

EXPANDING THE FRAMEWORK OF BONDS

Cases from the Truck Producing Industry

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ABSTRACT

The IMP group has found six different kinds of bonds in the cooperation between companies. These bonds are technical, economic, time, legal, social and knowledge bonds. (Hammarkvist, Håkansson, Mattson 1982) (Johanson & Mattsson 1987) It is in this paper suggested that these six bonds do however not give a picture that would cover industrial relationships completely. Additional bonds have been recognized in the past years in service marketing. Bonds such as cultural, ideological, geographical and psychological bonds. (Liljander & Strandvik 1995) By combining the bonds that the IMP group has found with those from the service marketing perspective a more complete model have been proposed.

The empirical setting

The conclusions are based on six case studies between a Finnish supplier of suspension components to the truck producing industry and six truck producing customers of whom three are regarded to be major players in the business. These three are referred to as SWE 1, SWE 2 and GER1 in the paper. The supplier is referred to as SUPPLIER. Some 60 semi structured interviews have been done for the paper. Interviews with people from logistics, quality assurance, product development, sales, buyers and other people involved in the cooperation between the companies.

The truck producing industry and the suppliers to the truck producing industry usually has quite long relationships. Relationships usually last at least 5-7 years, which is the usual lifetime of a certain model of trucks. After that a new model of trucks is released on the market and the supplier might change. Relationships that have lasted 20 or 40 years are however not unusual in the industry. The truck producing market consists of three major players. The names of the players in order of importance and size are Daimler Chrysler that manufactures Mercedes trucks, the Volvo Renault conglomerate and Scania. Smaller players are Iveco, MAN, DAF, Nissan, Sisu, etc. The relationships in question are not arms length relationships but relationships built on partnership and intense cooperation between the supplier and customer.

Bonds

There are different kinds of bonds in theory. In the first IMP (International Marketing and Purchasing Group) affiliated papers there were only two bonds present (Håkansson 1982). Later the number of bonds was raised to five (Hammarkvist, Håkansson, & Mattson 1982). Some years later in 1987 there were six of them (Johanson & Mattsson 1987). In service marketing the number of bonds varied through the years and the 10 bonds of today stems from Liljander and Strandviks model published in 1995. Bonds tend to have different names depending on the author. Bonds can be named as such or as ties and links. It is however a unitary phenomenon. Below I will describe the additional four bonds that are incorporated into the industrial setting.

Geographical bonds

Geographical bonds make it more difficult for the customer to buy products from suppliers that are situated far away because of the distance between the supplier and the customer (Liljander and Strandvik 1995). In an industry setting this concerns mostly goods with a low price and a high weight that would not be economically sound to buy due to the high transportation costs. Geographical bonds can exist even if the supplier is situated far away from the customer if the supplier lead time or throughput-time in the production is short. The supplier situated more far away from the customer can actually deliver the goods to the customer faster than the supplier situated to the customer due to the shorter lead-time.

Cultural bonds

Cultural bonds develop between suppliers and customers with a similar cultural background (Liljander & Strandvik 1995). The language spoken, religion or which country the company comes from might result in that the customer identifies himself stronger with some companies.

Ideological bonds

Ideological bonds are such bonds that make a customer choose suppliers that for instance manufacture green products, or domestically manufactured products (Liljander & Strandvik 1995). Products that can be recycled or a supplier that has a proof of environmental audit as for instance an ISO 14001 certification might be favored. Environmental awareness can give an advantage in the fierce competition with other supplier's as the truck producing industry becomes more and more environmentally aware.

Psychological bonds

Psychological bonds develop when for instance the customer is convinced that the products manufactured by the supplier or a service are of superior quality (Liljander & Strandvik 1995). Psychological bonds where the customer is convinced of products or services superiority is a very effective exit barrier (Liljander & Strandvik 1995) (Storbacka, Strandvik & Grönroos 1994). Psychological bonds can affect the customer very strongly. If a customer for instance is convinced that Mahle pistons are of superior quality compared to the pistons other suppliers manufacture then the customer will buy pistons of the brand Mahle even though there would be cheaper and better pistons available on the market

Findings

Geographical bonds

SUPPLIER is the one of SWE 2s suppliers that has the least suitable location in Europe. The geographical distance between SUPPLIER and SWE 2 in Sweden and Belgium is long. SWE 2 does however try to see the problem that the distance between SUPPLIER and SWE 2 in Sweden and Belgium creates from a global perspective. Finland is close to Belgium seen from a global sourcing perspective. SUPPLIER's products can reach SWE 2 faster than the products from the supplier close to SWE 2s plant if SUPPLIER has a much shorter throughput time than the supplier located close to SWE 2s plant. The transport costs between SUPPLIER and SWE 2 are the highest transport costs that SWE 2 has in Europe. It is therefore important that SUPPLIER becomes so efficient that they can cover the difference in costs that SWE 2 has when transporting goods from SUPPLIER in comparison with transporting goods from SUPPLIER's competitors.

The distance between Germany and Finland is not so long if seen from a global sourcing perspective according to respondents from GER1. According to GER1 representatives the distance between GER1 and SUPPLIER is of no importance as long as SUPPLIER has the competence that is needed for the cooperation. The cooperation between the companies works well even though the distance between the companies is long.

SUPPLIER delivers 75 % of SWE 1 in Sweden's demand of products at the same time as SUPPLIER is the producer of springs and stabilizers that is located closest to SWE 1 in Sweden. The distance between SUPPLIER and SWE 1 in Sweden is only one transport day. The distance between SUPPLIER plant and SWE 1 in The Netherlands does not constitute a problem according to representatives at SWE 1s plant in The Netherlands.

Representatives from SWE 2 do not see any needs for SUPPLIER to have a second plant in Europe. According to SWE 2 representatives it would however be an advantage if SUPPLIER products could be Manufactured under license somewhere else in the world. According to GER1 a second plant could give more problems than advantages for instance from a quality perspective. It would be positive for SUPPLIER to have another factory down on the European continent according to six out of nine SWE 1 representatives. It would be positive with a shorter distance to SWE 1s factories in Holland and France and affect SUPPLIER's competitiveness in a positive way. That could result in that the volumes purchased from SUPPLIER could increase.

Cultural bonds

The language used in the contacts between SWE 2 and SWE 1 in Sweden and the SUPPLIER is Swedish. Due to the common language the contacts between the companies are easy and the understanding is good. It is easier to discuss different topics in ones own mother tongue than in a foreign language. The Swedish and the Finnish cultures are seen as very similar. Sweden and Finland belong to Scandinavia and the Scandinavian culture is homogeneous. There are some differences in the ways of cooperation like that Finns are perceived as more formal when doing business and that Swedes are perceived as avoiding in their way of talking business.

The Finnish culture is similar to the Belgian culture according to the representatives at SWE 2 in Belgium. There are more cultural differences between SWE 2 in Belgium and SWE 2 in Sweden than between SWE 2 in Belgium and SUPPLIER. The Belgian and Finnish way to

do business is more direct and faster than the Swedish way according to representatives from SWE 2 in Belgium.

The Finnish and the German cultures are similar according to GER1. Germany and Finland belong to the same group of cultures and the differences in culture are therefore small. The German and the Swedish language belong to the same family of languages if seen from a historical point of view. SUPPLIER contact persons speak a good German and it is therefore very easy to communicate with them and that makes the cooperation work well according to GER1 representatives. The social components in both Germany and Finland are similar and the religion in both countries is the same that is Christianity. The German and the Finnish cultures are similar especially when technical issues are considered according to respondents from SUPPLIER. SUPPLIER does however see potential when it comes to computerization between SUPPLIER and GER1.

Ideological bonds

Environmental awareness has historically not been important when SWE 2 has chosen supplier but will be more important in the future. SWE 2 strives to that their suppliers should work according to ISO 14001 in the future. ISO 14001 is an environmental audit in the same way that ISO 9001 is a quality standard. Environmental awareness is a very important issue for GER1. When choosing supplier it is a very important criterion for GER1 that the supplier's products are recyclable. The products that SUPPLIER Manufactures are recyclable. Environmental awareness will mean more to SWE 1 in the future than what it means at present. SWE 1s suppliers should strive towards the environmental audit ISO 14001. Environmental issues are important for SUPPLIER in that the products that SUPPLIER Manufactures are recyclable.

Psychological bonds

Representatives at SWE 2 and SWE 1 do not see any difference between the springs Manufactured by SUPPLIER and springs Manufactured by other suppliers. The painting of SUPPLIER springs is of inferior quality when compared with the painting of competitors' springs according to representatives from SWE 2. SUPPLIER Manufacturing process is however considered good.

Respondents from GER1 recognize differences between SUPPLIER and SUPPLIER competitor's products since the products that SUPPLIER manufacture is seen as of a higher quality than those of the competitors. SUPPLIER has succeeded in developing products of higher strengths and has at the same time lowered the weight of their products. The steel that SUPPLIER uses in the manufacture of the products is of a higher quality than that of SUPPLIER competitors according to GER1's quality department. It is considered as a positive thing that SUPPLIER has its own steel factory in the SUPPLIER group. SUPPLIER has a big lead when it comes to tubular stabilizers compared with the competitors according to respondents from GER1. SUPPLIER is using a good patented production process when the tubular stabilizers are manufactured according to GER1.

It is according to SUPPLIER important to have well-known customers as SWE 2, SWE 1 and GER1 since they are good references when cooperation with other companies is started.

Conclusions

The IMP group has found six different kinds of bonds in the cooperation between companies. These bonds are technical, economic, time, legal, social and knowledge bonds.

(Hammarkvist, Håkansson, Mattson 1982) (Johanson & Mattsson 1987) It is in this paper suggested that these six bonds do however not give a picture that would cover industrial relationships completely. Additional bonds have been recognized in the past years in service marketing. Bonds such as cultural, ideological, geographical and psychological bonds. (Liljander & Strandvik 1995) By combining the bonds that the IMP group has found with those from the service marketing perspective a more complete model has been proposed. In this paper the author strives to incorporate findings from research in service marketing by adding four additional bonds to the traditional six.

These different bonds bond tie the customer to the supplier and make it more difficult for the cooperating companies to terminate the relationship and break the existing bonds. This is among other things due to the fact that it would be expensive to build up new relationships with other suppliers or customers. The money and time invested in the relationship would also be lost. The cultural, geographical, ideological and psychological bonds that was imported to the industrial setting from a service setting were found in the industrial setting as well.

The six bonds that are used in the industrial setting does not fully cover the industrial setting. Some may argue that the time bonds and geographical bonds are similar but they are not. Time bonds are more focused on the logistic functions of the companies where as geographical bonds have more to do with the direct distance between the supplier and the customer. Geographical bonds can for instance lead to a different choice of supplier because of a great distance between the customer and the supplying company when the choice of supplier is made. This could be done due to a greater cost for transportation or other problems linked to the distance between supplier and customer. To leave out one aspect that is of major importance also in the industrial sector, perhaps of even more importance than in the service sector would be unwise.

Cultural bonds also exist in industrial settings and differ from the social bonds that exist in the IMP approach. The cultural bonds that exist between people in companies are strong and affect the relationship and the process when choosing a supplier strongly. It is perceived as positive to be able to speak the same language, have the same religion or come from a specific country. Once again these are not features that are restricted to a service perspective.

Ideological bonds are not found in the IMP framework but are however important in an industrial setting as well as in a service setting. How environmentally aware the products that the supplier supplies are can in some heavy industries affect decisions of choice. Environmental awareness can give advantages in the fierce competition with other supplier's, as the industry becomes more and more environmentally aware.

Psychological bonds are also used in a service-marketing framework but could be used in an industrial framework as well. In the IMP framework psychological bonds are not covered. Wilson and Mummalanieni 1986 use attachment and psychological bonds interchangeably but attachment can however not be said to cover the big frame of psychological bonds fully. Psychological bonds can affect buyers on the industrial side as much as consumers. If a buyer is convinced that the products supplied by a certain supplier are superior to those of another supplier then the buyer will choose the products that are thought to be superior.

The main conclusion is therefore that the four additional bonds that have been mainly used in a service setting before can be used in an industrial setting as well.

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