

STRATEGIC ALLIANCES AS EXAMPLES FOR RELATIONSHIP MANAGEMENT IN B2B ENVIRONMENTS

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Abstract: The aim of this paper is to show the importance of relationship marketing in business-to-business contexts and present a "Model of Relationship Management Variables in B2B Environments".

First the article gives an explanation of the paradigm shift in today's marketing understanding vis-a-vis the traditional transaction oriented view of marketing. Further the article looks into business-to-business applications of relationship marketing, gives a definition of strategic alliances, which are examples of interfirm relationships and presents relationship variables affecting every single phase of an alliance. The article ends with the explanation of a "Relationship Net", in which the strategic alliance does not only cover two partners, but a whole set of partners along the value chain.

Keywords: Business-To-Business Marketing, Relationship Marketing, Strategic Alliances, Networks

ŞİRKETLERARASI ORTAKLIKLARDA İLİŞKİSEL PAZARLAMA

Özet Bu makalenin amacı, ilişkisel pazarlamanın şirketlerarası stratejik ortaklıklardaki önemine "Stratejik Ortaklıklarda İlişkisel Pazarlama Değişkenleri Modeli"yle açıklık getirmektir.

Makalenin giriş bölümünde geleneksel pazarlamadan ilişkisel pazarlamaya geçiş faktörlerine değinilmekte ve şirketlerarası pazarlamanın aşamaları ele alınmaktadır. Teknolojik gelişmelerin, artan küreselleşmenin ve tüketici gelirlerindeki artışların iki bakış açısı arasındaki farklılıkları doğurduğu belirtilmektedir. İlişkisel pazarlama değişkenleri "Stratejik Ortaklıklarda İlişkisel Pazarlama Değişkenleri Modeli"yle açıklanmakta ve işletmeleri stratejik ortaklıklar kurmaya yönlendiren faktörlere ele alınmaktadır. Özel bir ortaklık türü olan "İlişki Ağları" üzerinde durulmakta ve bu ortaklık türünde işletmenin birçok şirketle ilişkiye girdiği, ana işletmeninse "Ağ Koordinatörü" görevi üstlendiği belirtilmektedir.

Makalenin sonunda dikkatli kurulmuş bir ortaklıkta her bir katılımcı ortağın ilişkiden fayda sağlamış olarak çıkacağına dikkat çekilmektedir

Anahtar Kelimeler: Şirketlerarası Pazarlama, İlişkisel Pazarlama, Stratejik Ortaklıklar, İlişki Ağları

I. INTRODUCTION

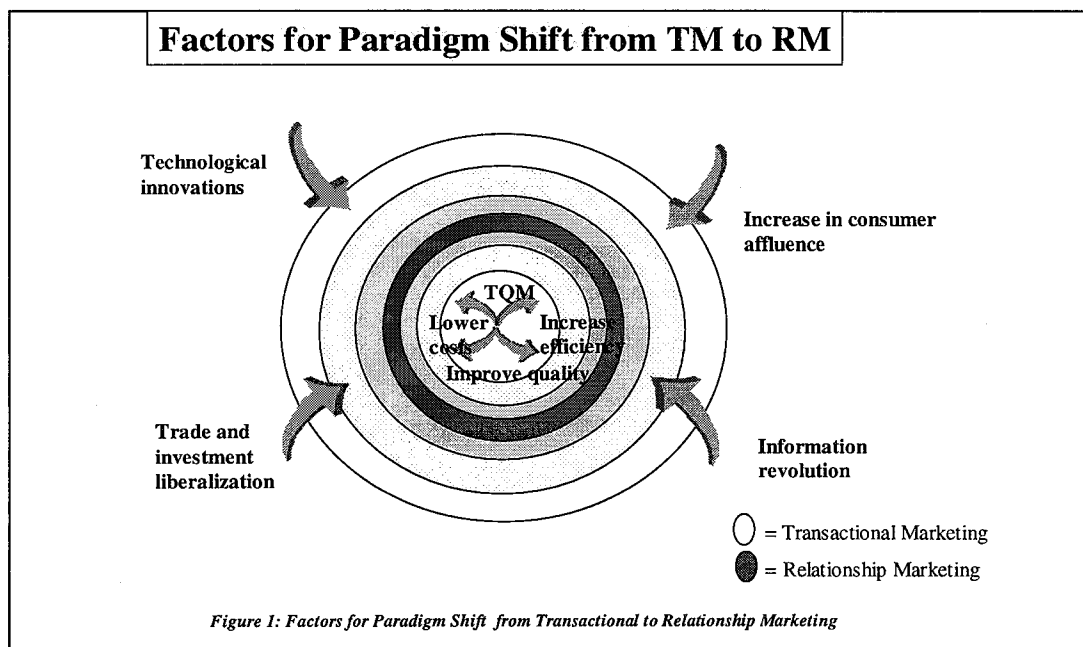
The concept of the marketing mix and the four P's - product, price, place (or physical distribution) and promotion - was accepted as basic marketing model for years both by representatives of research and practice. This was a rather "production-oriented" definition of marketing and not a market- or customer-oriented one [1]. Although attempts were made to alter or extend this list of factors with other components s.a. "service", the majority of them failed and within the years marketing came to be separated from other activities of the firm. Analyzing, planning and implementing marketing tasks s.a. market analysis, marketing planning, advertising, sales promotion, sales and pricing were left to "marketing experts" in marketing departments [1].

II. PARADIGM SHIFT IN THE MARKETING APPROACH

Beginning with the 60's, alternative views of marketing emerged first in the service and then in the industrial marketing sectors [2]. Instead of engaging in short-term transaction oriented encounters, companies began to establish long-lasting relationships based on cooperation [3]. There were numerous reasons for this change in attitude, which can be called a "paradigm shift". Environmental factors s.a. increase in affluence, trade and investment liberalization, technological innovations and the information revolution jointly contributed to this paradigm shift. As a result, competition level increased which forced companies to lower costs, increase efficiency and raise the quality of their products and services at a higher speed. The Total Quality Management (TQM) Movement became a major driving force to improve quality and reduce costs, it became necessary to involve suppliers and customers at all levels

of the value chain [4]. The advent of sophisticated computer and telecommunication technologies allowed producers to interact directly with end consumers and the weight of intermediaries became less (5). Service became a major competitive tool and companies began to realize that the customer was an integral part of the marketing and delivery process and that there was the necessity to establish a close relationship with him (2). The aspects of service, political dimensions of channel management and interactions in industrial networks were included in most marketing definitions. Goods and information became the main items of exchange between partners and the study of long-lasting partner relationships turned into an area of interest for many scholars. Relationship building and management developed to become crucial components of the marketing interaction between company and customer

and the field of “relationship marketing” vs. the traditional “transaction marketing” emerged (1). This paradigm shift is illustrated in Fig. 1, which shows the internal and external factors leading to this shift. Pressure on the traditional marketing approach (marked in white) came from outside factors s.a. technological innovation, increase of consumer affluence, trade and investment liberalizations and the information revolution. Also internal pressures forced the traditional marketing approach to change. The urge to lower costs and increase efficiency, the need to improve quality (also in line with the TQM movement) also applied pressure; the traditional company (again in white at the center) moved towards the light grey (or yellow in colour print), dark grey (or orange in colour print) and finally black (or red in colour print) area, representing the relationship marketing approach.



The relationship focus of today is not an entirely new phenomenon. It is considered a rebirth of marketing practices of the preindustrial era in which producers and users were at the same time sellers and buyers and dealt directly with each other to create emotional and structural bonds in their economic marketing behaviour [4]. With the advent of mass production and mass consumption in the industrial era, relationships between sellers and buyers became anonymous. Marketers became more concerned with sales and promotion of goods to absorb their oversupply and less with building relationships [4]. It was not until the post-industrial era, that environmental

factors s.a. competition made a renaissance of relationship marketing inevitable.

III. RELATIONSHIP MARKETING DEFINITION AND VARIABLES

Relationship Marketing has been defined as “an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides through interactive, individualized and value-added contacts over a long period of time” [5]. Grönroos includes interaction with other business partners and the

concept of “profit” and defines Relationship Marketing as a discipline that “is to establish, maintain and enhance relationships with customers and other partners through mutual exchange and fulfilment of promises at a profit, so that the objectives of the parties involved are met” [1].

Main variables of Relationship Marketing include interactivity, long-term perspective, trust and exchange of promises [2]. In fact commitment and trust are essential to the process of building cooperative relationships [6]. The existence of these elements creates a clear difference between the traditional, transaction-oriented approach towards marketing and the new, relationship-oriented paradigm. Whereas the (branded) core product and its exchange against a certain remuneration are the main focus of transaction marketing, the relationship – oriented approach concentrates on developing long-lasting ties with the customers the company gets into contact with. Sheth and Parvatiyar state [4], that competition and self-interest are seen as drivers of value creation by transactional marketers whereas the relationship approach believes in mutual cooperation as key driver of value creation. Also the classical view that independence of choice among marketing actors creates a more efficient system for creating and distributing value is challenged by relationship marketers, which propose interdependence rather than independence [4].

IV. RM PARTIES AND PROCESSES

Intra- and interorganizational relationships with the value chain partners of a firm can be manifold. In most cases, there are not only customers that are part of the relationship, but suppliers, financiers, competitors, company employees and other infrastructural partners as well. They can be with intermediate or ultimate buyers on the one hand and with suppliers on the other hand. Suppliers can be goods or service suppliers of the firm. Varadarajan and Cunningham [7] emphasize, that other possible partners for relationship are internal customers, s.a. different business units, functional departments or employees of the firm. Partners do not necessarily have to be classified according to their position in the value chain or organisation. Another possible classification is “competitors vs. non-competitors”, where competitors can be existing, potential or even indirect competitors and non-competitors all other partners that don’t pose a direct threat to the firm [8]. As seen, partners a company can get into relation with are not only customers, but also other parties; it is therefore more appropriate to talk about “Relationship Management (RM)” instead of “Customer Relationship Marketing” or “Customer Relationship Management”. In the following chapters of this article the term “Relationship Management” will be used in this broad context.

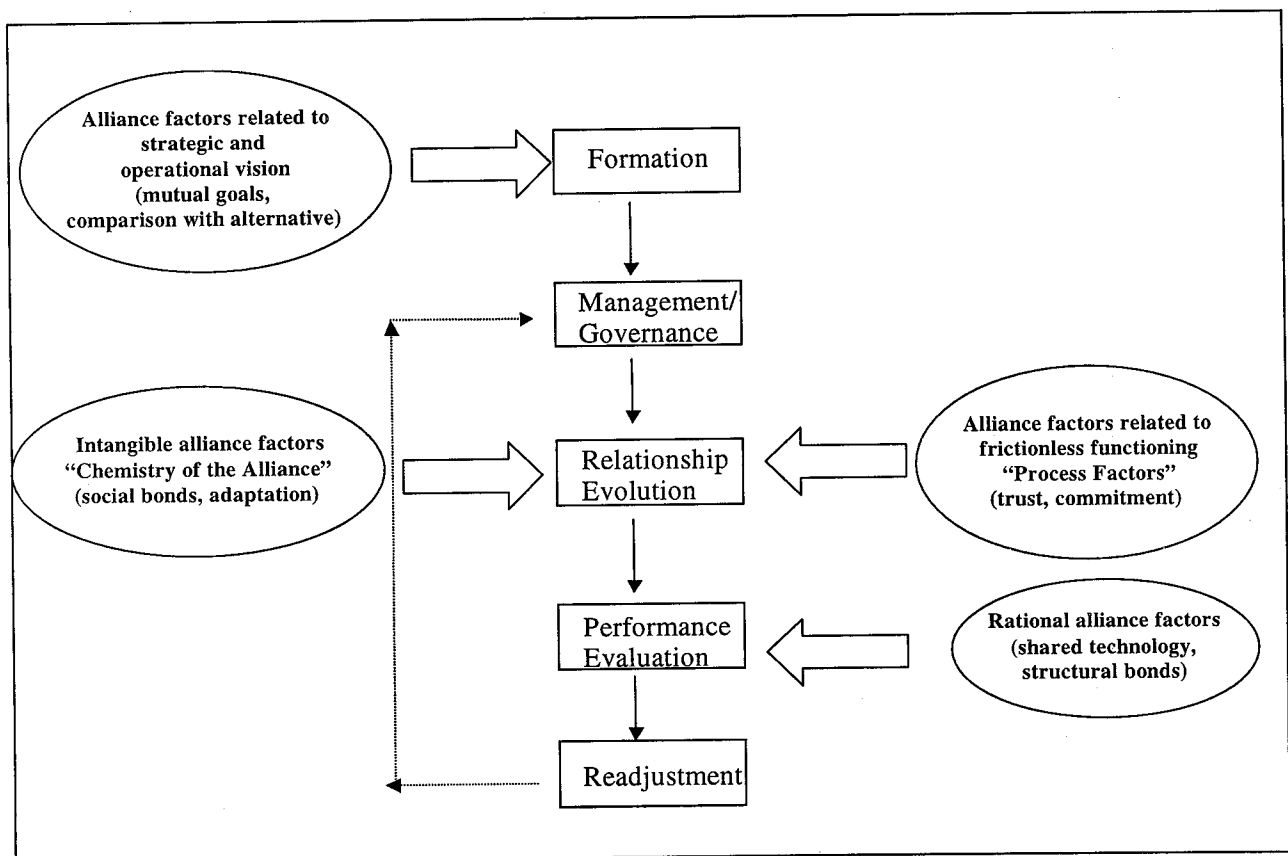


Figure 2: Model of Relationship Management Variables in B2B Environments

Parvatiyar and Sheth [5] divide the RM process into four sub-processes:

The Formation, The Management/ Governance, the Relationship Evolution and the Performance Evaluation Processes. Although it can be said, that the relationship management variables commitment, trust, cooperation, mutual goals, satisfaction, alternative comparison, shared technology, structural and social bonds affect all phases, it is also true that they have different weights in each and every one of these phases. The relative importances of these factors is illustrated in Figure 2.

In the **Formation Process** the *purpose* of the relationship, the *partners (parties)* to be selected and the *relational activity schemes* are determined. The purpose of companies to engage in RM activities can be of operational as well as strategic nature. Operational goals include achieving resource efficiency, increase asset utilization and enhance core competences. Operational purposes are by definition more certain in their expected outcome than strategic purposes, which are long term oriented and the likely outcome is in the future [8]. Strategic goals s.a. entering new markets or developing new products or technologies can also be achieved by engaging in a partner relationship. Other strategic goals can be related to resource extension, risk reduction, skills enhancement [7] or there might be market growth or diversification opportunities for the firm [8]. In true cooperative relationships, a long-term perspective is preferred over short term gains or sacrifices and partners realize that eventually they will have equal rewards [6] In the Formation phase, alliance factors related to strategic and operational vision are of prime importance. The mainly effective variables are the mutual goals both alliance partners have and evaluation of alternative partners.

Careful consideration of these goals lead to the selection of appropriate partners.

The **Management/Governance Process** and the **Relationship Evolution Process** help in the maintenance, development and execution of the relationship and require the intensive involvement of both parties. Developing comprehensive plans, establishing a leadership structure and identifying the contributions of each partner to the relationship are important considerations that researchers on successful alliances stress [9]. In these processes establishing common social bonds is the main relationship management variable. In Figure 2, these factors are stated as "Intangible Alliance Factors", that have a positive contribution to the "Chemistry of the Alliance" and are prerequisites for the development of trust and commitment among the partners. If the social and common bonds are successfully established during the evolution process, adaptation takes place. Parvatiyar and

Sheth [5] emphasize three different programme types that can be developed in a RM approach: Continuity marketing including special supply arrangements, individual marketing programmes with key account management as main tool, and comarketing/partnering programmes that give the two partners the opportunities to do joint marketing and codevelopment. Common bonds between the partners are created through membership benefits, affinity groups and the establishment of on-line communities and contribute to the institutionalization of the relationship between two firms.

The **Performance Evaluation Process** is necessary to measure the RM efforts against set objectives. Comparable to customer satisfaction surveys, it is useful to measure to what extent relationals partners are satisfied with the current relationship, to decide on continuation, modification or termination of the relationship. In this process, the extent to which goals of both partners have been fulfilled is certainly key. The variables determining this sub-processes can be summed up under "Rational Factors", where the structural bonds and the shared technology influence the decision on continuation or termination of the alliance to a large extent.

V. DEFINITION OF STRATEGIC ALLIANCES

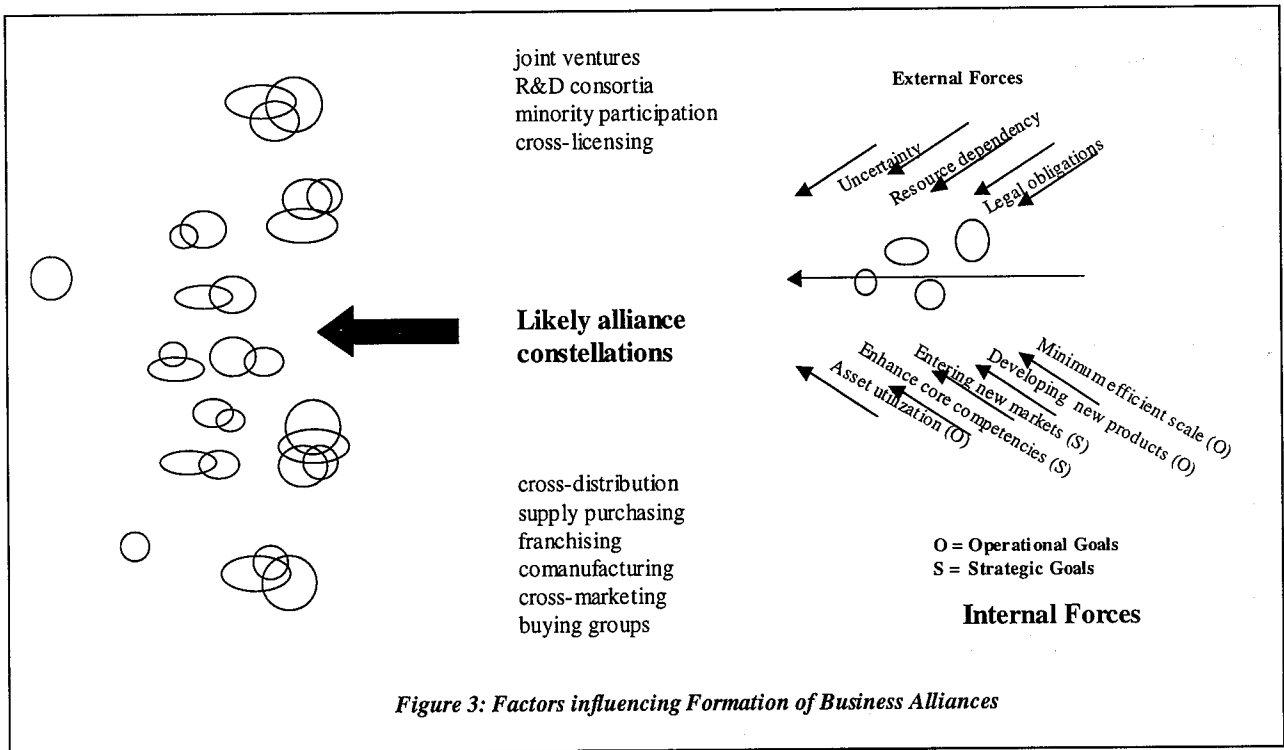
When the scope of the business-to-business relationship is widened to include suppliers, competitors and other stakeholders, the term "Strategic Alliance" is used widely. Also terms as symbiotic marketing, business alliances, strategic partnerships, strategic networks, interorganizational linkages, interfirm cooperation, quasi-integration strategies [7] and joint ventures, R&D consortia, minority participation, cross-licensing, cross-distribution, supply purchasing, franchising, comanufacturing, cross-marketing and buying groups [8] appear in the marketing and management literature. Strategic Alliances are interfirm cooperative arrangements, where the resources and/or structures of independent organizations are used for the accomplishment of individual goals. They are ongoing, formal business relationships and can be made between two or more independent organizations. It can be said, that strategic alliances are the ultimate form of RM in a B2B context. The scope of business alliances ranges from specific functional agreements to full-scale joint ventures an/or consortia [8]. They can be established between firms in the same sector or in complementary sectors. In the former case, a "horizontal strategic alliance" is formed and the strategic alliance is made with a competitor or another firm at the same level in the value chain. Horizontal alliances are formed very often for the purpose of developing new technologies, expanding product portfolios and entering new markets [9]. The set-up in the second case, where supplier-producer relationships are

formed and strengthened, is called a “vertical strategic alliance” [7]. Alliances can also be categorized according to their geographical – whether they are intra- or international - or functional scope. Joint product development, manufacturing or marketing alliances are typical examples of cooperations with functional scope.

VI. MOTIVES OF STRATEGIC ALLIANCES

There are a number of reasons why companies start strategic alliances with other firms (Figure 3). Operational and strategic reasons have already been explained at the beginning of this article in broad terms. Internal and

external motives to engage in RM with another company can be related to the characteristics of the firm itself or due to the industry the firm is operating in. The threat of new entrants or the minimum efficient scale to be present in a particular industry can force the firm to engage in a strategic relationship with another company. There are also factors related to the environment of the firm. Two of the key environmental motives are market uncertainty and resource dependency. The purpose of the alliance and the parties (partners) with which the alliance is built determine the extent to which uncertainty is managed and trust is built up.the company.



There are also factors related to the environment of the firm. Two of the key environmental motives are market uncertainty and resource dependency. The purpose of the alliance and the parties (partners) with which the alliance is built determine the extent to which uncertainty is managed and trust is built up. Naturally, a business alliance formed with operational purposes will be more certain than a strategic one; and an alliance established with a non-competitor will create more mutual trust than a relationship with a competitor [8]. alliances with partners with which they have greater interdependence [9]. Resources, whether they are technology, markets, complementary research or production resources, financing, human skills or competency resources, have a strategic role in

relationships [6] Only few organizations are self-sufficient with respect to the resources they need to sustain their existence in uncertain and volatile market environments. The formation of strategic alliances is one means to reduce uncertainty and manage dependence (7)

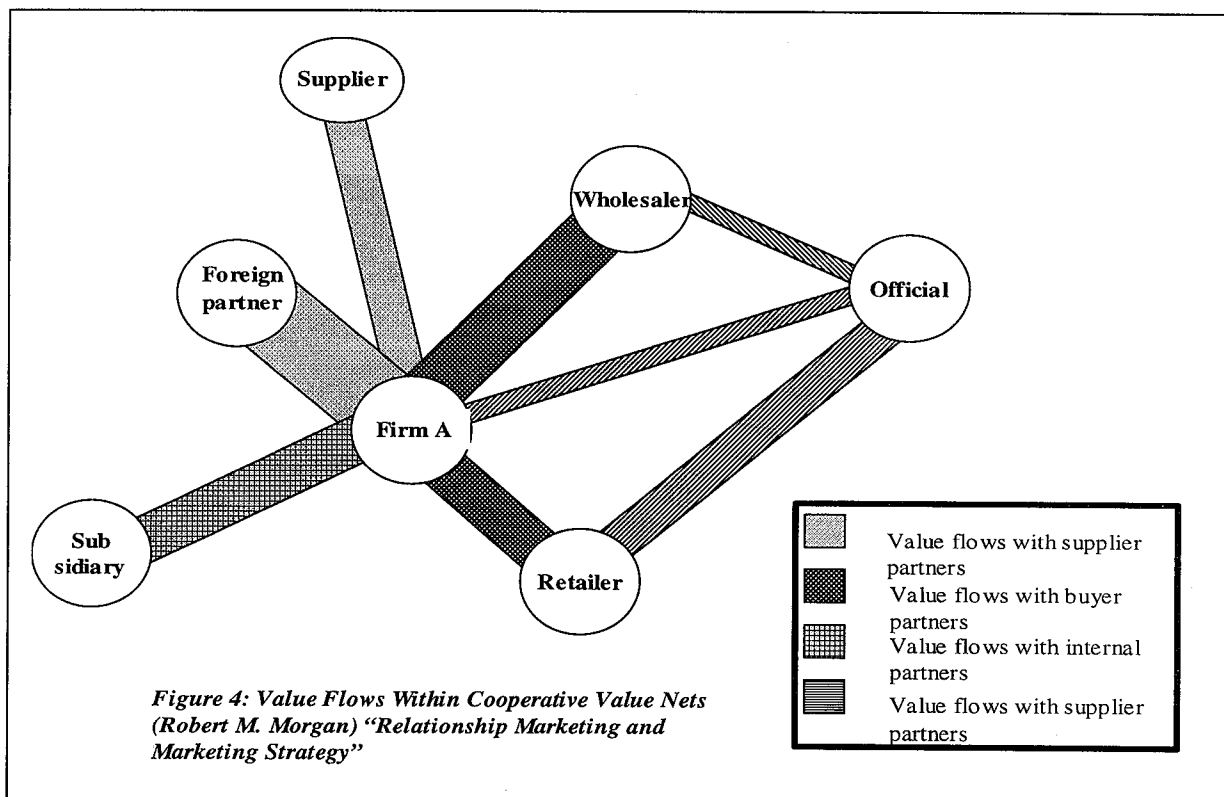
Morgan (6) claims, that there are three contents of relationships in business alliances: The economic, the resource and the social content. A relationship which is attractive economically for both partners has the highest chance of having a successful start up. During the lifetime of the alliance, sustaining a profitable relationship becomes more advantageous for both partners and the cost of terminating the

alliance becomes more expensive. In the phases of RM, the relative importance of the RM variables in the various sub-processes of a relationship had been emphasized. The fulfillment of strategic and operational goals is an important variable, but not the only one. The second content next to the economic perspective in a business relationship is the resource content between organizations that exchange or complement resources. Both are necessary but insufficient conditions for effective cooperation in business relationships. They do create commitment to the relationship, but it is the social content that builds trust among the alliance partners. When partners share values and cultures and have similar attitudes, beliefs and goals, they establish a basis for commitment to develop. Compatibility in managerial and organizational styles, operating environments and personal characteristics of school members of both partners play major roles in this context (6).

to deliver superior performance and value to the customer. It can be said, that it is the alliance's strategic role create superior customer value (9). In order to achieve this, the various value-adding activities within a firm s.a. logistics, marketing and sales, procurement, human resources and their sound interaction with each other have an elementary role. Next to the interaction of internal business functions, also the relationship with outside firms is of prime importance in delivering superior value to customers. Many firms establish relationship alliances with more than one business partner and create a "relationship network", with the organization serving as "network coordinator". Within the network not every relationship has to be equal in intimacy and strength. In Fig. 3 various types of firms interacting with the hypothetic example of Firm A are shown (6). Close cooperative relationships are indicated by short linkages and weaker relationships by longer linkages. The width of the linkages indicates the volume of transfer occurring between the two companies.

VII. RELATIONSHIP NETWORKS

The ultimate goal of a firm engaging in relationship management or forming business alliances is



VIII. CONCLUSION

Relationship Management is seen today as the new paradigm especially in strategic partnerships, where the rather production-oriented approach of the 4 P's is not sufficient anymore. The main RM variables are commitment, trust, cooperation, mutual goals, satisfaction, alternative comparison, shared technology, structural and social bonds. They have differing weights in the sub-processes of RM. Relationships are not only important in consumer marketing, but also in business-to-business environments. One of the many constellations that a relationship-oriented approach in interfirm relationships can take are strategic alliances, which are formed on basis of operational and strategic goals. Strategic alliances are dynamic and evolutionary organisms. In fact, many researchers indicate that alliances are ongoing processes rather than outcomes (9). Relationships that have been established with certain operational and strategic goals in the minds of all related business partners, can mutate into different forms during the management and evolution processes of the alliance. At the end of a certain time frame the performance and success of the alliance is evaluated and measured against predetermined objectives. Following evaluation, alliances that have been formed to fulfill operational goals can evolve into a strategic joint venture. An example for this are competitor alliances, that begin to behave like non-competitor alliances as trust increases and uncertainty decreases in the relationship. The dissolution of the alliance can be another consequence. Whatever the outcome is, alliances offer an opportunity for learning and organizational improvement for all relationship partners.

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