Managing relationships and the differences between manufacturing and service industries

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ABSTRACT

Since the importance of managing relationships has been recognised there has been considerable conceptual development in relationship portfolio management. However, very little research has been performed on how practitioners apply this concept. Leek, Turnbull and Naudé's (2002) model found suppliers and buyers differed in their emphasis of the methods and information used for relationship management. This paper builds on the aforementioned model by investigating the similarities and differences of how auto/electrical manufacturing and financial services suppliers and buyers manage their relationships. Whilst the majority of financial services suppliers and buyers and auto/electrical manufacturing buyers combined three methods of relationship management, formal, documented system, personal judgement, meetings, auto/electrical manufacturing suppliers used only two. All of the sample thought commitment was an important variable for managing relationships. Suppliers from both sectors thought sales volume, profitability and relationship strength were important. Buyers from both sectors thought "willingness to adapt" and "investment in us" were important. However whilst financial services suppliers use cost to serve, auto/electrical manufacturing buyers suppliers use strategic importance and growth rate. Also, whilst financial services buyers use technological competence, innovativeness and capability were important, auto/electrical manufacturing buyers use purchasing volume and profitability.

INTRODUCTION

Since the early work of the IMP group (Turnbull and Cunningham 1981, Hakansson 1982) there has been widespread recognition of the importance of inter-company relationships to competitive success in B2B markets. This has been more recently recognised in consumer markets with the resulting emphasis on customer relationship marketing.

The original IMP research was based on dyadic relationships, but theory has recognised that suppliers and customers exist in a network i.e. they have an array of diverse relationships they have to manage (Turnbull 1989, Easton 1992). Relationship portfolio analysis emerged as a tool for analysing and managing a company's network of

relationships (Fiocca 1982, Campbell and Cunningham 1983, Shapiro et al 1987, Krapfel et al 1991, Olsen and Ellram 1997, Turnbull and Zolkiewski 1997). The main aim of these models was to enable companies to allocate resources efficiently and effectively to different kinds of relationships. A new and developing relationship will clearly require different resources to a mature and declining relationship (Ford 1980).

Although there has been considerable conceptual development in the area of relationship portfolio management, very little research has been done on how practitioners apply this concept. Leek, Turnbull and Naudé (2002b) put forward a general model demonstrating how suppliers and buyers manage relationships in terms of the information used. The aim of this paper is to use the model as a basis for comparing how suppliers and buyers in the auto/electrical component manufacturing and financial services sectors manage their relationships and to identify if, and why, any differences exist.

The Use of Relationship Management in Practice

In the current study relationship management is perceived as the process of efficiently and effectively allocating resources to different kinds of relationships. Companies may use one or more methods e.g. a formal documented system, personal judgement which are carried out formally and/or informally by an individual or a group.

Theory has highlighted the benefits of implementing relationship management for both suppliers and buyers (Fiocca 1982, Campbell and Cunningham 1983, Shapiro et al 1987, Turnbull and Wilson 1989, Krapfel et al 1991, Olsen and Ellram 1997, Turnbull and Zolkiewski 1997) which would suggest it would be a popular concept that companies would be keen to implement. However, there is very little information available on the number of companies that have established a relationship management system. In the USA Bain & Co.'s (2001) annual survey found only 35% (n=214) of the companies used customer relationship management. Yu's (2001) survey, also in the USA found only 29% (n=1,067) had established a customer relationship management system. Leek, Turnbull and Naudé's (2002a) survey in the UK found 69% of the companies sampled had some form of system for managing relationships. In Europe there has been a greater emphasis in academia on the importance of relationship

management that may explain why the rate of uptake of relationship management is considerably higher than in the USA.

Another interesting issue relates to the value and operational challenge of applying relationship management systems to different sectors, markets and organisations. The rate of uptake of managerial concepts may vary across industrial sectors not purely because they are different industrial sectors but because of the varying ratio of products and services being purchased. For example relationships may be of greater importance to service industries where predominantly intangible products are being bought and sold than in manufacturing industries where primarily tangible products are being bought and sold. Yet in a study by Turnbull and Moustakatos (1996a) only one third of the investment banks investigated used a formal methodology to assess the relationship potential of a customer, the rest analysed variables informally and intuitively. Yau et al (1999) investigated whether manufacturing and wholesale/retail companies were market oriented or relationship market oriented and they found manufacturing to be more inclined to be relationship marketing oriented than wholesale/retail industry, i.e. bonding, empathy, reciprocity and trust were more important than traditional marketing orientation variables to manufacturing companies.

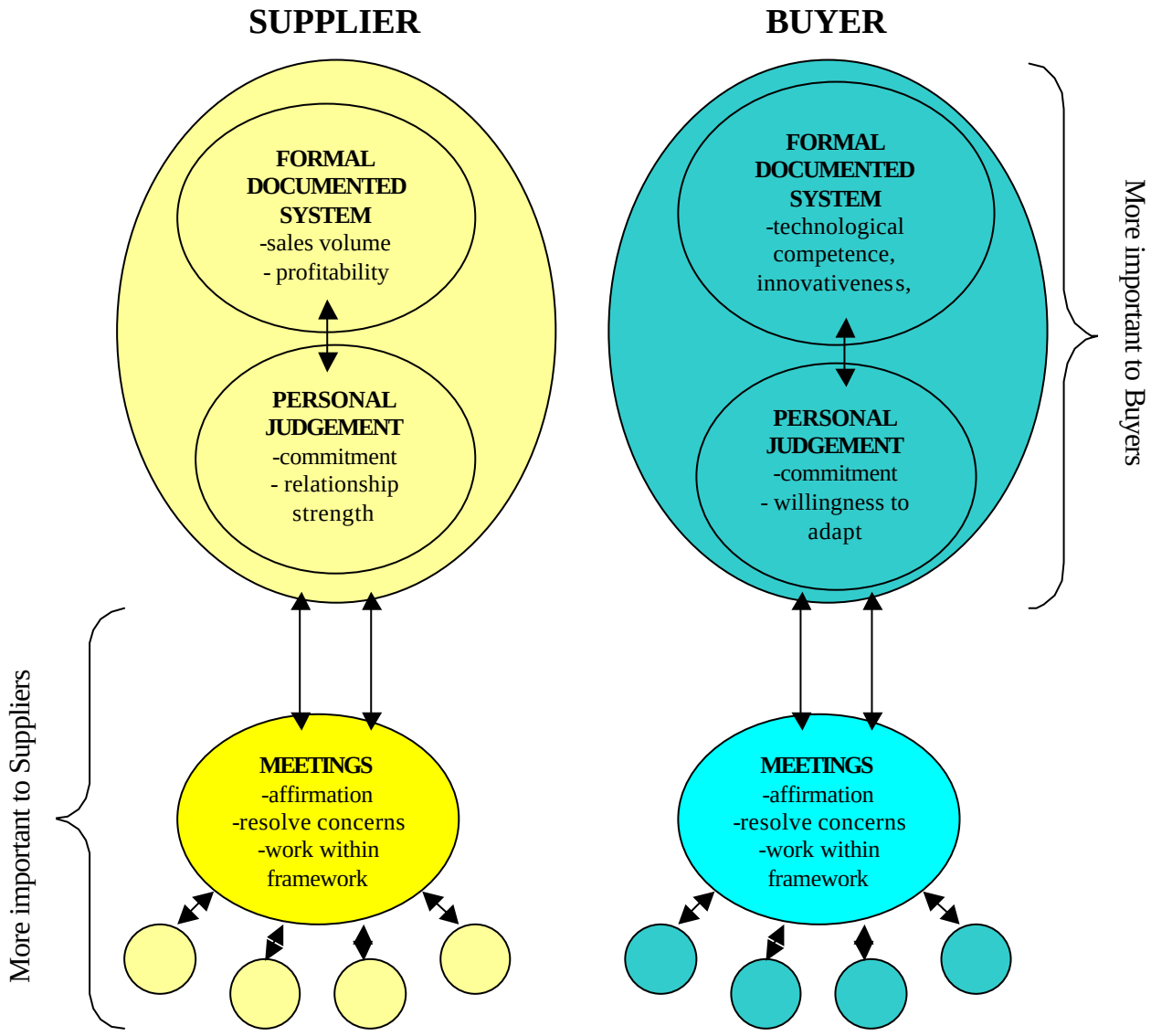
The Emerging Model

Leek et al (2002a) have proposed a model (Figure 1) based on a substantial empirical study, as an explanation of how suppliers and buyers approach the management of their relationships i.e. the methods and information they use for managing relationships. Essentially both suppliers and buyers use three methods for managing relationships: a formal, documented system, personal judgement and meetings. These are often used concurrently to enable information to be gathered from a variety of sources. The emphasis on each method differs between suppliers and buyers. Buyers generally found formal, documented systems and personal judgement more useful than suppliers who preferred meetings. Buyers may find it easier to implement a formal, documented system, as they have a number of objective and even quantifiable purchasing criteria that their suppliers have to meet. The suppliers' situation is more complex; they have to satisfy both their customers' needs and their own needs.

A formal system provides a relatively objective view of the relationship. Suppliers use it to assess the sales and profitability of their relationships whereas buyers use it to assess

technological competence, capability and innovativeness. Suppliers are concerned with ensuring they are making a profit whereas buyers in addition to their basic product also require additional qualities such as technological competence and innovativeness that may provide them with greater competitive advantage.

Figure 1
Suppliers and Buyers Management of Relationships



Personal judgement enables the person managing the relationship to take into account the subjective and contextual variables. Subjective variables include the relationship atmosphere, the importance of the relationship and a number of other intangible factors

influencing one or both partners. Commitment is important for both parties; suppliers want to retain their customers and buyers want to avoid the expense of changing suppliers. Reinforcing the desire to retain customers is the importance of relationship strength to suppliers. Buyers may want a physical demonstration of their suppliers' commitment to them that may be shown through their willingness to make adaptations. Contextual variables take into account company level variables and business environment variables.

Company level variables include activities outside the norm of the relationship e.g. a buyer may usually order a product which is a straight rebuy but on an exceptional occasion may order a totally new product i.e. a new task (Robinson, Faris and Wind 1967). Business environment variables include those factors which effect business in general e.g. inflation, exchange rates etc. Personal judgment allows this additional information to be incorporated.

Regular meetings serve a number of purposes. Firstly, they allow the people involved in the relationships to convey their perceptions and actions and have them positively affirmed by other company employees. Secondly, the meetings provide an arena for the main individual involved in the relationship or uninvolved individuals to voice their concerns. An individual may obtain a more objective perspective of an issue from an individual who is not involved in the relationship. The individual may also benefit from other people's experience of similar situations. On occasions an individual may be too close to a relationship to perceive where problems are arising. A third function of meetings is to ensure that individuals within the company are working within the same framework when managing relationships.

THE DIFFERENCES BETWEEN MANUFACTURERS AND FINANCIAL SERVICES AND THEIR MANAGEMENT OF RELATIONSHIPS

The emerging model highlights differences between suppliers and buyers approaches to managing relationships. However the different characteristics of various industrial sectors, particularly the auto/electrical manufacturing and financial services sectors, may lead to differences in how relationships are managed.

A fundamental difference between auto/electrical manufacturing and financial services is the degree of tangible and intangible elements e.g. in auto/electrical manufacturing

the tangible elements of the product dominate whereas with financial services intangible elements dominate. The product's mix of tangible and intangible qualities, affects how it is evaluated by customers. A product with predominantly intangible qualities is more difficult for buyers to evaluate than a tangible product; this issue needs careful consideration when marketers are deciding how to sell their products to buyers. With tangible products marketers often try to differentiate their product from their competitors by attaching intangible qualities that provide added value. With intangible services marketers often try to tangibilise elements of their service so buyers can evaluate it more easily e.g. they may aim to convey professionalism through uniforms, consistent use of a logo, membership of professional society (Rushton and Carson 1985). The differing degrees of tangibility and intangibility between the auto/electrical manufacturing and financial sectors will affect suppliers' offerings and buyers' requirements that will subsequently affect the management of relationships.

Morris and Fuller (1989) highlighted a number of broad variables that distinguish industrial services from services in general. They state that industrial services have more stable and practicable demand patterns, involve long term, ongoing relationships and a fairly formal buying process catered to meeting the customer's more precise service expectations. Although these characteristics may distinguish them from services in general they are ones which are often found between companies buying and selling products in industrial markets. For example buyers of industrial products may go through a formal decision making process when investing in expensive capital equipment for which they may have very precise requirements. Industrial product buyers also often have long term relationships with their suppliers (Hakansson 1982). In both sectors the development and management of relationships is important as it enhances the quality of product/service delivery (Hakansson 1982, Ennew and Binks 1996). Building effective and successful relationships can contribute significantly to customer satisfaction, loyalty and retention and thus to improved performance (Reicheld and Sasser 1990, Rust and Zahorik 1993).

A number of studies (Hutt and Speh 1985, Jackson and Cooper 1988, Hakansson and Gadde 1992, Eriksson and Hakansson 1993, Turnbull and Moustakatos 1996b, Zeithaml and Bitner 2000) have been carried out which have examined the criteria suppliers and buyers use to select and/or evaluate suppliers and buyers. Hutt and Speh (1985) stated

buyers use four categories of variables to evaluate suppliers, technical and production capability, managerial capability, financial condition and service capacity. Technical and production capability includes the adequacy of their equipment, production control, product quality and their complete product line. The managerial capability is the ability of the supplier to plan organise and control operations. The financial stability of the supplier includes an examination of their profit record, cash flow, credit rating etc. Service capacity examines the supplier's ability to comply with promised product specification including prompt delivery, response to customers' needs, price, sales representation, availability of credit, manuals and literature. Other qualities that purchasers may take into consideration include responsiveness, the supplier's reputation, price, the sales representation, personal relationships and location (Zeithaml and Bitner, 2000). These findings have largely arisen from the manufacturing sector but many are also applicable to the services sector. Turnbull and Moustakatos (1996b) found suppliers and buyers of financial services differed in how they rated the importance of selection criteria. The order of the three most important criteria for the suppliers were quality of available advice, evident understanding of the company's business and objectives and readiness to initiate new ideas and solutions whereas the quality of available advice dropped to third for the buyers. Turnbull and Moustakatos (1996b) also asked suppliers and buyers of financial services what constituted a good relationship. Both suppliers and buyers thought frequency of contact and trust and integrity were important, although frequency of contact was more important to the suppliers and trust and integrity were more important to buyers. Also whilst suppliers believed information sharing and customer loyalty was important, the buyers thought professional advice and knowledge of the industry and new ideas and information were important. Jackson and Cooper (1988) state industrial services are distinguished from consumer services by two characteristics, specialisation and technology. Industrial services, particularly investment banking, are characterised by their willingness to customise their product to suit their customers' needs. Buyers who are especially demanding and sophisticated can be very important in stimulating the bank to higher levels of service and product innovation (Turnbull and Moustakatos 1996b). However the same can often be said for industrial products, which are often developed and

produced specifically to meet a customer's requirements (Hakansson and Gadde 1992, Eriksson and Hakansson 1993).

Research also indicates that the quality of the main contact between the bank and its customer is the main yardstick against which customers judge their service performance (Turnbull and Moustakatos 1996b). Relationship managers must be also distinguished by their integrity, commitment, flexibility, seniority and ability to adjust their language to different audiences. Also the service needs to be consistent and reliable.

There are a number of relationship portfolio models put forward which suggest the variables suppliers and buyers should use to optimally manage their relationships. Whilst most of the models, Fiocca 1982, Campbell and Cunningham 1983, Shapiro et al. 1987, Krapfel et al. 1991, Olsen and Ellram 1997, Turnbull and Zolkiewski 1997) refer to managing customer relationships, the models of Krapfel et al (1991) and Olsen and Ellram's (1997) deal with managing supplier relationships. However the models vary in a number of ways: the actual variables used, the number of variables used, the number of steps in the analysis, and the recommendations for managing the various resulting categories of relationships.

RESEARCH OBJECTIVES

Relationship management is a tool that, at least in the UK, is used by the majority of companies (Leek et al 2002b). However, it is not clear whether the concept of relationship management is utilised to different degrees by suppliers and buyers in different industrial sectors. For example it might be hypothesised that in service industries, particularly in banking where intangible actions are performed on intangible assets, relationship management might be used more than in auto/electrical manufacturing where there is a tangible product, because the relationship may be the main way customers evaluate their satisfaction with the supplier. The use of the concept may also vary between buyers and suppliers; buyers may have a clearer set of criteria which they have to meet when selecting a supplier. Based on the literature review in the previous section three broad hypotheses were derived.

H1: The financial services sector is expected to be more likely to have a method for managing relationships than the auto/electrical manufacturing sector.

The methods of relationship management used may vary between sectors. In the auto/electrical manufacturing sector there is a physical product which will have a number of objective qualities e.g. performance, reliability etc. These objective variables may enable a formal, documented system to be used more often than in the financial services sector. The lack of physical qualities to assess in the financial services means they may use a subjective approach to managing relationships, relying more on personal judgement and meetings.

H2: Auto/electrical manufacturers are more likely to use a formal, documented system for managing their relationships than financial services.

Many of the variables used for assessing business relationships may be of importance to both industrial sectors but the degree of importance may vary between the suppliers and buyers in the two sectors, auto/electrical manufacturing and financial services.

H3: The variables perceived as being useful for managing relationships will differ between suppliers and buyers in financial services and auto/electrical manufacturing.

More specific hypotheses relating to the use of information for managing relationships are highlighted below,

H3a: Relationship variables e.g. commitment will be equally important to both suppliers and buyers in the auto/electrical manufacturing and financial services industry.

H3b: Sales/profitability related variables will be more important to suppliers, specifically the auto/electrical manufacturers than the financial services.

H3c: Technological variables will be more important to buyers, particularly financial services buyers.

H3d: Flexibility will be more important to buyers, particularly financial services buyers (Turnbull and Moustakatos 1996b).

H3e: A willingness to invest will be more important to buyers than suppliers, particularly auto/electrical manufacturers.

H3f: Variables such as strategic importance, growth rate and market share will be more important to suppliers, particularly manufacturers.

METHODOLOGY

This research was part of a larger international project that investigated the effect of various changes in the business environment on business relationships, and the results reported here are from a part of the work done in the UK. There are two stages to this research, semi-structured interviews followed by a postal survey. The initial use of a qualitative approach allowed the research instrument to be piloted, ensuring the clarity of the terminology and the relevance of the issues to the respondents. The quantitative research is based on a postal questionnaire to a sample of companies in the auto/electrical manufacturing sector and financial services, equally split between marketing managers and purchasing managers. Initially the respondents were asked whether they had a system for managing relationships and if it was totally informal, both formal and informal or very formal. Regular meetings, a formal documented system or personal judgement were highlighted in the qualitative stage as being the most common methods for managing relationships, therefore the respondents were asked to state whether they used these methods and to rate how useful they perceived them to be. The respondents were asked to rate how useful various information was when managing their relationships, on a five point scale from 1-Not at all useful to 5-Very useful. One hundred and six respondents completed the survey, a response rate of 7.9%. The sample consisted of 31 auto/electrical manufacturing suppliers, 19 financial services suppliers, 32 auto/electrical manufacturing buyers and 24 financial services buyers.

RESULTS AND DISCUSSION

This research highlights some interesting differences in how suppliers and buyers in different industrial sectors manage their relationships.

The Degree of Use of Relationship Management Systems

Financial services were more likely than auto/electrical manufacturers to have a system for managing relationships 78% (n=32) as opposed to 63% (n=39) (Pearson's chi square 2.643, df=1, p=0.104, n=103) which supports H1.

Some 78% of suppliers in the financial services have a system for managing relationships as opposed to 65% of suppliers in the auto/electrical manufacturing sector. The suppliers of a highly intangible service may place a greater emphasis on

understanding and meeting their customers' needs and providing greater customer satisfaction. Theoretically these aims are achieved through the use of relationship management systems to gather the relevant information and formulate their marketing strategy. Fewer auto/electrical manufacturing suppliers have a system for managing relationships. Manufacturers of a physical product may rely on emphasising its tangible qualities in order to sell it to the customer. They may be less concerned with delivering intangible qualities such as trust, technological competence, and their knowledge of their customers' business. They may not be fully aware that the development and emphasis of intangible criteria may be perceived as conveying competitive advantage by their customers.

Some 78% of buyers in the financial services have a system whereas only 61% of buyers in the auto/electrical manufacturing sector have a system. Auto/electrical manufacturing buyers generally purchase physical products and may have specific criteria e.g. quality standards that they have to meet. If a number of companies can meet the basic product specifications then they may use intangible characteristics to help select the companies they deal with which is where a relationship management system would be useful. Buyers of financial products have few physical criteria to help them decide who to deal with therefore they place greater emphasis on the intangible characteristics such as interactions with the supplier's employees when evaluating suppliers. Financial buyers greater emphasis on intangible qualities means they have a greater need to use relationship management tools to assess subjective qualities and aid their decision-making processes.

The Methods of Relationship Management

Use of the three methods of relationship management, personal judgement, a formal system and meetings, differed between the industrial sectors. Meetings and personal judgement were equally popular (89%) with manufacturers whereas meetings (100%) were the most popular with financial services. Manufacturers use more combinations of methods for managing relationships (6) than financial services (3). Whilst none of the financial services used only one method for managing relationships, 13.9% of the manufacturers used only one method. 41.7% of manufacturers used two methods of managing relationships, mostly meetings and personal judgement whereas only 15.4% of financial services used two methods (See Table 1).

Table 1: The Combination of Methods Used by Manufacturers and Financial Services

Method of Managing Relationship	Manufacturers			Financial Services		
	All	Suppliers	Buyers	All	Suppliers	Buyers
Meetings only	2.8%	5.9%	-	-	-	-
Formal documented system only	2.8%	-	5.3%	-	-	-
Personal judgement only	8.3%	11.8%	5.3%	-	-	
Meetings and a formal documented system	5.6%	11.8%	-	7.7%	-	14.3%
Meetings and personal judgement	36.1%	47.1%	26.3%	7.7%	8.3%	7.1%
Formal documented system and personal judgement	-	-	-	-	-	-
All three methods	44.4%	23.5%	63.2%	84.6%	91.7%	78.6%

The vast majority of financial services (84.6%) preferred to use three methods of managing relationships whereas less than half, (44.4%) of manufacturers used three methods (See Table 1). The greater degree of intangibility in financial services sector means that in relationship management, information is generally analysed using a greater number of methods. Primarily, there is the use of a formal system to provide the basis for a rational, standard decision-making process. Personal judgement is then used to incorporate the more subjective variables which may not be included in the objective, documented system. Finally, the results of these two information processing stages may be discussed by other team members in meetings to affirm the process, resolve potential problems and confirm the framework within which they are working. Manufacturers are less inclined to use a formal system for relationship management that may suggest less information is being processed, in a less systematic way. This could potentially be problematic in that it may lead to inappropriate allocation of their limited resources. Alternatively, the information being processed is objective, less ambiguous and readily analysed. Overall, the vast majority of manufacturers and financial services have both formal and informal elements for managing relationships. In both industrial sectors, totally informal systems were twice as popular as very formal systems.

No significant differences were found between auto/electrical manufacturers' and financial services' perceptions of the usefulness of the different relationship management methods (See Table 2).

Table 2: Manufacturers and Financial Services Perceptions of the Usefulness of Each Method of Managing Relationships.

Method of managing relationship	Regular meetings	Formal documented system	Personal judgement
Manufacturers	3.97 .78 (32)	3.53 .61 (19)	3.88 .75 (32)
Suppliers	4.00 .76 (15)	3.67 .52 (6)	3.79 .70 (14)
Buyers	3.94 .83 (17)	3.46 .66 (13)	3.94 .80 (18)
Financial services	4.08 .74 (26)	3.63 .77 (24)	3.48 .85 (23)
Suppliers	4.17 .72 (12)	3.27 .65 (11)	3.45 .93 (11)
Buyers	4.00 .78 (14)	3.92 .76 (13)	3.50 .80 (12)
One way ANOVA	NS	NS	NS

[1 –Not At All Useful, 2 – Not Very Useful, 3 – Quite Useful, 4 – Very Useful, 5-Extremely Useful]

Both financial services and auto/electrical manufacturers perceived regular meetings to be the most useful method. Meetings are popular for a number of reasons; they enable actions concerning relationships to be affirmed, they enable problems to be explored and the experience of others to be utilised and ensure the employees are all working to the same rules. However, financial services perceive formal, documented systems to be more useful than personal judgement whereas manufacturers found personal judgement to be more useful than formal documented systems.

These perceptions may once again be due to the degree of tangibility. Manufacturers may process less information, which is more objective therefore they use personal judgement. This method is less successful for financial services as they have more information which is subjective and difficult to process. Intangible information is quantified in some way in order to make it easier for relationship managers to process and differentiate the companies they are doing business with.

Suppliers' Relationship Management

The auto/electrical manufacturing and financial services suppliers differed considerably in their approach to managing relationships. 100% of the financial services suppliers use meetings and personal judgment whereas the most popular method with auto/electrical manufacturing suppliers is meetings (90%). Whilst 91.7% of the financial services suppliers use all three methods, only 23.5% of the auto/electrical manufacturing suppliers use all three methods (See Table 1). The most popular combination of methods amongst auto/electrical manufacturing suppliers is a combination of meetings

and personal judgement (47.1%). The demands of purchasers of intangible services may vary more than the demands of purchasers of physical products therefore the financial services suppliers use a greater number of relationship management methods to record and analyse the buyers' requirements with the aim of satisfying them both currently and in the future. Financial service suppliers may place more emphasis on establishing and maintaining good, personal relationships with their customers as this is a criterion they are evaluated on. As the financial services customers' requirements are more subjective, meetings may be used to eliminate individual suppliers' idiosyncratic judgements. Auto/electrical manufacturing suppliers are less likely to use all three methods of relationship management; their buyers' demands may be less variable therefore less attention is paid to collecting and analysing customer information. With a physical product auto/electrical manufacturing suppliers may perceive the satisfaction of their customers to be more straightforward, either they can provide the product required or not and even if adaptations have to be made, additional intangible services such as after care service may be perceived as less of a priority than in a purer service sector. All of the financial services suppliers use both formal and informal elements when managing their relationships. Whilst the majority of auto/electrical manufacturing suppliers have informal and formal elements (70%), 18% had a totally informal system and 12% had a very formal system. There are no significant differences between auto/electrical manufacturing and financial services suppliers' perceptions of usefulness of the relationship management methods. Suppliers in both sectors found regular meetings to be the most useful, followed by personal judgement and finally the formal, documented system (See Table 2). It is interesting that financial services have a greater tendency to use formal, documented system than auto/electrical manufacturing but both sectors rank it third out of the three methods.

Buyers' Relationship Management

The buyers also differed in their approaches to managing relationships but to a lesser degree. The most commonly used method for managing relationships for auto/electrical manufacturing buyers is personal judgement (94.7%) and for financial services buyers it is meetings (100%). Although the majority of buyers in both sectors used all three methods, the majority was greater for financial services than auto/electrical manufacturing. The second most popular combination of methods varied too, with

auto/electrical manufacturing buyers preferring meetings and personal judgement and financial services preferring meetings and a documented system.

In the auto/electrical manufacturing sector buyers perceived meetings and personal judgement as equally useful above a formal, documented system whereas in the financial sector regular meetings were perceived as the most useful, followed by a formal system, then personal judgement (See Table 2). The majority of auto/electrical manufacturing and financial buyers also combined formal and informal elements when managing relationships. 14% of financial buyers use an informal system compared to only 5% of auto/electrical manufacturing buyers and 7% of financial buyers use a totally formal system whereas no auto/electrical manufacturing buyers do.

Purchasing an intangible service as compared to a tangible product may differ in that with a product the buyer is aware of price per unit and the buyer knows exactly what they are going to receive, it is a concrete fact. Auto/electrical manufacturing buyers need to maintain a portfolio of supplier relationships in order improve the purchasing function and contribute to making a profit by obtaining the best deal possible. They need to know what products they can get from whom, at what price and whether the companies offer any added value. A buyer in financial services is taking a greater degree of risk, there is a certain amount of speculation, there is no concrete product with a concrete value. The degree of risk taken will depend on the information from their "suppliers". The suppliers will vary in their specialism and the reliability of the information they provide, therefore they have to have a good knowledge of the strengths and weaknesses of their suppliers in order to satisfy customers. Buyers in both sectors use all three methods for managing their relationships. When purchasing something intangible it may be more important to have information from a variety of different sources to eliminate the individual's idiosyncracies.

The Criteria Used for Managing Relationships

One-way ANOVA's were performed to investigate the differences between manufacturers and financial services and suppliers and buyers in the perceived usefulness of criteria they use when managing relationships.

Relationship variables are generally not equally important to auto/electrical manufacturing and financial services suppliers and buyers. For commitment there is a significant interaction between industry sector and suppliers and buyers. Financial

service suppliers require more commitment than auto/electrical manufacturing suppliers. Auto/electrical manufacturers may be less concerned about commitment from their customers for one of two reasons, either the product they provide may be quite specialised so that the customer would find it difficult to obtain elsewhere or their product is generic and required by a large amount of companies so they do not be concerned about a particular company's commitment. Competition in the financial services sector may be high, so suppliers desire companies who are committed. Auto/electrical manufacturing buyers require commitment more than financial services buyers. This requirement is possibly due to the demand, manufacturing buyers may require a constant supply of the product which requires a commitment fom the supplier to provide the product at the quality required at the time required etc. However with financial products the nature of the demand is different, they are not required for the manufacture of an end product rather they may only be required intermittently e.g. insurance. Difficulty managing the relationship was more useful to buyers than suppliers. Buyers may have high expectations from their suppliers in terms of their adaptability and providing added competitive advantage without too many problems. Suppliers may be more accepting of difficult relationships if they are the party doing the majority of the adapting etc.

Table 3: Differences Between The Perceived Usefulness of Variables Used in Managing Relationships. (Mean, standard deviation, sample, ranking)

Various Types of Information	Manufacturers	Manufacturers		Financial Services	Financial Services		ANOVA
		Suppliers	Buyers		Suppliers	Buyers	
Sales volume	4.17 .77 (n=36) **1**	4.35 .49 (17) **1**	4.08 .76 (n=25) **2**	4.00 .94 (19) **5**	4.25 .62 (12) **3**	3.92 .86 (13) **8**	
Commitment to us	4.14 .90 (n=36) **2**	3.82 .73 (17) **=5**	4.15 .61 (n=26) **1**	4.42 .96 (19) **2**	4.33 .49 (12) **2**	4.00 .68 (14) **=5**	P .051 .822 S/B .505 P*S/B 5.590 .021*
Profitability	4.06 .71 (n=36) **3**	4.18 .73 (17) **2**	3.92 .86 (n=25) **=5**	3.95 .71 (19) **=6**	4.36 .81 (11) **1**	3.57 .76 (14) **13**	P. .236 .629 S/B 6.918 .011* P*S/B 2.103 .153
Willingness to adapt to our requests	4.03 .95 (n=35) **4**	3.37 .89 (16) **9**	4.00 1.04 (n=25) **4**	4.58 .61 (19) **1**	3.55 1.37 (11) **10**	4.36 .50 (14) **1**	P. .013 .909 S/B 20.335 .000** P*S/B .770 .384
Relationship strength	3.89 .79 (n=36) **5**	4.00 .71 (17) **4**	3.81 .94 (n=26) **=7**	3.79 .85 (19) **9**	4.00 .85 (12) **5**	3.64 1.01 (14) **11**	
Strategic importance	3.83 .85 (n=36) **6**	3.82 .81 (17) **=5**	3.81 .94 (n=26) **=7**	3.84 .90 (19) **8**	3.75 .97 (12) **=7**	3.86 .95 (14) **9**	
Technological competence and innovativeness	3.78 1.07 (n=36) **7**	3.35 .86 (17) **=10**	3.79 1.02 (n=24) **=9**	4.16 1.12 (19) **3**	3.10 1.10 (10) **14**	4.29 .61 (14) **2**	P .062 .805 S/B 15.638 .000** P*S/B .572 .453
Investment in us	3.74 1.15 (n=35) **8**	3.50 1.10 (16) **7**	3.92 .88 (n=24) **=5**	3.95 1.18 (19) **=6**	3.75 1.06 (12) **=7**	4.08 .67 (12) **4**	
Growth rate	3.69 .86 (n=36) **9**	4.06 .66 (17) **3**	3.79 .88 (n=24) **=9**	3.37 .90 (19) **12**	3.82 .87 (11) **6**	3.77 .93 (13) **10**	
Technological capability	3.69 1.09 (n=36) **10**	3.24 .90 (17) **13**	3.63 .97 (n=24) **12**	4.11 1.10 (19) **4**	2.90 .99 (10) **15**	4.14 .53 (14) **3**	P .370 .546 S/B 18.619 .000** P*S/B .580 .450
Cost to serve	3.61 .93 (n=36) **11**	3.47 .80 (17) **8**	4.04 .81 (n=24) **3**	3.74 1.05 (19) **10**	4.10 .74 (10) **4**	4.00 .88 (14) **=5**	P. 3.519 .066 S/B .122 .728 P*S/B .592 .445
Difficulty of managing the relationship	3.28 .81 (n=36) **12**	3.12 .60 (17) **14**	3.58 .99 (n=26) **13**	3.42 .96 (19) **11**	3.17 1.11 (12) **13**	3.93 .73 (14) **7**	P. 1.570 .215 S/B 5.751 .020* P*S/B 1.065 .306
Commonality of interest	3.14 1.02 (n=36) **13**	2.94 .83 (17) **15**	3.64 .85 (n=22) **11**	3.32 1.16 (19) **13**	3.70 .82 (10) **9**	3.58 .90 (12) **12**	P. 3.855 .055 S/B .243 .624 P*S/B .883 .352
Market share	3.11 .85 (n=36) **14**	3.35 .70 (17) **=10**	3.35 .93 (n=23) **14**	2.89 .94 (19) **=14**	3.20 .92 (10) **12**	3.46 .97 (13) **14**	
Age of the relationship	3.11 .95 (n=36) **15**	3.35 .79 (17) **=10**	3.12 .91 (n=26) **15**	2.89 1.05 (19) **=14**	3.25 1.14 (12) **11**	3.00 .68 (14) **15**	

Profitability was significantly more important to suppliers than buyers as expected. However there was no difference between industries. The suppliers' primary concern is profitability as the volume they sell and retaining large profit margins directly contributes to the size of the profit. For buyers profitability is a secondary consideration, as they firstly have to obtain the required products and it is only if a number of suppliers offer similar products can they negotiate the price or product package and save some money. There is no significant difference between the groups' perceived usefulness of sales/purchase volume

Technological competence, innovativeness and capability are more important to buyers than suppliers as expected as they require them from suppliers to provide them with competitive advantage. Although there is no significant difference between the industries, in terms of ranking, these variables have a higher ranking from financial buyers than auto/electrical manufacturing buyers. When assessing a supplier, in a service industry where there is no tangible product IT may be one of the major aspects that is examined as it is important for maintaining the communication flow and sharing of knowledge whereas in the auto/electrical industry the main aspect examined is the performance and quality of the tangible product.

As expected a willingness to adapt to requests is significantly more important to buyers than suppliers. This quality will convey competitive advantage to the buyer and will help them to distinguish between suppliers making similar products. Although there is no significant difference between industries, in terms of the ranking willingness to adapt is more important to financial buyers as expected.

No significant differences were found for the variables, strategic importance, growth rate and market share. However, in terms of the rankings they were more important to the suppliers, particularly the auto/electrical manufacturing suppliers. These variables will show the manufacturing suppliers where they should be aiming their marketing efforts.

The Criteria Manufacturer and Financial Services Suppliers Use for Managing Relationships

There is considerable similarity between the five most useful variables that financial services and auto/electrical manufacturing suppliers use when managing their

relationships. They both use sales volume, profitability, relationship strength and commitment but the ranking differs (See Table 3). Manufacturers also use growth rate and strategic importance whereas financial services use cost to serve.

Commitment is more important to financial services suppliers (the second most useful variable) than auto/electrical manufacturing suppliers (equal fifth most useful variable) the reasons for this have been discussed above.

Sales volume may be more directly related to profitability in auto/electrical manufacturing than financial services i.e. the bigger the volume sold the greater the profitability which is why it is the most useful variable to auto/electrical manufacturing suppliers (See Table 3). In financial services however, profitability is the most useful (See Table 3), some products may yield more profit than others, e.g. pensions may yield more profit than insurance, floatation of a company may yield more profit than setting up a company's pension scheme. The possibility of a more direct relationship between sales volume and profitability in auto/electrical manufacturing may explain why growth rate is also more useful to manufacturers than financial services. If the customer company is likely to grow then the opportunity for additional business is likely to grow, which may not necessarily be the case for the customer of a financial services supplier, e.g. a companies demand for an insurance policy will not increase if it grows.

Relationship strength is important to both manufacturers and financial services, both sectors want strong relationships as it is more economical to retain customers than obtain new ones (See Table 3).

The Criteria Manufacturer and Financial Services Buyers Use for Managing Relationships

There is considerable similarity between the variables that buyers in the auto/electrical manufacturing industry and financial services find useful for managing relationships (See Table 3). Both think commitment is very useful, however manufacturers think it is more useful than financial services. Buyers in auto/electrical manufacturing may require the continuous physical delivery of a high quality product on time, week after week that will require commitment from the supplier. Late delivery, a drop in quality, lowering of standards in any area may indicate that the supplier is putting another company first or that they are generally not bothered about retaining their custom. These problems increase the cost to deal with the supplier in terms of the time buyers spend resolving

them. Cost to deal with the suppliers is also important to both but particularly to the manufacturers as they are dealing with a physical product that has to meet specific criteria. Willingness to invest is an indicator of commitment and is important to buyers in both sectors.

A willingness to adapt to requests is useful to buyers in both sectors but buyers in the financial sector find it more useful not surprisingly as it has been highlighted as very important in previous research (Turnbull and Moustakatos 1996a).

Buyers in auto/electrical manufacturing think purchase volume and profitability are more useful than financial services that think technological competence, innovativeness and technological capability are more useful (See Table 3). As an intangible service is being performed with intangible assets in financial services, purchasing volume is not an important criterion for buyers when determining what suppliers to deal. Profitability is another variable that is more useful to manufacturers than financial services as the profit may be more readily calculable for a tangible product than an intangible one.

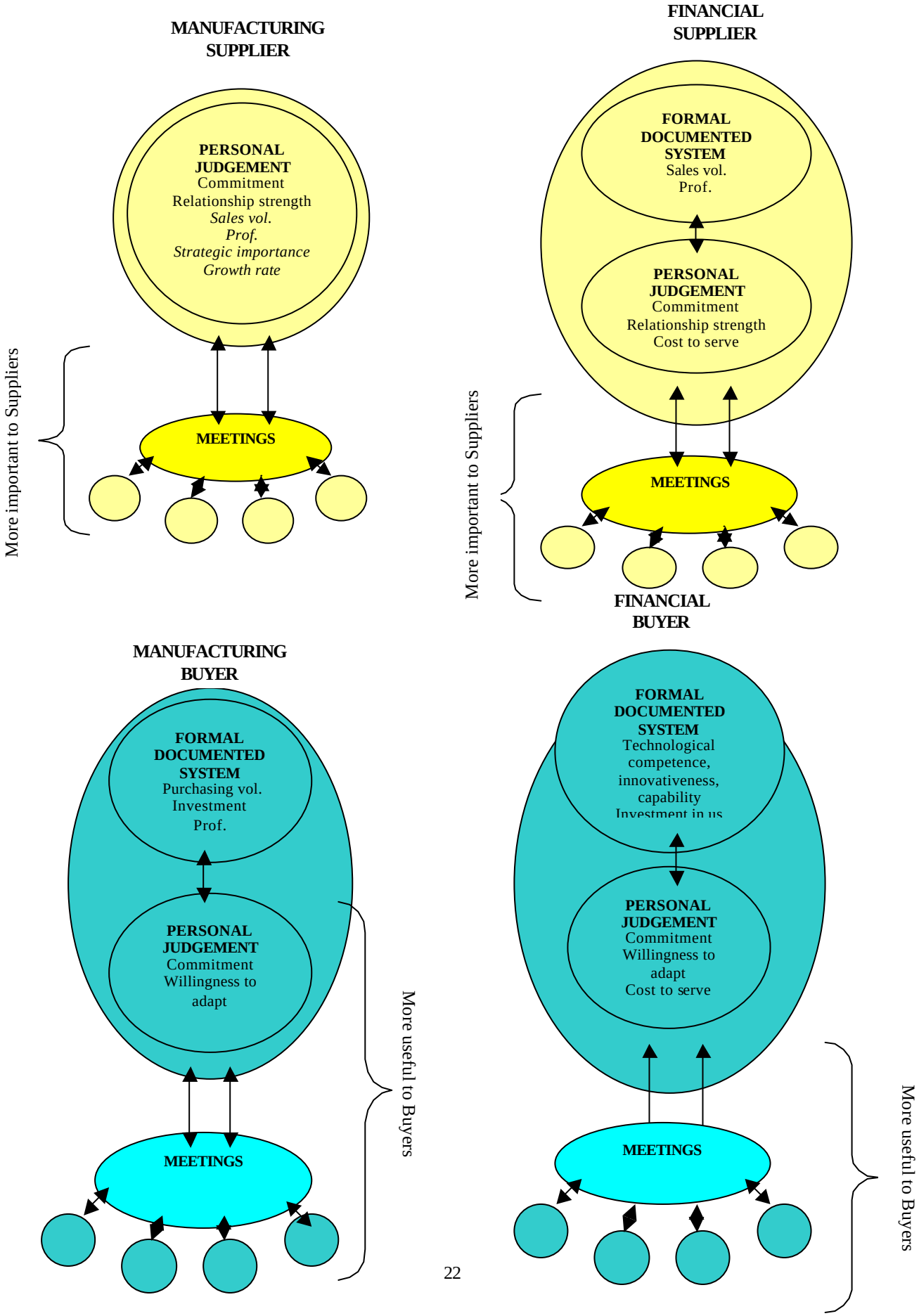
IT has improved the speed and accuracy of communication and these qualities may be perceived as being progressive, increasing efficiency etc that financial services buyers want from their suppliers. Auto/electrical manufacturing buyers may concentrate their assessment of suppliers primarily on the physical product rather than on intangible asset.

AUTO/ELECTRICAL MANUFACTURING AND FINANCIAL SERVICES SUPPLIERS AND BUYERS MANAGEMENT OF RELATIONSHIPS

Taking into account the information that has been obtained for suppliers and buyers in both the financial services and auto/electrical manufacturing sectors an overall diagram can be assimilated detailing the similarities and differences in how they manage their relationships (See Figure 2).

For both auto/electrical manufacturing and financial services suppliers a number of methods of managing relationships are used as a method of triangulating their data. Financial services use a greater number of sources of data probably due to the nature of their business i.e. intangible services being performed on intangible assets. Objective variables tend to be used more by auto/electrical manufacturing suppliers than the financial service suppliers who do use a formal system to process their information.

Figure 2: The Differences Between Auto/Electrical Manufacturing and Financial Services Suppliers and Buyers in their Management of Relationships.



The concept of relationship management may be easier to implement for both auto/electrical manufacturing and financial services buyers as they have specific criterion to meet, which may be laid out in a formal document. Both sectors use all three methods, finding meetings to be very useful. However whilst financial services buyers find formal documented systems to be very useful auto/electrical manufacturing buyers find them slightly less useful. The auto/electrical manufacturing buyers seem to be more concerned with satisfying their need for straightforward profitability whereas the financial services buyers are more concerned with gaining additional competitive advantage through technological capability, competence and innovativeness.

CONCLUSION

Considerable differences emerge between how suppliers and buyers in auto/electrical manufacturing and financial services manage their relationships in terms of the methods and the variables used. In both sectors the suppliers are driven mainly by obtaining a profit for their company as are the auto/electrical manufacturing buyers. The financial buyers do place less emphasis on profitability and a greater emphasis on the characteristics that may convey a competitive advantage. Both financial and auto/electrical manufacturing buyers require commitment and a willingness to adapt and the financial buyers being particularly interested in technological competence, innovativeness and capability. IT is going to be vital for them in dealing with other financial companies where time is important, and tracking prices of stock and shares etc. Interestingly the variables that financial buyers use when deciding what suppliers to deal with are largely subjective.

Future Research

This research has highlighted a number of areas meriting further investigation,

- The majority of financial services suppliers and buyers and auto/electrical manufacturing buyers use formal documented systems for managing relationships. However only a third of auto/electrical manufacturing suppliers use a formal system. Further research could be used to investigate why use is more predominant in the financial services than auto/electrical manufacturing and why buyers are more inclined to use a system more than suppliers, especially in auto/electrical manufacturing.

- A number of theoretical models have been developed for managing customer and supplier portfolio of relationships. The formal models actually used by companies could be examined to reveal what information is used by companies and how it is assimilated, what weightings are given to what criteria and used in decision making and these findings could be compared to academic theory.

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