

DO SLOVENIAN SERVICE COMPANIES BELONG TO THE MAINSTREAM OF RELATIONSHIP MARKETING ORIENTED COMPANIES?

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ABSTRACT

In this paper, the authors empirically examined if Slovenian business service companies have adopted the practice of long-term buyer-supplier relationships, which has grown in popularity in many countries. A conceptual model was formed to summarize our predictions about the relationship between the variables and a set of observable indicators for the construct was proposed. In order to test the model a sample of 103 business services companies was drawn. The results of cluster analysis suggested that marketing activities of almost half of the business service companies studied were guided by the philosophy of relationship marketing, although it might not be a well-thought-out concept.

INTRODUCTION

The majority of relationship marketing definitions emphasizes primarily the long-range and lasting nature of relationships as opposed to transactional, individual exchange activities (e.g. Dwyer, Schurr and Oh, 1987; Ganesan 1994). The core of relationship marketing is a focus on cooperative relationships between the company and its customers (and/or suppliers). Close and integrated long-term relationships are believed to be an economically efficient mode of exchange. Moreover, it is expected that marketing actors will not be inclined to opportunistic behaviour if they have a long-term orientation (Ganesan, 1994). However, many studies of business relationships have emphasized the problem of opportunistic behaviour (for example, Söllner 1996). Opportunism can be characterized as the strongest form of self-interest: actors are guided by considerations of self-interest with "guile such as lying, stealing, making false and self-disbelieved threats or promises, and cheating" (Söllner 1996, p. 600-601). Therefore opportunistic behaviour is a troublesome source of behavioural uncertainty and a serious threat to trust which is the cornerstone of the most relationships models. Most definitions of trust underline the belief that one partner will act in the best interest of the other (Wilson, 2000).

Considering the issue of trust as a prerequisite for relationship marketing, a noticeable lack of trust at all levels of Slovenian society should be mentioned. An international research on inequality and religion carried out as a part of Slovenian public opinion survey on a representative sample of 1050 adults in 1998, revealed a high degree of distrust among

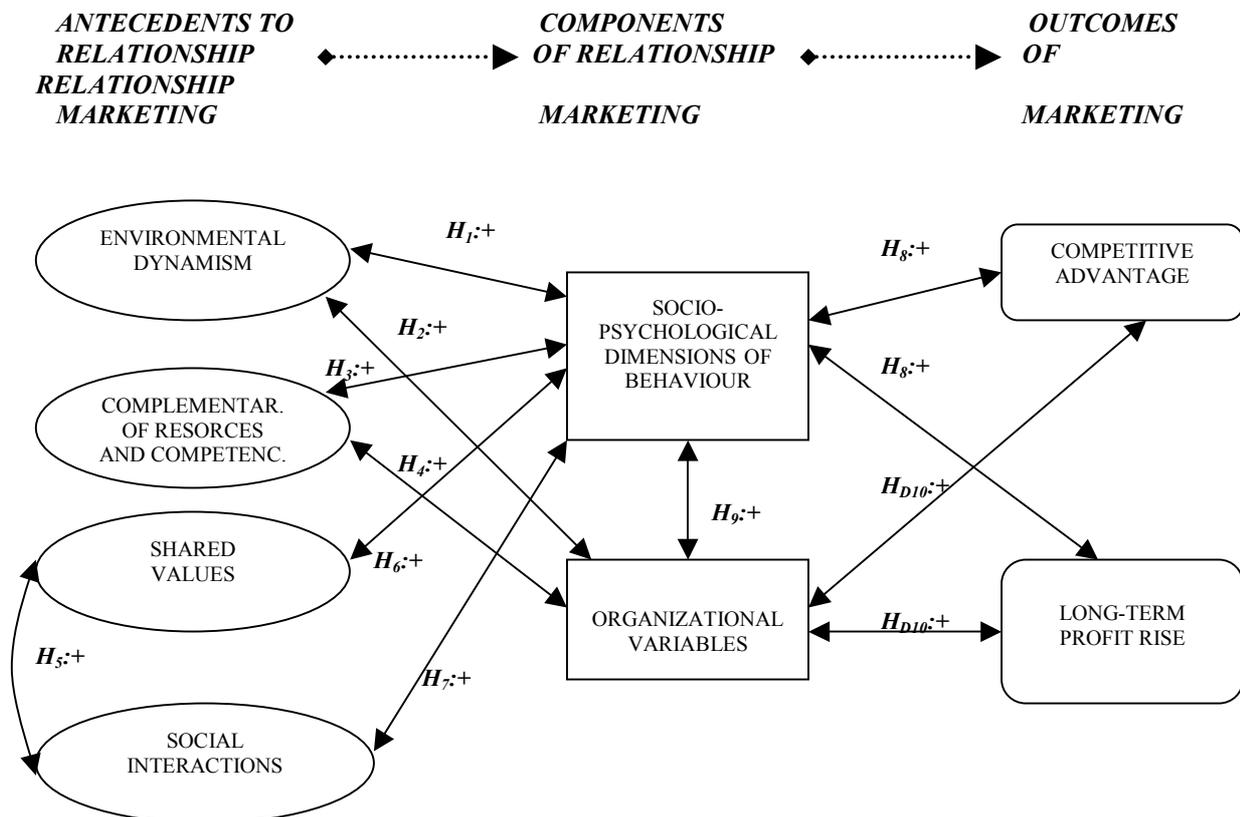
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Slovenian people (Toš, 1999). The lack of trust may be attributed to the major social and economic changes that have occurred in the transitional period. While previous system emphasized values such as collectivism, passivity, reactivity, social justice and general social welfare, these are slowly being replaced by the values of the new system, i.e. liberalism, individualism, the right of ownership, competitiveness and entrepreneurship. As a result, these changes have led to the so-called "values crisis", which has been subsequently causing many negative social and economic phenomena during the transitional period of Slovenian economy (Rojšek, Podobnik, 2000). The study, conducted in 2000 on the sample of managers of 75 large and medium sized Slovenian companies (Kalacun, 2000) provided some insights into a problem of trust within a business to business relationships. It revealed that Slovenian managers do not pay adequate attention to various ethical dilemmas and issues that emerge in the business environment. They often respond in an unethical and opportunistic manner, consequently leading to the widespread belief that the ethics of the Slovenian businesses does not measure up to the business ethics in mature market economies. In regard to the law and legal regulations abidingness, the honoring of contractual agreement and the employment of business fraud, the research results showed that Slovenian managers perceive business ethics to be of low standard. According to some authors (Kavali, Tzokas, and Saren, 1999), major changes in values and ethics may be required if relationship marketing is to be truly adopted. The following question arises: is in the circumstances of the considerable lack of trust, characteristic for Slovenian social and business environment, well grounded to expect positive attitudes among Slovenian companies towards building strong long-term relationships with customers? In other words, do Slovenian companies see such relationships as attractive and beneficial to them? Several findings obtained through the research carried out in the not so distant past (e.g. Rojšek, 2001) seemed to indicate predominantly transactional focus in Slovenian companies. In the contrast to them Turk and Usenik (2000) claimed that companies in the engineering sector are increasingly becoming involved in long-term relationships with their customers and suppliers. The prevalence of relationship marketing have also been influenced by the growth of the service economy that is evident in Slovenia, too. The purpose of this article is to examine if Slovenian business service companies have adopted the practice of relationship marketing, which has grown in popularity in many countries. However, from our previous research we expected (similar to Blois, 1999) that the term relationship marketing is not used in the companies and that other terms are used (e.g. long-term buyer-supplier relationships, partnerships etc.) which encompass similar issues. The article is structured as follows. First, we provide a conceptual model to summarize our predictions about the relationship between the variables and a set of observable indicators for the construct. Subsequently, the results of an empirical study designed to test the model are provided. We conclude with implications of the results for Slovenian service companies.

THE MODEL

The model explores the relative relationships among antecedents to relationship marketing, its components and outcomes (Figure 1).

Figure 1: Hypothesized Model



Antecedents to Relationship Marketing

Environmental dynamism. Turbulent environment concerning the degree of market uncertainty, rate of technological change, changes in buying patterns, intensity of competition etc. influences the propensity of a company to long-term relationships with customers and suppliers because in these circumstances companies are increasingly facing decision-making uncertainty, business risks and dependence on behaviour of other market actors (Cannon and Perreault, 1999; Cannon, Achrol and Grundlach, 2000; Joshi and Stump, 1999; Jap, 1999; Morgan and Hunt, 1994).

Complementarity of resources and competences. Complementarity in terms of strengths and weaknesses of partners' resources and competences is an important aspect of organizational compatibility. Companies are aware that they cannot form partnerships with everyone. Partners must have strengths in the fields where you are weak and vice versa (Japp, 1999).

Shared values refer to the extent to which partners agree about what behaviour, goals, and policies are right or wrong, appropriate or inappropriate, and important or unimportant. (Morgan and Hunt, 1994; Cannon, Achrol, and Gundlach, 2000). They contribute to the development of commitment and trust.

Social interactions. An interaction refers to socio-psychological processes happening in the interpersonal relations (Nastran, 1994). According to the IMP Interaction Approach it should be born in mind that interactions between a customer and a supplier are performed by individuals who thus get a chance to develop social relationships that are claimed to be related to the main attributes of relationship marketing (especially to commitment and trust) (Hakansson and Snehota, 2000).

Components of Relationship Marketing

Relationship marketing variables that have been used by researchers can be classified into two groups. Variables in the first group reflect the socio-psychological factors of the individuals' behaviour within the interchange episodes, such as trust, commitment, long-term relationship, cooperation, information exchange, and interpersonal relationships (Morgan and Hunt, 1994; Berry, 1995; Hutt et al, 2000; Japp, 1999; Day, 2000; Garbarino and Johnson, 1999; Cannon and Perreault, 1999). Variables in the second group are companies' unique variables and can be called organizational variables, reflecting business processes and available resources that bind companies together, such as adaptation, specific investments in a relationship, and contractual terms. All the variables included in our research are briefly discussed below.

Trust, commitment and long-term orientation are the core concepts of relationship marketing. Most definitions of trust involve a belief that one relationship partner will act in the best interest of the other (Wilson, 2000; Morgan and Hunt, 1994). Morgan and Hunt (1994) believe that trust is a major determinant of commitment to a relationship. Although many differences in the interpretation of commitment still exist, in most studies the term is used not only to refer to benefits and costs associated with a relationship but also to emphasize the stability of a particular relationship.

Cooperation means work together to achieve mutual goals (Anderson and Narus, 1990). According to Morgan and Hunt (1994) cooperation is influenced directly by commitment and trust. They pointed out (1994, p.26) that "a partner committed to the relationship will cooperate with another member because of a desire to make the relationship work."

Communication is "the formal and informal sharing of meaningful and timely information between firms" (Morgan and Hunt 1994, p. 25). Regular, open, timely, two-way communication foster trust and form expectations and perceptions.

Interpersonal relationships. Individuals are inevitably the basic actors in every-day interaction between partner companies. Good functional contacts lead to social relationships which form the foundation for establishing commitment and trust (Morgan, 2000).

Investments in the relationship are defined as specific investments (capital improvement, equipment, training etc.) that a partner needs to make to sustain the

relationship. They are difficult to switch to another relationship and are therefore the main contributor to relationship termination costs (Wilson, 2000). Mutual investments tie the two companies closer together and facilitate cooperation.

Adaptations. Based on a review of the relevant literature, no clear cut definition of adaptation exist. Some writers (e.g. Brennan and Turnbull 1996) explain it as an investment process. Others (e.g. Ford et al 1998; Cannon and Perreault 1999; Wilson 2000) apply the word 'adaptation' to altering processes (e.g. production process, administrative procedures) or products exchanged to suit the other party. We followed the later explanation in our research.

Contractual terms (legal bonds) are used as a control mechanism, especially when investment in a specific relationship is high. Partners in a relationship agree on terms that define their responsibilities and rewards for performing specific tasks. The nature of a relationship becomes legally defined. However, legal bonds might indicate that other types of bonds (e.g. social bonds, technical bonds stemmed from adaptation of processes etc.) are not strong enough.

Outcomes of Relationship Marketing

Companies engage in a relationship to the extent that they benefit from their activity. Researchers often use term 'pie expansion' (Jap 1999) when referring to outcomes of relationship marketing to stress that by developing and handling relationships all partners involved can gain benefits, such as cost reductions, increased sales, competitive advantage, and non-economic benefits (Biong, Parvatiyar and Wathne 1996). In our research we focused on two economic benefits of a partnering relationship, i.e. *long-term profit rise* and *gaining competitive advantage*.

The hypotheses related to the preceding discussion and the results of the empirical analyses are formally stated in Table 1.

METHODOLOGY

Measure Development and Evaluation

To test the model outlined in Figure 1, scales were developed for each of the constructs. Table in the appendix contains scale items used. A 7-point Likert-type scale with end points of 1- strongly disagree and 7 - strongly agree was used to evaluate respondents' perceptions. Internal consistency reliability was used to assess the reliability of summated scales where scores for several items were summed to form a total score for a construct. The constructs exhibited a high degree of reliability in terms of coefficient alpha exceeding the recommended value of 0.7, except for environmental dynamism where Cronbach's alpha was 0.64 (see Table 2).

Table 1: HYPOTHESES AND RESULTS

HYPOTHESES		RESULTS
1.	Environmental dynamism will be positively related to socio-psychological components of relationship marketing.	Confirmed
2.	Environmental dynamism will be positively related to companies' unique components of relationship marketing.	Confirmed
3.	Complementarity of resources and competences will be positively related to socio-psychological components of relationship marketing.	Confirmed
4.	Complementarity of resources and competences will be positively related to companies' unique components of relationship marketing	Confirmed
5.	Shared values will be positively related to social interactions between partnering companies' employees.	Confirmed
6.	Shared values will be positively related to socio-psychological components of relationship marketing.	Confirmed
7.	Social interactions between partnering companies' employees will be positively related to socio-psychological components of relationship marketing.	Confirmed
8.	Socio-psychological components of relationship marketing will be positively related to competitive advantages and long-term profit rise.	Confirmed.
9.	Socio-psychological components of relationship marketing will be positively related to organizational components of relationship marketing.	Confirmed
10.	Organizational components of relationship marketing will be positively related to competitive advantages and long-term profit rise.	Confirmed
11.	Organizational components of relationship marketing will be less evident than socio-psychological components.	Confirmed

All correlations are significant at 0,01 level, see also table 4:Correlation Matrix.

Table 2: SCALE RELIABILITIES

Model Variable	NUMBER OF ITEMS	COEFFICIENT ALPHA
<i>Antecedents</i>		
Environmental dynamism	7	.64
Complementarity of resources and competences	5	.88
Shared values	10	.83
Social interaction	10	.89
<i>Socio-psychological components of relationship marketing</i>		
	34	.94
<i>Subdimensions:</i>		
Trust, commitment and long-term orientation	13	.84
Cooperation	6	.89
Communication	5	.88
Interpersonal relations	10	.86
<i>Companies' unique components</i>		
	7	.78
<i>Subdimensions:</i>		
Investments and adaptation	5	.75
Legal bonds	2	.77
<i>Outcomes</i>		
Competitive advantages	3	.87
Long-term profit rise	2	.80

Sample and Data Collection

A mail survey procedure was selected to collect the data. The target population for the study was all Slovenian business-to-business service companies. A simple random procedure was used to select the sample. The questionnaire was mailed in October 2000 to general managers of 300 companies. One hundred and nine questionnaires (36.3 %) were returned. One hundred and three questionnaires (34.3 %) were suitable for analysis.

RESULTS

Table 3 reports the mean scores and standard deviations for the model variables. Considering the mean values for the two groupings of relationship marketing variables we can infer that, on average, Slovenian services companies were perceived to be guided by the relationship marketing concept. However, socio-psychological components were rated higher than organizational components, indicating that individuals in companies entering partnerships were more inclined to change their patterns of behaviour towards preferred interaction styles than companies were ready to change their business processes and make relationship specific investments.

Table 3: MEAN AND STANDARD DEVIATION FOR MODEL VARIABLES

Model Variable	Mean	Standard Deviation
ANTECEDENTS		
Environment dynamism	5.92	.68
Shared values and cooperative norms	5.39	.79
Social interactions	5.34	1.01
Complementary resources	5.07	1.28
RELATIONSHIP MARKETING COMPONENTS		
Socio-psychological components (trust, commitment and long-term orientation, cooperation, communication, interpersonal relations)	5.16	.76
Organizational components (adaptation and relationship-specific investments, legal bonds)	4.52	1.13
OUTCOMES		
Competitive advantage	5.01	1.29
Long-term profit rise	4.62	1.42

All scale items were anchored by strongly disagree (1) and strongly agree (7).

All the antecedents to relationship marketing proved to have similar mean values. Table 3 shows that the variable *environmental dynamism* achieved the highest mean value (5.92), whereas the variable *complementarity of resources and competences* appears to have the lowest mean value (5.07). The result suggested environmental dynamism to be the strongest factor that stimulated Slovenian services companies to develop long-term partnerships with customers.

Among outcome variables competitive advantage was rated higher (mean=5.01) than long-term profit rise (mean=4.62).

Relationships Between Model Variables

The correlation coefficients shown in Table 4 were all in the expected direction and all were significant at 0.01 level. Therefore all hypotheses were confirmed. However, it is important to

Table 4: CORRELATION MATRIX

Variables	Environmental dynamism	Complementarity of resources	Shared values	Social interactions	Socio-psychological components	Organizational components	Competitive advantage	Long-term profit rise
Environmental dynamism	1,000							
Complementarity of resources	.390(**)	1.000						
Shared values	.390(**)	.542(**)	1.000					
Social interactions	.325(**)	.449(**)	.525(**)	1.000				
Socio-psychological components	.495(**)	.605(**)	.623(**)	.734(**)	1.000			
Organizational components	.467(**)	.508(**)	.410(**)	.440(**)	.691(**)	1.000		
Competitive advantage	.441(**)	.458(**)	.295(**)	.360(**)	.585(**)	.581(**)	1.000	
Long-term profit rise	.337(**)	.490(**)	.463(**)	.599(**)	.772(**)	.566(**)	.692(**)	1.000

**Correlation is significant at the 0,01 level (2-tailed).

note that there were differences in the strength of correlation between particular variables. In general, correlation between each of the four antecedents to relationship marketing and its socio-psychological components was stronger than correlation between the antecedents and organizational components of relationship marketing, which supported the statement already mentioned above i.e. that changes in individuals' behaviour were more easier to reach than relationship specific changes in organizational behaviour. Managers of the companies studied might believed that benefits of relationship marketing are not strong enough to justify investments and adaptation of business processes, or that there was a lack of complementarity of resources and competences. Namely, complementarity of resources and competences was the antecedent which achieved the lowest mean value (Table 3) and was moderately high and positively correlated with organizational components of relationship marketing (R=0.508). Companies with complementary resources are expected to have more common aims and benefits mutually achievable in the long-term partnerships. Going over to perceived benefits of relationship marketing it can be concluded that moderately high and significant positive correlations existed between both constructs of relationship marketing (socio-psychological components and organizational components) and both outcome variables (competitive advantage and long-term profit rise). However, socio-psychological components were more strongly correlated with perceived benefits of relationship marketing than organizational components, indicating that individuals in the partnering companies performed vital roles in creating relationship value.

Cluster Analysis

As a further check on the accuracy of the findings which indicated that dealings between buying and selling companies took place within close relationships, a cluster analysis was completed to form groups of companies with different levels of relationship development. Two types of clustering methods were used: the Ward method of hierarchical clustering and the K-Means Cluster method. The Ward's method of hierarchical clustering was used to establish that the companies studied could be most adequately grouped into three clusters. The K-Means Cluster method, which was used subsequently, exposed the characteristics of the three groups presented in Table 5. The results indicated three types of business-to-business services exchange:

Table 5: MEANS FOR MODEL VARIABLES BY CLUSTERS

	Cluster 1: Basic relationship exchange	Cluster 2: Developed relationship exchange	Cluster 3: Transactional exchange	Sample
N	41	51	11	103
Share	39.8%	49.5%	10.7%	100%
Model Variable				
Environmental dynamism	5.79	6.20	5.13	5.92
Complementarity of resources and competences	4.51	5.79	3.87	5.07
Shared values	4.98	5.86	4.77	5.39
Social interactions	4.90	5.99	3.95	5.34
Socio-psychological components	4.76	5.77	3.82	5.16
Organizational components	4.10	5.22	2.82	4.52
Competitive advantage	4.74	5.77	2.52	5.01
Long-term profit rise	4.55	5.19	2.23	4.62

- *Basic relationship exchange.* Generally speaking, companies that comprised this cluster (39.8% of companies studied) were marked by the relationship marketing characteristics. However, they ascribed a below average value to all of the model variables and even lower when compared to the second cluster. It appeared that companies in this group were in the development stage of relationship marketing.
- *Developed relationship exchange.* In general, companies in this group (49.5% of companies studied) adopted the relationship marketing concept. They assigned an above average score to each of the model variables. The results suggested that long-term commitment and loyalty existed among partners in this group.
- *Transactional exchange.* Companies in this group which was relatively small (10.7% of companies studied) did not believe in benefits of relationship marketing. Therefore it was not surprising they were characterized not only by a below average score to each of the model variables but also by the lowest scores among all three clusters.

Considering characteristics of companies in each cluster it should be pointed out that, compared to the other two clusters, companies that adopted relationship marketing (second cluster) were, on average, younger. Furthermore, they had a larger number of employees, a larger share of young employees (25 – 30 years old) and a higher share of sales made abroad. Moreover, foreign ownership prevailed in this cluster and the largest share of companies that reported the highest annual net profit growth in the last three years (11 per cent or more per year) fell into this cluster as well.

CONCLUSION

Results of the present research showed a moderate level of relationship marketing development among Slovenian business-to-business service companies. Interestingly, the research indicated that companies which were more export oriented and prevalingly in foreign ownership paid closer attention to the relationship marketing attributes. Unfortunately it was not possible to obtain the other side views of the relationships (i.e. the views of customers). Therefore the main limitation of the study was that it did not take perceptions of both parties into account, although we know that in a business setting both parties are active in the interactions and have a perception of the quality of relationships.

Appendix: SCALE ITEMS

<i>Model Variable</i>	Items
ANTECEDENTS:	
Environmental dynamism	Business environment is constantly changing.
	In our service industry there are numerous competitors.
	We have to adapt to the changing business environment continuously in order to compete in the market effectively.
	Market dynamism is so high that often we do not have enough relevant information to make thoughtful decisions.
	Changes are so rapid that we are not able to foresee technological development in our industry.
	We know from experience that cooperative relations with customers help us to maintain or even to improve our market position.
	We do our best to establish long-term partnerships with customers as we have a small number of customers.
Complementarity of resources and competences	Every single transaction may have strong (either positive either negative) financial consequences on our business, therefore we do our best to develop long-term relationships with customers.
	We cooperate closely with our customers in order to cope with problems resulting from a shortage of resources and competences in our company.

	Within the close relationships with customers we contribute resources and capabilities they do not have.
	Our resources complement resources of our customers.
	Complementarity of our and customers' resources enables us to achieve goals that we ourselves could not reach.
	Complementarity of resources and competences and their joint employment with customers has a positive effect on our profit rise.
Shared values	Our standards of ethical behaviour in doing business are compatible with our customers.
	Our company as well as our customers equally respect honesty in keeping promises, trustworthy information, reliability, responsible behaviour of employees and similar values.
	We support our customers in achieving their goals as they support us, because we expect this from each other.
	No matter who is at fault in coming into conflict, we and our customers solve problems jointly.
	Our company tries to act in favour of our customers' business results.
	Our customers try to act in favour of our business results.
	We and our customers believe that business goals can be achieved only by long-term collaboration.
	Although we have bargaining power relative to that of customers we do not turn it to our self-interest.
	Although our customers are in better negotiating position relative to ours, they do not turn it to their self-interest.
	If market situation changed we as well as our customers were prepared to make changes in business processes to each others benefits.
Social interactions	Our employees make close contacts with our customers' representatives, which evolve into real friendships.
	We rely on our customers' employees to keep their promises.
	From our experience we believe that customers' employees find our promises trustworthy.
	Good personal contacts between ours and customers' employees are fundamental to mutual long-term partnerships.
	Close personal contacts between ours and customers' employees stimulate information exchange.
	We do not take misuse of interpersonal contacts to our self-interest and to our customers' loss. It would not be a "fair play".
	Our customers do not take misuse of interpersonal contacts to their self-interest and to our loss.
	Frequent interpersonal contacts between ours and customers' employees, based on trust, information exchange and cooperation evolve to long-term interpersonal relationships.

Personal contacts between ours and customers' employees have a positive influence on the profit rise of our company.

Personal contacts between ours and customers' employees have a positive influence on development of our competitive advantages.

RELATIONSHIP MARKETING COMPONENTS

Trust

Trust plays an important role in partnerships.

Our customers were always fair to us in the past.

Our customers always fulfil their promises.

Our customers did in hard times for our company even more for it as they were expected, therefore we can count on them in the future.

Our customers do not make unjustified complaints.

We trust our customers.

Commitment

We strive to maintain good relationships with customers because they are of long-term benefits.

We have patience with our customers even though they make mistakes causing us troubles.

We are going to maintain relationships with our customers in the future.

Long-term orientation

We convinced our customers to cooperate with us on a long-term basis.

We have been collaborated with the majority of our customers for several years.

We believe that all our efforts to develop and maintain relationships with customers will pay back in the long-term.

We expect the relationships with our customers to be maintained for a long time in the future.

Cooperation

Our business objectives has been achieved by support of our customers.

We work together with our customers on joint projects.

We search together with our customers for activities where synergy can be ensured.

We prepare our strategic business plans in collaboration with our customers.

We cooperate with our customers to get more competitive strengths in the market

If we cooperate with customers on a long-term basis, we will make higher profits.

Communication

Our customers inform us about all their achievements.

Our customers talk with us about their expectations regarding our activities.

We share all relevant information with our customers and they do the same.

	Our customers and us both include each other in discussions about service development and/or changes of business processes.
	Our customers as well as our company always share information about supply and demand forecasts and competitors' moves.
Interpersonal relations	Transactions with our customers are based on interpersonal relations between both companies' employees.
	Our employees develop personal bonds with our customers' employees.
	Ours and customers' employees work together in teams.
	Interpersonal relations between ours and customers' employees are based on trust, commitment, cooperation and information exchange.
	To strenghten the interpersonal relations our company together with customers organizes meetings, professional excursions, fairs, business and sport events.
	Constructive problem solving additionally strengthens interpersonal relations between ours and customers' employees.
	Our company develops interpersonal relationships with customers on the top management level.
	Our company develops interpersonal relations with customers on the operational level.
	Long-term relationships with our customers are founded on the interpersonal relations.
	Cooperation agreed by contract can work only if close interpersonal relationships are maintained.
Adaptation and relationship-specific investments	We as well as our customers have made significant relationship specific investments.
	Our customers changed products' features and/or production process and/or stockholding and/or personnel and/or distribution and/or capital equipment etc. just to comply with our requirements.
	We changed products' features and/or production process and/or stock/deliveries and/or personnel and/or distribution and/or capital equipment etc. just to comply with customers' requirements.
	If we switch to another customer losses will be incurred because our investments in developing the relationship will not be recovered.
	Errors in customers' operational processes cause discontinuities in our business process.
Legal bonds	We have specific, well detailed agreements regarding the long-term cooperation with our customers.
	We make legally binding agreements with customers specifying obligations of both parties in the long-term partnerships.

OUTCOMES:

Competitive advantages

On the basis of long-term partnerships with customers we gained benefits that enabled us to compete more effectively in today's marketplace.

On the basis of long-term partnerships with customers we gained one or more of the following benefits: reduced costs; improved service; better information about market and competition; new market opportunities; higher level of customer satisfaction.

On the basis of long-term partnerships with customers we gained considerable competitive advantage.

Long-term profit rise

Long-term relationships with customers generated considerable profit to our company.

Nowadays our company generates higher profit in contrast with the past when we did not cooperate with customers on a long-term basis.

All scale items were anchored by strongly disagree (1) and strongly agree (7).

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