

## **Managing Business-to-Business Relationships: An Emerging Model.**

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## **Abstract**

During the last twenty years a number of researchers have addressed the issue of relationship management in business to business (B2B) markets (Fiocca 1982, Campbell and Cunningham 1983, Shapiro et al 1987, Krapfel et al 1991, Olsen and Ellram 1997, Turnbull and Zolkiewski 1997). All of these have postulated that portfolio theory is a useful theoretical approach to the analysis, categorisation and management of supplier-customer relationships. Despite this, there has been relatively little empirical research reported that informs other researchers, academic or managerial, about the reality of relationship management. It is currently not clear what methods companies actually use for managing relationships or whether they include a formal, academic system. At the moment it is not known how systems for managing relationships, academic or otherwise, are physically put into practice within companies. Turnbull and Topcu (1994), Yorke and Droussiotis (1994), Zolkiewski and Turnbull (2002) have presented interesting research studies and discussion on the academic theories but further research and discussion is needed to give additional insight into the challenges of relationship management in practice.

The aim of this paper is to investigate,

- How widespread the use of relationship management is among British companies
- What kind of systems have been adopted
- The nature of the criteria used by managers for analysing relationships

The findings of the research indicate that the great majority of companies have some form of relationship management system but of varying degrees of formality. About two thirds have implemented a formal, documented system based on “hard” data, but 90% also rely on subjective and informal analysis. We also find that buyers are more likely to have a formal,

documented system than suppliers; who tend to depend more on personal judgement in their interactions with customers.

The information used for relationship management system and judgement varied widely between companies and was different from that proposed in the portfolios postulated in academic literature.

## **Introduction**

Since the early work of the IMP group (Hakansson 1982, Turnbull and Cunningham 1981) 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 retail markets, with the resulting emphasis on customer relationship marketing (CRM).

The original IMP research was based essentially on dyadic relationships (Hakansson 1982) but later recognised the importance of analysing and managing a diverse array of dyadic relationships in the network of relationships within which a supplier or purchasing company exists (Turnbull 1989, Easton 1992). Relationship portfolio analysis emerged as one way of operationalising the challenges of managing the range of customer or supplier relationships (Fiocca 1982, Campbell and Cunningham 1983, Shapiro et al 1987, Krapfel et al 1991, Olsen and Ellram 1997, Turnbull and Zolkiewski 1997). Central to the models and approaches postulated was the need for companies to allocate resources efficiently and effectively to different kinds of relationships. Clearly, new and developing relationships will require different resource inputs compared to mature or declining relationships (Ford 1980). A parallel between product portfolio models and product life cycle concepts can easily be seen (Zolkiewski and Turnbull 2001). There are also conceptual similarities with market segmentation. The central benefits of relationship portfolio management can be seen at both the micro-operational level – efficient management of the existing portfolio – and at the macro/strategy level – planning the acquisition and development of new relationships (Turnbull and Valla 1986).

Although there has been considerable theoretical development in the area of relationship portfolio management the aim of this paper is to investigate whether the concept is actually being used by practitioners. Specifically, it investigates the methods that are being used to

manage relationships, the information practitioners use and how useful the concept is to practitioners.

### **The Use of Relationship Management in Practice**

The fact that theory has highlighted the various benefits of relationship management to both suppliers and buyers would suggest that it would be a popular concept which companies would be keen to implement. However, very little information is available on the number of companies which have actually implemented a relationship management system. In America Bain & Company's (2001) annual survey of management tools has only recently included questions relating to relationship management, questions regarding One-to-One Marketing were introduced in 1999 and questions relating to relationship marketing or more specifically Customer Relationship Management (CRM) were only initially mentioned in 2000 whereas other management tools such as Customer Satisfaction and Customer Segmentation have been included since the survey was started in 1993. Other relationship management tools which are notably absent from the survey are Key Account Management and Portfolio Analysis.

The lack of interest in relationship management is reflected by the fact that only 35% of the companies surveyed used customer relationship management (Bain & Co. 2001). Yu's (2001) survey, also in the USA, found only 29% of companies had established a CRM system. No figures were readily available for the use of relationship management tools in the UK but they are anticipated to be higher than in America due to the differing research perspectives in Europe. The concept of relationship management and the fact that all interactions between companies are not purely transaction based was developed by the European IMP research group (Hakansson 1982) and has not gained much academic credence in America until recently when it was adopted as "relationship marketing". There may be other reasons as to

why relationship management tools are not widely used. With the amount of research that has been performed on relationship management, the lack of use of the concepts that have been developed may be down to a failure to transfer knowledge from academics to practitioners or poor communication between academics and practitioners. Brennan and Turnbull (1999, 2000) and Easton (2000) have questioned the relevance of academic work in general to the practitioner. Companies may prefer to rely on tried and trusted management tools which have been in use for some time and yield more tangible results. Bain & Co. (2001) found the tools with the highest usage rates are the ones which have been included in their survey since its inception i.e. strategic planning and benchmarking are used by 76% and 69% of the companies respectively. Despite the lack of use of new tools such as CRM, 73% of companies want to remain up to date with management tool development.

### **An Overview of the Relationship Management Models and Their Problems**

The idea behind all these relationship portfolio models is that the collection and analysis of defined information relating to the relationships will enable the management to decide how best to manage each relationship or each cluster of relationships. Table 1 summarises the variables used in the most common models.

Table 1: A Comparison of the Main Variables Used in Portfolio Models. (Zolkiewski and Turnbull 1999)

Variable	Fiocca (1982)	Campbell & Cunningham (1983)	Shapiro et al (1987)	Krapfel, Salmond and Spekman (1991)	Olsen & Ellram (1997)	Turnbull & Zolkiewski (1997)
Strategic importance	✓				✓	
Difficulty managing relationships	✓				✓	
Attractiveness	✓	✓			✓	
Strength of relationship	✓				✓	
Growth rate of customer's market		✓				
Competitive position		✓				
Net price			✓			✓
Cost to serve			✓			✓
Interest commonality				✓		
Relationship value				✓		✓

There are a number of problems with the academic models.

It can be observed from Table 1 that the variables used in each of the models varies and the inclusion or omission of certain variables may lead to criticism (Yorke and Droussiotis 1994, Zolkiewski and Turnbull 2000, 2002). Variables included in the models are often composites of “sub-variables” e.g. Fiocca’s (1982) variable “*strategic importance*” is defined in terms of a number of other variables including “*the potential of the account*” and “*the prestige of the account*”. Shapiro et al’s (1987) variable “*cost to serve*” and Krapfel et al’s (1991) variable “*relationship value*” are also both composites. Many of the variables used in the models are subjective which creates problems with their definition and measurement (For further discussion see Leek and Turnbull 2001). Turnbull and Topcu (1994) tested Fiocca’s (1982) model using data from a Turkish minerals manufacturer with two different definitions of

“difficulty managing the account” and found the two interpretations resulted in significant disparities between the categorisations of customers.

The models not only differ in the variables they use but also in their construction which consequently leads to differing numbers of relationship categories being created, for example Turnbull and Zolkiewski’s (1997) model identifies eight categories of relationships and both Shapiro et al’s (1987) model and Krapfel et al’s (1991) model produce four types of relationship. The principle objective of portfolio models is to categorise the relationships in order to enable the manager to determine a strategy for improving their business. Only a few of the models (Krapfel, Salmond and Spekman 1991, Olsen and Ellram 1997) provide any guidance on what to do with the information that results from carrying out the portfolio analysis. The action plans suggested by the models are inevitably vague as without the details of a specific company, its aims and its relationships it is impossible for academics to devise models that provide prescriptive advice.

Although academia has put forward these models, little is known about the reality of implementing and using a system for managing relationships. It is not clear whether practitioners use the same variables as academics or whether they use a similar number of variables. It is also unknown how practitioners combine the information, whether they use one or more stages for processing the information or how they use the results. Current research does not reveal whether suppliers and buyers have the same approach to relationship management or whether they differ on any aspects of relationship management. In summary then, the current situation is that despite the extant theoretical and empirical work in the field of relationship portfolio modeling there is still much further work needed to clarify the most appropriate measurement/analysis of variables and the associated managerial process. Until this is done the practicality of the concept must remain suspect.

## **The Value of Relationship Management in Practice**

Despite the problems of establishing a relationship management system many companies are using the concept for customer and supplier analysis and planning. It is therefore important to determine how useful and successful managers have found the approach. Bain & Co. (2001) found CRM achieved a mean satisfaction rating of 3.67 on a five-point scale which implies a reasonable level of satisfaction. However, out of twenty-five management tools, twenty-one of them obtained higher satisfaction scores than CRM. Customer relationship management also had the fifth highest defection rate with an 18% decrease in the number of companies using it from 2000 to 2001. The main reason for this high defection rate is the fact that companies find customer relationship management difficult to implement, rather than problems with the concept itself.

## **Research Approach**

As there is so little information on how companies deal with the practicalities of managing relationships, this research was designed to try and shed some new light on this area. Our objectives were,

- To determine how widespread the use of formal, portfolio relationship management systems is.
- To identify the methods used to manage the relationships
- To determine what information is used by both buyers and suppliers to monitor the relationships.

The research reported here is part of a wider international project investigating changes in the environment affecting business interactions and relationships, and we report here the results from part of the work done in the UK only. 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 component manufacturers and financial services, equally split between marketing managers and purchasing managers. The survey contained a number of questions which addressed the management of relationships over three time periods, 4-5 years ago, currently and 4-5 years in the future. Initially the respondents were asked to rate both how closely they monitored their relationships and also how difficult they find managing relationships. They were then asked to rate their agreement or disagreement with eight attitude statements about business relationships. Further questions concerned whether respondents had a system for managing relationships, its degree of formality, the methods used, the system's perceived usefulness, and finally the perceived usefulness of a number of variables in managing relationships.

## **Results**

A total of 104 questionnaires were returned, 51 from suppliers and 55 from buyers. Of the sample, 69% (31 suppliers, 34 buyers) reported that they did have a system for managing relationships, with no significant difference between buyers and sellers. While the fact that 31% of companies have no system for managing relationships is cause for concern, even more so is that fact that the systems in place tend not to be very formal. Only 1 buyer and 2 suppliers reported having very formal systems, with the great majority, over 80% in both cases, using a mixture of formal and informal systems. Totally informal systems were used by 13% of suppliers and 9% of buyers.

As shown in Table 2, there is a high degree of similarity between buyers and sellers in terms of the methods that they employ to manage their relationships. The earlier qualitative interviews suggested that meetings, formal documented systems, and personal judgment were the most likely methods to be used, and these were tested in the questionnaire. It can be observed that the use of regular meetings and personal judgment is almost universal, with fewer companies making use of a formal documented system.

**Table 2**  
**The Methods of Managing Relationships**

	<b>Regular meetings</b>		<b>Formal documented system</b>		<b>Personal judgement</b>	
	<b>Use</b>	<b>Do Not Use</b>	<b>Use</b>	<b>Do Not Use</b>	<b>Use</b>	<b>Do Not Use</b>
General	93.7%	6.3%	69.8%	30.2%	90.5%	9.5%
Supplier (n=31)	93.5%	6.5%	58.1%	41.9%	90.3%	9.7%
Buyer (n=34)	94.1%	5.9%	79.4%	20.6%	91.2%	8.8%

The universal appeal of regular meetings and personal judgment raises two interesting issues. On the one hand, the use of personal judgment suggests that the evaluation of relationships is a solitary process, in the hands of possibly just a single decision maker, implying that other factors are involved including experience and “gut feeling.” On the other, the use of regular meetings by both suppliers and buyers suggests that a number of individuals are involved in the decision making process. This in turn raises wider issues of group decision-making and the role of group dynamics in reaching decisions (Islei et al, 1999; Naudé et al, 2000). The importance of this is exacerbated by the fact that while the most common approach to managing relationships is to combine all three approaches, the next most commonly used approach is to combine group meetings and personal judgment, excluding formally, documented systems. We return to this essential duality of managing relationships – the role of the individual and the role of the group – in more detail later.

In addition, it was surprising to find that formal, documented systems were seen by both buyers and sellers as being the least useful approach (scoring 3.57 out of 5) of the three approaches. Regular meetings were seen as most useful (4.0), better than personal judgment (3.73).

When thinking longitudinally, Table 3 shows that that, overall, companies with systems have become increasingly aware of the importance of managing their relationships with suppliers/buyers and they expect this task to become more important in the future. Interestingly, buyers with systems tend to monitor their relationships with their suppliers more closely than suppliers with systems monitor their relationships with their buyers. This may be due to suppliers believing “the more customers, the greater the profit” whereas buyers have always had to monitor their relationships with their suppliers to make sure they do not overspend and to obtain the most competitive advantage from them.

**Table 3  
The Degree of Monitoring Relationships in the Past, Present and Future.**

	<b>Monitoring relationships 4-5 years ago</b>	<b>Now</b>	<b>Monitoring relationships 4-5 years in the future</b>
Suppliers with a system	2.26	3.34	4.62
Buyers with a system	2.76	3.95	4.65

[1-We rarely monitor our relationships, 2-We don't closely monitor our relationships, 3-We monitor our relationships, 4-We monitor our relationships closely, 5-We monitor our relationships very closely]

As Table 4 shows, generally the respondents with systems perceive a slight decrease in the difficulty of managing relationships from the past through the present to the future. Suppliers generally found relationships more difficult to manage than buyers.

**Table 4**  
**Past, Present and Future Perceived Difficulty in Managing Relationships**

	<b>Difficulty Managing relationships 4-5 years ago</b>	<b>Now</b>	<b>Difficulty Managing relationships 4-5 years in the future</b>
Suppliers with a system	2.68	2.53	2.16
Buyers with a system	2.31	2.16	2.08

[1- Not At all Difficult, 2 – A Little Difficult, 3 – Difficult, 4 – Very Difficult, 5 –Extremely Difficult]

The monitoring of relationships increased from 4 to 5 years ago through to the present and is anticipated to increase in the future and at the same time the difficulty of managing relationships decreased from 4 to 5 years ago to the present and is expected to continue to decrease in the future. The monitoring of relationships may have caused the decreasing perceived difficulty in managing relationships. As managers have increasingly monitored their relationships they have a greater degree of knowledge which provides them with a more informed basis on which to make decisions regarding their relationships. Of course other factors such as information technology may be contributing to making relationships easier to manage through increasing the speed and ease of information exchange.

**Table 5**  
**The Usefulness of Various Types of Information**  
(score out of 5, rank order of scores also given)

<b>Usefulness of Various Types of Information</b>	<b>Overall Usefulness</b>	<b>Suppliers' usefulness</b>	<b>Buyers' usefulness</b>	<b>t-test sig</b>
Sales/purchasing volume Rank Order	4.14	4.35 1	3.94 6	.031*
Difficulty of managing the relationship	3.44	3.13 14	3.62 11	.024*
Strategic importance	3.81	3.81 6	3.85 7	.829
Relationship strength	3.82	3.95 4	3.71 10	.288
Profitability	4.04	4.29 2	3.71 9	.013*
Cost to deal with the customer/supplier	3.77	3.75 7	3.83 8	.778

Commonality of interest	3.29	3.21 11	3.41 13	.422
Supplier's/customer's market share	3.17	3.21 12	3.15 14	.811
Supplier's/customer's growth rate	3.76	3.91 5	3.55 12	.099
Technological capability	3.68	3.10 15	4.12 4	.000**
Technological competence and innovativeness	3.71	3.14 13	4.21 3	.000**
Age of the relationship	3.11	3.26 10	2.91 15	.132
Commitment to us	4.11	4.05 3	4.21 2	.387
Investment in us	3.77	3.60 8	3.97 5	.172
Willingness to adapt to our requests	4.0	3.52 9	4.44 1	.000**

[1-Not at all useful, 2- Not very useful, 3-Quite useful, 4-Very useful, 5- Extremely useful]  
[\* sig at the 0.05 level; \*\* sig at the .01 level]

Suppliers are primarily driven by economic factors i.e. sales volume, profitability and commitment when determining who they should deal with. As stated previously they seem to perceive “the more customers the better” is the approach to take rather than a relationship portfolio approach. Buyers are more concerned with taking a relationship approach. As well as the basic product, they want added value in the form of the supplier's technological capability, technological competence and innovativeness and willingness to adapt which will provide them with a competitive advantage. Commitment is important to both suppliers and buyers, suppliers because they want to retain their customers and continue to make a profit and buyers because they want suppliers who require their business enough to meet their extra demands.

**Table 6**  
**The Suppliers' and Buyers' Perceptions of Relationships.**

	<b>Supplier</b>	<b>Buyer</b>	<b>t-test sig.</b>
We find that our relationships are increasingly complex.	3.84	3.49	.042*
We have a portfolio of different kinds of	4.16	3.91	.138

customers/suppliers.			
Managing relationships internally is increasingly difficult.	3.69	3.45	.214
Relationships are requiring ever more investment.	3.90	3.31	.001**
Relationships are becoming less friendly.	2.96	2.76	.300
We are constantly faced with new sources of competition.	4.00	3.48	.005**
Our customers/suppliers are increasingly prepared to cut out the middle man.	3.50	3.54	.834
Understanding our customers'/suppliers' culture is becoming increasingly important.	4.22	4.02	.085

[1-Strongly disagree, 2-Disagree, 3-Neither agree or disagree, 4-Agree, 5-Strongly Agree]

Suppliers feel that they are constantly faced with new sources of competition. The greater competition leads the suppliers to be more willing to invest in buyers in order to retain them which in turn leads suppliers to be significantly more likely to perceive relationships as being increasingly complex. Complexity is greater for the suppliers as they not only have to satisfy their customers' product needs and added value requirements but they have to ensure they are making a profit themselves.

Both suppliers and buyers agreed they have a portfolio of different kinds of relationships. Suppliers and buyers were both fairly neutral concerning the difficulty of managing internal relationships, they did not perceive them to be either more or less difficult to manage. They were also neutral with regard to the statement concerning cutting out the middle man. Both suppliers and buyers were slightly inclined to disagree with the statement that relationships were becoming less friendly.

## **Discussion**

### **Integrating the Different Methods of Managing Relationships**

As our results above indicate, the use of one system alone for managing relationships is rare, what is more common is a combination of methods, and we use this as the basis for proposing a model on how to manage B2B relationships, as shown in Figure 1. A combination of all

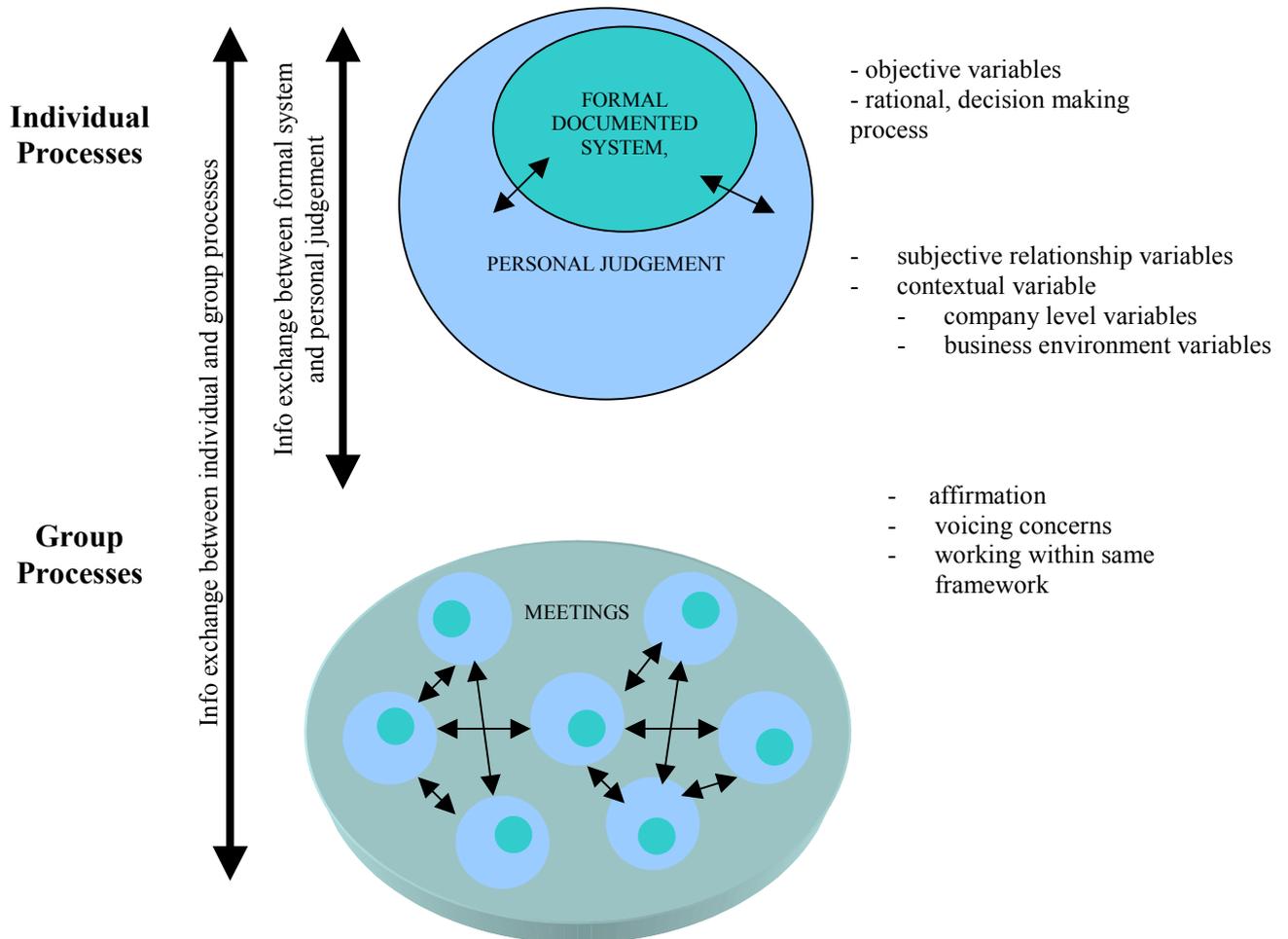
three approaches to managing relationships essentially allows a three-tier information gathering process to take place. Primarily, relationships are managed on a day to day basis by individuals who each use information from a formal, documented system and their own personal judgement on which to base their decisions. Meetings, a commonly used method of managing relationships, allow the individuals to discuss problematic relationships and exchange information they have obtained from the use of the formal documented system and their own judgment. The various levels of processing and exchanging information within the whole system of managing relationships are outlined below.

1. A formal documented system provides a relatively objective view of the relationship which takes into account variables such as sales volume, profitability etc. This formal system will have been initiated and developed by a group of senior managers. The variables to be used in the relationship management system will be dictated by the company's marketing/purchasing strategy. The implementation of the system needs the senior managers backing but on a day to day basis it is used by the individuals who are working within the relationships.
2. Personal judgement enables the person involved in managing the relationship to take into account the subjective relationship variables and the contextual variables. The subjective relationship variables include the relationship atmosphere, the importance of the relationship and a number of additional intangible factors. The contextual variables take into account company level variables and business environment variables. Company level variables include activities which are outside the norm of the relationship. For example a buyer may usually order a product which is a straight rebuy but on an exceptional occasion they may order a product which is totally new i.e. a new task. Business environment variables occur outside of the company and effect business in general and would for example include the state of the economy. Personal judgement enables this additional information to be incorporated into a formal documented system.

3. Regular meetings within the company serve a number of purposes. Firstly, they allow the main individual/s involved in the relationship to express their perceptions and actions and have them positively affirmed by other members of the company. Secondly, the meetings provide an arena for either the main individual managing the relationship to voice any concerns or for individuals not directly associated with the relationship to voice their concerns. An individual may obtain a more objective perspective of an issue from people who are not directly involved in the relationship. In addition the individual may also benefit from other people's experiences of similar situations. On occasions an individual may be too close to a relationship to perceive where problems are arising, therefore a meeting may provide the opportunity for concerns to be raised e.g. the relationship may be taking up a disproportionate amount of the individual's time in relation to the profit it is yielding. A third function of meetings is to ensure that individuals within the company are working within the same framework when managing relationships e.g. they may discover an individual who is consistently selling products at too large a discount.

At the individual level personal judgement is flexible and may incorporate more information than a formal, documented system which may explain why it is perceived as more useful than a formal, documented system. The group process of meetings is perceived as more useful than the individual processes. The input from other people in the regular meetings may be the important factor in explaining their perceived usefulness. The combined use of the three methods facilitates the exchange of a greater amount of information than any single method. The flow of information within the systems is not one way, progressing from the formal, documented system, through personal judgement to the meeting. Information from individuals in meetings feeds back to the individuals, altering their personal judgement and/or assessment of the relationship through the formal documented system.

**Figure 1**  
**The Levels of Information Processing in Relationship Management**



The Differences between Suppliers and Buyers in Integrating the Methods of Managing Relationships

Although the majority of suppliers and buyers use all three methods of managing relationships, suppliers and buyers emphasise different methods and use different variables (See Figure 2). Buyers perceive personal judgement and formal documented systems to be more useful than suppliers whereas suppliers found regular meetings to be more useful than buyers. Generally the buyer specifies the conditions that a company needs to meet to in order

for them to be used as a supplier so the buyer is only looking at the relationship with a view to satisfying their own needs. For buyers a formal, documented system may be easier to implement for the management of relationships. They will have a number of objective and even quantifiable performance criteria which their suppliers will have to meet. For example suppliers may have to provide a product for a certain price and of a certain quality, they may also have to meet targets for delivery times and reliability. These qualities are tangible and measurable and readily lend themselves to being incorporated into a documented system.

The supplier's situation is more complex: they have to consider the relationship from two perspectives. Generally suppliers have to satisfy the buyer's requirements e.g. price, quality, delivery reliability, flexibility, commitment etc. They also have to ensure that in addition to satisfying their customers they are also gaining some benefit, usually profit. The demands of the buyer may not be always be conducive to the supplier therefore the supplier often has to be flexible and prepared to negotiate in order to both retain the buyer's custom and some profit for themselves. Suppliers have a greater amount of information to process than buyers and the necessity of balancing the customers needs as well as their own means that they are more likely to require input from other individuals in the company through meetings.

The Variables Used in Relationship Management - Suppliers and buyers differed in the variables they perceived as useful in managing relationships (See Figure 2). The variables used can be associated with one of the stages of the information processing in the management of relationships. Sales volume and profitability are both easy to define and measure and could be incorporated into a formal, documented system but they only relate to satisfying the suppliers' own needs. Commitment and relationship strength are also important in managing relationships but they are subjective variables and a supplier has to rely on their own personal judgement as to whether they are present or not in a relationship. These

variables indicate that suppliers are thinking of business with their customers as relationship based i.e. they want a committed, strong relationship with their customers as they want to retain their business. None of the academic models include the three most useful variables i.e. sales volume, profitability and commitment and they only include one or two of the variables which are quite useful i.e. the buyer's growth rate, their strategic importance and the cost to deal with the customer. Fiocca (1982) included strategic importance, Shapiro et al (1987) and Turnbull and Zolkiewski (1997) included cost to serve in their model but Campbell and Cunningham (1983) and Krapfel et al (1991) did not include any of the variables that the suppliers have identified as being useful in their models.

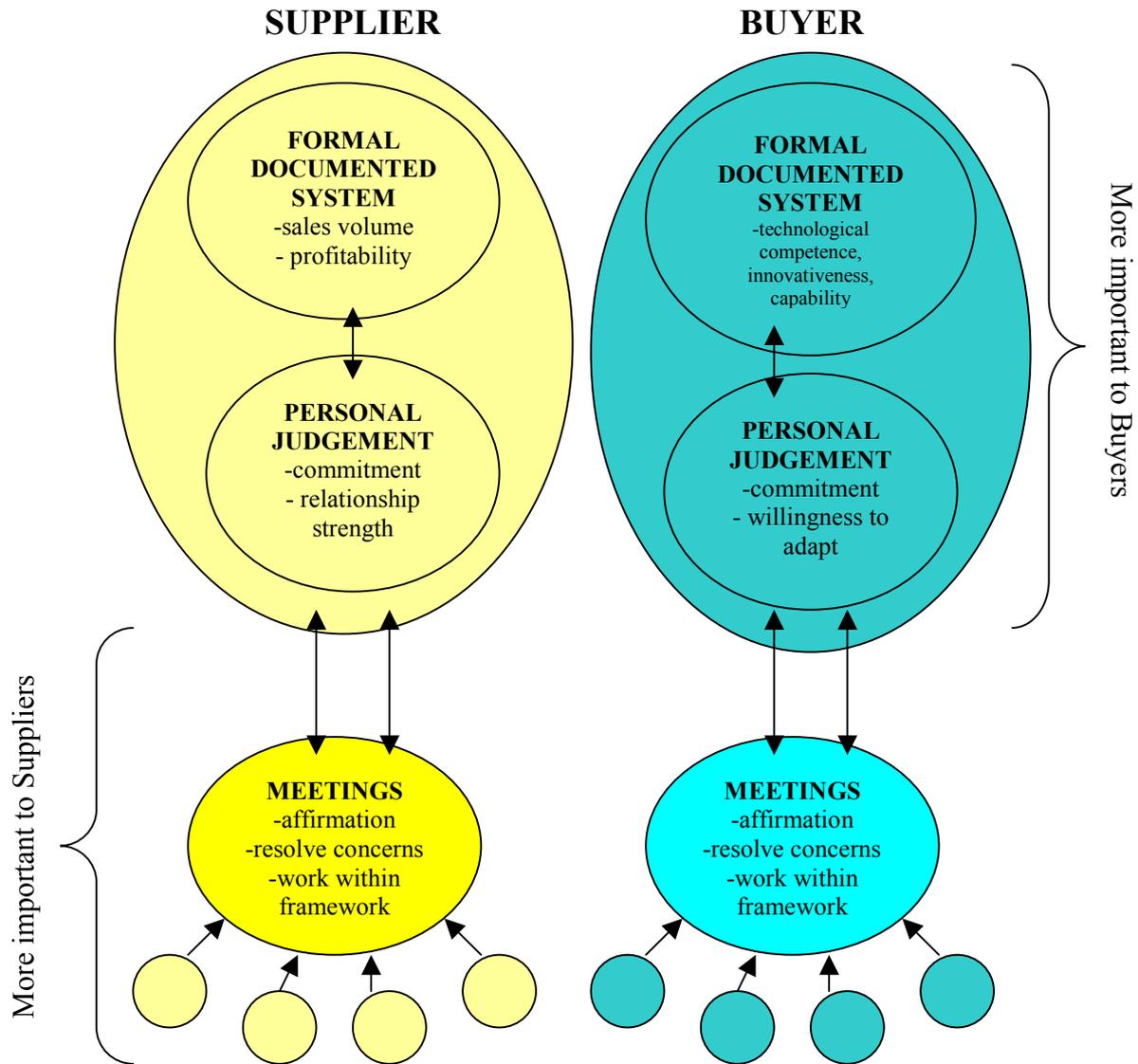
The importance of technological competence, innovativeness and capability to buyers suggests they can obtain their basic product requirements from a number of suppliers but they require these additional qualities to give them a competitive advantage. These qualities are relatively objective and could be incorporated into a formal, documented system. The commitment and willingness to adapt of a supplier are also important qualities which may be best assessed through the buyer's personal judgement. The variables perceived by buyers to be the most useful for managing relationships also do not match up with those believed to be the most useful by academics. Olsen and Ellram's (1997) model included strategic importance, difficulty managing relationships and the strength of the relationship which although perceived as quite useful by the practitioners were not ranked very highly.

The various academic portfolio models have different combinations of different variables. Generally the variables perceived to be useful to the suppliers and buyers are either not combined together in any of the academic models or they are not in the models at all. Therefore if a practitioner was trying to select a theoretical model with which to manage relationships they would find it a very difficult choice as they may perceive the models to be

omitting vital pieces of information. The fact that there is such disparity between academics' and both marketing and purchasing practitioners' perceptions of what is most useful for managing relationships suggests that the effectiveness of the academic and practitioner models needs to be compared.

Using the knowledge gained about the methods used and the different variables which the marketing and purchasing practitioners believe to be useful, an overall picture of the reality of managing supplier and buyer relationships is beginning to emerge (See Figure 2).

**Figure 2**  
**Suppliers and Buyers Management of Relationships**



**Conclusion**

The majority of companies, both suppliers and buyers, do have a system for managing relationships which entails a combination of three methods with both formal and informal elements. Buyers find personal judgement and a formal, documented system to be the most useful methods whereas suppliers find regular meetings to be the most useful. The information they use to manage relationships is quite different, suppliers use sales volume, profitability and relationship strength and buyers use technological competence, innovativeness and capability and willingness to adapt. Both suppliers and buyers use commitment.

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