A model to measure and increase customer perceived relationship quality: A case study

En modell för mätning och förbättring av kunduppfattad relationskvalité: en fallstudie
A model of how to increase customer perceived relationship quality: A case study


Nyckelord: Kunduppfattad relationskvalité, Relationskvalité, RQ-dimension, Mätning av relationskvalité, Business to business (B2B), fallstudie

Abstract (in English)
The competitive market of today is characterized by globalization, increased demands from customers and similarities of products and services. High demands are thus put on organizations ability of differentiating themselves from competitors acting on the same market. Within this area, the customer relationship itself has turned out being an efficient tool. In addition, a high quality customer relationship is considered as an important factor when creating loyal customers, growth, profitability and competitive advantages. In order to reach high quality customer relationships, an ability of identifying and validate actions aimed for relationship quality improvements is needed as well as clear guidelines and managerial support regarding creation of value adding activities supporting such process. This thesis is supposed to, by the creation of a model, make improvement processes of customer perceived relationship quality in a B2B context possible. The model consists of actions and tools aimed for measurement of customer perceived relationship quality and identification of value adding activities from a customer perspective. The developed model was encapsulated by three steps, take-off, investigation and action/evaluation. The developed model was tested in a case study and it turned out to be practically applicable. It had a positive effect on the customer perceived relationship quality and additionally on the dyad’s transaction costs.

Key Words: Customer perceived relationship quality, relationship quality, RQ, RQ-dimension, measurement of relationship quality, Business to business (B2B), case study
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Petter Nelson
Abbreviations

B2B  Business to Business

CLC  Customer Life Cycle

FM  Swedish Armed Forces, (Försvarsmakten)

FMV  Swedish Defense Material Administration (Försvarets Materiellverk)

GBAD  Ground Based Air Defense

KAM  Key Account Manager

RQ  Relationship Quality

SCC  Sensors Command and Control (case company)

Key words

Customer supplier dyad
Refers to the relationship interaction/cooperation between a customer and a supplier
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1. Introduction

In this chapter the foundation of the thesis is explained and the factors of the problem are described. The relevance and purpose of the thesis are also presented in order to provide an insight in the subject of the study.

1.1 background

Organizations on the market of today are facing hard competition about customers. The trends on the market are characterized by globalization, increased demands from customers and similarities of products and services offered among suppliers acting on the market (Myhal et al., 2008). The competition forces companies to create and develop superior value for the customers in order to appear unique in comparison with competitors. Customer relations have turned out being a way of differentiating an organization on the market due to its ability of affecting the customer perceived value according to Myhal et al., (2008). The superior value delivered to the customer is not encapsulated only by low price or adding new features to the core product. Instead customers appreciate things well differentiated from the price they are paying such as interaction with the supplier and factors connected to the phase after the acquisition (Barnes, 2001). In addition long term customer relations are considered profitable due to their ability of providing customer satisfaction and retention, which has developed the customer relationship to work as a competitive tool and an asset needed to be looked after and maintained according to Myhal et al., (2008).

High customer perceived relationship quality originates from customer trust, customer satisfaction and customer commitment within the supplier. These factors can be seen as the drivers behind a customer relationship of high quality (Myhal et al., 2008; Huntley, 2006). Skarmeas et al. (2008), points out that a high quality business to business (B2B) relationship brings advantages for both the customer and the supplier. A good B2B-relationship might for example bring new ideas and experience to both participants and enhance operations planning and business development among other positive spin-offs.

Hennig-Thurau et al., (2002) claims that good customer relations have two main benefits as outcomes: customer loyalty and positive customer word of mouth communication. Word of mouth communication can be defined as informal communication between a customer and others concerning evaluations of your firm’s performance (goods or services), (Andersson, 1998). Hennig-Thurau et al., (2002) therefore states that word of mouth is a powerful instrument influencing future buying decisions and the recruitment of new customers. Hennig-Thurau et al., (2002), further says that customer loyalty has positive influence on profitability due to its ability of increased revenue per customer. They claim that it is widely known that retaining a loyal customer is less cost intensive than acquiring a new one, thus customer loyalty is a primary goal of any firm. In addition Reichheld (2001) says that customer loyalty is one of the single most important drivers behind a company’s growth and profitability, even though not all customers can be considered economical profitable. There are different types of customers, with different qualities and different levels of profitability.
Thus an economical evaluation must decide whether a customer is worth extra attention in order to support its loyalty and perceived relationship quality or not. A perception of the customer’s predisposition to loyalty is needed in order to perform such evaluation according to Reichheld (2001). Therefore, Reichheld (2001) suggests investigating the customer’s life cycle profit with the intention to figure out how much an investment in the customer’s loyalty actually is worth. Such numbers should, in addition be transformed to a present value and thus consider the investment economical justified or not.

1.2 Problem discussion
A high customer perceived relationship quality equals an ability of a successful relationship according to Athanasopoulou, (2009). Relationship quality is an overall essential factor within the customer’s decision of continuing or leaving a business relationship according to Hennig-Thurau et al, (2002). The importance of achieving a high customer perceived relationship quality is therefore high in a profit driven organization. High quality customer relations are in addition a key factor to growth, profitability and competitive advantages, (Skarmeas et al, 2008; Reichheld, 2001; Hennig-Thurau et al, 2002; Myhal et al, 2008) the concept of relationship quality is thus needed in order to set the status of a B2B-relationship and define its ability of providing a firm with proven competitive advantages originated from a high quality relationship, or define the need of increasing the same if low relationship quality seems to be the case.

Zineldin (2005) says that improvement of quality in any form does not actually improve as long as the improvement cannot be measured. Also Reicheld (2001) points out the importance of key performance indicators in order to create an acceptance of long term customer relationship strategies within organizations. Improvements of customer perceived relationship quality thus depends on the ability of measuring a potential increased level of the same. According to Huntley (2006), the concept relationship quality is measured and encapsulated by technical, social and economical factors which additionally are connected to financial outcomes. Also Myhal et al, (2008) state that the relationship quality concept is multidimensional and encapsulated by both personal and business purchasing needs. Myhal et al, (2008) additionally points out a lack of consensus regarding proper measurements of relationship quality, thus no general acceptance of relationship quality measurement has been reached. Nor a definition of the concept relationship quality has reached complete unity, even though most of the literature agree that such definition should meet the concept’s customer defined nature (Myhal et al, 2008; Ahearne et al, 2007; Huntley, 2006).

According to Zineldin (2005) managerial behavior must support a brace towards improved relationship quality and the opportunity to create uniqueness from competitors and deliver superior value to the customers. In addition Ahearne et al, (2007) claim that there is a lack of knowledge among selling organizations about which customer related behavior is supporting relationship quality. Thus, this creates an inability among managers to supervise customer relationship quality strategies and take correct actions in order to improve customer perceived relationship quality. Ahearne et al (2007) says that managers must know what type of actions
are supporting relationship quality in order not to leave their customer facing staff with little or no idea of how to act for improved relationship quality.

1.3 Presentation of the problem
Customer relations and its quality have significant influence on profitability, growth and customer retention. It works as a tool for competitive advantages, (Skarmeas et al, 2008; Reichheld, 2001; Hennig-Thurau et al, 2002; Myhal et al, 2008; Huntley, 2006). In order to obtain such outcomes, managers must have proper knowledge of what behavior that supports such effects. Proper measurement of customer perceived relationship quality is also important, in order to grasp whether improvements are needed or not, but also in order to validate, evaluate and create an acceptance of such improvements within organizations (Zineldin, 2005; Reichheld, 2001).

In addition, Ahearne et al (2007) mention a lack of knowledge regarding what type of customer facing activities are supporting customer relationship quality and Zineldin (2005), points out a need of managerial support when striving towards high relationship quality. Thus is the disunity about relationship quality definition and measurement a problem. A framework of how to reach high customer perceived relationship quality, measure it and follow up improvements of the same is therefore relevant to address as research topic. But what should a framework for improvement and development of B2B customer perceived relationship quality which enables measurement of taken actions look like?

1.4 Problem formulation
In the context of the given information, a research question has been formulated and applied in the study:

- How can an organization measure and increase the level of customer perceived relationship quality?

1.5 Purpose
The purpose of this study is to develop a model which enables organizations to measure and improve B2B customer perceived relationship quality and thus create opportunities of better financial performance. Measurement is a prerequisite for identification and evaluation of improvements, thus it is align the purpose of the thesis. The model will additionally be supportive when expanding business by gaining new customers due to increased customer perceived relationship quality and its positive outcomes. The model will finally aim at functioning as a tool supporting an organization´s delivered value to their customers and thus differentiate themselves from competitors on a competitive market.
1.6 Relevance

Relationship marketing has been studied in an extensive way and particularly the importance of B2B-relationships according to Ahearne et al, (2007). The positive influence of relationship quality on companies’ financial performance are mentioned by several authors, (Skarmeeas et al, 2008; Reichheld, 2001; Hennig-Thurau et al, 2002; Myhal et al, 2008). In addition Reichheld, (2001) points out customer loyalty which is directly affected by the relationship quality as one of the most important drivers behind growth and profitability. Hennig-Thurau, et al, (2002) also mention relationship quality as the force behind a positive word of mouth reputation among customers. Ahearne et al, (2007) however state that there is a lacking knowledge within organizations regarding what kind of behavior among salespeople that influences the relationship quality. Myhal et al (2008) also point out a lack of consensus regarding proper measurements of customer perceived relationship quality and in addition there is a lacking consensus about definition of the same concept, (Myhal et al, 2008; Ahearne et al, 2007; Huntley, 2006). Skarmeeas et al, (2008) have the conviction that a high quality B2B relationship bring benefits to both parties and Zineldin, (2005) claims that all trends in the market points in a direction of cooperation as a growing force in order to stay competitive. He also says that industrial management must create uniqueness via relationship quality, but no one says how this may be done.

Relationship quality is a factor with high influence on the possibility of obtaining new customers and brings extended benefits out of existing B2B customer relations. There also exist barriers for companies to manage their relationships due to lack of knowledge of how to develop high quality customer relations (Ahearne et al, 2007), as well as lack of unity regarding measurement (Myhal et al, 2008) and definition of relationship quality (Myhal et al, 2008; Ahearne et al, 2007; Huntley, 2006). The model which will be developed in this thesis will therefore have a practical relevance for firms in need of customer relationship management. Figure 1:1 presents the identified gaps. The work with this study, will aim at helping to fill these gaps by connecting one measurement method and two definitions of customer perceived relationship quality into one relationship quality improvement model.

Fig 1:1, the identified gaps which the study intends to fill
1.7 Limitations & delimitations
This study aims at developing a model which will be tested as a case study with empirical foundation gathered from one single case company. The single case approach will limit the possibility of generalization of the findings outside the studied case company. Therefore, the context will be clearly described in order to give the reader an understanding of the same and thus, the ability to decide whether the results might applicable to another context or not. The scope of the investigation will focus on B2B relationships only and thus exclude business-to-consumer relationships.

The model which will be developed, will focus on how to measure and increase customer perceived relationship quality. Elements important for internal management of such a project have thus been excluded. Also an economic evaluation of which customer to focus on in order to increase its perceived level of the relationship quality and validate that it is economical justified is outside the scope of this research.

It will not be possible to test the model in its full extension since some parts will claim more time for testing than the temporal width of the thesis (e.g. measurement of altered level of RQ). Parts which will not be possible to test within the time frame of this study will be discussed and evaluated with suppliers and customers in the surroundings of the studied context.

1.8 Time frame
As a way of securing the quality and utilization of time spent on the thesis, the author has planned and will be executing the study in accordance with the GANTT-chart seen in fig 1:2 below.

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Fig 1:2, time frame applied in the study
2. Research methodology

In this chapter the research methodology relevant for the study is presented. In connection to each heading in italic font is also the theory applied in the thesis mentioned and motivated.

2.1 Scientific Approach
The awareness of an author of how to scientifically deal with a study is important according to Ejvegård (2009), otherwise there is a risk that the author has an unclear vision of what he is doing. He further says that the scientific methodology must be well suited to the particular characteristics of the study in order to reach high quality and relevant scientific results. Thurén (2007) state three main methods used when drawing scientific conclusions. The methods are inductive, deductive and hypothetical-deductive. Induction is described as an exploratory method which draws general conclusions and creates general theories out of empirical facts. Conclusions by induction have not acknowledged theory as starting point and the reliability of induction is depending on the verifiability which can never reach full certainty. Therefore generalizations from induction are limited.

Deduction on the other hand is according to Thurén (2007) a method where you draw conclusions based on logical reasoning and as long as it is logical it is valid but it does not necessarily have to agree with the reality. In addition Patel & Davidsson (2003) says that deductive conclusions is drawn based on existing theories and thereby assume that they are valid. The hypothetic-deductive method states that conclusions are drawn from existing theories and thereafter empirically tested in order to validate them. By the hypothetic-deductive methodology a higher objectivity of the research is achieved, Patel & Davidsson (2003).

In this study the hypothetical-deductive method will be applied. A variety of existing theory within the researched area has been examined and a model will be developed based on the existing findings. The model will thereafter be tested empirically in order to validate whether it is working or not. This will enhance the objectivity, reliability and validity of the research.

2.2 Research design
Bell (2000) states that there are several research methods to use when conducting a study, for example case study, surveys and experimental methods. Bell (2000), further says that the case study as research design is particularly suitable for researchers working on their own since it gives the opportunity of in depth study a limited part of a problem during a limited period of time. One of the major advantages of a case study is the ability for the researcher to focus on one special situation and thereby identify influencing factors. This kind of information might for example be hidden in ordinary surveys. Bell (2000) further mentions the criticisms against the case study as a research method, namely its problems to generalize the findings from one single case. Patel & Davidsson (2003) says that a case can consist of one individual, a group of individuals or an organization or situation. Wallén (1996) in addition claims that one of the benefits using a case study is that the research is done in the reality therefore it is easier to get
a total understanding of the studied process. Additionally Patel & Davidsson (2003) mention the possibility of using many different information sources as a benefit when applying a case study.

In this research a single case study will be applied, it is the most suitable research design and will give the possibility to in depth investigate the research problem and empirically test the model which will be developed. In contrast with survey as research design Bell (2000) says that the case study is more suitable when investigating organizational process interactions. In addition Bell (2000) says that surveys are considered inappropriate when investigating questions of causal nature. A case study also gives the ability to provide an understanding of the whole process related to the problem and in addition many sources of information can be used. Finally, according to Bell (2000) experimental methods needs large-scale experiments in order to grasp the variety of a research context which stands in contrast with the time frame of this thesis.

2.3 Data gathering
Holme & Solvang (1997) state that there are two different types of approaches regarding data gathering. They also say that it is not necessary to separate them within a research project; it could rather be beneficial to combine them. The two types are quantitative and qualitative. Both types have advantages and disadvantages towards each other.

Qualitative data has the ability of providing deeper knowledge of the researched problem. The qualitative data is often used to describe a holistic view of a context and is also known by its close connection to the source of the information. The methods of gathering is quite resource demanding and should therefore be well limited, Holme & Solvang (1997). In addition Bryman (1997) says that qualitative data can be gathered via unstructured observations, open minded interviews and literature reviews Patel & Davidsson (2003) also adds personal interpretations as significant for use of qualitative data.

The quantitative data according to Holme & Solvang (2003) is more formal such as statistical numbers and figures. It is also known by more distance between the researcher and the information source. It is characterized by the ability of covering a wider study area and provides generalizations based on statistics. The quantitative data is primarily gathered via standardized interviews, surveys and experiments according to Bryman (1997).

According to Kumar (2005) there exist primary and secondary data, both with different characteristics. Primary data is gathered by the researcher himself with the purpose of answering his particular research questions. This kind of data has more reliability than secondary data which have been collected by someone else in another context with different purpose, for example organizational documents.

In this study there will be a mix between qualitative/quantitative and secondary/primary data. Qualitative data collected via interviews and observations will be used in order to bring depth and understanding of the context in the study. It will also make it possible to get a holistic
view of the organization adopted in the case study. Quantitative data will be collected throughout the case study during the testing of the developed model via questionnaires used for measurement of relationship quality. Primary data will be collected during the collection of empirical findings via observations and interviews while secondary data will be used as the author takes part of organizational documents, scientific articles and literature. In order to support the reliability of this thesis, secondary data will be reviewed with extra care and thus make sure that it is used for relevant reasons. Secondary data will in addition be accounted for in the thesis in order to make the reader aware of its original purpose.

2.3.1 Interviews
Both interviews and surveys are methods of collecting information based on questions. When conducting an interview there is most often a personal meeting between the interviewer and the interviewed even though it is possible to have contact via for example telephone. When using question based methods for data gathering there is two main aspects to regard, the degree of standardization and the degree of structure. Less standardization means a more flexible interview where questions can change regarding content or order during the conversation and high standardization means the opposite. The degree of structure means the answering space given to the interviewed person. A high structured interview results in less space and vice versa, Patel & Davidsson (2003).

In addition, Yin (2009) highlights the importance of asking the right questions and be a good listener in order to obtain profound interviews. He further points out qualitative interviews as one of the most important information sources when conducting a case study.

In this study the author will use both qualitative interviews with low degree of standardization when gathering the information needed in order to grasp the case company’s context, and more standardized, structured interviews in connection to the testing process of the model which will be developed. Interviews will be a key method of information gathering which according to Yin (2009) is a proper method connected to a case study. Interviews will be conducted with different employees at the case company in order to gain a holistic perspective of the problem. Depending on which informant that is interviewed, the set of questions will vary due to the key information encapsulated by the respondent. The questions and base for semi-structured interviews will also vary due to the context of the respondent in order to increase the validity.

2.3.2 Observations
Observations are useful when the goal is to collect data regarding behavior in regular situations and the most common use of it is in connection with explorative research. Observations are also useful when previous data gathering by other techniques must be complement. One advantage of using observations is the independence of people’s memory or willingness of giving information, which interviews and surveys to a higher degree are depending on, Patel & Davidsson (2003). Observations can be performed in different ways, either structured or unstructured. The structured observation is based on a decision of which aspects that are going to be observed and requires a clear picture of what kind of situations
Research methodology

and behavior that are going to be observed. The unstructured one is performed when anything is observed when for example gaining an increased knowledge base within a certain area. The unstructured observation is more explorative in its characteristic than the other type. The researcher can also choose to be a participant in the context and be an active part or keep himself outside the actions. In addition the researcher is either open or hidden during the observation, Patel & Davidsson (2003). They also say that the observer’s presence might affect the behavior of the persons being studied. Holme & Solvang (1997) highlight the importance of key notes during the performance of observations in order to enhance the memory of observed items.

During the research both structured and unstructured observations will take place, the unstructured ones will be used in order to gain a general knowledge of the case company. Further during the research also structured observations will be conducted in order to investigate a certain area closer. The personnel at the case company will be fully aware of the author’s presence which could mean a risk that their behavior will be affected and thus decrease the validity and reliability of the observations. In order to remember the observations, notes will be taken in form of key words.

2.3.3 Literature

Information gathered from literature includes knowledge from theories and models from previous research within the problem area. By the help of previous research found in literature it is possible to define what kind of research area and problem the study should focus on, Patel & Davidsson (2003).

The literature which will be gathered in order to form the theoretical framework of this study will be built upon existing theories and models from scientific books and articles. Scientific articles will be searched for and investigated by using the Emerald database.

2.3.4 Organizational documents

Source material used for research is according to Bell (2000) divided into primary and secondary sources and includes also documents. Patel & Davidsson (2003) say that when using documents in order to answer a problem formulation it is necessary to make sure that they are reliable. To do such thing the researcher must evaluate the source of the document and investigate its original purpose.

In the process of this thesis, secondary source documents will be used in form of organizational documents from the case company. The original purpose of the documents will be investigated in order to support the reliability and validity of the documents usage within the scope of the thesis.

2.4 Reliability, Validity and Generalizations

Regardless which research methodology chosen to collect data or being used in a study it is always important to review it in order to decide whether the information is reliable and valid or not, Bell (2000). Patel & Davidsson (2003) even says that the quality of a study is totally
dependent on the reliability and validity of the used data. Reliability is a measure of to which extent a methodology or instrument gives the same result over and over again assumed that external factors are equal at all times, Bell (2000). Validity is more complicated and is by Bell (2000) described as a measure of whether a question actually measure or describe what it is intended to do. According to Thurén (2004), the reliability can be high in a research at the same time as the validity is low. If that is the case the research is not relevant at all. In addition Patel & Davidsson (2003) says that complete reliability is a prerequisite for complete validity, “In order to know what I am measuring, my measure must be reliable”.

To control the reliability and validity of a study, Bell (2000) says that the researcher should critically review his questions and ask himself whether another researcher would have used the same methodology or instrument in order to reach the same results. Holme & Solvang (1997) in addition state that a correct knowledge before and during the execution of the research improves the validity since it provides the researcher with the ability of asking the right questions suitable for the certain research area. Patel & Davidsson (2003) also says that interviews can be recorded in order to increase the reliability. When it is recorded the “reality is stored” which gives the opportunity of controlling the information over and over again in order to assure a correct interpretation of the data. Regarding questionnaires the most important thing to do in order to assure a high level of reliability is to make sure that the respondents understands the survey in the same way as the author wants them to do.

Patel & Davidsson (2003) says that each and every qualitative research study is unique which makes it hard to set any standardized rules or processes to follow in order to secure high validity. But even though the uniqueness there is one general concept useful aiming at enhancing the validity called triangulation. The concept requires that several methods should be used when collecting data such as interviews, observations and documents, the collective sum of data is then analyzed in order to provide an as correct picture of the situation as possible.

Bell (2000) states that the major criticism against a case study is the problem of generalize its results. But not everybody agrees with that, instead the ability of generalize or at least relate the case to another situation is depending on the similarities between the two of them. According to Lincoln & Cuba (1985) the importance of detailed descriptions related to the case study is therefore important in order to give the reader a possibility of evaluating whether the results can be applicable to its own situation or not.

In order to achieve high reliability and validity, interviews during the research will be recorded if possible, otherwise notes will be taken. This will give the opportunity to control the data once more in order to assure that it has been interpreted in the right way. It will also decrease the risk of overlooking information given by the respondent. Since many different sources of information will be used, such as interviews, observations and questionnaires, in accordance with the triangulation methodology the reliability and validity will also be increased. Also a differentiated set of people in different positions will be interviewed by the same reason. The reliability of the interviews will be strengthened by using a semi-structured
interview template which will be accounted for in the thesis. In order to increase the validity of surveys within the scope of the study, attention will be given to its included questions. The questions must be suitable to the certain context in order to provide a valid result. In order to achieve such purpose the author will take use of currently used surveys within the case company of customer satisfaction, thus the questions will be well suited to the certain context. The author will in addition be able for the respondent to contact during the survey process if vagueness of how to interpret the questionnaire exists. This will give the respondent the ability to fully understand the included questions, if doubt occurs.

For questions applied in interviews, existing theory will be used as starting-point in order to focus on relevant factors considered to be value adding for the reliability and validity. The respondents who will be picked by the case company will be critical reviewed and accounted for in the thesis in order to impose their ability of answering the questions in a proper manner. In addition, key persons at the case company and tutors will read and follow the progress of the study as it develops which further increase the study’s validity. In order to increase the ability of generalizations, the case will be in detail described, it will enhance the readers ability of deciding whether the results might be applicable to its own situation or not. Also the model about to be developed within the scope of the study will be in detail described in order to give the reader even more ability to understand the contexts circumstances and thus the ability to practice the result in another context.

The apparent threat to the reliability and validity of this thesis is the ability to address the right respondents with the right questions, both when conducting interviews and the questionnaire. Also to interpret the answers in a correct way and the authors presence during observations might affect the reliability and validity of the thesis. As a step in order to overcome such problems in addition to the actions described in the previous part, the thesis is planned according to a standardized working procedure. It will give the reader an ability to understand how the data is gathered and applied into the study.

The standardized working procedure for the thesis process seen in figure 2:1 consists of reading and finding relevant literature which will be used in order to create the model upon. The model will thereafter be tested by applying empirical input into it. The empirical findings will be based on information about the case company context, opinions from customers to the case company and discussions with key informants within the case company organization.
2.5 Summary

Figure 2:2 below summarizes the research methodology choices which are applied in the thesis.
3. Theoretical framework

In this chapter the theoretical framework of the study is presented. The background of the relationship quality concept is described and factors of business relationships and important information for the conceptualization of the later given model is also mentioned. A figure explaining the reason for each part of the theoretical framework chapter is also presented in order to highlight each part’s relevance.

The theoretical framework is presented in this chapter in order to provide background information of the concept relationship quality (RQ) and as the theoretical foundation of the model which will be developed and presented in chapter four.

![Diagram of theoretical framework](image)

Fig 3:1 descriptive figure of the theoretical framework applied in the study, the relationship quality improvement process consists of RQ-development areas and a RQ-measurement procedure. Their theoretical support can be seen below each one.

The theoretical framework consists of established theory within the scope of the research area. Figure 3:1 describes how the theory presented in this chapter will be applied into the model which will be developed in the next chapter. The purpose of the model, customer perceived relationship quality, is supported by establishing development areas within the RQ-dimensions encapsulating the RQ-concept. The development areas are built upon theoretical background regarding the customer relationship life cycle, the customer relationship life cycle profitability and the dimensions encapsulating the concept of customer perceived relationship quality. The measurement and follow-up process where the level of RQ is defined consists of five measurement factors connected to certain financial outcomes.

3.1 Relationship quality

High quality business relationships have been recognized as a source of competitive advantage, the relationships themselves has become assets which enhance the value delivered to customers. The ability of managing the relationships and their quality in order to contribute to competitive advantages and contribution to customer retention is therefore relevant. Relationship marketing aims at providing superior value in order to achieve customer
satisfaction and customer retention and the most important asset and tool to manage it is the customer relationship with belonging level of quality. Various definitions of relationship quality have been proposed by many different authors and it appears to be a lack of unity about what relationship quality actually stands for and what it is composed of, Myhal, et al, (2008).

One of the most common definition of relationship quality is saying: “Relationship quality is viewed as a higher-order-construct composed of at least two dimensions (1) trust in the salesperson and (2) satisfaction with the salespeople”, Crosby et al, (1990), according to Myhal et al, (2008, p 446). Other authors the other hand say that relationship quality must be defined according to customer perceptions and their needs and wants. After all, quality is generally emphasized as being customer defined. Therefore Myhal et al, (2008) have applied a new definition saying: “Relationship quality consists of those characteristics of the focal relationship, viewed as the sum of the interactions between the supplier and the customer that satisfy both the customers personal and business purchasing needs” (Myhal, et al, 2008, p 446). They claim that this definition is neither too vague nor too narrow and that both individual and firm related needs must be considered. This definition also recognizes the customer defined nature of relationship quality. Huntley, (2006, p 706), in addition, defines relationship quality as “the degree to which buyers are satisfied over time with the overall relationship, manifested in product quality (technical), service quality (social), price paid for the value received (economic), overall level of satisfaction and the degree to which the relationship functions as a partnership”. She says that B2B relationships are driven by an exchange of resources, both economic and social in nature, a relationship quality construct therefore must include both economic and social dimensions. The definitions applied by Myhal et al (2008) and Huntley (2006) are summarized in table 3:1.

Ahearne et al, (2007) assess that the quality of an exchange relationship is encapsulated by the buyers trust in the salesperson and the satisfaction achieved by the exchange. By other means Ahearne et al (2007), says that satisfaction and trust are the key drivers behind customer relationship quality. They also mention that the quality of a business relationship is directly connected to the ability of building long-term relationships with profitable customers. Also Myhal et al (2008) mention trust and satisfaction as the most frequently employed conceptualizations of relationship quality. Trust in this meaning represents according to Ahearne et al, (2007) a willingness to rely in the other party of a relationship which has confidence. The trusting part of the dyad believes that there are reasons to find the exchange partner credible, competent and capable. The trusting part also has a degree of uncertainty and vulnerability. Trust is described as an integral component in a business relationship development process. Trust in business is often connected to a higher perception of relationship quality and commitment. It is therefore seen as a key factor driving cooperation and overall relationship success. In addition it influence the customers believe in a long-term business relationship.
Customer satisfaction which is considered as the other key driver of relationship quality is defined as “an emotional state that occurs in response to the evaluation of interaction experiences and has a positive affect state” (Ahearne et al., 2008, pp 606). A high level of customer satisfaction will most likely increase the chances of customer retention and long-term relations. Also the word of mouth is positively affected by a high level of customer satisfaction (Ahearne et al., 2007).

### Definitions of Relationship Quality (RQ)

| Huntley (2006) | “The degree to which buyers are satisfied over time with the overall relationship, manifested in product quality (technical), service quality (social), price paid for the value received (economic), overall level of satisfaction and the degree to which the relationship functions as a partnership” |
| Myhal et al, (2008) | “Relationship quality consists of those characteristics of the focal relationship, viewed as the sum of the interactions between the supplier and the customer that satisfy both the customers personal and business purchasing needs” |

Table 3:1, table showing two definitions of the relationship quality concept

### 3.2 Measurement of relationship quality

Huntley, (2006) states that measurement of relationship quality should have a cumulative and performance oriented focus. She further presents five measurement factors of the relationship quality construct which are product quality, service quality, price paid for the value received, overall level of satisfaction and the degree to which the relationship functions as a partnership. Each factor stands for a part of her definition of relationship quality presented in table 3:1 and constitute to a collective picture of relationship quality. The factors are derived from trust which according to Huntley (2006) is a key driver behind the concept of relationship quality. Trust in this context according to Huntley (2006) stands for credibility, competence and capability. The properties of all factors are in detail described in the following text.

**Partnership atmosphere factor:** Partnership stands in its origin for cooperation. According to customers in B2B contexts the relationship is better when the relationship is perceived as a partnership rather than a buyer-seller interaction. Further Huntley (2006) states that when a relationship is seen as a partnership, customer face employees are closely integrated with the customer and have actively impact on pre-purchase decisions.

**Overall satisfaction factor:** Prior work positions trust in a B2B context as a driver of satisfaction and relationship quality.
Theoretical framework

**Technical, social and economic factors:** Trust is central when affecting a customer’s perception of the product, service and price offerings. Trust leads the buyers to believe in the reliability, integrity and honesty of the seller which translates into an expectancy of reliability and honesty also in the seller’s actions. When the buyer trusts the seller, the sellers product/service offerings is perceived as more reliable and quality assessment should be improved.

These five focal factors should be used in customer surveys to investigate the degree of relationship quality according to Huntley, (2006). She further says that the relationship quality is directly linked to profitable outcomes such as increased sales of products/services and the customer’s willingness of recommending and spread the word-of-mouth about the supplier. In addition Reichheld (2001) says that a long term strategy build upon customer loyalty and retention must be supported by economic measurements. He further says that the strategy of long-term loyal customers should be economically justified to enhance its foundation among working people in an organization.

**3.3 Measurement factor encapsulation**

Each measurement factor is broken down to actual questions presented to the respondent in order to capture the degree of relationship quality and measure the customer’s level of satisfaction associated with each factor. The questions are formed as statements which the respondent grade from one to five depending on if he/she agrees with it or not. One means strongly disagree and five means strongly agree, (Huntley, 2006). The statements connected to each factor can be seen in table 3:2. Also an example of the scales used to measure the customers opinion about the statement is presented in connection to each factor in table 3:2. The total score of the relationship quality is the mean value of the score of all statements.

<table>
<thead>
<tr>
<th><strong>Technical factor</strong></th>
<th>We are satisfied with the quality of the product solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Social factor</strong></td>
<td>We are satisfied with the quality of the service solutions</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td><strong>Economic factor</strong></td>
<td>For the <em>product</em> solutions, we are satisfied with the value received compared to the price paid</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td></td>
<td>For the <em>service</em> solutions, we are satisfied with the value received compared to the price paid</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
Theoretical framework

<table>
<thead>
<tr>
<th>Partnership factor</th>
<th>We view our relationship with the supplier as a strategic partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td></td>
<td>We view our supplier as a critical partner in our future strategy</td>
</tr>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall satisfaction factor</th>
<th>Overall we are satisfied with our working relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

Table 3:2, factors used to measure customer perceived relationship quality according to Huntley, (2006)

Profitable outcomes connected to relationship quality

The according to Huntley (2006), profitable outcomes derived from relationship quality increased sales and the customer’s willingness to recommend the supplier to other colleagues are also measured in her measurement procedure. The customer’s willingness to recommend the supplier is measured in the same way as the five measurement factors, via statements encapsulating “willingness to recommend” which the customer rate, on a scale from one to five. The final score is the mean value of the score of the statements. The actual sales are measured by letting the customer list what services or products the supplier are providing them with. Examples of the measurement procedure can be seen in table 3:3.

Willingness to recommend the supplier:

| We can recommend the suppliers services to colleagues in other organizations | 1 2 3 4 5 |
| We can recommend the suppliers products to colleagues in other organizations | 1 2 3 4 5 |

Actual sales:

| Services provided by the supplier today | Service X |
| Service Y |
| Service Z |
| Products provided by the supplier today | Product X |
| Product Y |
| Product Z |

Table 3:3, profitable outcomes connected to relationship quality according to Huntley, (2006)
3.4 The seven dimensions of customer perceived relationship quality

Customer perceived relationship quality is according to Myhal et al (2008), encapsulated by seven dimensions, an explanation of each dimension follows.

Research done by the Industrial Marketing and Purchasing group (IMP) claims that all business relationships in general are build upon three layers, a relationship substance, namely, actor bonds, resource ties and activity links, (Håkansson and Snehota, 1995). These layers are considered to be encapsulating a general B2B relationship (Myhal et al, 2008). These layers are defined as following:

“Actor bonds connect actors and influence how the two actors perceive each other and form their identities in relations to each other. Bonds become established in interaction and reflect the interaction process.” For example should customer-facing staff give warm reception to customers and response to their needs in a satisfying way.

“Activity links regard technical, administrative, commercial and other activities of a company that can be connected in different ways to those of another company as a relationship develops.” A practical example could be that the supplier offers certain guarantees on the performance of troubleshooting processes.

“Resource ties connect various resource elements (technological, material, knowledge resources and other intangibles) of two companies. Resource ties result from how the relationship has developed and represents in itself a resource for a company.” A practical example could be that the supplier ensures that a proper working solution is delivered to the customer and also ensure that the customer understands the correct way to utilize the equipment.

These three layers are interdependent to each other. Actors activate for example resources by carrying out activities. And the availability of resources limits the range of activities which an actor can pursue and actors may only develop activity links and resource ties if there are bonds. A change in any of the layers will affect the relationship and thereby its quality. Myhal et al (2008) have conceptualized relationship quality by adding a few more dimensions to the concept. The first three dimensions developed by IMP group are complemented by four more dimensions. This model which encapsulate the dimensions of relationship quality in a B2B context can according to Myhal et al (2008), also help managers to set strategic goals, actions and identifying gaps in already existing strategies regarding customer relationships and their quality. The four additional dimensions are:

Relationship impact: Means the knock-on effect that the buyer-seller relationship has on the customers own business. This encompasses items such as repercussions that the relationship, or the handling of faults, may have on the customers own business or image. The supplier should create an awareness at the customer of the value provided on the customers own business. In that way the customer will be reminded why they are dealing with the particular supplier and the advantage delivered.
**Situational factors:** Means something that temporarily influences the customer’s choice of dealing with the regular supplier and have impact on the customer’s relationship quality evaluation. In this case communication plays an important role. The supplier must communicate why it would be complicated or inconvenient for the customer to change supplier. For example mention hidden costs often connected to new relationships and change of supplier.

**External associations:** Emphasize those factors beyond the sellers control but still have an influence on the customers’ relationship quality evaluation. This includes items such as the suppliers’ portrayal in the media, reputation, actions in the community and word of mouth. Customer does discuss their relationship with the supplier among each other and it is therefore important to avoid giving the customer a bad impression of the supplier.

**Competitive position** Regarding those items relating to comparison alternatives considered by customers when evaluating the quality of the buyer-seller dyad. It includes for example comparative standards and the presence of a competitive environment. The competitiveness should therefore not be viewed as a threat but as an opportunity to highlight the firms particular strengths. An effectively way of communicating the strengths in comparison to competitors will make the customer aware that the company is offering the best value in the market.

According to Myhal *et al*., (2008) these seven dimensions are the factors considered by customers when they are evaluating the quality of their B2B relationships. Important to consider is that not all dimensions are equally important in every case. The width of each dimension varies according to the certain context. Figure 3:2 summarizes the seven dimensions which together encapsulate the customer perceived relationship quality.

*Fig. 3:2 the seven dimensions of relationship quality according to Myhal et al (2008)*
3.5 Customer life cycle phases

There are four general accepted customer life cycle phases according to Coe (2003). In addition Hougaard and Bjerre (2002) mean that business economics are quite different in the different phases of the customer life cycle. The different customer life cycle (CLC) phases are presented in the following part, a figure (3:3) visualizing the profitability connected to each phase is also presented.

- **Customer acquisition**

  The sales volumes are in general quite low in this initial phase of the customer relationship and salespeople should according to Coe (2003) be direct involved in developing the initial customer relationship and thereby add more value early in the relationship. In addition Reichheld (2001) states that the profitability connected to a new customer must be expected to be low. The investment of bringing new customers is necessary in order to survive. But in the beginning the costs related to the acquisition will most likely exceed the income. According to Hougaard and Bjerre (2002) this phase is a pre-relationship or an early stage. Important in this phase is to convince the customer to make trial purchases and facilitate change of earlier supplier. Also the customer’s ability of absorbing the product or service should be facilitated.

- **Customer growth**

  This phase plays an important role and focus should be put on finding opportunities of up-selling and cross-selling but also secure the relationship. This work is according to Coe (2003) supposed to be done by the sales staff and aims at connecting the customer closer to the company and the products. The sales will, according to Hougaard and Bjerre (2002) increase along with this developing stage just as the profitability.

- **Customer loyalty**

  According to Coe (2003) a big part of customers can be lost due to the fact that they do not get enough attention. To avoid this, force must be put on keeping in touch regularly with the customer and thereby maintain the relationship and keep the customer loyal. As the life cycle of a customer matures, new people and functions can be involved in the relationship. Also Hougaard and Bjerre (2002) say that retention is important in order to extend the loyalty phase. The customer has also a relatively high level of maturity during this phase it could therefore be defined as a long time maturity stage. The experience connected to a customer in this phase should be used to lower transaction costs and rationalize the relationship. The sales volume tends to be stabilized.

- **Customer reactivation/termination**

  Not many companies focus on past customers even though this group becomes larger and larger with time. It is general known that it is easier to sell products to a current customer than to a new one. The same is for past customers. There is a high probability that these customers know the company products and a reactivation of the relationship is therefore possible, Coe, (2003). But not all relationships are worth reactivating when sale goes down. Therefore Hougaard and Bjerre (2002), calls this phase a termination stage which stands for an end of
the customer life cycle. If the relationship is to be ended, it should be done in a good manner in order to facilitate a good word of mouth.

![Diagram of customer life cycle phases](image)

**3.6 Life cycle profitability**
Reichheld (2001) adds a few customer lifecycle profitability dimensions to the lifecycle concept. His dimensions are only economic related and he means that the profitability of a customer increases with time, experience and loyalty. The profitability is affected by five main effects presented below. The effects are also presented and visualized in figure 3:4.

- **Acquisition cost**
The initial costs related to the acquisition of a customer will mean lower profitability during the acquisition phase. The investment of bringing new customers is necessary in order to survive. The costs related to the acquisition is encapsulated of advertising, reduced prices to new customers, time invested in discussions and negotiations, representations etc.

- **Base profit**
In general when a company sells a product or a service, the price paid by the customer is higher than the costs of the seller. This is the base profit and is considered to be unaffected by time, loyalty, or any other consideration. The longer the customer is kept the more base profit will be gained and make the investment look better.
Theoretical framework

- **Revenue growth**
  Customer spending tends to accelerate over time since a satisfied customer uses the same supplier for all product needs. For example, “if a customer is satisfied with a pair of shoes, he might buy his shirt from the supplier as well”. This revenue growth can be managed by for example carry out actions that accelerate the loyal customer lifecycle and thereby the profits showing later in a loyal relationship.

- **Cost savings/decreasing operating costs**
  As a customer gets to know the business they will learn to be efficient and not waste time requesting services or products which the company does not provide. An increasing familiarity with the products will decrease the customer’s dependability of the supplier’s information and employees. Over time this collaborative learning between the customer and supplier can create enormous productive advantages directly translated into lower costs.

- **Referrals**
  Satisfied customers recommend the business to other potential customers. This is an effect and benefit from long-term customer retention. Customers showing up by recommendation from other customers are in general of higher quality and have better intentions of buying products. Veteran customers give an accurate picture of the selling organization, therefore referral customers come for the right reasons.

- **Price premium**
  The price sensitivity becomes lower with time and experience with a customer. This is most often ignored by selling organizations and many firms overcharge their loyal customers because they are unaware of the true margins these customers generate.

Hougaard and Bjerre (2002) state that the profitability will increase with time of the customer life cycle due to cost decrease along with a maturity of the relationship. Therefore it is important to avoid customer break offs in the relationship before or just after the customer life cycles break-even point (see figure 3:5). Focus should thereby be put on retention in terms of extending the life cycle and other add-on revenue streams in order to increase overall performance.
A loyal customer with a long-term relationship to the supplier will most probably recommend the business to other potential customers. Some industries are more dependable of word of mouth than others but important to consider is that customers coming to a supplier on the basis of recommendation often have higher quality than customers from commercial actions. A high quality customer means that the customer’s intention of establishing long term relationship is higher, Reichheld (2001).

Reichheld (2001) also says that not all customer relationships are worth investing in. Evaluations are necessary and sometimes projects must be prioritized before others. Therefore a decision whether a project is economically justified for investments or not must be taken. In order to determine if a customer is worth the effort a comparison between the future input and outcome should be performed.

3.7 Transaction costs
Transaction costs within a customer supplier dyad means the amount the dyad have to pay in addition to the core service in order to participate in the dyad exchange. The transaction cost is divided into three types of costs.

- Pre-exchange costs, which mean costs such as information gathering and negotiation
- Post-exchange costs for example decision costs
- Control costs, which means costs related to control of systems between supplier and customer

The different types are called the three C’s, contact, contract and control and the total transaction cost is, thus the sum of the three C’s. Customized assets, friction and the life cycle of physical systems within a relationship dyad are considered to be drivers of transaction
costs. These drivers can be overlooked depending on how far the parties are ready to gain in the relationship in order to reduce friction and develop interdependence in the relationship. How close the relation can become is dependent on perceptions of risk connected with the dyad. A process with the purpose to strive for development, maintenance and establishment of profitable customer relations reduces transaction costs and create transaction benefits. Reducing such frictions by investing in customized assets and understanding the critical parts of the customer life cycle are considered as key factors when creating competitive advantages hard for competitors to take after. Figure 3:6 visualize the transaction costs related to the different customer life cycle phases.

Fig 3:6 transaction costs in relation to the customer life cycle phases
4. Model development

In this chapter the developed model is presented. The chapter starts with an overview of the conceptualized model intended to be used as a framework for measurement, improvement and follow-up of customer perceived relationship quality. Thereafter the steps and their included actions and tools of the model are in detail described and accounted for. The model’s practical applicability will turn out more clearly along with the description of its development and in the final part an operational model will be presented.

4.1 Conceptual model

The developed model is named RQIM which stands for Relationship Quality Improvement Model and is divided in to three steps combined with standardized tools and actions connected to each step. The model is supposed to handle one customer at a time and the dimensions encapsulating customer perceived relationship quality according to Myhal et al (2008) are used as inspiration and foundation to the developed model. The RQ-encapsulation is complemented by a measurement process, an experience perspective and a deeper investigation of each dimension. The added features can be seen in figure 4:1 which describe the breeding work, resulting in the conceptual model presented in figure 4:2.

![Fig 4:1 cornerstones of the developed model](image)

Since organizations most often have more than one single customer in their customer base and the developed model is supposed to handle one customer relation at a time, an evaluation of which customer to focus on must be performed. An economic investigation performed in order to further decide if the single customer is worth investing in is crucial according to Reichheld (2001). The developed model takes off when such decision is done. Thus the model focuses on the customer perceived relationship quality improvement process and its connected relevant properties.

![Fig 4:2, conceptual model](image)
Step one
The developed model, conceptually described in figure 4:2 aims at measurement, improvement and evaluation of the customer perceived relationship quality between a selling organization and a business customer. Inspiration regarding measurement of relationship quality is derived from Huntley (2006), who present factors used as base for measuring the level of customer perceived relationship quality in a B2B context. Her measurement process consisting of a mean value derived from a technical factor, a social factor, an economic factor, a partnership factor and an overall satisfaction factor is used to measure the level of customer perceived relationship quality twice in the developed model, once in the first step and once in the last step. The reason is to create two different reference levels which will be compared to each other in order to evaluate the improvement process in the final step and thus identifying any alternations in the level of the customer perceived relationship quality.

A customer relationship is according to Reichheld (2001) connected to different levels of economic profitability depending on the customer life cycle. Different properties affecting economic costs and sales are affected by time and experience within the customer supplier dyad. In addition Coe (2003) claims that there are four generally accepted customer life cycle phases of such dyad in a B2B context. An improvement process of customer perceived relationship quality aiming at increased profitability should therefore be related to the customer’s life cycle since properties influencing the profitability are different depending on the life cycle phase. A developed customer relationship has an increased relationship maturity as one of its outcomes which also is the purpose of a relationship quality improvement process - to guide the relationship towards a mature profitable life cycle phase. If the relationship instead is considered not worth the effort needed to be developed, or if the relationship is positioned in the end of the life cycle, effort should be put on ending the cooperation in a good manner in order to maintain a positive word of mouth in the market among potential new customers. Thus, the RQ-improvement process should be affected by the current life cycle phase with belonging properties of the customer in focus. The different life cycle phases and the economic effects connected to them are described in figure 4:2 which indicate that the levels of transaction costs and supplier profitability does vary depending on the customer life cycle phase.

Fig 4:2 the four customer life cycle phases connected to the economic effects, sales and transaction costs
Myhal et al. (2008) have identified seven dimensions which together encapsulate customer perceived relationship quality. These dimensions are used as the foundation and main inspiration in the developed model for improvement of the customer perceived relationship quality. The dimensions are used as a springboard when determining which areas in the relationship that will be in focus of improvements and thus will function as development areas in need of improvement actions. These development areas springing from the relationship quality encapsulation are also applied in the first step of the developed model which is conceptually described in figure 4:2.

*Step two*
In step two of the developed model, the development areas are further investigated in order to identify value adding activities within the scope of each area. The investigation will be done by asking the customer in focus of the process what type of actions within the areas that are value adding from a customer perspective. The customer opinions are crucial since it is the customer itself that knows best what actions are actually creating value for his own organization. The second step also encapsulates the planning of how to carry out the identified actions in order to increase the customer perceived relationship quality. Implementation of the actions will be enhanced by setting target objectives which gives a clear specific picture of what has to be done in order to fulfill the goals set in this step.

*Step three*
Implementation and follow-up constitutes the final step. Actions intended to increase the customer perceived relationship quality will be carried out. A final evaluation will also be performed according to the importance of measuring improvements (Zineldin, 2005; Reidcheld, 2001). The action’s effect on the relationship quality will be monitored via a comparison between the reference level created in step one and the one measured in step three. Also the actual sales and customer’s willingness to recommend the supplier will visualize potential changes in the relationship quality compared to the state in step one. Important to remember though is that the model is created as an ongoing cycle in order to be assessed over and over again as an indicator of a continuous improvement process. The importance of creating and maintaining high quality customer relationships is an important and long-term quest in constant transformation.

*Three step model*
The developed model is divided into three steps as a cause and effect process. A finished procedure of one step enables the procedure of the step afterwards to begin. Explanation and exemplification follows: Myhal et al (2008) claim that their dimensions should be used as a take-off for improvements of customer perceived relationship quality. Zineldin (2005) on the other hand says that an improvement should be measured and thereby validated in order to be perceived as a real improvement. Thus a reference level is needed in order to determine whether any improvements have occurred or not. The first measurement procedure and preparations carried out in step one needs to be performed before step two with belonging properties can be initiated since step two is depending on the performance in step one. In addition the improvements suggested must be implemented in step three, before the final
measurement can be done. Thus, a parallel process is excluded and a sequential one is preferred.

To summarize, the developed model is divided into different steps since the actions follow each other as a natural series of happenings via a cause and effect methodology. The model can be seen as a process consisting of a take-off phase (step one), an investigation phase (step two) and an action/evaluation phase (step three). It is thus natural to divide the relationship quality improvement process into three steps. A review of each step with detailed explanations and argumentation will follow in the coming part of this chapter.

4.2 Step one, take-off
Since improvements should be measured in order to be perceived as real improvements according to Zineldin (2005), a reference level is needed as a comparison value when performing the final evaluation in the last step of the developed model. The reason for this is to define whether there have been any alternations of the relationship quality or not. A measurement of the current customer perceived relationship quality should therefore be performed in order to validate and visualize future changes, either positive or negative. A definition of suitable development areas within the seven dimensions encapsulating customer perceived relationship quality according to Myhal et al (2008) must also be done in this first step. The development areas will be used as a springboard to the following process of the developed model when improvement factors are to be defined and carried out.

Measurement of customer perceived relationship quality
According to Huntley (2006) the quality of a B2B customer relationship can be encapsulated and measured by five factors: product quality, service quality, price paid in comparison to received value, degree of perceived partnership and overall satisfaction with the relationship. She also mentions that these factors have impact on financial outcomes affecting the profitability such as actual sales and customer willingness of recommending the supplier to other firms and potential customers. The factors of Huntley (2006) used to measure relationship quality has a connection to the RQ-dimensions of Myhal et al (2008). When comparing the definitions provided by Huntley (2006) and Myhal et al (2008) they touch each other regarding the key factors of the relationship quality concept. Both of them take a cumulative perspective regarding all interactions performed in the relationship and its durability (1). Both of the definitions also mention technical/economic (2) and social needs (3) as focal points of customer perceived relationship quality.

Definition of relationship quality according to Myhal et al (2008, p446):
“Relationship quality consists of those characteristics of the focal relationship, viewed as the sum of the interactions between the supplier and the customer (1) that satisfy both the customer’s personal (3) and business purchasing needs (2)”.

Definition of relationship quality according to Huntley (2006, p706):
“The degree to which buyers are satisfied over time with the overall relationship (1) as manifested in product quality (2), service quality (3), price paid for the value received (2) and the degree to which the relationship functions as a partnership (2)”.

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The definitions of Huntley (2006) and Myhal et al. (2008) can be said to be accordant to each other and thus Huntley’s measurement model is considered applicable also to Myhal et al.’s relationship quality encapsulation since it is measuring what it is intended to do in both cases. The connection between the RQ-dimensions of Myhal et al. and Huntley’s (2006) measurement process is further exemplified by looking at the measurement factors product and service quality. They should be expected to be affected by the RQ-dimension resourceties. If clear operation manuals are communicated to the customer or other service resources and thereby affect the utilization of the product or service, the perceived quality of the product/service should be expected to increase.

**Profitable financial outcomes**

Huntley (2006) claims that the connection between relationship quality and profitable financial outcomes is clear and visualized through customer behavior and customer behavior intentions, namely increased business or sales and customer willingness to recommend the supplier to colleagues, also named “word of mouth”. Huntley (2006) thus, says that a high level of satisfaction associated with the factors encapsulating the customer perceived relationship quality is positively connected with actual sales and customer willingness to recommend the supplier. These two economic factors are thus used as measurable parameters in the measurement process in addition to the five factors mentioned before. Silverman (2001) means that a positive word of mouth is the most powerful way of shortening potential customers’ decision process regarding purchase of a supplier’s products or services. Thus it is considered to save time, risk of failure and money which otherwise had to be spent on trials, marketing and other activities connected to a complicated customer decision process. Experience needed by the customer in order to know whether the supplier has the capacity or not is provided by surrounding like-minded customers via a good word of mouth according to Silverman (2001). Also transaction costs in the customer supplier dyad are expected to decrease with experience and increased quality within the customer relationship according to Hougaard and Bjerre (2002). They say that friction inside systems in the customer supplier dyad causing costs will decrease along with the parties increased commitment within the same. Moreover, Reicheld (2001) states that cost savings in a customer supplier dyad occur and increase align with time and experience in a customer supplier dyad.

**Measurement factors encapsulated by variables**

The five measurement factors developed by Huntley (2006) are applied into the measurement process used in the developed model. Each factor by Huntley (2006) will be broken down into actual variables in form of statements in order to define the respondent’s satisfaction associated with each factor. The variables should be created in order to fit the current context where the measurement is supposed to be performed. Thus the statements/variables used by Huntley (2006) which are presented in chapter three might need to be complemented. The creation of variables in form of statements aimed for encapsulation of each factor in the developed model will be derived from Huntley’s input combined with current applied questioners regarding customer satisfaction within the case company. The case company’s own customer evaluations are considered well suited to the specific type of customer,
products and services connected to the certain case company and are thus appropriate to use in the specific context of this study, the case company customer survey is attached in appendix I.

Depending on the life cycle phase of the customer processed in the RQIM-model, the variables created will vary to some extent. A customer placed in the earliest phase where no experience of the supplier’s products and services exists will have problems with grading the quality of the same. In such case the variables encapsulating product or service quality must be suited to that current situation.

**Measurement procedure**

The measurement of relationship quality should according to Huntley (2006) have a cumulative and performance-oriented focus. The cumulative approach reflects interactions in the relationship that has taken place over time. The focus is to measure the level of satisfaction associated to each part of the relationship quality construct. The factors of Huntley (2006) are used to measure the cumulative level of customer perceived relationship quality. Each factor will be measured on a scale from one to five via a customer survey, where 1 means strongly disagree and 5 means strongly agree. The respondent (customer) will be requested to rate each statement belonging to each factor. A mean value will be calculated and used as an indicator pointing out the level of customer perceived relationship quality. In addition the measurement procedure will point out current weaknesses in the measurement factors. This information should be used throughout the remaining process when processing improvement actions. The same procedure, as applied when measuring the five factors will be used for measurement of the customer’s willingness to recommend the supplier’s products and services to colleagues in other organizations. Regarding the sales level the customer will be asked which products and services that are currently used in their organization. The same procedure will be applied for services provided by the supplier in general. These potential financial outcomes, sales and customer willingness to recommend will finally be added to the total picture of customer perceived relationship quality of the certain relationship.

**Definition of CLC-phase and development areas**

The relationship quality improvement process starts with Myhal et als.’ (2008) dimensions of customer perceived relationship quality. The dimensions are used as a foundation supposed to define the direction of the relationship development. The development process of the customer perceived relationship quality should also be connected to what level of maturity the customer relationship has developed so far. According to Coe (2003), there are four generally accepted customer life cycle (CLC) phases: acquisition, growth, loyalty and reactivation/termination. The by Reichheld (2001) mentioned profitability-effects connected to the customers life cycle affects the economic profitability depending on the maturity of the customer relationship. The economic profit is dependent on the life cycle phases with belonging properties and the way they are managed. For example is the acquisition phase characterized by high costs related to acquisition of the customer and will thereby cause low profitability. According to Hougaard and Bjerre (2002), different actions connected to different life cycle phases support the sales profitability and future customer retention. Certain CLC phases might also provide strategic windows regarding possibilities related to the phase properties. The current life cycle phase must therefore be identified and used as a guideline to what areas to deeper investigate as possible development areas within each RQ-dimension.
The determination of which CLC-phase to apply should be supported by qualitative data gathered from key informants in the supplier’s organization. Sales frequencies and forecasts combined with the experience within the customer supplier dyad could be used as guidelines. Depending on the customer life cycle phase the development areas should be supporting the following subjects in order to increase profitability and enhance the maturity process:

**Customer acquisition**
The primary goal in the early phases of the customer life cycle is according to Hougaard and Bjerre (2002) to convince the customer to make a trial purchase, facilitate change of supplier, or take in a second source. The customer’s ability of absorbing the product should be emphasized and facilitated.

**Customer growth and retention**
This optimistic phase characterized by growth and beginning profitability should be emphasized by carrying out activities that secure the customer relation and retention. This phase also bring strategic opportunities of cross-selling and up-selling in the customer organization according to Coe, (2003).

**Customer loyalty**
The loyalty phase is characterized by mature customer behavior and experience in the customer-supplier dyad. Thus major possibilities of lowering transaction costs exist and thereby rationalize and improve the relationship. Also force on keeping in touch with the customer is important and thereby maintain the relationship and secure customer loyalty according to Hougaard and Bjerre (2002).

**Customer reactivation/termination**
Even though a customer has left a relationship it is easier to process than a brand new one. If reactivation is the goal, focus should be kept on activities supporting recreating contact with the customer. If it is the opposite, (termination), activities supporting a good break-up should be carried out (Hougaard and Bjerre, 2002).

With the properties connected to the current CLC-phase in mind, development areas within each of Myhal et al’s (2008) dimensions should be defined to the certain customer in focus of improvement. Thus the development areas are unique to each customer, figure 4:3 which visualizes the process can be seen below. Figure 4:4 shows a matrix in which the development areas are positioned in connection to their corresponding RQ-dimension.

![Fig 4:3 the dyad of CLC-phase and RQ-dimension creating a development area](image-url)
Fig 4-4 Myhal et al (2008) and their dimensions encapsulating customer perceived relationship quality (left) in correlation to the developed matrix for defining development areas(right)

The positioning of the customer into corresponding CLC-phase and determination of development areas within each RQ-dimension will be performed by consulting key informants in the supplier organization. Semi-structured interviews with the seven RQ-dimensions as a base will provide the information needed.

Summary step one:
- Create reference level of current customer perceived relationship quality
- Identify weak factors from the measurement process
- Position the customer into corresponding CLC-phase
- Define development areas

Tools:
- Measurement factors
- CLC-phase
- RQ-dimensions
4.3 Step two, Investigation

According to Myhal et al (2008) their dimensions of customer perceived relationship quality can be used as guidelines for improvements of the concept. The development areas derived from their RQ-dimensions are therefore used as the foundation when setting the future ambitions of the relationship – the goal. Thereafter actions in order to fulfill the goals should be determined.

**Target objectives**

The future state (goal) is evaluated and determined in an extended version of the matrix used in step one when defining the development areas of the customer relationship. The extended matrix is presented in table 4:1. The future state should be determined with the support of discussions with the customer in focus of the RQIM-process. Barnes (2001) says that the customer’s point of view must be examined when creating added value for the customer. The customer should be asked about its opinions regarding the interaction process, products and services. The important thing to consider is that the customer knows best what it needs in order to perceive added or increased value. Via qualitative conversations, the possibility of the supplier to fill this gap is likely to increase thus creating an accurate improvement process and increasing the ability to fulfill its purpose which is to improve the customer perceived relationship quality. An overall goal of the RQIM process should also be to navigate the relationship towards the most profitable and suitable customer life cycle phase. In general, actions should be taken in order to speed up the maturity process of the customer relationship according to Reichheld (2001). By having the current state in mind combined with customer interviews and the current customer life cycle phase, the future state regarding the seven RQ-dimensions will be determined.

The future goals set should follow certain guidelines in order to increase their chance of fulfillment, Kraut (2006) mentions the SMART approach which suggest the goals to be:

- **Specific** – be able to be identified and observed
- **Measurable** – be able to be assessed objectively
- **Aligned** – with the purpose and vision of the organization
- **Reachable** – be realistic
- **Time-bound** – have a clear timetable and deadline

**Define needed actions and creating action plan**

The future state/goal is reached by setting guidelines and take decisions of actions aiming for fulfillment of the goals. By the time actions take place and the level of fulfillment increases, also the level of customer perceived relationship quality is expected to increase. The actions or guidelines are determined by using a regular gap-analysis where the before defined current situation is compared to the future one (the goal). The difference between the two situations must be filled out by certain actions. An action plan springing from the actions determined in the gap-analysis should thereafter be performed in order to increase the chance to fulfillment of the goals. The action plan should according to Schou (2007) include factors like:

- What needs to be done immediately?
- What can be done fast with little effort?
- Within what areas does progress depend on external parts?
- What can we do by ourselves?
- What do we need to do to maintain our areas of strength?
The action plan should include the goals set according to the SMART-procedure and the problem areas which are about to be solved. In addition responsible functions within the supplier organization should be pointed out for each responsible area. Since the RQ-dimensions used as foundation for defining relevant improvement actions are not considered to always have equal importance and the action plan might be very extensive, a prioritization of each action should be done in order to focus on relevant value adding activities. Example of an action plan is presented in table 4:1.

<table>
<thead>
<tr>
<th>Customer X</th>
<th>RQ-Dimensions</th>
<th>Development area</th>
<th>Future state (goal)</th>
<th>Actions needed to fill out the gap</th>
<th>Prio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actor-bonds</td>
<td>Area within the dimension which needs attention</td>
<td>Desirable situation regarding the development area</td>
<td>The difference between current situation and the desirable situation</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Activity-Links</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Resource-ties</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relationship-Impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Situational-factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>External-associations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competitive-position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 4:1 gap analysis where the actions needed are the difference between current state and future goal*

**Summary step two:**
- Set target objectives within the development areas
- Define needed actions
- Create action plan
- Prioritize actions

**Tools:**
- SMART
- Gap-analysis
- Action plan
4.4 Step three, Action/evaluation

The final step means implementation of the actions determined and prioritized in the action plan. Depending on the character of the actions, the time for them to make any actual difference will differ. There is no meaning to rush for results in this case since building sustainable, loyal customer relationships is a long-term strategy according to Reichheld (2001). The follow-up measurement and evaluation should thus be carried out in relation to the time plan defined to the activities in the action plan and the connected characteristics of each action.

*Implementation and evaluation*

An important factor to consider is that an understanding of the actions and their purpose is spread among participating employees. The understanding and willingness of performing the actions is fundamental for the success of the action plan and an increased level of customer perceived relationship quality. Last but not least the final evaluation must be carried out. This procedure aims at evaluating the success of the actions aimed for increased customer perceived relationship quality. This follow-up is important in order to see actual results and convince involved people of the meaning of the process. The results should be comparable with the results achieved in earlier steps of the developed model (step one). Thus, the same measurement procedure as in step one will be carried out once again. Due to clear defined measurements and economic connected variables the acceptance of the model among participating employees is expected to be enhanced. This facilitates an understanding and future work within the same area. The ability of generalization and acceptance in the rest of the organization is also higher with clear and measurable goals, especially economic ones according to Reichheld (2001).

An overhead evaluation of the model should also be performed. Each goal and its corresponding fulfillment should be examined. The general accepted importance of continuous improvements is represented by the suggestion of starting over with step number one again if necessary. An evaluation of the maturity of the relationship should also be performed, a comparison between the former customer life cycle phase and the current one reflects the long term development of the relationship. The importance of building high quality customer relationships due to its competitive advantages is a never ending work. The model should be carried out from the beginning even if the same customer is in focus. The properties or maturity of the customer may have changed with time.

*Summary step three:*

- Implementation of action plan
- Comparing reference level No. one and No. two
- Evaluation of success

*Tools:*

- Action plan
- Measurement factors
- CLC-phase
4.5 Operational model

The conceptual model described in figure 4:2 was refined by in detail define how and what type of actions and tools should be applied and used in order to further support its overall purpose and be practically applicable. Thus an operational model was created which is presented in its entity in figure 4:7 below. Detailed actions and tools belonging to each step of the model earlier described in this chapter in connection to each step of the developed model are included in figure 4:7.

![Operational Model Diagram](image)

**Fig 4:7, developed operational model including steps, actions and tools**
5. Empirical findings

In this chapter relevant information regarding the case company such as organizational structure and services & products offered to customers are presented. Also information about one of the case company’s customer with belonging organization is described in order to provide relevant information in order to understand the context in which the developed model is tested. The customer which is accounted for in this chapter is named “Customer two” and will function as main example through the whole testing process which is presented in chapter six, model testing.

5.1 The SAAB-group organization

Sensors Command and Control (SCC) is a department within the Logtronics division belonging to the business unit Support and Services. Support and Services is a part of the SAAB group which serves the market with security solutions within both military and civil industry.

Support and Services offer customized support and logistics solutions to the SAAB group’s aftermarket as well as from other actors in the market. Support and Services provides a through life support where they want to follow the customer and its belonging products through the whole life cycle. Their support solutions are supposed to change with time and need. In figure 5:1 seen below, a picture of the SAAB-groups structural organization is presented.

SCC is spread geographically over Sweden at twelve different locations and 54 employees. At most locations only a few coworkers are positioned while the Växjö office has the most, 24 employees. The offices located around Sweden means a close connection to the customers business which is located at different regiments and other military sites.
5.2 SCC market and products

SCC is acting within the industry of defense with the Swedish armed forces as main customer. The market which SCC acts on is sensitive for political decisions due to its military involvement. The demands on a company willing to enter a market like this are high. It takes special technical competence, knowledge and certifications in order to handle weapon systems and get permissions to act on the market. Nevertheless, during the last few years the international and local competition has significantly increased which can be considered as a threat to SCC’s business. Sensors Command and Control (SCC) delivers special products and support solutions which sometimes also is part of a bigger project within the SAAB group. Therefore the projects sometimes are carried out along with other departments within the business unit. SCC offers products and services within several different military market areas. There are five main market areas where SCC is active today, they are naval, ground based air defense (GBAD), antitank missile systems, firing ranges, artillery and civil security.

The main customer, the Swedish armed forces are restrained by the law of public purchasing process. All purchase processes aimed for the armed forces are handled by Försvarets Materielverk (FMV), which can be considered to be the administrational management department. Thus SCC must have contact with both the end customer (the armed forces) and the administrational management of the same (FMV) during projects.

The main solutions which are provided are aimed for military systems, both weapons and support equipment, also modifications and upgrading are provided. Example of services and products offered is requirement handling, project management, system development, reparations, technical support, maintenance etc. Products could be equipment for trouble shooting, test equipment, maintenance equipment, military practice equipment etc. SCC is most often offering their services and products as a total solution which runs over a total life cycle of an offer, it is including equipment, services, system integration, maintenance and support etc. Thus it is hard to in detail differentiate products offered from services offered. Mostly often it is a mix – a project. Much of the services provided are performed via a central workshop where technicians are working with the equipment. The support and maintenance contracts are usually signed for three years at the time. Other orders such as system security upgrading and modifications are carried out depending on the projects character and size.

5.3 SCC customers and customer satisfaction

Within the market areas different products and services are offered and delivered to the customers who could be actual end consumers, internal customers within the SAAB group or other external companies, but the main customers are military organizations within the Swedish armed forces. The most common business deals set up between SCC and their customers are contracts going over three years, so called service contracts. Thus relationship attention character to a certain customer differs depending on which phase of the contracts operational time the customer is in.
SCC has a vision of incorporating certain values (knowledge, trust and willingness) provided by the top management of the SAAB-group into the SCC culture. The words of value are supported by the SCC slogan, “at your side – all the way”. The purpose of this vision is to support the SCC employees of how to work towards the customer in every phase of its life cycle. The essence of the vision is that SCC has a clear strive to create customer satisfaction by working with their customer relationships. Within SCC there exist a will to maintain and develop their customer relations. According to the sales manager at SCC they work with customer relations on three levels, the consultants working in the actual project close to the customer, the business area managers, and senior management. The size and complexity of the project decide on which level the relationship development responsibility is placed. Also the actual sales work is carried out on all three levels. The first line of sales is performed by the consultants working along with the customer trying to resell their own and their colleague’s services. Beyond that the key account managers (KAM) tries to identify customer needs and sometimes also department managers support marketing and sales actions, alone or together with the KAM.

SCC use continuously customer satisfaction evaluations in form of questionnaires filled in by the customer after each finished and delivered project. The surveys are standardized and designed to suit the certain operations context and consist of a set of questions regarding the cooperation/communication, procurement process, product quality and overall satisfaction with the project. The SCC customer survey can be seen in appendix I. The surveys are also complemented by meetings with the customer after a finished project where more qualitative information is shared between the customer and supplier.

5.4 Ground Based Air Defense Customer, (Customer two)
Customer two is a part of the management of development and planning (see figure 5:2) of future and current task forces responsible for Ground Based Air defense within the Swedish armed forces. Such task forces are developed and trained in order to be a part of the Swedish territorial defense and support Swedish forces serving abroad. Customer two’s department is organizational positioned under a regiment within the Swedish armed forces and is thus a military organization.

![Fig 5:2, organizational structure of GBAD regiment within the Swedish armed forces. Customer two is found under development and planning](image-url)
Customer two differs from many other military regiments regarding the procurement process and their interaction with the military industry. Generally the procurement processes are handled by the Swedish armed forces administrative management (Försvarets Materielverk, FMV) who acts as a middleman for all procurement processes of the regiments within the Swedish armed forces. Customer two has more direct contact with his suppliers due to his organizational position within development and planning of GBAD task forces. Thus it means a closer contact also for SCC to the actual end consumers of their product solutions compared to a process which goes through FMV, which is the case in other operations. The difference of the interaction process between Customer two (which is a part of the Swedish armed forces) and the regular interaction way is visualized in figure 5:3.

![Diagram](image)

Fig 5:3 procurement process related to Customer two compared with a regular process going through FMV

### 5.4.1 Customer two’s operations planning

Customer two run and plans his operations in set of three year business cycles where each phase represents either an existing GBAD taskforce or the planning of the one replacing the current one. There are different properties connected to different cycles. For example can equipment used in the current taskforce not be changed or developed during its running time. Thus, high demands are put on the design phase of equipment and including systems which is supposed to be applied in the taskforces. Once the design phase is over and the taskforce turns into its operative phase, no major changes can be done. There is always one current operation cycle representing the currently applied GBAD taskforce. This taskforce is the one which is applied in the military organization and stands in readiness for the Swedish military headquarter to use. In figure 5:4 this cycle is named “Task force 2009”
Meanwhile the current cycle with belonging organization is running and the taskforce work and train with regards to its established guidelines, another one is being planned and ready to take the place of the one before when its time runs out. By this method the taskforces overlap each other in a never ending process.

Also a third set of taskforce guidelines are prepared in order to be ready to take over after the second one, thereby it is understood that one taskforce has a preparation time of six years. When the current phase is outdated it is replaced by a planning process for a future phase, thus it is always three taskforces in progress, a current, an upcoming and a future one. This cycle is an ongoing never ending process with the purpose of updating and renewing the customers operations with time. This way of planning and perform the customer business is central established and cannot be changed what so ever according to Customer two. Customer two believes that his supplier must be able to support this framework since the process is crucial for the way his organization plan their business.

Each task force is consisting of a set of systems both technical (equipment, technical systems etc) and social (manpower, training, methods etc) systems. The procurement of equipment, services, solutions etc from SCC is supposed to mainly encapsulate technical parts and to some extent social systems, for example education regarding technicalities or management of complex systems applied in the task forces operations.

![Fig 5-4 description of Customer two’s business cycles](image)
5.4.2 SCC support office

SCC has a support office located at the customer’s site. This support office is manned by one SCC representative in order to create closeness to the customers operations. The SCC support office’s function is to act as a middleman between the customer’s site and SCC’s location in Växjö. SCC wants the office to facilitate their operations together with Customer two by enhancing the physical flow of manpower and equipment needed for certain projects. Customer two sees the potential of such support office but think it can be developed and thus add much more value in the future than it does today. Especially since he believes that the general cooperation between the Swedish armed forces and companies within the industry of defense will increase dramatically in the future.

5.4.3 Project interaction process

The projects carried out between SCC and Customer two does not look the same at all times, due to differences in project character and involved people. But a general description is that a project decided to be realized is technically planned where needs, solutions and expectations are synchronized. A “go-signal” is given to SCC who starts the project and continuously set up progress meetings with the customer where possible questions or problems can be discussed. Finally a delivery control is performed where the customer accept the product and the project can be considered finished.

Regarding the process to define whether a product idea or development suggestion are worth to make a bid for or not there are no standardized routines established at all. Such process is depending on meetings between SCC and Customer two aimed for other purposes. In addition to this Customer two experience lack of accuracy of SCC’s development suggestions of equipment and systems. He also says that the lead times in the projects are very valuable for his organization.
6. Model testing

In this chapter the developed model is carried out and tested. The model has been applied to three different customer relationships to the case company, each with different properties and experience within the customer supplier dyad. The customers were named customer one, two and three. Interviewing the customer is a natural part of the developed model. Thus in this chapter, new empirical data will be presented as a step in the testing process. The testing process is following the structure of the developed model and is, thus presented and carried out step by step. Only the development of measurement variables is presented before step one in this chapter since it is a prerequisite in order to carry out the testing process. The tight time frame of the thesis did not allow the testing process to handle the final third step in its full extension. The final step is instead, partly hypothetically tested via discussions with customers and other key informants.

The testing processes from customer one and three are not presented in the study due to lacking information. Only the testing of one case, (Customer two), is presented. The two others are thus excluded, the available information regarding customer one and three can be found in appendix III.

6.1 Testing process
The developed model seen in figure 6:1 is followed step by step during the testing process which is presented in this chapter. The customer which the model is tested upon and thus is used as main example and accounted for in this chapter is named “Customer two”. Relevant information about Customer two in order to grasp his organization, position and connection to the case company is presented in chapter five.

Fig 6:1 the developed model in focus of testing process
6.2 Determining measurement variables

The measurement factors used by Huntley (2006), in order to measure the level of relationship quality are applied in the developed RQIM-model. The measurement procedure was carried out by a questionnaire handed to Customer two consisting of a set of variables which together encapsulated the five measurement factors. The questionnaire was developed in order to work as a tool supporting the overall purpose defined in the problem formulation, measurement of customer perceived relationship quality. The developed questionnaire supposed to measure the customer perceived relationship quality in the RQIM-model was derived from both primary (Huntley’s, 2006 variables) and secondary (case company survey) data. The variables derived from Huntley (2006) were formulated generally, while the case company surveys were well suited to the certain context. Thus a questionnaire well suited for its purpose was created. The variables originated from Huntley (2006), can be found together with the measurement factors in chapter three in this thesis. The created questionnaire applied in the developed model can be seen in appendix II. The original customer satisfaction survey used by the case company can be found in the appendix I. Figure 6:2 below, is showing the cornerstones of the developed questionnaire.

<table>
<thead>
<tr>
<th>Input</th>
<th>Input</th>
<th>Input</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Problem formulation:</strong> How can the level of customer perceived relationship quality be measured?</td>
<td><strong>Primary data:</strong> RQ-measurement method from Huntley (2006)</td>
<td><strong>Secondary data:</strong> Selected parts from case company customer satisfaction survey</td>
<td><strong>Measurement tool:</strong> Questionnaire, applied in the developed RQIM-model</td>
</tr>
</tbody>
</table>

Fig 6:2, the cornerstones of the developed questionnaire applied in the RQIM-model

6.3 Step one, Take-off

The first step considered as a take-off phase is presented in this part of the testing chapter. The procedure is performed on Customer two, a customer to the case company within the GBAD market area. The testing will follow the structure of step one in the developed model. The respondent representing Customer two throughout the whole testing process is an experienced top manager within the customer’s organization. His organizational position and other relevant information about him can be found in chapter five, empirical findings.

**Step one:**
- Create reference level of current customer perceived relationship quality
- Identify weak factors from the measurement process
- Position the customer into corresponding CLC-phase
- Define Development areas

**Tools:**
- Measurement factors
- CLC-phase
- RQ-dimensions
6.3.1 Creation of reference level and identification of weak factors

A reference level was created in order to see whether any later changes in the relationship quality could be found due to actions taken in the developed model. The questionnaire which can be seen in appendix II was filled in by Customer two. Each factor consisting of a set of variables were thereafter calculated in order to create a mean value. Also the respondent’s willingness to recommend the supplier and the today’s sales were measured. The reference levels originated from Customer two can be seen in table 6:1 below.

<table>
<thead>
<tr>
<th>Measurement factor</th>
<th>Score (mean value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical dimension</td>
<td>4,2</td>
</tr>
<tr>
<td>Social dimension</td>
<td>4,0</td>
</tr>
<tr>
<td>Economic dimension</td>
<td>3,7</td>
</tr>
<tr>
<td>Partnership dimension</td>
<td>3,0</td>
</tr>
<tr>
<td>Overall dimension</td>
<td>4,0</td>
</tr>
<tr>
<td>Total:</td>
<td>3,78</td>
</tr>
</tbody>
</table>

| Willingness to recommend        | 3,5                |
| Services and products delivered to the customer today: | Validation & authentication of GBAD equipment |
|                                 | Maintenance       |
|                                 | Education equipment|
|                                 | Cost estimations  |
|                                 | Product development suggestions |

*Table 6:1 reference levels originated from Customer two*

The results’ of measurement one showed that the partnership dimension scored low. This fact should be beheld due to its importance of, and correlation to SCC’s vision of working align and together with their customers with a life cycle perspective and their brace to function as a long-term partner to the customer. It should be thought of when setting future ambitions, goals, actions and priorities of the relationship with Customer two.

6.3.2 Positioning of customer into corresponding CLC-phase

Customer two which was in focus of the testing process were positioned in corresponding customer life cycle phase which can be seen in figure 6:3. The customer’s position in the life cycle graph with corresponding properties is central within the developed model and will affect the determination of the development areas. The definition of which phase the customer should be positioned in was supported by discussions with the sales manager of the case company and other key informants such as key account managers. The informants had extensive experience within their roles.

Customer two represents the market area Ground Based Air Defense (GBAD) within the Swedish armed forces which SCC has been working dedicated towards for many years. Customer two has been involved for some time and is considered to have quite a lot experience of using SCC as his supplier of products & services and development of equipment related to GBAD taskforces planning and development. The interaction has resulted in a positive up-going sales trend. The GBAD market area is in addition considered
to have positive future business opportunities just as Customer two. Customer two however cannot be considered completely loyal only to SCC since he is open for other suppliers as long as they present competitive offers.

![Customer two's sales over time](image)

**Fig 6.3** the customers in focus of the model testing, placed in corresponding customer life cycle phase

### 6.3.3 Definition of development areas

The development areas are generated within each RQ-dimension. It is a way of determining what kind of improvements that is necessary in order to navigate the relationship towards a profitable life cycle phase and increase the level of customer perceived relationship quality. The definition process of development areas are determined by the certain RQ-dimension and the customers experience in the customer supplier dyad with corresponding customer life cycle phase. Important to notice is that each development area is unique to the certain customer. The definition process is performed with the specific customer’s needs and wants in mind. The definition process is described in figure 6:4. The development areas determined for Customer two which is placed in the growth phase in the customer life cycle graph are presented in table 6:2.

![Development area definition process](image)

**Fig 6.4** development area definition process
Customer two’s position in the growth phase provides opportunities of cross and up-selling to the customer. But activities supporting retention and continued relationship satisfaction should not be forgotten. The key concepts of the development areas for Customer two should be new business opportunities, and securing customer retention. The development areas created in order to support an up going sales trend is presented in table 6:2 also an explanation to each development area is presented.

<table>
<thead>
<tr>
<th>RQ-Dimensions</th>
<th>Development area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actor-bonds:</strong></td>
<td>• Long-term perspective</td>
</tr>
<tr>
<td></td>
<td>• Wholeness perspective</td>
</tr>
<tr>
<td></td>
<td>• Identify development opportunities</td>
</tr>
<tr>
<td>According to SCC employees, who have regular contact with Customer two, he appreciates long term and wholeness perspective permeated suggestions. SCC’s ability of seeing long term development opportunities does also support future cooperation in an extensive way due to its retention enhancing property.</td>
<td></td>
</tr>
<tr>
<td><strong>Activity-Links:</strong></td>
<td>• “Hotline account” used for continuously trade-offs</td>
</tr>
<tr>
<td>A hotline account would markedly enhance Customer two’s ability to continuously trade-offs with SCC. It would also enhance business opportunities like evaluations of potential projects as a step in a cross-selling strategy just as increased chance of retention due increased business simplicity.</td>
<td></td>
</tr>
<tr>
<td><strong>Resource-ties:</strong></td>
<td>• SCC employees at the customers site</td>
</tr>
<tr>
<td>The SCC employees working at the customer’s site are SCC’s customer facing front. Development of resources at the customer site is crucial in order to secure a satisfied customer via an understanding of its demands and create an efficient workflow. A development of such resources will also block potential competitors.</td>
<td></td>
</tr>
<tr>
<td><strong>Competitive-position:</strong></td>
<td>• Knowledge of customer culture, tactics and regulations</td>
</tr>
<tr>
<td>Customer two set high demands on an understanding of his context due to its complexity. It can be considered as a key factor of retention and trust towards his operations. Especially due to rapid technical and organizational changes in Customer two’s context.</td>
<td></td>
</tr>
<tr>
<td><strong>Relationship-Impact:</strong></td>
<td>• TOEM-tool lead time</td>
</tr>
<tr>
<td>Lead times in general are out of most high importance for Customer two’s business. The TOEM-tool in particular is an important tool in order to reduce lead times and increase SCC’s credibility which enhance future retention.</td>
<td></td>
</tr>
<tr>
<td><strong>External-associations:</strong></td>
<td>• Associations regarding quality of SCC solutions and services among customer colleagues</td>
</tr>
<tr>
<td>A high quality of SCC products among key colleagues to Customer two is important in order to enhance future buying ambitions among customer colleagues.</td>
<td></td>
</tr>
<tr>
<td><strong>Situational-factors:</strong></td>
<td>• Continued development of the currently used systems in the customers organization</td>
</tr>
<tr>
<td>Since SCC already is responsible for a big share of Customer two’s systems it is important to attend that advantage in order to capture future customer needs within the area.</td>
<td></td>
</tr>
</tbody>
</table>

Table 6:2, development areas developed in order to support an increased relationship quality
6.4 Step two, investigation

The second step considered as an investigation phase is presented in the middle part of this model testing chapter. Each development area has been discussed with the customer in order to define what activities that are value adding within them for his organization. The customer opinions combined with the SMART approach have been processed in order to create a future goal and perform a gap analysis in order to define needed actions to reach the goal. A summary of Customer two’s opinions about each development area is presented in the following part. A table summarizing each development area is also brought forward.

Step two:

- Set target objectives within the development areas
- Define needed actions
- Create action plan
- Prioritize actions

Tools:

- SMART
- Gap-analysis
- Action plan

6.4.1 Setting target objectives and defining needed actions

Within each RQ-dimension a development area is determined. Out of that, target objectives are set in order to function as future goal supposed to be fulfilled. Target objectives together with needed actions are presented in each table in connection with the RQ-dimension.

Actor-bonds

Customer two values the determined development areas within the actor-dimension, seen in table 6:2 high due to their importance in order to support his three year business cycle presented in chapter five. His business planning process is built upon long-term planning and a wholeness perspective. Customer two thinks that SCC personnel might have the ability of applying a long-term planning, wholeness perspective and finding suitable development opportunities of technical systems and equipment. But he notices a lack of knowledge among the employees about how he run and plans his business regarding planning and development of GBAD task forces. This implies an inadequate wholeness and long-term perspective among SCC employees. The reason is a lacking knowledge of the military planning perspective performed on a three year base. If the knowledge and understanding of his needs and working procedure were established, the long-term and wholeness perspective of SCC-staff would be enhanced in a major way he thinks. Customer two points out his opinion by saying: “SCC-representatives do see opportunities but they must be able to see them earlier and suggest them in accordance to a suitable phase” He says that SCC-representatives focus on wrong things due to their unsynchronized perspective according to his business process. If the suggestions or product solutions are not relevant to a relevant phase, they are useless to the customer. Customer two though mean that an understanding of his needs is established at the higher organizational levels of SCC and the lack thus is located at technicians, engineers and
other positions in lower rank. The transfer of knowledge and information from top management to other SCC employees seems to fail according to Customer two.

<table>
<thead>
<tr>
<th>RQ-dimension</th>
<th>Development areas</th>
<th>Future state (goal)</th>
<th>Actions needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actor-bonds</td>
<td>• Long-term perspective</td>
<td>Accuracy in product solutions and development suggestions, relevant to current three year phase</td>
<td>Education/information to SCC-representatives at all levels regarding customer working procedures and belonging properties</td>
</tr>
<tr>
<td></td>
<td>• Wholeness perspective</td>
<td></td>
<td>Creation of classifications</td>
</tr>
<tr>
<td></td>
<td>• Identify development suggestions</td>
<td></td>
<td>Define relevant projects for testing</td>
</tr>
</tbody>
</table>

Table 6:3 Customer two’s opinions regarding actor-bonds

Activities
Customer two is positive to development and establishment of a “hotline account” used for continuously trade-off-agreements regarding, product solutions, offerings, services etc. It would reduce his transaction costs to large extent regarding time and money compared to a regular purchasing process. It would also mean better flexibility and in general less friction related to a procurement process he means. A concrete example which a hotline account would allow is discussions of potential ideas and cost sheets over time, as a continuously process. It would also mean a security for Customer two to know that offers could be asked for and evaluated and knowing that they would become reality if he wants. In order to achieve such an agreement the customer must set up a contract within his own organization which allows him to close deals without applying the regular procurement process with heavy administration and bureaucracy.

<table>
<thead>
<tr>
<th>RQ-dimension</th>
<th>Development areas</th>
<th>Future state (goal)</th>
<th>Actions needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity</td>
<td>• Hotline account</td>
<td>Hotline account used as a resource for continuously trade-offs.</td>
<td>Setting contracts between Customer two and SCC.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S – setting up contracts between the customer and SCC</td>
<td>Investigate relevant information needed from SCC’s side</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M – The contract itself work as validation and measurement</td>
<td>Facilitate the customers internal contract process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A – SCC stands for long-term arrangements</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>R – Depends on the customers procurement department</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>T – Depends on the customers department of business law</td>
<td></td>
</tr>
</tbody>
</table>

Table 6:4 Customer two’s opinions regarding a hotline account
Resource-ties

Many resources in form of manpower provided by SCC are allocated to the customer’s site over time. According to Customer two, the flow of resources in form of manpower is kind of one-way directed. By other means no manpower belonging to the customer’s organization are used by SCC. The feeling of Customer two is that the SCC manpower located on the customer site to large extent is there in order to find new business cases in form of development opportunities. Instead Customer two would like to see more visits which focus spot on the right concerns where non-relevant product solutions and service suggestions are excluded.

Customer two would also like to refine the SCC manpower resources at the site by developing the SCC-support office located at the regiment (customer site). As it is designed today it does not create any extra value for him as a customer. Customer two would like to have development and validation & authentication of equipment and systems closer to his own site instead of in Växjö. Such activity should according to Customer two be achieved by locating technicians, engineers and sales managers at the SCC-support office when necessary. Thus the development and validation & authentication processes which are crucial for the customer could be performed in a more time saving manner with a better result due to closer and more efficient cooperation between SCC and customer employees. By that, SCC employees would also be able to take use of the customer’s own manpower and knowledge in a better manner. Customer two means that a development of the SCC support office in combination with a hotline account would enhance lead times of product development. Any development idea could be brought up for testing and evaluation in a time saving manner if necessary functions were gathered at the same site. It would in addition enhance a general knowledge of the customer’s culture among SCC employees and develop a value adding dialogue between SCC employees and customer staff.

<table>
<thead>
<tr>
<th>RQ-dimension</th>
<th>Development areas</th>
<th>Future state (goal)</th>
<th>Actions needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource-ties</td>
<td>• SCC-employees at the customer site</td>
<td>Development and validation &amp; authentication processes performed align with customer employees.</td>
<td>Develop the SCC-support office at the customers site Pilot project</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>S</strong> – develop SCC-support office <strong>M</strong> – Establish relevant function at SCC-support office <strong>A</strong> – SCC slogan, “with the customer, all the way” <strong>R</strong> – Same thing but isolated from the customer is performed today – most probably reachable <strong>T</strong> – test project within two years</td>
<td></td>
</tr>
</tbody>
</table>
**Competitive position**

The wide spectra of product solutions, services, competence and knowledge of customer culture within SCC and the SAAB-group are according to SCC an advantage compared to competitors acting on the same market. Customer two agrees to some extent with that, he agrees that there exist wide spectra of product solutions and services within the SAAB-group, but he cannot see any coordination between including departments in the SAAB-group and thus is the wide spectra to some extent decreased.

Regarding knowledge about the customer business, Customer two is satisfied with the knowledge about GBAD-tactics as it is applied today. But he points out that such knowledge will become obsolete within a three year period and thus not useful in the long run. The risk is that obsolete knowledge rather will constitute a barrier rather than an advantage if it is applied wrong in a business process. Once again Customer two sees a salvation by approaching the SCC-support office closer to his own business and thereby continuously share and maintain knowledge and culture in an efficient manner. In addition Customer two means that ex-officers now working in the SCC organization could be used in a more efficient way. Instead of sales force, they should be used in connection to product development and new products ability of suiting the customer’s needs in a better way, for example the ability of suiting product development suggestions to relevant three year business cycles.

<table>
<thead>
<tr>
<th>RQ-dimension</th>
<th>Development areas</th>
<th>Future state (goal)</th>
<th>Actions needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive position</td>
<td>• Knowledge of culture, tactics and regulations</td>
<td>Support accuracy of relevant development suggestions and potential business cases</td>
<td>Closer working procedure together with customer staff at the customer site.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S – Continuously updated knowledge of tactics, regulations and culture</td>
<td>Take more advantage of ex-officers and other employees with deep knowledge of customer business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M – progress meetings with the customer</td>
<td>Use manpower with knowledge at more positions than sales force</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A – SCC stands for wide knowledge and culture awareness</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>R – By the customers good will and help</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>T – X/X – 201X</td>
<td></td>
</tr>
</tbody>
</table>

Table 6.6. Customer two’s opinions regarding SCC’s competitive position
Relationship impact

TOEM is a steering document determining regulations regarding Tactics Organization, Economy and Ambition for the military task forces which Customer two is responsible of. The procedure of determining the different regulations and test them in reality is a resource demanding process, therefore a simulation tool for such thing would be valuable according to Customer two and save his organization time, money and efforts.

This tool is under development and has not been tested or validated yet but Customer two believes that the time from idea to reality can be shortened if the cooperation between the customer and SCC regarding development and validation of the tool were better. Thus a decision whether further efforts of developing the tool or not can be taken faster. The most valuable impact SCC could have on the customers business in general would be to shorten lead times from concept to reality regarding product development and solutions, including the TOEM-tool. Customer two means that such development process with including parts could be shortened by a continuously dialogue just as he mentioned in his wish of developing the SCC support office.

<table>
<thead>
<tr>
<th>RQ-dimension</th>
<th>Development areas</th>
<th>Future state (goal)</th>
<th>Actions needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship impact</td>
<td>• TOEM-tool lead time</td>
<td>Efficient lead time from idea to reality. <strong>S</strong> – Efficiency and shortening of lead time from idea to reality compared to other projects <strong>M</strong> – Shorter than a standard comparable project <strong>A</strong> – SCC support customer value adding activities <strong>R</strong> – This project could work as a pilot for future evaluation of the applied method. <strong>T</strong> – TOEM is already under conceptualization</td>
<td>Tighter working procedure together with customer staff at the customer site with development of the TOEM-tool. Allocate relevant resources (manpower, equipment)</td>
</tr>
</tbody>
</table>

Table 6:7, Customer two’s opinion regarding the SCC relationship’s impact on his business

External associations

The external associations about SCC among colleagues to Customer two is to a large extent affected by the organizational culture, in this case a military organization with a military jargon. The general approach is that “SCC’s products and services just cost a lot of money and that the armed forces always are fooled in the very end”. According to Customer two, this mentality is hard to the bone implemented among employees in his organization and that it is the general way of speaking about everybody and everything, regardless if it exist any actual knowledge or not among employees about the subject. This way of speaking is spread at all organizational hierarchic levels but only a few employees according to Customer two has any actual knowledge about actual quality and necessary circumstances. Customer two thus means that the few ones with proper insight are the ones who affect each other. If SCC would like to improve the reputation about them in the military organization they will have to see beyond the general culture and way of speaking among the people without actual insight. Instead SCC should focus on key informants and communicate SCC advantages and perform customer
evaluations only to such employees. To summarize, the first step is to understand the culture and then influence key persons inside customer organizations according to Customer two.

<table>
<thead>
<tr>
<th>RQ-dimension</th>
<th>Development areas</th>
<th>Future state (goal)</th>
<th>Actions needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>External associations</td>
<td>Associations regarding quality of SCC solutions and services among colleagues at the customer site</td>
<td>Professional reputation among relevant personal in the customer organization</td>
<td>Tighter working procedure together with customer staff at the customer site.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S – Improved reputation among customer employees</td>
<td>Information sharing with key persons</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M – Customer evaluation surveys</td>
<td>Perform customer surveys with key persons, for example participating persons in the project</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A – SCC support improved word of mouth</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>R – By taking right actions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>T –</td>
<td></td>
</tr>
</tbody>
</table>

Table 6:8, Customer two’s opinions regarding external associations among his colleagues

**Situational factors**
Customer two sees today SCC as the only possible supplier due to a set of reasons, among others the high demands on military secrecy and their current high share of wallet of his organization. A competitor to SCC would face high entrance requirements in form of demands on integration with already existing systems running in the organization. Such competitor would also have to be in possession of extensive experience and understand the military culture and jargon in order to deliver suitable product solutions.

Customer two though sees a possibility of hiring a different supplier if they would come up with a system or equipment with low demands on integration and interaction with other current equipment used in the customer organization, or a complete system fulfilling all demands of interaction, system safety and system integration.

<table>
<thead>
<tr>
<th>RQ-dimension</th>
<th>Development areas</th>
<th>Future state (goal)</th>
<th>Actions needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Situational factors</td>
<td>Continued development of current systems</td>
<td>Continued and expanded trust within system development</td>
<td>Preserve and maintain the SCC ability of providing systems.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S – Continued trust within system development</td>
<td>Outmaneuver competitors by keeping an open dialogue with the customer regarding both small and large systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M – Actual trade-offs within the area</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>A – SCC support trust in customer relations</td>
<td>If necessary, act as middleman between the customer and competitors in order to keep control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R – Needed knowledge and competence is available within the organization</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>T – Never ending process</td>
<td></td>
</tr>
</tbody>
</table>

Table 6:9, Customer two’s opinions regarding situational factors
6.4.2 Creation of action plan and prioritizing actions

The creation of the action plan is performed in the end of step two of the developed model and is presented in table 6:10 below. No actions have been done so far due to the time frame of the study but key informants in the case company have been estimating the deadlines due to the action characteristics. The estimations are quite vague and will need more attention align with deeper investigation of each action. Key informants have also been consulted when setting responsible functions for each part of the action plan.

The action plan is structured by guidance of the future goals. The actions determined in the action plan are formulated by guidance from the SMART method and gap analysis. Each part of the action plan has been prioritized on a scale from one to three, high (H), medium (M) and low (L), since not all activities can be considered equal relevant. In measurement one, the partnership dimension scored low, thus actions supporting that factor might need more attention than others, also the effort and time of implementation is considered when setting the prioritizations.

<table>
<thead>
<tr>
<th>Future state (goal)</th>
<th>Actions needed</th>
<th>Responsible</th>
<th>Deadl</th>
<th>Prio</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accuracy in product solutions and development suggestions, related to relevant business cycle</td>
<td>Education/information of the customers working routines in order to create increased customer orientation among SCC employees.</td>
<td>Sales manager</td>
<td>2011</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Define clear purposes of development suggestions related to a certain business cycle when it is presented for the customer.</td>
<td>Sales manager</td>
<td>2011</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>Hotline account in order to facilitate continuously trade-offs</td>
<td>Facilitate the customer’s internal contract process.</td>
<td>Business law dep./external parts</td>
<td>2011</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preparation of contracts between Customer two and SCC.</td>
<td>Business law dep./external part</td>
<td>2011</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>Development and validation &amp; authentication, at the customers site align with customer employees</td>
<td>Develop the SCC-support office at the customers site</td>
<td>SCC - management team</td>
<td>2014</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>(Extension of SCC support office)</td>
<td>Determine a relevant pilot project</td>
<td>Technical management /sales manager</td>
<td>2011</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support SCC employees ability regarding accuracy and relevance of development suggestions and potential business cases</td>
<td>Extension of SCC support office, closer working process with customer staff</td>
<td>SCC-management team</td>
<td>2014</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education/information of customer business cycles</td>
<td>Project leader</td>
<td>2011</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Take more advantage of ex-officers and other employees with deep knowledge of customer business.</td>
<td>Project leader</td>
<td>2012</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use manpower with military experience at more positions than sales force</td>
<td>Project leader</td>
<td>2012</td>
<td>M</td>
<td></td>
</tr>
</tbody>
</table>
Table 6.10, the action plan derived from the development areas

| Model testing | TOEM tool-lead time | Tighter working procedure together with customer staff. (extension of SCC support office) | Project leader/SCC management team | 2014 | H |
| - | | Continuously dialogue and brainstorming regarding project development | Project leader | 2012 | H |
| - | | Allocate relevant resources (manpower, equipment) | Project leader | 2012 | H |
| Professional reputation among relevant personal in the customer organization | Tighter working procedure together with customer staff at the customer site (extension of SCC support office) | SCC-management team | 2014 | H |
| - | Information exchange with key persons in the customer organization | Project leader | 2012 | L |
| - | Perform customer surveys with key persons, for example participating persons in the project | Project leader | 2012 | L |
| Continued and expanded trust within system development | Outmaneuver competitors by keeping an open dialogue with the customer regarding both small and large systems | Sales manager | - | L |
| - | If necessary, act as middleman between the customer and competitors in order to keep control | Sales manager | 2014 | M |

6.5 Step three, action/evaluation

The third and last step considered as an action and evaluation step is partly tested hypothetically due to the tight time frame of the study contra needed time for actual implementation of determined actions. A figure (6:5) describing the hypothetically improvements is presented in order to structure a clear vision of the future goal which the determined actions are supposed to fulfill. As a step in the evaluation process, also a review of the supplier’s thoughts of the future goals is presented in the end of this chapter

Step three:
- Implementation of action plan
- Comparing reference level No. one and No. two
- Evaluation of success

Tools:
- Action plan
- Measurement factors
- CLC-phase
6.5.1 Implementation and evaluation

The last step of the developed model has not been tested in its entity due to the limited time of the study. In addition the needed actions in order to increase the relationship quality are a long term demanding. Thus hypothetically discussions with key informants in both the customer and supplier organizations have been used as the foundation when testing the final step hypothetically.

Discussions with Customer two regarding the customer supplier dyad and its properties if determined actions would be implemented were conducted. The respondent was thereafter asked to evaluate such situation hypothetically. The evaluation was performed by creating another reference level by applying the same measurement procedure as used in step one of the developed model. The respondent was also asked to evaluate how discussed potential changes would affect the extent of products, services and maintenance provided by SCC to Customer two. Also the potential changes effect on Customer two’s willingness to recommend SCC as a supplier to his colleagues was asked.

The future goals regarding development of the SCC support office located at the customer site which origins from the development areas discussed with Customer two is visualized in figure 6:5. The figure shows the desirable situation and working process which the actions related to development of the SCC support office determined in the action plan is aiming for. Also other discussed features are encapsulated in figure 6:5 in form of clouds surrounding the figure.
The reference levels of measurement number two based on hypothetically discussions with Customer two is presented in the table 6:11 below.

<table>
<thead>
<tr>
<th>Measurement factor</th>
<th>Score reference level number one</th>
<th>Score reference level number two</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical dimension</td>
<td>4.2</td>
<td>4.8</td>
<td>+0.6</td>
</tr>
<tr>
<td>Social dimension</td>
<td>4.0</td>
<td>4.3</td>
<td>+0.3</td>
</tr>
<tr>
<td>Economic dimension</td>
<td>3.7</td>
<td>4.6</td>
<td>+0.9</td>
</tr>
<tr>
<td>Partnership dimension</td>
<td>3.0</td>
<td>5.0</td>
<td>+2.0</td>
</tr>
<tr>
<td>Overall dimension</td>
<td>4.0</td>
<td>4.4</td>
<td>+0.4</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>3.78</strong></td>
<td><strong>4.62</strong></td>
<td><strong>+0.84</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measurement factor</th>
<th>Score reference level number one</th>
<th>Score reference level number two</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willingness to recommend</td>
<td>3.5</td>
<td>4.0</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services and products delivered today</th>
<th>Additional sales according to changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation &amp; authentication of GBAD equipment</td>
<td>Extended validation &amp; authentication</td>
</tr>
<tr>
<td>Maintenance</td>
<td>Extended maintenance</td>
</tr>
<tr>
<td>Education equipment</td>
<td>Simulation support</td>
</tr>
<tr>
<td>Cost estimations</td>
<td>Spare part handling</td>
</tr>
<tr>
<td>Product development suggestions</td>
<td>Technical support</td>
</tr>
</tbody>
</table>

Table 6:11 second reference levels originated from Customer two

In addition Customer two believes that the discussed improvements would mean significantly less friction in the interaction process with SCC. When the respondent was asked in what parts of the interaction process between him as a customer and SCC as a supplier the friction would be reduced, Customer two meant that it would smooth up the interaction process at all levels and stages, preparations before project start, during running projects and follow-up processes. With frictions Customer two refers to lead times, communication and purchasing bureaucracy. Earlier improvement processes regarding supplier interactions have according to Customer two resulted in shorter lead times and lower development costs. He means that such result should be expected also in this case.

Evaluations and follow-up of actions determined in the action plan should be performed with respect to the characteristics of each action. Less extensive actions such as education of employees should be followed up after implementation in order to see any effects. Actions with longer lead times and width might need more attention for evaluation, for example before, during and after its implementation. The major point is to let each action, belonging properties and surrounding context decides how and when the evaluation/follow-up procedure should be done.
Supplier outcomes

According to the sales manager at SCC, the future goal presented in figure 6:5, would mean advantages to his organization as well. He mentioned among other things, decreased marketing costs due to increased trustworthiness in Customer two’s organization. The trustworthiness is also supported by higher accuracy of product suggestions and development. Thus less focus from the customer’s side will be put on price discussions due to SCC’s position as the natural choice of supplier. He also expects decreased transaction costs if a hotline account were established since it would mean less bureaucracy and effort on offers. Also the cultural share between SCC and customer staff would be enhanced as well as information and knowledge. Overall the advantages would be in line with SCC’s vision of working tight with their customers for a long time assuring long-term relationships. A summary of SCC advantages due to the discussed improvements according to the sales manager can be seen in table 6:12.

<table>
<thead>
<tr>
<th>Improvement area</th>
<th>Expected spin-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotline account</td>
<td>Decreased transaction costs</td>
</tr>
<tr>
<td></td>
<td>More business opportunities</td>
</tr>
<tr>
<td>Developed SCC support office</td>
<td>Culture sharing</td>
</tr>
<tr>
<td></td>
<td>Knowledge sharing</td>
</tr>
<tr>
<td>Accurate product suggestions</td>
<td>Increased trustworthiness</td>
</tr>
<tr>
<td></td>
<td>Decreased marketing costs</td>
</tr>
<tr>
<td></td>
<td>Less focus on price discussions</td>
</tr>
<tr>
<td></td>
<td>Decreased transaction costs</td>
</tr>
<tr>
<td>Shorter lead times</td>
<td>Trustworthiness</td>
</tr>
</tbody>
</table>

*Table 6:12 supplier advantages*
7. Results

In this chapter the results derived from the thesis are presented and accounted for. The results are presented in connection to each phase of the developed model. A set of general results derived from the model testing process are also presented in this chapter.

7.1 General results
The RQIM-model developed and tested within the scope of this study aimed to function as a framework and managerial support for improvements of customer perceived relationship quality turned out to be practical applicable. The developed model was tested and evaluated at a department named Sensors Command and Control (SCC) acting in the defense industry with the Swedish armed forces as their main customer. SCC is encapsulated in the SAAB group which is a main actor in the defense industry.

The developed model focus on improvements of customer perceived relationship quality. Thus the testing process included data collected from both customers to SCC as well as direct from SCC. Due to the time frame of the study and the long term nature of improvements of customer perceived relationship quality factors, only step one and two could be practically tested in their total entity. In order to support an overall picture of the developed model, the last step was hypothetically tested via discussions with key informants and assumptions as foundation. The suggested actions derived from the developed model turned out to have positive impact on the customer perceived relationship quality measurement factors in all cases where the developed model was practiced.

The developed model and the results of this thesis do support the quest for finding suitable actions in a customer supplier dyad in a B2B context in order to increase the customer perceived relationship quality. The model testing in addition pointed out that the developed model was easy to grasp and apply to the testing context. It worked as a managerial support tool in order to increase the customer perceived relationship quality in the customer supplier dyad. Thus it also contributed to finding solutions which were lowering transaction costs and increasing business opportunities in the dyad. By other means advantages for both customer and supplier.

7.2 Results of each step
Results connected to each step of the developed RQIM-model are accounted for in chronological order in the following part of this chapter.

Take-off
In the first step of the RQIM-model a reference level was created by carrying out the RQ-measurement procedure. Also the development areas were defined by combining the customer’s position in the customer life cycle and the seven factors encapsulating customer perceived relationship quality according to Myhal et al (2008).
The reference level which was established in order to work as a measurement of the relationship quality was created by letting the respondent fill in the developed questionnaire (appendix II). The formulary was encapsulated by the five measurement factors plus an expression of the customer’s willingness of recommending the supplier and the current sales frequency. The mean value of all five measurement factors encapsulate the customer perceived relationship quality, which in the main example with Customer two as respondent reached a score of 3.78 on a scale from one to five. The applied questionnaire can be seen in appendix II and mean values for each measurement factor is presented in chapter six, table 6:11. In addition were Customer two’s sales frequency and willingness to recommend recorded (see table 6:11) in this first step of the developed model.

The development areas were defined in order to fit within one and each of the RQ-dimensions and in the same time support a direction of the customer relationship towards the most profitable phase in the customer life cycle. The definition of such development areas were done by qualitative discussions with the SCC sales manager and other key informants at the case company with knowledge about the certain customer. The determined development areas can be seen in table 6:2.

*Investigation*

In this step of the developed model, the development areas derived from the take-off phase were discussed with the certain customer in order to refine and define them in order to make sure that actual customer value adding activities were defined. The discussions with the customer were the base for development of target objectives and the creation of a future goal of the customer supplier dyad. This process was fundamental for the action plan needed in order to realize the future goals. The future goal with belonging action plan was the prime outcome from the investigation phase of the RQIM-model.

The discussions with Customer two based on the development areas focused to large extent around development of the SCC support office located at the customer’s site. Customer two meant that a development of the support office is the key to a closer cooperation and more efficient workflow in the customer supplier dyad. Such development would facilitate the fulfillment of the goals set from the development areas according to Customer two.

*Action/evaluation*

The last step of the developed model aimed at implementation of the determined actions springing from the action plan and thus getting closer to achievement of the set goals. As mentioned before the implementation of determined actions were outside the time scope of this study, thus the last step of the developed model was tested hypothetically. Instead the future goals were discussed with the respondent and key informants at the case company in order to perform an as accurate evaluation as possible. The respondent was asked to fill in the questionnaire regarding the customer perceived relationship quality with the discussed improvements (future goals) within the development areas in mind. The result compared to the reference value established in the first step of the developed model turned out to have increased on the one-to-five-scale used for the measurement procedure. The results can be
seen in table 9:1. Remarkable was the increased value for the measurement factor “partnership dimension” which got the lowest score in measurement one. In measurement two it reached the top score (see table 6:11).

<table>
<thead>
<tr>
<th>Reference level comparison</th>
<th>Reference level no.1</th>
<th>Reference level no.2</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer two (main example)</td>
<td>3.78</td>
<td>4.62</td>
<td>+0.84</td>
</tr>
</tbody>
</table>

Table 9:1, Reference levels of Customer two, before and after practicing the RQIM-model

In addition Customer two were asked if his willingness to recommend SCC as a supplier to colleagues would change with regards to the changes and improvements discussed. Also potential future business opportunities in the perspective of discussed improvements were investigated. The result of those questions is presented in table 9:2.

<table>
<thead>
<tr>
<th>Customer two</th>
<th>Reference level no.1</th>
<th>Reference level no.2</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willingness to recommend</td>
<td>3.5</td>
<td>4</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services and products delivered today</th>
<th>Additional sales according to discussed improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation &amp; authentication of GBAD equip.</td>
<td>Evaluation processes of potential products</td>
</tr>
<tr>
<td>Maintenance</td>
<td>Extended validation &amp; authentication</td>
</tr>
<tr>
<td>Education equipment</td>
<td>Extended maintenance</td>
</tr>
<tr>
<td>Cost estimations</td>
<td>Simulation support</td>
</tr>
<tr>
<td>Product development suggestions</td>
<td>Spare part handling</td>
</tr>
<tr>
<td></td>
<td>Technical support</td>
</tr>
</tbody>
</table>

Table 9:2, Comparison of Customer two’s willingness to recommend SCC as a supplier and business opportunities before and after practicing the RQIM-model

Customer two pointed out that his most important gain from the discussed improvements and development of the SCC support office would be the shortening of lead times in the customer supplier dyad with SCC. Customer two also thinks that the improvements would reduce frictions and transaction costs in the interaction with SCC. He says that such interaction would be smoothed up in all three main phases of a project, preparations, performance and follow-up. In addition Customer two says that earlier projects regarding supplier interaction improvements have resulted in shorter lead times and lower development costs of products and services.

Also SCC as a supplier pointed out positive advantages originated from the developed model’s process. The sales manager at the case company pointed out decreased transaction costs due to an established hotline account, lowered marketing costs towards the customer, more accurate product solutions leading to increased trustworthiness, easier trade-offs and long-term relationships.
8. Conclusions

In this chapter an answer to the problem formulation is presented. Also the conclusions drawn from the study are accounted for as a step in concluding the study. In addition a critical review of the thesis as well as an evaluation of the developed model is presented in order to cast light upon the validity, reliability and ability of generalizations of the study and the developed RQIM-model.

8.1 How to answer the problem formulation
The research question formulated for the study:

- How can an organization increase the level of customer perceived relationship quality and how can an altered level of customer perceived relationship quality be measured?

A strive towards increased customer perceived relationship quality should take off from the customers own perspective since the customer itself knows best what factors in the relationship that are creating added value. In addition, Myhal et al (2008) and Huntley (2006) agrees that relationship quality is judged on a cumulative basis which means that the experience in the customer supplier dyad also should be included in a relationship quality improvement process.

The ability of measuring relationship quality is surrounded by a lack of unity, but Huntley (2006) claims that it is done by investigating five factors which together encapsulate the relationship quality concept. According to Reichheld (2001) it is important to visualize changes after an improvement process in order to gain employees support and enhance understanding of its importance. In addition Zineldin (2005) states that improvements must be measured in order to be considered as actual improvements.

The developed RQIM-model which is describing a three step process in order to measure, increase and follow-up the customer perceived relationship quality starts with Huntley’s (2006) measurement procedure in order to measure and make it possible to visualize changes of relationship quality in the customer supplier dyad. Thereafter the developed model takes off from Myhal et al’s (2008) relationship quality-dimensions and a customer life cycle perspective in order to find customer value adding improvement factors in the dyad in order to affect the customer perceived relationship quality and belonging positive spin-offs.
8.1.1 Answer to the problem formulation
With the information from the previous part in mind, an organization could apply the
developed RQIM-model in order to measure, increase and follow up the customer perceived
relationship quality. It is done by identifying value adding activities and measure the level of
relationship quality in order to determine whether any improvement of the relationship quality
level has been achieved or not. Also the customer’s willingness of recommending the supplier
is measured. In addition to the quantitative measurement procedure, in order to enhance the
empowerment of the improvement process and represent the positive spin-off, the sales
frequency is measured. Such economic key performance indicator will, according to
Reichheld (2001) enhance the organizational acceptance of the model.

8.2 General conclusions
The connection between Myhal et al’s (2008) seven dimensions encapsulating customer
perceived relationship quality and Huntley’s (2006) measurement process of relationship
quality is emphasized. It can be seen by the affect the improvement factors within the RQ-
dimensions had on the measurement result. In all cases, the mean values of all measurement
factors had increased after practicing the model testing. The connection between customer
perceived relationship quality, (Myhal et al, 2008) and the measurement process (Huntley,
2006) is also empowered by the accordance of the definition applied by Huntley, (2006) to the

The financial outcomes of improved relationship quality tends according to the model testing
be constituted by increased sales, increased willingness of the customer to recommend the
supplier to colleagues and decreased transaction costs for the customer according to reduced
lead times and less bureaucracy in the interaction process with its supplier. The respondent in
the main example mentioned that his experience of earlier improvement processes of supplier
interaction processes have brought reduced development costs and more efficient workflow
forward. In this case the respondent believes that such improvements would reduce friction in
the interaction process in all phases of a typical project. According to Hougaard and Bjerre
(2002) it means a lowering of transaction costs in the contact, contract and control phases.
Also SCC as a supplier believes in reduced transaction costs due to improvements identified
by the help of the developed model. In addition, a higher relationship quality would enable the
supplier to foresee customer behavior and future business opportunities in a more accurate
way.

In the first chapter of this thesis, identified gaps in the literature relevant for the development
of the RQIM-model were presented. As a part in concluding the study and its contribution to
the research, the ambitions of filling the identified gaps are presented in fig 8:1.
By comparing the RQ-definitions of Myhal et al (2008) and Huntley (2006) and pointing out their similarities, the variance between them can be considered to be reduced. The lack of unity regarding measurement of relationship quality is to some extent reduced by combining Huntley’s (2006) measurement procedure with Myhal et al’s (2008) definition of RQ and their functional combination. The developed model did in addition turn out to be practical applicable and thus working as managerial support in RQ improvement processes.

### 8.3 Evaluation of the model

Only the first two steps of the developed model were possible to test in their total entity due to the time frame of the study. This affects the reliability of the model due to its lack of validated results. Instead key informants in the testing context were consulted in order to capture an as accurate result as possible. In all cases where the model were tested, the mean values of the measurement factors did increase as a consequence of the identified development areas with belonging actions, which support the outcome reliability of the model.

The crucial part of the model in order to reach an increased level of relationship quality is the collection of the customer’s opinions. The models purpose of increasing the relationship quality is by nature customer defined and creates added value to the customer. Thus it is absolutely necessary to grasp the end customer’s opinions regarding the improvement process due to the customer’s unique comprehension of what activities that are actually value adding. Thus the customer involvement in the developed model support the model’s validity and reliability of supporting increased customer perceived relationship quality. Since the relationship quality is customer defined and the customer knows best what is creating value for itself, not all RQ-dimensions necessarily have to be of equal importance in order to define relevant development areas aiming at improved relationship quality.
Another crucial part of the developed model is the variables encapsulating the measurement factors. The variables should be suited to the context which they are operating in. Experience in the customer supplier dyad or type of services or products might affect how each factor should be encapsulated. This fact might decrease the external validity and generalization ability of the developed model. Also the limited scale from one to five in the customers rating of the factors encapsulating relationship quality might decrease the generalization ability and reliability. The numbers themselves might neither say as much as the visualized positive trend identified in the measurement process.

Financial outcomes such as increased sales and transaction cost reductions cannot be fully validated in the model due to the limited testing process of the final step. But once again were opinions from key informants collected from both the customer and supplier organizations who pointed out most probably cost reductions, increased sales and shortened lead times. In addition extensive literature points out the connection between customer relationship quality and long term financial profitability. Also a mature customer life cycle phase is according to the literature connected to reduced transaction costs within the contact, contract and control phases of the interaction between customer and supplier.

There is a practical relevance of the developed model. It exist a need of managerial support regarding customer facing activities which increase customer perceived relationship quality (Ahearne et al, 2007). Zinneldin (2005) in addition says that managerial support is a prerequisite for high relationship quality. The RQIM-model is easy to grasp and has a clear process. The including tools and actions are also possible to modify with regards to its supposed operational context.

8.4 Critical review of the thesis
The testing procedure of the final step might decrease the reliability of the results to some extent since the point of reference is an imaginary goal created out of the development areas. Though is the final part (action plan) of the developed model aimed at fulfilling those goals. The result would have higher reliability and validity if the evaluation was performed after actual fulfillment of them. On the other hand is the main focus of the model not put on organizational project management but on finding relevant areas of improvement, measurement and evaluation of relationship quality. The external validity in general might be negatively affected due to the research design, one single case study, even though several customers have been included in the testing process. In order to support the external validity, the customer supplier dyad used as main example in the testing process is in detail presented in the empirical findings. Thus the readers understanding of the context and ability of applying the model into another context could be expected to increase. The overall reliability of the collected data needed for the research have been supported by recording conducted interviews in order to remember details and be able to control the information several times.
9. Recommendations

In this chapter, recommendations to the case company based on the work with the thesis are given. The recommendations concern how future work with the developed model within the case company organization should be done, crucial factors within that work and what potential benefits that might be obtained if the recommendations are followed. In addition, suggestions for future research of how to refine the developed model are presented.

9.1 Recommendations to the case company, SCC

Crucial for success of the RQIM-model is to focus on finding customer value adding activities when determining which actions to take in order to improve the customer perceived relationship quality. In the very end it is the customer who brings the actual value in to SCC´s organization. Thus the customer needs and wants must come first, even though they to some extent must support also the supplier’s vision. In order to continue SCC’s quest for relationship quality improvements and realize the potential improvement mentioned in the study, step three of the developed model should be carried out in its entity.

Recommendations for the “Customer two” relationship

Regarding the relationship towards Customer two, it is important for SCC to spread a wide understanding among their employees about his prerequisites related to product suggestions and development. A developed understanding of Customer two’s business cycle seems to be crucial in order to block competitors focusing on the same market. A step towards this understanding is the development of the SCC support office located at Customer two’s site. The customer want to have a situation where SCC staff work side by side with Customer two’s own employees in order to share knowledge and culture with positive effect on lead times and product suggestions as a result. Thus SCC is recommended to evaluate and support such development, but also to educate their employees about Customer two’s organization and business processes.

Many actions are mentioned in the action plan (table 6:10) and all of them are more or less recommended to SCC to implement since all of them will create added value for Customer two and the relationship dyad. The action plan itself is also the next thing to implement if the developed model should be further applied to the SCC organization and the Customer two-relationship. In such case SCC is recommended to investigate the action plan even more detailed and discuss the actions with Customer two in order to make his organization aware of SCC’s objectives and ambitions. A prioritization of the most crucial activities should also be done in order to focus on right things first. Activities easy to implement with little effort should get high priority in order to start the process towards increased relationship quality relatively soon. For example the hotline account which will gain added value in the relationship with little effort. When the action plan is reviewed and implementation of the actions are done in accordance with step three, a follow-up process should be performed in order to catch potential improvements of the level of the customer perceived relationship.
quality in order to emphasize the potential gains derived from the process to involved employees.

A general factor crucial for Customer two is lead times in the projects. His organization is heavily dependent on lead times in order to plan their business in an accurate way and any actions from SCC’s side in order to reduce delays related to Customer two is recommended by the author.

**Potential benefits from the model**
The benefits for the case company derived from the developed model are long-term based, just as their customer relationship vision. Along with a development of SCC’s support office and closer working processes between SCC employees and customer staff, a unity regarding culture and synchronized working processes should be expected. Thus a wider understanding of the customer’s needs and wants will occur which in its turn will increase SCC’s opportunity to be a natural partner for Customer two in his future business. This will result in an ability of foreseeing future customer needs and business opportunities.

**9.2 Future research**
Relationship quality is a wide and complex subject, which in addition is complex to measure due to its subjective nature. The developed model is tested at one case company only, which means that it should be further tested in order to validate its applicability in other contexts. The measurement procedure applied in the developed model in particular would be interesting to test in another context due to the variables encapsulating each measurement factor. The variables might be different formulated depending on which customer life cycle phase the customer is positioned in. Also the measurement scale of the measurement factors which in this model has a maximum score of five need further attention. The top score of five means a limitation since a maximum score might indicate that nothing more can be done in the name of relationship quality in contrast with the models continuously improvement perspective. It would also be of interest to investigate the ability of comparing different measurement results between different customer relationships and contexts.

Step three of the developed model in particular needs further testing since it was tested hypothetically in the context of this thesis. The follow-up process which is constituted in step three could be further reviewed in order to in define when and how the evaluation process of each activity should be done. Opportunities to design the model in different ways might also be interesting to further investigate by including additional tools and actions or modify the established ones. For example might the reasons for prioritization of actions in the action plan need more attention, also the question if a prioritization of determined activities should be performed several times during the process or not should be investigated in order to focus on relevant actions only. The measurement performed in step one might also have potential advantages related to a prioritization of actions since it points out weaknesses early in the process. Also the possibility to carry out the steps in the developed model iterative should be further investigated. The accuracy of the determined actions could for example be enhanced if they were iteratively discussed between involved parties.
10. References

In this chapter the references used in the thesis are accounted for. The references are divided into different categories depending on what kind of source it origins from.

Literature


Hougaard, S., Bjerre, M., 2002, Strategic relationship marketing, Springer verlag


Reichheld, F., 2001, The loyalty effect, the hidden force behind growth, profits and lasting value, USA, Bain & company, Inc.


**Scientific articles**


Athanasopoulou, P., 2009, Relationship quality: a critical literature review and research agenda, *European journal of marketing* vol. 43 no. 5 pp. 583-610


Zineldin, M., 2005, Quality and customer relationship management (CRM) as competitive strategy in the Swedish banking industry, *The TQM Magazine*, vol. 17 no. 4 pp. 329-344
**Internet**

www.saabgroup.com visited between 2010-09-30 and 2010-12-31

**Interviews/discussions**

- Sales manager, SCC
- Key account manager, SCC
- Quality manager, SCC
- Customer representative at Ground Based Air Defense regiment within the Swedish armed forces
- Customer representatives at Försvarets Materielverk (FMV)
Appendix I. Part of customer survey regarding customer satisfaction 1(2)

<table>
<thead>
<tr>
<th>Mätning Kundnöjdhet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hjälp oss att bli bättre....</td>
</tr>
<tr>
<td>Våra kunder är en viktig resurs för ständig förbättring och vidareutveckling av vårt företag.</td>
</tr>
<tr>
<td>Vi vore därför tacksamma om Du delger oss Din uppfattning om aktuellt projekt/uppdrag genom att poängsätta nedanstående frågor. Var inte råd för att komma med kritiska synpunkter, det kan göra att vi kan förbättra oss.</td>
</tr>
<tr>
<td>Tack på förhand för Din hjälp.</td>
</tr>
<tr>
<td>A Kontaktman hos kunden / Kundens organisation:</td>
</tr>
<tr>
<td>B Kundens beställningsnummer:</td>
</tr>
<tr>
<td>C Projekt / Uppdrag:</td>
</tr>
<tr>
<td>D Datum för enkäten:</td>
</tr>
<tr>
<td>E Information om frågeformuläret.</td>
</tr>
</tbody>
</table>

Markerar ett av svaralternativen med ett X för varje fråga i enkäten.

Följande poängbedömning tillämpas:
1 Missnöjd
2 Inte fult nöjd
3 Nöjd
4 Mycket nöjd

Om möjligt, fyll i Trend med S (Stigande) eller F (Fallande) där märkbar förändring över tiden identifierats.

Skicka ifyllde enkät med e-post till adress:

mailto:XX

1 Övergripande kundnöjdhet
   a Din övergripande uppfattning över hur väl leveranser från oss motsvarar Dina förventningar? 1 2 3 4 Trend Vet ej

2 Upphandling
   a Hur väl motsvarade vår offert Din förfrågan? 1 2 3 4 Trend Vet ej
   b Hur upplever Du vårt agerande i samband med upphandlingen? 1 2 3 4 Trend Vet ej
   c Hur upplever Du prisnivån för produkt/tjänst? 1 2 3 4 Trend Vet ej

3 Samarbete och kommunikation
   a Hur upplever Du vårt sätt att informera och rapportera om arbetet? 1 2 3 4 Trend Vet ej
   b Hur upplever Du kompetensen hos våra medarbetare? 1 2 3 4 Trend Vet ej
   c Hur upplever Du vårt sätt att få en bra kundsamvikan och kundfokus? 1 2 3 4 Trend Vet ej

4 Leveranser
   a Hur väl uppfyller produkten/tjänsten överenskomna krav? 1 2 3 4 Trend Vet ej
   b Hur upplever Du att vi håller överenskomna leverantider? 1 2 3 4 Trend Vet ej

5 Övriga frågor (Specifika Saab frågor för aktuell beställning/projekt)
   a X
   b Y
   c Z
   d Etc.

6 Kommentarer (övriga synpunkter från kund)
Mätning Kundnöjdhet

Hjälp oss att bli bättre........

Våra kunder är en viktig resurs för förbättring och vidareutveckling av vårt företag.
Vi vore därför tacksamma om Du delger oss Din uppfattning om aktuellt projekt/uppdrag genom att poängsätta nedanstående frågor. Var inte rädd för att komma med kritiska synpunkter, det kan göra att vi kan förbättra oss. Tackar på förhand?

Uppdrag/Projekt: ____________________________

Kontaktman hos kunden: ____________________________

Kundens beställningsnummer: ____________________________

Saab Aerotech beställningsnummer: ____________________________

Datum för enkäten: ____________________________

Saab Aerotech avdelning: ____________________________

<table>
<thead>
<tr>
<th>Generella frågor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Hur upplever du samarbetet med oss ?</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2 Hur upplever du vårt agerande under upphandlingen ?</td>
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<tr>
<td>3 Hur upplever du vårt agerande under genomförandet ?</td>
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</tr>
<tr>
<td>4 Hur upplever du bemölandet från våra medarbetare ?</td>
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</tr>
<tr>
<td>5 Hur upplever du vårt sätt att informera och rapportera om arbetet ?</td>
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</tr>
<tr>
<td>6 Hur väl uppfyller hittillsvarande leveranser överenskomma krav ?</td>
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</tr>
<tr>
<td>7 Hur väl motsvarar leveransen dina förväntningar ?</td>
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</tr>
<tr>
<td>8 Hur upplever du kunnandet hos våra medarbetare ?</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>9 Hur upplever du vår pristävling i förhållande till utfört arbete ?</td>
<td></td>
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</tr>
<tr>
<td>10 Hur upplever du att vi håller våra leveranstider ?</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>11 Hur upplever du vårt sätt att få en bra kundansvar och dialog med ev. användare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix II Customer survey used in the developed model in order to measure the level of customer perceived relationship quality

Tillvägagångssätt vid kundintervju:
Genomföra mätning 1 den enkäten som utformats enligt de fem mäte-faktorerna, som ses nedan.

Resonera omkring utvecklingsområdena. Ta reda på hur kunden vill utveckla förslagen för att tillföra värde till sin verksamhet

Genomföra mätning 2 Denna gång hypotetiskt med utgångspunkten att de förändringar som diskuterats i steg två har genomförts

Technical dimension
Lösningarna uppfyller de överenskomna tekniska kraven

1 2 3 4 5

Lösningarna fyller det behov den är tänkt att göra

1 2 3 4 5

Vi är nöjda med kvalitén på de levererade lösningarna

1 2 3 4 5

Vi är nöjda med de tjänster som levererats som en del av lösningarna

1 2 3 4 5

Vi är nöjda med de produkter som levererats som en del av lösningen

1 2 3 4 5

social dimension
Vi är nöjda med kvalitén på de levererade tjänsterna

1 2 3 4 5

Vi upplever en hög kompetens hos SCC:s medarbetare

1 2 3 4 5

Vi upplever en hög trovärdighet hos SCC:s medarbetare

1 2 3 4 5

economic dimension
För levererade produkter är vi nöjda med vad vi betalat

1 2 3 4 5

För levererade tjänster är vi nöjda med vad vi betalat

1 2 3 4 5

Vi upplever en konkurrenskraftig prisnivå i förhållande till totalt levererat värde (ALLT, ALLT, ALLT)

1 2 3 4 5

partnership dimension
SCC har ett bra arbetssätt för att uppnå en bra kundsamverkan och kundfokus

1 2 3 4 5

Vi ser samarbetet med SCC som en strategiskt viktig samarbetspartner

1 2 3 4 5

Vi ser samarbetet med SCC som en viktig samarbetspartner i vår framtid strategi

1 2 3 4 5

Vi är nöjda med SCC:s sätt att informera och rapportera om arbetet
Vi upplever SCC som lätt att samarbeta med

**overall dimension**
Vi upplever ett gott övergripande samarbete med SCC
Vi upplever ett bra agerande från SCC under genomförandet
Överlag är vi nöjda med den rådande relationen med SCC
Vi känner en tillit till SCC och deras verksamhet
Vi upplever att SCC har förmågan att tillfredställa våra behov

**Vija att rekommendera SCC´s tjänster/lösningar till kollegor**
Du kan tänka dig att rekommendera SCC:s lösningar till kollegor inom organisationen/liknande organisationer
Du kan tänka dig att rekommendera SCC:s serviceavtal till kollegor inom organisationen/liknande organisationer

Uppelever du onödiga kostnader utöver kärnlösningarna i anslutning till leverantörsinteraktionen i dagsläget?
Ja  Nej

**Dagslägets samarbete**

**Produktlösningar som tillhandahålls av SCC i dagsläget**

**Tjänster som tillhandahålls av SCC i dagsläget**

Andel av ert totala underhåll som utförs av SAAB/SCC i dagsläget
Mätning två

Hypotetiska frågor gällande mätning två som ställs utifrån utvecklingsdimensionerna

Påverkan på faktorerna

Skulle förbättringar gällande akvitetsdimensionen hypotetiskt kunna innebära en ökning av någon av variablerna?
Skulle förbättringar gällande resurser hypotetiskt kunna innebära en ökning av någon av variablerna?
Skulle förbättringar gällande aktörerna hypotetiskt kunna innebära en ökning av någon av variablerna?
Skulle förbättringar gällande jämförelsen med konkurrenter kunna innebära en ökning av någon av variablerna?
Skulle förbättringar gällande påverkan på er verksamhet kunna innebära en ökning av någon av variablerna?
Skulle ett förbättrat externt rykte kunna innebära en ökning av någon av variablerna?

Technical dimension

Lösningarna uppfyller de överenskommna tekniska kraven
1 2 3 4 5
Lösningarna fyller det behov den är tänkt att göra
1 2 3 4 5
Vi är nöjda med kvalitén på de levererade lösningarna
1 2 3 4 5
Vi är nöjda med de tjänster som levererats som en del av lösningarna
1 2 3 4 5
Vi är nöjda med de produkter som levererats som en del av lösningen
1 2 3 4 5

Social dimension

Vi är nöjda med kvalitén på de levererade tjänsterna
1 2 3 4 5
Vi upplever en hög kompetens hos SCC:s medarbetare
1 2 3 4 5
Vi upplever en hög trovärdighet hos SCC:s medarbetare
1 2 3 4 5

Economic dimension

För levererade produkter är vi nöjda med vad vi betalat
1 2 3 4 5
För levererade tjänster är vi nöjda med vad vi betalat
1 2 3 4 5
Vi upplever en konkurrenskraftig prisnivå i förhållande till totalt levererat värde (ALLT, ALLT, ALLT)
1 2 3 4 5

Partnership dimension

SCC har ett bra arbetssätt för att uppnå en bra kundsamverkan och kundfokus
1 2 3 4 5
Vi ser samarbetet med SCC som strategiskt viktigt
1 2 3 4 5
Vi ser samarbetet med SCC som en viktig del i vår framtida strategi
1 2 3 4 5
Vi är nöjda med SCC:s sätt att informera och rapportera om arbetet
1 2 3 4 5
Vi upplever SCC som lätt att samarbeta med
1 2 3 4 5

**overall dimension**
Vi upplever ett gott övergripande samarbete med SCC
1 2 3 4 5
Vi upplever ett bra agerande från SCC under genomförandet
1 2 3 4 5
Överlag är vi nöjda med den rådande relationen med SCC
1 2 3 4 5
Vi känner en tillit till SCC och deras verksamhet
1 2 3 4 5
Vi upplever att SCC har förmågan att tillfredsställa våra behov
1 2 3 4 5

- **Skulle de sammantagna förbättringarna kunna innebära en ökad vilja att rekommendera SCC:s produkter/tjänster till kollegor i en annan organisation?**

Du kan tänka dig att rekommendera SCC:s produktlösningar till kollegor i andra organisationer
1 2 3 4 5
Du kan tänka dig att rekommendera SCC:s tjänster till kollegor i andra organisationer
1 2 3 4 5

- **De sammantagna förbättringarna skulle innebära en smidigare interaktionsprocess med SCC**
1 2 3 4 5
Inom vilka delar av interaktionsprocessen/utbytet? Markera en eller flera

Förberedande fas av utbytet:
Under själva utbytet:
Kontroll av själva utbytet

- **De sammantagna förbättringarna innebär ökad möjlighet till fortsatt samarbete med SCC**
1 2 3 4 5

- **De sammantagna förbättringarna innebär ökad möjlighet till utökat samarbete med SCC**
1 2 3 4 5
Har du tidigare erfarenhet inom förbättringsprocesser av leverantörssamarbete?  
Ja  Nej

Om ja: Vilka effekter hade de förbättringsprocesserna på kostnadsreduceringar inom samarbetet?

Potentiella produkter/tjänster/underhåll
Potentiella typer av produkter som kan anses vara tänkbara utifrån aktuella förbättringar

Potentiella typer tjänster som kan anses vara tänkbara utifrån aktuella förbättringar

Potentiella underhåll/service - avtal som kan anses vara tänkbara utifrån aktuella förbättringar
Appendix III, *Mean values from customer one and three*

**Customer one and three**

The two other respondents, customer one and three are not included in the thesis. The model was partly tested (step one, two and parts of step three) on these two respondents. Their mean value results can be seen below.

**Customer one**

<table>
<thead>
<tr>
<th>Measurement factor</th>
<th>Score reference level number one</th>
<th>Score reference level number two</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical dimension</td>
<td>3,8</td>
<td>4,6</td>
<td>+1,0</td>
</tr>
<tr>
<td>Social dimension</td>
<td>3,7</td>
<td>4,0</td>
<td>+0,3</td>
</tr>
<tr>
<td>Economic dimension</td>
<td>3,0</td>
<td>4,0</td>
<td>+1,0</td>
</tr>
<tr>
<td>Partnership dimension</td>
<td>3,6</td>
<td>4,0</td>
<td>+0,4</td>
</tr>
<tr>
<td>Overall dimension</td>
<td>3,4</td>
<td>4,0</td>
<td>+0,6</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>3,5</strong></td>
<td><strong>4,12</strong></td>
<td><strong>+0,62</strong></td>
</tr>
</tbody>
</table>

**Customer three**

<table>
<thead>
<tr>
<th>Measurement factor</th>
<th>Score reference level number one</th>
<th>Score reference level number two</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical dimension</td>
<td>4,0</td>
<td>4,0</td>
<td>+/0</td>
</tr>
<tr>
<td>Social dimension</td>
<td>4,3</td>
<td>4,7</td>
<td>+0,4</td>
</tr>
<tr>
<td>Economic dimension</td>
<td>3,3</td>
<td>5,0</td>
<td>+2,7</td>
</tr>
<tr>
<td>Partnership dimension</td>
<td>3,8</td>
<td>4,6</td>
<td>+0,8</td>
</tr>
<tr>
<td>Overall dimension</td>
<td>4,2</td>
<td>4,8</td>
<td>+0,6</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>3,92</strong></td>
<td><strong>4,62</strong></td>
<td><strong>+0,7</strong></td>
</tr>
</tbody>
</table>