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Roger Palmer,

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The transaction-relational continuum: conceptually elegant but empirically denied

Roger Palmer

Henley Management College, Henley-on-Thames, UK

Abstract

Purpose – This paper aims to investigate the trend and/or paradigm shift to relationship marketing as a dominant framework that has shaped the way in which relationships are understood, and also to consider how the understanding of relationships can be improved.

Design/methodology/approach – A case-based study was conducted in order to examine issues concerning relationships. A series of constructs was elicited from the relationship marketing literature to be used as the basis for this study.

Findings – Relationship development is explained by stages or state theory, whereby relationships develop over time or simply emerge. Confirmation is offered to the states theory, which suggests that relationships are relatively static and develop in less well-defined ways.

Research limitations/implications – This study is limited in scope, bounded by the context of the cases, which were limited to business-to-business suppliers of manufactured industrial goods.

Practical implications – Managers should be cautious of attempting to tactically change relationships as in practice this is more challenging than continuum-based models would imply.

Originality/value – Continuum models imply that the process is one of tactical implementation rather than strategic redirection. This is not confirmed by the research, which provides an alternative model to understand and manage relationships.

Keywords Transactional analysis, Relationship marketing, Business-to-business marketing, Case studies

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

Introduction

It is well established that in business-to-business marketing different types of relationships occur (Morris *et al.*, 1998). Academics have invested substantial effort into understanding and characterising these various types of relationships (Young and Wilkinson, 1997; Leek *et al.*, 2002). While business-to-business marketing is itself distinctive from the marketing of fast-moving consumer goods, all of these different types of marketing have been subsumed into an overarching discussion concerning relationship marketing (Sheth and Parvatiyar, 2000).

In practice most sellers will need to deal with a range of buyers and will therefore have to adopt a range of different styles in order to meet the needs of their customers. Coviello *et al.* (2003) demonstrate a typology of different marketing styles and suggest ways in which this could relate to the different needs of buyers. This body of work also demonstrates that certain of these types of relationship can be regarded as incremental, with one leading to another, whilst other types are incompatible with one another and unlikely to be found within the same contextual circumstances.

In their review of relationship models Leek *et al.* (2005) found wide variation between models in terms of the number and nature of variables, relationship categories postulated and recommendations for management arising. They comment that “the desired outcome of any portfolio model is to enable management to determine a strategy for improving the business”. They note that most of this work is normative with researchers defining and interpreting variables and categories, but that relatively little empirical research has been conducted.

This paper addresses two main areas. First, the trend and/or paradigm shift to relationship marketing as a dominant framework and how this has shaped the way in which relationships are understood, second, how the understanding of relationships can be improved. An inductive study has been conducted to add to the body of empirical findings and respond to the areas noted. The paper starts by briefly reviewing the literature on relationship marketing, then considers the ways that relationships are characterised, and discusses two contrasting theories underlying relationship formation within the context of marketing practice.

Emergence and understanding of relationship marketing

From the first acknowledged use of the term “relationship marketing” in 1983 by Berry (Christopher *et al.*, 1991), its subsequent development can be grounded in a number of schools of thought. These are generally taken to be the IMP group, the Nordic School of Services, the Anglo-Australian approach and the American approach (Gummesson *et al.*, 1997; Sheth and Parvatiyar, 2000), together with permutations around these core themes (e.g. Brodie *et al.*, 1997; Rao and Perry, 2002). These have been extensively reviewed, discussed and characterised in the literature.

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This considerable body of work, and increased attention and focus to the role of relationships in marketing, has led to this being described as a paradigm shift from a transactional to relational style of marketing (Kotler, 1991; Grönroos, 1994; Aijo, 1996). The application of the paradigm concept to relationship marketing is one that is questioned by many researchers (Millman, 1993; Palmer, 1996; Coviello *et al.*, 1997; Hunt and Morgan, 1997; Rao and Perry, 2002). However the idea is well entrenched (Kotler, 1991; Grönroos, 1994; Aijo, 1996) and is increasingly regarded as axiomatic, as it is now perpetuated in some mainstream business-to-business textbooks. For example Hutt and Speh (2004, p. 92, author's emphasis) in the eighth edition of their well-known text say that:

The *new era* of business marketing is built upon effective relationship management.

Issues such as technology, globalisation, increasing competition, supply to demand led shift and industry rationalisation may well affect the way that such relationships are managed (Webster, 1992; Doyle, 1995; Aijo, 1996; Brookes and Palmer, 2004) and suggest that we should continue to seek new ways of understanding relationships and how they should be managed.

The characterisation of relationships

While Berry (1983) formally introduced the concept of relationship marketing, around the same time Jackson (1985) proposed a continuum of relationships spanning transactional to relational; a theme consistent among a number of researchers (e.g. Day, 1990; Grönroos, 1990; Fontenot and Wilson, 1997). The continuum of relationships has implications for buyers and sellers involved in managing such relationships (Hutt and Speh, 2004), and the framework can be enriched to improve understanding (Anderson and Narus, 1999).

Implicit within such models that represent different relationship styles along a continuum, is that if one style can be adapted or modified to achieve another then this will involve the passage of time. Young and Wilkinson (1997) raise questions concerning the type of transition or process stages that govern this, some answers are suggested by Van de Ven (1992), Brennan and Turnbull (1999) and Canning and Hanmer-Lloyd (2002) in their discussions of supplier/customer relationships and adaptation processes.

Rao and Perry (2002) note the temporal distinction between transaction and relationship marketing: "the duration of the exchange relationship is a core element in distinguishing the two". This would suggest that the longer the relationship has existed between a buyer and supplier then the more opportunities have existed to develop a higher "quality" of relationship. The quality of the relationship is involved with the development of structural and personal bonds (Johanson and Mattsson, 1987; Pelton *et al.*, 1997). Kumar *et al.* (1995) characterise relationship quality as encompassing conflict, trust, commitment, willingness to invest in the relationship and the expectation of continuity. However, they found that the length of a relationship does not correlate with relationship quality, and that it is procedural fairness that is the critical determinant of relationship quality. Whilst the length of the relationship may be a core element

(Rao and Perry, 2002) in distinguishing it as being relational in nature, it is by no means the only one.

Relationship development

When discussing such tools with practitioners personal experience suggests that they draw a number of conclusions:

- That a more advanced or progressive style of relationship is in some way "better" than a lower order relationship.
- That by implementing relationship practices it is possible to move from one position on a continuum (however it may be expressed) to another, and as a consequence "improve" the quality of the relationship.

However, such conclusions must be questioned, ignoring as they do the needs and requirements of the buyer and the abilities and characteristics of the seller. Pels *et al.* (2000) capture this in their conceptual model of buyer/seller interaction and the potential problems of a mismatch in relationship styles. Young and Wilkinson (1997) note the practical difficulties associated with investigating, in particular, unsatisfactory relationships in order to understand the factors that contribute to relationship development. In fact, Young and Wilkinson (1997) question whether it is possible to develop relationships in an incremental way. Perhaps sometimes relationships are neither "good" nor "bad" but are just what they are, and as such are relatively immutable and incapable of being substantially changed.

Rao and Perry (2002) discuss this further in their reflections on the current state of developments in relationship marketing. They suggest two possible explanations for relationship development: stages theory and states theory. Stages theory conforms to the development of relationships in an evolutionary, processual manner over time. Rao and Perry (2002) note that this has wide support within the literature (Ford, 1997; Van de Ven, 1992; Canning and Hanmer-Lloyd, 2002). There are also criticisms as to the appropriateness of this theory, in particular with regard to the sequential and incremental nature of relationship development that is suggested (Quinn and Cameron, 1983). By contrast states theory proposes that relationship development is highly complex and unpredictable and that relationships can improve or deteriorate over time or remain static, but do not conform to a type of processual model that can be managed from a practitioner perspective to improve the "quality" of the relationship. Rao and Perry (2002) suggest that the contextual circumstances prevailing influence the nature of the relationship.

A midway point could also be proposed, a stages-within-a-state argument. Anderson and Narus (1999) discuss the concept of "bandwidth", proposing that at a point along a transactional/relational continuum an industry or firm will exhibit a span or bandwidth of relationship behaviour constrained by the contextual characteristics of the industry and the firm. Canning and Hanmer-Lloyd (2002) note that whilst relationships within business-to-business markets are frequently long-term and interactive, the nature of the relationship sets the context, frame of reference and rules and norms of behaviour. Whilst managers on behalf of the buyer or seller might seek to change the nature of the relationship, such change can only take place by agreement between both parties and in practice is limited by the

contextual characteristics associated with the industry and the firm. It is argued that managers do not act altruistically to improve relationships (Blois, 2005), but are self-interested and will adopt relationship styles that meet their objectives but limit the extent to which the relationship can diverge.

The research discussed below has been conducted within clearly defined contextual circumstances and considers how best the relationships investigated may be described. In particular the research considers whether relationships can be described and explained by continuous variables spanning the transactional/relational continuum, and whether this suggests that relationships can be incrementally improved or not.

Research design and methodology

Research strategy

The paradigm adopted with respect to this research project is that of realism. The realist approach emphasises the understanding of underlying structures and mechanisms and operates through a retroductive research strategy (Bhaskar, 1975; Blaikie, 1993). This involves the construction of theoretical models as a way of approximating the real structures and mechanisms that govern events. Hence in this way knowledge is generated through a process of iteration as inductive and deductive strategies build greater understanding. This leads to ongoing description and then explanation that is progressively revealed.

Miles and Huberman (1994) discuss the issue of induction and deduction which they refer to as “theory first or theory later”. That is to say the way research proceed from the basis of theory and then sets out to test the theory, or is theory free and generates facts and insights that can then be constructed into a theory. Induction involves impartial observation of the facts from which theory is then derived, whilst deduction starts from the basis of theory and then forms hypotheses from which theory is tested. In practice there is an interchange between these two approaches which is represented by the retroductive strategy used. The start point for this research is a series of constructs elicited from the literature, representing the deductive element of the process. These are then inductively tested to arrive at a more complete or alternative explanation of the phenomenon.

Methodology

A case-based study was conducted in order to examine issues concerning relationships. A series of constructs was elicited from the relationship marketing literature to be used as the basis for this study. The constructs were derived from each of the sources discussed briefly below, and are included as Table I:

- 1 *Literature review*. A comparative analysis between transaction marketing and the major schools of relationship marketing:
 - the IMP Tradition;
 - the Nordic Services School; and
 - the Anglo-Australian Approach.
- 2 *The work of Brodie et al. (1997)*. Their work developed a series of relational and management dimensions that describe marketing practice. During the course of their work they provided an empirical test of the axioms or propositions of relationship marketing proposed by Grönroos (1995). They also conducted additional

analysis on their data and elicited three further propositions. The sources used therefore are:

- relational and management dimensions;
- propositions of relationship marketing from Grönroos (1995); and
- additional propositions derived by Brodie *et al.*, relating to internal marketing, information management and cost/benefit analysis.

Definitions of each construct were developed in order to ascribe meaning and achieve abstraction. Considerable effort was taken to balance the need to capture meaning and at the same time to achieve sensible parsimony of constructs, recognising that the constructs would then be validated further during the analytical process. Each construct is supported by various elements of the data, providing triangulation of sources. Finally, the constructs together with their polar definitions are demonstrated (Table I).

An iterative, comparative process of analytic induction was undertaken to reduce the data from these sources to a series of constructs that summarise an overarching perspective of relationship marketing. Through the various iterations, the source data was examined to determine if similarities were sufficient that a common construct could be allocated across the various sources of data. Each case was reviewed against the series of constructs, together with comparison and iteration between and across cases in order to arrive at a parsimonious yet rigorous understanding (Miles and Huberman, 1994).

Validity and reliability

The series of constructs captures an abstracted, objective meaning that may be defined and then labelled as transactional or relational. A construct is a vehicle to generate further insight and understanding through the research process. Therefore in deriving this series of constructs objective meaning is ascribed to what may be subjective actions; the research process will modify and eventually validate the construct.

The social world has as its basis the narrative accounts that actors give of their activities (Hirschman, 1986; Bryman, 1988). The constructs assist in interpreting these actions to generate descriptions and explanations. The researcher applies meaning to actions whether or not the actor was conscious at that level of their action. Weber (1964) refers to this as systematising by classification. Both Weber (1964) and Schutz (1963) acknowledge this imputation of consciousness related to possibly unconscious actions, but acknowledge that this assumption of the state of awareness is necessary to enable the construct to be developed as it moves from subjective to objective meaning.

The implication of this with respect to this research project is that relationship marketing, as defined by the constructs, is in effect a series of labels given to a set of actions and behaviours that are then classified. However the independent actor carrying out these actions and behaviours may not be consciously aware that this constitutes what the researcher chooses to call relationship marketing. A construct therefore reflects an idealised view of the action or behaviour that removes subjective meaning and replaces this with objective meaning.

Table I Transactional/relational constructs

Construct	Transactional pole	Relational pole
Focus – The basis underlying the marketing activity of the organisation. Primarily transactional, relationship, services or value driven	Completion of the sale Maintain/improve volume	Improve volume Customer satisfaction achieved Value created
Time frame – Has the relationship with the customer endured, or is it intended to endure for a short or long time	Discrete transactions Deal focused Short trading history	Ongoing relationship Continuing transactions Long trading history
Targets – What are the markets identified or addressed through the actions of the firm? This would include the customer market, perhaps also suppliers, internal market, influence groups, etc. or maintenance of the relationship and network itself	Primarily or exclusively customer market oriented	Identify a number of markets Commit resources to these markets
Structure – The organisational structure and work flow or processes within the firm	Hierarchical Functional authority and status important	De-layered organisation Authority devolved Team based Important processes identified
Quality – Actions taken by the firm to improve or develop technology/ product quality, improve value by reducing cost of ownership	No quality measures No employee training Separate QC function	Product and service quality measures Employee involvement and training Quality information and reporting used
Measures – Ways in which the outcome of the relationship process is assessed. This would include financial and non-financial measures	Success measured by sales revenue, product volume and market share Sales bonus structure volume related	Service and quality levels measured Regular customer satisfaction surveys Customer-related measures used as basis for bonus, etc.
Criteria – Information concerning customers which is used to make strategic decisions	Previous sales history Assessment of likelihood of repurchase potential New customer focus	Customer information system Key customer value identified and monitored Customer plans known
Intangibles – Activities and commitments made to improve intangible and time related aspects of the product offering	No complaints handling procedure Delivery and other service standards not monitored	Service recovery procedures Complaints and inquiry review process Service standards measure
Customisation – The extent to which the product offering is different or unique for individual customers	One standard product offering Little customisation to specific requirements	Product and service flexible to meet individual customer requirements

(continued)

Construct	Transactional pole	Relational pole
Infoprocess – The extent to which information is available, timely and relevant for decision-making purposes. The investment made in information systems to improve the adequacy of information	Management information financial/product orientated Little or no customer information available for marketing purposes	Effective marketing and customer information system Easily accessed by a range of employees Used for decision making Used for customer contact management
Decision Involvement Unit (DIU) – The parties or firms involved in the relationship between and perhaps beyond the supplying firm and the buyer	Few people involved Little senior management contact Mainly sales/purchasing contact	Multiple contacts Senior management involvement Cross-functional contact
Interface – The extent to which the relationship is discrete or continuous and extended over a short or long time period	Infrequent contact Formal meetings Product/technical focused discussions	High level of informal contact Frequent contact Extensive sharing of information
DIU quality – The intimacy of the relationship, whether it is arms-length or personal and face to face and the degree of trust and commitment which exists	Impersonal Competitive Low levels of trust and commitment	High-level of mutual respect Strong personal relationships High commitment to maintenance of the relationship
Communication – The nature of the communication, whether it occurs in discrete episodes or continuously and the degree to which it is formal	Communication informal and infrequent Level of contact related to the stage of negotiation	Regular, frequent contact at a wide range of levels Commitment freely given, responsibility readily accepted
Power – The degree to which power is recognised and used in the relationship	Win/lose style Highly competitive	Mutually seeking to generate value and satisfaction
Decision driver – The element(s) of the relationship and exchange which are most important in driving strategic decisions	Price And contractual fulfilment Penalty and escape clauses	Shared benefits Strengthened competitive position
Exchange – The actual basis of exchange to include physical product, services, warranties, reputation and other intangibles. That which the firm considers to be present and necessary for the relationship	Physical product or discrete service focus Formal contracts Written specifications	Product and service integrated No formal agreement Trust and openness
Level – The seniority and function of those involved in relationships and not just decisions	Mainly at the same functional level Senior management involvement dependent on the size of deal, problems arising, etc.	Contact at all levels Senior managers proactive and responsive Contact details known and used at all levels

From the realist perspective, the test of validity that applies is whether or not a construct adequately represents the underlying mechanism that explains the phenomenon. Rex (1974) takes this discussion further and refers to this as verification, which he defines as an applicable explanation in controlled and fully ascertainable circumstances. Miles and Huberman (1994) use the terms confirmability and validity interchangeably in their text on qualitative data analysis, they readily acknowledge that they borrow liberally and pragmatically from a range of philosophical perspectives. Their text is also heavily focused to the analysis of case study material, and discusses how to distinguish between “interesting stories” and “truth and utility” (Miles and Huberman, 1994) by the processes of confirmation and validation.

Care must be taken to carefully define the criteria by which “truth and utility” will be differentiated from “stories” so that the unique advantage of the case study method, to consider the phenomenon within context, is not dissipated by inappropriate confirmation/validation criteria.

Therefore in this research alternative data sources have been used and the principles of triangulation have been practiced (Jick, 1979; Hirschman, 1986; Bryman, 1988; Blaikie, 1993; Silverman, 1993). However the interpretation of the data has been made bearing in mind that agreement is not the same as reliability and is not the same as validity. Rigor in the research process is demonstrated through:

- Process development (Yin, 1994; Easton, 1995) – process of research managed and recorded.
- Respondent check (Guba and Lincoln, 1989) – various members of the management teams have reviewed the case material and outputs.
- Use of serendipitous findings (Eisenhardt, 1989) – every opportunity has been taken to gather information and analyze in various ways to develop insight.
- Trail of evidence (Miles and Huberman, 1994; Yin, 1994; Hirschman, 1986) – all data are catalogued and referenced for third party scrutiny using a qualitative analysis software tool. Hard copy has also been retained.
- Iterative approach to use of theory (Bonoma, 1985; Blaikie, 1993; Easton, 1995) – the results are developed and informed by the data.
- Objectivity/confirmability (Rose, 1982; Hirschman, 1986) – appropriate parts of the research have been presented for peer group comment and feedback.

Denzin (1988) proposes that the research should make sense to the writer, significant others and the public. Verification is therefore provided by a description of the methodology and validation procedures together with a selective presentation of the data. Respondents from each of the case co-operators were asked to review the findings and comment on the work whilst in progress. Each co-operator received a full briefing at the conclusion of the study. As Hirschman (1986) comments ultimately research is either believed or not, particularly so with qualitative work, and whilst this work is qualitative in nature, numbers do not necessarily make research better simply different.

Case selection, data gathering and analysis

The selection of case study subjects and design of the research was in accordance with the principles outlined by Yin (1994). A multiple case study approach was adopted, as the cases were similar and likely to give similar results, a process of literal

replication. In each case the company is a manufacturer of primary products that are used by other business-to-business firms for incorporation into their own products. Each company is therefore positioned at the upper end of the supply chain and is involved exclusively in business-to-business relationships. The products that each company supplies are incorporated as component parts into their customers products, at inclusion rates by value of between 2 to 5 per cent. These businesses and the industries in which they operate are mature, stable and have a long trading history with their customers. The industries are largely rationalised and dyad members have a limited choice set of potential trading partners. There are strong market influences at the micro-level, specifically supply and demand, and at the macro-level with regard to the influence of the external business and regulatory environment and the influence of end-user demand.

When arranging access the information gained from the literature review was used to describe the context of the study. This was in order to agree with the key respondents in the organisation that the subject company was appropriate. It was interesting that when this was discussed managers readily identified with the material. The study was conducted on an international basis, each of the co-operators operates pan-regionally or globally, and interviews were conducted in North America and around Europe. The companies involved in the study were either British or North American, exhibiting the high individualism associated with such cultures (Hofstede, 2001). The majority of respondents were American, British or western European. Details of case study co-operators are summarised in Table II.

The researcher has worked with these companies for between 18 months and four years on a range of assignments including management development and consultancy projects with ongoing, free access to board members and senior executives. Interviews were conducted by the researcher using a semi structured interview guide derived from the constructs. A variety of data sources were used:

- *Personal interviews* – with a total of 58 managers across the three cases.
- *Company records* – including business plans, e-mail records, internal documents such as newsletters, briefing documents and presentations.
- *Focus groups* – various focus groups were conducted in the early stages of the research to gain an indication of industry and company issues, terminology and sentiment.
- *Industry review* – in each case the industry was reviewed to gain an understanding of structure, trends, etc.
- *Observation* – the researcher attended a number of company meeting, briefings, etc. as a non-participant observer.

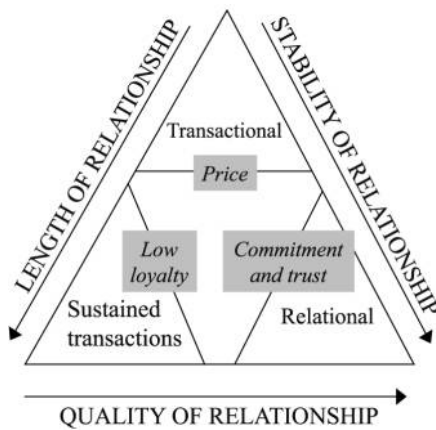
In preparation for analysis all interview tape recordings were transcribed, this and other data were subsequently coded. A qualitative analysis software tool, Non-numerical Unstructured Data Indexing Searching and Theorising (NUD.IST) version 4, was used to manage the analysis process and to enable data from all the sources to be coded and compared. NUD.IST offers a comprehensive range of facilities for analysis, including coding and memoing with the opportunity to change and adapt the coding structure and introduce new codes as analysis proceeds (LoPresti, 1997). It also provides an audit trail for review and verification of the process.

NUD.IST was used primarily as a data management and processing tool. Coding structures were entered into the program, based on the constructs noted in Figure 1, and used

Table II Case study subjects

	Du Pont	Pilkington	Belmay
SBU	Polyester Films Division	Pilkington Products Europe	Belmay Inc., NY Belmay Ltd UK
Products/markets	Polyester film for food and other packaging applications. Global customer base, primarily US and Europe	Glass for architectural and building purposes. Western, Central and eastern Europe, Middle East	Flavour and fragrance products for inclusion in a wide range of further manufactured products, notably candles and carbonated soft drinks
Location	Wilmington, USA. Teesside, UK, Luxembourg, with additional manufacturing facilities in the US and Europe	St Helens, UK head office. Offices and manufacturing facilities throughout Europe	New York, USA head office. Northampton UK, offices, manufacturing facilities and agents around the world
Number of interviews	14	24	10
Nationality of interviewees	English, American, French	English, French, German, Swedish, Polish, Belgian	English, American, Chinese

Figure 1 Relationship model



as the basis for analysis and subsequent specification and compilation of reports. A field notebook was used to record emerging thoughts and ideas, with the added advantage that it provides an immediately accessible trail of evidence. Other data, company reports, etc., were also entered into the system; some were analysed manually.

The analysis process starts by using the coding frame, based on the constructs, to allocate “portions” of the raw data to each code. These portions are referred to as text units. Text units are the coded elements that the software program uses as units within the database system. Various reporting systems are available that enable text units to be retrieved for further work.

The analytical techniques proposed by Miles and Huberman (1994) were used, an iterative process as the data are reduced and then displayed to demonstrate linkages and relationships prior to drawing conclusions. Iteration occurred within and between cases in order to move from description to explanation and finally generalisation.

Data reduction refers to the process whereby field notes and transcriptions are condensed into an organised form. As Miles and Huberman (1994) point out data reduction actually starts prior to data collection, as decisions must be made about the available resource and the most appropriate sources of data. This in itself bounds the quality and quantity of data that will be collected. Data reduction is part of the analytic process as

is coding, memo writing and the search for underlying themes as the data are processed.

Analytical techniques included partitioning of the data and the development of lists and clusters together with counting to elicit patterns and themes from the data. Data displays using tables and diagrams were developed to demonstrate and explain the relationship between constructs. In this way data are compressed but the linkages and relationships can be easily understood.

Results

The theoretical model is demonstrated in Figure 1. Rather than a spectrum of relationships styles this demonstrates three distinct and much more discrete styles of relationship – transactional, sustained transactional and relational. The model demonstrates the primary distinguishing characteristics of the relationships that were elicited. These are differentiated along three axes. The temporal element is represented by length of relationship. The quality of relationship, that is to say the degree to which the trust and commitment exist, and the stability of the relationship the extent to which the likelihood of a relationship will continue or indeed improve.

These different types of relationships are presented in the model as discrete and distinct. This suggests that they are not continuous with a stepless transition from one style to another, conforming to the states or stages-within-a-state argument. Selective evidence to support each component of the model is discussed below.

Transactions

Belmay are suppliers of components that are used at relatively low levels of inclusion and for which there is a high degree of substitutability. Many of their clients are large, international manufacturing companies. They are increasingly finding that what were regular, repeat orders are now disaggregating into separate transactions whereby each order is treated on a similar competitive basis as this quotation illustrates:

... the business has changed at Belmay whereas, as you say, in the bulk business repeat, you know, okay this customers going to come in, place an order every two weeks ... Now the patterns changed, we pick up a lot of the smaller business, I'm not too sure it's a repeat business ...

Within such transactions the overt use of power is also evident, suggesting that as the imbalance of power increases so relationships can become increasingly transactional. In their study of marketing practice within a food supply chain evidence from Lindgreen *et al.* (2005) would agree with this finding where, as buying power aggregated through the chain, in this case with respect to retailers, increased pressure on price and other negotiable factors resulted. This also suggests that the longer the trading relationship the more potential opportunity exists, for the buyer in this case, to lever advantage. Whilst this might contradict the perceived linkage between length and quality of relationship as Blois (2005) notes “firms are essentially self interested ...” with the corollary that adopting a relational style may be a tool to pursue that self interest. The use of power may be overt, as this quotation illustrates:

... the X company were most needy people, so demanding, and the thing that killed me when she was talking about it was how aware and conscious they are of what they're doing to their fragrance suppliers. Taking, take, take, take, take, they know it, it's a plan and they train their people to do it and we allow it. You know we bend over – how far? Okay, a little further, no problem.

As Blois (2005) notes circumstances may change and customers who have previously benefited from enduring relationships may seek to break them in pursuit of other benefits, particularly lower prices. Within this framework transactional relationships are typified by the primacy of price at the supplier/buyer interface.

Sustained transactional

Pilkington offers an illustration of the sustained transactional style of relationship. There are different contextual circumstances in this industry. An important characteristic of glass manufacturing is the need to sell a consistently large proportion of the output due to the continuous nature of the manufacturing process and the high fixed cost base. With a high fixed cost base, high barriers to entry and exit and long-term production planning necessary glass manufacturers now operate on a global scale. In the automotive sector for example, half the global market for glass, there are five major international manufacturers supplying only a dozen major automotive producers. The power imbalance is markedly less, and there is a lack of choice for both buyers and suppliers. Overcapacity and low profitability in both the automotive and architectural sectors encourages a price-led approach characteristic of transactional relationships, and, despite a degree of mutual dependency low levels of loyalty, as these selective quotations demonstrate:

Loyalty usually stretches to 1p a metre base. In my experience of selling in Europe – a loyal customer is one who will come back to you and say you are going to lose the business but he will still take it away from you if you are not prepared to lead on price. Or you have just missed it and he tells you so. But that is about as far as it goes.

Glass output is constant and relatively fixed due to the nature of the production process, whilst demand from the automotive and architectural sectors fluctuates. This leads to the occasional “feast or famine” for glass with consequent opportunistic behaviour evident. However such short-termism may be seen as counterproductive if the company wishes to develop its style of relationship from that which traditionally prevails:

I am not sure that we have got it right – and that we will live to regret the aggressive opportunism that is being pursued at the moment ... let's not simply pursue the traditional approach.

Such behaviour mitigates the development of trust, and leads to retaliatory responses. While Pilkington have been trading with some customers for decades, such long-term relationships are not relational in nature, as Kumar (2005) comments in a different context, but which is nonetheless relevant to this example, “the nature of the underlying commitment is calculative commitment in the sense that the firms have to continue to do business with each other”.

Some of the interviewees in Pilkington identified that it may be appropriate to consider how to augment the overtly transactional style of relationships. They recognise that whilst commitment may exist, relationships are not underpinned by trust and that relational benefits may be achievable by strengthening the quality of the relationship:

I think, actually, one of the benefits that we – or one of the areas where I see value added coming from Pilkington is in the relationships that we have with our customers. And how we need to change those relationships from the kind of almost – if it is not a contradiction in terms – sustained *ad hoc* relationship, by which I mean we have long standing relationships with many of our customers but they are pretty much *ad hoc*. Any single aspect could break that relationship.

From this it can be seen that some of the interviewees in Pilkington identified that a relational style of interaction may be more appropriate for some clients in the future. They characterise this as a key account management approach:

And, therefore there is a need for a cultural change. Which is one of the reasons and I have no apologies for it, why we started the Key Account Management programme before we started (i.e. implemented) key account management ... but I actually believe that the kind of approach that is almost inherent within relationship marketing and customer relationship management and key account management is what we ought to be focusing our attention on today.

Relational

Pilkington identified the importance of what they termed cultural change within the organisation, suggested by the previous quotation. Du Pont have addressed this issue of changing relationship styles and understand that there is a strong contrast between the sustained transactional and relational styles of supplier/buyer interface as these quotations illustrate.

Sustained transactional

... the difficulty for some of the account managers is we've had to this year ask them to go back to some of those low rank customers and people that we let go during the shortage and say come and get some more business because we need it.

... And we behaved badly as well of course because when it's in shortage we put the price up, so it's a two way win and perhaps maybe being the prostitutes now, we want everybody to be our friend.

Here is an example of the calculative commitment referred to by Kumar (2005), with the supply demand balance, or feast and famine factor referred to above, influencing the attitude of the seller.

Relational

... we're focused on the speciality growth and our presence and long term relationship with the food companies, again going back to calling throughout the value chain, has put us in good stead to be able to deliver on that.

... I guess we used to have fairly fragmented contact with them, we've now changed the structure ... now there's a consistency of technical contact and through that we've got closer with the technical people ... we're running new development trials and so on, looking at different types of film ... we get good feedback from them on how they see the market ... we try and keep them up to date with new product development.

This change is to the extent that Du Pont have substantially amended the way they approach certain of their customers. This policy was based on a segmentation study conducted throughout the supply chain to identify customers and customers of customers who would be amenable to a relational approach. They now work in a very different way with and through their customers, recognising the need to work as part of a network. In effect Du Pont have acted to investigate and actively develop a network by identifying customers at various levels in the supply chain, dedicating specialist sales and technical resources to them and working to provide products and services that meet their requirements:

... we might have to work on new paradigms here, okay and we've just signed, I don't know if you know, we've just signed a five-year agreement with one of our customers on a joint brand which is also taking some cost out the chain, so we're trying to leverage our brand and enable ourselves to go down the chain through that and in that discussion we took them through our strategy ...

Du Pont have also adopted behaviours that enable them to share information and engage in dialogue with their network partners. Based on their segmentation work and understanding of supply chain needs, Du Pont recognise that they need a portfolio of styles to meet these different needs:

... I don't believe we can lose the commodity element of that, of a business, we need that volume, we need to maintain that level of expertise and then also deal with those issues but at the same time we should be shifting our business towards a speciality without losing the commodity area.

As examples of their ability to respond to needs throughout the supply chain, an owner of a major brand of cookies commented that once packaging was opened it could not be resealed leading to product spoilage. Du Pont developed semi-adhesive technologies and worked with their immediate customers, packaging manufacturers, to innovate the necessary manufacturing techniques. A major US-based retailer was concerned about possible contamination of food products in direct contact with plastic-based packaging material. The company had conducted extensive food contact tests and, unlike much lower priced Chinese and Indian competitors, were able to offer and substantiate a food contact guarantee while maintaining their higher prices. Hence these relational styles of relationship portrayed in Figure 1 are typified by commitment and trust.

In particular what the model in Figure 1 suggests is that the length and quality of a relationship are not in some way correlated as continuum models indirectly imply, this is consistent with the findings of Kumar *et al.* (1995). Therefore managers should not assume that just because they have traded with a customer for a long time this suggests that loyalty and commitment have been built between them. In fact data from Pilkington and Belmay suggest that sustained transactions, perhaps reinforced by habitual buying behaviour from a limited choice set of suppliers, are common. Market discontinuities, particularly when related to price discrepancies, may cause buyers to reappraise their suppliers and a mistaken understanding as to the nature of the relationship with false assumptions as to loyalty, the lack of willingness to disclose market intelligence or other factors can lead to loss of business.

Based on the detailed case study analyses the relationships can be characterised as suggested in Table III. Factors which should alert managers to the nature and possible change in status of the relationship are referred to as tipping points.

Evidence from all cooperators suggest the underlying importance of issues such as attitude and culture in underpinning the relationship that exists between buyers and sellers. Changing the nature of relationships is possible, as evidenced by Du Pont using a segmentation approach, but requires conscious commitment by the organisation to extend commitment to relationship partners, respond to the trust that they may offer in return and avoid the temptations for short-term gain.

Discussion

A better understanding of customer needs should form the basis for relationship strategies, as discussed earlier different types of relationships are appropriate to the range of customers with which the firm interacts. Segmentation therefore remains a fundamental if still poorly understood and implemented part of marketing strategy (Palmer and Millier, 2004). From this case study work, only Du Pont were at that time actively developing and implementing strategies based on a formal segmentation of the market. They were using this understanding of customers to develop their relationship with customer groups and to expand their ability to manage a portfolio of relationship styles. Pilkington also demonstrated an awareness and understanding of the issues involved in adapting relationship style, with a recognition of the disadvantages of sustained transactions and the opportunity to implement key account management, a relationship approach, based on extensive market development work.

This more strategic view of customers implies that adapting relationship styles is a much more significant issue than the continuum models of relationship styles would indicate. This research project suggests implications not only for the attitude of the company to their customer but in particular the use of buyer and supplier power as distinguishing between transactional and relational styles. These findings are consistent with those of other researchers who also offer frameworks of discrete relational archetypes, for example Matthyssens and Van den Bulte (1994) and Ford and Rosson (in Ford, 1997, p. 78). As Ford and Rosson note “relationship development is not necessarily orderly or progressive over time”, a conclusion with which this current research concurs.

This supports the argument that relationship transition is not a continuous and incremental process but rather there is opportunity to better adapt relationships within the prevailing context. This would argue for the states theory of Rao and Perry (2002), but the evidence presented here also demonstrates a degree of flexibility within the context of the relationship, a “stages within a state” argument. The stage being bounded by the contextual circumstances of the case studies. To move beyond the stage of the relationship prevailing within the context requires, as demonstrated by Du Pont, significant new thinking and reorientation and in practice the development of a range of relationship styles in order to access an appropriate cross section of the market and to maintain and increase the volume/margin mix.

Competitive advantage can therefore be improved if companies can develop the capability to manage several different styles of relationships appropriate to different types of customers. The concept of a paradigm shift from transactional to relational marketing on behalf of a supplier is therefore possible but too simplistic. To think that this has

Table III Proposed relationship characteristics

	Transactional	Sustained transactional	Relational
Primary characteristic	Primacy of price	Low loyalty High dependency	Trust Commitment
Power	Imbalance Calculative use	More balanced Opportunistic use	Non coercive
Attitude	Aggressive Win at all costs	Adversarial Win/lose	Cooperative Win/win
Tipping points	Frequent requests for quotations New competitors	Changes in supply/demand balance External factors affecting demand	Preparedness to offer commitment/give trust Establish reciprocity

“improved” the quality of the relationship with all, rather than just some, of the customers of that supplier seems implausible. The ability of companies to identify and understand the types of customers they are dealing with, and the factors that influence their behaviour, together with their ability to respond appropriately are likely to be critical factors in their success. The work of Coviello *et al.* (2003) has demonstrated a typology of the range of marketing styles that companies actually adopt providing empirical evidence for this conjecture. Opportunities therefore exist for companies to be more effective in their understanding of and response to the needs of their clients.

The results of this research project to date strongly suggest that there are significant implications for organisations in managing the interaction between customer needs and their responses to them. This, then, opens another area for discussion in that if the issues are more challenging and fundamental for the company than currently conceived, is the company ever able to adapt appropriately? The work of Christensen and Overdorf (2000) demonstrates that in the field of technological innovation, companies are inhibited in their ability to innovate due to constraints imposed by their resources, processes and values. Empirical evidence (Brodie *et al.*, 1997; Coviello *et al.*, 2003) demonstrates that, for example, transaction marketing is negatively associated with interaction (relationship) marketing. This poses interesting questions not only as to what style of relationship is appropriate but how it may be achieved and managed within the same organisation.

Table III provides a start point for further work. In proposing how relationships may be characterised. This could form the basis for theoretical propositions and further work around the theoretical framework proposed. Leek *et al.* (2005) discuss a range of models used to describe relationships and comment on their lack of utility for managers, to which this research responds. They note that managers consider relationships in terms of process and outcomes. A suitable opportunity for additional work would be to develop further the characterisation of the relationship styles discussed in terms of process and outcomes, and in the process reflect managerial requirements.

Conclusions

This research has been conducted in order to investigate the nature of relationships within the context of mature, upstream business-to-business firms. The marketing literature is rich in models and frameworks that describe relationships; these are often presented in the form of continuous and bi-polar

variables. Leek *et al.* (2005) have reviewed such models and frameworks and commented on the lack of conjunction between the ways that academics describe relationships compared with the variables used by practitioners. In addition, the work of Young and Wilkinson (1997) draws into question the bipolar nature of the variables that are used to describe relationships. They demonstrate that many such variables commonly used are not alternate, but concurrent. This suggests that there is a need for further work to consider how relationships can be described and explained, the stages and states theory discussed by Rao and Perry (2002) provides a suitable theoretical framework.

Many of the stage models position various types of marketing, such as business to business, along a continuum of relationship styles. This research has been undertaken in order to investigate further and in depth the nature of relationships within a well-defined contextual framework. This has demonstrated that within the context of mature and well-established business-to-business relationships the stage models that suggest a gradual and sequential evolution in the style of relationship do not offer a satisfactory explanation of the observations. Rather, there is more confirmation offered to the states theory, which suggests that relationships are relatively static and develop in less well-defined ways.

The relationship triangle addresses and challenges assumptions which are implicit within many of the models and frameworks of relationships, particularly stage models. In addition, the characteristics of each of the relationship styles discussed have been suggested. The findings, consistent with Kumar *et al.* (1995), do not confirm an association between the quality of relationship and the length of the relationship between supplier and buyer. In addition, these findings largely confirm that relationships are as they are, they do not necessarily develop or adapt over time. The sustained transaction style of relationship, where both buyers and suppliers have a limited choice set of dyadic partners, has endured for 20 years or more in the case of Pilkington.

In order to optimise the window of the market that can be sensibly addressed by the firm in order to manage volume and margin opportunity then rather than having a predominant style or approach to the market a portfolio of relationship styles is more appropriate. This enables the firm to address a range of customer types, as theorised by Pels *et al.* (2000) in their buyer/supplier interaction model. The evidence from Du Pont and empirical research suggests that a portfolio of styles enables a supplier to more comprehensively address the requirements of a portfolio of buyers. The findings from Du Pont demonstrate that this should be based on a sound understanding of the needs of customers within the supply

chain and that segmentation remains an important foundation for strategy development.

Opportunities for further work have been discussed; these include the further characterisation of relationship styles proposed. The suggestions of Leek *et al.* (2005) to incorporate the concepts of process and outcomes would increase managerial relevance. Kumar (2005) also notes the need to not unduly simplify the complexities of relationships and for the careful definition of terms used to define them. Theoretical work therefore needs to continue alongside empirical investigation. An intriguing notion is the one of how transitions between relationship styles and the management of multiple styles can be achieved.

For managers there are clear lessons for developing a truly strategic understanding of the market and customers within it. Segmentation may not be a new concept in business-to-business markets but it remains a valuable bridge between market insight and implementation. Changing and adapting relationships is no trivial matter. Continuum models imply that the process is one of tactical implementation rather than strategic redirection. However, to attempt to implement change risks losing position with current customers and possibly failing to transition successfully to meet the needs of new ones. At the same time continuous change in the external business environment and growing pressures for profitability pose continual challenges to managers and a need for a managerially relevant model to understand and manage relationships exists.

This study is limited in scope, bounded by the context of the cases. It provides a theoretical basis on which relationships styles can be investigated. Within the context of the study conducted support is largely given to the states theory, which implies that relationships are relatively static and are not progressive in their development. However, the work also demonstrates that within the context noted there are a variety of relationship styles suggesting that there is a “stages within states” position. This would propose that while there is not the opportunity to progress from an extreme transactional to an extreme relational style that some of the stages models would suggest, within the organisation it is possible to demonstrate a range of relationships styles. In practice companies may be able to address this challenge by considering how they can manage a portfolio of styles to optimise market opportunities.

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Further reading

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About the author

Roger Palmer is Professor of Marketing and Management at Henley Management College. He has substantial practical, industrial experience gained across industry sectors, including as marketing director of a large manufacturing company and CEO/general manager of the UK/Ireland subsidiary of an American multi-national. His teaching and research is largely in the area of business-to-business marketing with particular interests in technology and product development, relationship and value management, and marketing strategy, implementation and practice. He is a leading member of an international research team investigating contemporary marketing practice. He regularly works with national and

international companies and consults and teaches around the world. He is a Visiting Professor at the Brisbane Graduate School of Business. Roger Palmer can be contacted at: roger.palmer@henleymc.ac.uk

Executive summary and implications for managers and executives

This summary has been provided to managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.

The transaction-relational continuum: conceptually elegant but empirically denied

Business managers are hardly likely to look in the “Personal problems” section of magazines for advice on how to run the company. But when you see some of the things they write about that oh, so difficult problem called “relationships”, it might not be such a bad idea.

A woman who said she was left with trust issues after her previous partner broke off the engagement, says of her new man: “I need signs that the relationship is forever. Without an engagement, where is the commitment?”

A man who says he’s in a loving relationship with his wife, also says his thoughts reluctantly still stray, and asks: “Is this treatable?”

Maybe, but is the following condition treatable? A company that has been trading with some of its customers for years takes advantage of a market opportunity to hike up its prices, knowing the customers have little choice to pay up. Or this? A company that has regular, repeat orders from a business buyer, suddenly finds the orders disaggregating into separate transactions, each one subject to competitive pricing? No doubt there are also people left with “trust issues” here.

If business-to-business managers are, like the lovelorn writer to the magazine, also looking for signs that a relationship is forever – a commitment – how will it manifest itself? And if you think that bonds and trust grow over time, you might be very much mistaken.

Business relationships, like personal relationships, are rather more complicated that they sometimes appear. Not only do they need to be understood, but they also need to be constantly appraised. Managers of business-to-business relationship may indeed believe those relationships are solidly built on trust, and tried and tested over time, but it may be the case that the longer the trading relationship, the more potential opportunity exists for buyer or supplier to lever advantage.

Relationship development has been explained by the stages theory and states theory. Stages theory conforms to the development of relationships as evolutionary, while states theory proposes that relationship development is highly complex and unpredictable and that relationships can improve or deteriorate over time or remain static, but do

not conform to a type of processual model that can be managed from a practitioner perspective to improve the “quality” of the relationship.

Professor Palmer questions the expression of business-to-business relationships as spanning a continuum of relationship types, and proposes a discontinuous model as a means of understanding them.

Following a study of three international companies which manufacture primary products used by other firms in their own products, he says that, within the context of mature and well-established business-to-business relationships, the stage models that suggest a gradual and sequential evolution in the style of relationship do not offer a satisfactory explanation of the observations. Rather, there is more confirmation offered to the states theory, which suggests that relationships are relatively static and develop in less well-defined ways.

Study participants suggest the underlying importance of issues such as attitude and culture in underpinning the relationship that exists between buyers and sellers. Changing the nature of relationships is possible, as evidenced by one of the companies, using a segmentation approach, but requires conscious commitment by the organisation to extend commitment to relationship partners, respond to the trust that they may offer in return and avoid the temptations for short-term gain.

For managers there are clear lessons for developing a truly strategic understanding of the market and customers within it. Segmentation may not be a new concept in business-to-business markets but it remains a valuable bridge between market insight and implementation.

Changing and adapting relationships is no trivial matter. Continuum models imply that the process is one of tactical implementation rather than strategic redirection. However, to attempt to implement change risks losing position with current customers and possibly failing to transition successfully to meet the needs of new ones. At the same time continuous change in the external business environment and growing pressures for profitability pose continual challenges to managers.

Findings largely confirm that relationships are as they are and do not necessarily develop or adapt over time. The sustained transaction style of relationship, where both buyers and suppliers have a limited choice set of dyadic partners, had endured for 20 years or more in the case of one of the companies.

In another, there was recognition that different relationship styles were needed fostering commitment and trust with different customers.

Professor Palmer concludes:

Whilst there is not the opportunity to progress from an extreme transactional to an extreme relational style that some of the stages models would suggest, within the organisation it is possible to demonstrate a range of relationships styles. In practice companies may be able to address this challenge by considering how they can manage a portfolio of styles to optimise market opportunities.

(A précis of the article “The transaction-relational continuum: conceptually elegant but empirically denied”. Supplied by Marketing Consultants for Emerald.)

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