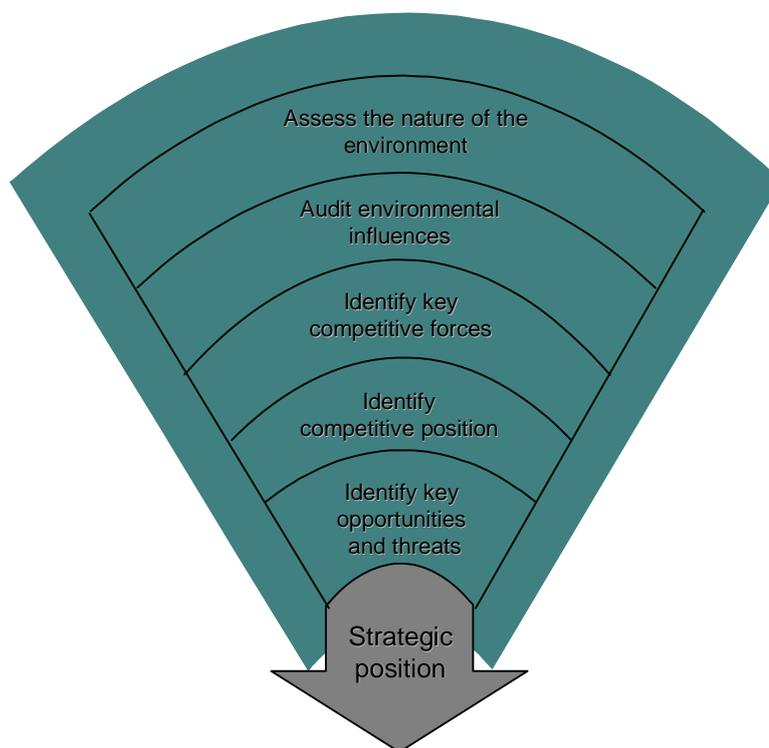
In this section I will analyse the findings from the environment in which Greenheart Plants operates. I will also analyse information which I found from both retail and wholesale customers of the company, taking in their views is essential in the planning of recommendations.

6.1 Environment

6.1.1 External Environment

Monitoring and evaluating the external environment is an important issue for managers because changes in the external environment imply changes in strategy. Johnson and Scholes provide a framework for analysing the business environment.

Figure 6.1 Steps in environmental analysis



<p>Socio-Cultural</p> <ul style="list-style-type: none"> • 35-44 age range rapidly rising through the 90's while 25-34 range decreasing 9% per year. • Post-family (55+) will rise by 8% in next 3 years. • People choosing to have children at a later stage in life. • 175,000 new homes built each year • Trend towards home improvements before selling house in order to increase value. • Number of house transactions increased by 34% between 1995-2000. • 83% of houses include a garden. • Low maintenance gardens in fashion. • No. of fruit/veg. patches decreasing. 	<p>Technological</p> <ul style="list-style-type: none"> • Increase in no. of television shows regarding homes and gardens has increased the popularity of home improvements. • 5% of people say that equipment used on such programmes is unavailable in most DIY stores, making specialist equipment inaccessible to the consumers. • Advances in virtual reality technology enables consumers to see their designed garden before it is developed. • New infra-red measuring devices allow gardens to be measured more accurately, allowing for a smaller margin of error.
<p>Economic</p> <ul style="list-style-type: none"> • Increase in PDI by 17.5% in 6 years. • Bank base rates dropped - marginal propensity to save halved, leading to an increase in consumer expenditure. • 0.55% of total disposable income spent on gardens. • Average house prices risen by 59% in 6 years • 2000-2005 sees an 8% increase in AB social-economic group. 	<p>Political</p> <ul style="list-style-type: none"> • System to align council rents to property values. Increased rent – less disposable income for council tenants. • Govt. selling off council houses to tenants – more owner-occupiers.

Figure 6.2 shows STEP analysis for the garden nursery industry as a whole.

STEP analysis refers to the Social, technological, economic and political factors which affect Greenheart Plants. These are external factors, outside of individual businesses control, which have significant effect on how they can operate. For example new legislation concerning Garden Centres will affect how Greenheart can operate; they have no control over the changes to these external factors, but must be aware of current and future changes in order to operate successfully and within the law.

Being aware of the factors will enable Greenheart to plan for the future, compensate for legislation affecting them, and also plan how to take advantage of advancements in technological areas. It is also essential to be aware of socio-demographic changes as this can affect the target market of the company.

STEP analysis for Greenheart Plants shows that social factors dominate. There are many changes in this area, but not so many factors in Political or economic. This is because Gardening is not a business which affects Government policy at all.

Social changes predicted include an increase in the age groupings above 35, and a decrease in those below it. Many more people will be home owners and the number of houses built is increasing dramatically. 83% of houses contain a garden. These factors combine to show Greenheart that the population of the future will be older home-owners, the majority with a garden.

Technological advancements have led to Gardening and DIY becoming a big hobby with many homeowners. Many television shows about the subjects exist now, and this creates demand amongst homeowners to have a garden filled with plants.

The current external market situation can now be seen for Greenheart Plants, competition analysis along with STEP analysis enables what is happening within the market to be seen, and this will prove advantageous when deciding the target market for the garden nursery. This will promote good understanding for when strategies are devised for reaching the market, this is because the current situation is understood, and this understanding can be used to create a competitive advantage for Greenheart.

6.1.2 Porters' Five Forces Analysis

See appendix four for a porters five forces analysis of the Stafford garden nursery

The model of the Five Competitive Forces was developed by Michael E. Porter in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980.

Porter's model says that corporate strategy should meet the opportunities and threats in the organisations external environment, especially competitive strategy. Porter has identified five competitive forces that shape every industry and every market. These include:

Bargaining Power of Suppliers, Bargaining Power of Customers, Threat of New Entrants, Threat of Substitutes, Competitive Rivalry between Existing Players.

The objective should be to modify competitive forces in a way that improves the position of the organisation. Based on the information derived management can decide how to exploit particular characteristics of their industry.

There is a high threat from new entrants; increasingly companies are expanding to include garden plants and services into their portfolio. Gardening is an increasingly important industry as it becomes more popular with the general public as a hobby and fashion.

There is also medium to high competitive rivalry due to the high number of firms in the market, therefore the main differential for consumers is price. Power of consumers therefore is also quite high, as ultimately they have the final say in what they purchase. Consumers look to price along with relative quality and decide which service to use accordingly. Finding a differential that makes it stand out from the competition in one way or more would make the service package of Greenheart much more attractive than their competitors. One such way of gaining this competitive is through knowledge about horticulture and business practices.

Referral marketing is increasingly important; therefore continual high quality to bring about positive word of mouth is important, possible customers will be able to judge the quality of the service by simply looking at a past product. Continual high quality is therefore essential.

Links with suppliers of both plants and equipment is relatively low importance as there are many suppliers offering a similar service, however supplies need to be enhanced to improve efficiencies and avoid high costs. Power of suppliers is reduced because of Greenheart's integration, they do their own growing of the shrubs for the gardens which saves a lot on costs and therefore these savings can be passed onto the customer.

A medium threat was found in substitute products, Greenheart should be aware of substitute products and alternatives such as having a house extensions and conservatory instead of plants etc. To help persuade consumers that purchasing plants from their nursery will add more value to their properties and make them more attractive advertising can be done to make consumers aware of the advantages of a planted garden.

6.1.3 Product Life Cycle of the Garden Centre/ Nursery

The industry life cycle can be divided into four segments: Introduction, growth, maturity and decline. It is important to understand where in the cycle an industry is, as the strategy used will need to be adapted to fit. The garden nursery market is in the growth phase, fashion and television has led people to start thinking about gardens and businesses are already offering the service; there is a rapid increase in the number of business offering plants, a key sign of growth. This has implications for our strategy initially our aim must be to raise the profile and image of Greenheart and offer a competitive advantage. Over the next 3 to 5 years I would anticipate the industry to keep within the growth phase although slower than at present as maturity approaches. Although it is always hard to forecast lifecycle as it involves a lot of unknowns, using information available to us I predicted this because: there has been an increase in Personal Disposable Income (PDI) by 17.5% over the last 6 years, therefore as people get more money they spend more on the garden. By the year 2005 there is expected to have been an 8% increase the number of people in the AB social group. House prices have increased by 59% over the last 6 years and are expected to rise however some analysts believe that house price rises are slowing down and reaching the peak.

6.1.4 Strategic Group Analysis

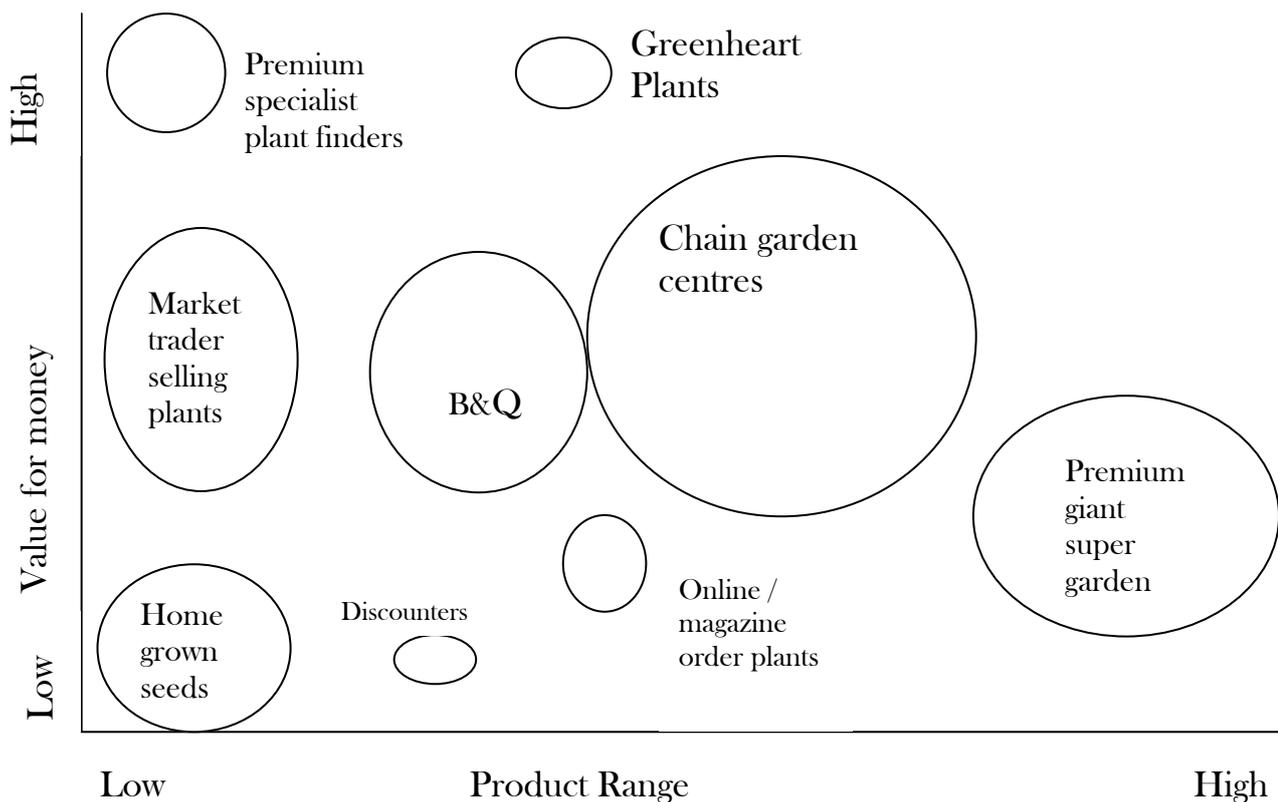
Whilst the Five Force Framework can give a good insight into the competitive dynamics of a particular industry or sector, most managers also need to understand how their organisation is positioned relative to the other competitors within the industry.

Michael Porter suggests the use of strategic group analysis to identify the ways in which particular groups of companies compete within the industry. The key to this approach is to identify two or three sets of characteristics that seem to establish key differences between the companies or groups of companies.

Two key parameters for the garden nursery market that I am using are:

- **Value for money** - relative to quality
- **Product Range** - from a single product to broad brand family.

Figure 6.3 Strategic Group Analysis for Garden plants selling industry with relation to Greenheart Plants



The Strategic group analysis shows big differences on how firms are competing in the market environment. Greenheart was seen as high value for money with a medium product range, the typical Stafford garden centre was seen as medium value for money and medium/high product range. Chain centres had high product range but low value for money. The size of

the circle represents my perceived relative size of the organisation. Further charts could be drawn to show price comparisons and geographic occurrences where Greenheart would be low as it is cheap and only in one location.

6.1.5 Perceptual Mapping

Figure 6.4. Shows a perceptual mapping chart for Greenheart Plants within the garden industry



This shows the positioning of Greenheart in the context of the relative positioning within the whole market of competitors. Showing where we feel Greenheart is positioned and where relative competitors are and what is offered by them. I believe Greenheart fits with a relatively low price and high quality level comparing with an individual selling plants from a greenhouse on low price low quality and a big expensive specialist centre at high price high quality.

Greenheart should try and create a premium image with its promotional strategy so that the positioning of the company can be achieved. Appealing to the target audience is important for the success of the company, if the positioning is incorrect then the launch of the garden design will not be successful and the audience will not be reached.

6.1.6 Market Trends

Gardening is increasingly important, 44% of MINTELS lifestyle survey (2002) said that gardening activity was important to them. Horticulture market trends indicate that between 1997

- 2002 there has been an increase in spending of 38% in real terms (MINTEL 2002). The horticulture trade association (HTA) reported a 10% increase in sales of growing plants in 2001. Usually gardening is most popular among people who have recently retired from full-time work and have the necessary time to propagate plants. This is generally people aged 45-65, third age people and post family in Mintel's life stage cycle, when the children have left home.

Key growth areas have been in equipment and plants for gardens to be able to host outdoor entertainment and also in people trading up plants to more expensive luxury and exotic plants. There is now a greater need to develop organic products as consumers move towards a natural approach to gardening.

The major threat identified for garden business is identified as the unreliable weather which can cost business in key times in the calendar such as May-June when demand is usually high.

More older owner-occupancy of homes is increasing demand, these third age and affluent greys have a large garden, and often a private pension to support them, and therefore the garden becomes a place to spend some of their spare time and disposable income. The percentage of 55-64 year olds is expected to grow by 22% within the 1997 - 2002 (source: national statistics).

One concern is the potential for market saturation, with so many recent garden upgrades and makeovers the stage may arrive when every home who wants planting products has them.

6.2 Customers

6.2.1 Analysis of Interviews with Wholesale Customers

See appendix five for the standardised questions given to the wholesale customers, and the answers given to them by the companies.

On the whole the wholesale customers were very satisfied with Greenheart Plants. The shortest period the relationship had been in the five wholesale was 10 months, the longest over three years. When asked whether the relationship had been good from their point of view, all wholesale customers agreed that it had been, they said that Greenheart Plants had gone out of there way to satisfy orders at short demand and had always tried the best to provide quality goods. All said that the prices offered were comparatively cheaper than other suppliers around.

Suggestions were made for improving the relationship further; returning goods if not sold, labelling of all plants to help them when selling the plants, delivering and choosing the plants all the time and branching out a lot more in the product range were cited as ways to improve the relationship.

When asked about the negative things of the relationship on the whole, the wholesale customers were subdued, stating that there was not a lot of negative things to report, however one did state that occasionally they had received sub-standard plants and that orders were sometimes late on arrival or not ready when they came to pick them up, however the stipulated that this was a rare occurrence.

It was stated that the cheap prices along with high quality plants was the number one reason for using Greenheart, and that they were consistently reliable and helpful to there demands. However only one of the wholesale customers used Greenheart for more than 75% of their goods. Although it is common in horticulture to get plants from many specialised growers, I felt that this figure was below what it could be. They stated the reasons for this as being the lack of products from Greenheart in all areas, mainly non-plants such as pots and also in shrubs.

When specifically informed of my objectives in the project they all seemed impressed and thought that it would generally be a good thing for them as the company would become more customer aware and want to please them even further, however I discovered that they did not really understand what “relationship strategy” meant in the business terms. Although they did not understand fully the term the customers did believe that a relationship strategy would mean cheaper plants and services which are aimed more at them. It was clear that the main concern and reason for not having more products from Greenheart was lack of product range. Four of the five companies said they wanted to see more plants and non-plants sold in the future.

Generally whilst conducting the interviews I felt that I was receiving true answers and there did not appear to be a time when the respondents were lying to me because they thought negative answers would get back to Greenheart, however I was aware that I was not given many negative factors and I believe that lack of trust in confidentiality was the primary reason for this.

6.2.2 Analysis of Questionnaires with Retail Customers

See appendix six for the questionnaire given to retail customers, and for the answers given by the respondents.

The questionnaire of the customers is vital in producing a relationship strategy because I need to know what the customers are feeling currently, and what could be done to please them.

Greenheart seems to be attracting a lot of relatively new custom. 42% of the fifty customers questioned were new to Greenheart that year, a huge proportion. Only 6% were not more than satisfied with the service which they were receiving leading me to see that Greenheart was straight away pleasing customers enough for them to return. A wide range of improvements were suggested with increasing the product range, adding non plants, facilities, delivery amongst the most frequent answers given. 66% said they disliked nothing specifically about the nursery, the main dissatisfaction came with lack of products and facilities.

In line with the wholesale customers, as many replies had seemed, the main reasons for shopping at Greenheart Plants was the cheap prices and high quality perceived by the customers. Good friendly service and assistance was also highly thought of.

Again a small percentage used Greenheart for a vast proportion of goods. 76% of people purchasing less than 50% of goods from the nursery. Although when asked how to improve this figure many did not have a suggestion, increasing products, facilities and service level again came on top of the given answers. Customers would like to see an increase in product ranges specifically shrubs and non-plants.

Referral marketing had been used by 38% of the respondents who had mentioned Greenheart to their friends, this figure will help to spread the word of Greenheart and could account for the high number of new customers.

I did not feel the general customer would have enough knowledge and understanding to specifically answer a question on relationship marketing, so instead I asked if they thought a loyalty card or equivalent would increase the chances of them using Greenheart more. 66% thought that it would be a good thing, stating that savings would be made and it would give them a platform for feedback to the company so that future improvements could be made.

I was generally very happy with how the questionnaire went, I conducted it as planned over three different occasions on different times and days gaining an insight of all Greenhearts customers, if somewhat of a small percentage. Results from the questionnaire and interviews will help me to understand the needs and wants of customers of the company so that the strategy will be focused to pleasing them. I feel that the questionnaire along with my observations has given me an understanding of what the average garden consumer wants from their garden centre.

6.2.3 Market Segmentation

Market segmentation and the identification of target markets is an important element of marketing strategy. Identification of customers' needs and market segments enables correct

decisions on promotional strategies, the correct products and services to offer, and how much they are willing to pay. Therefore it is essential for Greenheart Plants to correctly segment their market and aim to attract the correct audience for their product and service.

Each buyer has individual needs, preferences and behaviours, since it is impossible to cater for every individual, it is common to group customers into market segments by variables they have in common (things such as income, age, geographic location etc). Mutual characteristics allow a standardised marketing strategy to be implemented.

Segmentation for Greenheart Plants involves cutting the market into distinct segments which can be targeted by the company.

There are many methods that determine different target markets within the population, and of these methods the ACORN approach is probably the most commonly used. This method bases its categories primarily on the financial situation of its sample. When examining the ACORN tool I deduced that our main target area would be the ABC's. I assumed this because, on the whole, the D category (semi/unskilled workers) and the E category (those dependent on the state) would not be as profitable for the company to target, when compared to the other more financially stable categories. Reasons for this are not limited to finance alone, but include such matters as house/garden size. A person who has little money is likely to have a very small and uncultivated garden. ABC1's mainly have a garden 92% of families 97% of third age and 89% of pensioners in this segment have a garden. 92% of midlands houses have a garden (Greenhearts location).

After analysing the MOSAIC theory I decided that of the 12 groups I could exclude 8 immediately. Reasons for this ranged from non-owner occupancy of student houses, to ownership of flats without gardens and industrial areas. The four remaining categories revolve around what ACORN would consider to be the ABC's economic group.

One of the four remaining categories being that of the Green Belt Expansionists, only consists of a small percentage of the population. This sector is one that we consider to be

unprofitable to target at this present moment in time, but which may develop into a key segment in the future. In order to confirm our chosen segments I decided to examine yet another segmenting tool. The chosen tool was Mintel's four-category 'Life Stage' model. The categories consist of Pre-Family, Family, Empty Nesters/No Family and Post Family. Once the population is divided into one of these four categories, they can be broken down further into smaller sub-categories. After examining the extensive range of sub-categories I decided that the most marketable/profitable segments would consist of the Better-off Family, Better-off Empty Nesters and Working Managers. Again, the decision to target these segments was based on financial situation and time constraints. These segments correlated with our chosen segments from both the ACORN and MOSAIC segmentation tools.

Better-off Families/Rising Materialists: These families are associated with four-bedroom houses. The combined income of the parents exceeds £40,000 and they are more than likely connected to the internet. The types of newspaper read by this group is the Times and Financial Times.

This segment makes up 9% of the population at present, but between 2000-2005 it is predicted that there will be an 8% increase in the AB social economic group (ACORN). This will ensure that more families fall into Mintel's Better-off Family category, thus increasing target market size for Greenheart. By targeting the Better-off Families, Greenheart is ensuring that the percentage of the market population who consider themselves in a financial position viable to purchase a number of planting and non planting products is maximised.

Fortunate Retirees: Older upper-mid income grouping which are generally located in rural areas, of which Stafford is classified. Fortunate Retirees make up 9.56% Households and represent the wealthier retirees in the UK this is increasing

dramatically as the population increases with age and more wealthy people retire, the age of retirement is lowering which is also helping this figure to increase.

Many of these types are located in particular regional pockets across the nation where retirement life is popular. Most tend to be married, white, over 55 and live in single family homes without children. Their most likely newspaper is the Daily Telegraph. One of the main hobbies of this retired segment is spending time in the garden and they dedicate a sizeable proportion of their income to garden plants and equipment. This is a key segment for Greenheart to capitalise on.

From a financial point, once again I believe that the retirees are the segment most likely to be in a position to afford Greenhearts service and have the spare time in order to cultivate plants.

Working Managers/Corporate Careerists: This group can consist of both of the previous groups, but instead of looking at the entire household is particularly focused on the main household earner. Therefore this group, as with the family group, can be categorised as a four-bedroom house owner, but depending on their particular life-stage may be content with a smaller house. Their income is in excess of £40,000 and they are likely to read the Times, the Telegraph and the Financial Times.

This segment incorporates 9% of the population. Statistics show that 31% of career-driven AB's (ACORN) are most likely to watch the television programme Changing Rooms. As people occupying a managerial role are classified as social economic group AB, one could assume then that a sizeable proportion of this group are interested in the development of their home (including garden).

Using ACORN's grouping the following segment have been found to be potentially profitable

customers of Greenheart:	% of population
Wealthy achievers, suburban areas	15.0
Affluent greys, rural communities	2.1
Prosperous pensioners, retirement areas	2.6
Affluent executives, family areas	4.1
Well-off workers, family areas	8.0
Comfortable middle-agers, mature home owning areas	13.5
New homeowners, mature communities	9.6
Older people, less prosperous areas	3.6
TOTAL	54.0

54% of the population can be seen as a potential target market, this will cause problems when deciding how to target the market as these segments do not necessarily read/ listen to the same things.

6.2.4 Customer Buying Observations

Further to the general segmentation I decided to segment the current customers of Greenheart plants, and decide which were profitable to them at present. I spent an afternoon analysing customers of Greenheart Plants' customer base and their buying habits. I decided on the following bases of identification; Age, Car type, purchases, time in store and purchase value. The aim of the observations was to find out which customers were currently profitable and those which could be profitable in the future, and also to identify the type of customer which could be deemed as unprofitable both now and in the future.

The shopping basket analysis - understanding who buys what and what do they spend - allows purchase behaviour to be seen, and also to distinguish if there is value in this segment. If there is sufficient profitability it will be for the benefit of the company to attract more of this sort

of segment and discard the unprofitable ones. It's essential to understand the value of a profitable customer base.

Figure 6.5 shows what to do with segments with current profitable and unprofitable value, and also future value.

Value c u r r e n t	Future		
		Unprofitable	Profitable
	Profitable	Manage	Reward + Invest
	Unprofitable	Fire	Give Incentives

Figure 6.6 Shows identified segments of greenheart customers from my observations.
All findings are generalised.

Segment	Age	Car	Time in Shop	Purchases	Money Spent
OAP Female	60 plus	Over 10 years old	20-25 mins	Annuals	Less than £8
Middle aged couple	40 - 60	New saloon car	15-20 mins	shrubs + perennials + statues	More than £15
Working Male	25 - 45	Van / estate car	5 - 10 mins	compost + annuals	More than £25
OAP Couple	60 plus	New small car	20-25 mins	shrubs + perennials + tubs etc	More than £20
Mature female	30 - 50	New saloon car	15-25 mins	All lines purchased	more than £20
Young couple	25 - 35	Old saloon car	10-20 mins	Annuals + perennials	Less than £10
Segment	current profitability		Future	Worth future investment	% of market *
OAP Female	Unprofitable + time consuming		Unprofitable	No	15
Middle aged couple	Averagely profitable		Profitable	Yes to encourage sales	20
Working Male	Hugely profitable		Profitable	Yes to increase segment size	5
OAP Couple	Profitable		Profitable	Yes to keep spending	25
Mature female	Profitable		Profitable	Yes to encourage loyalty	20
Young couple	Unprofitable		Profitable	Yes to encourage loyalty	5
* Certain percentages of the market remain unknown and my percentages are purely my opinion based on my observations at the company in my time there.					

As you can see from the figure the majority of segments have been perceived as being profitable to Greenheart plants and that nearly all of the identified segments have future potential. The OAP female segment who spent a long time in the store and spent little are perceived as not worth a future investment, however I do not believe the company should discourage this segment, just not directly attract them to the company because unlike other

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services the cost of keeping a customer is very low for Greenheart. Many of the segments that I have identified fit directly with those identified in the ACORN and MOSIAC research.

7.0 Conclusions

In this section I will draw conclusions. During my research I have analysed the case company, its market, competitors, customers and its environment, now conclusions based upon my research will be found from which recommendations can be made.

7.1 Linkages to my Objectives

7.1.1 Relationship Marketing

To create and establish a relationship with customers in the garden market the following attributes are essential; product quality, interpersonal care, trust and commitment, service quality and value. These variables need to be excellent otherwise a customer will move to another supplier in a competitive market. The company must prove themselves to be reliable, trustworthy, honest and loyal through a number of services starting with personal care and true full help as well as contingency plans of complaints procedures and guarantees for products.

A personal relationship has the power to make the relationship stronger and enable second chances to be made if any attribute was to fail.

As well as the attributes it is essential that the company can provide the products that a customer needs, or by no choice of their own, the customer will have to go elsewhere, where potentially they could find a better relationship.

7.1.2 Greenheart Plants

Greenheart Plants is a strong company which is doing very well in a current competitive marketplace, however they lack the customer focus to support this for much longer. I believe Greenheart Plants lacks focus and does not really know what it wants and where it is going. The implementation of a relationship strategy approach will bring the company into line and focus them on producing quality goods for the customer, the strategic plan will enable them to

successfully implement strategies and policies to create loyal and satisfied customers. A critical problem identified in the company is the lack of credit card facilities.

7.1.3 The Competitors of the company

Competitors compromise Greenheart Plants if the company were to stand still, my personal belief after visiting a number of them is that on the whole they can offer a more complete service to those who want to have an afternoon out and purchase one plant, but to those who do not want a café and want horticultural products Greenheart is second to none. Competitors have a much larger range at present and some do have customer loyalty, promotional techniques and prominent place advantages over Greenheart. However I think with the customer relationship strategy Greenheart can be more appealing to its target market through focused selling of quality value plants with a follow up service which is above and beyond the call of duty and much better than that of competitors in the local Stafford market.

7.1.4 The External Environment

As discussed the market is growing for horticulture, specifically in leisure gardening and instant makeovers thanks to the success of technology tools such as television. To respond to this change in trend I believe that Greenheart should stock plants and non-plants which appeal to these new types of gardening styles and the segments which it attracts. Therefore non-planting equipment such as patio chairs, BBQ's, large pots and other accessories would be a good product range to diversify into. Opportunities must be taken to further the strength of the company. The market demand is predicted to grow over the next few years, but this does not mean Greenheart should automatically expect a larger customer base because new competitors will set-up all competing for the same customers.

7.1.5 Customers of the company

Customers are on the whole very satisfied with Greenheart Plants, that is why they are using them in the first place, however they are not loyal and a very small percentage of customers use Greenheart Plants uniquely, too make these customers loyal it is necessary to change the promotional and product mix so that they are able to get what they want, when they want, for more value than they expected. This way relationships can be created. Enhancements to service will be made both during and after sales to encourage loyalty and a loyalty scheme will be introduced to help retention of customers.

7.1.6. Customer Portfolio

The value of relationships is likely to change over time. There is a lot of initial investment in relationship at start. It is an important choice when deciding how a customer portfolio should look, some are narrow serving a very limited customers, others are broad serving many different. The options to Greenheart are to increase profits by acquiring new customers from the same segments or develop relationships with new segments altogether.

I think Greenheart can do both of these options. Firstly current customers can be increased by increasing the product offering, introducing loyalty schemes and offering them an around better service and after-sales service. Also new customers can be created by increasing awareness through a promotional strategy which will create brand and product awareness. The main segments for the company to attract are ABC1's over 45 who have recently retired from full-time work or whose children have recently left home.

7.2 Competitive Strategy

The competitive strategy is the means by which a company competes.

7.2.1 Product

The product what the customers are purchasing and what they require, therefore it is essential that it does what it is purchased for. No customer buys a plant for the sake of buying a plant, they purchase a plant because they want to make an area of the garden more aesthetically pleasing so therefore the plants must be of a good quality, and as literature stated “fit for the purpose” whatever that purpose maybe. Product quality and reliability is increasingly important in a competitive market where a customer will move to a rival company if they suffer a bad product if not compensated. As suggested in the review of literature, I believe that the company should implement a complaint procedure where if customers are unsatisfied with any aspect of the service/ product they receive they can voice their opinion and be compensated.

Customer feedback and personal interest has led me to believe that Greenheart has a very high standard quality product which will satisfy all the needs of the customers.

As well as a product which is of first class standard, it is increasingly necessary to have secondary after-sales services to provide a competitive advantage. As well as the complaints procedure and other outlined services which will be detailed in the following sections Greenheart could offer a guarantee on certain expensive products. For example a camellia could carry a five year guarantee of survival. This sounds like a very good deal to the customer who would not be worried about losing the plant as they would receive their money back, and would also be good to the company because of the positive trust attribute such a claim adds a relationship, it would also cost very little because such a plant would rarely die in a garden.

Although the quality is good, I believe Greenheart has quite a narrow range of products, feedback with all customers found that there number one dissatisfaction was lack of product range and selection, in both plants and non-plants. Although the owners do not want to increase the range dramatically, I believe it is necessary to widen the product offering in almost all areas, from looking around the centre I think there is room to cater for a much larger non-plant supply. Planting tools, equipment and leisure equipment such a BBQ's and benches could all be added to the existing statues and compost range.

Plants can also be added, there is a wide enough offering of annuals, however I think that Greenheart should widen the number of perennials and shrubs on offer, this can be done by buying in the products from suppliers who meet the quality of the company, and therefore the quality would not suffer, instead there would be higher customer satisfaction with the company.

7.2.2 Price

Price is one of the most important factors in the garden nursery, consumers base their purchasing decisions on price above and beyond any other decision as long as there is relative quality. However I believe as gardening becomes more “green” the customer who has already been identified as from an ABC1 grouping will be willing to pay substantially more for the products, and the purchasing decisions will be made through other factors of the marketing mix. In future value-added services will provide a competitive edge where customers are looking to find additional information, tips of care and total benefits. However price will still remain important if there is a big difference in the competitive price and not much service difference.

Greenheart is currently competing on price, as are most competitors, so while this is the case I believe a low-cost focus will still be important, however from my study it is evident that there is an area for a more differentiated approach to the sale of horticultural goods.

7.2.3 Promotion

7.2.3.1 Direct Mail

No direct mail is carried out by Greenheart, of its competitors Bridgemere Garden World and Wyedale is the only one that I encountered that does send out newsletters and information leaflets to potential customers. I believe this is a cheap and cost effective way to give customers and perspective customers the information they may need about the company. It can also be used as a tie-in promotional scheme to give incentive to visit Greenheart Plants. It builds brand awareness in the surrounding areas, increase customer loyalty and I believe that

Greenheart could produce a leaflet detailing the business, their products and services, their competitive advantages, benefits and combine this with a promotional scheme.

7.2.3.2 Branding

I believe a weak area of Greenheart Plants is in branding of their services, there is low awareness of the centre in Stafford, and because Greenheart Plants is not in a prominent location this is unlikely to rise without some help by the company. Reputation amongst existing customers is high and although referral marketing is drawing in new customers I believe a campaign promoting the companies brand, location and service would improve brand awareness and create new customers.

7.2.3.3 Referral Advertising

Referral's carry a big importance in this market, if one customer has a positive experience with a plant and tells there friend who has a similar taste then there is a good chance that the friend will purchase a similar good. Only happy customers create good PR through referral marketing so therefore it is essential that all customers are satisfied with the service and relationship they have with the company. Referral marketing is an effective (and at face value free) way of reaching new customers and spreading brand awareness and also creating personal relationships with customers.

7.2.3.4 Database Marketing

Greenheart has no database of customers apart from wholesale customers. Although I do believe Greenheart is too small to spend the necessary investment in databases and maintaining them, I believe in order to get to know and understand the customer better that Greenheart should try and find out more about them. This can be through personal interaction which I have seen in evidence at the company during my observations or through a feedback form, where the

company could ask the points of view of customers and also get some personal information such as age grouping and location etc. This would help to improve relationships from both sides as Greenheart would learn about the customer and learn how to identify more with them, and customers would build trust with the company and also see their wishes become the normal.

7.2.3.5 Loyalty Programs

Loyalty programs are one of the best ways of creating relationship with customers, it creates loyalty and long-term commitment from the customers side. Greenheart currently has no loyalty program in operation and I believe that as part of a relational approach it is necessary to create one with both retail and wholesale customers. The modern customer expects to be rewarded for buying many products or being a long term customer and if they do not get rewarded they will eventually try another company who will reward them. To reward loyalty I believe a scheme should be put in place where when a customer spends a certain amount they get a ticket stamped, and when they have visited a set number of times and filled the ticket stamps they get a free voucher to spend in the centre on whatever they choose. A similar loyalty scheme can be modified for wholesale customers, but instead of vouchers discounts can be given.

7.2.3.6 Personal Selling

In order to build a relationship with a customer it is necessary to have some aspect of human interaction. At Greenheart this is always in evidence. The staff is always only too happy to fulfil a customer question and to show them plants which can fit their garden requirements. Although this is carried out on request a lot of customers are unaware of this ability, and therefore I think that Greenheart should advertise this competitive edge in order to create a feeling of trust and friendship with customers who ask for help and get the right advice. Receiving correct advice will go along way to building an unbreakable bond between the company and the

customer and create a long term relationship where the customer has faith in the staff of Greenheart and establishes trust and commitment with them. As literature stated this is a key way of building and maintaining relationships.

7.2.3.7 Sales Promotions

Sales promotions are an everyday part of Greenheart Plants. 3 for 2 or 10% off discounts are often used near the end of the season to encourage increased purchase rates and to get rid off excess goods. As well as this usage for the company there is an important aspect of them which encourage customer loyalty and retention. Customers like to think that they are getting a bargain, and special offers are a great way of giving them this feeling, even if they are not really getting the “bargain”. Promotions help to keep customers happy and loyal as they will return to the place where they got the bargain and look for another one.

7.2.3.8 Advertising, Public Relations and Sponsorship

Advertising is the best way of increasing brand awareness, Greenheart has a small scale advertising campaign which fits in with the size of the company, it has not got the recourses of the larger multi-chain competitor. However I do not believe the adverts do the company justice, a basic advertisement informing the customer of the name, special offers and location is not enough to draw in customers in the highly competitive market. Instead advertisements should portray the full benefits of Greenheart Plants for example, the service offered, the quality of the plants and the friendly atmosphere of the centre. Budget constraints restrict the amount of advertising done by the company but I feel without a significant increase in budget much better advertising could be done. One way of doing this would be sponsorship of a local landmark or school where Greenheart could provide plants free of charge in return for publicity in newspapers and on site, this would be relatively cost effective and would generate much positive public relations which could help draw in future customers.

7.2.4 Place

The place aspect of Greenheart Plants current strategy is a weak point, minimal distribution is carried out, and the location of the centre being away from housing establishments means that customers need to be made of the centre, however minimal advertising is carried out to do this, therefore changes must be made to the distribution strategy and other areas of the marketing mix in order to bring in the customers, before a relationship can be made with them. Changes will be made in the promotion, pricing and product areas which will help to increase awareness and create relationship, however distribution changes can also be made.

No changes can be made to the location of the centre, but promotion and informing of location can be done to improve customer awareness of the company and its products. In the form of many of the promotion techniques previously explained. Owing to financial and time constraints on the owners part I do not believe they should widen their distribution methods, they also have expressively requested that they did not want to start selling at markets, fetes etc. I believe that selling at these such fetes could harm the reputation as markets are recognised with lower quality goods generally.

To improve awareness through the distribution of their goods Greenheart should start labelling every pot, basket, shrub etc sold to wholesale customers, so when customers by from their suppliers they will be made aware of the origins and therefore maybe try out Greenheart in the future.

I believe the main way of improving the distribution strategy on the low budget of Greenheart is to improve the other aspects of the mix so customers become aware of the nursery, in that way the location becomes less of a critical factor.

7.2.5 People

Greenheart plants does not have a lot of people working in the sales area interacting with customers, but those who are should be significantly trained so they can inform customers as to the specifications of the plants which are on sale, be pleasant and remember to treat them with utmost respect. Customer service is an important factor in creating loyal customers, if the customer can interact with the staff members then they will feel psychologically attached to the company and may return in the future.

8.0 Recommendations

From my studies I am able to write the following recommendations for Greenheart Plants, which, I believe would help bring about a relational approach and create trust and commitment with current customers and establish new ones through increase awareness. Constraints and limitations to the project will be identified and the potential costing and timing of the plan given.

8.1 Product

The product range offered by Greenheart plants needs to be expanded in order to keep the customers satisfied, research indicated a lack of range and depth, the following improvements are suggested;

Plant products:- An increase in the range and number of shrubs and perennials should be taken, the selection of these plants should be done in accordance with modern trends and fashions so therefore I would recommend purchasing a modern planting book by someone such as Alan Titchmarsh with a good reputation, so therefore the company will get products which there will be some demand for, a common trend is high demand for plants which Titchmarsh has used in his television programmes.

Non-Plant products:- Increase in leisure gardening and the use of the garden as an outdoor room requires non-planting equipment to be sold. These will be in the form of a modest selection of BBQ's, patio furniture, gardening equipment and tools and patio pots and trellis's. These will allow the new gardener to buy the items they need in accordance with the Greenheart quality structure. A supplier can be found for these in current trade circles which Greenheart use.

Credit card facilities should be accepted. As they bare a cost (the reason they have no been introduced to date) there could be a small transactional cost of approximately £1.50 to

cover the fees, or a minimum amount of a £25 purchase would mean cards are only accepted when sufficient products have been sold.

Feedback and complaint procedures should be introduced, this will enable the views and opinions of all customers to be voiced, as well as negative experiences to come to the attention of the company so they can modify the service to make the negative experiences a positive one. This procedure will help to solve any potential problems that a customer may face with the company and hopefully increase their trust of the company as they know there is commitment from Greenheart to a continual improvement of service.

Plants which carry a high purchase cost can be guaranteed to last 5 years as a minimum if they are a hardy plant which a customer would expect to last a long time, this way if the customer suffers a loss of plant, they will get a replacement, a very good public relations tool.

8.2 Price

My research has identified that Greenheart Plants have a very good pricing policy, they are dramatically cheaper than competitors and provide fantastic value considering the high quality of the products. They are able to do this because they have no facilities which have high running expenses and as I believe these are not needed to introduce a relationship strategy on a small budget I for see no changed needing to be made to the pricing system at the centre.

8.3 Place

Although the distribution strategy is minimal and the place is limited to just the centre, I do not believe any changes would benefit the centre other than the before mentioned addition of labels on all plants sold which will increase brand awareness on those people who buy goods from Greenhearts suppliers. In future expansion maybe required to meet demand but for the

present future I believe that the distribution strategy can be mainly left as it is. Changing the strategy is mainly to costly for the company at the present time.

8.4 Promotion

With regard to promotion Greenheart should implement many changes to their strategy;

A customer loyalty scheme should be introduced with something similar to the following approach;

One named card is given to a customer when they purchase £10 worth of goods, which is stamped thereafter the next 9 times they spend £10 in the shop when the card is full it can be redeemed in return for a £5 free voucher which can be spent on any purchase in store.

This equates to a 5% discount on £100 of purchases which is not a significant loss but will create return purchases and customer satisfaction by receiving a perceived “freebie”. Loyalty programs are an important part of any long-term relationship approach.

Direct mail in the form of leaflet dropping in the local Stafford area should be carried out, with a promotion attached for the new customers to redeem, depending on its success, this approach can be expanded to the whole of Stafford;

The leaflet should contain information on the company, its goals, its products and services but primary importance should be given to portraying the benefits – the service care, customer loyalty scheme etc – the promotional gift attached should equate to a small discount off any good purchased when handing in the form, which could contain personal information to help Greenheart to understand what type of customer it is attracting.

This leaflet will not only increase the number of new customers, hopefully, but also increase brand awareness amongst local residents.

Local newspaper advertising will be used to advertise the company, containing very similar approach to the leaflet, standardising the promotional campaign will create familiarisation by those people who see both forms of promotions. Newspapers can be expensive, but as this is a local paper the cost is much cheaper and avoids promoting to readers not in the catchment area of the centre.

Sponsorship should be undertaken in the local area. By contacting the local council Greenheart can agree to sponsor a roundabout or equivalent focal landmark and can agree to bed it with plants in return for publicity, this will increase customer awareness and give positive feedback of the company. Other potential areas for sponsorship are schools, hospitals and other public services where positive PR can be gained for a small cost.

8.5 People

The staff is the most important tool in introducing a relationship approach, if they are grumpy to customers or do not give useful information, customers may go elsewhere no matter how good the rest of the service is.

Staff should have on-the-job training and an on going education about plants which are on sale in the nursery on their suitability in different garden sizes, soil types and climate etc. A book can be used as backup but to put across a good image staff should be knowledgeable. As well as this information it is essential that staff treats the customers with respect, and not treat them as if they are stupid for not knowing plant names. Providing information which helps customers will provide a competitive advantage for Greenheart Plants who will have customers who come back to the centre to get advice on what plants they want to buy.

8.6 Budget

The following budget has been estimated on the relationship strategy proposed:

8.7 Constraints and Limitations

As with all research my project should be interpreted with caution for the following reasons,

I relied on individual informants from different companies which could mean I was not getting information in a true and fair view.

The study is exploratory in nature: since the examined sample of firms is not statistically representative it would be hard to generalise my findings.

Not all potential variables of relationship marketing have been considered which could lead to holes in my research

Owing to time and financial restrictions not all competitors were visited and only a small number of Greenheart Plants customers were questioned.

There may be unconscious interview bias throughout the report as in my time with Greenheart Plants I have become emotionally attached to them.

WORD COUNT excluding figures, references and appendices =

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