Development of buyer-seller relationships: suggestions for future research

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Abstract

In Northern Europe two research traditions have contributed to the development of the relationship marketing approach in particular: the Nordic School of Service Marketing and the IMP Group's Interaction Approach. Drawing on these traditions two fundamental characteristics are identified in buyer-seller relationships: relationships have a temporal dimension and they are dyadic. The article reviews the existing models of relationship development by analysing how the authors have incorporated the temporal dimension in theory and empirical designs. In the review, special attention is paid to the definitions of development, theories of development and the methods that have been used in model building. The analysis reveals that plenty of research has already been done in the area but more empirical and particularly longitudinal studies are needed. A number of suggestions are made for future research. The major argument of the paper is that researchers should pay more attention to the temporal dimension and its treatment in research. This is the only way to build better theories of relationship development.
INTRODUCTION

In recent years the concept of relationship marketing has gained widespread acceptance among marketing academics in the Nordic countries, in Europe and the United States. It has been argued that marketing discipline is undergoing a paradigm shift or at least a shift in its orientation from transaction based research to a relationship approach where the development of enduring and mutually profitable relationships with customers and other internal and external stakeholders is the major concern (e.g. Grönroos 1994; Gummesson 1994; Parvatiyar and Sheth 1994; Webster 1992).

The concept of relationship marketing has been put forward as a new approach to marketing management, particularly in the fields of service marketing and industrial marketing (Berry 1983; Gummesson 1987; Grönroos 1990a; Christopher, Payne and Ballantyne 1991). In Nordic countries two research traditions have contributed to the development of the relationship approach in particular: the Nordic School of Service Marketing (Grönroos and Gummesson 1985; Grönroos 1990b) and the IMP Group’s Interaction Approach to industrial markets (Håkansson 1982; Ford 1990).

Taking these traditions as a starting point, two cornerstones can be identified in the emerging relationship marketing approach: first, relationships always involve a temporal dimension and, secondly, relationships are dyadic.

Relationship marketing acknowledges the fact that customer relationships are often long-standing and emphasises the need to establish, maintain and develop these relationships. Industrial marketing research in particular has
focused on these temporal aspects. In the IMP Group’s Interaction Approach relationships are looked from a processual perspective which means that they are viewed to emerge, evolve and dissolve in a continuous interactive process between the parties (e.g. Håkansson 1982; Ford 1982; see also Håkansson and Snehota 1995). Relationship development has been a major research theme within the tradition for almost twenty years.

Relationship marketing also stresses the dyadic nature of buyer-seller relationships. There are always two parties who consider to have a relationship with each other and who deliberately build a relationship to gain mutual profits. This basic characteristic has recently been brought into relationship marketing discussion by Iacobucci (1994) and Barnes (1994). They question whether the relationship thinking is at all appropriate for consumer markets where the buyers don’t usually even think that they have a relationship with a company. Theory development in the Interaction Approach and the Service Marketing Research has always been premised on the two party approach. The Interaction Approach has emphasised the mutuality of interests and particularity (or uniqueness) of each interactive relationship (Ford, Håkansson and Johanson 1986), while Services Marketing has taken the participation of customers to service production and the interactive nature of service operations as a starting point for research (Grönroos 1982, 21–23; Zeithaml, Parasuraman and Berry 1985, 33).

During the past twenty years industrial marketing and distribution studies as well as service marketing research have produced a number of models dealing with the development of dyadic buyer-seller relationships. The relationship approach has been an obvious strategy for these industries where
relationships between buyers and sellers tend to be long-lasting and business exchange requires considerable degree of interaction between the parties. In this article the existing models of relationship development are evaluated from a temporal perspective. The purpose of the article is to analyse how current research on relationship development has managed to deal with the temporal dimension both theoretically and empirically. On the basis of the analysis recommendations for future research will be made. The major argument of the article is that the role of time and temporality has received far too little attention among researchers. There are still obvious ways to strengthen our knowledge and to build better theories of relationship development.

The article starts by discussing the criteria that can be used in evaluating existing models: the alternative ways to treat temporality in research will be presented. The models of relationship development will then be reviewed and assessed according to these criteria. Finally, implications for future research are presented.

DEALING WITH TEMPORALITY

The development of buyer-seller relationships is a problematic research topic, especially because it explicitly adds the temporal dimension into research design. The inclusion of dynamics typically complicates research and also raises questions that have to date attracted relatively little attention in the discipline of marketing. One has to resolve how the temporal dimension is to be treated at the conceptual level and how it can be grasped through empirical investigation.
In studying relationship development one has to answer at least three fundamental questions:

1. What is the meaning of "development"? How is this concept defined?
2. What process theory (or development theory) is used to explain how and why development occurs?
3. What are the empirical methods that are used to investigate development? How is the temporal dimension incorporated into research methodology?

The problem of temporality is of course a broader and more complex issue than what this list would suggest. What is time and how can it be understood are basic ontological questions to pose. The meaning of time will not be covered in this article, however. The following discussion concentrates on the most obvious questions one has to solve and on their potential solutions. This discussion also functions as a basis for model evaluation.

The Concept of Development

Van de Ven (1992) has presented an enlightening review of different meanings of process that have been used in strategic management literature. He identifies three definitions of process: input-output, change and processual. The development of buyer-seller relationships can be viewed similarly from three different perspectives.

In input-output models, the research interest lies in the antecedents and consequences of development, i.e. in the influence of some independent

\footnote{For the meaning of time see e.g. Halinen & Törmöös (1995).}
variables on some dependent outcome variables (cf. Van de Ven 1992, 170). The model may focus on the factors that foster the initiation, maintenance or dissolution of a relationship, or it may examine factors that influence, for instance, the success and failure of a relationship in its different phases.

Models and studies using the change perspective tend instead to look at the development process in terms of the change in a number of specific variables over time (see e.g. Van de Ven 1987, 331; Eneroth 1984, 129; Miller and Friesen 1982). One may examine, for instance, how exchange volume, the experience of the exchange partner or commitment change over time, from one point in time to another. On the basis of change models one can usually only say if a change has happened, not how it happened.

The question of how changes occur is approached by models that take a processual perspective on development. Process models take up the process of development as such, i.e. the nature, sequence and order of events and activities that unfold over time and that describe how things change (see Van de Ven 1992, 170). In terms of Eneroth (1984, 131–132), development is viewed as a change, transition or transformation of something as it flows through the structure of the phenomenon, not as a change of some structural aspect².

The theory of development

Whereas a definition of development indicates one's meaning of development in relation to other uses in the literature, a theory of

² By transition, Eneroth means the change of an object into something else, and by transformation he means that an object is changing with respect to its form, strength and so on.
development consists of statements that explain how and why a process unfolds over time. Such a theory is needed not only to ground the conceptual basis of a study on relationship development, but also to guide the design and conduct of empirical research (Van de Ven 1992, 174). Van de Ven distinguishes four families of theory that concern development and change processes: life cycle, teleology, dialectic and evolution. In the context of buyer-seller relationships life cycle and evolutionary theories have been most commonly employed.

In life cycle models, the development of a buyer-seller relationship is divided into phases according to the presumed stages of a life cycle. The use of the life cycle metaphor has been especially common, probably because of its intuitive appeal, neatness and simplicity in consulting and teaching situations in particular. There are, however, some considerable weaknesses in its application.

Life cycle models infer an evolutionary pattern of natural organisms, at least implicitly. They tend to view development as a deterministic, inevitable evolution where the relationship moves progressively from one clear stage to another until decay (Van de Ven 1992, 177). However, it is improbable that companies or their exchange relationships would follow this kind of pattern (see e.g. Kimberly 1980, 7-11; Ford 1989, 823; Hedaa 1991, 48, 131). The development of buyer-seller relationships is not intrinsic. Relationships are instead developed consciously or unconsciously by the parties of exchange.

In addition, the phase divisions of life cycle models are often arbitrary and disconnected from the content of a buyer-seller relationship. Phasing may
have been done *a priori*, for instance, on the basis of the length of an exchange relationship, which has helped to manage the time dimension and made it possible to study some interesting element in the relationship. Life cycle models typically view development from an input-output or change perspective and tend to treat time as an absolute and linear dimension.

Another possibility would be to describe relationship development more as an evolutionary phenomenon without deterministic phases. Evolution explains change as a recurrent, cumulative, and probabilistic progression of variation, selection, and retention (Van de Ven 1992, 179). Theories of social evolution describe development for instance as gradually and incrementally proceeding change (Darwin’s Evolution Theory) or as rapid and radical changes (the Punctuated Equilibrium Paradigm) (Gersick 1991; Van de Ven 1992). In a buyer-seller context, evolutionary theory can be used to explain the process of relationship development.

Evolutionary models provide rich explanations of development. They are explanatory, not predictive process models (Van de Ven 1992). It must be noted that these models can also use phasing, for instance, as a means of organising data or simplifying the description of development. The underlying theory of development is, however, different from that of life cycle models. Evolutionary models apply the processual definition of development and try to capture the content of the relationship in dynamic concepts that are themselves defined in relation to temporal modes: to the past, present and future (see Halinen and Törnroos 1995). This releases the models from the absolute time dimension. The development of relationships is viewed in relation to the processes occurring in relationships and the

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1 For the concept of time see better Halinen and Tornroos (1995).
events in the context of relationships, not in relation to the mere passage of time.

The methodological approach to development

Finally, relationship development models can also be assessed according to the empirical methods used in their development. In assessing models of dynamic phenomena, one has to ask whether they are grounded on cross-sectional or longitudinal investigations or perhaps on conceptual analyses based on intuition, earlier studies (e.g. case histories) and practical knowledge of the industry. The use of cross-sectional methods may be considered a serious weakness of the models, especially in cases where the description and explanation of relationship development has been the major purpose (Halinen and Törnroos 1995; see also Van de Ven 1992, 172).

Longitudinal studies with retrospective or real-time methodology would be more appropriate for studying time-bound phenomena. Both retrospective and real-time data have their strengths and weaknesses (see Pettigrew 1990, 271; Halinen and Törnroos 1995). The reconstruction of histories over long periods of time makes the identification of continuities, different periods in the relationship development, recurrent cycles and break points possible. Following events in real-time on the other hand tends to draw attention to the complexity of real-life events and to minor events and changes in the relationship. The real-time approach is useful for discovering the activities and decisions of exchange parties in real-life situations for instance when the handling of conflicts is the focus of research. This kind of information is often highly valued by practitioners involved with relationship
management. The combination of the two methodologies can be a good strategy to overcome the major biases of each particular approach.

EVALUATION OF THE MODELS

The development of buyer-seller relationships has interested marketing scholars for more than twenty years. In 1975, Bagozzi argued that the processes involved in the creation and resolution of exchange relationships constituted the subject matter of marketing. Some years later, Arndt (1979) brought up the issue of long-term exchange relationships more explicitly, and argued that their existence should be recognised in the development of marketing theory. Similar ideas were put forward by researchers of industrial and international marketing (see e.g. Guillet de Monthoux 1975 and for the work of the IMP Group Håkansson 1982 and Ford 1990). Development of long-term relationships became an important research topic (see Ford 1982; Ford and Rosson 1982; Rosson 1986; Liljegren 1988).

In the area of service marketing the interest in buyer-seller relationships has developed simultaneously but from a rather different perspective. The focus of service marketing research has been in the study of single service processes, what happens before, during and after a service process. Gummesson (1979) and Grönroos (1980 and 1982) have done pioneering work in this area.

Table I reviews the models and frameworks of relationship development in industrial sectors. Guillet de Monthoux proposed a model of relationship
development as far back as 1975, where he described industrial markets in terms of stable buyer-seller relationships and compared relationship development there to that of a love affair between people. He challenged the prevailing theories of marketing with an inductive study which focused on the change in various elements within an exchange relationship (see Table I).

The development of industrial marketing research later led to the establishment of the Industrial Marketing and Purchasing Group (IMP Group). The Group launched a new approach to industrial marketing, the so-called Interaction Approach. Ford's model (1982) draws on this tradition and the extensive database collected by the IMP Group. Ford pays special attention to the nature and change of buyer-seller relationships and applies the life cycle thinking. Regardless of the dynamic phenomenon under study, the model has been constructed primarily on the basis of cross-sectional data.

The study of Ford and Rosson (1982) and Rosson's follow up study (1986) present one of the rare models of relationship development that are based on longitudinal real-time data. Ford and Rosson (1982) define and characterise five possible states in buyer-seller relationships on the basis of the various content elements of these relationships. The study questions the life cycle metaphor by showing that relationships can be at various phases – growing, inert or static – almost irrespective of their age. Rosson's follow up study (1986) looked at the development of specific relationships from state to state. He made a contribution to the understanding of the dynamics of exchange relationships by investigating the change in relationships and also the
reasons behind these changes in the context of each relationship. The study showed that relationships are vulnerable to termination in every state and especially in the early phases of relationship development. A parallel finding has also been made in the advertising sector (Michell 1988, 64).

Frazier (1983) proposed a broadened framework for marketing channel relationships, taking the time dimension into account. Based on existing literature, Frazier developed a conceptual description of the processes of channel relationships and of their evaluation in particular. His development perspective can be considered to be processual.

Wilson and Mummalaneni (1986) contribute to the research area by proposing a new conceptualisation of buyer-seller relationships based on the bonding and investment models of social psychologists. They present an evolutionary model of exchange relationships, emphasising the processual nature of development. The framework describes how satisfaction, investments and commitment develop in repeated successful interactions, and how commitment in turn leads to continued interactions and further investment in the relationship.

Dwyer, Schurr and Oh (1987) have similarly drawn on the work of social psychologists but take the social exchange approach to relationship development. In their model, relationships are supposed to evolve through five general phases – each of which represents a major transition in how parties regard one another (see Table I). The model provides a rich theoretical description of the development process of exchange relationships, but as the authors have stated it is built on conceptual foundations and empirical
evidence from social exchange and romantic relations, not from business exchange.

Liljegren's model (1988) builds on the IMP Group's Interaction Approach and the Network Perspective of industrial markets. Accordingly, Liljegren also examines the role of the surrounding inter-firm network and the critical events in the process of relationship development. The model is based on a retrospectively conducted case study. Liljegren (1988, 372-374) distinguishes the uncertainty phase as a separate phase in relationship development and shows that new build up and development phases may also occur in a long-term relationship. This finding lends further support to the earlier proposition that there is no single and inevitable development path that would be common to all relationships (cf. Ford and Rosson 1982; Rosson 1986).

The most recent contribution in an industrial context was the model suggested by Frazier, Spekman and O'Neal (1988) concerning the development of just-in-time relationships. The model is based on a broad range of theoretical approaches. It concentrates more on the structural aspects and antecedents of exchange relationships than on the process of relationship development.

In the service marketing area (see Table II), Gummesson (1979) was the first to tackle the dynamics of service exchange by introducing the buyer-seller interaction model for professional services. He identified five major stages in a relationship, each of which requires different action from the seller. Grönroos (1980, 1982) proposed a life cycle model of customer relations,
which involves three stages. Both the model of Gummesson and Grönroos are especially constructed for marketing planning purposes: each stage can be viewed as an outcome of marketing activities from the previous stage. The temporal perspective on service relationships is short. The models describe relationships as discrete exchange events rather than long-term exchange relationships, and examine only their early stages.

Insert Table II about here

Edvinsson's model (1985) extends the Grönroos model to export marketing, paying special attention to the interaction between international business partners. Edvinsson's model is also a life cycle model constructed for marketing strategy and planning purposes.

Yorke (1990) has studied professional services, especially financial and legal services, and compared a number of factors in "young" (less than 5 years old) and "old" (over 5 years old) client relationships. Drawing on this comparative data and the managerially oriented model of Grönroos (1980), Yorke proposes a tentative model of the changing nature of professional service supplier-client relationships. The age of a relationship is used as a proxy variable for its developmental stage and the proposed stages are only loosely connected with the empirical study itself. The process of relationship development is not addressed.

The model of Halinen (1994) is built for professional business services and is based on a longitudinal case study of an advertising agency-client relationship. Relationship development is examined from a processual
perspective; the nature, sequence and order of events and activities are examined. Relationships are also approached as an evolutionary phenomenon, without \textit{a priori} phasing or the assumption of deterministic life cycle. The concept of development is used in its neutral meaning, referring to the development of exchange relationships with their ups and downs, not to progressive development alone.

Besides these efforts a number of empirical inquiries has been made in professional service industries (for advertising services see Wackmann, Salmon and Salmon 1987; for auditing services Levinthal and Fichman 1988; for investment services Palmer and Bejou 1994). These studies have typically investigated the antecedents and consequences of development or the change of some specific variable in different phases of an exchange relationship. Authors have used the life cycle metaphor and the age of the relationship as a proxy variable of its developmental stage. They have not been interested in the development process of exchange relationships per se, or in its conceptualisation.

DISCUSSION

The overall picture of the existing models and frameworks of relationship development is dislocated. After twenty years of research contributions the area still seems to rest at an early developmental stage. There is a lack of cross-referencing between the authors and the models. This can be seen especially between service marketing and industrial marketing researchers as well as American and European researchers.
There is, at present, no agreement on the conceptual language to be used to describe the development of exchange relationships. This is obvious as the models draw on various theoretical approaches. However, it is interesting to note that the models share a number of constructs. This indicates that some progress has been made in the area. Among these concepts are for instance exchange, communication, adaptation, interdependence, investment, norms, attraction, trust, commitment and uncertainty (for further evidence see also Wilson and Möller 1991). The most significant conceptual contributions have been provided by Ford (1982), Wilson and Mummalaneni (1986), and Dwyer, Schurr and Oh (1987).

Figure 1 provides a two-dimensional classification of existing models and frameworks summarising the above evaluation. The first dimension distinguishes models and frameworks according to the definition given to the concept of development. The second dimension indicates the type of methodology used in model building.

All three distinguished definitions to development have been applied in the studies of relationship development. Studies that employ either a life cycle theory or an evolutionary theory can also be found. It seems however that the authors of the models are rarely aware of the definition or theory they are applying. These temporal aspects are rarely explicitly reported even though they are most relevant for any study dealing with a dynamic phenomenon.
The use of the life cycle theory, either explicitly or implicitly, is common. Research has however shown that relationships are not likely to follow any single and prescribed life cycle in their development (see Ford and Rosson 1986; Liljegren 1988; Hedaa 1991; Halinen 1994). Different states and phases are likely to occur in an unpredictable way and also repeatedly over the duration of a buyer-seller relationship. Relationships can be in various states: growth, decline, constant, troubled – almost irrespective of their age and irrespective of their previous phase of development (Ford and Rosson 1986; Halinen 1994).

The review indicates that empirical research that is purposefully designed to develop or test a model of relationship development is particularly scarce. The great majority of the studies are explorative even though they are based on some sort of empirical evidence, case histories or practical experience. As there is already some agreement of the most essential constructs of buyer-seller relationships, it would now be the time to proceed to the testing of hypotheses and quantitatively oriented studies.

The lack of longitudinal studies of relationship development stands out clearly. In order to build better theories of a dynamic phenomenon it is necessary to conduct longitudinal investigations. The internal logic and validity of any study requires consistency between the methods used and the nature of the studied phenomenon (see Halinen and Törnroos 1995). It is difficult to defend studies that assume relationships to be at different stages of a hypothesised life cycle according to their age and which then strive to make generalisations of relationship development by taking a cross-section of relationships from different age categories (see e.g. Wackman, Salmon and
Salmon 1986/87; Palmer and Bejou 1994). In spite of the fact that longitudinal research is time consuming and expensive it is still the best way to enhance the quality of our models of relationship development.

IMPLICATIONS FOR RESEARCH

It has been argued in this paper that buyer-seller relationship have two fundamental characteristics. First, relationships have a temporal dimension. They tend to be long-lasting which means that they develop over time. Secondly, relationships are dyadic. There is always two parties in a relationship who want to gain mutual profits by building a long-term relationship.

A number of issues are raised by this article that merit serious consideration in future research on relationship marketing and the development of buyer-seller relationships.

First, plenty of research has already been done in the area of relationships and relationship development, which is often ignored. A number of conceptual analyses and even some empirically grounded models are available for researchers to be used as a basis for future studies. The work of the IMP Group in particular has provided a solid foundation for future model building and theory development. The review of the existing models indicate that some constructs are fairly generally accepted as central for relationship development. This gives a good basis for future research but calls for broad and intensive reading from researchers.
Second, researchers need to pay more attention to the temporal dimension in research. One should define the meaning of development, clarify the applied theory of development and design the research in such a way that it is consistent with one's definition and theory of development. The input-output, change and processual definitions of development have already been employed in buyer-seller research but the explicit applications of evolutionary theory or other theories of development, except the life cycle metaphor, have been rare. By broader use of these theories, new insights could be gained into the development of relationships.

Third, there are already good reasons to believe that relationships do not follow any prescribed life cycle from one stage to another in a predetermined order. It is instead likely that relationships can be in various states almost irrespective of their age and irrespective of their previous phase of development. It would be therefore more interesting to study the various states of a relationship and use them as a starting point for future research rather than assume any prescribed life cycle. Using the age of a relationship as a determinant of its developmental stage involves considerable validity risks for research.

Fourth, there is a significant lack of empirical research and particularly of longitudinal studies in the area of relationship development. In order to build better models of a dynamic phenomenon, like relationship development, it is necessary to use longitudinal methods. There is particularly few studies that have followed the process of relationship development in real-time. This methodological perspective would give new
and interesting insights into the development of the relationship marketing approach and it would also serve the needs of relationship managers in their attempts to build and maintain profitable relationships. A real-time study of real life situations and actions of the exchange parties could provide important managerial implications.

Fifth, the conceptual basis laid down by earlier research gives a good starting point for the planning of quantitative studies that aim at testing of hypotheses. Without empirical and statistical generalisations the research area risks of remaining at an explorative phase and at a level of conceptual exercise. Quantitatively oriented longitudinal investigations could give considerable contributions to the research area.

Sixth, dyadic relationships often require a dyadic research approach. A dyadic research design is not only a logical consequence of the nature of buyer-seller relationships but also a valuable means of increasing the validity of research findings. Data collection from both parties of the relationship give opportunities to data triangulation which helps to obtain reliable information about the development of individual relationships.
REFERENCES


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### Figure 1. CLASSIFICATION OF RELATIONSHIP DEVELOPMENT MODELS

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