

# Master Thesis

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## The First Business Transaction

A Five Stage Process of how to attract the customer

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Thank you.

Kristianstad, 2009

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## Abstract

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As a request from our supervisor, the authors were introduced to *Company XY* which is standing on the verge of becoming a market player. After discussion, the authors came up with the idea of how to enable the first business transaction which became the research of this study.

The purpose of this dissertation is to explore and explain how a business with no previous business transactions completed could enter a market where the competition, assumedly, are tough due to few competitors fighting for the same customers and enable customers to purchase. To be able to conduct an in-depth analysis, the research is made with a qualitative approach. Due to the amount of previous research the deductive approach is adopted.

The theoretical review ended up in the creation of the *Five Stage Process* which contains five stages of how to establish a relationship and in the end enable the first business transaction. To be able to determine the relevance of the process six propositions were created.

Interviews were made at the dental school of Malmö University and at the dental hygienist school at Kristianstad University. The finding from the empirical study indicates that the theoretical assumption of the *Five Stage Process* might be a relevant way to describe how a company without any previous business transactions completed and with few market connections enables their first business transaction.

Keyword: First transactions, relationship, collaboration, trust, dental education

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# 1 Introduction

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*In this chapter the introduction to the dissertation is presented. The chapter starts with the background to why the process of enabling the customer to make a first purchase was chosen as subject. Further on the problem discussion, purpose, research question and limitation is presented. The chapter ends with the outline of following chapters.*

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## 1.1 Background

The idea for this thesis came up during the recently finished master course in marketing when the authors were given a suggestion and opportunity by Christer Ekelund, PhD. in Business Administration and CEO for Högskolan Kristianstad Holding AB, to do a project for a new company standing on the verge of becoming a market player. The desired outcome would be that the results from the research both would contribute to existing theory as well as something that would be helpful for the company where the problem first was addressed. The possibility to achieve this twofold positive outcome became therefore one of the reasons for why we decided to accept the challenge.

In the early stage of the writing process a lot of brainstorming was done, in order to be able to pinpoint the exact aim of this research. From the general facts given by our tutor, Christer Ekelund, it was up to us to address the most interesting approach towards the problem. The problem identified, which is presented in more detail below, was how a new company not represented on the market was supposed to attract customers in order to enable a first transaction. The company, which would be referred to as *Company XY* due to confidentiality, is a company with products developed for the dental education market. With the background as a dentist and an engineer, the entrepreneur behind *Company XY* had the knowledge of what the current market offerings was lacking or what could be developed. From this knowledge, a potential product range has been developed, but not yet tested as real market offerings. The product itself is a practice unit where the dentist/dental hygienists' student could "fake" the actual drilling and other operations made by dentist/dental hygienists on the patients. Substitute products does of course exist on the market as it is today, however, what makes

this product special is that it contains an interactive part making the operations conducted more reality like. The entrepreneur of *Company XY* believes that the product can decrease a gap of knowledge and experience that is believed to exist between the newly educated student and an experienced dentist. The product is believed to give the student better knowledge and more confidence when going from using practice units to treat humans.

## **1.2 Problem Discussion**

Newly founded companies are something that has become common in today's society, some of them which become successful. One of the most basic and first problems that a new company might face is how to attract their customers in order to enable a first purchase. This problem has its roots in the science of marketing and might become a larger problem when the entrepreneur possesses knowledge mainly within fields such as engineering. It could be argued that entrepreneurs in innovative companies which have developed an idea for a product, maybe a patent or even as far as a prototype, often has a background from some kind of engineering, where focus lies on technical solutions to address problems. These people might have limited knowledge of marketing and, thereby, use a less effective approach when going from the drawing board to put the actual product on the market. The problem of attracting customers in order to make the first purchase or transaction possible might even further be enhanced when the company is in a very niche market with few suppliers of similar goods and a rather homogenous customer base. For a person with limited knowledge within the field of marketing the risk increases that the company's marketing strategy will become less effective and not based on the approach that would give the most attraction on the specific market. There is a risk that it might be designed with more commonly and accepted means to reach the market, than the use of the once that would be the most appropriate. The approach towards the customer, which could include pricing, communication etc., might take the form of the once used by competitors, which might be inaccurate and non-suitable for the products of the new company. Instead, an approach more based on the company and its products might be more suitable. The more relational approach with the value concept as one ingredient, which is a rather new field within marketing, might instead be more suitable for a company working in a niche market to address.

### **1.3 Purpose**

The purpose of this dissertation is to explore and explain how a business with no previous business transactions completed could enter a market where the competition, assumedly, are tough due to few competitors fighting for the same customers and enable customers to purchase. After the review of previous research a contradictory thought has been identified. Due to the certain characteristics of the markets and products the assumption that a relational approach towards the potential customers would be the best for *Company XY* is supported by previous conducted research and theory. With regard to what some researchers believe of how a relationship is established, that a transaction first has to happen and first then a relationship could be established, this becomes contradictive since the company used as a “reference” do not have any transactions completed and only potential customers. Therefore, our expectation is to explore and explain how these two contrary ideas could be circumvented in order for *Company XY* to establish a relationship and first after that enable a business transaction.

### **1.4 Research question**

How is a business supposed to attract the first customer and establish a relationship?

Due to the rather specific market and company conditions that have been identified, it is of importance to consider the following criteria's when answering the research question.

- Targeting a niche market with few suppliers and a homogeneous customer base.
- No previous business transactions have taken place.
- The company has no connection with the market

## 1.5 Limitations

When going from an empirical market situation to theory and further on to collecting empirical data, the empirical market situation will limit the theory. In this thesis the theoretical framework will be limited to a situation where the company has identified the need on a market or a gap that it might be able to fill and, thereby, come to the conclusion that it has a product that might be possible to sell. The company has done its segmentation and, thereby, knows which market to target. This thesis will, therefore, not discuss theory on the topic of segmentation since that is a process that already has been finished when the problematization of this thesis starts. Nor will this thesis stretch further than the first purchase and discuss topics of maintaining customer relationships and it will not review how the theory could be used in order to move on to attract the second customer.

To answer our research question it could be argued that there are two possible means to acquire the information. The first way would be to gather information about the possible customers and the second would be to gather information about possible competitors. Depending on the situation, these two methods could be more or less suitable. Our situation is that we act as students that in first hand tries to write a master dissertation and at the same time try to give *Company XY* some kind of valuable information. Our decision became to conduct interviews with potential customers since we had a belief that this would give us the most accurate and valuable information, both for *Company XY* and as material for our master dissertation. It could be assumed that information gathered about the potential customer from the potential customer would be more accurate than information about the potential customer gathered from competitors that have succeeded. Also, information gathered from competitors might not be usable for *Company XY* since the companies might have completely different presumptions that could affect the outcome differently. However, if this task only was about writing a master dissertation, it might be argued that the collection of the information could be done both by studying successful suppliers (competitors to *Company XY*) as well as customers to companies in this business.

## 1.6 Outline

**Chapter 2 - Research Methodology:** This chapter presents that the research of this dissertation is based on the positivistic philosophy, the deductive approach and is conducted as a qualitative research.

**Chapter 3 - Theoretical Framework:** This chapter presents the theoretical framework where the topics of transactional marketing, relationship marketing, network approach and purchase behavior is discussed. The chapter ends with a presentation of a *Five Stage Process* of how to enable the first purchase.

**Chapter 4 - Empirical method:** This chapter presents the methods used to accomplish the empirical study. The population consists of the dental schools of Sweden and the chosen method of collecting data is interviews. Three interviews will be made, two at Malmö University and one at Kristianstad University.

**Chapter 5 - Analysis:** This chapter starts with a presentation of the collected data from the interviews followed by an analysis of each proposition. The analysis of the positions indicates that the empirical study tendencies are to show support to the propositions.

**Chapter 6 - Conclusion:** This chapter includes a conclusion of the *Five Stage Process*. Thereafter practical implications, critical review and suggestions for further research are presented.

## 2 Research Methodology

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*In chapter 2, the research methodology is presented from the perspective of this study. First, the overall research strategy is described followed by a discussion of the research philosophy and the research approach. The chapter ends with a short discussion of what type of study the research adopts and with commentary of the used sources.*

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### 2.1 Research Strategy

Saunders *et al.* (2000), states that the most important research strategies are experiment, survey, cross-sectional, longitudinal and case study. For this dissertation case study is chosen because it is believed to be the most appropriate way to capture the research question and objective. By using a research strategy that enables interviews to go in-depth it might become possible to address the problematization in the way that is intended

Due to the need of retrieving in depth information this research will be conducted as a qualitative study. When having propositions with a certain degree of complicity it becomes difficult to give answers with a quantitative method and, thereby, becomes a qualitative study more suitable.

### 2.2 Research philosophy

The research philosophy is the way that knowledge is developed. According to Saunders *et al.* (2007) three generally accepted ways of doing so are: positivism, realism and interpretivism.

*Positivism* is when the researcher adopts the stance that only what you can see is possible to measure and will lead to credible data. This is often done by reviewing previous knowledge within an area and then makes a hypothesis or a law like statement that may be tested in an empirical study. The idea with the research is to reach an outcome that allows replication. An important factor to achieve this is that the researcher does not influence or is influenced by the research object. It is also important that the researcher have a value-free approach to the knowledge

and have an external position when conducting the research in order to not affect the data collection. (Saunders *et al.*, 2007)

The essence in *realism* is that objects have an existence and things happened even if the human mind perceives them or not. “The theory of realism is that there is a reality quite independent of the mind” (Saunders *et al.*, 2007, p.104). Realism is considered to be rather similar to positivism in the sense that it assumes a scientific approach to the development of knowledge. It could be argued that the realist has a rather credulous view of the studied phenomena since the realist assumes that what is observed is the correct reality. Realism can be divided into two different groups’, direct realism and critical realism. According to direct realism the world around us is exactly as we see it. “What you see is what you get” (Saunders *et al.*, 2007 p. 105). Critical realism says that what we see is only images of the object not the object itself. (Saunders *et al.*, 2007)

According to Saunders *et al.* (2007) *interpretivism* argues that a researcher must understand the differences between humans in our roles as social actors. There is a difference when conducting research among people rather than objects. The interpretivistic philosophy becomes directed towards the understanding of processes, where the researcher works in an environment that might be complex and unique and, thereby, has the possibility to become more difficult to generalize. “The challenge here is to enter the social world of the research subject and understand their world from their point of view” (Saunders *et al.*, 2007 p. 107).

The research philosophy most suitable for this research is the positivistic stance since a knowledge base first is created through a theoretical review, thereafter; a conceptual framework of a possible relationship is created, examined and evaluated by empirical data. Assumptions are made as an outcome of the theoretical review, which in the next step is examined in order to give suggestions of whether the assumptions cohere with the reality of the specific case. The positivistic view implies that the information given by the respondent is credible and reliable, a view that is supported in this research.

## 2.3 Research approach

An important question that arises as the process of the research goes along is; which research approach will be most suitable for the study? Which research approach that will be used in the research is something that is connected to how clear the theory is to the researcher. Are you as a researcher supposed to use the deductive approach, “in which you develop a theory and hypothesis and design a research strategy to test the hypothesis”, or the inductive approach, “in which you would collect data and develop theory as a result of your data analysis” (Saunders *et al*, 2007, p.117). Or head for something in between, the abductive approach. In the following sections, a short description of the different research approaches will be presented followed by a presentation of the adopted research approach and why the research approach has been chosen.

### 2.3.1 Deductive approach

The deductive approach aims at reviewing previous literature for information and out of the collected information create your own theory from which you state your hypothesis or propositions. The next step of the deductive approach will be to test the created hypothesis or propositions. Whether the research will have a deductive approach or not is based on the amount of previous research and theory within the field. The deductive approach implies that you derive at “*b*” as a consequence of “*a*”, “*a*” affects “*b*”. It is argued by scholars that the deductive approach is to some extent connected with a positivistic research philosophy. (Saunders *et al*, 2007)

In Saunders *et al*. (2007), Robson’s five steps of how a deductive research will progress is presented as follows:

1. deducting a hypothesis (a testable proposition about the relationship between two or more events or concepts) from the theory;
2. expressing the hypothesis in operational terms ( that is ones indicating exactly how the variables are to be measured), which propose a relationship between two specific variables;

3. testing this operational hypothesis (this will involve an experiment or some other form of empirical inquiry);
4. examining the specific outcome of the inquiry (it will either tend to confirm the theory or indicate the need for its modification);
5. if necessary, modifying the theory in the light of the findings.

### 2.3.2 *Inductive approach*

In opposite to deductive, the inductive approach starts with the collection of relevant data and then out of the collected data analysis creates a suitable theory that could work as a foundation for the research. It could, therefore, be argued that an inductive statement needs empirical evidence in order to be true. An example could be the statement “it is snowing outside” which according to the inductive approach not could be valid until the researcher looks or goes outside. In this case, an empirical phenomenon is first identified and studied and thereafter suitable theories that explain why it is snowing are constructed. The inductive approach is more suitable when previous literature provides limited information or when little research has been done within the field. It is argued by scholars that the inductive approach is to some extent connected with an interpretivistic research philosophy.

### 2.3.3 *Abductive approach*

The use of a deductive or inductive research approach would be usable in most cases, however, Alvesson & Sköldbberg (1994) [cited in Ors, M., 2009, Master Thesis] argue that it is not always possible to fit all research into these approaches. Alvesson & Sköldbberg view the abductive approach as a combination of deductive and inductive research approach. “An abductive approach is fruitful if the researcher’s objective is to discover new things — other variables and other relationships” (Dubois and Gadde, 2002, p. 559). In simple words, when you adopt an abductive approach you go from empirics to theory to empirics. One of the main differences with an abductive approach, compared with deductive and inductive approaches, is the role of the framework. When using an abductive approach, the original framework might be subject to changes due to unanticipated findings in the empirical analysis and also from new theoretical

insights. The abductive approach enables the possibility to combine a mixture of established theories and new concepts derived from the empirical findings.

#### *2.3.4 Adopted research approach*

The research approach that has been adopted in this thesis is the deductive approach. However, it could be argued that this research has influences from both the inductive as well as the abductive approach. The main reason for this research being of a deductive nature would be that most of the different theoretical aspects brought up in the theoretical part have to a great extent been studied before. As stated above, this research will have a positivistic research philosophy which further strengthens the adaption of a deductive research approach. From the theoretical review made in this research, the researchers found that the research regarding relationship marketing assumes to a great extent that some form of connection with the market exists and that the company already has customers. The situation where no market connections or customers exist is, according to us, not a studied scenario when a relationship is supposed to be established, which would imply that the inductive approach would be suitable. However, since the relationship part of our theoretical review is only one part, the research is only thought to have influences of the inductive approach. Further on, it could be argued that since the problem was identified out of an empirical object, the research could have some influences from the abductive approach as well. With regard to the five steps of Robson (Saunders *et al.*, 2007) our deductive research approach included the creation of propositions derived from previous literature.

## **2.4 Type of Study**

In theory, three different types of research designs are discussed, namely explanatory, exploratory and descriptive. The explanatory design is, according to Saunders *et al.* (2007), a study where the researcher tries to explain the relationships between variables. A typical method is to develop a hypothesis that can be tested by collecting data, which will support or reject the hypothesis. This type of study is often connected with quantitative research but can also be used in qualitative research when conducting case studies. The exploratory design is used in order to find out “what is happening; to seek new insights; to ask questions and

to assess phenomena in a new light” (Saunders *et al.*, 2007 p. 133). The exploratory research is mostly used when investigating a relatively under-researched problem and becomes a way of laying the foundation for other researchers. When using exploratory design the testing of hypothesis is not necessary even though hypothesis may be developed. Therefore, becomes the design often connected with qualitative methods. The descriptive design is used when the researcher wants to describe a certain phenomena. The descriptive study is often used as a precursor to the explanatory or exploratory study.

The purpose of this dissertation is to investigate how a business with no previous business transactions completed could enter a market where the competition, assumedly, are tough due to few competitors fighting for the same customers and enable potential customers to purchase. From this perspective, the purpose of the research would be of an explanatory nature. As mentioned above, an explanatory purpose is often concerned with causal relations between phenomena. This support the idea of this research being of an explanatory nature since propositions constructed as “*a* affects *b*” is created in order to address the identified problem. However, since parts of the problem are, from our perception of the reviewed theory, not studied to a greater extent, it could be argued that this research has influences of an exploratory purpose. The view that this research has influences of an exploratory purpose is further on strengthened by the fact that this research tries to bring new insights to the phenomena addressed in the problem. In conclusion, this research adopts an explanatory purpose with influences of an exploratory purpose.

#### *2.4.1 Commentary on used sources*

In marketing the fields of transactional marketing and relationship marketing builds the foundation. The field of transactional marketing has been widely studied by scholars for decades and also been a well recognized way for practitioners. Relationship marketing has during the last decades become the “new way” of marketing and is a well accepted field of marketing. Both fields are extensively studied and many scholars have contributed to increase the understanding of the phenomena of marketing. These theories, which are partially

covered in this thesis, have contributed to the development of our theoretical assumptions.

The theoretical information gathered from previous literature is in this research assumed to be accurate and trusted. This is true for the theoretical research which stems from scientific articles as well, all used sources are published in more or less well know journals and, therefore, thought to be trustworthy. Due to the constraints in time and resources it could be assumed that an even deeper analysis and research in previous research could have provided us with more information that could have changed the outcome of our theoretical conceptualization. Further on, it could be argued that a more critical view of previous research could have been adopted. However, due to the mentioned constraints, the authors have adopted a rather positive stance towards theory

### 3 Theoretical framework

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*In this chapter the theoretical framework is presented. It begins with a general discussion, followed by a review of transactional marketing, relationship marketing, the network approach and customer's organization and purchase behaviour. The chapter ends with a presentation of a Five Stage Process of how to enable the first purchase.*

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#### 3.1 Theoretical introduction

Many different interpretations or meanings are offered by scholars to the concept of Marketing. One definition given by one of the most recognized scholars in the field of marketing, Philip Kotler, is as follows: "Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others"<sup>1</sup>. Another way of explaining the concept of marketing is to say that it is everything you as a provider of a market offer do to place your product or service in the hands of potential customers.

The problematization identified and addressed in this dissertation is how a company, within a very niche market with few customers and competitors, without any previous experience and business transactions completed are supposed to attract its potential customers in order to enable a first purchase. This problematization could be viewed as one of the first issues that arise for a company standing on the verge of becoming a player in a market and is, therefore, a part of the issues involved in marketing.

According to Grönroos (2007), the main phenomenon in marketing has been the exchange of value for money during the last four decades. This view has mainly put emphasis on the creation of an exchange, which has led to a major focus on making the customer buy, despite of the customers are new or already existing customers. This kind of exchange based marketing has in literature often been labeled *Transaction Marketing*. What further on characterize transaction marketing is, as Grönroos (2007) puts it, that it "tries to win customers over and over again, regardless of whether they have made purchases before or not". Many

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<sup>1</sup> [http://www.marketingteacher.com/Lessons/lesson\\_what\\_is\\_marketing.htm](http://www.marketingteacher.com/Lessons/lesson_what_is_marketing.htm)

scholars, such as Grönroos (2007) and Zineldin and Philipson (2007), argue that the transaction approach to marketing may work very well in situations where attracting new customers is the main objective. However, today, the importance of establishing and maintaining a relationship with existing customers have, according to Grönroos among others, become an equally or even more important issues that businesses needs to address.

Since the 1970s, with the last decade as the main evolvement period, a new approach to marketing emerged. This new approach was based on the notion that interactions between service/goods providers and the customers are vital parts of the concept marketing since these interactions could have an effect on the customers purchasing behavior. From this point of view, the customer is not seen as someone who buys from the company every now and then and treated as a new customer every time a transaction is conducted, but rather as a relationship partner. This view of the marketing concept is built on the notion that it is not the single exchanges which takes place that is the core of marketing, but instead the exchanges that take place in a continuing process between the different parties in the marketplace. The interactions between the different parties, in a broad context the provider and customer, enables the creation of quality and value with which the different parties of a relationship could be satisfied with. Scholars have in the literature labeled this kind of relationship based marketing *Relationship Marketing*. A good description of the main difference between relationship marketing and transaction marketing is offered by Vence (2002), cited in Zineldin and Philipson (2007): “Relationship marketing aims at creating a client relationship from the start to satisfy and retain existing customers, while transactional marketing tries to make the sale and find new customer”. According to Grönroos (2007) the difference between the two school of thoughts is that “in traditional marketing...value for customers is created by the firm, basically in a factory or in the back office, and embedded in a product” while in relationship marketing “value for customers is created throughout the relationship by the customer, partly in interaction between the customer and the supplier or service supplier”.

As a starting point for the theoretical development of this thesis the transaction and relationship marketing will be used as the overarching concepts since these

two concepts offers a broad variety in how marketing as a whole is viewed. Out of a more general discussion of the two concepts, a suitable theoretical solution to the problematization will be developed and adapted.

### **3.2 Transactional marketing**

A famous quotation by Henry Ford is "customers can have any color they want for their automobiles as long as it is black" (Hoekstra, Leeflang and Wittink, 1999, p. 46). During the early twentieth century companies focused on mass production (also known as the product concept) with mass marketing and little need for differentiation. Ford focused much on how to make production more effective. In the thirties the focus of the management shifted towards the product and selling the product (known as the selling concept) where the sales persons focused on techniques and methods to convince the customer to buy the product. The customer had a passive role and the needs and wants of the customer was not much considered. This was the dominating concept until the early fifties (Hoekstra *et al*, 1999). During the fifties and the sixties the marketing mix became the dominant concept in marketing (Lindgreen, Davis, Brodie, Buchanan-Oliver, 2000). The concept was developed by Neil Borden at Harvard Business School and later it became simplified by Philip Kotler (thereby it became known as Kotlerism) to the famous 4P:s, Product, Price, Place and Promotion (Zineldin & Philipson, 2007). Today the marketing mix and the 4P:s have become the foundations of marketing (Jobber & Fahy, 2003). The marketing mix emerged in North America with a huge consumer market, competitive distribution systems and a very commercial mass media. These conditions are not applicable on all markets where the infrastructure are different and the products not so consumer orientated (Grönroos, 1994) and, therefore, the marketing mix theory can be seen as more useful on B2C markets, from which it was developed, than on B2B markets. This argument is strengthened by other scholars like Rafiq and Ahmed (1992) [cited in Zineldin and Philipsson 2007] that the 4P:s are not effectively applicable on industrial marketing and they do not take into account the long-term relationship between industrial buyers and sellers. The limitations of the transactional marketing and the 4P:s are described by Lindgren *et al* (2000) as, a need for a large number of potential customers, the customers and their needs are fairly homogenous and it is rather easy to replace defected customers with new

customers. These criteria's can often easily be applied on many B2C markets but when it comes to a B2B market with a small number of customers that might not be easily replaced the only criteria that still is in use is the one that the needs of the customers are fairly homogenous. On some markets and under some circumstances it is possible that even this criterion will not be fulfilled. Gummesson (1994) also criticize the marketing mix for being incomplete and do not properly consider the need of the customer and to some extent disregard service and industrial marketing or as he calls it "a dinosaur marketing management form an old economy" (Gummesson, 2002, p. 588). Grönroos (1994) argues that the marketing mix is production orientated and the approach is that the customer is someone to whom something is done. There is necessarily no interaction between buyer and seller, mostly a communicative message from the seller. According to Walsh, Gilmore and Carson (2004) there is no need to consider people or social processes when the unit of analysis is product, price, costs, firms and transactions. They also emphasize that in transactional marketing the focuses are the single transaction and the short term planning where profit maximization becomes the driving force. Kotler argues that transactional marketing is more useful when the customer has a short term horizon and can switch from one supplier to another at no or low cost (Zineldin and Philipsson, 2007).

As seen above the criticism against transactional marketing, the marketing mix and the 4P:s is well grounded and the use of a theory that is fifty years old can be questioned. Can it, thereby, be dismissed as not valid and out of date? According to Zineldin and Philipsson (2007) this is not the case. They argue that "if a company do not have the right price, product/service quality, promotion and place it cannot create or achieve the right relationship with the customer" (Zineldin and Philipsson, 2007, p. 232). They also argue that, to create a good total relationship a company need to have the right mix of components of the marketing mix and customer relationship. This is supported by one of their research objects, an insurance company, that is categorized as being relationship marketing oriented but according to the company to be this they first have to have a competitive advantage in product and price. Since the 4P:s involve many sub-activities that is useful to stimulate and create relationships the different elements of each P might

not be neglected. Zineldin and Philipsson (2007) conclude with that the traditional “Kotlerism” is still the dominant paradigm in Scandinavia and that the change towards relationship marketing has not come as far as one could believe.

Mason and Staube (2008) argues that it is possible to use the 4P:s framework when a company is trying to destabilize a market. In high-tech markets with complex and turbulent environment, product and price is effective when trying to destabilize the market and gain market shares, where totally new products and product development are the most effective measures. Dramatic price changes can be used to destabilize the market but if price is cut to increase sales there is a risk that the situation ends up in a price war. Place and promotion is of less importance during the same conditions but can in some cases be used. Place can have some effect if radical innovations are implemented such as reducing number of intermediaries and increasing direct distribution. They also argue that aggressive promotion tactics might give a temporary effect to increase the market shares and profitability especially when it is used to speed up an already started effect (Mason and Staube, 2008).

After reviewing the history, the criticism and some recent research around the Kotlerian view, it is shown that even though it has many defaults and is hard to adapt to a niche market in B2B, there are some elements that should not be neglected. The 4P:s might not be out of date if they are used correctly, instead of seeing them as the only way of creating the market offering they could be put into the context as how they could build the foundation and enhance the value of what the company offers. As Zineldin and Philipsson (2007) argue, to first have a competitive advantage in product and price is useful when trying to establish a relationship. Thereby, it becomes important how the company will try to build the product and create the marketing offering to achieve a customer value. An example of a well known model is the three level of a product model. The model contains the levels, core benefit, actual product and augmented product (Jobber and Fahy, 2003; Pike and Melewar, 2006). Core benefits are the most basic functions provided by the product, for example a car can take you from point A to point B. Core benefits are what every product can do, no matter who the manufacturer is. The actual product is when the product starts to differentiate

itself from the competitors with its characteristic, quality, packaging and features. The last level, the augmented product, is the services that surrounds the product, like delivery and guarantees, and the brand values (Jobber and Fahy, 2003; Pike and Melewar, 2006).

By building the market offer after the three level of a product model with the needs and wants of the customer in focus, or, as suggested by Mason and Staube (2008), involve the customer in the process, and not focus on firms and products as done earlier (Mele, 2007), the marketing offering can be created so that the customer perceives a substantial value of the offering. But to be able to do this one must understand what value is. Gummesson (2002, p. 587) describes value as when “an offering is used for something and experienced as satisfying a need for somebody”. Dumond (2000) states that customer value is perceived by the customer rather than determined by the seller. Value can also be described as by Mele (2007, p.243), “what is got and what is given”, value is what the customer gets (product) compared to what is sacrificed (price). This definition is also supported by Dumond (2000) who see it as a trade-off between what is acquired and what is sacrificed and when the value is alike or exceeds the price the customer is likely to make a purchase. Thereby, it can be argued that value is some kind of satisfaction that the customer perceives and to get this satisfaction something has to be sacrificed. This builds up the foundation of what Andersson, Narus and Narayandas (2009) define as the fundamental value equation:

$$(\text{Value}_f - \text{Price}_f) > (\text{Value}_a - \text{Price}_a)$$

Where  $\text{Value}_f$  and  $\text{Price}_f$  is the value and price of a firms marketing offering and  $\text{Value}_a$  and  $\text{Price}_a$  is the value and price of the second best alternative. By having an offering that generates greater than the second best alternative the rational customer will most likely chooses the market offer which provides the highest value. In B2B business the value equation can become useful when there is an economic value to the customer that can be counted in monetary terms. If value can be expressed in for example increased production or lower maintenance cost than the second best alternative, the company can offer an offering with superior value to the customer and still have a higher price than the second best alternative (Jobber and Fahy, 2003). If the value can be created through the above reasoning

of the three levels of a product model, the product in the 4P:s becomes a vital part of the value equation. The discussion also shows that price is an important part of how to create value. It can be used as a competitive advantage were a low price will attract customers but this strategy has its disadvantages since it is easy to copy for the competitors and, thereby, erases the competitive advantage (Grönroos, 2007). But as seen above value do not necessary has to be connected with a low price, as long as the offering is better than the second best alternative the price does not need to be lowered. According to Andersson *et al* (2009) the Place in the 4P:s can be used to create value, the design of the logistic system represents an area for creating customer value. By engineering the logistic process, with control of the flow from raw material and suppliers until the finished product reaches the customer and incorporation of logistic related services the firm can enhance the value of the offering. Mason and Staube (2008) states that in order to decrease uncertainty, the supply chain should be treated as a single system and not separate parts where focus should be on increasing efficiency in the system and not in the individual parts. The arguments of Gummesson (2002) support these statements that it is not only the producer that creates value, both the supplier and the customer participates in the process.

The above discussion shows that it is possible to connect the 4P:s to the theory of value creation since many of the elements of the 4P:s can be incorporated in the process of creating value. So without digging to deep and making a thoroughly review of how each of the 4P:s can be used to create value, we would like to point out that we believe that it is beneficial for a company to have a suitable mix of the 4P:s to create the foundation of the market offer and according to Zineldin and Philipsson (2007) establish a relationship. The theory should not be neglected since the sub-activities of each P can be a value creator for a customer, highly dependent on the situation and the market. To relate this back to our problem discussion, of a niche market with a small number of suppliers and a new supplier trying to enter the market, it is our belief that the company must consider the 4P:s as obstacles to overcome in order to attract the interest of the customers. As discussed by Mason and Staube (2008) this might be done in co-operation with the customers.

### 3.3 Relationship Marketing

The concept of relationship marketing is a fairly “new” or re-discovered concept within the field of marketing that has not been given that much attention until the most recent decades (Zineldin and Philipson, 2007; Sheth, 2002). Sheth (2002) discuss three antecedents that more or less forced companies during the 80s and 90s into a more relational thinking, first the energy crisis during the 70s which lead to intensified competition, second the emergence of service marketing which involved a closer relationship with the customers taking part of the service and third supplier partnering which involved the process of “cutting down” the number of suppliers in order to make the business effective.

Relationship marketing is a rather broad concept which has been interpreted in many ways by scholars. However, these interpretations of what relationship marketing really is have, more or less always the same meaning. The common denominator of the concept is that it is about “establishing, developing and maintaining successful relational exchange”, (Morgan and Hunt, 1994) [cited in Zineldin and Philipson, 2007]. In order to comprehend the concept of relationship marketing, the distinguishing between traditional transaction, which includes a “distinct beginning, short duration and sharp ending by performance” and relational exchange, which “traces to previous agreements and is longer in duration, reflecting on ongoing process” is required (Dwyer, Schurr and Oh, 1987) [cited in Morgan and Hunt, 1994]. Morgan and Hunt present in their study from 1994 ten discrete forms of relational exchanges in supplier, lateral, buyer and internal partnerships. As mentioned above, the focus of this study will be on the relationship that could occur between buyer and seller, which according to Dwyer *et al.*, (1987) and Levitt (1993) [cited in Healy, Hastings, Brown and Gardiner, 2001] also is the most common focal point of relationship marketing.

A question that may arise for businesses is whether the firm is supposed to engage in the traditional transaction based marketing or in relationship marketing. It has been argued in research that a relational approach towards the customer is more suitable in a service and industrial business arena, or in other words in a B2B market (March, S.H., 2008). Further on, it is argued that a relational approach becomes more appropriate when the customer and product have certain

characteristics. Theodore Levitt stated in 1983 that relationship marketing may be the most suitable marketing approach when the following circumstances or situations were at hand:

- When the products or services possesses a high value
- When the product or service is of an industrial nature
- When the “products are not generic commodities”
- When the cost for customers to switch supplier are high
- When the customer prefers a continues relation
- When the customer are in some way take part in the processes involved with the market offering <sup>2</sup>

It could therefore be argued that the marketing approach a business engages in is highly dependent on factors such as market conditions, customer characteristics and product/service characteristics. The marketing approach used, whether transactional or relational, should therefore be something that comes natural after the above mentioned factors are taken under considerations.

Yet another important question, which to some extent are related to the “which marketing approach should be used” question, is; why should companies or customers engage in relationship marketing? An easy or obvious answer to this question is that the parties involved in the relational exchange have a belief that they could benefit from the situation. In order for a relationship to be viewed, by the customer, as a benefit, the costs for engaging in the relationship should not exceed the value of the exchange. This assumption is further supported by many recognized researchers such as Morgan and Hunt (1994); Hunt, Arnett and Madhavaram (2006); Grönroos and Ravald (1996) *et cetera*. Morgan and Hunt (1994) identifies in their “commitment-trust” theory “relationship benefits” as a key antecedent to how much commitment the customer will put into the relationship. In a research conducted by Hunt *et al.* (2006) some of the possible benefits of a relationship are mentioned. The benefits include: the trust in a supplier that he/she could provide market offerings of desired quality reliably, competently and non-opportunistically, the firm which the customer engage in a relationship with have the same values, decrease costs for the customers in their

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<sup>2</sup> [http://www.12manage.com/methods\\_levitt\\_relationship\\_marketing.html](http://www.12manage.com/methods_levitt_relationship_marketing.html)

search for substitute products, the perceived risk connected with a market offering decreases due to familiarity with the market offering, the exchange is consistent with moral obligations and finally that the exchange enables the possibility to customize the market offering in order to better satisfy the customer's needs, wants, tastes and preferences (Hunt *et al.*, 2006). These benefits could be regarded as the strengths of relationship marketing and also one of the answers to why a customer should be involved in a relationship with a supplier. The counterpart would be the question "Why should a customer not engage in a relationship"? This question could be answered when you as a customer consider the costs of a potential relationship. Hunt *et al.* (2006) gives an indirect answer to this question by giving examples of costs involved in relationship marketing. These costs include: the fact that a customer might be excluded from other suppliers market offerings that might be potentially superior, the monetary and time costs that are spent on something that might not lead to a beneficial partnership, a decreased opportunity of acquire standardized market offerings that would have functioned equally well as the co-produced/customized market offering and the increased risk of opportunistic behavior of the partner.

As mentioned above, the purpose of a relationship is to create a situation where all involved parties' gain an advantage of a higher value that could not be achieved on their own. It could be argued that when a relationship reaches a point where the customer becomes involved in processes such as research and development, the commitment and, therefore, also the level of trust could increase, which might create more value. According to Wikström (1996, p.6), "when the customer is conceived as co-producer, the interactions between the parties should generate more value than a traditional transaction process". By involving the potential customer in processes before the company takes the step of becoming a market player deepens the relationship even further and allows the supplying company to get the opportunity to acquire value knowledge about the customer, thus making the company better able to adapt to the customer and provide higher quality. (Wikström, 1994) The positive effects for the company of having the potential customer as a co-producer, if the relationship is successful, might include higher termination costs/switching costs, lower propensity of customer leaving and decrease in decision making uncertainty. Decision making uncertainty refers to

“the extent to which a partner (1) has enough information to make key decisions, (2) can predict the consequences of those decisions and (3) has confidence in those decisions” (Morgan and Hunt, 1994, p. 26).

Research show that there are many different contextual factors that affect the outcome of specific relationship marketing efforts (Morgan and Hunt, 1994). According to Morgan and Hunt (1994), the two most important factors of a relationship are *trust* and *commitment*, which lead to their development of the “Trust-Commitment” theory. Morgan and Hunt (1994) states that, in order for a relationship to be successful the presence of relationship commitment and trust are crucial. Further on, Morgan and Hunt, as well as other scholars such as Grönroos (2007), argues that relationship marketing gathers much strength from the field of “behavioral science”, which is why commitment and trust becomes so important. Morgan and Hunt argue that commitment and trust are key factors because they influence marketers to (1) “work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners and (3) view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically” (Morgan and Hunt, 1994 p.22). The commitment part of the theory implies that the relationship exists only when the parties consider it important and therefore put vast amount of efforts into the relationship. The trust part of the theory implies that the relationship partners are willing to rely upon the exchange partners’ ability to fulfill the set requirements.

## The KMW model of Relationship Marketing

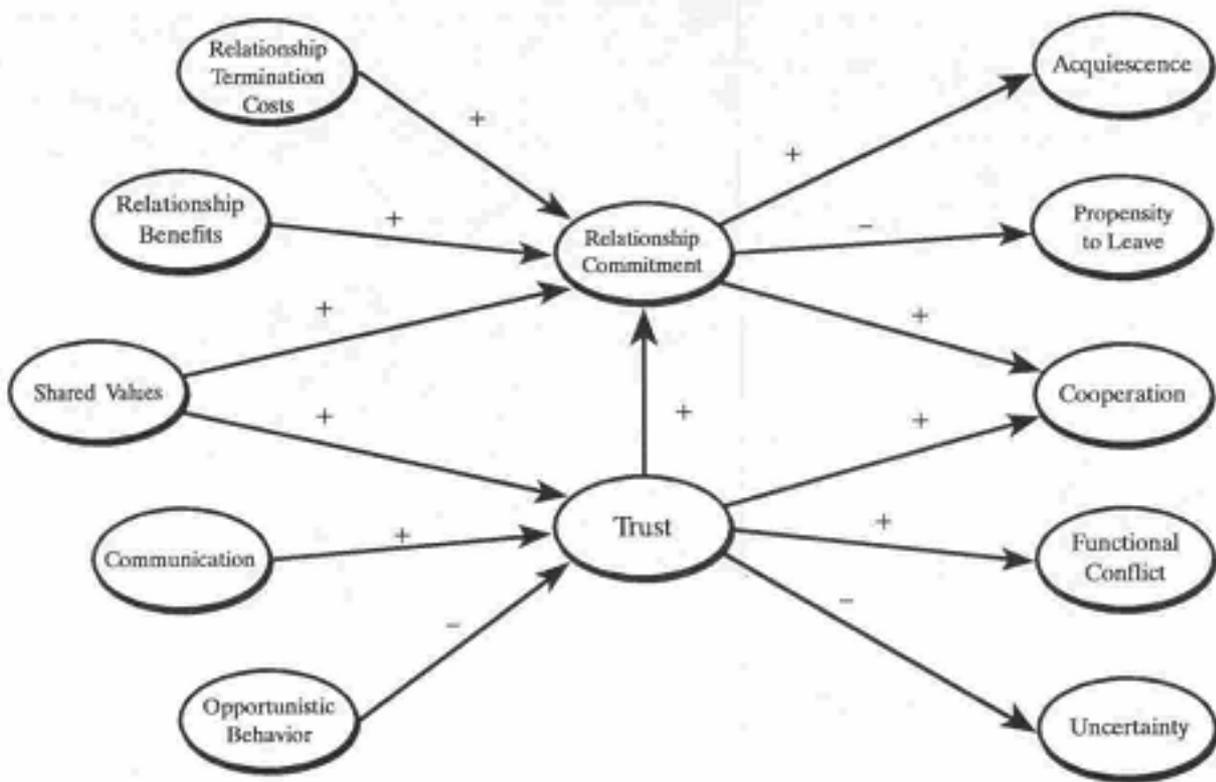


Fig 3.1 Source: Morgan and Hunt (1994), The KMW model of relationship marketing, The Commitment-Trust Theory of Relationship Marketing, P22.

The model is built upon the thought that relationship commitment and trust acts as two mediating variables between five antecedents and five possible outcomes. The KMW model of Relationship Marketing could be viewed as a model to work with in order to make a relationship successful, where trust directly influences relationship commitment. The reason for why trust influences relationship commitment is “because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationship” (Morgan and Hunt, 1994, p.23). Therefore, it could be argued that in order for a customer to be interested in committing themselves in a relationship, a trust must first be built up.

### *3.3.1 Critical reflection of relationship marketing theory and the connection to this research*

A shortcoming, based on our review of previous theory, of the research conducted within the field of relationship marketing is that much of the focus has been directed towards developing and maintaining a relationship with the existing

customer or buyer. There has also been research conducted within the field of how to establish a relationship, but then often from the aspect that the business is “up and running” and have an existing customer base. (Morgan and Hunt, 1994; Ahmad and Buttle, 2002; Andersen, 2001, etc) Research has also, as a part of maintaining customers, put much focus on the retention of existing customers (Ahmad and Buttle, 2002). Our critique is basically that research always labels the receiver of a market offering “customer” and/or “buyer” which according to us creates a different meaning than if you label the receiver “potential customer and/or buyer”. Further on, since much of the research conducted talks about customers as already existing customers, it could be argued that some form of first transaction has taken place before the establishing of a relationship. Something that might be seen as a shortcoming with respect to the problem addressed in this research, which considers the perspective that, no transaction has taken place before. This view is supported by Muthiah, (2006) who, among others, claim that scholars from the western world argue that a relationship is developed first after a transaction has taken place, while in Chinese culture, guanxi, the relationship is established first and thereafter the transaction takes place.

The problem addressed in this research is;

*How is a business, planning to target a niche market with few suppliers and a homogenous customer base, supposed to attract the first customer and establish a relationship when no previous business transactions has taken place or when the company has no connection with the market.*

The problem is made more complex when the most appropriate marketing approach already is known due to certain product and market characteristics and when markets in the west world, where the view is that relationship follows after transaction, is or might be the first market to target. The problem discussion would fit into the “establishing part” of the relationship market concept, which implies among other things, according to Morgan and Hunt (1994), to create and build up trust within the customers in order for them to commit into the relationship. However, since the “establishing part” often assumes that there is some form of relation to the market the fit into the initial phase becomes somewhat hard to distinguish due to the fact that no relationships has been

established. From the belief that a relationship could be established first after the first transaction, a company in the rather special market considered in this case, face the difficulty to establishing these needed relationships. A question that arises here is if it really is possible for a new player to enter the market and try to acquire a first transaction when the market is or might be characterized by strong relationships between the buyer and seller. Another question that could be asked is whether it would be more appropriate to try to establish relationships with potential customers before the actual market entry phase takes place.

### *3.3.2 Adaptation of the “trust-commitment” theory*

Even though much of previous research, regarding relationship marketing, such as Morgan and Hunt (1994) takes, from our interpretation, the standpoint of a relationship first is created after a transaction has taken place, theories such as the “trust-commitment” theory might be used to solve the problem addressed in this research. Even though scholars from the west world argue that a transaction has to take place before a relationship could be created, it could be argued that a relationship could be created before a first transaction is enabled. The two variables trust and relationship commitment is according to Morgan and Hunt (1994) crucial for a relationship to become successful, a view that is supported in this thesis. The core of the “trust-commitment” theory is to build up and maintain a trust with the customer and thereafter receive the advantage of a customer willing to commit themselves in the relationship. A possible way of using this theory to explain how to gain the potential customers trust and eventually a customer commitment when no previous transaction has taken place would be to look at the antecedent building blocks which lead to trust.

In the “Trust-Commitment” model there are two antecedents that affect the trust in a positive way; “shared values” and “communication”. Shared values imply that it could affect the level of trust positively when the relationship partners have shared beliefs regarding behaviors, goals and policies in common, a concept that very much regards the business culture. This antecedent is of course important; however, in the initial phase of establishing trust within a potential customer, the variable communication might be more important to work with. This because it is through communication the shared values is made viewable. Anderson and Narus

(1990), [cited in Morgan and Hunt, 1994 p.25], defines communication as “the formal as well as informal sharing of meaningful and timely information between firms”. In a broader context, one could say that communication is the process of transferring information from one source to another. One reason for why communication might be a creator of trust is that the customer, who receives the information from the potential partner company, perceives the company as trustworthy since they are willing to share information that might be considered valuable for the parties.

In the specific empirical object, a niche market characterized by few suppliers of high-tech and highly valuable products and a rather homogenous customer base, it could be assumed that the business transactions is of a relational nature. The objective for a new player, to enter the arena and win the potential customers trust and in the next phase makes the potential customers’ actual customers, is something that would be difficult, yet necessary in order to succeed. With interaction with the potential customer the outcome will hopefully be that the potential customer trusts the business and are willing to contract with the company to become its supplier. One way of communicating with the customer in a way that could make the customer feel that the company is trustworthy could be to involve the potential customer in the actual development of the product/products. This implies that valuable knowledge is shared such as technical data. The risk can be that the company must give away some of its core competence and by giving away information the risk increases that the core competence of the company falls in the wrong hands. If the company loses control of its core competence the market risk increases. The business on the other hand might receive valuable feedback, which might give them the possibility to adapt or customize the market offering to be more appropriate for the market.

### **3.4 The network approach**

It is shown that companies have a benefit from forming relationships with each other; normally a company have many relationships with different actors on a market such as customers, suppliers, logistics provider, service providers, banks, governmental agencies *et cetera*. All these relationships form a business network (Anderson *et al*, 2009, Hollensen, 2007). Adler and Kotler [cited in Grönroos,

2007 p.48] defines a network as: “A network organization is an independent coalition of task- and skill-specialized economic entities that operate without hierarchical control but is embedded, by dense lateral connections, mutually, and reciprocity, in shared value systems that defines “membership” roles and responsibilities.” Grönroos (1994) discusses the action of a network as “Between the parties in a network various interactions take place, where exchanges and adaptation to each other occur. A flow of goods and information as well as financial and social exchanges takes place in the network.” Arias (1995, p.52) states that networks are “clusters of firms or specialized units coordinated by market mechanisms instead of chain of command” and that a network is an intermediate or hybrid organization somewhere in the middle between market and firm. Business network build on the willingness of each actor to participate and, thereby, networks are often loosely cohering with the effect that they can change shape more often. The structure can easily be modified when an actor decides to engage in a new relationship or terminate an old relationship (Hollensen, 2007). Hollensen, (2007) also states that networks are more likely to emerge in turbulent markets with rapidly changing conditions, where flexibility is important for the actors. These markets are often influenced by high-tech products. The actors emerge in business networks when there is coordination between the actors that is beneficial for the parts. When studying a business network, the firm itself is not what is important, but it is the exchanges between the firm and the network or between groups of firms that becomes the unit of analysis.

To relate this back to our problem discussion of a new company entering a niche market the problem arises since the company do not have any exchanges in form of business transactions with other companies. But since exchange do not necessarily need to be an exchange of goods for money but also can be an exchange of information and knowledge even a company that do not conduct any business transactions can be involved in a network. It can then be described as an innovation network (Dilk, Gleich, Wald and Motwani, 2008) or a knowledge network (Schönström, 2005). According to Dilk, *et al* (2008) companies commit into innovation networks when they have a benefit of working together with researching and developing an innovation. By sharing the R&D process with others the uncertainty and cost risks are reduced (Arias, 1995). To be an

innovation network it cannot be only one firm that develops an innovation nor can it be a company that sells knowledge of an innovation. It builds on the willingness of the actors together sharing information. Innovation network is used much in young and knowledge-based industries such as biotechnology where the standard business model has a demand for collaboration between actors to create new innovations (Dilk, *et al*, 2008). But more mature industries, as the automotive industry, has started to see the benefits of sharing information and begun to act accordingly (Dilk, *et al*, 2008). Arias (1995) conclude by stating that networks are powerful tools when it comes to foster innovations.

The actors of an innovation network do not only have to be actors that are locked together in an economic sense as seller and buyer or supplier and producer, it can also be governmental organisations as scientific institutes or universities and it is not totally uncommon that the actors are companies in totally different industries which do not compete with each other (Dilk, *et al*, 2008). The different actors makes the network take the form of a horizontal, vertical or lateral network, horizontal and vertical refers to the supply chain, where horizontal is companies on the same level as for example suppliers and vertical is the collaboration along the supply chain as supplier, manufacturer, customer. Lateral networks are the collaboration with entities outside the supply chain as governmental organisations and universities (Arias, 1995; Dilk, *et al*, 2008).

Innovations networks differ from knowledge networks, which according to Schönström (2005) are used inside organisations to bring together tacit knowledge to be shared and, thereby, generate new knowledge to be used for development of new products. The benefits of a knowledge network are the improved knowledge transfer and learning. The negative aspect is the size of the network, when networks grow larger the communication efficiency decreases and the wanted effect of improved knowledge transfer and learning can be reduced. The benefits and negative aspects of a knowledge network could, according to us, also be applied on networks that are not just internal of a firm but also function more as an innovation network.

According to the above discussion of sharing knowledge in a network, this way of using research and development as a marketing activity to gain access to potential

customers can be useful for a new company in the market situation of this thesis. By involving the potential customers in the process of developing the product, a relationship based on trust and commitment can be build and according to Muthiah (2006) if a relationship is build successfully the transactions will follow. The network starts as an innovation network but is suppose to evolve into business network with continuously ongoing transactions. When creating an innovations network with for example two potential customers the company will also gain access to the customer's network and, thereby, can take advantage of this network when moving on to create new relationships with other potential customers.

### **3.5 Customer organization and purchase behaviour**

When a company tries to initiate a buyer-seller relationship with a potential customer it can be useful for the company to have knowledge of the potential customer organization and purchase behaviour. If dealing with a small organisation, the problem of who to involve in the process might not be a complicated issue but when it comes to large organizations the issue becomes a far more complicated problem to solve (Håkansson and Gadde, 1992). As a stated by Anderson *et al*, (2008) large organizations may have different departments that become involved in a purchase process. Depending on the complexity of the purchase it may involve different actors, for example the purchasing department, research and development department, the board of directors and the user of the purchased product (Anderson *et al*, 2008). According to Lewin and Bello (1997), purchase decisions in large organization are normally done in groups, so called buying centers, with participants from various departments of the organization.

The issue of finding the one/ones who has the authority to decide if a purchase is to be made or not and who is influencing the decision, is a process which requires knowledge of the potential customer's organization. For industrial marketers the knowledge of the buying centers participants of the customers organization becomes an important issue when developing the marketing strategy (Lewin and Bello, 1997). When trying to determine where the purchase decision is made, the issue of how centralized versus how decentralized the organization is becomes important. Today more organizations, than before, have decentralized the

purchasing decisions since there might be a need to involve people from the organization with more knowledge and which has a closer relationship to the actual process, this in order to acquire the most accurate product or service to fulfil the purpose. It is also in line with the trend of organizations becoming more decentralized with profit responsibility on a lower level of the organization (Gadde and Håkansson, 1994). It can, therefore, be argued that it is likely to find the right relationship on a lower level, closer to the problem, than higher up in the hierarchy. For example when trying to find the decision makers in a university, it could be the institutions and professors that make the decision and not the board and the headmaster. Depending on the complexity and importance, the decision can be made in some kind of co-operations between the different levels of the hierarchy (Lewin and Bello, 1997). It can also be argued that, the more important and the more a decision affects an organization the higher up in the hierarchy is the decision made. It becomes, therefore, of interest to be aware of the importance of the purchase for the organization when trying to build the right relationship. This view is supported by Lewin and Bello (1997) that the size and the level of risk/uncertainty of a purchase increase the number of participants in a buying center. The type of purchase situation (new task, modified re-buy, straight re-buy) is also influencing the number of participants in the buying center, where new task purchases, which is associated with high risk and uncertainty, increases the size and makes the buying centers structure become more complex (Lewin and Bello, 1997).

According to Lewin and Bello (1997), buying centers participants often feel threatened by change and, therefore, also feel there are inherent risks involved with technically innovative products. This means that companies need to consider how technically innovative the products are when targeting institutional markets (universities, governmental agencies *et cetera*). Robertson (1971) and Sinclair and Cohne (1992) [Cited in Lewin and Bello, 1997)] classify innovations as either continuous or discontinuous where a continuous innovation is an extension of an existing product with rather low modification that requires small adaptations for the user. A discontinuous innovation is an innovation with major technological advancements, where the use requires a “discontinue” of past behaviour in order to fit the product in the processes. Research show that with the adoption of an

innovation, there is a degree of perceived risk and/or uncertainty (Herbig and Day, 1992) [cited in Lewin and Bello, 1997]. The risk/uncertainty involved with the adoption of a continuous innovation is relatively low compared with the adoption of a discontinuous innovation (Ram, 1987; Robertson, 1971) [cited in Lewin and Bello, 1997]. According to Lewin and Bello (1997), the purchase of technically innovative products often falls into the category “new-task”. Further on, these products are often near the “discontinuous” end of the innovation continuum, which might lead to increase in resistance associated with the decision to adopt to the new product.

The resistance that might occur within the buying center, which stems from technically innovative products, is something the company not could disregard and needs to address. Lewin and Bello (1997) discuss the different members an institutional buying center, such as universities, could contain; administrators, specialists and users, as important to first identify. The next step would be to acquire relevant information about the special needs and concerns each individual or group of participants in the buying center. From the information gathered, the company could design a marketing strategy appropriate to overcome complexities and barriers such as innovation resistance and/or perceived risk/uncertainty. Since a buying center often contains participants with different incentives, it would be appropriate to create different marketing approaches for each one of the individuals or groups in order to influence the buying center to a maximum and receive the best return (Lewin and Bello, 1997). Example of how a company could alter their marketing towards the different participant groups of a university could be; administration might have more incentives to reduce costs, therefore, a focus on the how the discontinuous innovation could decrease the costs would be appropriate. On the other hand, the users might not be equally interested in cost reduction and more interested in the technical advantages the discontinuous innovation provides, therefore, a marketing strategy which puts emphasis on technical advantage would be appropriate (Lewin and Bello, 1997). Lewin and Bello (1997), ends their discussion by saying “marketing strategies aimed at institutional markets should focus on reducing perceptions of adoption risk and product complexity – while, simultaneously, increasing perceptions of product compatibility and relative advantage”.

To conclude the discussion of organizations and purchase behaviour, it could be argued that it becomes important to identify the different participants of a buying center and their incentives. With the knowledge of the buying centers preferences it becomes easier to construct an appropriate marketing strategy in order to acquire the potential customers by for instance having the potential customer as co-producers. Further on, it could be assumed that with the right knowledge about the buying center, it becomes easier to create a higher level of trust and commitment which could enable the possibility to easier finish the first business transaction.

### **3.6 Five Stage Process**

After reviewing the theories of transactional marketing, relationship marketing and the network approach one common denominator is that the customer should be involved in the research and development process (Dilk, *et al*, 2008; Mason and Staube, 2008; Wikström, 1995). By involving the customer in the R&D process, a market offering can be created that brings increased customer value and customer satisfaction (Mason and Staube, 2008). The process of creating the market offering can be a process that is built around the 4P:s (Mason and Staube, 2008; Zineldin and Philipsson, 2007). By starting with the product, the three level of a product model can be a suitable working process were the product is built level after level (Jobber and Fahy, 2003; Pike and Melewar, 2006). When committing into this process of research and development, the two partners build a relationship at the same time, where trust and commitment becomes strengthened as the work progresses (Morgan and Hunt, 1994).

We have chosen to divide the process into five stages, which are the stages we perceive as needed to be able to from a company without any transactions completed to a situation where the first business transaction is enabled. But even though the stages are intended to be used for a company without any transactions completed, there is supposedly no hindrance for a company with transactions to use the same stages when going through the process. Especially if trying to create transactions with someone that is not already a customer. To be able to go through the process the conditions of the previous stage should be fulfilled to be able to proceed to the next stage in the process. By finishing a stage and proceeding to the

next, the process has added value to the actors, both the initiating company that will become the seller and the potential customer. This value could be seen in the form of the value created in the product but also the value of a strengthened relationship. It could be argued that the value created in the product brings value mostly to the potential customer since it is the one that will benefit from the use of the product and, thereby, take advantage of the certain characteristics of the product. The company's value in the product becomes the payment and it will only benefit from incorporating certain characteristics in the product if it means that a higher price can be charged. But the relationship brings value to both the company and the potential customer since this is an interaction between organisations where both actors benefits from the trust and commitment of the relationship. The outcome of the process is a total value that the potential customer perceives as beneficial or satisfying and, thereby, leads to the first transaction (Dumond, 2000; Gummesson, 2002). The process is seen from a positive view in which noting goes wrong and were the potential problems that may arise during this kind of processes is not considered. It is not the intention of this thesis to review any potential problems, since our belief is that it would be a thesis on its own. The different stages of the process are shown below.

Stage 1 – Identifying and understanding the potential customer.

The company must first identify who is the best potential customer to become the future partner that can be trusted in a R&D development process. The process of identifying a potential customer is important because a faulty decision may jeopardize the company's competitive advantage. By thoroughly considering this stage the company may find a suitable partner to target. After choosing which company to target, it is useful to acquire as much knowledge as possible of the potential customers' organization, to be able to more correctly decide who/whom the one to target is (Andersson *et al*, 2008; Håkansson and Gadde, 1992). This can be hard to do only form secondary information and, thereby, there is a possibility that the potential customer must be contacted before the decision can be made.

Stage 2 – Contacting and convincing the potential customer

The potential customer is contacted and it becomes an important issue to identify which people the buying center of the organization consist of. The next objective would thereafter be to convince the participants of the buying center that they could benefit from the involvement in the R & D process. The company might communicate the potential value that can be created by committing into the process. The initial stage of trust is built here when the company should convince the potential customer that they can trust the company to fulfil their commitments. It is the company that is the initiator of the project and, thereby, it can be argued that it falls on their shoulders to be the one that shows trustworthy. This leads us to the following propositions:

P1: Knowledge of a buying center creates a better opportunity to establish a relationship.

P2: Greater perceived value will be associated with higher intentions to commit to the R&D process.

P3: Greater trust will be associated with higher intentions to commit to the R&D process.

### Stage 3- The R&D process

The company transfers its knowledge to the potential customer, which could be in the form of technical data or a prototype of a product. By doing this the company shows the potential customer that they are willing to trust them and this should strengthen the trust between the companies (Morgan and Hunt, 1994). As the work progresses the companies becomes more and more involved in the development of the product and they becomes more and more committed to each other. The stage can be built around the three levels of a product model and by developing the core benefits of the product and the actual product the value of the product increases (Jobber and Fahy, 2003; Pike and Melewar, 2006). During the process, the value and benefits of the relationship increases and as more and more time and effort is put into the project, the termination cost increases (Morgan and Hunt, 1994). It can, thereby, be argues that when the R&D process leads to a high perceived product value the process becomes successful. This leads us to the following propositions:

P4: A successful R&D process is positively related to strengthen trust in a relationship.

P5: A successful R&D process is positively related to strengthen commitment in a relationship.

#### Stage 4- Negotiation process

When the R&D of the product is finished and the physical product is developed the companies enter into a stage of negotiations where issues as augmented services, pricing and distributions is to be determined (Hollensen, 2007; Jobber and Fahy, 2003; Pike and Melewar, 2006). Since the companies have different standpoints in this stage, the relationship can be put on a test and the commitment needs to be strong enough for the companies to be able to agree on certain terms (Morgan and Hunt, 1994). This leads us to the following proposition:

P6: Greater commitment in a relationship is positively related to success in the negotiation stage.

#### Stage 5- First transaction

The potential customer perceives a value of purchasing the product that is higher than what the customer has to sacrifice to acquire the product (Dumond, 2000; Gummesson, 2002; Mele, 2007). The first purchase is made and, thereby, has the relationship evolved to being a business relationship where the companies become buyer and seller.

There is also the possibility to involve more than one potential customer into the *Five Stage Process* or during the process involve other actors such as sub-contractors, raw material suppliers, *et cetera*. By doing this, the process evolves into something like an innovation network where different actors are needed to be able to finish the process (Dilk, *et al*, 2008). An actor could then be involved in the entire process or have more of a supportive role during a certain stage. This would give the network a more loosely cohering structure that might change as the process progresses (Hollensen, 2007). It is not the intention of this thesis to examine the process with more than two actors but this does not exclude the possibility that more actors could be involved in the process.

## 4 Empirical Method

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*In this chapter an explanation is given to how the empirical data are collected to analyze the Five Stage Process provided in chapter three. The chapter starts with an explanation of the population and the interview technique used, followed by operationalisation. The chapter ends with a discussion of the data's reliability and validity.*

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### 4.1 The population

Due to the product of *Company XY*, the population for this study is the dental schools and dental hygienist schools in Sweden. There are four dental schools, situated at Karolinska institutet in Stockholm, Malmö University, University of Gothenburg and Umeå University. These are the object within the population which are the main target customers for *Company XY* and, thereby, also the ones that becomes the most appropriate objects for this study. The eight dental hygienist schools are situated at Karolinska institutet in Stockholm, Malmö University, University of Gothenburg, Umeå University, Kristianstad University, Karlstad University, Jönköping University and Dalarna University. The dental hygienist school are not the main focus of *Company XY*, since its product is firstly intended to be used when educating in drilling which is not a part of the dental hygienist education. But even though this limitation is made, there might be a value with the product that the dental hygienist schools might perceive and, thereby, show interest for the product. Due to this, the dental hygienist schools will not be the primary customers for *Company XY*. Still, there is a possibility that when it comes to the research of this study the dental schools and dental hygienist schools would have the similar preferences when going through the *Five Stage Process*. Out of the population the dental schools will be the main research objects which then can be supported by the dental hygienist schools.

There is a possibility to also include foreign dental schools in the population which would be beneficial since this would increase the numbers of the population and it could also be used to show indications of similarities or difference between different countries when going through the *Five Stage Process*. But due to the problem of getting access to research objects to collect

data, it is believed by us that it would be quite difficult to access foreign dental schools to conduct a study. There is also a problem when dealing with different languages which could distort the information and, thereby, make the collected data less accurate.

#### *4.1.1 Chosen schools*

Since the dental schools in Sweden are spread all over the country the choice of schools became the once closest to Kristianstad. Interviews will, thereby, be conducted at the dental school of Malmö University and at the dental hygienist school of Kristianstad University.

## **4.2 Data collection**

In this dissertation primary data will be used. Primary data is data that the researchers collect themselves and later is used in the analysis. The primary data of the dissertation will be the retrieved answers from interviews.

#### *4.2.1 Interviews*

The selected method of collecting data for this research is interviews. To be able to catch the phenomena of the problematization, interviews provide a more appropriate method than a standardized questionnaire. It is likely that by using interviews it becomes easier to retrieve correct and accurate information that can provide answers for our propositions since it would be hard to answer the propositions with a short answer. Many of them may require more of a discussing answer than a straight yes or no. Interviews also provide the possibility to use follow-up questions when a topic needs a more thorough explanation.

#### *4.2.2 Interview strategy*

A problem that arises when doing interviews is who to interview; it would be necessary that the persons interviewed have the correct knowledge of the studied phenomenon. This might not be an easy task, especially when dealing with big and complex organisations. When trying to find the respondent at the dental hygienist school of Kristianstad the task became quite easy since the dental hygienist school and business school are situated in the same building. The

authors managed, thereby, to easily identify the person responsible for the dental hygienist program and after a short telephone call; it became clear that the identified person was an appropriate respondent.

The second school that was contacted was the dental school at Malmö University. But since it has a rather big and complex organization, secondary information was first gathered in order to better understand what it look like and to be able to more correctly identify a suitable respondent. By accessing the webpage ([www.mah.se](http://www.mah.se)) the authors could get a picture of how the faculty is organized, there are 14 departments and a chancery. The faculty has a decentralized organization and much of the responsibility is directed towards the head of each department ([www.mah.se](http://www.mah.se)). They are responsible for the education, research and finances of the department. The authors, thereby, became of the belief that the head of a department might be a suitable respondent. To get an easier access, the authors decided to call one of the economists of the chancery since we believed that he/she could help to identify a suitable department. The authors also believed that by making the first contact with an economist it would be easier to get understanding for the kind of research that is conducted with in the field of business administration, especially when calling from another university. The economist thought that the department of Oral Protetics ([www.mah.se](http://www.mah.se)) could be a suitable department to find a respondent. He was not sure that the head of the department was the most suitable for us to interview and directed us to the administrator of the department which helped to identify a person involved in research project. This person was contacted by e-mail and an interview could be scheduled. The administrator did not know much about the purchasing behaviour of the organization and could not give more information of who had the knowledge. But after being directed to the reception, they could help the authors identify a person who do the daily purchase for the department. The person showed out to be a helpful lady that is soon to retire and the authors became of the belief that she possesses a deep knowledge of the faculties purchasing behaviour and, thereby, an interview was scheduled.

When conducting the interviews open-ended questions are used, where the respondent is given the opportunity to speak freely about the subject. To inform

the interviewee of what to talk about the interviewer needs to thoroughly explain the purpose of the interview and which topics that is of interests. This interview strategy makes it possible for the interviewer to use follow-up questions to steer the interviewee into the area that the interviewer wants to discuss. Depending on the interviewee's will to speak freely more or less follow-up questions has to be used. The interview guide is used to make sure that all topics are covered and if necessary questions can be asked directly as written in the interview guide. But the interviewer prefer to let the interview become more of a discussion than a structured interview since this might lowers the risk of the interviewer influencing the interviewee. Depending on the knowledge of the interviewee there is a possibility that all propositions might not be investigated since the interviewee do not possess the required knowledge to give a correct answer.

The questions in the interview guide are created with the intension to not be leading questions and when conducting the interviews the interviewer must keep in mind not to use this type of follow-up questions. Leading question tries to steer the respondent into giving a certain answers, an example of this could be "*you like green better than yellow, right?*". If using such a question the respondent is automatically pushed towards giving the answer green. A more correct question would be "*Which colour do you like the most, green or yellow?*". By framing the questions this way the respondent has to think about the answer and it might, therefore, become more correct.

### **4.3 Operationalisation**

After reviewing the theory, six propositions where developed in order to capture the problematization. To be able to collect data concerning the propositions, each proposition is complemented with questions which can be asked more directly to the respondent. Each question is then followed by follow-up questions to more deeply grasp the essence of the proposition. Totally fourteen questions are developed, with follow-up questions, to be used during the interviews. The questions of each proposition will be discussed below.

The purpose with proposition one is to investigate what the buying center looks like, how complex the organization is and make a judgement if it possible for a

supplier to retrieve this information. From this information it might be possible to see if a supplier easily can target the buying center or much effort must be put into it. The proposition might be seen as fundamental since the outcome almost for certain will support the proposition. Accurate and good knowledge about the organization and its buying center will most likely affect the possibility to establish a relationship and to what extent the relationship will be successful. For proposition one, three questions will be used. The aim of these three questions is to describe and identify the purchase behaviour. Question number one is a general question to give the responded a chance to more freely describe the purchasing process and what they believe are important when making purchases. This question is supposed to lead into a discussion of the relationship between the buyer and the seller. Question number two has the purpose of describing the how the organization of the buyer influence the purchasing process and how the relationship with the supplier is dealt with. Question number three has the purpose of investigating the buyer's perception of how the supplier handles the organisation of the buyer. To do this it can be helpful to examine how the relationship with their existing supplier has been built up.

Also for proposition two, three questions will be used. The aim of these questions is to capture why the respondent would commit into a collaboration of R&D. Which are the values that can be identified and are the respondent willing to build a relationship with a supplier. Question four is meant to determine if the respondent has done any R&D collaboration before, since this makes it possible to examine why they committed into the process and what was the outcome. Question five investigates why the respondent would chose to commit into a R&D process and how the possible outcome of the collaboration would affect the decision. Question number six investigates how the value of a relationship with a supplier is influencing the willingness to make a commitment. With this question it might be possible to capture the benefits of having a more deepened relationship and not product related benefits from participating in R&D.

When collecting data concerning proposition three, it might be possible to do this with one question. Question seven captures how trust for the partner of the R&D process will influence the decision to commit to the process.

Since proposition four and five is closely related to each other it is believed that both propositions can be captured with the same questions. The propositions are supposed to investigate how the R&D process influences the trust and commitment of the relationship. Question number eight is a general question where the respondent is asked to speak freely of how the relationship has been influenced by the R&D process. This gives the respondent a possibility to discuss the topic without the interference of the interviewer. Question number nine is more specialized to capture proposition four, which investigates trust in a relationship, if this topic has not been discussed under question eight. Question ten is related to proposition five and how the commitment will be affected of the R&D process. Question eleven tries to give a perspective of how relationships differ when there has been collaboration compared to when there has been no collaboration. This question might be needed to be followed by follow-up questions to go more in depth of how the relationships differ from each other.

The last proposition, number six, investigates if commitment in a relationship affects the parts when it comes to negotiating purchase agreements. Question number twelve is supposed to be used when the respondent have gone through a R&D process which has led to a purchase of the developed product. If the respondent has not done this, this question can not be asked. Question number thirteen is supposed to capture the general state between the respondent and its suppliers of how it can differ from a relationship where there is more commitment compared to when there is no or low commitment. With this question it might be possible to capture what the situation looks like when it comes to negotiations of purchase agreements. Question number fourteen is closely related to question number thirteen but tries to investigate how the state in the relationship might affect when it comes to negotiations.

#### **4.4 Credibility of research**

As the research goes along and develops, the credibility of the empirical findings becomes an important issue to address. Questions such as “How do I know this is true?” become important to consider when assessing the empirical findings. A proper research design, which considers the issues involved in credibility, helps the researcher to be able to provide accurate information that would be considered

as trustworthy. According to Saunders *et al.* (2007) “Reducing the possibility of getting the answer wrong means that attention has to be paid to two particular emphases on research design: reliability and validity.

#### 4.4.1 Reliability

To provide information that is considered as reliable implies that the same result of a studied phenomenon will be found, given that the same data collection techniques or analysis procedures are used, even if the research is conducted at another time by another researcher. To be able to see if the data is reliable or not three questions formed by Easterby-Smith *et al.* (2002:53) [cited in Saunders *et al.*, 2007] could be asked:

1. Will the measures yield the same results on other occasions?
2. Will similar observations be reached by other observers?
3. Is there transparency in how sense was made from the raw data?

This aim of this research is to give suggestions on how to enable a first business transaction, with the assumption that a relationship first has to be established. The assumption that a relationship first needs to be established could of course turn out to be a faulty assumption, however, it is a starting point that could turn out to be true. As mentioned and described earlier in the dissertation, the 5-stage process is our way of describing a possibility of how the process could look like in order to reach the stage where a transaction is enable. In order to assess how the first transaction could be made possible, the two parts *recognize and understand a possible buying center* and *involving the potential customer in a development process* (relationship) were identified and implemented in the process as possible antecedents that could be important. The first part, *recognize and understand a possible buying center*, could be viewed as an ongoing process or something that should be viewed from how it looks today – the present situation. The reliability of recognizing and understanding a possible buying center becomes, therefore, rather low. The reliability would be highly dependent on the complexity of the organization that is examined. The larger the organization is, the more complex it would be. Organizations are subject to changes constantly and a buying center that has been recognized and understood might not be the same the next time it is

studied. The first time the organization is studied, the right persons might have been identified, however, when another researcher tries to study the organization at another point in time, it might be changed, which could lead to difference in the empirical findings. The reliability could also be affected by changes in culture and preferences, an organization might go from having a transactional culture towards a more relationship based culture. The information from the second part, *involving the potential customer in a development process*, is believed to be more reliable since it could be studied from a historical perspective. Given that the interviewed object has experience from some kind of development process together with another party, it will be from a historical perspective. Therefore, it is believed that if the same questions are asked by other researchers the measures will yield the same result, given that the research is conducted within an acceptable timeframe and that no major organizational changes has taken place. Whether or not other researchers will reach the same results and observations is highly dependent on the possibility to interview the right person. This is an issue that is hard to circumvent, however, if the same persons identified as important is identified in another research the same observations and results would be acquirable.

The reliability of this study, from the perspective of the interview strategy, could be argued to be rather high due to the fact that semi-structured interviews are conducted. An interview guide with clear questions has been set up, a guide that other researchers could use in order to conduct similar studies. It is, therefore believed that if the same questions are asked, the results would be similar.

To conclude, it is believed that the data in this research is reliable given that interviews are conducted with the same persons, within a certain time period and that the same type of questions is asked. In the book *Research Methods for Business Students* (Saunders *et al.*, 2007) four types of threats to reliability are discussed: Subject or participant error, subject of participant bias, observer error and observer bias, which now shortly will be discussed.

#### 4.4.1.1 Subject or participant error

Saunders *et al.* (2007) describes Subject or participant error as a problem that may occur if the interview is held at different times or if the respondent

misunderstands the interviewer. There is a possibility that the results might differ if the interview is made at Monday morning compared to if it is made on Friday afternoon. It is assumed that this threat to the reliability could affect our research to some degree. The main reason for this is that this study investigates possible processes within the organization that both include facts and personal views and feeling. Errors could occur if the respondent misunderstands the interviewer or if the respondent does not want to share the information that is asked for. In order to circumvent this possible error, the interviewer needs to be very clear about what the research tries to investigate, *id est* make the questions clear and not the subject for misunderstanding. Another error that could occur is the possibility that the wrong respondent from the organization is interviewed. This situation might occur if the respondent is either newly employed or not in the right position to possess this knowledge. To be able to circumvent this problem, the authors made several telephone calls to the organizations, in which the problem and objective was stated in order to reach persons in the right positions. Further on, the authors strived after getting a respondent within a management position that had some kind of connection to the addressed problem. This increased the reliability of the research to an acceptable level.

#### 4.4.1.2 Subject or participant bias

Saunders *et al.* (2007) describes subject or participant bias as a phenomenon that is connected with what the higher parts of the hierarchy wants to communicate, *id est*. if the interviewed person possess a lower position, there is a possibility that he/she tells the interviewer what they thought their bosses wanted them to say. Due to the fact that this study conducts interviews on institutional organizations (education centers) it is believed that the persons interviewed do not have the same “pressure” to not reveal information that could be of a sensitive nature, compared to private organizations. It could, therefore, be assumed that the transparency of an institutional organization is rather high which could lead to a level of reliability that is acceptable. Further on, since the empirical objects as with the authors come from educational organizations, it is believed that the degree of “being helpful” would be higher than if the researchers represents a

private business unit with profit goals, something that could affect the reliability in a positive way.

#### 4.4.1.3 Observer error

Saunders *et al.* (2007) describes this threat to reliability as a problem that might occur when the interviews are conducted. The errors could occur in the form of misunderstanding of the information, inability to comprehend information from the interviews, misses in the documentation of information *et cetera* (Saunders *et al.*, 2007). To be able to minimize and circumvent any possible observer errors that could occur during the interviews the authors of this research, accompanied by the author of a parallel study, were present during the interviews. Further on, a technical recording device was used in order to facilitate the collection of information. The use of a recording device strengthens the reliability since the interviewer could pay more attention to what the interviewee has to say and also since it allows the possibility to listen to the interview afterwards. The fact that three participants, the interviewed person excluded, were present during the data collection and analysis, three ways of asking questions and elicit answers became possible. To even further avoid any unnecessary observer errors, the questions were throughout all interviews the same and asked in the same way.

#### 4.4.1.4 Observer bias

Saunders *et al.* (2007) describe observer bias as a threat to reliability when the comments, tone of non-verbal behavior of the observer affect the respondent in his or her answer. However, according to us, the observer bias could take other forms than those that Saunders *et al.* (2007) discuss. To be biased could also imply that you as an observer have some personal interest in the studied phenomenon or in some way have personal connections to the studied organization. This threat to the reliability of the research is believed to rather small since none of the observers had any previous relationship with the interviewed persons. However, even though no previous relationship with the interviewed persons exists, there is a risk that the interviewer unwittingly steers the respondent towards a certain answer. To be able to cope with this risk, the interviewer tried not to ask any leading questions. Overall, it is believed that this threat to reliability affects this research to a very limited degree.

#### 4.4.2 *Validity*

When it comes to collecting data the problem of the validity of the data must be considered. Validity concerns if the collected data really measures what is intended to measure. For a study to succeed there needs to be a certain degree of which the data assesses the problematization, otherwise the data will have low validity and the study might become a failure. According to Saunders *et al* (2007) are qualitative interviews, constructed in a careful way, a low threat to validity since it allows follow-up questions, are flexible and questions can be explained to the respondent if it needs clarification.

After going through the process of scheduling the interviews, the authors have come to the belief that there might be a threat to the validity if only one person would be interviewed at Malmö University. The organization seems to be complex and when the authors tried to locate a suitable respondent they were not given a direct answer. The propositions mainly cover two areas, purchasing behaviour and relationships evolved through R&D. The authors are of the belief that there is a possibility that one respondent does not possess the knowledge of both areas and, thereby will not give correct information of all the propositions. The interviewee might think that he/she possesses the knowledge and answer the questions and give less correct answer. This might yield the result that the collected data do not reflect the propositions since the interviewee did not understand the intention with the topic. The authors have tried to avoid this problem by scheduling two interviews, one with a respondent working with purchasing and one working with R&D. By doing this the authors believe that it is possible to collect more valid data and lower the threat to the validity.

The interview guide can also oppose the validity; if the questions are not constructed correctly they might not measure what is intended to measure. To avoid this problem a pre-interview could have been made to see if the respondent understand the questions and can give a valid answer. It becomes then possible to correct the interview guide if any problems have arisen during a pre-interview. For this study there has been no pre-interview made due to the time it would take to conduct such an arrangement. There is also the possibility that a pre-interview would not provide the information needed since the interviews will be held as a

discussion and, thereby, it becomes possible that some of the question might not even be used.

## 5 Analysis

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*In this chapter the analysis of the empirical data will be presented. The chapter starts with a presentation of the empirical data. Thereafter, an analysis of the empirical data in respect to the propositions and the theoretical framework will be presented. The chapter ends with a short description of the consistency of the data.*

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### 5.1 Consistency of the data

The data presented in this chapter, concerning market conditions and market behavior, is given to the authors by the respondents of Malmö University and Kristianstad University and is not the view of the authors. The authors have not tried to make any external control of the reliability of the data and are of the belief that the data is correct since it is given to them from respondents that are believed to have knowledge of the area.

### 5.2 The institution of Malmö University

As mentioned above, the organization of the odontological faculty turned out to be a rather complex organization with a vast number of employees. This created unexpected problems when it came to identifying the right people to conduct interviews with. However, after a few telephone calls, two persons from the odontological faculty thought to be suitable to interview were identified. The two persons interviewed, who will be referred to as *Respondent 1* and *Respondent 2*, had the positions as Chief Dentist/Assistant Professor in Oral Protetics and Chief Dental Assistant/Purchase responsible.

As a starting point for this presentation of the empirical findings, a short description of the odontological faculty will be presented. As other universities, Malmö University consists of many different institutions such as Health and Society, Business Administration *et cetera*. One part of Malmö University is the odontological faculty which consists of 14 different departments. Out of the conducted interviews, it was found out that the department of Oral Protetics has something that they refer to as the “material group”. The “material group” is a

small group of participants that in some way have a responsibility for the departments purchase. Whether or not each one of the 14 departments of the odontological faculty has their own “material group” became not clear during the interviews. However, there is a possibility that the other 14 departments have a similar organization structure.

The purchase process of Malmö University and its departments takes the starting point of first establishing contracts with suitable suppliers. The decision of which suppliers to contract for future purchases is something that is determined by the administration of Malmö University together with the faculty management. According to *Respondent 2*, it is only the initial contract establishment that is done by the higher instances, and when it comes to the actual purchases, the “material groups” have to a great extent the empowerment to themselves decide over purchases that concern consumable goods and smaller investments. *Respondent 2* says that “as long as the purchase not exceeds the budget limitations, the purchase freedom is rather unlimited”. She continues by saying that after the contracts has been signed with the desired suppliers, the departments deal almost exclusively directly with the supplier without interference from the management. However, exemptions could occur when the purchase is considered to be a large investment such as expensive equipment. In the case of large investments/purchases the decision, whether or not the investment/purchases is approved, is made in collaboration with the administration of Malmö University, the faculty management and the “material groups”. Even though there are different parties involved in the purchase decision process of larger investments, it is the participants of the “material group” that, according to *Respondent 2*, have the most influence over what should be purchased. The reason for this is that the “material group” has the closest contact with the place where the equipment is supposed to be used and also since the “material group” posses the expert knowledge of their odontological area.

An important part of the purchasing process is the issues involved in choosing supplier. According to *Respondent 2*, the department of Oral Protetics currently has contracts with approximately 20 suppliers. When deciding which suppliers to use, there are many factors that need to comply with the specifications set up by

the administration. Due to the fact that Universities in Sweden, to a great extent, are financed by the government they often have to take the “law of public procurement” (lagen om offentlig upphandling) under considerations. The general idea of the law is to regulate and keep the costs of government financed institutions down by, if two products are equal, the product with the lowest price is the one that should be purchased. The price of the products is, therefore, something that is one of the components that needs to be reviewed when choosing supplier. The law and the advantages of having more than one supplier that can provide the same type of product, makes the university to sign contracts which lasts for several years, with a number of suppliers, which then can be used by the departments. After signing contracts it is not possible for the departments to purchase any products from a company that is not contracted, if the product can be delivered by a contracted company. *Respondent 2* argue that the purchase process with current suppliers are much easier to conduct, the reason for this is of course since the whole process of establishing contracts are already done. Also, when the contract has come to an end, it is often just renewed without any major changes. *Respondent 2* continue to say that the reputation of the supplier is something that is important in order for the institution to contract them. Reputation implies both that the supplier is well known and that it is an established company that is known to be able to fulfill their obligations such as delivery precision, maintenance services *et cetera*.

Yet another important factor that *Respondent 2* emphasize is the suppliers’ ability to offer a complete solution of products in their assortment. The “material group” within the department of Oral Protetics, as with other departments, rather sees that the supplier provides everything they need instead of buying from several suppliers. By using fewer suppliers, the purchasers in the “material groups” get a closer contact and relationship with the supplier, which could lead to benefits in the form of discounts, faster delivery, smoother service maintenance *et cetera*. Even though the respondents at Malmö University emphasized that relationships are important when it comes to signing contracts, respondent 2 said that the university, for the moment, were conducting procurements with the potential suppliers. During this process one of the big suppliers, that had been the supplier to the university for many years, did not became one of the suppliers that were

contracted. The company had appealed the decision to the county administrative court (länsrätten) and, thereby, was the university for the moment without contract with suppliers

Relationships are something that could be created and nurtured in many different ways. One way of creating and nurturing a relationship could be to be involved in research and development (R&D) with suppliers or other type of parties. From the interview with *Respondent 1* it became clear that the department of Oral Protetics, of the Odontological faculty, see R&D collaborations as something very positive and something that they in a reoccurring process engage themselves in. According to *Respondent 1*, the R&D collaborations are not only with suppliers, but also with companies with no other connection to the dental industry and with other educational institutions. *Respondent 1* mentions several reasons to why they see collaborative R&D processes as something of importance. However, she puts emphasis on the outcome as one of the most important reasons. R&D collaborations should, if successful, bring something positive and useful with it. Though, whether the R&D results in something positive especially for the dental industry or to another area of use is not that important. *Respondent 1* continue by saying that the possibility to get research time granted to the institution affects the researchers will to engage in an R&D project. Further on, it is also of importance that the department themselves do not have to invest any greater sums of money into the R&D project, *id est*, the interest to join a collaborative R&D project is highly dependent on the other party's financial input. Yet another important issue that, according to *Respondent 1*, needs to be considered is the transparency of the project. It is of great importance that the R&D project implies no unethical or illegal actions and that the university could provide full disclosure of the project, something that not all commercial companies might be interested in. The above discussed R&D matters applies, according to *Respondent 1*, in most cases to collaborations that is considered to be of larger nature (span over longer time, financially greater value).

R&D collaborations could also take the form of trying new supplier products out. This could be viewed as a marketing effort that the supplier uses in order to get access to the odontological faculty, and hopefully acquire them as a customer.

*Respondent 1* says that this type of connection with both new suppliers and current suppliers take place on a regular basis and is something they view as positive, as long as there are no “strings attached”.

An important aspect to consider when it comes to R&D collaborations is the value that the collaboration brings with it. *Respondent 1* argue that a successive R&D collaboration project have in specific cases helped strengthen the relationship with suppliers, which have lead to a closer relationship that have enabled both financial and procedural advantages. One of the most important factors mentioned by *Respondent 1*, for an R&D collaboration to be successful is the level of trust and commitment the supplier/partner provide. Most of the R&D collaborations that the department of Oral Protetics, as well as other departments of the odontological faculty, engages in are made with established and/or well known suppliers. This could be seen as a precautious activity in order to be sure that the other party will fulfill their part of the R&D collaboration. However, even though the partner is trusted and as promised fulfills their part of the collaboration, an IPR-contract (Intellectual Property Rights contract) is always set up in order to protect the involved parties. *Respondent 1* argues that an IPR-contract works as a “safety net” and provides extra protection against behavior not agreed not to exist in the contract. *Respondent 1* ends the discussion by saying that trust as a factor enhances that will to collaborate with a partner that suggests an R&D collaboration project. Both *Respondent 1* and 2 argue that in those cases where the collaboration has been successful, the relationship has been strengthened a lot. It could, therefore, be argued that a trouble-free collaboration affects the relationship positively.

### **5.3 Kristianstad University**

The dental education of Kristianstad University is, compared to Malmö University, a rather small education institution. It consists of a dental hygienist program which is only a part of one of the fourteen departments of Malmö University. Due to this the authors believe that they were able to identify the most appropriate respondent to interview, which is the one responsible for the dental hygienist program and the academic leader of the oral health group. The information given by the respondent is, thereby, believed to be correct and

reliable. To be able to go into the purchase behavior of Kristianstad University a short description of its organization is required. After being reorganized, during 2008, the university consists of an administration and two sections, school of teacher education and school of health and society ([www.hkr.se](http://www.hkr.se)). The school of health and society is then divided into thematic groups where oral health forms one group. The thematic group is responsible for the education and research within its field of knowledge and it also manage its own budget ([www.hkr.se](http://www.hkr.se)). According to the respondent it is within the group, that the expert knowledge of oral health is situated and the section and administration do not possess this knowledge. When it comes to making purchases the group itself is the one that decide which products to buy and which supplier to use. If the purchase is beyond the budget of the group, the decision will be made by first, the section and if it is beyond its authority it will be made of the administration. But even though the official decision might be made by the section or the administration the decision is made on the recommendations of the group. The group has to motivate why it is in need of making a certain purchase. The need to make many purchases is known in advance and can, thereby, be budgeted as long as a year before they have to be made. The contact with the supplier is managed by the group and normally the supplier does not have any contact with the section or the administration if the decision is made by any of them. *The respondent* believed that the one that had the most influence on the decision to make a purchase was the group. It can, thereby, be argued that for a company to become a supplier to oral health at Kristianstad University it is the group that becomes the part of the buying center that the company has to direct its marketing efforts at. According to *the respondent* the suppliers are aware of the buying center since they direct the marketing efforts toward the group.

The marketing efforts of the suppliers are mostly directed towards relational marketing, for example is it not unusual that the companies visit the University to demonstrate products and also invite to participate in seminars concerning the area of oral health in general and not only directed towards selling the company's products. According to *the respondent* the relationship with the suppliers are relational and not transactional even if price to some extent influence the purchase decisions. When choosing supplier the university chose companies that is well-

known with good reputation and often has been used for a long time. The university do not sign purchase contracts with its suppliers as done at Malmö University since *the respondent* believed that it is not necessary due to the size of the organization. When making purchases the person responsible for the daily purchasing routines contacts the suppliers, which is normally used, and require them to send offers. The university is, thereby, free to use any supplier they like but mostly the well-known, where there is an established relationship, becomes the one that is chosen. *The respondent's* general view of the suppliers was that they were very service minded and always had the intention to fulfill the requests from the customer.

The University is often contacted by dental companies that want them to evaluate and give feedback on their products and participate in different kind of research projects, which is something that the university see as positive since it gives them the chance to contribute to better products reaching the market. Before committing into collaboration it is of an essence that the university feel that the other part is reliable and trustworthy and due to this it is more likely that they commit into collaboration with a partner that they already know than with an unknown. By committing into R&D with companies the university can contribute to elaborate the knowledge within the area of oral health which is a strong incitement to why they chose to collaborate. The view is that this kind of collaboration with the market actors gives them better opportunities to build relationships for R&D.

By conducting this type of collaboration with the suppliers, *the respondent* believed that the relationship with these suppliers often became strengthened when the outcome of the collaboration was seen as positive from the view of the supplier. *The respondent* said that it was important for the school that all kinds of results from any R&D were published no matter what the outcome was. Full disclosure is of essence to the university which is a view that might not be shared with all commercial companies. This could become a problem when a result do not provide a positive answer for the company or in a worse case an answer that might damage the reputation of the company. In this type of situations the

relationship between the supplier and the university might become weakened instead of strengthened.

It is also not unusual that relationships based on R&D turn into business relationships where the university becomes the customer of the company. *The respondent* sees these relationships, which normally involves high trust and commitment, as beneficial since it gives them the opportunity to get better terms of purchase agreements especially when it comes to negotiate the amount of the discount. It is also the view of *the respondent* that when it comes to choosing supplier the relationship is a factor that is highly considered when making a purchase decision.

## **5.4 Analysis of the propositions**

### *5.4.1 Proposition 1*

P1: Knowledge of a buying center creates a better opportunity to establish a relationship.

As described in the operationalization, it was assumed from the beginning that the study would provide indications that supported this proposition. The reason for this is that it is so general, that if the variable “having knowledge” is fulfilled and are present the opportunity to succeed should be greater. The metaphor of a long distance runner who has been training for two years to complete a marathon could be used to describe the situation. It is a fact that he would be in better condition to complete the run compared to someone who never had a pair of running shoes on. From the empirical findings it could be argued that when it comes to more complex organizations, such as the odontological faculty of Malmö University, the gathering of knowledge becomes much harder and of even greater need. This proposition could be argued to be best analyzed out of interviews conducted with the current suppliers instead of with the university’s organization/buying center. However, since the starting point is from a new company’s perspective, that has not yet entered the market, the outcome of the proposition and the belonging questions becomes more of a supporting advice to that it is possible to acquire knowledge from complex organizations as well. Since we as researchers were able to gather data that could be sufficient enough to get a broad overview of how the

purchasing decision is made and by who the decision is made, it could be argued that a company with more resources could do the same or perhaps even better. However, there is a possibility that it was easier for us to gain access to the educational institutions since we, as students, have connection to the academic world and also since we have no personal incentives.

Our view is of course, due to the previous assumption, that knowledge is both needed and a must in order to establish a relationship and in the final stage enable a transaction. This is supported in theory by scholars; Håkansson and Gadde (1992) argue that knowledge of the potential customers' organization and its purchase behaviour are very important in order to establish a buyer-seller relationship. Further on, Lewin and Bello (1997) discuss the issue of finding the one/ones who has the authority to decide if a purchase is to be made or not and who is influencing the decision, is a process which requires knowledge of the potential customer's organization. They continue to say that for companies, the knowledge of the buying centers participants of the customers' organization becomes an important issue when developing the marketing strategy.

#### 5.4.2 *Proposition 2*

P2: Greater perceived value will be associated with higher intentions to commit to the R&D process.

*Proposition 2* has the intention to investigate how the value of the outcome of committing into an R&D process affects the will to commit into the process. From both interview objects the authors received similar answers concerning this proposition, the respondents emphasized that the value which is perceived from conducting R&D is an important issue when deciding to commit into a collaboration of R&D. The authors, thereby, believe that the empirical data have a tendency to support proposition two. What the authors found as interesting, is that the perceived value do not have to be a value that is beneficial for the own organization, it might be a value that is beneficial for the area of odontology in general. According to *Respondent 1* at Malmö University, many research projects concerned oral health and oral diseases where the outcome could end up in a new medicine for a pharmaceutical company. In some cases there is even a possibility

to commit into projects when the knowledge of odontology might be helpful for an area of science that is not in any way connected with the subject of odontology. This finding is something that the authors believe is an effect of doing the study on universities and not on commercial companies, since it lies within the activities of universities to conduct research within its area of knowledge. If the study had been conducted on commercial companies there is a possibility that the situation would have been different since companies normally are driven by economical profit and, thereby, see more to the benefits that R&D can yield for the own organization.

#### 5.4.3 *Proposition 3*

P3: Greater trust will be associated with higher intentions to commit to the R&D process.

From the data collected in the empirical study, the authors believe that there are tendencies that could support *Proposition 3*. The main reason for this is that both respondents from the odontological faculty at Malmö University as well as the respondent from the oral health group at Kristianstad University named trust as one of the key factors in order for them to engage in R&D collaborations. Trust as a factor would, according to us, be something that would be hard to build up over a short period of time and instead something that evolves over a longer period of time through close connections with a relationship partner. Trust could be viewed as both formal and informal, where informal trust for example could be personal relationships and formal trust something that is created through contracts and agreements. The IPR contract, which the odontological faculty at Malmö University uses, could be an example of a formal trust creator. When the IPR contract is signed by both parties, they have legal obligations that will get legal consequences if not followed. It could, therefore, be assumed that parties involved in agreements will have fewer tendencies to not fulfil their part of the deal, something that might increase the level of trust.

According to us, trust as a factor influencing the will to commit to an R&D process could be different depending on the parties involved. An assumption that could be made is that there could be fewer risks involved in a relationship with an

organizational institution compared to a commercial company with profit interests. For a company, a relationship with an organizational institution might be preferable from the aspect that organizations have fewer tendencies to be profit driven and, therefore, the risk of an opportunistic behaviour could be lowered. For the organization/institution the situation might be the reversed, *id est*. there is a possibility to be exposed to opportunistic behaviour due to a profit driven business strategy. Trust might, therefore, become an important factor in order for the parties to be involved in R&D collaboration.

Further on, *Proposition 3* could be argued to cohere with earlier research and theory. The core of the “trust-commitment” theory by Morgan and Hunt (1994) is to build up and maintain a trust with the customer and thereafter receive the advantage of a customer willing to commit themselves in the relationship such as R&D collaborations. Morgan and Hunt (1994) states that, in order for a relationship to be successful the presence of relationship commitment and trust are crucial. The difference between what Morgan and Hunt argue and *Proposition 3* would be that the theory argue that trust is needed in order for a relationship to be successful, while the proposition assumes that the level of trust affects the will to be involved in an R&D collaboration. However, the resemblance between Morgan and Hunt’s theory and the empirical findings in this research are believed to be rather strong, which would allow us to say that *Proposition 3* is supported.

#### 5.4.4 *Proposition 4 & proposition 5*

P4: A successful R&D process is positively related to strengthen trust in a relationship.

P5: A successful R&D process is positively related to strengthen commitment in a relationship

*Proposition 4* and *Proposition 5* is closely related with each other, they both investigate how a successful R&D process influences a relationship, *Proposition 4* from the concepts of trust and *Proposition 5* from the concept of commitment. The problem the authors see with these concepts is that it might be hard to determine were trust ends and commitment begins, there is no clear border between the two concepts and they might be, to some extent integrated with each

other. For a respondent, which do not possess a deeper knowledge of the differences between trust and commitment in a relationship, this issue might become a problem and the discussion concerning the influence of each factor might be vague. However, the overarching intentions of the authors with *Proposition 4* and *Proposition 5* are to investigate the outcome's effect on the relationship and, thereby, the authors are satisfied with being able to make a combined analysis of the two propositions. The authors also believe that this would not distort the outcome of the analysis; it just makes it harder to determine the effect of each proposition, which might be hard under any circumstances due to the factors intangibility.

The empirical data indicates that a successful R&D process strengthen both trust and commitment in a relationship. This due to the answer from the respondents at both Malmö University and Kristianstad University which emphasized that relationships with suppliers, which had been engaged in R&D with the universities, became deeper if the R&D was successful. The respondent felt that, after conducting R&D together with a company, the relationship often evolved and more trust had been built up between the two partners. The respondents also felt more committed into the relationship and often saw these relationships as more valuable than relationships which were not based on collaboration. The respondent at Kristianstad University said that the main suppliers often had been involved in R&D with the university and that these relationships are often long lasting with strong commitment from both sides. But the respondent also emphasized that an unsuccessful R&D process is not unlikely to damage the relationship and, thereby, always have the risk to jeopardize a relationship. The findings of the empirical study indicates that in order to strengthen a relationship with a university as a customer R&D might be an effective way which can generate a positive effect for both sides. Thereby, the findings from these propositions show indication of supporting the statements by Morgan and Hunt (1994) and Wikström (1994), that successful collaboration might strengthen a relationship.

The authors believe that there is a possibility that if the study had been conducted on company to company instead of company to institution the indications of these

propositions would have become similar. It is our belief that for companies which are driven by economical profit the relationships might be strengthened as a result of a successful R&D collaboration, especially as long as there is an economical benefit for the actors involved in the R&D. The problems might occur if the profit decreases or in worst case defaults, during these circumstances the effect of the collaboration on the relationship might become different.

#### 5.4.5 Proposition 6

P6: Greater commitment in a relationship is positively related to success in the negotiation stage.

The intentions of this proposition was to understand how commitment in a relationship is affected when the two parts becomes involved in negotiating purchase contracts. Due to the organization of Malmö University, where the negotiation of contracts are conducted on the administration level of the university combined with the faculty management, the authors would have needed to do interviews with staff working on these levels in the organization. By not doing this the authors feel that it becomes hard to give an accurate analysis of the situation. It is, thereby, possible that the analysis would have become different if such interviews would have been conducted. The general view that the authors got from the respondents was that the commitment in the relationships is a factors that too a large extent influence why a company gets chosen as supplier. The respondents believed that when much effort had been put into a relationship they were often more willing to get along. At Kristianstad University the respondent believed that commitment made it easier when it came to negotiations since they could use that to get a better discount.

What the authors found interesting, which might be contradictive to this proposition is that Malmö University did not let one of their biggest suppliers become a part in the procurement process. Even though they had a long relationship with, according to *Respondent 2*, great trust and commitment the company did not became contracted. Why this has happened is information that the authors do not possess and can not speculate around, but it shows that trust and commitment is not a guarantee for having a new contract.

The authors, thereby, believe that the indications from the empirical study are that commitment in a relationship affects the negotiations of purchase contracts in a positive way, but it might not be a guarantee for winning a contract. This finding could, therefore, be argued to cohere with the research of Morgan and Hunt (1994), which emphasizes that commitment, will increase the intention to stay in a relationship.

A speculation from the authors is that if the study had been conducted on company to company the commitment might have been even more important since when having two commercial parties the risk of opportunistic behaviour could increase. The assumption that could be made is that low commitment would increase the risk of opportunistic behaviour. There is a possibility that a commercial company is more interested in not making loss of the money that are invested in the relationship especially when they had invested money in a R&D collaboration which they do not want to see as conceded. Thereby, the company might be more willing to reach an agreement to not lose the benefits that the R&D process has evolved.

## 6 Conclusion

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*In this chapter the conclusion of this dissertation is presented. The chapter starts with a summary of the dissertation followed by the conclusion of the Five Stage Process. Thereafter the practical implication and the critic of the dissertation are presented. The chapter ends with suggestions for future research.*

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### 6.1 Summary of the dissertation

This dissertation has the purpose to try to explore how a company with no previous business transactions completed could attract its first customer on a B2B market where the competition is assumed to be hard due to limited numbers of customers and suppliers. The authors started to review theory of transactional marketing, relationship marketing, network approach and purchase behaviour and out of this the authors constructed the *Five Stage Process* of how to enable the first purchase. To be able to determine the relevance of the *Five Stage Process* six propositions were created. Interviews were conducted with two respondents from Malmö University and one respondent from Kristianstad University to gather data that might show if the theoretical assumption made by the authors was relevant. The analysis of the data indicates that some support could be found for all the propositions.

### 6.2 Conclusion of the Five Stage Process

#### 6.2.1 Stage 1 – Identifying and understanding the potential customer

This stage was at first not intended to be a part of the empirical study since it is a process that is internal of the company and do not involve the potential customer. But when the authors started to find staff at Malmö University to interview, we first had to seek information of the organization to locate respondents that could be appropriate to interview. During this process the authors had to go through much of the stage of understanding the organization to be able to contact suitable staff in order to get further help in identifying respondents. The exact process is described in chapter 4 under the headline 4.2.2 interview strategy. For a company that would contact the odontology faculty at Malmö University, it had to go through a process very similar to the one that the authors of this dissertation had

to carry out. From the secondary data the authors were able to receive a picture of the organization and the area of responsibility for each level. This information became helpful when making the first contacts with the university. The empirical experiences of the authors, thereby, cohere with the statement of Andersson *et al*, (2008) and Håkansson & Gadde, (1992) that in order to more effectively decide whom to target, one should acquire as much information as possible of the potential customer. It is, therefore, believed that in order to more effectively and to be better prepared when contacting the potential customer this stage has to be thoroughly considered.

After the conducted empirical study, it could be argued that *Stage 1* should be slightly modified. According to the authors, a more suitable name could be “Knowledge creation and contact”. The main reason for this is that the available secondary information about the potential customer is believed to be insufficient in order to establish an accurate view of how the organization works and who makes the decisions. According to us, there is a possibility that institutions such as Malmö University disclose more secondary information about the organization features compared to commercial companies. The reason for this could be that institutions are not exposed to competition to the same extent as a commercial company with profit as a driving force. It would be more appropriate to first gather all possible secondary information about the potential customer and in the next phase try to establish a contact in order to gather more information about how studied processes works.

### 6.2.2 *Stage 2 – Contacting and convincing the potential customer*

From the empirical findings it became questionable whether Stage 2 provides a correct view that would match the reality. According to the authors, it could be argued that the “contacting” part with the belonging Proposition 1 should be connected to Stage 1 instead. The reason for this is, as mentioned above, the issue of acquire sufficient secondary information already in Stage 1 that would allow you as an interviewer the possibility to both contact and in the same step convince (build up trust and mediate satisfactory value) the potential customer.

However, the importance of “contacting”, which would imply that the first contact is established as well as that knowledge is gathered and understood,

should not be disregarded. The knowledge creation of the targeted organization is something that, according to the authors, should be subject to a structural change and moved to Stage 1.

Stage 2, with the exclusion of “contacting”, is still believed to be valid when it comes to the conveyance of the value and the creation of trust. Both value and trust show indications of support since the empirical findings and the reviewed theory cohere and are in accordance with each other. The empirical findings indicate that in order to convince the potential customer to commit into a collaboration of R&D, they need to perceive a potential value from the collaboration. This could be seen as basic knowledge which does not need to be studied, but for a company that is trying to convince a potential customer, the alternative cost of a potential value needs to be kept in mind. As stated by Mele (2007) and Dumond (2000) the alternative cost of value is in the form of what has to be sacrificed in order to acquire the value. Due to the fact that the study was conducted on institutions and not on commercial companies, the value to communicate might differ from the value that would be communicated to a commercial company and the alternative cost of the value might not be in monetary terms, as could be the case with a commercial company. Thereby, it is possible that the value equation as stated by Anderson *et al.*, (2009) becomes less effective when dealing with an institution than a commercial company. The empirical findings indicate that the perceived value of the universities often is of an intangible nature, since they often commit into R&D which they do not directly benefit from, but rather contribute with their expertise of the studied field. According to Morgan & Hunt (1994) shared values influence the will to be committed in a relationship and the empirical study indicates that perceived value influences the will to commit into a relationship. The authors, therefore, argue that by communicating value the chance to convince the potential customer increases.

In the theory developed by Morgan & Hunt (1994) shared values do not only influence commitment but also trust, which is something that the empirical study indicates as important when it comes to the possibilities of convincing the potential customer to participate in a collaboration of R&D. From the analysis of the empirical study, the statement that the authors believe has the strongest

influence of support is the statement that trust influence the will to commit into a collaboration of R&D. Morgan & Hunt (1994) argues in their KMW model that trust influence commitment in a relationship, an argument that show indications of being supported by the empirical findings.

In conclusion, the authors believe that *Stage 2* is relevant in the *Five Stage Process*, since both trust and value has turned out to be applicable to some extent. However, the empirical finding implied that a structural modification would be more similar to the reality, *id est*, moving contact to *Stage 1*.

### 6.2.3 *Stage 3- The R&D process*

The authors believe that the empirical findings show indications to support the trust-commitment theory developed by Morgan & Hunt (1994). Morgan & Hunt (1994) emphasize that in order to make a relationship successful, trust and commitment is crucial. The empirical findings of the study indicates that when collaboration is conducted between two partners this strengthen the relationship and the partners feel more trust for each other and the commitment in the relationship increases. The indications are also that the universities find the relationships, which are built on collaborations, more valuable and see more benefits in them than relationships without collaboration. These findings, thereby, cohere with the statement of Wikström (1996) that collaboration between partners generates more value than traditional transaction processes. The empirical findings also support the statement by Morgan & Hunt (1994) that collaboration lowers the propensity to leave the relationship since the suppliers used are often collaboration partners.

The empirical findings do also indicates to cohere with the theory of innovation networks described by Dilk *et al* (2008) who states that companies commit into innovation networks when they have a benefit of working together with researching and developing an innovation. The findings from Malmö University shows that it often is committed into long term R&D collaboration with multiple partners in order to decrease the uncertainty and cost risks, a finding is stated by Arias (1995) and, thereby, supported in both the theory and empirical study. Another finding that cohere with the network approach is that R&D is conducted

not only with companies within the own industry, but there can be members in the network that belong to other industries with no connection to the area of odontology. This statement is supported both by the empirical study and Dilk *et al* (2008).

To conclude the authors believe that both trust and commitment is important to strengthen a relationship, since it has shown indications of support in the empirical study and in theory. Therefore, we believe that there is a tendency that stage 3 is a relevant stage of the process due to the coherence between theory and empirical findings.

#### *6.2.4 Stage 4- Negotiation process*

The authors belief is, based on the findings from the empirical study, that relationship where commitment is based on long term collaboration will, more smoothly, go through a negotiation process. The empirical findings indicates that commitment in a relationship influence the negotiations in a positive way, contracts are often prolonged and the universities often use suppliers where the suppliers are well-known and where they feel committed into the relationship. This findings support the statements of Morgan & Hunt (1994) that the parties of a relationship feel committed when they have put vast amount of effort into it and that commitment in a relationship resists the attraction of short term alternative in favour for the long term benefits of staying with existing partners. The authors, thereby, believe that the empirical findings to some degree cohere with the theory of relationship marketing developed by Morgan & Hunt (1994), but due to the fact that Malmö University did not sign contract with a well-known and for long time used supplier, the authors believe that commitment is not a guarantee for a prolonged business relationship. This indicates that the arguments by Zineldin and Philipsson (2007), that a company still needs to consider elements of the marketing mix and the 4P:s when establishing a relationship as a competitive advantage, is not something that should be neglected.

A problem that might arise when entering the negotiation stage is, if in huge organizations, the relationship has been built with scientists and staff on a low level of the organizational hierarchy, and when it comes to purchasing the

product, there is a great deal of involvement from the management higher up in the hierarchy. In this case, the decentralization of the organization together with the influence of the scientists and staff on the lower level becomes important. The empirical finding shows that the one that is believed to be the most influential on a purchase decision is the department or group, where staff is at the low level of the organization even though the official decision is made by the upper management. This finding supports the statement by Lewin and Bello, (1997) that decisions are made in co-operation between different levels of the hierarchy.

The empirical findings also emphasized that when a purchase can be made within the budget of the department or group there is no need to go to a higher level of the hierarchy and known investments can be budgeted the year before so it does not need a special approval. This shows that the statement done by Gadde and Håkansson, (1994) is supported, that the trend of organizations becoming more decentralized with profit responsibility on a lower level of the organization.

To conclude the authors believe that commitment in a relationship is helpful when it comes to negotiate purchase agreements, a view that is supported both in theory and by the empirical study. Also the influence on the buying center is an issue that might become important to consider. And finally, one may not forget the 4P:s.

#### *6.2.5 Stage 5- First transaction*

This stage is the goal of the process and the empirical study has not intended to study the goal, only the path of how to get there. When reaching this stage the relationships have evolved from being a collaboration of R&D to become a business relationship, but the empirical study shows that the universities often conduct R&D with its suppliers and, thereby, just because the goal has been reached, the process of R&D does not have to stop. A continuing collaboration might be a solution to even more strengthen the trust and commitment between the two partners, a belief that is supported by Morgan & Hunt (1994).

#### *6.2.6 Final Conclusion*

Marketing as a field of research is a phenomena where vast numbers of studies have been conducted throughout the last century. Two of the main fields within

marketing are Transactional marketing and Relationship marketing, two fields where most research, from a broad perspective, could be categorized under. This is also why this research takes the starting point from a transactional and relational marketing perspective. The purpose of this dissertation was to explain and get an insight of how a company with no previous business transactions completed and few market connections is supposed to enable the first purchase. The most common thought, identified in the reviewed theory, is that a relationship first could be established after a transaction has been completed (Morgan and Hunt, 1994; Ahmad and Buttle, 2002; Andersen, 2001, etc). However, due to the specific characteristics of the studied market and our theoretical assumption, which gets support from Muthiah (2006), it is believed that the relationship should be the reversed, *id est*. a relationship is first established and thereafter the transactions will follow. The findings from the empirical study could be argued to give indications that the less recognized school of thought, *id est*. relationship first – followed by transaction, could be equally appropriate to apply in B2B markets. However, this would be highly dependent on the characteristics of the market.

To establish a relationship, it was identified from theory that some kind of collaboration such as R&D, co-producing *et cetera* could be used to create relations (Dilk, *et al*, 2008; Mason and Staube, 2008; Wikström, 1995). The authors believed that this could be a suitable way in order to address the issues of the research question. To do this the authors reviewed theory concerning relationships (Morgan and Hunt, 1994), networks (Dilk, *et al*, 2008) and purchase behaviour (Lewin and Bello, 1997), this ended up in the creation of the *Five Stage Process*.

The background to this dissertation was a request from our tutor, which implied to give some form of useful information to *Company XY* concerning the field of marketing. Since *Company XY* is supposed to become a market player in the market for dental education equipment, the empirical objects for this study became dental education institutions in Sweden. Findings from the empirical study indicates that the process built out of theory might be a relevant way describe how a company without any previous business transactions completed and with few market connections enables their first business transaction. Possible issues with the *Five Stage Process* could be that the “borders” between the

different stages in some cases could be a bit vague. Further on, after the analysis of the empirical findings, it became questionable whether or not parts of *Stage 2* should be moved to *Stage 1*.

To conclude, the authors believe that the assumption that some form of collaboration can be useful in order to create trust and commitment, which in the next phase leads to a successful relationship that could enable the first business transaction. The important outcome of this dissertation is that even though most scholars argue that a transaction first needs to be completed, there is a possibility that the reversed situation might work equally well.

### **6.3 Practical Implications**

Since this dissertation started as a request from our tutor, to contribute with information that could be useful for *Company XY*, the practical implication is that the collected data and the findings might provide the company with more understanding of the targeted market and some of the potential customers. *Company XY* is going through a process much like the *Five Stage Process* and by reviewing this dissertation the company might be able to better understand the behaviour of the university and it might be more prepared when entering a certain stage. But the *Five Stage Process* is not constructed exclusively for *Company XY*, it can be useful for other companies that are in similar situations, with similar markets, standing on the verge of trying to become market players. After reviewing this dissertation they might be able to better construct a market strategy that will make it possible to enable the first purchase. The data concerning the purchase organization and behaviour could also be useful for companies that already are market actors and involved in business, or tries to become involved in business, with universities since the data might make the picture clearer of how the organization acts. From a general perspective, it could be argued that some of the conclusions that are drawn from the results could be used to give guidance and advice to how to act when a company tries to become market player. During the collection of the empirical data, it became clear to us that it is of great importance to understand the organization that potentially will be the future customer in order to construct accurate marketing strategies for each one of the participants of an organization. Further on, the findings that R&D collaborations

often affect a relationship in a positive way could give a company, with a business suitable for R&D collaborations, the indication that they might be better off implying a relationship marketing strategy than a transactional strategy. Without the knowledge it could be argued that a transactional approach, working with the 4Ps, would be the easiest to use, something that might get unwanted consequences in the form of an unsuitable market strategy. To conclude, it could be said that knowledge of the potential customer gives companies better prerequisites to succeed in constructing a suitable market strategy, whether of a relational or transactional nature, which in the next phase enables a first purchase/transaction.

#### **6.4 Critical review of the dissertation**

After reviewing the findings of this dissertation the authors believe that more interviews should be made at Malmö University. Staff from other departments could be interviewed in order to be able to determine if the findings from the department of Oral Protetics conform to other departments. Interviews should also be made with staff higher up in the organization to get a clearer picture of the process of signing contracts. The empirical study could also involve interviews made at for example the University of Gothenburg in order to further extend the authenticity of the empirical study. This would give the dissertation more reliable data to base its findings and conclusion on.

It could also be argued that the dissertation examines the *Five Stage Process* at a general level and do not go enough on the depth of each stage. This is a belief that is supported by the authors, however, in order to do this, there is a possibility that each stage itself should be reviewed in a dissertation of its own, something that the authors do not possess the resources to do.

#### **6.5 Suggestion for future research**

It is the view of the authors that in order to find even stronger support for the research findings, it would be appropriate to conduct more interviews at both Malmö University and Kristianstad University. By continuing the research with more data collection, better grounded findings could be elaborated. Another way of elaborating the findings could be to do the empirical study on companies instead of universities and, thereby, get a broader perspective of how to enable the first purchase when dealing with company to company and not company to

institution. Yet another possibility could be to narrow the research even more, a suggestion here could be to only study how purchase decisions are made and the organization behind the decision. This would, however, be more connected to organizational behaviour than to marketing.

## **6.6 Final thoughts**

Even though the process of writing this dissertation have been both challenging and demanding, it has elaborated an even greater interest of the topic marketing. The findings together with the interest for the subject have opened up possibilities for the researchers to conduct future research from other perspectives. Even though it could be argued that an even deeper empirical study could have been conducted, the authors believe that the findings could both be useful as an advice giving guide to some of the issues a potentially new market player might face as well as a “door opener” for researchers with an interest in issues regarding how a company in an appropriate way could become a market player. Finally the authors believe that even though there has been shifts in the way scholars relate to marketing (transactional – relational – service *et cetera*), one should not disregard any part of the concept marketing since they all might provide parts that enables a better total solution.

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# Appendicis

## Appendix 1

### Intervju guide

Datum

Organisation:

Namn:

Befattning:

- P1: Knowledge of a buying center creates a better opportunity to establish a relationship.

1. Hur ser er inköpsprocess ut? Vad tar ni hänsyn till? Har ni flera leverantörer? Pris, relationer, etc

2. Vem deltar i inköpsprocessen? Vem anser du ha störst inflytande? Vem sköter kontakten med leverantören? Har storleken på inköp betydelse? På vilket sätt deltar leverantören i processen?

3. Innan ni väljer att köpa in en produkt, Har er leverantör kontakt med flera av de personer som ingår i inköpsprocessen? Hur har samarbetet med er nuvarande leverantör byggts upp?

- P2: Greater perceived value will be associated with higher intentions to commit to the R&D process.

4. Har ni deltagit ett samarbete förknippat med produkt utveckling?

5. Vad gör att ni är villiga att involvera er i en produkt utvecklings process? Hur påverkar de funktioner/fördelar som en utvecklad produkt kan ge, ert intresse att delta i en produkt utvecklings process?

6. Vad ser ni för värde att delta i ett utvecklingsamarbete med en leverantör? Har det betydelse om det är er nuvarande leverantör?

- P3: Greater trust will be associated with higher intentions to commit to the R&D process.

7. Hur påverkar förtroendet för den andra parten ert intresse att delta i en produkt utvecklings process?

- P4: A successful R&D process is positively related to strengthen trust in a relationship.
- P5: A successful R&D process is positively related to strengthen commitment in a relationship

8. Hur har samarbetet påverkat relationen mellan er?

9. Hur har samarbetet påverkat förtroendet mellan er?

10. Har samarbetet fördjupat er relation? På vilket sätt? Varför inte?

11. Hur skiljer sig relationen, där ni har haft ett samarbete jämfört med när ni inte har haft ett samarbete?

- P6: Greater commitment in a relationship is positively related to success in the negotiation stage.

12. Hur har relationen från samarbete i utvecklings processen påverkat när ni kommit till ett skede att köpa produkten?

13. Skiljer sig förhandlingar om köpeavtal mellan leverantörer där ni har en djup relation och förhandlingar med leverantörer där ni inte har någon relation?

14. Hur påverkar den rådande relationen mellan er och leverantören vid förhandling om köpevillkor?