MAINTAINING CUSTOMER RELATIONSHIP IN BUSINESS-TO-BUSINESS MARKETING

Bachelor Thesis in Business Administration

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Abstract

The relationship between organizations and their customers is a critical issue when establishing a long-term relationship. It is difficult for organizations to really manage and maintain the relationship with their customers as some organizations fail to build up relationships.

The process of learning and adapting to other customers is costly and time intensive. This is an issue that needs to be taken into consideration. Another aspect that needs to be looked at is the way organizations can set up a plan to build a competitive advantage. With this, most organizations do tend to lose their customers due to the inability to use their resources well and also managing them effectively.

This paper examines the relationship between the supplier and the customer and the possibilities of managing and maintaining the customer relationship.

Qualitative analysis is used in this paper since it is the appropriate method to meet our purpose. There were two companies interviewed from the logistic industry and mechanical industry.

Finally, our result in this paper indicates that in order to maintain customers, it is vital for organizations to meet their needs. As a result, satisfaction and loyalty is the ultimate goal for organization to maintain their customers. This is the way of avoiding key and non-key customers from leaving and also strengthening the relationship.
# Table of Contents

1 **Introduction** .................................................................................................................. 1  
1.1 Background ...................................................................................................................... 1  
1.2 Problem Discussion ......................................................................................................... 1  
1.3 Purpose ............................................................................................................................. 2  
1.4 Delimitations .................................................................................................................... 2  
1.5 Disposition ....................................................................................................................... 2  

2 **Theoretical Framework** ................................................................................................. 4  
2.1 Strategic Planning ............................................................................................................ 4  
2.1.1 What do we know? ...................................................................................................... 4  
2.1.2 What do we want to accomplish? .............................................................................. 4  
2.1.3 How will we do it? ...................................................................................................... 5  
2.1.4 Market environment-related portfolio model ............................................................ 5  
2.2 The Overview of Customer Portfolio ............................................................................. 6  
2.2.1 Supplier-Customer Relationship Theories Development .............................................. 7  
2.3 Applications in Managing the Customer Portfolio ......................................................... 10  
2.3.1 Customer Relationship Management (CRM) ............................................................. 10  
2.3.2 Key Account Management (KAM) ............................................................................. 11  
2.4 Loyalty ............................................................................................................................ 13  
2.5 Customer Satisfaction .................................................................................................... 14  
2.6 Proposed Goal Model ..................................................................................................... 15  

3 **Methodology** ................................................................................................................... 16  
3.1 Research philosophy/Scientific paradigms ..................................................................... 16  
3.2 Qualitative versus Quantitative Method ......................................................................... 16  
3.3 Deductive versus Inductive ............................................................................................ 17  
3.4 Process of Data Collection ............................................................................................. 17  
3.4.1 Interview ................................................................................................................... 18  
3.5 Case Study Approach .................................................................................................... 18  
3.6 Data Analysis .................................................................................................................. 19  
3.6.1 Reliability, Validity and Trustworthiness ................................................................... 19  

4 **Empirical Findings** ......................................................................................................... 20  
4.1 About the company (Schenker) ..................................................................................... 20  
4.1.1 Environment .............................................................................................................. 20  
4.1.2 Customers .................................................................................................................. 21  
4.1.3 Relationship .............................................................................................................. 22  
4.1.4 Loyalty ....................................................................................................................... 22  
4.1.5 Satisfaction ............................................................................................................... 23  
4.2 About the Company (SKF) ............................................................................................ 23  
4.2.1 Environment .............................................................................................................. 24  
4.2.2 Customers .................................................................................................................. 24  
4.2.3 Relationship .............................................................................................................. 25  
4.2.4 Loyalty ....................................................................................................................... 25  
4.2.5 Satisfaction ............................................................................................................... 26  

5 **Analysis** .......................................................................................................................... 27  
5.1 Market Planning .............................................................................................................. 27
5.1.1 Environment .................................................................28
5.2 Customers .................................................................................28
5.2.1 Key Customers .................................................................29
5.3 Relationship ..........................................................30
5.4 Goal .................................................................................31
5.4.1 Loyalty .....................................................................31
5.4.2 Customer Satisfaction .....................................................32

6 Conclusion, Final Remarks and Further Studies .................. 33
6.1 Conclusion ......................................................................33
6.2 Final Remarks .................................................................34
6.3 Recommendations for Further Studies .................................34

7 References ............................................................................35
Figures
Figure 2-1  Market Environment Related Portfolio Model (Rajagopal, 2002) ....6
Figure 2-2  Step 1 of Two-Step Customer Based Portfolio Analysis (Fiocca, 1982, pg. 56) ..........................................................................................7
Figure 2-3  Step 2 of Two-Step Customer Based Portfolio Analysis (Fiocca, 1982, pg. 56) .........................................................................................8
Figure 2-4  Power Judgment in Portfolio Decision (Campbell and Cunningham, 1983, 376) ........................................................................................................9
Figure 2-5  Suppliers Classification Matrix (Krapfel et al. 1991, pg. 27) ....10
Figure 2-6  Elements of KAM (Ojasalo, 2001, pg. 202) ...........................12
Figure 2-7  Proposed Goal Model .................................................................15
Figure 3-1  Experiential Learning Cycle (Kolb, 1979) .................................17

Appendices
Appendix 1 Interviewees ...................................................................................39
Appendix 2 Questions for Interviews .................................................................39
1 Introduction

This chapter deals with the area of our investigation which in turn leads the reader into a short background, followed by the problem of discussion.

1.1 Background

Customers and suppliers relationships have attracted a great deal of attention from a wide range of perspectives which includes business-to-business marketing, supply chain management, services marketing and more recently the introduction of consumer product marketing (Ford, Gadde, Håkansson, Lundgren, Snehota, Turnbull, Wilson, 1998). Business-to-business marketing is the area of interest that will be considered in this paper. Markets in business-to-business are relatively growing in a slower rate as pondered by Campbell and Cunningham (1983). Furthermore, they stressed that only small number of customers and suppliers exist within this field. In addition to this, Ford (2002) points out that the relationship between organizations and their customers are primary assets to the organization.

The development and management of customer relationships has, in recent years, become a central focus of marketing research and conceptualization as it has been realized that they are valuable assets of a firm (Rajagopal, 2004). It is therefore important to understand why such “relationship” based perspectives have developed and moreover necessary to consider how understanding the significance of relationships with individual customers can be translated into management actions, such as managing and maintaining customers.

Relationship and network portfolio analysis covers the internal organization behaviors and crosses different organizations and individuals. In business-to-business market, in particular, key relationships across supplier, customer and other relationship nets could bring more benefits for organizations and thereby help to improve profitability. Currently, the aspects of customer portfolio and relationship management have been of contemporary interest to academics and practitioners.

Campbell and Cunningham (1983) also stated that the understanding the needs of customers bring about the capabilities in organizations in helping them in product development and innovation. Thus, it is vital to study the relationships between organizations and their customers as some aspects in the relationship poses problems in maintaining and managing.

1.2 Problem Discussion

It is necessary to keep an organizations activity running as it helps build a collective outcome. Fiocca (1982) noted that nearly all organizations have some customers who are more important than others as a result of the high volume or value of goods or services they buy or they potentially could buy. He also suggested that all organizations will have customers that are not easy to manage than others.

As a matter fact, it is difficult for organizations to really manage and maintain the relationship with their customers, as Pastore (2001) ponders over the issue of failure of organizations in building up relationships. For instance, the said customers’ demands may be of higher complexity. Ford (2002) stresses that business marketers and their customer must therefore constantly re-assess their relationships.
Considering the relationship between organizations and their customers, it is of importance to establish a long-term relationship. Other researchers in the field of business-to-business contemplated on the fact of building relationships as Campbell and Cunningham (1983) pointed out that it is more costly to gain new customers than maintaining the existing customers. However, the process of learning and adapting to other customers can be very costly and time intensive and at times these two parties do not even gain from these investments. This is an issue that needs to be taken into consideration.

Another aspect that needs to be looked at is the way organizations can set up a strategy to build a competitive advantage. With this, most organizations do tend to loose their customers due to the inability to use their resources in a form of strategy, resources, etc and also managing them. Finally, the issue of organizations benefiting from their customers is important because they fail to choose the right customer to have a relationship with.

Given this, our investigation will be on the fact of suppliers avoiding the loss of customers (key or non-key) to competitors. With this, our research questions for this study are:

1. To what degree can suppliers manage the relationship with their customers?
2. To what extent can relationship with customers be maintained by suppliers?

1.3 Purpose

Herewith, our purpose of this paper is to examine the relationship from the suppliers’ perspective to their customers and the possibilities of managing and maintaining the customer relationship.

1.4 Delimitations

This paper will not look at the financial issues of organizations within the business-to-business area. Furthermore, the paper deals with all industries with which the end customer is another business. With this, we chose to investigate on the area where it involves the supplier, customers, and the environment both actors operate.

1.5 Disposition

This thesis consists of the following chapters:

Chapter 1: It is the introduction which entails the background for the problem, the problem discussion and a preamble of the purpose of the research.

Chapter 2: This is the theoretical framework laying out various concepts concerned with our studies and a selective model proposed from these concepts.

Chapter 3: This chapter deals with the methodology comprising of research philosophy, preference of methods, data analysis, process of data collection and case study approach.

Chapter 4: An Empirical finding consisting of data from Schenker and SKF.
Chapter 5: This consists of the analysis, where issues of strategic planning, customer portfolio and management concepts are examined in accordance to the data at hand.

Chapter 6: Conclusion, final remarks and recommendations for further study.
2 Theoretical Framework

This chapter deals with various models that explain the main aspect of our investigation looking into the planning market strategy as concerned with the environmental issues, and the customer portfolio models. Finally, an applied part which is the customer relationship management and the key account management will be discussed for the reader to understand these concepts. Thus, brings the reader into the sphere of reaching our goal of suppliers maintaining and managing their customer portfolio in attaining loyalty and customer satisfaction.

2.1 Strategic Planning

Strategic planning is an important mechanism and tool for managers so to secure the organization’s survival in never-ending environmental changes. This is a process of matching the organization’s capabilities to opportunities in a changing environment (Webster, 1979).

“Planning deals with the futurity of current decisions, it also looks at the alternative courses of actions that are open in the future; and when choices are made among the alternatives they become the basis for making current decisions” (Steiner, 1979).

This idea begins with objectives, meaning what managers envision accomplishing and through these plans on how, when, and where these goals will be attained (Harrison, 1995).

Organizations more often than not employ multitude of different planning processes in their attempt of strategic planning. In this case, the particular process and plan format are not what is important; it is the thinking that goes into the plan and the learning that results. According to Anderson and Narus (1999) three fundamental questions that are asked in relation to the strategic planning process are:

- What do we know?
- What do we want to accomplish?
- How will we do it?

2.1.1 What do we know?

In the business setup, organizations should be able to identify and distinguish what they know, what they accept as true and what they want to accept as true. In this case, it should be done by finding accurate explanations of past performance and put them in a casual and assess the plausibility of the casual sequence occurring (Anderson and Narus, 1999).

Furthermore, organizations should also assess the strength and weakness of the firm and conduct a marketing audit. A marketing audit is simply an in-depth analysis of all the firms marketing activities (Webster, 1979).

2.1.2 What do we want to accomplish?

In this case, organizations should try to identify what they want to achieve and try to reach a decision on a market strategy alternative they would want to pursue. In reaching a strategy alternative decision, organizations should use consensus with qualification, in the sense that the management team attempting to reach a shared agreement (Anderson and Narus, 1999). The desire of management teams to achieve a leadership position in some area of product technology, response to customer needs or market share are typical goals set by organiza-
tions. Moreover, the most useful goals are those that focus and define the business the organization is in (i.e., product/market strategy) and thereby do so in a way which permits flexibility in response to the market over a long period of time (Webster, 1979).

2.1.3 How will we do it?

For an organization to realize its goals, an action plan must be set aside to translate the market strategy into activities in order to attain what it wants to accomplish. Anderson and Narus (1999) deduced four fundamental behavioral skills of managers when putting strategies into implementation namely:

- Interaction skills – This is how managers’ behavioral style is measured by how he/she relates to people both inside and outside the organization. Furthermore, the way the manager negotiates, works together with others and uses influential strategies to meet the organization’s goals.

- Allocation skills – In this case, it is how managers have the ability to configure time, people and money.

- Monitoring skills – It refers to how managers intervene when needed in ongoing activities and stay well informed on the organization’s operations.

- Organizing skills – This is the managers ability to bring together resources so to accomplish a market task and connecting relationships in the organizational structure.

2.1.4 Market environment-related portfolio model

It should be noted that the customer portfolio models are structured in reference to the market environment and value determinants. The portfolio decision making depends on subjectivity of the market environment that appears in different forms. Herewith, the market environment factors comprises of the industry, product, attractiveness, risks, brand life cycle and variables of human behaviors and the whole economic factors (currency rates, inflation, policies, (see figure 2.1). In business-to-business marketing, the two businesses/organizations should measure more factors between them and even their competitors’ situation in order to put their business partner into a right place in the customer portfolio model.

From the model below, there are five points of comparisons between customers and businesses for customer-organization fit around the market environment factors namely: behavioral dimensions of the customers, attractiveness, competition, economic variables, and brand performance (Rajagopal, 2002).
Summing up, this brief review shows that customer portfolio analysis can provide strategic input into an organization’s planning processes and may also be the key point in building a successful relationship management strategy between business to customer and business-to-business also. However, each portfolio model has its advantages and disadvantages for different marketing position. In this case the application of portfolio model should only be undertaken after due consideration has been given an analysis and definition of the important criteria for marketing situation.

### 2.2 The Overview of Customer Portfolio

Markowitz (1952) argued that the portfolio theory was earlier used for financial investment decisions in the 1950s. Expected returns and degree of risk were the main variables used in the portfolio model to make financial investment decisions. The portfolio theory has been used in other academic areas apart from finance.

The approach has been used by strategist to achieve their goal in organizations by classifying their products and organizations on different important extent (Wind and Douglas, 1981). Also, Marvin (1972) contributed that portfolio theory was earlier used in programs where assessment of the products must be done for present and future market share, sales, and quantity of product, cost and investment that are vital.

It can be observed that portfolio theory has been helpful in making corporate decision concerning resources and assets in financial investment, organizations or products (York and Droussiotis, 1994).

*The modern portfolio theory assumes that markets are one-period mean-variance efficient and ignores the investors holding period* (Yorke and Droussiotis, 1994)
Theoretical Framework

The “time dimension” of the theory of portfolio proposed by Merton (1990) enhanced the implementation of inter-temporal portfolio selection, option pricing, performance evaluation and dynamic investment strategies. The portfolio model is seen as a process used in the development of a business. The modules below are use in the paper to show the development of different portfolio models use in different areas in the organization.

The relationship theories have been contributed by many management researchers. Fiocca (1982) explaining many factors associated with the buyer behaviors and supplier relationships. The idea behind these relationship portfolio models is to enable organizations to retrieve appropriate information from customers to decide the best way of managing their customer relationship. Customer relationship is seen as the important area of analysis in the supplier and customer relationship in business to business marketing.

2.2.1 Supplier-Customer Relationship Theories Development

2.2.1.1 Description of Three Main Portfolio Models

Model 1 - Two-Step Customer Based Portfolio Analysis

One well-known customer portfolio model is the two-step customer portfolio analysis (Fiocca, 1982). The model consists of two steps with which the first step (see figure 2.2) entails that the organization analyzes its customers on a general level, meaning that considerations have to be taken in terms of how strategically important the customer is to the organization, as well as how difficult the customer relationship is to manage. Once, existing and potential customers are positioned in the first step, the analysis moves onto the next step.

- **Difficulty in managing the account**: It is a function of the intensity of competition for the customer, customer buying behavior and the distinctiveness of the product bought by the customer.

- **Strategic importance**: It is determined by value/volume of purchases, the potential and status of the customer, customer market leadership, and the overall attractiveness to the supplier in making strategic improvements and adaptation to customer specifications.

Step 1:

<table>
<thead>
<tr>
<th>Difficulty in Managing the Account</th>
<th>Strategic Importance of the Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Key Difficult</td>
<td>Non-Key Difficult</td>
</tr>
<tr>
<td>Key Easy</td>
<td>Non-Key Easy</td>
</tr>
</tbody>
</table>

Figure 2.2 Step 1 of Two-Step Customer Based Portfolio Analysis (Fiocca, 1982, pg. 56).

The matrix above shows that customers who are “key easy” are strategically important and more easily to manage their account. The next of key interest to the supplier are those cus-
customers who are key difficult, non-key easy, and non-key difficult systematically in the matrix.

In the second step (figure 2.3) in Fiocca’s model, customers are positioned within another two-dimensional matrix, which measures the attractiveness of the customer in relation to the supplier-customer relationship strength (Zolkiewski and Turnbull, 2000). Fiocca (1982) presents some variables that may be used in order to assess the different axis:

- **Customer’s Business Attractiveness** – It is determined by considering a number of factors that are related to the customers market (growth rate, competition, maturity, changes in the environment, etc.) and the status/position of the customer’s business within the market.

- **Relative Buyer/Seller Relationship** – It is evaluated by applying a mix of objective, judgmental or subjective factors: length of relationship, importance of the customer, friendship, co-operation in product development, social distance, etc.

**Step 2:**

<table>
<thead>
<tr>
<th></th>
<th>Strong</th>
<th>Medium</th>
<th>Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Medium</td>
<td>6</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Low</td>
<td>9</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

![Figure 2.3 Step 2 of Two-Step Customer Based Portfolio Analysis (Fiocca, 1982, pg. 56).](image)

From the model above it can be inferred that a customer in the ninth position may be preferable and the least customer would be one. However, the portfolio model is subjective so it depends on organizations preference of its best customer.

**Model 2 - Balance in Buyer/Seller Relationship**

Corresponding analysis of portfolio strategy for marketing management in an organization has been developed by Campbell and Cunningham (1983). They have develop their strategy with a three step portfolio analysis strategies for marketing which is allege to be their emphasis on developing an effective relationship management of customers, customer preferences, portfolio planning customer market and intensity of competition. The figure below depicts the power balance of the customer and the supplier and the effects it has on making decisions of the portfolio.
#### Stage 1

This stage explains the nature and attractiveness of the customer relationship using customer life cycle stage on one axis and various customer data on the other. The customer life cycle stage is divided into tomorrow’s customers, today’s special customers, today’s regular customers and yesterday’s customers.

The other aspect of the analysis is multivariate, quantity of sales, utilization of strategic resources, relationship length, and supplier share of customer’s purchasers and profitability of customer to supplier.

Campbell and Cunningham (1983) argued that by dividing it this way will enhance strategic resources and in turn ensure the future health of the business, are allocated amongst customers.

#### Stage 2

This stage stresses on the customer own performance as an important aspect of customer portfolio planning. The customer share of its own market is combined with the customer’s demand for the supplier’s product and is used to produce a second matrix classification. The various customers are represented by a circle which is indicative of volume of purchase. This circle can then be segmented to show the volume purchased from the supplier and the supplier’s competitors.

#### Stage 3

At the final stage key customers are chosen for scrutiny. The matrix provides information on key customers. The customer growth rate which may be high, medium, low or may decline is represented on vertical axis and the competitive position influence by the relative share of customers purchase is also position on the horizontal axis. Hence, organizations are placed on the position that represents their quantity of sales.

#### Model 3 - Supplier Classification Matrix

Krapfel, Salmond and Spekman (1991) also used a portfolio approach to analyze customer-supplier relationships and proposed a relationship classification matrix based upon the concepts of relationship value and interest commonality. They suggest that relationship management style should be varied according to the perception of power and interest commonality.
Krapfel et al. (1991) define relationship value ($RV$) as a function of four factors: criticality ($C_j$), quantity ($Q_j$), replaced ability ($R_j$), substitution and slack ($S_j$).

$$RV_i = f (C_j, Q_j, R_j, S_j)$$

Krapfel et al. (1991) elaborate in its relationship value function that $RV_i$ signify the value of the relationship to the seller and $C_j$ is the criticality of the products purchased by the buyer. Also, $Q_j$ is the quantity of the seller’s output consumed by this buyer and $R_j$ is the replaced ability of this buyer (the exchange cost of accessing other buyers). $S_j$ is use by Krapfel et al. (1991) to note the savings on cost resulting from the buyer’s practices and procedures.

### 2.3 Applications in Managing the Customer Portfolio

This is the case where customer relationship management and key account management are tools used to manage the customer portfolio. Below are various applications used or applied when it comes to the management of the customer portfolio.

#### 2.3.1 Customer Relationship Management (CRM)

The relationship between suppliers and their customers must be well managed for an effective running of the business. According to Almquist, Bovet and Heaton (2004) the increase in the cost of attaining a new customer triggers the urge of most organizations within certain industries to keep their own beneficial customers. This is the way most organizations strategize in order to prevent their customers from leaving and then switch to a different supplier. Almquist et al. (2004) continue on the argument that due to various measures like information retrieval on customer behavior, the high cost in getting a new customer and sustaining the relationship, suppliers are required to follow the Customer Relationship Management (CRM) concept. CRM is a strategy that is applied to know more about the needs and actions of the customer in order for a mutual relationship with them (Deck, 2001). Almquist et al. (2004) contributed on the note that the only aspect that differentiated the small amount of companies with the use of the CRM was the apparent focus they had on uplifting customer value. This is a strategic move for organizations to really build a long-term relationship with their customer for a maximum profit to them. According to Schaller, Piller and Reichwald (2004), CRM is not of the know-how but as derived from the name, customer, the organizational relationship with others, and the likelihood of establishing this relationship.

Furthermore, Almquist et al. (2004) derived four principles on the note of using the CRM to create value which are:
• Organizations creating a strategy in maintaining, keeping and attaining their profitable customers in order to bring about value growth.

• Organizations retrieving the right information from their customers by conducting research on behavioral aspects, collecting financial and operational data and making use of the most important ones that matters.

• Organizations using the correct value metrics such as customer-level return on investment, customer lifetime value, customer acquisition rate and relationship depth to increase the customer value.

• Organizations developing into a learning institution to assemble and take steps for right information from customers in order for continuous daily operations.

### 2.3.2 Key Account Management (KAM)

Building a continuing relationship with customers is a vital aspect to consider. As a result an applied part that can be used to build the relationship is the concept of key account management (KAM) with which Diller (1992) explain as a tool that entails selling and company’s plan to attain an ongoing customer relationship. In addition, MacDonald, Millman and Rogers (1997) states also that KAM is a technique applied by organizations with the objective of creating a loyal customer portfolio with a product/service bundle offered to them specifically to their needs and thereby generating a continuing relationship. This is a case where the relationship between the supplier and the customers are of importance and moreover building a long term relationship.
According to Ojasalo, J. (2001) practices of KAM are in this model below:

![Key Account Management Diagram](image)

**2.3.2.1 Identifying key accounts**

This is the case where organizations are to know what key accounts are vital to them in terms of strategic standings. Considering the fact of supplier’s relationship to the customers and the ones of strategic importance, Campbell and Cunningham (1983) derived four measures to find out the most vital key accounts namely:

- The amount of sales incurred.
- Utilization of strategic resources
- The maturity of the relationship and
- The customers’ profitability to suppliers.

**2.3.2.2 Analyzing key accounts**

Ojasalo (2001) idea of analyzing key accounts entails actions like:

- The crucial features of a key account – This explains assessment of the significant economic and activities such as the markets, products, value chain, etc, of the key accounts’ domestic and external environment.

- The history of the relationship – It is the assessment of the key accounts’ amount of sales, buying behavior, exchange of information, etc.
• The stage and maturity of loyalty to the relationship – It is the case where the type of industry depends on the current and future commitment which is seen as an important aspect.

• The common interest of the supplier and the customer – This explains the fact about whether the supplier and the customer can be partners, friends, acquaintance or rival as stated by Krapfel, Salmond and Spekman (1991).

• The switching cost – This is issue whereby there is the cost for changing the current partner with another.

2.3.2.3 Selecting suitable strategies for key accounts

Ojasalo (2001) points out the fact that the appropriate plan for the key accounts depends on the power positions between the organization and the key accounts. Moreover, since it entails different parties, one significant strategy is implemented only if the organization tends to keep its account.

2.3.2.4 Developing operational level capabilities

Ojasalo (2001) explains the adaptation and increase in the capabilities that they are associated with:

• Products and services - According to Juran (1992) center of attention is on the performance of the product/service and some large-scale processes, competitiveness, etc, and these help advances the quality of the products/services.

• The structure of the organization - Another aspect is also altering the structure of the organization to help satisfy the key accounts’ needs either internationally or locally (MacDonald, et al., 1997).

• The exchange of information - Walter (1999) stress on the fact that information exchange is a vital aspect and it depicts the strategies, goals, and crisis of the partner.

• The individual - Ojasalo (2001) also points out that the individual is an importance aspect in the sense that organizations need to have an efficient person responsible to handle issues as key account managers.

2.4 Loyalty

The occurrence of a transaction between two actors brings about an ongoing relationship between them (Morris, Pitt and Honeycutt Jr., 2001). Relating this in the perspective of business-to-business, there exists the trend for the customer to remain with the supplier in this sense. With this, the term loyalty comes in place to add value to the relationship between the supplier and the customer. As few researches are done on the part of loyalties within the industrial markets, Morris et al. (2001) stress that loyalties within industrial markets takes time to set up, hard to break up and moreover have a long-term relationship. This is not the case of a consumer market but on the business-to-business market.

Previous studies were done to find out the loyalties between the supplier and the customer as Wind (1970) proposed as a result of these four factors namely:
Theoretical Framework

- Task Concerns – It explains the fact that customers within the industry are devoted to what the suppliers are more concerned with which are on the basis of quality, servicing, delivering and price.

- Organizational concerns – With this, it explains the idea that voids criticisms from the customer shows loyalty to the supplier.

- Work Simplification Concerns – The loyalty on the part of the customer to the suppliers simplify things and also reduces the work load.

- Attitudes Towards Source – This explains that the loyalty that exists between the supplier and the customer portrays the way the customer approaches things; thus, the special traits they show to the supplier.

Wind’s (1970) concern was on the issue of the customers having a clear-cut option to stay loyal to their suppliers. With this, Morris et al. (2001) contributed to Wind’s (1970) findings that they were of significance to both actors (suppliers and customers) in establishing a new relationship and also sustain relationships that already exist. Rowley (2005) commented that the existence of loyalty is of great significance as it leads the organization to the future. Customer loyalty is the long-standing establishment of relationship from the customer’s perspective to the organization (Schaller et al, 2004). They further explained this notion of customer loyalty as a mean of attaining economic targets which thereby is perceived as investment (Schaller et al, 2004).

Below is the concept adding value to the factors of customer loyalty and as one of the drivers of customer loyalty.

- Customer Loyalty = Customer Satisfaction + Trust

With this model, the core part is the customer satisfaction which Schaller et al (2004) deduced that its measurement are by the recurring purchases, the amount of complaints and the way the customers commune.

On the other side of the equation, trust is seen as the other variable diminishing various complicated uncertainties and actions in the relationship (Schaller et al, 2004). Trust in itself is an interesting aspect in relationships between an organization and its customers. Luhmann (1988) states that trust pave a way out for prominent crisis in relations between an organization and its customers.

2.5 Customer Satisfaction

An important part of an organizations profitability (be it the field of business-to-customer or business-to-business) is the ability of keeping the customers satisfied.

If an organization wants to sustain customer relationship then it must understand the customers’ requirements and by this understanding, builds up a mutual self-interest (Anderson and Narus, 2004). This means that organizations must have a unique approach towards its
customers and be selective on who to choose as customer before targeting and fully engaging on delivering superior value so to retain customer satisfaction.

In the world of business-to-business, there is a constant competitive bid on purchasing/supply of products and services, and this with a variety of regulations, requirements, purchasing laws and organizations practices dictates how these purchases are handled (Pugh and Bacon, 2004). Therefore, it should be crucial for managers to focus on how best the organization can create a competitive advantage by differentiating itself from the main competitors and through this sustain and enhance its customer portfolio.

2.6 Proposed Goal Model

Our paper is based on the fact that management between suppliers and customers relationship is a vital aspect in the business-to-business sector. This explains that the environment, which is vital aspect in businesses, should be taken into consideration. With this, a strategic planning opening the way for organization to decide on what they know, what to accomplish and to how to do it. This sets a way for the supplier or the organization to study or examine what customer portfolio to manage and maintain. Furthermore, an applied part of management is used as tools to maintain and manage the customer portfolio. Following this trend brings about the attainment of the goals for the organization.

Figure 2.7 Proposed Goal Model
3 Methodology

In this chapter, we intend to clarify the understanding of the reader upon the preference of methodology in order to define the area of research.

3.1 Research philosophy/Scientific paradigms

There exists three different ways to approach a research when conducting a study. These research approaches are defined by the way the researcher(s) think about the development of knowledge through the research process and which ultimately shapes the course of the way we go about doing our research. The views that today dominate the literature are better known as Positivism, hermeneutics and realism. These paradigms are all different in character, and to the brink of being mutually exclusive on how knowledge is developed and judged as reliable (Saunders, Lewis & Thornhill, 2003). With the two paradigms, positivism and hermeneutic, it can be seen as two extremes or different vantage points (Gummesson, 2000).

According to Gummesson (2000) differences between positivistic and hermeneutics paradigms is that the positivistic approach represents an analytical requirement, and concentrates on description and explanation based on facts which is quite rigid in comparison to hermeneutics. While hermeneutics uses a more personal interpretative process and emphasizes on qualitative assessment replacing quantitative data which allows the attention to be less focused and “float more widely”. The role of the hermeneutics/interpretivism is to try to understand the subjective reality of those who are studied and try to make sense of their motives, action, or intentions (Saunders et al., 2003)

This paper is focused on the field of management with a purpose of investigating the practical reality relationship. Considering our problem area which is a bit complex in conducting a statistical and law-like generalization that is rigid and free from judgment as in positivism, it seems natural for us to see our research philosophy in the paradigm of hermeneutics where we can understand the concrete and make our own interpretations.

3.2 Qualitative versus Quantitative Method

When conducting a research there are normally two distinctive methods that can be chosen depending on when we decide to gather data to be used in our analysis. It is essential to choose the right research method which best fits the purpose of the paper so to build up a case material from which generalizations can be made (Gill and Johnson, 1997). The two conventional methods used in most scientific research are known as qualitative and quantitative research. According to Zikmund, (2000) qualitative research focuses not on numbers but on words and the information is investigated to see which characteristics are associated with the object being studied. These characteristics are normally filled with richness and cannot be collected in a standardized way, like that of qualitative data (Saunders et al., 2003). Although both qualitative and quantitative are methods researchers’ uses for data collection, qualitative will normally be used in the study where data collection, analysis and action often take place concurrently (Gummesson, 2000).

On the contrary of qualitative research, quantitative method is determined by its high use of numbers and is not often exploratory in nature (Zikmund, 2000).

All research papers will virtually contain some sort of numerical data for analysis, but a quantitative research refers to a situation where the researcher takes all data as a strategy for the paper (Saunders et al., 2003).
We have chosen to collect qualitative data for this paper since we believe this method is most appropriate for us to best meet our purpose. The relationship between organization and their customers can not be adequately answered through numerical data.

### 3.3 Deductive versus Inductive

A deductive research is best described as the development of data in a study which is supported or explained through already existing or established theories. This means that theory is confronted with the empirical findings. Often within the tradition of deductive approach theory is assumed to be the most valid point (Gill and Johnson, 1997). The basic principal of a deductive approach is that theoretic position is developed prior to the collection of empirical findings (Saunders et al., 2003).

From Kolb’s learning cycle we can conceptualize a deductive research as starting from the left hand-side, since it begins with a hypothesis then moves on by testing it using theories before focusing on observation or the empirical world (Gill and Johnson, 1997).

![Experiential Learning Cycle (Kolb, 1979)](image)

On the contrary to the deductive approach, inductive principal is characterized by the actions of collecting data prior to the development of theory, this means theory will follow the empirical findings rather than opposite (Saunders et al., 2003).

The plane movement from the observation of data to the explanation and theorizing the findings is the basic principal to this approach and from Kolb’s learning cycle in (figure 3.1) the inductive movement starts from the right hand-side. Observation or empirical collection is the starting point while theory becomes the ending point (Gill and Johnson, 1997).

### 3.4 Process of Data Collection

We conducted an interview to find out some issues concerning our research area. Initially, we phoned sixteen companies to use as a case study but only two companies (respondents) agreed to be interviewed. These interviews were two companies from Goteborg (SKF) and Jönköping (Schenker AB) with which one is the Sales Manager and the other being the Marketing Personnel. These companies were chosen because of accessibility, time and cost. We interviewed the Sales Manager of Schenker (Land Division) because we learnt from the company that they were closer to their customers. Likewise, SKF’s Marketing Personnel who was introduced to us tend to be close to their customers. Although Schenker and SKF
Methodology

are international companies, the information got from them were based on the relationship they have with their customers in Sweden. The conduction of these interviews was to retrieve more information considering our questions at hand.

3.4.1 Interview

According to Sekaren (2000) there are varieties of ways when collecting data for research. The most used methods range from face-to-face interviews, telephone interviews and computer-assisted interviews, to observations and also questionnaires.

When conducting an interview, the interviewer tends to choose between two types namely, the structured and the unstructured. The unstructured is an interview where no real plan has been employed but rather the interviewer starts with random and broad questions and the objective is to let unexpected issues to surface where the researcher then decides what variables need further investigation (Sekaren, 2000).

On the other hand, structured interviews however, are planned and the outset for what is needed is well known. In addition, the researcher makes a list of the questions in a chronological order and as the respondent expresses their views, the researcher notes them down (Sekaren, 2000).

Our interviews fell in the realm of structured interviews since we had questions developed prior to the interview and followed it as planned throughout the whole interview. In one of the interviews, it was a face-to-face interview whereby we interviewed the Sales Manager. This was useful in the sense that it was more social and that reduced the tension between the interviewer and the interviewee. Another aspect is that, we also interviewed the other company’s Marketing Personnel in charge of Nordic Affairs, through the use of the telephone. It was also a structured interview but some issues were derived from a secondary data from the company’s website. In addition, the interviews were conducted in English with which the two companies comprehended. In some cases, we felt that further elaboration was needed or the respondent gave information which opened new opportunities for unexpected knowledge of the company. In this case, it is seen as an unstructured interview. In view of the above we present these findings by showing the answers got from the interview.

3.5 Case Study Approach

According to Hamel, Dufour and Fortin (1993) case study is a thoroughly investigation with different methods such as interviewing, partaker observation, etc. Furthermore, Yin (2003) adds on to characterize case study as a practical investigation that examines what is happening in the modern sphere within the real-life perspective.

Case studies as Hamel, (1992); Perry and Kraemer (1986) describe as a research instrument is perceived by Yin (2003) to add to the knowledge of organizational, group, individuals, etc which is utilized in various conditions. As a matter of fact, conducting a research in all these aspects of say, the individual, organizational, group leads readers to comprehend to what the research is about.

Another aspect is that Gummesson (2000) classifies case study into two notions namely:

- General Conclusion – This is when an examination of certain fields that is, management, marketing, or financial, etc., is conducted on various organizations resulting in a defined conclusion.
Methodology

- Specific Conclusion – This explains the fact whereby an examination is conducted on a single organization.

Our paper which is a qualitative research method, is based on what Gummesson (2000) describe as a general conclusion from the various organizations in the environment.

Our choices of organization used as a case study were organizations in the logistic and mechanical industries. As a result, these organizations within these respective industries will be used to draw our general conclusions on the research area in the perspective of business-to-business.

3.6 Data Analysis

3.6.1 Reliability, Validity and Trustworthiness

According to Kirk and Miller (1986) a research which is of “qualitative” is perceived to be or recognizes the existence or nonexistence of something. Researchers try to measure how accurate their results are and tend to generalize issues based on their data collection. With this idea, it brings out the idea of validity which denotes the degree to which something in a form of results or data confers the right answer (Kirk and Miller, 1986). Weiss (1998) pointed out that validity brings out the way to handle the correct things. There are other critics on validity which may pose a problem on a qualitative research as it does not really depict what the researcher observes or not.

Another aspect that is considered when doing a quantitative or qualitative research is the reliability of the results. According to Kirk and Miller (1986) it is the degree to an assessment of data gives matching response on the note of that data being carried out. Weiss (1998) contributed that reliability which is used in researches denotes the way recurring attempts in determining an event yields the same answer. On this note of critics on reliability, Kirk and Miller (1986) pondered on the fact that it can be insignificant and confusing.

This is the case where there is trust and it is seen in most researches under qualitative methods. Besides, conducting a research demands for a correct and skilled way of writing and it should be perceived to be reliable for readers to follow. Trustworthy is commonly used in qualitative research methods and defined as “able to be trusted or depended on;” (Robinson and Davidson 1999). Our interviews and the empirical findings were accurate as we wrote down more or less the same information gotten from the interviewees of both companies. Given this, our research is based on the right data and can be reliable in any form.
4 Empirical Findings

This part entails the findings from the interviews of companies for our research.

4.1 About the company (Schenker)

Schenker is owned by German state (mother-company) called Deutsche Bahn (DB) and it is one of the subsidiary companies for DB. Deutsche Bahn has 120,000 employees and can be found in most countries around the globe, and Schenker having 35,000 employees out of these.

The company has grown by merger and fusion and was founded in 1872 by Gottfried Schenker in Austria. It has three divisions namely: land transportation (Europe), air and sea freight (all over the world) but strong in South East Asia. The company is one of the top three players concerning different air freight in the world and that acquired Bax Global which was a competitor in the air freight business mostly high-tech merchandise like electronic devices.

The company’s land division is the best in Europe mostly in the Nordic countries. In Sweden they have about 10,000 employees in the land division. They have 3,500 employees working officially with them whilst 6,500 employees are unofficial workers. These unofficial workers work indirectly with them. The company has decentralized and centralized organization which poses a difference between them and their competitors like DHL, DFDS, and other network competitors. They have branches in 70 locations in 24 districts where a district manager can be found in each district. Moreover, their locations around Sweden give them a competitive advantage because their customers can reach them easily which has shown satisfaction in their relationship with their customers.

4.1.1 Environment

The company chooses its customers by strategic development over a long-term and the criteria to choose these customers in the environment are:

- Depending upon customers with locality needs. E.g. preventing Schenker’s empty trucks running from Sweden to Germany or Austria, they choose customers that have the need to transport to those geographical areas.

- Depending upon the types of businesses with high growth margin. E.g. Groceries, automotive logistics, etc.

The company takes into account environmental factors before making customer decisions. The company interest in having more customers drives them to acquire customers in industries with higher growth margin.

The company’s main competitors in Europe are DHL, DFDS. These two competitors have some kind of network setup just like Schenker. In view of this the steps undertaken to outwit their competitors is a vital issue. Transporting from one point to another point is not an extraordinary business; thus, in the case of the company, it is important to add value to their services. The customer values they create depend on the kind of customers (key or non-key) they are dealing with. Examples of these customers are private person, restaurants, shops, industrial, etc. In addition, the company provides these customers with continuous delivery information and invests in their own salesman. Investing in the salesman will en-
able them to have the competence in doing business with their customers. The company has the competence in understanding the needs of their various customers and this put them on the edge of competitive advantage.

4.1.2 Customers
The company has a key account program and key account managers in two levels:

- Global account management (GAM) located in head office in Germany and having global responsibility for about 25 customers to 30 key customers in total.

- National account: appointed by management board in Northern Division and having about 2 to 4 customers.

They have 42,000 customers in Sweden with classified from A to E depending on how much time and competence they invest in them. These customers are signed on contract in Schenker’s bank and are portrayed according to the order of importance as stated as A to E.

In addition, the company conducts a survey twice a year to find out the satisfaction of customers through customer satisfaction index (CSI). The CSI survey is targeted at key customers although their entire customers in their portfolio are measured.

“…twice a year we do a survey on…we call it Satisfied Customer Index…we measure satisfaction among our customers specifically the key account and our major accounts…this is something we check twice a year and we do it per customer”. (Sales Manager, personal communication, 2006-03-27)

Another aspect which cuts across the relationship building is that the company checks on the routine of their employees. “…but what I focus in since I am the sales manager, I focus on the performance of the salesman or saleswoman,…how good are they at paying the customer the right attention,…do they have the right competence, are they proactive enough or not, what is proactiveness for some customers that is quite something different than for others…this is something we check twice a year and we do it per salesman, per branch office” (Sales Manager, personal communication, 2006-03-27). This enables them to know the performance of the salesperson, on how effective they are in treating the customers, in terms of attention and their needs.

In Sweden, the company has some customers who are profitable to them and others that they recognized as key account. Some of the customers are: Sony Ericsson, Dell, Alzel-distributors of electrical equipment and plumbing supplies. The others are grocery branches with automotive logistics, fashion and retail branches managed by specific person who is competent in that field. Saab, Scania, and Volvo are also other important customers to the company.

“…to become a key account customer, you must be prepared to work with us as a partner…Ikea is not a key account for us because they don’t wish to work in partnership with anyone” (Sales Manager, personal communication, 2006-03-27). This is what he elaborated over this issue of key account customers.

This is the case where key account customers are required to work with the company in a specific relationship to become partner. Ikea is not a key customer because they are not prepared to be in a partnership although they are important in their customer portfolio. Decisions are made by management board whether the customers are having logistics strategy mindsets that are set to a specific product or much kind of other specific areas. Besides,
the company has interest in customers who has competence in Information Technology (IT) development and other kinds of competences that adds value to a better product development.

4.1.3 Relationship

Every salesperson from the company has an individual customer portfolio and is responsible for each of them. They pay visits to their individual customers and devote a certain amount of time to enhance their relationship with those customers. The time invested with their customers in the form of visits, depends on the way these customers are classified from A to E.

Considering the customer portfolio, each salesperson takes care of about 75 to 175 customers. This depends on the responsibility of each salesperson in each branch office which is done every month. The company’s relationship with some customers was somewhat not successful.

“…of course pricing is one that is the most common; we seldom lose customers due to lack of performance… loose customers from time to time because we do not have the opportunity to offer various specialized type of service that they might need…” (Sales Manager, personal communication, 2006-03-27)

The main reason the company lost its customers is the prices they offered to those customers. Secondly, it is due to the company’s inability to perform some special services to those customers. The company is interested in selling more products to their current portfolio. They are eager to have transactions with every company in Sweden that are attracted to their transport services and other kinds of services.

The broad ranges of what they can offer are ranging from air freight, sea freight, land transportation, warehousing, control towers, and logistics and also domestic transportation. This gives them the capability to handle more customers and thereby having a big market share. However, the company is more interested in their key customers and is focusing on how to improve their services.

The company’s strategy is to deliver value to the customer by investing continually in infrastructure. In point of fact, they develop IT services via the homepage where they offer specialized and complex services to certain customers with specific needs. E.g., when shoes are ordered from China, Schenker monitors and delivers status on the shipment through the whole delivering process until it gets to its end destination.

4.1.4 Loyalty

Loyalty as perceived by Schenker depends on the kind of transportation service the customer buys. When it comes to domestic transportation the customers are quite loyal. However, when offering international services as well as sea and land freights, customers are not likely to be faithful. This is due to the fact that international transportation and the number of competitors are many as compared to the domestic transportation in Sweden and in Scandinavian countries.

The company enhances loyalty by rewarding the customers. However, this depend on the transportation agreements they have with their customers. Besides, the customers receive bonuses when participating in activities with the company. Moreover, the company in its
view perceives loyalty as their customers give them good prices. The company does not see customer satisfaction and trust being the logic behind loyalty, however, they understand that both “trust” and “customer satisfaction” is important for loyalty. Its trustworthiness and being a respected transportation services is what makes the customers loyal.

4.1.5 Satisfaction

Some of the company’s customers are more satisfied than others. This is due to differences in the competences in each branch offices in Sweden and the strong network within the Nordic countries. With this, it enables the company to reach and understand their customer more easily than competitors thus, creating relative satisfaction and making their transportation services very reliable. In Sweden, Schenker can be found in all major cities. This is spread across 24 branch offices in 70 locations.

The company considers gross profit and growth as a major factor to measure customer satisfaction. In addition, satisfaction is seen as something mutual between the company and its customers since cooperation between the actors yield a win-win situation. In this sense, the company is satisfied when their customers want to be partners and accept their prices. On the other hand, customers are also satisfied when the company provides them with good services. Prices are set depending on the different customers and their needs. However, Schenker make sure they provide their customers accurate services for them to stay competitive. Customers that help the company to gain profit and also are partners are considered key customers in their portfolio.

4.2 About the Company (SKF)

Our second interview was with SKF company’s Marketing Personnel in Goteborg. He is responsible for marketing issues in the Nordic region.

SKF is a company which is 100 years old initiated and established in the 1907. It is one of the largest companies in the mechanical industry and is focused intensively on quality, technical development and marketing. The results of the Group’s efforts in the area of research and development have led to a growing number of innovations that has created new standards and new products in the bearing industry.

Industrial, automotive and services are the three divisions of the company. These respective divisions contribute to the global market with a focus on its targeted customers. (www.skf.com)

The company products include bearings, bearing units, bearing housings and seals. Internationally, they are known to be a leader in supplier of products, solving customer problems and services in the business of rolling bearings and seals. The group’s main competence includes technical support, maintenance services, problem monitoring and training. (www.skf.com)

The company’s group has a global ISO 14001 environmental certification. These Divisions have been certified with either ISO 9000 or QS 9000 which shows that they have a good reputation from pressure groups and as well as practicing good environmental measures. (www.skf.com)
4.2.1 Environment

The size of the customers is of importance when it comes to targeting customers. The company provides services to large companies that are their customers. Smaller companies (customers) are handled by the company’s distributor networks. In the environment, SKF serves no other specific customer group.

In Sweden, the main competitor of SKF is the Schaeffler group (German company). Internationally, it is the Schaeffler group, the Timken group (US company) and the NSK Ltd. (Japanese company) that indicates main international competitors. The company performs better than their competitors and there are no other aspects to do except performing better than the competitors.

4.2.2 Customers

The company has customers all over the world and these customers are centered in the Nordic areas. In Sweden, most of the major companies in the mining industry, construction industry, distributor networks and some companies in Scandinavian countries are their customers. Examples of these customers are Volvo, SSAB, Momento (mining company), and some distributor outlets. Most of these customers are located in the southern part of Sweden and other major cities like Stockholm, Goteborg, and Malmo. In addition, the company has other customers like the steel industry situated in the middle of Sweden, the mining industry, in the north of Sweden, Kiruna and also the paper industry found along the east coast of Sweden.

SKF has big groups in Sweden and are more important to them. An example of the group is the SSAB (mining group) which is considered to be an important customer in Sweden. It also has two big distributor groups in Sweden where cooperation is effective in their relationship. These distributor companies are also important to them.

The company has a program called the key account. They organize special programs for these main key accounts concerning customer relationship issues, etc. These key accounts are considered as customers who are important to the company.

“…which is something we call key account…key customers which is considered to be important to us…for these account customers we have certain managers, key account managers. They take care of this cooperation and how it is develop or relate to these customers.” (Marketing Personnel, personal communication, 2006-04-25)

With the key account customers, the company has key account managers who are responsible for these customers in terms of development of relationship, cooperation, etc. Looking at the rest of the customers, it is the distributor companies that take care of them. SKF supports these distributor companies in their activities to serve their customers (small companies). As a matter of fact the company operates in two different ways depending on the size and importance of the customers. Moreover, the group has interactive services for their electronic bearings and seal related services that enable their customers’ access free data 24 hours a day.
4.2.3 Relationship

Considering the customer relationship it depends on the size of the customers.

“…it is very different depending on what kind of customers it is, the size of the customers. When you have these big customers which is very important to us, when it comes to our turn over… we are working very close to them, visit them, and we try to establish cooperation with them”. (Marketing Personnel, personal communication, 2006-04-25)

The company establishes close relations with big companies that gives them a high turnover, and also ready to work with them. They make an effort to establish some close relationship with their customers by visiting them regularly.

For the small companies (customers) that are served by the company’s distributor companies have no direct relationships with SKF.

There is a great effort between different suppliers in the industry to improve their position. In terms of margins, the company has a strong position in Sweden and it does everything possible to maintain that position.

The company invests in its marketing activities. Investments in a form of infrastructure are not considered but participate in developing programs and projects together with their customers. This projects and programs are run in order for the customers to acquire new skills and equipments. It enables new products to be developed and new innovations for the two actors. With the key accounts customers, the company assists them in order to be competitive. Moreover, SKF supports their customers with specialized software to solve issues concerning storage, the use of information and preservation of the product (www.skf.com).

The company is in a continual process of exploring more resources for that kind of investments.

The company encourages a code of ethics by being sincere in its relationship with its customers. The customers are also supposed to be faithful in all kind of business activities. They support free and fair trade in their relationship motivated for competition and ethical behaviors with their corporate rules (www.skf.com)

Activities that would hinder the company’s competitions and relationship with customers are not encouraged by SKF. In view of the above, ambiguity and uncommunicativeness are some attitudes that are not promoted and entertain in their relationship with their customers. SKF also stress in its business ethics that activities and transactions concerning monetary affairs must be in the companies accounting records according to corporate rules. Also, corruption and unlawful kickbacks are not allowed in any kind of business transaction. (www.skf.com)

4.2.4 Loyalty

Talking about loyalty, SKF wants their customers to be loyal. In this case, if their customers believe that the company offers them a certain value for what they can pay, then the customers need not change to a different supplier. In addition, the company supplies their customers with value not just in any product (bearings) but other kind of services they need. With this, no other supplier in the market does that in that extent as the company has achieved. Their position in serving their customers currently generates immense value to their customers.
The company makes studies on a yearly or regular basis to measure the attitude of how their customers distinguish them from other competitors. Besides, they have a package of questions given out to their customers to evaluate them concerning their performance. This is also done on a yearly basis. With this, it gives the company an overview on how they perform in the market.

Furthermore, the Marketing Personnel (personal communication, 2006-04-25) contributed on the note of loyalty that it includes lot of different aspects influencing it. He elaborated that it depends on the type of personal relationship they have with their customers. For instance, if the sales manager represents the company, it is important for him or her to have a good relationship with the customer and this is seen to be a base. Another aspect is that it depends on the performance and how the company supplies to their customer in a competitive manner. This is done by offering competitive supply of goods or services.

In respect to good relationship building, the key account managers work to have a good cooperation with the key customers and try to serve them in a good way. The key account manager, being a link between the company and its customer make sure to establish a broad collaboration. SKF has 100 manufacturing sites distributed all over the world. It has its own sales companies in 70 countries, supported by 15,000 distributors and dealers worldwide. Its internet business marketplace and global distribution system enables SKF to be always close to its customers for the supply of both products and services.

4.2.5 Satisfaction

In terms of satisfaction, the Marketing Personnel (personal communication, 2006-04-25) noted that if the customers are not satisfied, they are obliged to change suppliers because there are so many competitive suppliers in Sweden and in Europe. The company’s customers are loyal to them because they have a good relationship with them. Additionally, the company has a very strong position in the Swedish market in terms of strong brand and this poses satisfaction on the side of their customers.

The company’s approach in satisfying their customers’ needs is to know their type of business. This allows the company to provide them with right quality products that matches their specific needs for their services. SKF’s ways of operating underscore a team work. Performances such as Six Sigma practices and Lean Enterprise techniques that endorse an outstanding work-done, satisfy their customers. This contributes to a total customer satisfaction. Likewise, educating the customers in terms of theory and practical issues is a strategy for the company in satisfying their customers’ specified condition (www.skf.com)
5 Analysis

This is the chapter that deals with analysis of what we have researched and on how we will use these two organizations as case study for the research.

5.1 Market Planning

According to our research on the field of suppliers maintaining and managing their customer portfolio, we think that organizations are obliged to have a strategic planning which entails the way organizations make strategic decisions concerning their customers as a whole. Looking at this, three fundamental questions of planning processes as Anderson and Narus (1999) stated as “what do we know”, “what do we want to accomplish” and “how will we do it” are used by organizations to make decisions and know what course of action to take.

The aspect of planning process is seen in our empirical findings as the two companies conduct surveys to evaluate themselves as a way of checking their performances both internally and externally. We think that the evaluations in terms of organization conducting surveys are helpful. This brings us to the point whereby organizations can identify their strength and weaknesses. Furthermore, Webster (1979) contributed that it serves as an internal and market assessment between the organization and their customers. It is very crucial for organizations to examine their operations regularly to give them information about their customers and also on how they perform. In business-to-business markets, different customers have different needs and to enable a supplier to satisfy their needs, it is essential to examine them. This is to avoid the problem of losing valuable customers as in the case of Schenker, whereby the Sales Manager (personal communication, 2006-03-27) pondered over how they lost their customers due to inappropriate customer service and pricing.

It is rational that every organization wants to attain a goal. We found in the theory as Anderson and Narus (1999) stated that in a planning process, what organizations want to achieve is their objectives. It can be depicted from the empirical findings that Schenker wanted to increase its market share by selling more services. On the other hand, SKF wanted to perform better than its competitors. It can be inferred that every organization have different objectives in a customer relationships. SKF wants to retain its customers and this is why it cost to acquire a new counterpart as pointed by Campbell and Cunningham (1983). It could be argued that the expansion of market share is not only the way of accomplishing a goal as compared to performing better than competitors. There can be more other variables set aside for organizations to attain their goal. Schenker’s interest is to expand unlike SKF, who wants to maintain its customers since its main aim is to perform better than its competitors.

“How will we do it” is the case where implementation takes place (Anderson and Narus, 1999). Considering the facts got from the empirical findings, Schenker invested in their salesmen to understand the needs of the customers, have better services and also a better communication or interaction skills with their customers. Likewise, SKF developed an action plan of integrating and coordinating with their customers. With this, it can be said that putting in place an action plan helps organizations to implement what strategies they want to use and this can enhance their ability to achieve their objectives they want to accomplish as mentioned by Anderson and Narus (1999).
5.1.1 Environment

The model of the market environment related portfolio of Rajagopal (2002) argues that making customer decisions involves a critical look at the organization’s competence and the attractiveness of the customer. The customers’ attractiveness as said by Rajagopal (2002) is based on factors like the industry, product, competitive dimensions, etc. In the environment there are different customers who will have interest in an organization. The organization will have different interest in different customers because of various competences and resources of the organization.

Due to the resources an organization possesses, it may not be interested in some customers as they may not give them a competitive edge or not utilize their resources well. This is can be seen that organization must acquire customers that can give them benefit and also make their operations easy. In addition, appropriate customers can enhance proper control, communication, and integration in the relationship. Good customers boost profitability and decrease cost. Schenker, as seen from the findings, targeted its customers on the perspective of the type of industry that has high growth and also from the needs of the customer. Moreover, SKF’s sphere is also on the note of strong brand.

In view of the above it is worth noting that in order for managers to use their resources and core competence effectively, they must take note of undesirable customers. Undesirable customers increases costs of organizations and also waste their resources and core competence.

5.2 Customers

When customers are carefully selected from the environment, it is important to have different preferences in order to know those customers who are of different interest to the supplier. This must be done in view of the suppliers’ competence, resources, customer behavior including their reputation. Using different variables or determinants we think that it is subjective and it depends on the interest of the supplier.

In the first step of Fiocca’s (1982) two step portfolio analysis, difficulty in managing the account and strategic importance of customers were use as variables in analyzing its customers on a general level. We have learnt that Schenker’s way of selecting their customers strategically depended on the potential and prestige of the customers. This is said to be an important factor for the company. Schenker is interested in customers who have the competence in IT development and resources that will enable them to work appropriately. Also, the variable from the model such as strategic importance can be related to SKF since mature customers and big customers have bigger volume of purchases.

However, Schenker did not consider the idea of using difficulty in managing the account as a factor to consider when choosing their customers. This is because they have the capability to handle all kind of customers buying behavior moreover, wanted to have more customers.

Fiocca (1982) point out customer business attractiveness and relative buyer/seller attractiveness as the two variables of determining the two-step customer based portfolio analysis. It is learnt that Schenker’s interest in customers who wants to be partners, can be related to customer business attractiveness in the model. This is due to the fact that Schenker is more interested in customers who will do business with them in a long-term basis thereby the customer must have a strong position in the market. Since customers are carefully selected by board of directors by using their own judgmental factors before they can be key custom-
ers, Schenker is related to model one in the sense that the length of relationship and social distance is an important factor in the relative buyer/seller relationship of the matrix.

SKF, on the other hand is linked to model one since they have interest in customers who they can work with in projects and product development. From the above, we believe the variable of relative buyer relationship can be related to them. Also, SKF is closer to their customers who they prefer most. They are closer to big companies than small companies thereby have a customer business attractiveness factor. The customer size, maturity in the market and growth rate is customer business attractiveness factors that they consider in the market.

In Sweden, Schenker have few competitors who perform well like them. However, the number of customers in the industry is many. Looking at the power judgment in portfolio decision of Campbell and Cunningham (1983), Schenker can be found in the matrix where the suppliers dominate which makes customers depend on them. Outside Sweden where there are many competitors and customers, there would be an interdependency of both customers and Schenker.

The customers of SKF are many although they dominate the Mechanical industry in Scandinavia as it can be inferred from the empirical findings. This shows that they are supplier dominated because the numbers of customers are many which give them the edge of serving a big market with many customers. The buyers depend on them as depicted in the power judgment in portfolio decision of Campbell and Cunningham (1983).

5.2.1 Key Customers

When it comes to the supplier classification matrix of Krapfel et al. (1991) where interest commonality and relationship value has been use to determine the matrix, we can clearly observe from the empirical findings that Schenker is more interested in customers who would like to be their partners. They consider value in relationships with customers who want to have business with them for a long time. Customers who are partners are key customers since relationship value and interest commonality is high. Looking at the fact that they provide services for different customers who have different needs, customers with competences in development projects and resources will benefit them and enhance efficiency. Furthermore, our argument is that customers who are not selected by management of Schenker to be partners but still having some relationship with them may fall in other part of the matrix depending on the level of interest and relationship value. These customers may be friends, acquaintance or rivals.

SKF on the other hand, are friends to customers who they do not have direct contact with. From our point of view, SKF have a higher interest in them but their relationship with them is low since the distributors are those who are closer to these customers. However, SKF has special account and direct contact with its distributors and customers who take bigger volumes of product. These customers could be noted as partners in the supplier classification matrix. With this, it is the high interest in them that is the reason why they have special account with them thereby giving them a special attention. The relationship value with these customers is also high because these customers make bigger purchases and also increases SKF output.

We understand that it is essential for suppliers to group their customers and have different interest for them. Different customers will challenge their supplier in different ways in the business-to-business organizations since customers will have different needs. The suppliers must use their competences in a way that can make their work be effective and be competi-
tive in its industry. However, due to limited resources, customers must be chosen carefully in order not to misuse them. Besides, we would like to argue out that some customers do have the competence and resources that suppliers do not have and can be of importance to the suppliers. These customers who are competence-inclined and resources prone are of good importance and can not be undervalued.

5.3 Relationship

There are management concepts or strategies used by organizations to manage and maintain their customer portfolio. The analysis will be based on this factor as seen in our findings of Schenker concentrating more on the visits to the customers as a way of building a relationship with them and also retrieving information from them. In addition, this company also had various qualified people who were responsible for each individual customer in the portfolio (Sales Manager, personal communication, 2006-03-27). Another aspect got from the empirical findings shows that Schenker put in place a system that could reveal to them how satisfied their customers were and also empowered their customers by helping them with other physical elements. This is a way that shows the ability of the company to use strategies in managing and maintaining their customers.

On the other hand of SKF, other strategies in creating value for their customers were to set aside key account managers to help build the relationship and cooperation between them and their customers. Another issue is the way they use various strategies in supporting their customers and conducting reviews to check how they perform and also how well they can get information from their customers.

With this, our view on this aspect brings to light that the two companies made use of this management concept of customer relationship management (CRM) in trying to maintain and manage their customers by providing them with the right elements or value as they operated. This is what Almquist et al, (2004) states the fact about elevating customer value as organizations generate strategies in maintaining, managing, retrieving information and advancing to make use of these information for every day processes. We believe that it is a core part that most organizations within the environment or the industry should implement because it contributes or put in place what needs to be done in building a closer relationship with customers. Furthermore, the idea of this management concept used by the two companies portrays a status for the companies to avoid loss of their profitable customers.

Another issue that can be seen from another angle is the use of this strategy i.e. CRM. It can not be implemented in all industries but can be applied to certain industries that are either in the logistic or mechanical industry per say. This is because within these industries (logistics or mechanical), relationships are built on the trust and closeness of customers. This is due to the fact that following this concept will not only build a mutual relationship by knowing what the customers need and thereby retaining profitable customers but other measures of maintaining and managing customers are in place.

Building a relationship with your customers needs certain aspects to follow as an organization. The concept of using a technique in creating relationship with customer described by Ojasalo (2001) falls under the notion of both companies (Schenker and SKF) investing in their competent workers to have a direct link with their customers. From our findings, Schenker paid attention in the investments of their own proficient workers to be able to categorize their key accounts and together work with them in building relationships on a long-term basis. Likewise, SKF had skilled workers who were in charge of developing some kind of relationship and coordination with their customers. In this case, our opinion is that
establishing key account managers or workers in charge of certain areas of the customer portfolio is very useful as it tells organizations about how to deal with the customers that are important to them or not. It is also a way of knowing what customers are profitable to them in terms of their sizes, be it a small or a big organization.

Our argument here is that, considering the key account managers using the concept of key account management depicts what customers are vital for the organizations and it is perceived to be indistinct. This is because looking at the findings; the two companies had key workers who are close to these key customers and this could be seen as unclear in the sense that considering the aspect of non-key accounts, they mean no value to the organization as a whole. This is also an issue that could be raised when it comes to key account management. According to the Sales Manager (personal communication, 2006-03-27) “...to become a key account customer, you must be prepared to work with us as a partner”. It calls for second look as it directly stresses on the fact of only key accounts that can become partners with the company.

5.4 Goal

5.4.1 Loyalty

As previously stated in the paper customer loyalty is an essential part for an organizations survival and competitiveness, especially in the business-to-business environment. Rowley (2005) stated that loyalty is of great significance since it lifts the organization to a new level. However, Morris et al. (2001) noted that industrial loyalty takes time to set up and harder to break but if established well, loyalty normally sustains for a longer period.

We found that Schenker did not trust in customer loyalty as something static especially in an environment which had greater quantities of suppliers and the organization did not perceive loyalty as a sustainable relationship. We believe it is due to new competitors constantly entering the market with new offers of services and products which changes relationships in industries. Also, another case is companies changing their performance. SKF as well, see loyalty as something comparative since this concept depends on the suppliers’ performance from time to time and how this is being placed in relation to the competitors.

However, we found that SKF does not see any reason for customers to change suppliers if they feel that the products are in line with what they can pay for and suppliers delivering the value customers demand. Schenker however, point out that customer loyalty becomes greater depending on what services they buy and in what type of geographic location they are situated. For instance, Sweden and the rest of Scandinavia have a greater propensity to be loyal than the international customers and this is explained mainly by the greater competition in the international market. From the accounts of both companies we can see a form of relativism on how they regard customer loyalty.

As Wind (1970) suggested, the kind of services, quality, delivery and prices of products that concerns suppliers in relation to customers’ demand paves a way for loyalty. This is what is recognized in Schenker and SKF as they always try to provide their customers with better services and pricing to maintain them.

Nonetheless, we found that both Schenker and SKF developed various ways of increasing customer loyalty and put great weight on enhancing the customer satisfaction. We also noticed that SKF believes a lot of different aspects influencing the degree of loyalty but the main contributor must be seen through personal relationship. The term loyalty seems not to
be something organizations have great faith in. The reason behind this could be that customers put more value on the performance of the company and in which degree suppliers can deliver what they need in a reasonable price, services, product development etc. As Schenker noted that the environments with a greater number of suppliers, customers tend to be less loyal.

5.4.2 Customer Satisfaction

Schenker and SKF insist that their customers normally do not show any tendencies of dissatisfaction but can not really say that all customers are fully satisfied.

Both companies possess strong brand names. In Schenker’s case they are equipped with well developed infrastructure which permits them to reach customers in distant areas thereby creating customer satisfaction.

The Marketing Personnel (personal communication, 2006-04-25) argued that customers that are not satisfied are obliged to change suppliers. Due to the reputation, management practices and good relationship of SKF, the company believes that the customers are relatively satisfied. Taking into account the customer satisfaction, both companies determine this issue on satisfaction to be growth of their companies. It further explains that Schenker’s and SKF’s operations were successful and productive.

As noted by Anderson and Narus (2004) companies who want to sustain customer relationship must therefore understand customer requirements. It seems that Schenker and SKF laid down efforts in understanding the needs of their customers. Schenker has an annual “Customer Satisfaction Index” report which reviews the company’s performance. This practice used by the management team contributes to satisfy the needs of the customer. SKF also conducts a yearly study on the mind-set of their customers.
6 Conclusion, Final Remarks and Further Studies

This section talks about our conclusion based on the qualitative analysis and also recommendation or final remarks on our research. Recommendation for further studies are elaborated.

6.1 Conclusion

Within our research, we aimed at investigating how suppliers in business-to-business can manage their customer portfolio as well as maintain them. We conducted this research by using two companies within the field of business-to-business which were in the logistics industry and the mechanical industry. Herewith, it contributed much on what we intend to investigate.

Our purpose of this paper was to examine the relationship from the suppliers’ perspective to their customers and the possibilities of maintaining the customer relationship.

Our conclusion of this paper is on the fact that for an organization to manage and maintain their customer portfolio, there need to be a plan to make good customer decisions. With this plan, organizations must have the capability of performing and assessing operations. This can be perceived as a way of targeting customers in the environment and thereby establishing a good portfolio and a good relationship with them.

Organizations have different preferences when it comes to customers. They perceive them as key customers all because of the high interest in them and their competences they acquire. Due to competences and capabilities possessed by their customers, coordination, relationship and communication can be seen to be effective.

We found that loyalty is a concept that is not static but rather dependent on the performance of the company. With this, it is measured by the extent to which the supplier can deliver good products and services to their customers. However, we could see that SKF and Schenker believed that loyalty could be enhanced through a better relationship. This is one of the reasons why they developed different type of programs so to increase customer loyalty.

Maintaining customers can be done by having constant superior performance and delivering value to customers while at the same time developing personal relationship. Customer satisfaction, which is the other variable of maintaining customers, is an essential aspect and a central focus of an organization. This is reflected through the fact that both companies use surveys annually to check customers’ interest in the relationship, goods and services, and their salesperson’s performances.

From this we propose that:

“no good performance, no loyalty and satisfaction”

We would like to deduce that in order to maintain customers, it is vital for organizations to meet their needs. As a result, satisfaction and loyalty is the ultimate goal for organization to maintain their customers. This is the way of avoiding key and non-keys customers from leaving and also strengthening the relationship.

It can be depicted that our proposed goal model has responded to the idea of strategic planning as a way of an organization knowing their objectives, what to do in order to make good customer decision. The customer portfolio in the model put the customers in various preferences. The CRM/KAM is the application used as techniques in managing those cus-
customers. Finally, loyalty and customer satisfaction is seen as way of maintaining the customers.

6.2 Final Remarks

We inferred that some aspects of the customer portfolio model were subjective as it only relates issues from the suppliers. An example of this is that, looking at the customer portfolio model with Fiocca (1982) describing the two-step customer based portfolio analysis, the variable that talks about “difficulty in managing the account” from the perspective of the supplier were not applicable in our research as the two companies revealed no information under that sphere.

One of our interviews was made via telephone and we found out that there were some problems concerning trust and reliability. This is due to the fact that there were no social link between the interviewer and the interviewee.

In addition, there were obstacles in the telephone interview as it posed some technical hitches in our research. Since minute parts of the data was got from secondary data. We suggest that one should make use of a tape recorder and should conduct his or her interview by a face-to-face mode.

6.3 Recommendations for Further Studies

The qualitative analysis of this research brought up some issues that our paper did not scrutinize. This is the case whereby we were not able to conduct interviews with customers of both Schenker and SKF as it has therefore not become possible for us to have an objective view on how customers perceive the level of their satisfaction, loyalty etc in the relationships with their suppliers.

We would like to suggest to our future authors to take the mantle of examining relationship by looking at it from the customer perspective.
7 References


References


References


Appendices

Appendix 1

Interviewees

(Schenker)
Jonas Rosander, Sales Manager, Land Division. 2006-03-27, 11:00am.

(SKF)
Sture Andersson, Marketing Personnel. 2006-04-25, 9:00am

Appendix 2

Questions for Interview

Phase 1 – Customer-related
1. What are the names of your customers (key and non-key)?

2. What is the relationship between your company and your customers?

3. Who are the important (profitable) customers operating with your company?

4. Why are the customers (key or non-key) important to you?

5. Are there any plans in expanding your customer portfolio? If so, how?

Phase 2 – Relationship
1. How well is the relationship between your company and your customers?

2. How do you maintain the customer relationship?

3. Are your customers (key and non-key) loyal to you? If so, how?

4. How do you enhance (measure) loyalty in your company?

5. The model (customer loyalty = customer satisfaction + trust) is an important model used to define the relationship between a supplier and its customers. Do you think
it is the “customer satisfaction” or the “trust” or the combination of the two, shows the loyalty from the customer’s perspective?

6. Are your customers satisfied? If so, why?

7. How do you explain satisfaction in your relationship with your customers?

8. How does the company set prices for its customers?

9. Are there any investments with your top key customers in terms of resources?

**Phase 3 – Environment**

1. What are your main competitors?

2. What steps have you taken in avoiding your competitors from taking over your customers?

3. Where are the customers located geographically?

4. What criteria do you choose your customers in the environment (Is it by product, brand or competitiveness)?