



School of Management

Buying decisions, the impact of customer administration quality

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Master's Thesis in Business Administration, MBA programme

Date of submission: 2010-06-24

Abstract

In the competitive market of Information Technology Maintenance Services, the understandings of the key components affecting sales are important to survive in the market. Centres of Excellence are created with the aim of being a more standardised and cost efficient solution for customer services. Is the quality of the vendor customer administration important in business-to-business sales and procurement situations? Furthermore, does it affect the next sale for the vendor?

The overall purpose of this work is to give guidance in terms of how cost saving programs in the customer administration area can affect sales in a long-term perspective. The hypothesis; Past vendor customer administration quality does impact the customer decision to buy again from the same vendor; has been designed to show which key components within customer administration, such as invoices and disputes, impacts the decision.

Theories of marketing, organisational buying and customer services have been linked together to give an academic starting point. Five case studies have been conducted in order to gain evidence for the hypothesis.

The research shows that the decision to buy again is affected by the customer administration quality, even if the evidences are weak. The conclusion is that the main component is the service delivery. The buying decision of service is not influenced as long as the delivery is excellent. If the delivery excellence starts to decline, the decision will be negatively affected by customer administration.

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1 Introduction

This chapter introduces the subject: Buying decisions, the impact of customer administration quality.

The “centres of excellence”, a modern buzzword for operational centres, are expanding in most companies. The customer administration departments are often assigned as a centre of excellence, which give service to many different internal and external customers, with a wide range of products and services. This study will give guidance on the implications of business cost saving programs, such as centres of excellence, related to buying decisions. The business interactions after a buying decision between a customer and the vendor is handled through customer administration, therefore, it is also affected by customer administration quality.

1.1 Background

All buying situations are unique and can be described in multiple ways. Three phases of a buying situation are important to understand for the background of the thesis subject: The first buying decision, the delivery phase and the second buying decision. The phases are illustrated in Figure 1-1.

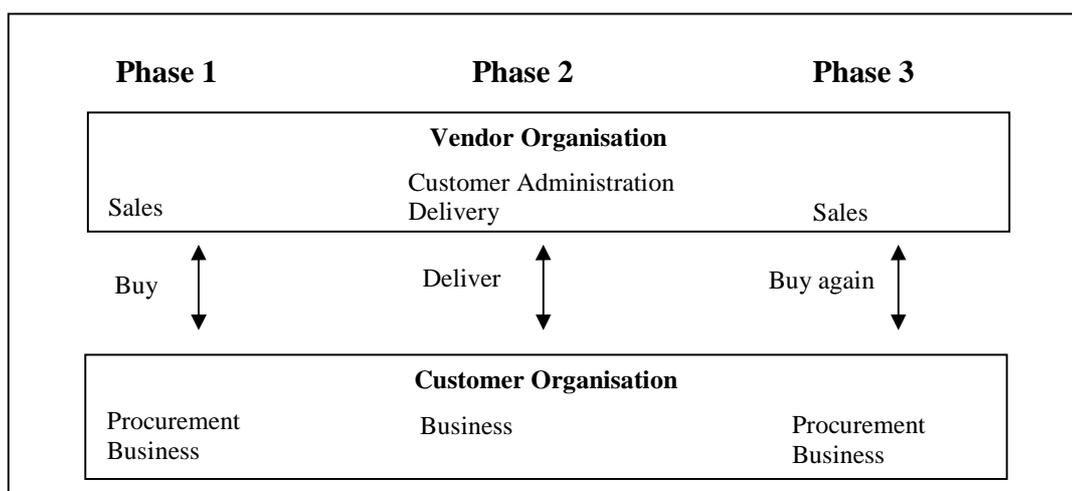


Figure 1-1: Phases for buying decision customer administration impact

Phase one is normally conducted by the vendor sales department and the customer procurement department together with the business within the customer organisation that has the need to procure. This phase occurs when a customer is agreeing to buy from a vendor. A vendor is someone delivering a value to a customer. The customer has decided to buy services or products from one vendor for some reasons. A common customer method of procuring is to send out a Request For Proposal, RFP, for some problem or need within the customers company. Other common methods that are used are Request For Information, RFI, and quotations, RFQ. In either of these processes, one vendor is selected to provide the requested need for the customer due to the customer evaluation aspects. This might be price, quality, relations or other factors.

The existence of literature containing buying decisions and how to procure is extensive; most literature is covering how to buy the first time. The business process to buy is different in different companies. The processes seem to have one detail in common; the quality focus of a vendor's administration is low. It is common that the procurement departments have requirements on how often the customer should be invoiced for the services. There is limited focus on, for instance, of how the invoices should be presented to the customer before the procurement has taken place. In the procurement process, there are few references taken from other customers using the same vendor regarding invoicing and disputing. This allows high quality services vendors to have low quality customer administration.

Phase two is when the delivery takes place and most business interaction between the customer and the vendor is handled through the customer administration. Customer administration is the administration that can not be directly related to a service that a business is supplying and it is considered as a cost for the vendor business. Typical key components delivered are contract administration and invoicing. This means that a vendor supplying high quality services with low quality customer administration services generates a cost for the customer that has not been taken into account during the purchasing process. An example of the cost might be the time that the customers need to spend on interpreting the invoices or contracts and to dispute them.

The dispute time is the time between asking questions to vendor customer administration and to get a resolution, see Figure 1-2. The disputing time is often spent in the customer business organisation, i.e. the business organisation receiving the delivery.

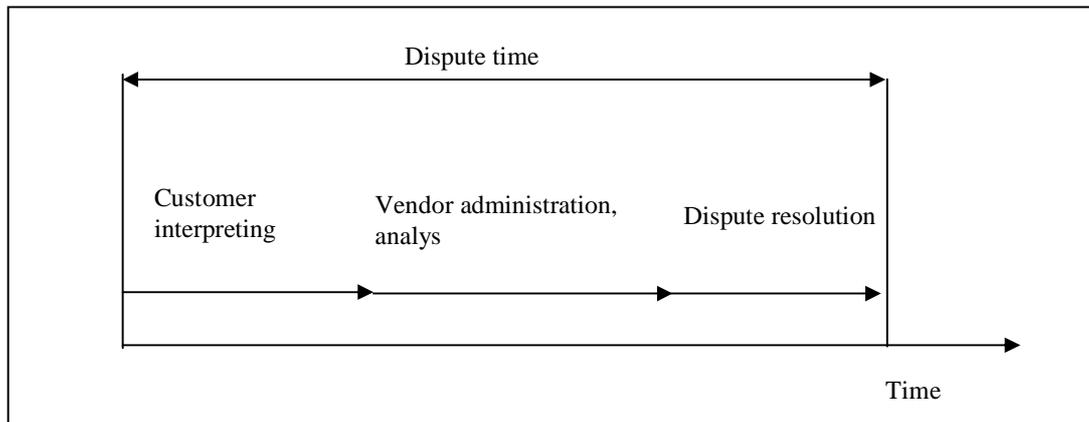


Figure 1-2: Simplified illustration of dispute time

The third phase is when the vendor is trying to sell the same delivery (product or services) to the customer the second time. This situation is handled by the vendor sales department and the customer procurement department together with the business within the customer organisation that has the need to procure.

It is in the third phase where the impact of the customer administration quality can be researched. If the quality is low, the customer buying decision can be negatively affected. If it is high, the decision to buy might be more positively affected.

1.2 Scope and Objectives

The thesis objective is to investigate what impact vendor customer administration quality has for a customer. If the quality is low, and there are no improvements, is it affecting the decision to buy again from the same vendor? If the quality is high, is that reason enough to keep a vendor?

1.2.1 Scope

Today it is more common that companies buy services or products of some kind that is not core business. One example of that is the pulse survey published by Electric Lights & Power magazine 2007, which shows that most participants believe that an outsourcing of non-core business processes to a third-party provider is good for the utility industry.

Often Information Technology, IT, services are identified as none-core. Companies are increasing the use of IT outsourcing to cut costs, and to gain specialized skills needed to run their global organisations (D'Amico, 2003).

The services bought need to be standard none-core services for the customer, which can be replaced by other vendors. If the service bought is unique, one of a kind, the vendor is not replaceable. This means that the customer administration quality can be outrageous, but the companies can not influence that by threatening to select another vendor.

The selected service for the research is maintenance and support services related to IT hardware and software. For IT hardware the normal service is break and fix, for instance a server hardware failure that needs to have a spare part. For software support services and application support, this is normally remote support. These kinds of services are repeatable and delivered by a vendor. The service is bought over a period, for instance, one to five year.

The invoicing for these kinds of services is repeated over a period and contracts are often renewed. Changes are made due to changes in the customer IT hardware or software inventory. There might be hardware or software support added or removed from the contracts depending on customer need. The probability for interaction with the vendor customer administration is high.

1.2.2 Objective

The objective for this thesis is to see if there is evidence for the assumption that low quality customer administration affects the customer decision to buy again from the same vendor. This will give guidance in terms of how cost saving programs can affect sales in a long-term perspective.

1.3 Limitations

Only a few number of customers are going to be researched which limits the thesis result. The focus is to accept the hypothesis as guidance for further investigations. The customers have been randomly selected, small, medium and large sized companies in Sweden. Some companies are global some are not. What they have in common is that they are all procuring some kind of IT maintenance services. The research has been limited to business to business, B2B, buying decisions.

1.4 Method

The method for performing this thesis is illustrated in Figure 1-3.

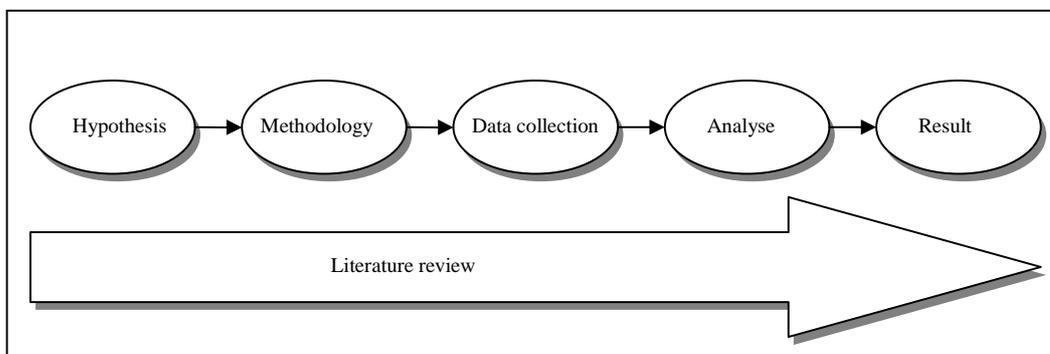


Figure 1-3: Thesis method

The approach is to start with formulating a hypothesis that will be tested through interviews with different companies in Sweden. In parallel, a literature research will be performed to understand the problem in an academic aspect and to gain evidence or non-evidence for the hypothesis. A data collection method will be used to support the collection of data. The data will be analysed together with the literature and the hypothesis will be tested. Finally, the result of the studies will be presented together with suggestions for further research.

1.5 Outline

The thesis is divided into three parts, see Figure 1-4. Besides the introduction, the first part consists of a description of the hypothesis, Chapter 2. It also consists of a theoretical framework, Chapter 3, where relevant literature is presented. The second part consists of the method selected, Chapter 4, and the empirical data collection, Chapter 5.

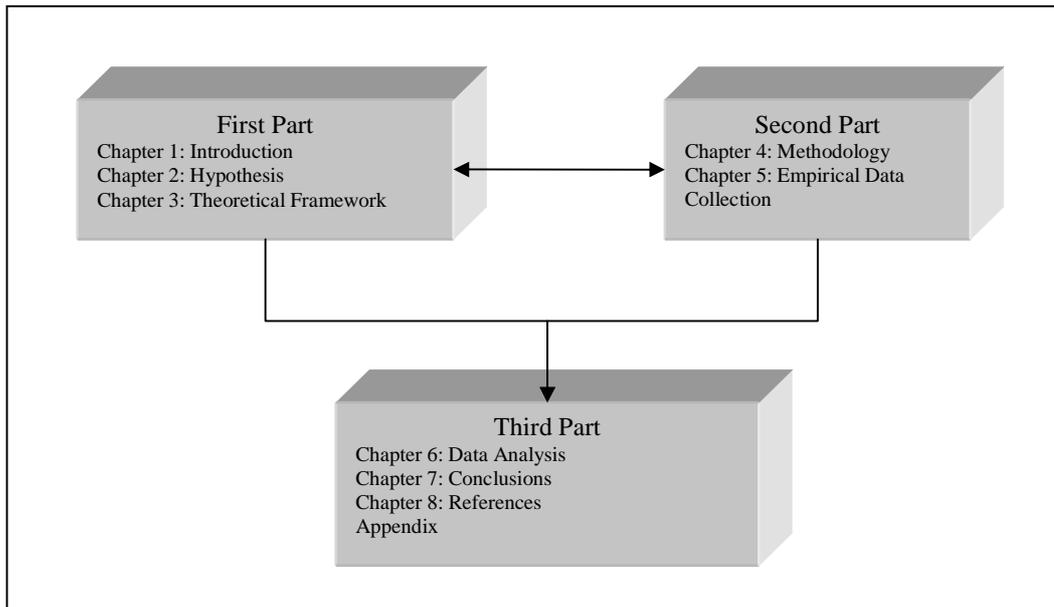


Figure 1-4: Thesis outline

The first and second parts are essential to understand the result and recommendations that are presented in the last part. The hypothesis is analysed with the collected data in Chapter 6. Conclusions and recommendations for the thesis are provided in Chapter 7. The last part also contains references, Chapter 8, and appendices.

2 Hypothesis

In this chapter, the hypothesis is described together with the rationale behind it. The main questions are outlined.

When making buying decisions, companies might not be aware of how much resources they are spending to understand the invoicing from different vendors. This could be one of the reasons why this is not considered during vendor evaluations. The question that the hypothesis is going to consider has been formulated as:

Does past vendor customer administration quality impact the customer decision to buy again from the same vendor?

The hypothesis has been formulated as:

Past vendor customer administration quality does impact the customer decision to buy again from the same vendor.

The research is going to focus on what factors that can affect the decision and how important they are. The extreme case is that the customer selects another vendor, due to low customer administration quality. This will be regarded as evidence that low quality customer administration impacts the customer buying decision.

2.1 Research Questions Outline

To investigate the hypothesis, different aspects of customer administration need to be identified. Two factors of customer administration have been identified as important, invoicing and disputing. Invoicing is something that is done regularly and is considered as a core activity performed by the customer administration (Devine, 2006). Questioning customers about this will identify the quality of the customer administration from an invoicing aspect. An invoice can be incorrect in several ways, for instance wrong price or quantity.

The next factor selected is disputing an invoice, which seems to be the normal procedure if the customer administration quality in an invoicing aspect is low. Other reasons for disputing can be wrongly stated contract terms and conditions. There might be other factors and that should be investigated during the research.

For each factor identified, customer perception of “how important” should be investigated.

The final question for each of the “how important” questions, is “should this lead to a change of vendor?”. This is the evidence that shows that the hypothesis is true. An overview of the research questions are illustrated in Figure 2-1 with the hypothesis as a base.

Does vendor customer administration impact the customer decision to buy again from the same vendor?		
What factors are considered?	How important is each factor?	Reason enough to select another vendor?
Invoicing factors Factor 1 Factor 2 Factor nn	Importance: Importance: Importance:	Yes/No Yes/No Yes/No
Disputes factors Factor 1 Factor 2 Factor nn	Importance: Importance: Importance:	Yes/No Yes/No Yes/No
Other factor Other factor 1 Other factor 2	Importance 1: Importance 2:	Yes/No Yes/No

Figure 2-1: Hypothesis and research questions.

The size of the company might be a factor that should be taken into consideration. For instance, large companies often have a procurement department independent of the business that is going to benefit from the services. These circumstances should be considered in the analysis of the data collection.

2.2 Summary

The intent with this chapter is to define the hypothesis and limit the research scope.

The hypothesis has been identified as: Past vendor customer administration quality does impact the customer decision to buy again from the same vendor. The research is going to

cover what factors that are affecting the decision to buy again from the same vendor, in the aspect of customer administration quality. There are two factors that already have been identified that might influence the decision to buy again: Invoices and Disputes. Each factor is going to be investigated. The question is if it is important enough to select another vendor?

3 Theoretical Framework

This chapter presents theories that are related to the hypothesis. The theoretical framework should give an understanding for the theories that are used. A more thoroughly description can be found in the reference literature.

The hypothesis demands a theoretical study in multiple fields, such as purchase theory, organisational buying process, customer services and marketing strategy. They need to be linked together to give an academic starting point.

3.1 Purchase Theory

What might be interesting is that the procurement practices are transforming from a transactional centred to a relationship centred buying process (Sheth, 1996). The research presented is often constrained to product procurement and not to services procurement (ibid). The classical method of buying services or products is often described as transactional and competitive buying, (Axelsson, 1998). The second alternative is to buy in a more modern way, in a relationship and cooperation direction of purchasing. The differences between the alternatives, classic and the modern are illustrated in Table 3-1.

Classic, transaction buying	Modern, relationship buying
Multiple alternative vendors	One or few vendors
Using competition between vendors	Using cooperation possibilities with vendor
Each purchase are short term	Long term purchasing
Local problem solving, procurement department solves procurement problems	Cooperation for problem solving, procurement team with other groups to solve problems
Price oriented	Cost oriented

Table 3-1: Differences between “classical” and “modern” purchasing. Source Axelsson, 1998

The classical alternative is a short-term process, which gives the purchasing company the possibility to switch vendor if there are problems. The modern alternative is driven by a long term commitment and the vendor and purchasing company are cooperating to solve problems. The fundamental idea is that the relationship will lead to save costs and to create improvements in other aspects. In general, the modern method is to prefer when indirect costs are high. When the direct costs are high, the classical method is used (Axelsson, 1998).

3.2 Organisational Buying Process

The various basic models of the buying process oversimplify the complication of making a buying decision (Day & Barksdale, 1994). The selection and performance evaluation process model for professional services in a company are presented as:

- a) Recognition of a need or a problem
- b) Identification of the initial consideration set
- c) Refinement of the consideration set
- d) Evaluation of the consideration set
- e) Selection of the service provider
- f) Evaluation of the quality of the service delivery
- g) Evaluation of the quality of the outcome
- h) Satisfaction / Dissatisfaction

It is essential to differentiate the selection with the performance criteria in the buying process, even though past performance is an important factor when performing a new selection. The criteria used in the selection process, during phase d) evaluating the consideration set, are often past performance of a vendor. The group of buying decision makers might have used the potential vendor services before and have prior knowledge about past performance and this will be a factor in the process. It may also be based on prior individual knowledge in the group about factors that affect the vendor decision. This is categorized as post-selection evaluation (Days & Barksdale, 1994). The indicators for measuring performance in phase f) and g) are mainly subjective due to the fact that

most buying decisions are performed by a different set of people within the organisation. Factors that complicate the process are the client expectations, and the expectations might vary over a period. Phase h) describes the levels of satisfaction, and often professional services are performed long term (Day & Barksdale, 1994).

Fitzsimmons et al (1998) refers to a similar purchase process for services, which includes four steps:

1. Need Identification
2. Information Search
3. Vendor Selection
4. Performance Evaluation

In step three, following criteria's are used to evaluate the vendor: experience, reputation, references, cost, location and size. In step four, performance evaluation, the following criteria are used: identify evaluator, quality of work, communication, meet deadlines, flexibility and dependability.

3.2.1 Buying Services Factors

Fitzsimmons et al (1998) states that services that are important to the core business will attract higher level management involvement in the decisions because the fit with corporate goal is critical. Other services would in general be considered as less important than the core business.

The intangibility of services makes the evaluation process of the provider difficult to measure whether the delivered service fulfils the expectations since they are not subject to close investigation. A supplemental influence on buying decisions is the importance of the service to the buying firm that must be considered. Depending on how close the service is related to the core business the service is looked upon as more or less important (Fitzsimmons et al., 1998). Professional services might have an affect on the strategic future of the organisation, which makes the trust in the supplier an important factor. Vendor reputation and experience might be the only important selection criteria (ibid).

The Robinson, Faris and Wind buyclass framework has been called one of the most useful concepts in organisational buyer behaviour (Anderson et al., 1987). The framework includes three different buying situations: New Task, Modified Rebuy and Straight Rebuy. The framework is built on three dimensions: Information needs consideration of alternatives and unfamiliarity to the prospect.

A New Task Buy, is identified as a more complex decision, the earlier stages in the buying process are more important compared to a modified or Straight Rebuy. A modified rebuy is a mix of New Task and Straight Rebuy, it is either a former New Task or an upgraded Straight Rebuy (ibid). The Straight Rebuy is the most common purchase situation. It is a routine buy; the current supplier is not expected to propose upgrading or new solutions but is expected to avoid declining in quality (Anderson et al, 1987). The consideration of making a Modified Rebuy is outweighed by the expected benefit. A common perception is that using a current supplier is less risky and when performing Modified Rebuys a strong source loyalty was found (ibid).

3.3 Customer Services

Customer administration is considered to be an indirect cost, which is the cost that cannot be directly measured in respect of each particular unit of output (Atrill & McLaney, 2008). One of the challenges for companies is to improve customer service (Devine, 2006). E-business is one method to improve operations. In the call centre model, “centre of excellence”, customers are transferred to various departments and constantly put on hold. A successful phone resolution often results in additional waiting time for customers since there is a need for written evidence. Customer’s reliance on customer support representatives who handle inquiries can be minimized with e-business since customers are able to handle questions in a self-service approach. Higher customer satisfaction comes as a result of the “instant gratification” when they are able to access data on their own instantly (Devine, 2006). To increase revenue benefits and to gain higher profitability, there are three keys to optimize; an effective dispute resolution process, an accurate order fulfilment and an invoicing process (Salek, 2006). A successful customer focus builds customer relationships and loyalty, resulting in higher levels of customer and business profitability (Best, 2008).

3.3.1 Centres of Excellence

A definition provided by Strickler (2008) for Centres of Excellence is: “*A team of people that promote collaboration and using best practices around a specific focus area to drive business results.*” CoEs can refer to any support processes within an organisation that complement the line business. One of the five basic needs a CoE should provide is offering support of the services to the business lines (Strickler, 2008). CoEs are created as a way of providing a centralized source of standard solutions (Patel & Andrew, 2010). There are many applications for CoEs. In Enterprise Content Management, following aspects are mentioned; to evolve to a more efficient solution delivery / support models and to get better leverage out of a smaller portfolio of enterprise standards (Patel & Andrew, 2010). By using CoE, the risk will be reduced by ensuring consistency of usage in line with organisational policies.

3.3.2 Business Process

Business Process Reengineering, BPR, is a method to redesign business organisations around their core processes. The process structure has proven to be a success for many companies, focusing the entire organisation on the customer (Hammer & Stanton, 1999). The key structural question, when a business decides to reengineer, is process standardisation versus process diversity. Process diversity allows different kinds of customers to be served in different ways; standardisation serves all customers the same way. Companies that have many different customers with different needs would probably have a hard time to retain their customers. Hammer et al (1999) suggest that companies should standardise their processes as much as possible; however, the ability to meet diverse customer needs must be kept intact. The rewards of standardised processes are great; higher quality products and increased responsiveness in service has rewarded customers (ibid).

3.4 Invoices

A part of the customer experience is invoicing of the services. A vendor making changes according to customer requirements does not gain loyalty from the customer; accurate invoicing is the vendors work (Arussy, 2006). According to Arussy, invoicing is not a source of differentiation and loyalty. The goal of customer experience is to over perform

and show differentiation and by that maximize revenues and loyalty. An important part to create that experience is to work with improvements continuously. One improvement is to use electronic, interactive invoicing. Kevin Devine (2006) argues that invoicing is in fact a core process that drives most other “after the sale” interaction with customers. The invoice is described as a “root cause”. Interactive invoicing improves customer experience and drives revenue growth. Response times print and mail costs drive the customer dissatisfaction regarding speed, efficiency and accuracy (Devine, 2006).

A barometer of customer service is the quality of receivables asset, (Salek, 2006). If all orders are fulfilled and billed accurately, there is no reason for the customer to delay an invoice, thereby disputes should be prevented. Accurate invoicing enhances the image of the firm as a total quality supplier and, the productivity for processing orders increases including interacting with customers and collecting receivables (Salek, 2006).

3.5 Disputes

By invoicing the wrong price, quantity or using wrong purchase order number generally generates disputes (Salek, 2006). By minimizing the lead time in which disputes are researched and resolved from the customer complaint, the number of past-due receivables can directly be decreased (ibid). When a dispute occurs, it has a financial impact for the business that is being disputed. If the invoices are not paid in time this might have a negative impact on the financial statements of the business. If the dispute time is long and it becomes reasonably certain that the customer will never pay, the amount owed is considered as a bad debt. To write off the bad debt, trade receivables needs to be reduced and expenses are going to increase in the financial statement. (Atrill et al, 2008).

Accurate order fulfillment and invoicing is the outcome of an effective, quick dispute resolution process. A checklist for vendor management presents a list of how to properly managing vendors (Savidge, 2008). Among others, there are tips to track statistics on invoice disputes to identify vendors with persistent errors. This seems to be evidence that more companies are aware of the problem with vendors with low quality customer administrations. Research indicates that successful solved service failures leads to an increase in customer loyalty, compared to if the failures had not occurred (Cranage, 2004). That would indicate that fast solved disputes have the possibility to increase

customer loyalty. Long dispute time would imply that there might be a reason to select another vendor.

3.6 Marketing Strategy

Different types of marketing strategies are applicable depending where the product or service is in the product life cycle (Best, 2008). There are four defined product life cycle stages: introduction, growth, maturity and decline, see Figure 3-1.

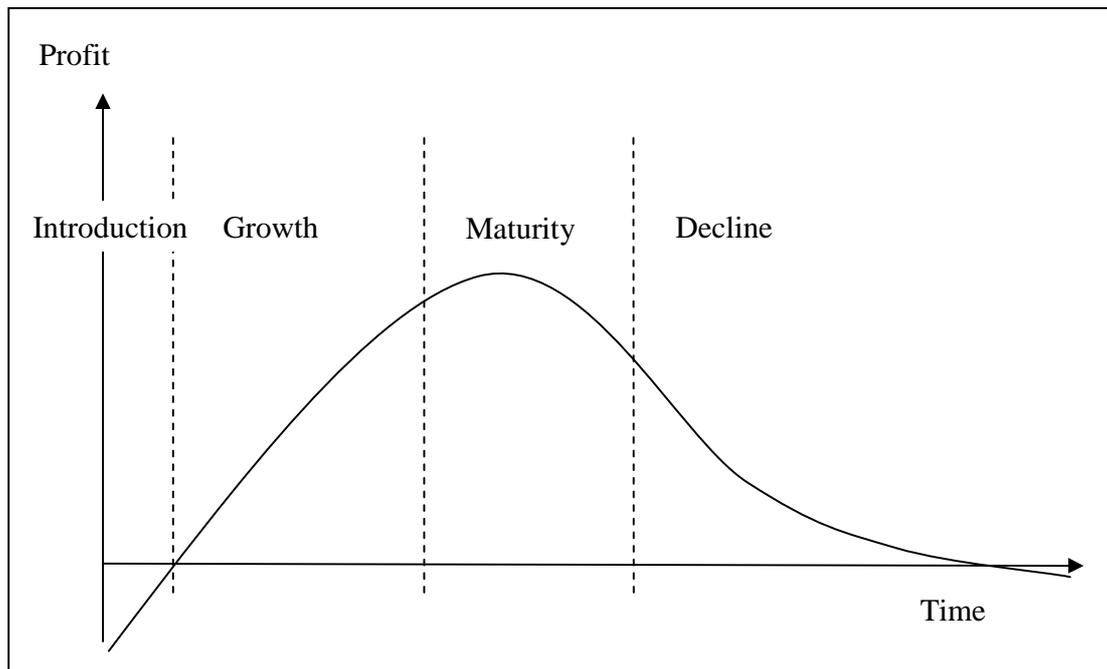


Figure 3-1: Product life cycle. Source: Best, 2008

There are two groups of marketing strategic plans, offensive and defensive. Defensive strategies are used in high share positions in growing and mature markets to maintain a level of cash flow (Best, 2008). One of the core defensive strategies is to protect market position, the marketing share and maintain profit by increase customer retention.

Another four stage model described by Keat et al (2009) deals with business difficulties to handle changes in an economic aspect. The first stage is described by market dominance, high profit margins and cost plus pricing. Stage two, is where a change in technology or competition forces the firms into crises, where cost management, down

sizing and restructuring the business is the role model. Stage three is the reform stage, where the business is starting to grow parts of their business, “top line growth” and the fourth stage is the recovery stage where the business shows the ability to grow profitably (Keat et al, 2009). The model is illustrated in Figure 3-2.

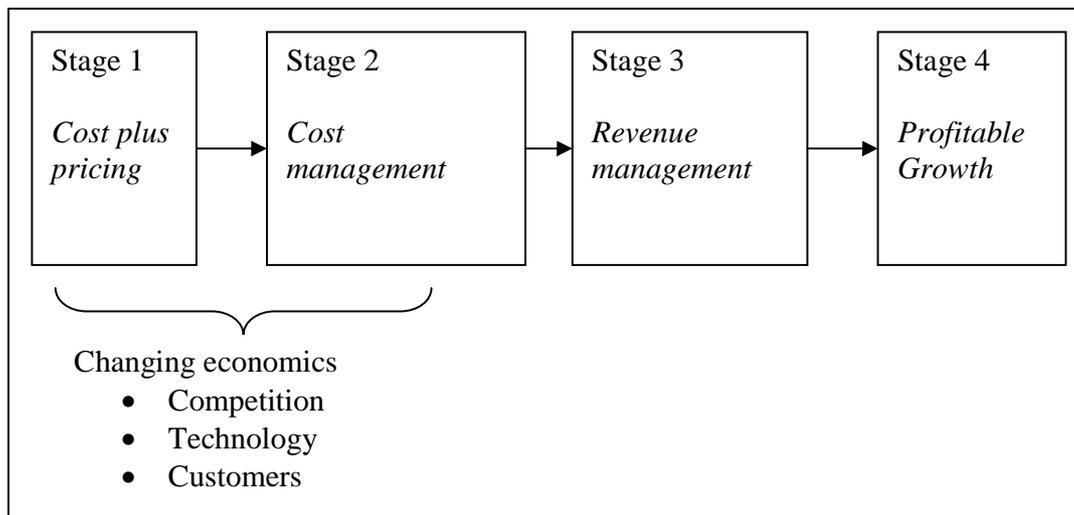


Figure 3-2: Four stages of change. Source: Keat et al, 2009

The two models describe the same situation from different perspectives when a service or product is in the mature state in the product life cycle. The change in competition needs to be addressed. One way is cost management and an output from that is the various cost saving programs that management are initiating (ibid).

3.6.1 Cost Saving Programs

The BPR concept has enabled companies to operate faster and more efficiently by using information technology more productively. The method has also been identified as a cost saving program that a business can apply by using standardisation to reduce cost (Hammer & Stanton, 1999). Event though the authors are claiming that BPR are not a cost saving program, this has been one way of using the concept.

Today the Information Technology Infrastructure Library, ITIL, is a set of best practices that are widely accepted for IT service management (Trastour et al, 2009). ITIL is mostly used in large companies to control the processes in the IT organisation. It does not include the customer administration or procuring process in a business perspective, however it is important to understand that it can be used in a business cost saving

program aspect. There are multiple of references with companies that have implemented ITIL with cost saving as a result. One of the reasons is that IT organisations that are performing below best-practice standards can improve quality and reduce cost by moving toward best-practice goals (Gartner, 2004). By copying best-practices processes this can be achieved.

3.6.2 Market types

There are four commonly described market types in terms of competition (Keat et al, 2009). The types are divided by company size, type of product that is sold, the ability to enter and exit the market and the possibilities to not only compete on price.

Perfect competition is characterised by a large number of companies that is selling a standardised product. The market is easy to enter and to exit and the only differentiator is price. Monopolistic competition is characterised by a few number of small firms that are selling differentiated products. It is still easy to enter and exit the market and it is possible to compete on other product benefits than price. The third market type is oligopoly, which includes a small number of large companies. To enter and exit the market is difficult, however the products can be both standardised and differentiated which affects the possibility to compete on price. The last market type described is monopoly. Only one company is available on the market with one unique product. It is very difficult for other competitors to enter the market and the company does not need to compete on price (Keat et al, 2009).

The IT maintenance market could be described as an oligopoly; there are a few large firms with both standardised and differentiated products. When a product reaches the mature state of the product life cycle, the market type seems to be changing to a more monopolistic competition, with an increasing number of competitors.

The implications for the strategy can be revealed by the five forces, which provide a baseline of the company's strengths and weaknesses (Porter, 2008). The five forces are: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products of services, and finally rivalry among existing competitors. The five forces provide a framework for industry developments and for anticipating their

impact on industry attractiveness. By analysing the IT maintenance service industry, different strategies can be applied.

3.7 Summary

This chapter has presented theories that are related to the hypothesis;

Past vendor customer administration quality does impact the customer decision to buy again from the same vendor.

The hypothesis covers a sale situation, where there is a business buying something from another business. That means that one business is procuring, and there are different methods on how a business could buy and evaluate vendors (Chapter 3.1, 3.2). The second part of the hypothesis is the customer administration (Chapter 3.3). The customer administration can be described as a part of customer services. It is often organized as a Center of Excellence or an operation centre, and can be a result from a business process re-engineering. To get an understanding of the different theories, a selection has been made to create a base for the research.

Two factors have been identified to be influencers to the decision to buy again. The invoicing and dispute theories are discussed in the aspect of the hypothesis (Chapter 3.4 and 3.5). Invoicing is related to after sales interaction that drives revenue growth (Devine, 2006), and accurate invoicing enhances the image of the firm (Salek, 2006). Disputes have a financial impact on the vendor therefore, it is essential to have a quick resolution process for disputes. A quick resolution process for disputes might end up with a more satisfied customer than if the dispute never had occurred (Cranage, 2004).

To finally set the hypothesis in the context of the selected services, the framework contains theories of marketing strategy (Chapter 3.6) to connect the hypothesis to the IT maintenance services. The market type could also be an influencer of the decision to buy again. IT maintenance services are considered as a mature service and the theories implies that kind of market type is trying to cut costs. That is the reason why the chapter also contains some theories around cost saving programs, such as centre of excellence and BPR.

The theoretical framework has shown the theories that are used in the thesis. A more thoroughly description can be found in the reference literature.

4 Methodology

The method; research purpose, research approach and strategy are covered in this chapter together with the data collection and analysis method.

To gain credibility for the thesis, the choice of research methods are important and the different alternatives should be explained and motivated. The purpose with this research is to test and verify the stated hypothesis with a selected research approach and strategy that gives the thesis credibility. The selection of the data collection method is important to gain quality and reliability.

4.1 Research Purpose

Research strategy is formulated differently depending on what achievements the researcher is trying to accomplish. By analysing the research purpose, the direction for the research is set (Eriksson & Wiederheim-Paul, 2006).

The research purpose can be divided into three different types, depending on the intent of the research:

- Exploratory: To investigate ongoing events and their sources, seek new insights, review situations from a new perspective. The purpose is to decide and demonstrate the character of a problem by collecting information through exploration (Bengtsson & Bengtsson, 1995). The method should be used when a problem is unstructured and difficult to delimit (Eriksson & Wiederheim-Paul, 2006).
- Descriptive: To develop empirical generalizations the descriptive strategy is used (Bengtsson & Bengtsson, 1995). The method is preferred when the problem area already has been studied and the research problem is moderately structured (Eriksson & Wiederheim-Paul, 2006).
- Explanatory: To explain why particular events occur. The purpose is to develop theories that evolve from earlier investigations (Bengtsson & Bengtsson, 1995).

The method involves analysing causes and relationships, explanations of specific factors related to each other (Eriksson & Wiederheim-Paul, 2006).

The research purpose for the thesis is exploratory and explanatory. The exploratory purpose is to review the buying decision process from a new perspective, i.e. vendor customer administration. The explanatory purpose is to explain the impact of having a low quality customer administration in relations to buying decisions.

4.2 Research Approach

When collecting information, there are two methodological approaches: qualitative; which consists of quantifiable variables; and quantitative; which handles empirical data (Eriksson & Wiederheim-Paul, 2006).

Both methods are applicable since the testing of the hypothesis can be translated into variables and statistical significance might be determined. However, buying decisions for services are recognized as complex and a qualitative research approach might capture a deeper understanding for what factors that should be considered and how important they are.

4.3 Research Strategy

There are several research strategy methods that can be applied depending on situation (Yin, 1994):

- Case study: Answer questions such as: How and Why (Yin, 1994)
- Survey study: Answers questions such as: Who, What, Where, How many, How much (Yin, 1994)
- Experimental study: Answer questions such as: How and Why (Yin, 1994)
- Archival analysis: Answer questions such as: Who, What, Where, How many, How much (Yin, 1994)
- History: Answer questions such as: How and Why (Yin, 1994)

A case study is preferable when using qualitative data (Eriksson & Wiederheim-Paul, 2006). The explanation is that the data need to be explained and discussed.

There are three conditions that could determine the type of research, (Yin, 1994). The first is the type of research question. The second is the degree of control for the investigator and the third is the degree of focus on contemporary events.

The strategy selected for this case is case studies, because not all the factors affecting the vendor selection are set. There might be other reasons that are influencing the buying decisions in the customer administration aspect. In addition, customer administration is a wide concept and to be able to understand the reasons, How and Why questions, the case study strategy seems to be more efficient. The degree of control is low, which makes case studies suitable as a research strategy. Regarding contemporary events, there is a focus on how the decisions are made today, which also makes case studies suitable as a research strategy.

There are two design parameters that can be used, single/multiple case design or holistic/embedded (Yin, 1994). A single source case study of information can be described as holistic; multiple source cases of information can be described as embedded (ibid). The design for this thesis is a single case that is going to be tested on multiple sources.

4.4 Data Collection

One common method of collecting data in case studies is to use interviews (Yin, 1994). Other methods to collect data can be documents, observations and questionnaires (Eriksson & Wiederheim-Paul, 2006). For this research the data collection method is interviews since personal interviews gives the possibility to ask additional complex and clarifying questions.

There are several methods of performing the interviews; open-ended, focused or structured (Yin, 1994). Since the scope for the thesis is narrow, the concept customer administration definition is broad; the interviews should be conducted in a structured way. Regarding the question if it is important to meet people in person to conduct the interviews it might depend. If a relationship exists between the researcher and the person

being interviewed, a phone interview would probably be sufficient. Both methods are used in the research.

4.5 Data Quality

Validity and reliability are measure instruments that are used to test data quality. Validity is referring to the ability to measure what is supposed to be measured. Reliability is that the results should be stable independent of who is researching and what is being researched (Eriksson & Wiederheim-Paul, 2006). Validity will be obtained since the interview form allows for additional clarifying questions and the possibility to contact the person again if clarification is needed. The objective for this thesis is to give guidance, there are going to be a limited number of interviews, which makes it difficult to gain high reliability. To increase the reliability a case study protocol is going to be developed.

4.6 Case Study Protocol

This is a short introduction to understand how the interview guidelines have been developed; the total guideline is presented in Appendix A. A case study protocol is presented in Appendix B. The protocol is going to be filled in for each interview to increase reliability.

4.6.1 Base information

The starting point is to record the base information, such as the role in the company, size of the company. This is essential to increase reliability and to get stable results independently of researcher. The work experience of the person being interviewed is important in terms of the impact on the selection criteria, which according to Fitzsimmons et al (1998) is based on reputation and experience of the vendor. Buying from vendors could be done in any company but is often limit to a role. A title can be misleading since that can be different in different companies.

4.6.2 Procurement process and vendor performance

The existence of a procurement process in the researched company would indicate that there is a standardised process for how to procure services from vendors. Is there a policy for how to procure services the second time? The importance is to understand if there is a

structured process of procuring from a vendor and what measurements and evaluations the company is performing on vendors before and during the service delivery.

4.6.3 Factors involved in the decision

Two factors in customer administration have been identified to be investigated, invoicing and disputing. There might be other factors and they are going to be addressed with similar questions as the already identified factors. The “how important questions” are subjective and might be different depending on the person being interviewed. The same problem occurs with the question “Is this a reason to select another vendor?”. The objective for the thesis is to give guidance, these questions might be important when comparing the results.

4.7 Summary

This chapter discusses the method selected for the research. Different theories around the research purpose are shown and finally the purpose for the thesis has been identified as exploratory and explanatory (Chapter 4.1).

Buying decisions for services are recognized as complex and a qualitative research approach has been selected to capture a deeper understanding for what factors that should be considered and analysed in the investigation. (Chapter 4.2).

The strategy selected for this case is case studies, (Chapter 4.3), since the factors affecting the vendor selection are not identified. The design is a single case that is going to be tested on multiple sources.

The data collection method is interviews (Chapter 4.4), both in person and by phone.

The quality of the research data are briefly discussed (Chapter 4.5). Validity will be obtained since the interview form allows for additional clarifying questions and the possibility to contact the person again if clarification is needed. To increase the reliability a case study protocol is going to be developed.

Chapter 4.6 connects the research strategy to the case study protocol and describes the most important research parameters:

- Base information

- Procurement process and vendor performance
- Factors involved in the decision

This method discussion combined with theories sets the foundation for the empirical data collection and the analysis to come.

5 Empirical Data Collection

The data collected through five case studies are presented in detail in Appendix C. This chapter presents the essential information from the case studies.

Five case studies interviews have been conducted with different companies, most of them large sized, active in different industries. The reason for the selection was to check if the hypothesis is applicable in any industry. The companies are buying the same none-core IT maintenance services from different vendors. The general information is stated in Table 5-1. Different features are described such as size of the company, which is based on the number of employees and annual turnover (European Union, 2007).

Company no	Size	Global	No of employees	Industry
1	Large	Yes	3200	IT
2	Large	Yes	650	Software solutions
3	Medium	Yes	150	Banking
4	Large	Yes	350	IT
5	Large	No	1400	Oil and Gas

Table 5-1: Description of customer selected

The heading “Global” means that the company has business in other countries than Sweden. The industry that the company is active in is also listed. This information is gathered to see if there are any similarities in the different companies buying evaluation behaviour.

The data collected has been divided into following categories:

- Base information
- Procurement Process
- Vendor performance
- Factors
 - Invoicing wrong price
 - Invoicing wrong quantity
 - Dispute invoicing
 - Dispute contract changes

5.1 Base Information

The role that the person has in the company during the case study was documented together with their total working experience in terms of working with different vendors in the procurement process or invoicing process. Table 5-2 shows the collected data. None of the people interviewed had the same title or role in the company even though they have similar work assignments in regards to vendors and vendor customer administration.

Company no	1	2	3	4	5
Role	Sourcing Buyer	Global Storage owner	Network Engineer	Business Controller	Marketing Manager Stations
Experience (years)	3	30	10	8	20

Table 5-2: Data collection base information

The years of experience varied extensive between the different people.

5.2 Procurement Process

Almost all companies have some kind of formal procurement processes; one smaller company in the large customer segment used an informal process. An informal process consisted of some steps that needed to be documented. A business case for the procurement is needed to be presented to a management team. Since the case studies are limited to IT services procurement, the management decision often is taken by the Chief of Information Officer, CIO.

Regarding the question concerning if the company repeats the same process for the

second time procurement, there seems to be a variation. There are several parameters that are mentioned, for instance size of the procurement. Some companies have a figure that if passed, a formal process should be followed. Other says it depends of who the vendor is, if they have a long term relationship or if the company is well known in their business.

Regarding the questions if they take any references of the vendor customer administration, they all had the same answer, nobody does that, neither formal nor informal.

5.3 Vendor Performance

Regarding the measurement of vendor performance there seems to be a lack of it. Only when there is problem with the service the companies start to measure the service delivery performance. Table 5-3 shows the results of the data collected. Company 1 does vendor evaluations regularly, but only in terms of price. The number of disputes were not measured in any company or not known by the person being interviewed. The general reason that came up during the interviews was that if the service is excellent, the additional time that is needed to spend on the vendor customer administration is well spent.

Company number	1	2	3	4	5
Process Exist:	Yes	No	Yes only when problem	Some	No
What measures: Service performance?	Yes	No	Yes	No	Yes
What measures: Invoicing?	No	No	Yes only when problem	Yes	No
What measures: Disputing?	No	No	Yes only when problem	No	No
What measures: Other1?	Price performance	NA	NA	Price	NA

Table 5-3: Data collection vendor performance

5.4 Factors

In addition to the factors identified, invoicing the wrong price or quantity and disputing invoices or contract changes, only one additional factor has been added. When a company receives proposals from an RFP, the agreement must be equivalent to the proposal. This was considered as a factor that could impact the decision to buy again.

The data collected is shown in Table 5-4. Not applicable, NA, is used when the person being interviewed had trouble to relate to the question. It is also used when the questions was not addressed as in the situations of discovering other factors.

5.4.1 Invoices

Regarding the questions of invoicing the wrong price, all companies considered that as very important, not all of them regarded that as a reason to end the relationship with the vendor. Three companies answered that this would be a reason if the behaviour were repeated. Invoicing the wrong quantity even if the price were correct was not considered to be any different than invoicing the wrong price. The answers were similar.

What factors are considered?	How important is each factor?					Reason enough to select another vendor?				
	1	2	3	4	5	1	2	3	4	5
Company no										
Invoicing factors										
Wrong price	100%	80%	NA	80%	80%	No	Yes	Yes	Yes	No
Wrong quantity	100%	80%	NA	80%	80%	No	Yes	NA	Yes	No
Dispute factors										
Invoicing	NA	50%	75%	50%	NA	NA	No	No	50%	NA
Contract addition	NA	NA	NA	NA	NA	NA	NA	NA	No	NA
Contract reduction	NA	NA	NA	NA	NA	NA	No	Yes	No	Yes
Other factors										
Proposal vs. agreement	NA	Yes	NA	NA	NA	NA	Yes	NA	NA	NA

Table 5-4: Data collection factors

5.4.2 Disputes

Disputes are one of the factors that differ between the companies. Company 1 has a defined process for disputes; but in this case the person being interview were not involved in that process. Table 5-4 shows that company 3 had an informal process for keeping track of the disputes. The other companies did not have a formal nor informal process in place for disputes. These answers made it difficult to get any results for the dispute questions as a factor that are influencing the decision to buy again from the same vendor. More questions were answered regarding disputing invoices than disputing contract changes.

5.5 Summary

This chapter has shown the essential information from the case studies. The intent has been to show the results in an objective way without analysing it. The base information showed that the people from the investigated companies have different titles and a wide variety of work experience, (Chapter 5.1).

Chapter 5.2 shows the results from the questions of the procurement process. None of the researched companies took any references regarding the vendor customer administration.

Vendors performances were in general not monitored, only if a service failure occurred this might be measured, (Chapter 5.3).

Only one additional factor has been identified to affect the buying decision, (Chapter 5.4). The additional factor is called tender vs agreement. The answers regarding the invoicing and disputes are shown, however the answers for the disputes are limited since they were not considered that important for most of the researched companies.

6 Data Analysis

This chapter presents the analysis that has been made of the data collected from the case studies. The data are analysed according to the case study protocol, Appendix B, with references made to the literature stated in the theoretical framework.

The research conducted is focusing on what factors that influence the buying decision and how important they are. The extreme case is that the customer selects another vendor, due to low customer administration quality. All results from the case studies can be found in Appendix C. The results from the procurement process, vendor performance together with the factors, invoicing and disputes, are influencers to the hypothesis are reviewed. The data for the hypothesis have been collected and presented in terms of different factors that have been identified and confirmed during the interviews. One additional factor were identified by one of the investigated companies, this is called proposal versus agreement. The data collected are also analysed in terms of the buying decision for phase three, the rebuy by the customer and the next sale for the vendor.

6.1 Procurement Process

In most case studies, there is a formal process for organisational buying, Table 6-1 shows the data collected.

Company number	1	2	3	4	5
Process Exist:	Yes	Not formal	Yes	Yes	Yes
Second time process:	Yes	No	Yes	Yes	Yes
Role in that process	Decision Maker	Decision maker	Decision influencer	Decision influencer	Decision maker
Customer administration references:	No	No	No	No	No
Customer administration evaluation point in process:	No	No	No	NA	No
Customer administration impact:	0%	No	0%	NA	No

Table 6-1: Purchase process

Some companies have a figure that if passed, a formal procurement process should be followed. Other says it depends of who the vendor is, if they have a long term relationship or if the company is well known in their business. This is consistent with the

theory, that if a potential vendor services have been used before the prior knowledge is accountable in the procurement process. This is labelled as post-selection evaluation (Days & Barksdale, 1994).

Vendor customer administration references are not taken in the procurement process, see Table 6-1. This indicates that the only real tangible knowledge of the vendor customer administration is prior knowledge and experience. This is consistent with the fourth step in Fitzsimmons et al (1998) purchase process, that vendor reputation and experience might be the only important selection criteria. This indicates that the vendor customer administration quality do affect the second decision to make a rebuy.

6.2 Vendor Performance

The case studies show that there are limited vendor performance evaluations during the delivery periods. One of the reasons might be that the service procured is a none-core service, which does not attract management attention. This shows a consistency with Fitzsimmons et al (1998) theory, since IT maintenance support and services are not considered as a core business in the selected companies.

Company 1 is the largest company included in the research and the only company that is conducting vendor performance evaluations regularly, but only in terms of price performance. This can be defined as transactional buying. According to Axelsson (1998), transactional buying is to prefer when direct costs are high for the customer and when there are multiple alternative vendors, which is the case in this research. Another reason might be that a larger company can utilize the scale of economics. By continuously evaluate the vendors in terms of price, the possibility to cut cost for the company increases.

6.3 Factors

The hypothesis is that past customer administration quality does affect the next buying decision and that the evidence for that can be presented through the indicators of invoicing and disputes.

Table 6-2 shows the mean values from the data collected for the questions of “How important” and “Reason enough to select another vendor”.

What factors are considered?	How important is each factor?	Reason enough to select another vendor?
Invoicing factors		
Wrong price	92%	60%
Wrong quantity	85%	50%
Dispute factors		
Invoicing	58%	16%
Contract addition	NA	NA
Contract reduction	NA	NA
Other factors		
Proposal vs. agreement	NA	NA

Table 6-2: Factors indicating the evidence for the hypothesis

6.3.1 Invoices

The invoicing factors are considered as very important, 92% and 85% are mean values of a 100 percentage scale from the “wrong price and quantity” questions. This is not that surprising, since if the invoicing is not correct it creates an indirect cost for the company in terms of additional workload. If the vendor repeats the behaviour of sending incorrect invoices in terms of agreed prices, 60% thinks that this is reason enough to select another vendor. The similar results can be found for the wrong quantity, 50% would consider changing vendor. This is consistent with the theory presented by Arussy (2006); that invoicing is not a source of differentiation and loyalty, it is the vendor’s job to invoice correctly.

Only Company 1, which is the largest company in the case studies, answered that the invoicing is not a reason to select another vendor. One aspect for this answer might be that buying decisions in a smaller company has a larger impact on the business operations and result.

6.3.2 Disputes

The factor disputing was more difficult for the person being interviewed to relate to in terms of contract changes. 58% considered invoicing disputes to be important. As long as the service delivery is flawless, this is not extremely important. The result shows that only disputing invoices is not a reason to select a different vendor, only 16% would consider this as a reason.

Keeping track of disputes can be evidence of a viable relationship between the vendor and the customer. Savidge (2008) recommends this as a tip to properly manage vendors. This type of measurement can also be used by the vendor to be more proactive in the aspects of delivery and forecasting the next sale. For instance if there are too many invoicing disputes, this would probably indicate there is some problems either in the customer administration department or that the customer has other expectations than what is stipulated in the current contract. If there are few or none disputes, this might indicate that the delivery provided is not important to the customer.

Disputing contract changes were more related to the services provided by the vendor and the results is not useful to analyse since most discussions in this area ended up with the service quality and not the customer administration quality.

6.4 Buying Decision

The hypothesis is that past vendor customer administration quality has an impact on the customer buying decision. That should be analysed with the data to see if there are evidence that strengthen the hypothesis. Buying IT maintenance services is considered as a routine buy and in these cases; there is a strong source of loyalty if there is a decision to make a modified rebuy. The research shows that there is a consistency between the straight rebuy theory (Anderson et al, 1987) and the data collected in terms of the often given answer: "Dispute time is work time well spent if the service provided is excellent". One conclusion could be that the company do not measure the time that the role is spending on disputes or different vendors.

One inconsistency has been found in the answers; repeated wrong invoicing would cause 55% of the companies to consider selecting another vendor. Only 16% would do the

same for disputing invoices. One reason could be that if the same procedure is repeated, the customer does not care to dispute. The other analysis made is that there are some differences in the questions asked which give the inconsistent result. For the invoicing factors following question was asked: “Is this a reason to select a new vendor?”. For the dispute factor the question was: “Could the number of disputes be a reason to select a new vendor?”. The first part is focusing on the wrong invoicing whereas the second is focusing on the number of disputes.

From the data collected, it is not possible to see if there is a pattern between the buying behaviour and the different companies in regards to industry. If the quality of the customer administration is low during the delivery phase, all the customers answered that this would be considered for the next negotiation. The interpretation of that is that the customer is going to fulfil the current contract. The consistency with the findings by Salek, (2006), that accurate invoicing enhances the image of the firm as a total quality supplier, seems to be correct in that aspect. A common perception is that using a current supplier is less risky (Anderson et al, 1987), which seems equivalent with the data that the customer is going to fulfil the current contract and then bring the issues with the customer administration to the next negotiation.

Salek (2006) also states that the productivity for processing orders increases when interacting with customers and collecting receivables. Since none of the customers in the case studies is performing a vendor measurement in terms of disputes, see Table 6-3, there is a limited opportunity to interact with the customer in that aspect.

Customer number	1	2	3	4	5
Process Exist:	Yes	No	Yes only when problem	Some	No
What measures: Service performance?	Yes	No	Yes	No	Yes
What measures: Invoicing?	No	No	Yes only when problem	Yes	No
What measures: Disputing?	No	No	Yes only when problem	No	No
What measures: Other1?	Price performance	NA	NA	Price	NA
What measures: Other2?	NA	NA	NA	NA	NA

Table 6-3: Vendor performance measurement

If a vendor does measure the disputing frequency and recognise it as few, this indicates that there is a low interest of the service delivered from the customer. This in turn indicates that the rebuy is negatively affected.

Three companies conduct measurements of the service performance. The interpretation is that an evaluation of the service delivery before the next negotiation is possible and that the process described by Day et al (1994) is still up to date. The data also show that the sales situation in the straight rebuy decision is affected if the vendor customer administration quality is low and a straight rebuy opens up for vendor competition.

6.5 Summary

This chapter has analysed the data collected from the interviews. The intent has been to gain evidence that the hypothesis is true. The results from the procurement process, vendor performance together with the factors, invoicing and disputes, are reviewed in relation to the hypothesis and in the aspect of the customer buying decision.

The analysis of the results from the procurement process (Chapter 6.1) shows that the only real tangible knowledge of the vendor customer administration is prior knowledge and experience. This is a clear indication that vendor customer administration quality does affect the second decision to make a rebuy.

The result also shows that there are limited vendor performance evaluations made in the investigated companies (Chapter 6.2). That is indicating that IT maintenance support and services are not considered as a core business in the selected companies. Finally, the larger companies continuously evaluate the vendors in terms of price, which gains the possibility to cut cost for the company.

The evidence for the hypothesis has been presented through the indicators of invoicing and disputes. The results from the invoicing part show that 60% thinks that this is reason enough to select another vendor. The similar result is found for the wrong quantity, 50% would consider changing vendor. This is consistent with the theory presented by Arussy (2006); that invoicing is not a source of differentiation and loyalty, it is the vendor's job to invoice correctly.

The results for the dispute part do not reveal the same clear indications. Only 16% would select another vendor due to disputing.

The results do not show a pattern between the buying behaviour and the different companies in regards to industry. The sales situation in a straight rebuy decision is

affected if the vendor customer administration quality is low. This is opening up the sales situation to competition.

7 Conclusions

This chapter discuss the data analysis results in the aspect of using the hypothesis as guidance. The conclusions drawn from the analysis are presented in two perspectives, cost saving programs and the buying decision. Finally there are suggestions for how further research should be conducted.

The selected services, IT maintenance services might be difficult to place in the product life cycle, however in this case, to be able to measure if low customer administration quality would be a reason to replace a vendor it is important that there is competition involved. In the fourth stage model by Keats et al (2009), this situation is referred to as stage 2. The IT maintenance services are a mature market industry and there are many competitors in different areas. The objective for this thesis has been to see if there is evidence that a low quality customer administration is affecting the buying decision.

7.1 Hypothesis Guidance

The question asked during the case studies seems to be divided between different roles in the organisations, one in the business and one in the procurement department. This makes some of the answers provided difficult to analyse because the person is not involved in the particular process, for instance the dispute process.

Does past vendor customer administration quality impact the customer buying decision? In terms of invoicing, the basic data show that a vendor providing excellent service has a chance of 55% not to be replaced. As soon as the delivery quality starts to decline, the probability that the customer is going to select another vendor increases. Almost all customers in the investigation measure vendor performance in terms of service delivery. Low quality in that area is going to be detected easily.

The result shows that invoice quality has an impact for the next negotiation; however, it is not the only factor to select another vendor. This indicates that the hypothesis is true; customer administration has an impact on the buying decision. The impact is not that strong since, in the end of the day, if the service delivered is outstanding, the probability to select a new vendor is low.

7.2 Implications of Cost Saving Programs

The implementation of centres of excellence as a cost saving program in the customer administration area seems to have given good results. As long as the delivery is excellent, there is no affect in short term or in long term in a buying perspective. A negative direct short term effect would have been that the customer does not fulfil the current contract. A long term negative effect would have been that the customer selects another vendor for the service delivery.

It is important to understand that CoEs are not only cost saving programs. They are standardised programs, which help the vendor business to cut cost and to deliver more cost efficient services to customers. The question is if CoEs have the ability to meet diverse customer needs. Hammer et al, (1999), recommends standardised processes to gain services that are more responsive to the customer. When that is not attained by CoEs, it does affect sales. The vendor business needs to make sure that the loss in sales, due to low customer administration quality, is lower than the cost saved when creating the CoE.

In a monopoly market situation, where there is only one service provider, the cost saving programs would not have an impact on the decision to buy. A single provider could continue to deliver with low quality customer administration until competition arrives and starts to take market shares. However, the low quality will affect the vendor business financial statements in terms of delayed trade receivables (Atrill et al, 2008).

7.3 Implications of Buying Decisions

A successful customer focus builds customer relationships and loyalty, resulting in higher levels of customer and business profitability (Best, 2008). In general, based on the results from the data analysis, as long as the delivery is according to contract the second buying decision is not affected. If the delivery excellence starts to decline, the decision will be affected.

According to the collected data almost all customer answered that the time for the disputes, even if continued, are time well spent if the service provided is excellent. One explanation could be that the additional time is not that extensive, it only takes an additional few minutes and does not affect the work load of the people involved in the

process. Another explanation could be that if the work load demands additional resources to be able to solve disputes or analyse the invoices, the company views this as an investment that are cutting costs. An additional aspect is that it is costly and time consuming to select a new vendor. The customer considers the cost for the work load demanded on disputes low compared to select a new vendor.

Customer administration is one way of gaining higher profitability and increase revenue (Salek, 2006). With a low quality, the sales will be affected long term according to the data collected. This indicates that the vendor should measure customer disputes. This is a clear indicator that the contract sold is what the customer expects and that the probability to make a second sale is high.

In the end of the day, the relationship between vendor and customer has a high impact on the next sale. Already being a supplier for the customer is increasing the probability to make the next sale in phase 3, see Figure 7-1.

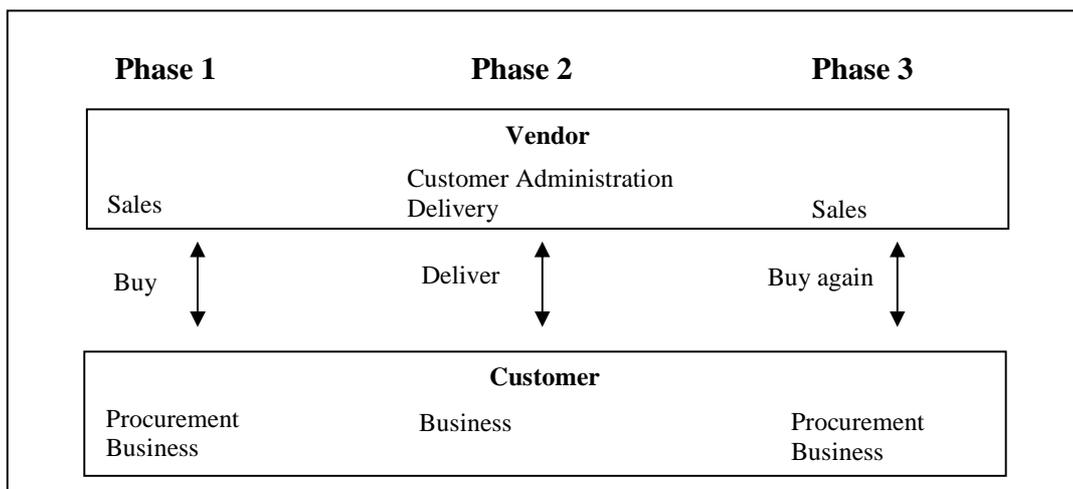


Figure 7-1: Phases for buying decision customer administration impact

7.4 Authors Reflection

The results show that the hypothesis is true, and for me this is not a surprise.

I work as a services sale specialist and I meet customers every day who are complaining about invoices, disputes, contract changes and other customer administration interactions.

With that experience, my expectations were that the hypothesis should reveal a stronger result than 55% for invoices and 16% for disputes.

My own personal interest was to understand how customer administration is affecting the next sales situation and to understand how the cost saving programs is affecting sales.

From the conclusions above you could say that if the customer administration is too good, sales will miss the opportunity to interact. If the customer administration is too bad, the sales situation becomes a nightmare, and competition is more difficult to handle.

What the results also reveal is:

In the end of the day, it is the personal relationship between vendor and customer together with the service delivery that affects the buying decision.

7.5 Recommendations for Further Research

The objective for this thesis was to give guidance and the results show indications that there is evidence that the hypothesis is true. Low quality of vendor customer administration impacts the buying decision. To get more substantial and relevant evidence, the recommendation is not to use case studies as a method. The reason for this is that case studies are time consuming and the data quality is difficult to validate.

Surveys, and in particular, online surveys provide an excellent quality of response compared to other methods (Shiffman et al, 2008), together with some kind of relevant scaling method, for instance Likert. Likert scaling is a common used scaling method, measuring either positive or negative response to a statement.

Another aspect that could be interesting to investigate is the relationship between vendor and customer, how that relationship is affecting the decision to buy. One case could be that the relationship between customer and vendor sales is strong enough to survive insufficient delivered services and low customer administration services.

Outsourcing of the customer administration in relation to create a centre of excellence is another interesting subject that could be worth researching. There are several aspects that could be researched such as Customer organisation in terms of workload, cost, and

additional functions that needs to be added. The implication for the vendor, since the disputes and invoicing do not give the interaction that is creating “after sales” situations in the same way as a direct customer administration fulfilment.

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Case study interview guide

Base information

1. Role in the company:
2. Work experience in this kind of role:
3. Size of company in terms of employees:

Procurement Process

1. Do you have a process for procurement of services?
2. Do you have a process for procurement the same services a second time?
3. What role do you have in that process?
4. What impact do you have on buying decisions?
5. Does the process contain any references taken regarding customer administration?
6. Does vendor customer administration impact the decision to buy again from a vendor?
7. Is vendor customer administration an evaluation point in your process?

Vendor performance

1. Do you have a process for following up vendor performance?
2. What do you measure? Service performance, Invoicing?

Factors:

Before giving the two factors that have been identified as important, ask:

1. What factors do you considered important to decide to change vendor, which is not service related?

Factor 1: Invoicing**Factor 1.1: Wrong Price**

1. How important is it that the specified price is correct? (%)
2. If it is wrong, is that a reason to start looking for a new vendor?
3. If you dispute and get a credit and the next time the invoice arrives, the same wrong price is invoiced, how many times do you accept that behaviour before starting to look for a new vendor?
4. Is this a reason to select a new vendor?
5. Does importance increase with price?
6. Have you ever encountered a situation that has “forced” you to select a new vendor due to invoicing price problems?

Factor 1.2: Wrong Quantity

1. How important is it that the specified quantity is correct? (%)
2. If it is wrong, is that a reason to start looking for a new vendor?
3. If you dispute and get a credit and the next time the invoice arrives, the same wrong price is invoiced, how many times do you accept that behaviour before starting to look for a new vendor?
4. Is this a reason to select a new vendor?
5. If you compare it to the first factor, wrong price, is it more or less important? (%)
6. Does importance increase with price of the quantity?
7. Have you ever encountered a situation that has “forced” you to select a new vendor due to invoicing quantity problems?

Factor 2: Disputes

These are only disputes related to customer administration, such as invoices and contract changes. The assumption is that the invoice is incorrect and should be corrected.

1. Does your company or you keep track of how many vendor invoices that are disputed?

Factor 2.1 Disputes related to invoices

1. In how many days or weeks are you expecting to wait to get a correction regarding your price / quantity to feel that this is a vendor worth keeping?
2. How important is it that the lead time is within X days or week?
3. If the lead time is longer than X, is that a reason for you to select a new vendor?
4. Could the number of disputes be a reason to select a new vendor?
5. Could the lead time between dispute start and dispute solving be a reason to select a new vendor?
6. Have you ever encountered a situation that has “forced” you to select a new vendor due to slow dispute handling?

Factor 2.2 Disputes related to contract changes

The assumption is that you have made small change to an existing contract, an addition or a removal, and when you receive the confirmation of the change, it is wrong in some way.

1. An addition of a standard service to a contract, how many days or weeks do you expect that to take? This is the lead time from the confirmation from the vendor that this can be added to when the contract for the change has been received correct. There can be multiple interactions between the vendor and the customer to get the contract correct.
2. How many interactions do you think is reasonable?
3. If the same procedure, for instance, the price is always wrong, is repeated, is that a reason to select another vendor?
4. A reduction of a standard service from a contract, how many days or weeks do you expect that to be confirmed? (without the agreement terms and condition

- involved, this is just the confirmation that this has been done according to terms and conditions in the agreement)
5. Continuing the question, however, the vendor is confirming the wrong date according to terms and conditions. How important is that?
 6. Could that be a reason to select a new vendor?

Case Study Protocol

Base information		Answers
	Role:	
	Work experience:	
	Size of the company:	

Procurement Process		
	Process Exist:	Yes/No
	Second time process:	Yes/No
	Role in that process	
	Customer administration references:	Yes/No
	Customer administration evaluation point in process:	Yes/No
	Customer administration impact:	Yes/No (%)

Vendor performance		
	Process Exist:	Yes/No
	What measures: Service performance?	Yes/No
	What measures: Invoicing?	Yes/No
	What measures: Disputing?	Yes/No
	What measures: Other1?	
	What measures: Other2?	

Factors		
	What factors to change vendor (no service relation)	Other factor 1
		Other factor 2

Invoicing Wrong price		
	How important that price is correct?	%
	Does importance increase with price?	Yes/No
	Is it a reason to change vendor	Yes/No

Invoicing Wrong Quantity		
	How important that quantity is correct?	%
	Does importance increase with price of the quantity?	Yes/No
	What is more important, price or quantity?	
	Is it a reason to change vendor	Yes/No

Dispute		
	Does company keep track of disputes	Yes/No

Dispute invoicing		
	How many days to get correction	<i>number</i>
	How important is it that the <i>number</i> ?	%
	If <i>number</i> longer, Is it a reason to change vendor?	Yes/No
	Is the amount of disputes to a vendor measured?	Yes/No

Dispute contract changes		
	How many days to make an addition to contract?	<i>number 1</i>
	How many interactions?	<i>number 2</i>
	If <i>number2</i> passed, is that a reason to select a new vendor?	Yes/No
	How many days to make a reduction to contract?	<i>number3</i>
	The vendor confirms wrong termination date, what impact?	
	Repeatedly, is that a reason to change vendor?	Yes/No

The appendix presents the answers from the five companies that were interviewed. Some of the questions were not applicable in regards that the person did not experience it or did not consider it to be a problem. Those answers are marked NA.

Base information	Role: Work experience: Size of the company:	Company 1 Sourcing Buyer 3 3200	Company 2 Global Storage owner 30 650
Procurement Process	Process Exist: Second time process: Role in that process Customer administration references: Customer administration evaluation point in process: Customer administration impact:	Yes Yes Decision Maker No No 0%	Not formal No Decision maker No No No
Vendor performance	Process Exist: What measures: Service performance? What measures: Invoicing? What measures: Disputing? What measures: Other1? What measures: Other2?	Yes Yes No No Price performance NA	No No No No NA NA
Factors	What factors to change vendor (no service relation)	Price NA	Tender vs agreement Delivery problems
Invoicing Wrong price	How important that price is correct? Does importance increase with price? Is it a reason to change vendor	100% No No	100% Yes Yes
Invoicing Wrong Quantity	How important that quantity is correct? Does importance increase with price of the quantity? What is more important, price or quantity? Is it a reason to change vendor	100% No NA No	80% Yes NA Yes
Dispute	Does company keep track of disputes	Yes	No
Dispute invoicing	How many days to get correction How important is it that the <i>number</i> ? If <i>number</i> longer, Is it a reason to change vendor? Is the amount of disputes to a vendor measured?	NA NA NA NA	5 50% No No
Dispute contract changes	How many days to make an addition to contract? How many interactions? If <i>number2</i> passed, is that a reason to select a new vendor? How many days to make a reduction to contract? The vendor confirms wrong termination date, what impact? Repeatedly, is that a reason to change vendor?	NA NA NA NA NA NA	NA NA NA NA No No

Base information	Company 3	Company 4
Role: Work experience: Size of the company:	Network Engineer 10 150	Business Controller 8 350
Procurement Process		
Process Exist: Second time process: Role in that process Customer administration references: Customer administration evaluation point in process: Customer administration impact:	Yes Yes Decision influencer No No 0%	Yes Yes Decision influencer No NA NA
Vendor performance		
Process Exist: What measures: Service performance? What measures: Invoicing? What measures: Disputing? What measures: Other1? What measures: Other2?	Yes only when problem Yes Yes only when problem Yes only when problem NA NA	Some No Yes No Price NA
Factors		
What factors to change vendor (no service relation)	NA NA	NA NA
Invoicing Wrong price		
How important that price is correct? Does importance increase with price? Is it a reason to change vendor	100% No Yes	% Yes Yes
Invoicing Wrong Quantity		
How important that quantity is correct? Does importance increase with price of the quantity? What is more important, price or quantity? Is it a reason to change vendor	NA NA NA NA	50% Yes Price Yes
Dispute		
Does company keep track of disputes	Yes	No
Dispute invoicing		
How many days to get correction How important is it that the <i>number</i> ? If <i>number</i> longer, Is it a reason to change vendor? Is the amount of disputes to a vendor measured?	Next invoice 75% No depends relation Time reporting	5 50% 50% No
Dispute contract changes		
How many days to make an addition to contract? How many interactions? If <i>number</i> 2 passed, is that a reason to select a new vendor? How many days to make a reduction to contract? The vendor confirms wrong termination date, what impact? Repeatedly, is that a reason to change vendor?	NA NA NA Next invoice 0 Yes	5 2 No NA No No

Base information	Role: Work experience: Size of the company:	Company 5 Marketing Manager Stations 20 1400
Procurement Process	Process Exist: Second time process: Role in that process Customer administration references: Customer administration evaluation point in process: Customer administration impact:	Yes Yes Decision maker No No No
Vendor performance	Process Exist: What measures: Service performance? What measures: Invoicing? What measures: Disputing? What measures: Other1? What measures: Other2?	No Yes No No NA NA
Factors	What factors to change vendor (no service relation)	NA NA
Invoicing Wrong price	How important that price is correct? Does importance increase with price? Is it a reason to change vendor	80% Yes No
Invoicing Wrong Quantity	How important that quantity is correct? Does importance increase with price of the quantity? What is more important, price or quantity? Is it a reason to change vendor	80% Yes NA No
Dispute	Does company keep track of disputes	No
Dispute invoicing	How many days to get correction How important is it that the <i>number</i> ? If <i>number</i> longer, Is it a reason to change vendor? Is the amount of disputes to a vendor measured?	NA NA NA NA
Dispute contract changes	How many days to make an addition to contract? How many interactions? If <i>number2</i> passed, is that a reason to select a new vendor? How many days to make a reduction to contract? The vendor confirms wrong termination date, what impact? Repeatedly, is that a reason to change vendor?	NA NA NA NA NA Yes