The Eternal Triangle – A Framework of Business to Business Relationships

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Summary

Business to business relationships are often expressed in the literature as spanning a continuum of relationship types. Frequently an alternative representation is given by a matrix whereby the contrast of bi-polar variables describe these relationship states. These types of representation imply that relationships are continuous from one state to another and that, by inference, in understanding the underlying conditions this can be used to manage or to achieve a desired type of relationship.

An extensive retroductive study has been conducted. Three extensive and detailed case studies were carried out as part of this research. A model for understanding the dynamics of relationships is presented together with a framework in which such relationships can be understood. The findings of the study suggest that relationships cannot necessarily be understood in terms of continuous bi-polar variables and that the transition from one state of relationship to another is much more difficult to achieve than conventional models of relationships would imply.

Introduction

It is well established that in business to business marketing different types of relationships occur (Morris, Brunyee & Page, 1998). Academics have invested substantial effort into understanding and characterising these various types of relationships. Whilst business to business marketing is itself distinctive from the marketing of fast moving consumer goods, all of these different types of marketing have been subsumed into an overarching discussion concerning relationship marketing. This builds on and extends the principles of relationships, many of which have originated in the business to business literature (e.g. Ford, 1997).

This paper addresses two main areas. Firstly the trend to relationship marketing, sometimes referred to as a paradigm shift and secondly the way that relationships are expressed within this widened understanding of marketing.

Emergence and Understanding of Relationship Marketing

The trend to relationship marketing can be traced from a number of schools of thought. These are generally taken to be the IMP group, the Nordic School of Services, the Anglo-Australian approach and the American approach (Gummesson, Lehtinen & Gronroos, 1997, Sheth & Parvatiyar, 2000), together with permutations around these core themes (Brodie, Coviello, Brooks & Little, 1997). These have been extensively reviewed, discussed and characterised in the literature. Other relationship types are also discussed such as the Chinese or quanxi approach which may also further enrich the understanding of relationships (Ambler & Styles, 2000). This considerable body of work and increased attention and focus to the role of relationships in marketing has led to this being described as a paradigm shift from a transactional to relational style of marketing.

Kuhn conceptualised the nature of the paradigm shift with specific reference to progress in the field of natural sciences (Kuhn, 1970). He postulated that science progressed by evolution within the field followed by a revolution or discontinuity that brought new understanding. That is to say, a period of steady and incremental progress followed by a dramatic change in the framework of understanding. Such paradigm shifts are evident in the history of science such as the understanding of solar astronomy, Darwin and his theory of the evolution and more recently Chaos Theory (Gleick, 1987). However the application of the paradigm concept to relationship marketing is one that is questioned by many researchers (Millman, 1993, Palmer, 1996, Coviello, Brodie & Munro, 1997, Hunt & Morgan, 1997). However the idea is well entrenched (Kotler, 1991, Gronroos, 1994, Aijo, 1996) and perpetuated in some mainstream business to business textbooks. For example Hutt & Speh in the seventh edition of their well known text (2001:88) say that: -

"The *new era* of business marketing is built upon effective relationship management." (author's emphasis)

So is this quotation to imply that in some way business relationships have changed or that we see the way that they should be managed from a different perspective? Clearly the nature of business relationships has in principle not changed, although such issues as technology, globalisation, increasing competition etc may well affect the way that such relationships are conducted (Webster, 1992, Doyle, 1995, Aijo, 1996). These are some of the underlying factors that drive the reasons for us to seek new ways of understanding relationships and how they should be managed.

So the perspective with which relationships are viewed has itself changed. This introduces the second main topic of this section, the way in which this new perspective is considered alongside the traditional or more established perspective. Gronroos proposed a spectrum of relationships ranging from transactional to relational (1990). This theme of a continuous series of different types of relationship is consistent among a number of well-established authorities in the field. Here relationships are understood as ranging from transactional to relational with an augmented understanding of the implications for buyers and sellers involved in managing such relationships (Hutt & Speh, 2001). This

theme is pursued in more detail to produce an enriched understanding (Anderson & Narus, 1999).

The other main alternative way in which the spectrum of relationships is represented is through a matrix. There are many permutations of such a device representing perhaps buyers and sellers or transactions and relationships and various permutations of buyer type and size on each of the axes (e.g. Payne, 1995, Cannon & Sheth, 2000). By superimposing one continuous variable upon another this produces an easy to understand classification or typology of relationships (e.g. Pels, Brodie & Coviello, 1999). Again these can be developed further to produce more insight, understanding and practitioner guidelines.

Variations of presentation exist but include the same basic principle that different types of relationships are in some way continuous, for example the "ladder of loyalty" (Christopher, Payne & Ballantyne, 1991). If we take as an example a specific area of relationships, that of key account management, again a variation on the theme is presented in terms of a relational model (McDonald & Rogers, 1998). Here we see the two axes presented not as a matrix but in this case as a graph, with various relationship types positioned on a continuous line of connectivity.

When discussing such tools with practitioners personal experience suggests that they draw a number of conclusions:-

- That a more advanced or progressive style of relationship is in some way "better" than a lower order relationship

- That by implementing relationship practices it is possible to move from one position on a continuum (however it may be expressed) to another, and as a consequence "improve" the quality of the relationship

However such conclusions are often incorrect, ignoring as it does the needs and requirements of the buyer and the abilities and characteristics of the seller. Indeed most sellers will need to deal with a range of buyers and will therefore have to adopt a range of different styles in order to meet the needs of their customers. Coviello et al (1997) demonstrated a typology of different marketing styles and suggested ways in which this could relate to the different needs of buyers.

Implicit within such models that represent different relationship states along a continuum, is that if one state can be adapted or modified to achieve another then this will involve the passage of time. This would suggest that the longer the relationship has existed between a buyer and seller then the more opportunities have existed to develop a higher "quality" of relationship. It is inherent from a relationship marketing perspective that to retain customers over a period of time is a desirable factor. This allows the cost of acquisition to be amortised and for the relationship to be developed with the customer in order that additional products and services may be sold, satisfaction achieved and loyalty and

advocacy encouraged. Therefore, there is also a tendency to believe that a long trading history is strongly associated with a better quality of relationship.

If we take the concept of the paradigm shift and accept that there has been a dramatic change from a transactional to a relational style of behaviour then this suggests two conclusions.

Firstly the nature of a paradigm shift, a revolutionary rather than evolutionary change, strongly suggests that there is a basic incompatibility between the two frameworks of understanding, otherwise the paradigm shift would not have occurred. Is it therefore appropriate to regard a transactional style and a relationship style to be at opposite ends of the same spectrum? If this paradigm shift has indeed occurred then it would be more appropriate to regard them as being on different scales.

The second conclusion is that if relationship styles are to be regarded in this alternative way, then the ways in which relationships are conceived should change. It may no longer be appropriate to consider a spectrum of relationships or to use a simple matrix on which one of the scales is transactions/relationships based.

Consequently the continuous transition from one relationship style to another, implied by the key account management model for example, may be much more difficult than this visualisation would suggest (Saren & Tzokas, 1997), posing much more substantial challenges to the seller. The research discussed below suggests that this is the case. If so, this has implications for the guidelines and advice that academics and educators provide to practitioners.
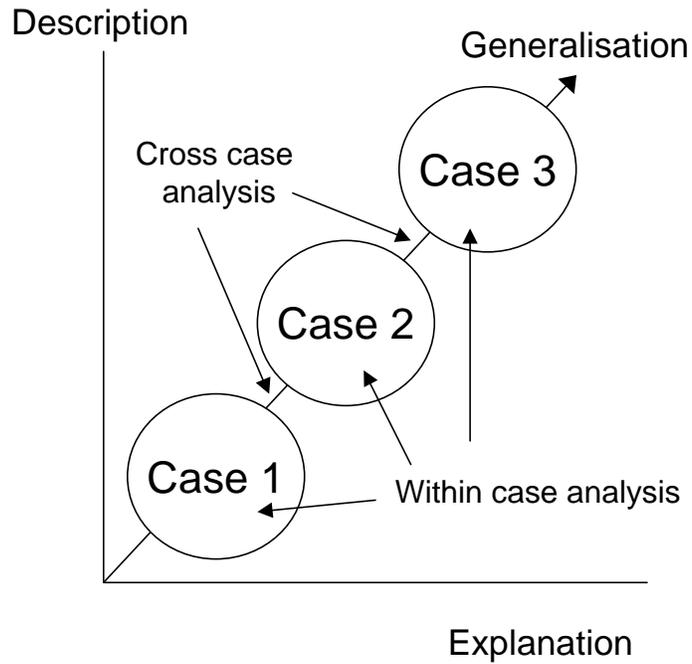
Research Design and Methodology

A retroductive, case based study was conducted in order to examine issues concerning relationships. A series of constructs was elicited from the relationship marketing literature (see appendix 1 for definitions). These were used as the basis for this study (Palmer, 2000). The research design therefore summarised a perspective of current theory through the medium of the constructs and then contributed to theory by using the output of the case studies to inform the progress of the research.

A realist philosophical position was adopted, seeking to uncover underlying mechanisms that explained the observations that could be presented through the series of constructs (Easton, 1995, Perry, 1998). Respondent checks on the output were used to give a common sense view of the research as part of the process of checking validity (Guba & Lincoln, 1985)

The case studies were analysed sequentially and with each iteration the constructs were modified according to the case study output and the theoretical model built was revised and developed (Diagram 1). The method of analysis was based on Miles & Huberman (1994) representing a modification of their stacking comparable cases approach. The analysis in this circumstance being construct rather than case focused.

Diagram 1

Sequential Iterative Analysis

Description

Generalisation

Cross case
analysis

Case 3

Case 2

Case 1

Within case analysis

Explanation

Analysis was assisted by the use of NUD.IST, a software tool for qualitative data analysis allowing flexibility of coding and organisation of data. The constructs formed the basis of the coding.

Details of the case study respondents are noted in Table 1. All three organisations studied are international, exclusively business to business and operating in mature industry sectors.

Table 1

Case Study Subjects

	Du Pont	Pilkington	Belmay
SBU	Polyester Films Division	Pilkington Products Europe	Belmay Inc, NY Belmay Ltd UK
Products/ Markets	Polyester film for food and other packaging applications. Global customer base, primarily US and Europe.	Glass for architectural and building purposes. Western, Central and eastern Europe, Middle East	Flavour and fragrance products for inclusion in a wide range of further manufactured products, notably candles and carbonated soft drinks
Location	Wilmington, USA. Teesside, UK, Luxembourg, with additional manufacturing facilities in the US and Europe	St Helens, UK head office. Offices and manufacturing facilities throughout Europe.	New York, USA head office. Northampton UK, offices, manufacturing facilities and agents around the world
Number of interviews	14	24	10
Nationality of Interviewees	English, American, French.	English, French, German, Swedish, Polish, Belgian.	English, American, Chinese.

The researcher has worked with these companies for between 18 months and four years on a range of assignments including management development and consultancy projects with ongoing, free access to board members and senior executives. A variety of research methods were used, primarily face to face semi-structured interviews but also focus groups together with access to company data. This exposure, data collection and triangulation of data sources (Jick, 1979) helped to give understanding and deep insight into the organisations and improve the internal validity of the data.

With respect to external validity and what Miles and Huberman refer to as the quality of conclusions (1994: 277), there is always a difficulty in summarising qualitative research. Numerous strategies for verification have been identified but these need to be considered within the philosophical position of the study. Checks by other researchers on issues such as coding have been used in other studies (Peck, 2000) but this can imply that there is an independent objective reality that provides a set of rules against which coding or other issues connected with analysis can be judged. The researcher has been deeply involved with the three subject companies and therefore sees things in a different way from

another observer with a lower or different level of awareness. This positivistic approach is therefore inappropriate.

Consistent with the philosophical position adopted is the use of respondent feedback. Schutz (1963) notes that the research outputs should still be understandable in a common sense interpretation of every day life. As Blaikie (1993) comments: -

"If social actors cannot identify with the types which have been constructed to represent their actions or situations, then the researcher has either got it wrong or has strayed too far from the concepts of everyday life."
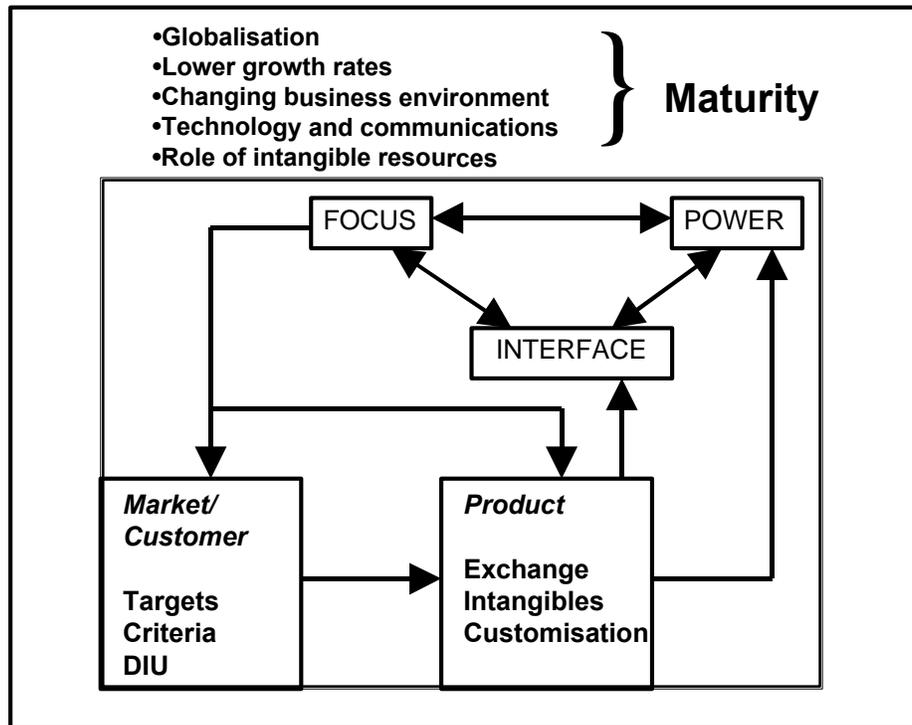
Denzin (1998) proposes that the research should make sense to the writer, significant others and the public. Verification has therefore been provided by a description of the methodology, a selective presentation of the data, together with respondent feedback on the outcomes of the study. Managers from each company were provided with details of the theoretical model and constructs, asked to review and comment, and then any issues arising were discussed and resolved.

Results

The theoretical model developed as a result of this research is shown in diagram 2. This describes the relationship between the constructs that have resulted from the initial literature review and their subsequent development through the iterative sequential case study technique. Central to the model is the triangle described by the *interface*, *power* and *focus* constructs. This attempts to capture the dynamic of a relationship whereby the attitude of the company, described by the *focus* construct, is important in helping to define the type of relationship that the company enjoys with its customer. Both buyers and sellers in relationships have power that they may or may not choose to use, this is described by the *power* construct. Hence it can be seen that these three constructs interact in a dynamic way, in that a transactional approach suggests a willingness to use the power within a relationship and hence this reinforces a type of relationship, described by the *interface* construct.

Diagram 2

Theoretical model

•Globalisation
•Lower growth rates
•Changing business environment } **Maturity**
•Technology and communications
•Role of intangible resources

FOCUS ⟷ POWER

INTERFACE

Market/ Customer

**Targets
Criteria
DIU**

Product

**Exchange
Intangibles
Customisation**

 The data display or model of the *interface* construct is demonstrated in diagram 3. Rather than a spectrum or matrix of relationships styles this demonstrates three distinct and much more discrete styles of relationship - transactional, sustained transactional and relational. The model demonstrates the primary characteristic of the relationship. These are differentiated along three axes. The length of relationship represents the temporal element. The quality of relationship, that is to say the degree to which the trust and commitment exist, and the stability of the relationship the extent to which the likelihood of a relationship to continue is improved.

Diagram 3

Interface construct

QUALITY OF RELATIONSHIP
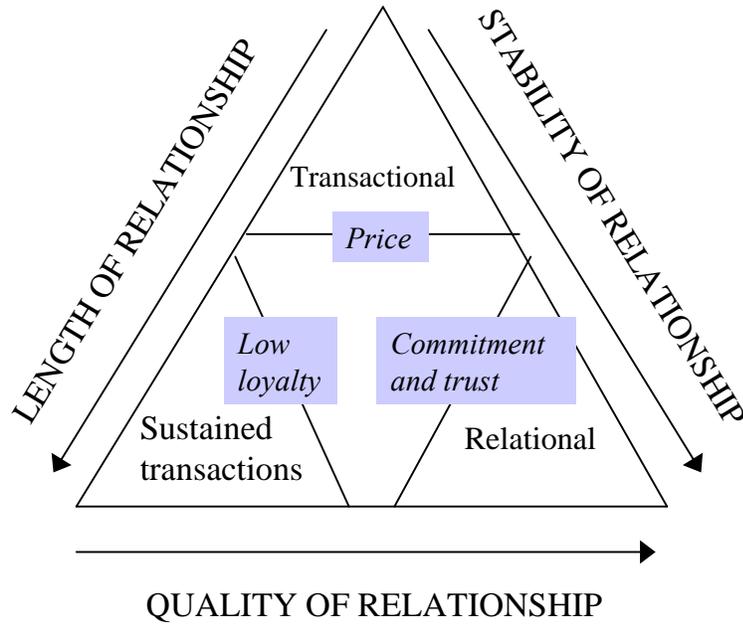
These different types of relationships are presented in the data display as discrete and distinct. This suggests that they are not continuous with an easy and continuous transition from one style to another. Based on the detailed case study analysis the relationships can be characterised as suggested in Table 2.

Table 2

Relationship Characteristics

Transactional	Sustained Transactional	Relational
	Primary characteristic	
Price	**Low perceived loyalty**	**Trust and commitment**
Cultural fit	Unwilling partners	Extensive personal relationships
Short time investment in developing relationship	Adversarial	Collaborative activities
Low costs to serve	Few alternatives for both buyers and sellers	Joint planning

In particular what the data display suggests is that the length and quality of a relationship are not in some way correlated. Therefore managers should not assume that just because they have traded with a customer for a long time that this suggests that loyalty and commitment have been built between them. This may be tacitly assumed on the part of the seller, a view encouraged by continuous models of relationship styles, but the evidence from this work suggests otherwise. In fact data from Pilkington and Belmay suggests that sustained transactions perhaps reinforced by habitual buying behaviour are common. Market discontinuities, particularly when related to price discrepancies, may cause buyers to reappraise their suppliers and a mistaken understanding as to the nature of the relationship with false assumptions as to loyalty or the willingness to disclose market intelligence can lead to loss of business.

Referring to the case study co-operators, Belmay are suppliers of components that are used at relatively low levels of inclusion and for which there is a high degree of substitutability. Many of their clients are large, international manufacturing companies and they are increasingly finding that what were regular, repeat orders are now disaggregating into separate transactions whereby each order is treated on a similar competitive basis as this quotation illustrates.

..the business has changed at Belmay whereas, as you say, in the bulk business repeat, you know, okay this customers going to come in, place an order every two weeks……Now the patterns changed, we pick up a lot of the smaller business, I'm not too sure it's a repeat business…

Belmay illustrate the sustained transactional style of relationship demonstrated by the interface construct.

…the X company were most needy people, so demanding, and the thing that killed me when she was talking about it was how aware and conscious they are of what they're doing to their fragrance suppliers. Taking, take, take, take, take, they know it, its a plan and they train their people to do it and we allow it. You know we bend over - how far? Okay, a little further, no problem.

Pilkington offers an illustration of both transactional and sustained transactional styles of relationship. An important characteristic of glass manufacturing is the need to sell a consistently large proportion of the potential output due to the continuous nature of the manufacturing process and the high fixed cost base. This encourages a price led approach characteristic of transactional relationships, with low levels of loyalty as these selective quotations demonstrate.

- Loyalty usually stretches to 1p a metre base. In my experience of selling in Europe – a loyal customer is one who will come back to you and say you are going to lose the business but he will still take it away from you if you are not prepared to lead on price. Or you have just missed it and he tells you so. But that is about as far as it goes.

The use of power in such types of relationships is also well illustrated, and represented on the theoretical model by the linkage between the *power* and *interaction* constructs. However the aggressive use of power may be seen as counterproductive in an alternative style of relationship.

- I am not sure that we have got it right – and that we will live to regret the aggressive opportunism that is being pursued at the moment……let's not simply pursue the traditional approach

As discussed in the previous section different styles of relationships exist. The characteristics of the styles and the ease with which they may be adopted by practitioners is highly relevant. Some of the interviewees in Pilkington identified that it may be appropriate to consider alternative styles of relationships.

- I think, actually, one of the benefits that we – or one of the areas where I see value added coming from Pilkington is in the relationships that we have with our customers. And how we need to change those relationships from the kind of almost – if it is not a contradiction in terms – sustained ad-hoc relationship, by which I mean we have long standing relationships with many of our customers but they are pretty much ad-hoc. Any single aspect could break that relationship.

From this it can be seen that some of the interviewees in Pilkington identified that the relational style of interaction may be more appropriate for some clients in the future. They characterise this as a key account management approach.

- And, therefore there is a need for a cultural change. Which is one of the reasons and I have no apologies for it, why we started the Key Account Management programme before we started (implemented) *key account management………but I actually believe that the kind of approach that is almost inherent within relationship marketing and customer relationship management and key account management is what we ought to be focusing our attention on today.*

This respondent identified the importance of what he termed cultural change within the organisation, this is demonstrated on the theoretical model by the linkage between the *focus* and *interaction* construct. Du Pont have addressed this issue of changing relationship styles and understand that there is a strong contrast between the sustained transactional and relational styles of interface as these quotations illustrate.

Transactional

...the difficulty for some of the account managers is we've had to this year ask them to go back to some of those low rank customers and people that we let go during the shortage and say come and get some more business because we need it.

...And we behaved badly as well of course because when its in shortage we put the price up, so it's a two way win and perhaps maybe being the prostitutes now, we want everybody to be our friend.

Relational

... we're focused on the speciality growth and our presence and long term relationship with the food companies, again going back to calling throughout the value chain, has put us in good stead to be able to deliver on that.

...I guess we used to have fairly fragmented contact with them, we've now changed the structure ...now there's a consistency of technical contact and through that we've got closer with the technical people... we're running new development trials and so on, looking at different types of film ...we get good feedback from them on how they see the market ... we try and keep them up to date with new product development

This change is to the extent that Du Pont have substantially changed the way they approach certain of their customers and work in a very different way with and through their customers, recognising the need to work as part of a network.

...we might have to work on new paradigms here, okay and we've just signed, I don't know if you know, we've just signed a 5 year agreement with one of our customers on a joint brand which is also taking some cost out the chain, so we're trying to leverage our brand and enable ourselves to go down the chain through that and in that discussion we took them through our strategy...

This suggests that practitioners have to manage changes in style as the market and customer needs change, but also recognise that they need a portfolio of styles to meet these different needs.

AG...I don't believe we can lose the commodity element of that, of a business, we need that volume, we need to maintain that level of expertise and then also deal with those issues but at the same time we should be shifting our business towards a speciality without losing the commodity area.

Discussion

The argument proposed is that there is no such thing as a "better" style of relationship, simply one appropriate to the needs of the customer. Attempting to unilaterally impose a higher "quality" of relationship on a customer in an attempt to move from one end of a

spectrum of relationship styles to another is likely to end in disappointment or at least inappropriate allocation of resources.

A better of understanding of customer needs should form the basis for relationship strategies. Segmentation therefore remains a fundamental if still poorly understood and implemented part of marketing strategy (Sollner & Rese, 2001). From the case study work, only Du Pont were actively developing and implementing strategies based on a formal segmentation of the market. They were using this understanding of customers to develop their relationship with customer groups, Pilkington also demonstrated an awareness and understanding of the issues involved in adapting relationship style.

This more strategic view of customers implies that adapting relationship styles is much more significant than the continuous models of relationship styles would indicate. This research project suggests implications not only for the attitude of the company to their customer but in particular the use of buyer and supplier power as distinguishing between transactional and relational styles. There are also implications with respect to the nature of the product and service required. Whilst empirical work in the field of relationship marketing practice is very limited, there is work that suggest that current practice in industrial marketing is largely tactical with little substantial commitment of resource (Morris et al, 1998). Therefore in practice relationship marketing remains largely driven from a manipulation of the product class of constructs suggested by the theoretical model (Diagram 2).

This is further complicated by the likely requirement to manage several different styles of relationships appropriate to different types of customers. The concept of a paradigm shift from transactional to relational marketing on behalf of a supplier is therefore possible, but to think that this has "improved" the quality of the relationship with all the customers of that supplier seems completely implausible. The ability of companies to identify and understand the types of customers they are dealing with, and the factors that influence their behaviour, together with their ability to respond appropriately are likely to be critical factors in their success. The work of Coviello et al (1997) has demonstrated a typology of the range of marketing styles that companies adopt. Opportunities therefore exist for companies to be more effective in their understanding of and response to the needs of their clients.

The results of this research project to date strongly suggest that there are significant implications for organisations in managing the interaction between customer needs and their responses to them. This then opens another area for discussion in that if the issues are more challenging and fundamental for the company than currently conceived, is the company ever able to adapt appropriately? The work of Christensen & Overdorf (2000) demonstrates that in the field of technological innovation, companies are inhibited in their ability to innovate due to their resources, processes and values. They propose that if the current organisation is incapable of adapting to meet the requirements for innovation, then it is appropriate to build a new organisation. There are examples of this where companies choose to start business units afresh rather than try to adapt current organisations. From the automotive sector the Saturn project of General Motors is an

example, whilst in financial services the First Direct telephone based bank set up by Midland Bank, now part of HSBC, is a world-class example of its type.

The implication for managing business relationships is that certain types of customers may be inaccessible in the way that the firm is currently conceived, or alternatively that radical and perhaps high risk adaptation of the organisation may be necessary. If this is the case then models and frameworks that represent the progress from transactional to relational styles in a continual, sequential way may be conceptually concise but fail to reflect the true nature and complexity of relationships.

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Construct Definitions

CONSTRUCT	TRANSACTIONAL POLE	RELATIONAL POLE
FOCUS – The basis underlying the marketing activity of the organisation. Primarily transactional, relationship services or value driven.	Completion of the sale Maintained/improved volume	Improved volume Achieve customer satisfaction Create value
TARGETS – What are the markets identified or addressed through the actions of the firm? This would include the customer market, perhaps also suppliers, internal market, influence groups etc. or maintenance of the relationship and network itself.	Primarily or exclusively customer market orientated	Identify a number of markets Commit resources to these markets
POWER – The degree to which power is recognised and used in the relationship	Win /lose style Highly competitive	Mutually seeking to generate value and satisfaction
EXCHANGE – The actual basis of exchange to include physical product, services, warranties, reputation and other intangibles. That which the firm considers to be present and necessary for the relationship.	Physical product or discrete service focus Formal contracts Written specifications	Product and service integrated No formal agreement Trust and openness

CRITERIA – Information concerning customers which is used to make strategic decisions.	Previous sales history Assessment of likelihood of repurchase potential New customer focus	Customer information system Key customer value identified and monitored Customer plans known
INTANGIBLES – Activities and commitments made to improve intangible and time related aspects of the product offering.	Product offering based on core product or service	Enhanced service offering. Able to identify and deliver added value through the product offering
CUSTOMISATION – The extent to which the product offering is different or unique for individual customers.	One standard products offering Little customisation to specific requirements	Product and service flexible to meet individual customer requirements
DIU - (Decision Involvement Unit). The parties or firms involved in the relationship between and perhaps beyond the supplying firm and the buyer.	Few people involved Little senior management contact Mainly sales/purchasing contact	Multiple contacts Senior management involvement Cross functional contact
INTERFACE – The extent to which the relationship is discrete or continuous and extended over a short or long time period.	Infrequent contact Formal meetings Product/ technical focused discussions	High level of informal contact Frequent contact Extensive sharing of information