ONE MORE TIME, WHAT BUYER-SELLER RELATIONSHIPS ARE ALL ABOUT

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INTRODUCTION

It is now about 10 years since I wrote an article under the title, "The Development of Buyer-Seller Relationships in Industrial Markets" (Ford, 1980). Of course, it was not the first article to recognise that a key characteristic of industrial markets is the close relationship between buyer and seller which often exists. Nor was this article the major contributor towards the tremendous interests in relationship management which is currently in vogue amongst both marketing and purchasing managers. Since that time, a whole series of other articles, based on studies in widely varying contexts have added to our knowledge of the nature of buyer-seller relationships and at least some of these have provided ideas of practical relevance to practising managers. It now seems a good time to try to bring together a number of ideas on buyer-seller relationships as well as to reexamine some of the basic things I said all those years ago and to point out some of the mistakes on which those ideas were based.

A BASIC CONTEXT

Consumer goods markets are typically characterised as mass phenomena - large numbers of actual or potential customers who are divided into relatively homogeneous subgroups in order to be described and analysed. Communication between manufacturers and these individual consumers tends to be one-way and uses impersonal mass-media from the manufacturer to large numbers of consumers. Communication in the opposite direction, where it does occur is by the medium of market research and is with a subset or sample of the market. At the same time the manufacturer assembles a marketing mix which is directed at the market. Thus the marketer acts and the market reacts by buying or not buying.
There are of course many exceptions to this situation - perhaps the
greatest actually occurs at the consumer point of sale where seller and
buyer may engage in close personal interaction and the mix of offerings may
indeed be modified. Business markets in contrast are characterised by
fewer customers of a wide variety of size and hence considerable variation
in their individual importance to a vendor. In many cases the transactions
are of higher value than in the consumer case, not only in absolute terms
but as a percentage of the vendor's sales volume.

Each individual and business purchaser is likely to have distinctive and
peculiar requirements. In the consumer case these individual requirements
can probably be subsumed for marketing purposes within the requirements of
a definable market segment. In the business case these requirements may be
generalisable across groups of purchasers. But, whether or not they are
generalisable, they are likely to be very strongly determined by other
things which the purchaser buys and other activities in which it is
engaged.

Transaction costs per unit of sale are likely to be greater in the case of
business purchases. These costs can be justified for the marketer by the
high value of the transaction and forced by the distinctive requirements of
the individual business purchaser. The offering provided by the vendor may
be modified for each transaction or at the other extreme may be unique to
that transaction.

In both business and consumer markets a felt need may exist before a
product or service is available. It is more likely that this need can be
and is articulated in the business than in the consumer case. This is
partially because the technology distance between seller and buyer is likely to be narrower in the business case - the buyer may indeed know more about the relevant product and process technologies in the offering than does the vendor. Finally, in both business and consumer markets there may be a continuing pattern of supply after an initial purchase and this supply may be without further evaluation.

RELATIONSHIPS
A salesperson when asked by his salesmanager if he has sold anything to a particularly difficult prospect may well reply, 'No, but I have got a good relationship with him'. Such a relationship is something which can exist before, during and after sale or transfer of product. It is a pattern of interaction consisting of a number of episodes of social, financial, informational, product or service exchange. A relationship can consist of social exchange without product exchange as in the case of our salesperson above. It can consist of product and financial exchange without social exchange as when buying by mail. Episodes in a relationship do not take place in isolation. Each is influenced by other episodes and in turn influences them.

We can only make real sense of what happens between organisations by stating first that organisations do not react to their environment, their members do. This means that we must deal with the actions and attitudes of one or more individuals involved in interactions between organisations. Secondly, these individuals act on the basis of their own and not the observer's definition of the situation. Individual actors assign meanings to situations and to the actions of others and react in terms of the interpretation suggested by these meanings (Silverman, 1970). Over time,
these meanings may change and become more or less clear depending on what each party learns about the other. Relationships are about learning. Every time a product is delivered the recipient learns something about the supplier. The supplier also learns from the buyer's reaction to what is supplied. Both will act on the basis of this learning in their next sales negotiation or drink together in the pub.

DIFFERENT TYPES OF RELATIONSHIPS
The interaction literature tends to concentrate on close, complex and long term relationships, particularly between industrial buyers and sellers, but many others exist which are equally important, but very different in nature.

Consumer Relationships
The consumer marketing literature is much concerned with individual's choice amongst a variety of brands. But, not only is each purchase influenced by the individual's attitude to a number of brands (whether or not he has purchased each of them before), but perhaps more importantly brand choice is also influenced by the individual's relationship with the retailer.

That relationship is constructed from the meanings which each party attaches to each other's actions - on one side the store's sales clerks, its merchandising and its overall product assortment, on the other the customer's purchase level and pattern and his payment performance etc. These all provide the context within which a customer makes a brand choice and the store decides what should be shown to any individual consumer. Of course, the notion of the sales clerk showing product to a customer may
seem rather archaic. However, the growth of Data-Base Marketing means that increasingly the retailer is less of a storekeeper. Instead, it can be described as a company which has a portfolio of customers with whom it develops and manipulates a relationship, interacting by mail, telephone and perhaps less importantly through visits to the store.

Manufacturer-Retailer Relationships
A manufacturer's relationship with retail distributors is a function of the strength of the manufacturer's brand franchise but also of a whole series of factors to do with adaptation of offering terms and the particular things which are done for individual stores - in tailored product, enhanced delivery, price modification etc.

Business Relationships
Business relationships can also be built on impersonal communication and can be distant, irregular or short-term. In this or any other case each interaction episode builds on the knowledge brought from elsewhere as well as the learning which has taken place in each previous episode whether social, financial, informational or product exchange. In the extreme impersonal, distant case then the meanings on which both parties act are more stylised and formalised in terms of product description, brand and credit rating. In this they are similar to the consumer situation. Of course this is probably not typical and we will need to spend more time looking at more usual business relationships later in this paper.

MORE ABOUT MEANINGS
Any episode in a relationship has meaning to both parties like in any social interaction. Consumers know what a brand 'means' to them in terms
of 'quality', price and social acceptability. Similarly a business buyer reads a meaning into each statement or product delivery of a supplier - a statement may signify a negotiating ploy to him. The product delivery may be a routine, unremarkable event or the sign that the buyer's production technology has been upgraded significantly.

Meanings are unclear at the beginning of any relationship. Over time their increasing clarity leads to predictability and the main basis of any well-developed relationship. Trust - i.e. that what we believe any episode represents or means will be vindicated by what actually happens - that we will actually get the product we thought we were going to get, when we thought we were going to get it, or that a particular deodorant does give us the confidence we believed it would. Trust can be generated in the minds of buyers in at least two ways. The first is through Experience of interaction. It can also be generated and often sustained in the face of conflicting evidence by Branding and brand advertising. Here we come across one of the classic differences between consumer and business marketing. Experience based trust is relatively much more important in business than consumer markets. Brand based trust may develop very rapidly in consumer markets when compared to experience based trust in business markets. This may be because the meaning of product purchase can be more effectively communicated by impersonal means for a consumer product which has a relatively standardised usage pattern. The frequently greater idiosyncracies of business buyers and the complexity of these requirements mean that trust is built through actual behaviour in a relationship.

MULTIPERSON INTERACTION

A business relationship is likely to involve more than one person on each
side. They will of course act more or less independently of each other. Nevertheless, they will have some meanings, beliefs, symbols and behaviours in common. Sociologists call this a culture - so should we. In the same way that organisations have a culture, so to do relationships. The culture provides the norms, routines and values. This means that we then get into interesting issues of when and how either party should break the 'rules' or at least act differently from the norms of the relationship. We have referred to this elsewhere as Inconsistency (Ford, Hakansson and Johanson, 1986).

WHY ARE WE HERE?

What is the basis of a relationship. Should we look first at the goals or requirements of both parties? No, instead we should first examine the resources possessed by both parties at any point in the relationship. These resources of themselves are valueless in relationship terms. They are activated to being Capabilities in a relationship, if they can affect either positively or negatively what the other party wants.

'Interaction Activities Resources'

Companies come together because of their own resources and those of the other party. We can often get a good insight into the nature of these resources in terms of technologies. The clearest example is often in Joint Ventures of one form or another where two or more companies combine on the basis of their technology assets. In order to analyse these technologies further it is useful to make an initial threefold separation into Product, Process and Marketing Technologies - the resources to design, to produce and to relate the outcome of these technologies to a chosen market. We can then within each of these three areas separate a company’s technologies
(resources) into three subgroups. Firstly there are those which are Basic to the company i.e. those which are fundamental to its operations in any area of product or production, but in which the company has no special competence. These are qualifying factors for participation in a business. A second group are those which are Distinctive for the company - i.e. in which it has some special competence on which competitive advantage can be built (or which for our purposes are likely to be of value to a relationship partner). The third subgroup consists of External technologies. These are capabilities which the company does not possess itself, but which it has supplied by others. Examples may include the supply of component parts. Here, the design (product technology) may be the buyers but the ability to produce (process) rests solely with the seller (Ford, 1988).

This technology view of the basis of relationships will be useful to us later when we look at relationships strategy. It means that we can construct a relationship 'inventory' as in Figure 1 of what a company brings to any of its relationships. This inventory may be different for different relationships. For example, in some cases a seller company's ability to design a product may be important. Another relationship may be based on 'make-to-print' where the seller produces to the buyer's design. In other relationships the seller's logistic, service or sales skills may be the cornerstone of a relationship. A similar inventory can be developed for the buying company. A relationship can grow because the buyer's marketing technology gives it access to a wide market for a product. Alternatively, it could have its own product design strengths (product technology) and contacts with a range of subcontractors (External Technologies).
RELATIONSHIP EVOLUTION
The idea of relationships developing over time is intuitively appealing. The separation of that development into a series of stages has a conceptual clarity which we can relate neatly to analogies with courtship, marriage and divorce. However, the stage model emphasises the process of development and almost infers an inevitability in that development. In contrast, Ford & Rosson (1982) showed that relationships can be in various 'states' - growing, declining, inert almost irrespective of their age. Rosson (1986) later showed that over a five year period, new relationships were almost as likely to be terminated as to move into a growing stage. We therefore need a model of relationships which shows evolution without a deterministic view of development.

DIMENSIONS OF BUYER-SELLER RELATIONSHIPS
It is useful to assign three dimensions to a buyer-seller relationship:

Width  The range of activities in the relationship. This in turn is a function of the capabilities which bring the parties together.
For example, a narrow relationship may be built upon a single standardised component delivered regularly. A broader relationship may involve many different products, delivery patterns, service back-up etc etc. These aspects may or may not be specifically tailored to the requirements of either party. Some of these aspects may be basic technologies of either party - for example they may use the industry's normal production process or involve a generic product. Alternatively they may be distinctive and unique to the providing company. It is important to note that a relationship does not always require a distinctive technology. Very often, a seller company can be successful by assembling a package of basic product and process technologies which suit the requirements of particular partners and effectively delivering this tailored package (marketing technology).

When we examine the width of a relationship it also forces us to look at the relationship in juxtaposition with others in the Network. This can be seen in a number of ways. For example, the package of technologies of a seller may depend on External Technologies - for example the components from a separate supplier or from a partner company engaged with the seller in a joint venture. The relationship may also be part of the buyer's task of assembling a package of technologies from a number of companies. The buyer will then employ these technologies in other relationships with its customers. As far as these other relationships are concerned, the buyer is using the capabilities of the first seller and others as External Technologies.

Depth

A deep relationship is one where there is little separation into discrete or separate activities which are solely the responsibility of one or other
partner. This has been referred to by Marrett (1971) as Reciprocity. A deep relationship is one where interaction affects a considerable proportion of the decision making of both parties. Nevertheless, depth is multi-faceted. One party may welcome discussion in product specification but retain an absolute monopoly over decisions on the logistic flow between the components. Depth is quite different to the concept of Mutuality as advanced by Ford et al (op cit). That concept refers to commonly held goals as a basis for a relationship. The idea of mutuality confuses common expectations of outcomes with common goals. Common expectations are necessary for a relationship, common goals are not. In other words mutuality suggests a greater degree of common interest is necessary for a relationship to exist than is actually the case. We shall return to this point below when we discuss closeness.

**Closeness**

In a close relationship expectations of the likely behaviour of others are strongly held. This does not mean that the expected behaviour is desired - just that the parties "know where they stand" in their dealings with the other. The relationship has a strong basis of shared meanings. Of course strong expectations of undesired outcomes can quickly cause a relationship to disintegrate - unless an element of coercion is present. "We have to put up with this supplier even though he is difficult, because he's the only one who can supply this product". Perhaps more commonly, the shared expectations involve trust that the other party will provide what is required. Failure to live up to expectations of payment or delivery timing can reduce closeness.

We should also note that it is easier for closeness to be established in a relationship when similarities of culture, technology and location allow
the build up of mutual expectations.

Closeness is to do with performance in its broadest sense. One seller party can choose to maximise its product performance but minimise social contact. Thus, trust is high because of product predictability i.e. there is a clear view of the meaning of each transaction but there is no basis for trust through social contact and so the relationship stands or falls through the product. Closeness can accommodate limited conflict but a consistent failure of one party to fulfil expectations of the other whether intended or unintended reduces the closeness of a relationship and can destroy it.

The notion of closeness does not mean that both parties have a common set of values or definition of the situation - what the relationship is for or where it is heading. Of course, 'he who has the bigger stick has the better chance of imposing his definitions' (Berger & Luckman, 1966). This means that a relationship must be seen not only as a structure of expectations of the likely behaviour of each other, whether buyer and seller or master and slave but also of the structure of Power and Influence which exists.

For the purposes of this paper, I would like to dodge a full exploration of power in relationships. We can say simply that one important base of power in a relationship is the possession of resources of value to the other party - capabilities. We have chosen to express these resources in technological terms, but this is only a partial view. The application of these resources in a relationship underlies reward power and their threatened removal is a form of coercion. The firm's knowledge (product,
process and marketing) can also be the source of informational power and its social strength can be the source of the final one of French and Raven's (1959) bases of power - referent power. For a fuller discussion of power in buyer-seller relationships see Wilkinson (1973). The extent of application of the resources they possess by either party is what leads to the width of relationship. This resource based view of relationships is close to that advanced by Pfeffer and Salancik 1978.

A GOOD THING?
Of course it isn't necessarily a good thing for all buyer-seller relationships to be wide, deep and close. These variables are both issues of strategic choice and a function of the relationship's evolution itself. We have said that within a relationship, both parties act on the basis of the subjective meaning they assign to their own and the other party's actions. The meaning of individual actions are important to help us understand relationships. But, we also need to include the meaning of the relationship as a whole for a more complete understanding. This has two aspects:

Firstly, we have already said that both parties don't necessarily have the same set of values about a relationship, but for the time being they both see it as the means to their individual ends. The meaning of a relationship can be quite different for separate individuals within an organisation - what is seen as the basis of his bonus by a salesperson can in contrast be a major source of discomfort to a harassed production manager. Secondly, any one relationship has meaning to the individuals involved in terms of the network of relationships of which it is part. For example, buyers will relate the potential of a supplier to what they buy
from other companies, both in terms of quantity and the technologies involved.

TECHNOLOGY AND ITS APPLICATIONS

A broader view of this issue can again be seen in Technological Terms as in Figure 2. Certain technologies are required in order to satisfy the requirements of a buyer in a particular application. For our analysis we can consider an application at any position in a Network and at any stage from raw material to ultimate consumer. The extent to which a single seller possess the necessary technologies (hatched area) will determine the nature of relationships he will exist in order for the application to be satisfied. Thus the seller may only have a limited product technology in the area required. He may then seek a relationship with a contract research house and acquire the technology, or a subcontractor to supply the product to him. Alternatively he may invest in his own R&D to acquire this resource. Further, and assuming for simpliciHv that the initiative in this case is solely within one company, then he may produce the product to a certain stage, dependent on his now extended design ability. He may then sell on to an intermediary (using his marketing technology). This intermediary may act only on the basis of his market technology in selling on to another company for further processes according to that company's design etc. An assessment of a company's technologies as in Figure 2 can be used as part of the strategy development process for any existing or potential application.

RELATIONSHIPS AND TIME

Now, at last we should devote time to the evolution of relationships. I have previously described this process as one of reduced distance,
increasing adaptation to each other and growing institutionalisation. The obvious questions are, "Does this really happen?" and if it does, "What makes it happen?".

FIGURE 2

It is fascinating to observe companies which have dealt with each other over many years. The participants very often will criticise their counterpart in the other company, but are less likely to translate that criticism into an intention to break the relationship (Ford, Lawson and Nicholls, 1982).

Also, the participants in a long-term relationship have usually got a clear idea of what is the appropriate way for themselves and others to conduct the relationship. That clear idea can be understood in the same way that Action Theorists attempted to understand society:

Society provides us with the belief that, rather than bowing to constraints, we are acting in a manner which expresses, "what commonsense suggests". Even in our routine compliance with role-
expectations, we believe we are acting 'naturally' in the only way which it is possible to act". Silverman op cit, 132.

Thus, over time the meaning structure of relationships is given to the participants by the past history of the relationship and its present structure. This institutionalised set of meanings is what makes relationships vulnerable to the attentions of outsiders who 'don't know the rules' and even if they did would not respect them.

This too has a technological dimension at both the relationship and the network level. A major aspect of institutionalised behaviour is the technologies employed in a relationship or amongst a group of companies. This is why a whole industry can exist seemingly immune from technological change i.e. it is away from the 'Technology Trajectory' (Nelson & Winter, 1982). This is until that change is suddenly and forcibly introduced by an outsider. It is also why structural change in distribution channel networks is relatively rarely initiated by an insider of the channel and much more commonly introduced by an outsider who is not a party to the rules and norms of the network.

AN UNSUPPORTED ASSERTION

Over time there is a tendency for relationships to increase in width, depth and closeness, unless either party or an external party acts to restrict this process.

The width of a relationship tends to increase because of the relationship pressures on both parties to adapt more of their activities to suit the requirements of the other party. Also, the capabilities of both parties very often increase through a relationship. An example is the ability to
design products having different characteristics, which have arisen out of the experience of early applications in the relationship.

Closeness tends to increase as each parties' understanding of the meanings of their action grows through experience. This also affects depth. The ability to and experience of interpreting the other parties actions means that more aspects of these actions can be assessed and discussed. Hence the two parties tend to interact about more aspects of each others world. This process of becoming more involved in aspects of the other companies' world was described recently by a sales manager in a hi-tech engineering company as "Getting your hands in the customer's knickers".

These tendencies are unconscious and obviously all relationships don't become wider, deeper and closer. The reason why not is to do with a) the intentions of the two parties b) the nature of the capabilities on which the relationship is based c) inadequacies in their abilities.

**Intentions**

Either buyer and seller can choose to limit the width of the relationship by not offering or not seeking a particular capability - 'I only want one thing from you.' Similarly, each can seek to restrict the areas to be discussed or decided together - "These are my standard terms and conditions and that's that." Further, by conscious "inconsistency" in the way he acts (Ford et al op cit 1986) either party can upset the expectations of the other side - "That will teach them to take us for granted!"
Capabilities

The nature of the capabilities on which a relationship is based may restrict the three dimensions. A simple delivery of a standardised product will probably lead to a narrow, shallow and distant relationship.

Inabilities

Finally, the parties' inabilities may lead to expectations being unfulfilled and hence the relationship being distant. The two may be socially unskilled or culturally distant which may reduce the depth of their relationship. They may be unable to provide the capabilities (technologies) which would widen the relationship.

A useful matrix for examining a relationship is provided in Figure 3. This provides not only for observation of what is happening in the relationship unconscious but also what the companies are trying to do to affect it. Such a matrix could form a useful part of a regular review of relationship performance and relationship strategy.

FIGURE 3 RELATIONSHIP DIMENSIONS
MANAGEMENT IMPLICATIONS

The first thing to be said is that there are no nice neat stages in relationships - sorry! Secondly and at the widest level of generality, we have seen that a relationship is built on the capabilities of both parties. This means that it is possible to view a network as a pattern of technologies and capabilities. These capabilities are unevenly distributed and the network is not perfect in ensuring their transfer from those which have the technologies to those which seek to use them. Nevertheless, in increasingly high technology networks a successful company is one which has a very clear idea of its technology portfolio, how this is broken down into basic, distinctive and external technologies and how these technologies relate to the requirements of others. This may appear as a truism. However, to successfully audit one's own technologies is extremely difficult, as recent research suggests (Clarke, Ford & Saren 1988). Also, a manager should not be so concerned with technology that he holds the belief that only the possessor of distinctive technologies can succeed in relationships and networks. Instead, we should emphasise that the ability to put together a package of basic product and process technologies and tailor that package (marketing technology) to the particular requirements of others is a key element in competitive strategy.

Secondly, we must reiterate the importance of viewing relationships as a portfolio. This is not expressed simply in terms of the sales potential or current sales or purchases embodied in a relationship, but as a portfolio in technological terms. Thus, the seller is selling to an organisation which may add its product process and marketing technologies to the further refinement of an offering. A buyer is acquiring product as the vehicle for
acquiring technology and this is an alternative to acquiring that technology via licence, joint venture or any other means. Portfolio of relationships is a way of managing a portfolio of technologies.

Perhaps the major difficulty in accommodating this view is that we tend to look at the world in terms of products and markets and it is extremely difficult for us to look at the technologies on which those products and markets are based. Similarly, we have emphasised here the extent to which a structure of meanings surrounds the actions of participants in relationships and networks and how these meanings are not just a function of the individual's experience but are socially determined through the relationship itself and the "normal" ways of doing things. This means, that an industrial marketing or buying company must examine continually the ways in which it interacts with its relationship partners to determine whether that interaction reflects both the other parties requirements, as well as just its expectations and whether that interaction pattern relates to the company's own objectives. In detail, this means analysis and planning for the width, depth and closeness of relationships.

Our current research into the network of relationships surrounding a company shows little consistency between companies interactions in their various relationships. There is no necessary reason for there being such consistency and strong arguments for the contrary. However, so far the clearly developing impression is that this inconsistency is unconscious rather than conscious.

Finally, an understanding of buyer-seller relationships for any participant in those relationships depends on being able to understand the definition
of the situation and the expectations of the other party in a relationship and parties in a network. I believe that there is a strong tendency in the academic literature to look at networks as entities in themselves. This reified network restricts our ability to explain the actions of any individual within that network in terms of its definition of the situation and its view of its own defined network. For the practising manager, this is a reaffirmation of the nature of marketing - that the good marketer is a person who can stand outside his own company and see that company in the eyes of those customers and competitors which surround it.

It is also a reaffirmation of the ideas of the symbolic interactionists in trying to understand society. They reacted against those who had taken a structural-functionalist view of individual action and society as a whole. They emphasised the importance of looking at individual meanings and individual definitions of situations. There is a strong parallel between that criticism and the approach of some recent Network ideas. Berger and Pullberg (1966) expressed it beautifully:

'We reify society if we regard it as having an existence which is separate from and above the actions of men: social roles and institutions exist only as an expression of the meanings which men attach to their world - they have no ontological status'.
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