

Abstract preview

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Crisis in long term buyer/supplier relationship: adaptation in the French brewery industry after the January 2008 “smoking ban”

Work in progress

In this research, our purpose is to understand how the powerful partner in the relationship responds to dysfunction in continuous relationship. We particularly deal with dysfunctions that originate from the evolution of the social system and the market structure that renders the organisation of one partner inadequate. In doing so, we aim to understand this particular process of adaptation which would avoid the dissolution of the buyer supplier relationship.

Our case study deals with the management of the buyer/supplier relationship by an international brewery company after the “smoking ban” event in France. After the smoking ban that started in January 2008, the company managers were alerted by sales erosion in the traditional alehouse (*brasseries*) and bars compared to modern and trendy pubs. The sales erosion was not, however directly related to the smoking ban, but resulted from a period incubation during the past 20 years. Their reaction was to develop a professional training programme to rehabilitate this strategically important distribution channel.

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Introduction

The buyer/seller relationship has been studied from two perspectives: a positive perspective that deals with the formation and development of the long term relation, and a negative perspective that addresses the process of relationship dissolution. In this vein, our research studies particularly the dissolution that arises from the evolution of the environment where the relationship is embedded. The research aims to answer on how partners respond to this threat and what is the process of relationship restoration they can put in place.

The first part of the paper reviews the literature on the buyer seller relationship dissolution. It addresses more particularly the theoretical work on dissolution that originates from the environment of the relationship. It also associates the buyer seller relationship literature with the crises management literature (Roux-Dufort 2007, 2008). The second part of the paper relates a case study on the eruption of a dissolution crisis and the process of restoration of the buyer/seller relationship in the brewery industry in France. We conclude our paper with the first results of our ongoing research.

Review of the literature

Buyer/seller relationships have widely been studied from the formation and development perspective (Dwyer et al. 1987, Ford 1980, Hakansson 1982, Wilson et Mummalaneni 1986, Ring et Van de Ven 1994). In this vein, some studies have addressed the degradation and termination of the relationships to identify the main reasons that lead to the dissolution of the buyer supplier relationships (Hocutt 1998, Keaveney 1995, Perrien et al. 1995, Ping 1999, Roos 1999), other concentrated on different episodes of the dissolution process (Ping and Dwyer 1992, Stewart 1998a, Tähtinen 2002). Although some recent work have been devoted to relationship dysfunction (Vidal 2008), the literature doesn't address how partners in a long term buyer supplier relationships deal with dysfunctions that originate at one side from the inadequacy of the organisation of one partner, and the social system and the market structure on the other side.

Going back to the interactional model, Håkansson (1982) defines the buyer/supplier relationships as an ongoing dyadic interaction impacted by the relation itself (organization and individuals), the atmosphere (power, cooperation, proximity and expectations) and the environment (dynamism, internationalization, position in the manufacturing channel, the social system and market structure). Halinen and Tähtinen (1999) offer a classification for the ending of the relationship. This classification associates the nature of the relationship with the type of ending of this relationship. Hence for an episodic relationship the ending is predetermined, for a terminal relationship the ending is desired and for a continuous or long term relationship the ending is whether chosen, natural or forced.

In our research, we are concerned with the forced ending type. Indeed, a forced ending of the relationship refers to dysfunctions that originate from the inadequacy of the organisation of one partner with the social system and market structure. Tähtinen (2001: p 48) states that "change in the broader network in which the dyad is embedded may force the actors to end their relationships". But what leads to such an ending? Tähtinen (2001) explains that the reasons for the ending of a relationship, and consequently the reasons for a forced ending, rely on predisposing factors and precipitating events (Tähtinen & Halinen-Kaila 1997). Predisposing factors are inherent factors of the structure of the relationship and make relationship more prone to dissolution. They are particularly predominant in episodic and terminal relationships (Tähtinen 2001). Precipitating events are exogenous to the structure of the relationship itself. They can originate within the companies themselves, in the process of the dyadic relationship or in the broader environment of the relationship. However predisposing factors and precipitating events could be counterbalanced by attenuating factors.

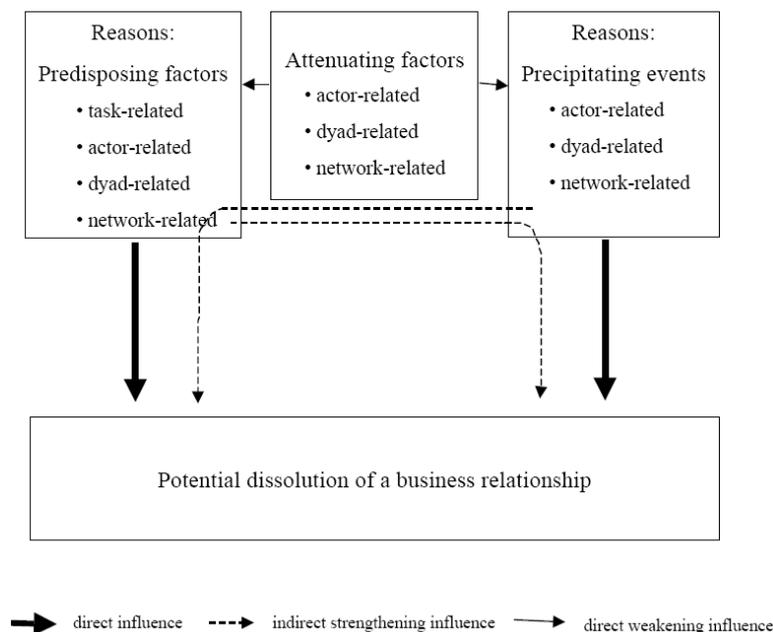


Figure 1 : Attenuating factors and reasons for business relationship dissolution. (Tähtinen 2001: p 54)

Since our research deals with long term relationships that last for decades, the main reasons for dissolution rely more on precipitating events than predisposing factors. More precisely, these precipitating events emerge from the environment of the relationship. These particular events are referred to as circumstantial events. “Circumstantial events refer to changes in the economic, political, social or technological conditions of companies, which are mediated to the focal relationship through its many links with other actors in the business network” (Tähtinen 2001: p.53). Precipitating events could be punctual and sudden, causing the dissolution of the relationship (Halinen et al. 1999). Tähtinen (2001: p.52) emphasis that “It is essential to acknowledge that it is not the precipitating events *per se* that cause the break-up, but the behavioural and/or attitudinal responses of the partners to these events which lead to the dissolution”. In this perspective, Tähtinen (2001) refers to the contingent approach of crises management.

Indeed, the crises management literature is structured around two approaches: the contingent approach and the processual approach. The first approach adopts a contingent perspective: The crisis emerges suddenly and unpredictably, triggered by a major event (Hermann 1972; Lerbinger 1986). In the second approach, the unlinear occurrence of several events leads gradually to the crisis. Shrivastava, Mitroff, Miller and Migliani (1988) see crises as combinations of several loosely coupled and interdependent events, each one preparing the ground for the other to occur in a chain reaction. Roux-Dufort (2008) states that “crises are the result of a long period of incubation which bluntly occur through the influence of a precipitating event”. Bringing this literature to the buyer seller relationship theory, in some cases, the forced dissolution of a continuous relationship is a long insidious process that originates from a broader network. The series of reactive events (Mahoney 2000) affect the structure of the relation, leading gradually to its dissolution. This process leads to a crisis (a dissolution crisis) waiting for the response of the partners to conclude on the outcome of the crisis: whether it is dissolution or restoration of the relationship.

In our paper we adopt the processual approach of crises to deal with our case study. While the contingent approach manly focuses on the reaction to a crisis, the processual approach emphasizes on the prevention, the reaction and the learning from a crisis episode (Roux-Dufort 1999).

Case Study

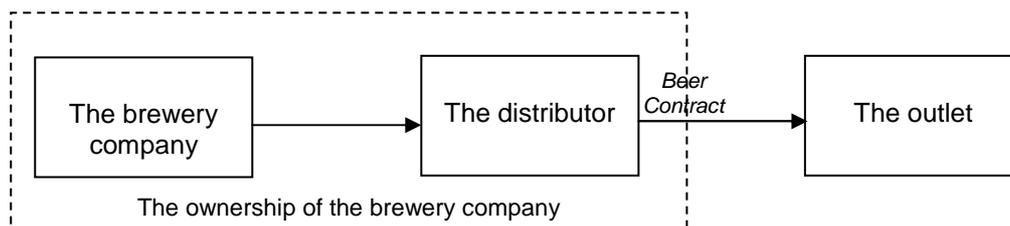
The crisis of the French brewery industry

The characteristics of the French brewery industry

France is well known for its French *café* and *brasseries*. It is part of the cliché that could be used to illustrate the everyday life in Paris for instance. In deed, this traditional channel of distribution for breweries represents 93% of the whole business (respectively 61% and 32% for French *café* and *brasseries*). Meanwhile the modern and trendy pubs represent only 7% of this business.

In France, the specificity of these channels of distribution remains in the strong relation that links the very concentrated brewery industry and distributors. Hence, the companies that deliver the French *cafés*, *brasseries* and trendy pubs are owned by the industry: Heinken owns France Boisson and Inbev owns Inbev Cafein. Kronenbourg has just recently sold its distributor Distriboisson in 2008. In this context, the brewery industry controls the market and sells directly to more than 350 000 independent outlets.

The other specificity of the distribution channel is the “beer contract” (*Le Contrat Bière*). The beer contract is an agreement between a brewery company and an outlet. According to this agreement, the brewery company invests during 5 years to install and maintain the beer tapes. In exchange the brewery company has the exclusivity of sales in the outlet.



This particular relation that links breweries with bar and pubs in France allows the industry to advise, orient and train the buyer of their products.

The causes of the crisis

The main part of the distribution channel, namely the French *café* and *brasseries*, witnesses a large decline in last decade. More that 1000 units close every year. Meanwhile 500 take away stores and automatic distribution expand in the country. Moreover, the beer market drops by 3,6% in France in the last 5 years. In the same period the beer market drops only by 1,9% in average in Europe. In this context the trendy bars and pubs maintain their sales.

The sales erosion in France is due to several causes, and mainly a dephasing between the mode of distribution and the evolution of the French society. During our interview with Laurent Butery, Consumer Insight Director at Kronenbourg Company, he asserts that “the problems that face the traditional bars are not recent. It is due to the large transformations in the French way of life.”

These transformations are mainly induced by several circumstantial events:

- The self withdrawal of individuals and the individualisation of the society,
- The emergence of new places of conviviality (Internet, gaming,...)
- The improvement of in-house comfort. Indeed, in 1973 only 44% of houses were comfortable according to the French national statistic agency. In 2003 9 houses over 10 are comfortable according to the French national statistic agency. (Mermet 2007),

Due to these circumstantial events, the traditional bars have lost their social proximity function in the French society.

The “smoking ban” and the irruption of the crisis

The “smoking ban” in France (the 1st January 2008) was the triggering event for the irruption of the crisis in the brewery industry. In order to measure how the 2 different type of bar were affected by the “smoking ban” event, we lead a qualitative survey with traditional bars and trendy bars.

The results of 8 semi-directive interviews with 4 traditional bars and 4 trendy pubs from March to May 2008 demonstrate that the crisis affects specially the traditional channel.

While the trendy pubs do not witness any erosion of sales, frequentation or time spent in their pubs after the smoking ban, the traditional bars are impacted by the “smoking ban” event:

- 1) An important erosion of sales for coffee and beers. The coffee seems to be the most affected beverage with a decrease of 30%. The beer declines by 10%.
- 2) The morning period is the most affected part of the day
- 3) The diminution of the time spent at the bars.

To sum up, we observe that the relation between the Kronenbourg Company and its clients (traditional bars and *brasseries*) did not deteriorate abruptly with the “smoking ban” i.e. the precipitating event. This relation faces an imposed dissolution process but none a desired dissolution. Indeed, the circumstantial events would lead to an ineluctable dissolution if the relation doesn't evolve and adapt to the actual environment. Hence, the interest of this study lays in the reaction of the partner of the relation whom instead of coping with an imminent dissolution will try to restore the relation.

Tackling the crisis

Lessons from other industries

To deal with the crisis, the brewery industry in France has massively invested in the training of the traditional bars. Heineken was the first company to offer a training program to its affiliated bars. Kronenbourg, the leading company, created also its own program. For the brewery companies the crisis they are facing resembles the one the bakery industry faced in the 1980s.

Indeed, the French bakery witnessed sales erosion and aggressive competition from mass distribution. Many observers had forecasted the decline of the traditional bakeries. But 25 years later, the industry gained 16 point of market share even if the sales volume of bread in bakeries had dropped from 92% in 1985 to 55% in 2004 (INSEE 2004).

The factors of this success are due to the reaction of the milling industry. In fact, the milling companies had offered intensive training in marketing, merchandising, management to their buyers and they created brands and logotypes at national level. Hence for the brewery industry the revival of the bakery industry in the 1980s is a valuable lesson to deal with the crisis.

The Kronenbourg Company's initiative

Inspired by the bakery industry in the 1980s, the brewery industry tailored a specific training for its buyers. For Kronenbourg, and according to a survey by global PRAXIS, 33% of their buyers want training from their affiliate brewery (17% of interviewed bars' managers want training for their employees and 16% for themselves). The interviews and interactions we had with the training department of Kronenbourg has, as a result, lead us to develop a precise description of the content of the training and its objectives.

Clearly the training seminars and animations lead by Kronenbourg aim to help their buyers to overcome the impacts of the “smoking ban” and to adapt to the evolution of the customers needs. However, when studying the internal documents of Kronenbourg, the training program is also framed for sales forces as a new competitive tool and a way to strength the buyer/seller relationship.

The training offer is structured in 3 different seminars :

1. The Pro Bar Tour
2. The Pro Bar Académie
3. The Pro Bar Diagnostik.

Each seminar is a requirement to attend the next one.

The 3 training modules

The Pro Bar Tour

The seminar is animated in 2 trucks specially equipped for the training. The trucks went from city to city to bring some tips and lessons to deal with the crisis. The bar tour is the first step to inform the traditional channel of distribution. It aims to share with bars and French café that the quality is the

solution to prevail over the crisis. There is no fee to attend the seminar which lasts 2 hours. Since November 2007 it has hosted more than 3000 participants.

The *Pro Bar Académie*

The *Pro Bar Académie* is a more academic training. The seminar is animated during one day in small groups (maximum 12 participants) and it costs 250 € (the fees could be refund by national agencies). The learning outcome of the seminar is to acquire new tools to match the bar offers with the customer needs. Thus, 4 majors themes are discussed:

- Customer targeting
- The mix of an offer
- Financial profitability
- Humans resources management.

Since June 2008, 450 buyers have attended the training.

For Mr Jean-Marc Drevon, Head Manager of the training program, the approach of Kronenbourg is not to dispense a specific training on their product (namely the beer), but to give a generic training to help their buyers to deal with the crisis. In doing so, they would improve sales for other products, but they would also improve the beers' sales.

The *Pro Bar Diagnostik*

The *Pro Bar Diagnostik* is a customized consulting service for a specific outlet. It aims to define the real inputs to improve the outlet's sales.

The consulting service starts with 2 anonymous auditing (like for gastronomic guides). After the presentation of the results, the managers are concretely oriented in their outlet on how to:

- Improve their offer;
- Stimulate the liveliness of the bar
- Create a meal menu
- Improve the employees' sale attitudes
- Optimize the merchandising of the outlet.

Conclusion

The process of dissolution and restoration of dysfunctions that originate at one side from the evolution of the social system and the market structure on the other side, have seldom been addressed by the literature. Our study restates the ongoing dynamic of the formation of this crisis of dissolution, but also the restoration process undertaken by one partner of the relationship. Our first results show how the strongest partner coaches the weakest partner in order to maintain the relationship. The main interest of our work is to emphasis on the restoration process of the relation. More precisely, the study shows that this process of restoration is carried on by the stronger partner in order to avoid the dissolution of the relation that originates from environmental factors. In our opinion, it is more likely that this process would be under taken by the stronger partner than the weaker partner because of power distribution in the relation. Indeed we can presuppose that the stronger partner has more interest to maintain the same power distribution in the relation. An other reason is that the restoration process requires a lot of resources (financial, network, managerial capabilities,...), so only the stronger partner would be able to mobilize these resources because of its resources endowment.

This paper presents the very first results of our ongoing research. The upcoming part of the study will look at the other side in this "rescue operation". Indeed, we have scheduled 24 semi-directive interviews with bars and *brasseries* who attended the *Pro Bar Tour* and the *Pro Bar Académie*. In doing so, we intend to measure the impact of this restoration process on the quality and the performance of the buyer/seller relationship.

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