Retaining business customers through adaptation and bonding: a case study of HDoX

Rizal Ahmad, University of Kent, Canterbury
Francis Buttle, Manchester Business School, Manchester

Abstract

The realities of business markets are complex as sellers have to deal with customised demand, passive markets, multiperson interactions and interconnected relationships (Ford, et al., 1998). This paper reports the case study of HDoX, a producer of hydrogen peroxide, an industrial chemical that has wide applications from the disinfecting of equipment in the foodstuffs industry to the bleaching of paper pulp. The paper focuses on HDoX’s practices of retaining its business customers, specifically, its industrial bulk users of hydrogen peroxide, through bonding. HDoX’s customer retention practices did not feature as components of an explicit retention plan but emerged as a result of HDoX’s continuous adaptation to its customers and other members of its business network. The process of retaining industrial business customers is dynamic and contextualised and involves managing multi-dimensional bonds between the seller, customers and other members of the business network.

Introduction

Every company’s greatest assets are its customers, because without customers there is no company (Michael LeBoeuf, cited in Boone, L. E. (1992, p.142).

If customers were treated as assets, they would be expected to generate an income stream and have financial value over their lifetime. Retained customers offer recognisable financial benefits. Dawkins and Reichheld (1990) claim that a 5% increase in customer retention rate increases the net present value of customers by between 25% and 85% in a wide range of industries from credit card to insurance brokerage and from auto services to office building management (also see Reichheld and Sasser, 1990, and Reichheld, 1996, pp.33-62). The argument behind their claim (higher retention rate leads to higher net present value) is two fold. Firstly, the relative costs of generating cash inflows from existing customers are lower than for new customers. Secondly, as these customers stay, sellers save money that they would have spent on replacing them. The costs of retaining existing customers are argued to be much less than winning new customers. Rosenberg and Czepiel (1984) claim that retention is between five to ten times cheaper while Fites (1996) and Hewlett Packard

1 Lecturer in Marketing, Canterbury Business School, The University, Canterbury, Kent CT2 7PE, UK Tel: +44 (0)1227 827726, Fax: +44 (0)1227 761187, E-Mail: R.Ahmad@ukc.ac.uk
2 Littlewoods Professor of Relationship Marketing, Manchester Business School, Booth Street West, Manchester M15 6PB, UK. Tel. +44 (0)161 275 6508, Fax: +44 (0)161 275 6464, E-mail: Buttle@fs2.mbs.ac.uk

in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999
estimates that it can be five times cheaper. The average cost of generating income is argued to decrease over the life of a relationship as a result of greater efficiency. Sales are also argued to rise, firstly, from increases in purchases by existing customers and secondly from new purchases by new customers that are won not through costly advertising or promotion campaigns but through free word-of-mouth and referrals. If customer retention leads to higher profitability, as Dawkins and Reichheld claimed, have companies developed strategies by which to retain their customers? What are their practices and why did they pursue specific retention strategies?

In this paper, we report HdoX’s practices in retaining its business customers (bulk buyers of hydrogen peroxide). We start by acknowledging two underlying theories relating to business to business relationships and retention of industrial business customers: adaptation and network theory; and bonding theory. We then identify five observed practices in HDoX in order to illustrate the applicability of these underlying theories. Finally, we show some managerial and theoretical implications and suggest further research.

Theoretical Underpinnings

Adaptation

In business to business markets, relationships between sellers and buyers are posited to be complex as sellers have to deal with customised markets, passive markets, multiperson interactions and interconnected relationships (Ford et al., 1998). Buyers and sellers may initially adapt themselves to achieve a fit between their needs and competencies. That may later develop into social exchanges and dependency as both parties are exposed to changing business conditions. Customisation of products, i.e. producing it to the specification of a buyer, is a basic example of a seller’s adaptation to its customers’ requirements. Other forms of sellers’ adaptation may involve changing service components such as delivery, for instance, from monthly to ‘as and when needed’ (‘just-in-time’ is an example), and packaging. Changing manufacturing or service processes in order to be able to use sellers’ products, is an example of buyers’ adaptation to the sellers.

Of interest to this paper are the processes of dyadic adaptation between a supplier (HDoX) and its customers. Dyadic adaptations are defined as behavioural or organisational modifications, at the individual, group or corporate level, carried out by one organisation, which are designed to meet specific needs of one other organisation (Brennan and Turnbull, 1998).

Network

The network model evolved from several studies whose propositions have been succinctly summarised by Håkansson and Snehota (1989) as follows:

a) Business organisations often operate in a context in which their behaviour is conditioned by a limited number of counterparts, each of which is unique and
engaged in pursuing its own goals.

b) In relation to these entities, an organisation engages in continuous interactions that constitute a framework for exchange processes. Relationships make it possible to access and exploit the resources of other parties and to link the parties' activities together.

c) The distinctive capabilities of an organisation are developed through its interactions in the relationships that it maintains with other parties. The identity of the organisation is thus created through relations with others.

d) Since the other parties to the interactions also operate under similar conditions, an organisation's performance is conditioned by the totality of the network as a context, i.e. even by interdependencies among third parties.

A selling firm would be expected to keep those customers whose resources it could exploit for the purpose of developing the distinctive capabilities that are mutually beneficial for long-term relationships.

Bonding and strategies for retaining industrial customers

In the context of selling industrial products, a relational orientation has been argued to be an appropriate model for managing customers (Grönroos, 1994; Jackson, 1985). Based on Grönroos's marketing continuum between transactional and relationship marketing (RM), it can be argued that customers on different points of the continuum (depending on the products they buy) may require different customer retention strategies. The continuum implies that the pursuit of long-term relationships and hence the 'logic' of retaining customers corresponds to the marketing orientation. In other words, RM is considered as more appropriate in industrial and services marketing where 'social exchanges' take place rather than in consumer or FMCG markets.

Jackson (1985) recognises that customers can be positioned anywhere in a spectrum whose end points are "always-a-share" and "lost-for-good" buying behaviours. The always-a-share model assumes that a customer shares its spend among multiple suppliers. The lost-for-good model assumes that a customer is committed to only one supplier where 'power dependence' is prevalent. If this customer were lost, it would be difficult to win back. She suggests different strategies for managing these customers.

Strategies which Berry and Parasuraman (1991) recognise to have occurred in the context of retaining service customers may also be relevant to industrial customers. According to Berry and Parasuraman (ibid) customer retention strategies can occur at three different levels. The first level occurs when the customer is tied to the selling firm primarily through price incentives or a financial bond. The primary marketing mix element used is price. The second level occurs when another dimension of bonding, social bonding is introduced on top of the financial bond. At this level the selling firm regards the buyer as a client and the marketing mix is adjusted to include personal communication. The third and highest level occurs when all financial, social and structural bonds are deployed. At this level, the customer is not only regarded as a client but also as a partner. The seller works closely with partners to develop customised goods and services. This usually involves investment by the seller, for example in a dedicated computerised inventory management system. or and

commitment by the partner such as appointing the seller as the sole supplier. This view is consistent with Turnbull and Wilson's (1989) claim that structural bonding is stronger than social bonding and is essential for keeping profitable industrial customers. Social bonds, according to Turnbull and Wilson (ibid) refer to positive interpersonal relationships between the buyer and seller while structural bonds enable relationships to be built upon joint investments which cannot be retrieved when the relationship ends. There are also other views on the forms of social and structural bonding between businesses. Under certain circumstances however, such as when the seller pursued a 'low cost and low price' strategy, structural bonds may not be a sensible economic investment (Buttle and Ahmad, 1998). We have also found that opportunities for structural bonding emerged as a result of strong social bonds being in place (Buttle et al. 1999). Other authors argue for product or channel augmentation that aims at stretching the value of the product far beyond the tangible product or generic product (Levitt, 1980; Kotler, 1991; and Narus and Anderson, 1988 and 1996). This can be a means of developing multi-dimensional bonds which could then be supported by an appropriate selling infrastructure. This infrastructure may go beyond the traditional dedicated single channel to using hybrid channels.

In terms of organising customer management, several approaches are considered relevant. Rosenberg and Czepiel (1984) argue for an approach that involves analysing the firm's customer portfolio with a view to creating a specified balance of customers, applying a customer-retaining marketing mix, and reorganising the firm for customer retention. The portfolio may comprise several groups of customers each with different buying behaviours such as the first time buyers, repeat buyers, switched away then return, and last time buyers. This view is similar to that of Jackson (1985) who suggests different strategies for customers with different buying behaviours, i.e. the 'always-a-share' and 'lost-for-good' customer.

Objectives

Our research aimed to find out whether HDoX's customer retention practices support extant theories on customer retention and business-to-business bonding. The specific objective of this research is to investigate whether and how one company, HdoX, in order to be able to develop the strong bonds that promote customer retention, had to adapt itself to the behaviours and expectations of not only these customers but also other members of the supply network. This research is part of a larger research programme that is attempting to establish whether existing theories on customer retention management adequately reflect practices pursued by firms under various contexts.

Research Method

The research adopted a holistic case study approach. A research method involving in-depth case study such as this has also been suggested by Brennan and Turnbull (1998) for the purpose of studying the adaptive process between a seller and its buyers. This is

---

3 A perspective on the possible linkages and overlaps between various theoretical positions relating to business-to-business bonding is offered in Buttle et al (1999).
4 For a further a detailed discussion on hybrid channel management, see Moriarty and Moran (1990) in McLoughlin, Damien, and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999
the third of a four case study research programme undertaken over two years. Three case studies have been reported: one in the European Academy of Marketing conference 1998 and two others in the 1998 and 1999 annual conferences of the UK Academy of Marketing. Data for this analysis were gathered through eleven open-ended interviews, two non-participant observations, three meetings, and a review of company documents. Each interview lasted about an hour and was tape-recorded and transcribed. Interviewees were selected by the ‘snowball’ method whereby interviewees are asked to recommend others who may be able to provide answers to the research questions; a method that has also been applied in the study of inter-company relations, for example Ford (1980). NUD*IST, a qualitative analysis software was used to manage the data. In this research NUD*IST was used primarily to capture and code relevant ‘texts’ or evidence that illustrate HDoX’s customer retention practices or related issues. These ‘texts’ were then used to describe the retention phenomena in HDoX and construct our interpretations.

The observations focused on HDoX sales meetings where managers discussed sales performance and their relations with members of the network. Meetings refer to discussions between the researcher and HDoX’s senior managers where we reviewed the progress of the research. During these meetings, the researcher scrutinised the evidence that had been gathered and when necessary sought further clarifications. Field notes were taken both during the observations and meetings and they were analysed in the same way as interview transcriptions.

Apart from HDoX’s key account managers, and members of HDoX’s customer care team, interviews were conducted with managers of four bulk users/buyers and HDoX’s sole distributor in England, Wales and Scotland, also a bulk buyer. In order to maintain anonymity, the names of companies and persons involved have been changed. These five bulk buyers accounted for more than 20% of sales volume and sales revenue in 1997.

Findings

An overview of the product and the market

Hydrogen peroxide is a chemical with wide applications such as bleaching and disinfecting of food processing equipment, and in industries such as paper and pulps, textiles, metals, consumer products, chemicals and electronics. It is also used as an input for the production of persalts inorganic peroxides that are used in making bleaching agents in detergents powders and dry bleach powder. HDoX also produces peracetic acids (PAA). The market for hydrogen peroxide is generally ‘passive’ and demand in the UK is ‘predictable’ In other words, the main industrial users and their consumption are widely known by suppliers.
Customer retention practices in HDoX

HDoX does not have an explicit plan for retaining bulk users of hydrogen peroxide. It, nevertheless, has a marketing plan that, amongst other things, outlines customer support strategies and action plans for every industrial sector such as the paper and pulps industry. The objective of the customer support strategy is to maintain a high level of customer satisfaction. HDoX's marketing plan has three broad objectives: to hold the targeted market share positions for each product group; to develop profitable new business in a cost-effective manner; and to improve the returns of the business.

In HDoX, customer retention is not merely about keeping customers active but also maintaining the largest share possible of the customers' spending on hydrogen peroxide. The retention practices in HDoX provided both pre- and after-sales support to bulk users. Five practices have been identified: operating a dedicated customer care team; assigning a dedicated sales manager to every customer; educating existing customers and the public; providing specialised technical support; and providing additional ancillary support.

1. Operating a dedicated customer care team. The goal of this Customer Care Team was to ensure that all HDoX's peroxygen customers i.e. hydrogen peroxide, persalts and PAA's customers, are satisfied. The Customer Care Team did not, as a rule, negotiate new contracts or prices but mainly processed orders, responded to customers' problems such as organising the return of goods that are 'off-spec'. The team ensured that customers got what they wanted in terms of product quality and timely delivery. It ensured that the correct amount and specification of hydrogen peroxide was delivered and that it was delivered at the right time. The Customer Care Team also managed customer complaints by registering these complaints, redirecting these complaints to the appropriate parties in HDoX and following them up to the satisfaction of the customers. The team target was to resolve all customer complaints within 30 days. The team acted as a key point of contact between the bulk users and HDoX. A buyer, for Carzen, a large chemical and pharmaceutical company, for instance, said

"We don't seem to have any delay in manufacturing that is due to late delivery and that sort of things. When people ring up to the last minute and asked for material which is something our plant people do quite regularly, I think they get what they actually ask for which is very helpful"

Apart from that, the Customer Care Team also, from time to time, conducted periodic surveys, both by mail and telephone, to gauge the customers' level of satisfaction with HDoX's product and services.

2. Assigning a dedicated sales manager to every customer. Every bulk user was assigned an ASM (Area Sales Manager) - a key account manager who is technically competent about hydrogen peroxide and commercially responsible for handling bulk buyers. He or she was empowered to address both technical and commercial issues. ASMs are knowledgeable about hydrogen peroxide by virtue of their qualifications,
training and working experience. They either have a degree in a relevant field, such as chemistry, and working experience in HDoX's research and development organisation or they have extensive working experience in various sales positions within HDoX and/or have worked in the industries that use hydrogen peroxide. All ASMs have annual sales calls plans, which show the targeted sales calls they plan to make. Their priority is to visit important customers first. Important customers meet one of three criteria: 1. they consume a significant amount of hydrogen peroxide; 2. they have the potential to consume large amounts in the near future; 3. they use a special grade. In 1997, the price varied from £450 per tonne to more than £1,500 per tonne depending on which grade of peroxide was required. Typically, important customers were in the pulps and paper industry, chemicals, textiles and electronics industries, and the environmental sector. ASMs targeted some bulk users for regular visits, for instance on a monthly basis. Others were visited every three months. During these visits, ASMs met a cross-section of the customers' staff including buyers, engineers, and others from production departments. Apart from ensuring that the bulk users were happy with HDoX, one of the main purposes of these visits was to gather 'intelligence' about the bulk users. This information may be about competitors' visits, business expansion, problems relating to application of hydrogen peroxide etc. As Lee Harris, an ASM says,

"During a meeting, I suppose a range of things that we talked about. ....clearly price come to that but mainly it is going through, making sure that customers are happy with the situation as it stands with all aspects of the things, the service that we provide. Talking about the future trying to understand where their business might be going if there are trends that are likely to influence our business with them either positively or negatively so that we can go through our planning or forecasting"

With this information HDoX gauged the intensity of competition, potential increases in their consumption, the level of technical support to be provided as well as the likelihood of them needing other products that HDoX Group produced. In addition, these visits were also intended to build personal relations or develop social bonds between representatives of HDoX and customers. One customer explained,

"Jim is HDoX. HDoX could be an enormous conglomerate, I wouldn't know, I wouldn't care. This is HDoX here. HDoX is sat to my right (referring to Jim Brown, HDoX's ASM)"

This customer further added,

"A meeting isn't always to negotiate a sale or something directly relating to the trading... Jim could tell me what is happening with our competitors. I could tell what is happening with our competitors, which in turn could impact on us, which in turn could impact on his business"

There was an element of social bonding taking shape which contributed to a good relationship between supplier and purchaser. This was also implied by a comment made by another customer.

in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999
"My interface with Jim, he is my sole contact. Although we don't talk daily Jim pops in on a frequent basis, very personal. Not official, it is very informal and that is the relation that we like. We don't like the stand off approach".

3. **Educating existing customers and the public.** This was done in the form of providing literature about the products and conducting safety training and product awareness seminars. Safety training was provided to all bulk users regardless of their size or importance. This training was concerned with making customers aware of the properties of hydrogen peroxide, how it should be handled and stored, what equipment to use, how to prevent accidents and how to respond to accidents relating to hydrogen peroxide. HDoX also trained machine operators or chemical handlers on safe handling practices. Product awareness seminars were conducted for selected bulk users and trade associations. During this seminar HDoX explained the properties of hydrogen peroxide as well as how the product may be applied and may benefit customers if applied in other areas of their activities. HDoX, for example, conducted seminars on the potential applications of hydrogen peroxide in the chemical and environment sector. In addition HDoX also published technical papers and participated in conferences such as the Fish Farm Conference and exhibitions such as the Environmental Exhibition.

4. **Providing specialised technical support.** HDoX provided technical support in two ways. The first is by way of ensuring that all safety procedures pertaining to the handling of hydrogen peroxide were established and followed. HDoX, for this purpose, did not only educate customers on safety practices such as the physical handling of hydrogen peroxide and treatment of spillage but also audited the customer's tank and piping system. When necessary HDoX recommended that certain parts or equipment be serviced or replaced before delivery of hydrogen peroxide. The second form of technical support was providing advice to enhance the usefulness of hydrogen peroxide to the bulk users. This was provided upon customers' requests or offered as a result of HDoX's own assessment of the situation. HDoX, for instance, showed Office Furnishing that it was possible to reduce its textiles bleaching process from three to two steps with the use of hydrogen peroxide. The new process resulted in shorter process time, less usage of water and power and produced less effluent. HDoX's specialist also spent two days at the Office Furnishing factory in December 1996 to resolve the latter's production problems which were foaming, resist marks and creasing, and to train operators in titration techniques. HDoX recommended that Office Furnishing improve housekeeping, investigate the problems' relationship to fabric quality, stabiliser addition and line speed, and improve titration set up, and to consider a new recipe for the preparation of continuous dyeing. In the case of Ructon Paper, HDoX attempted to find other applications for hydrogen peroxide and related products within the same business, as Lee Harris describes,

"Well, Ructon paper. We actually supply them with hydrogen peroxide (for bleaching of pulps) and we have talked to them about..."
using peracetic acid for control of their problems in their effluent treatment plant"

At Calmance, a paper manufacturer, HDoX advised the use of hydrogen peroxide to treat effluent that Calmance generated. At Westside Water, HDoX advised on how to treat algae in the lagoon. Organising product or application trials, however, involved not only provision of advice but also engineering support to source and set up the equipment. The technical support was provided not only by local HDoX expertise, but if necessary by HDoX's group of international experts. Technical support in areas relating to the pulps and paper industry is a case in point. HDoX, for instance, helped a pulps and paper company to control the efficiency of peroxide application, i.e. to optimise the performance of all chemicals, when used with hydrogen peroxide, in the production of quality paper. This assistance is a testimony of HDoX's high level of commitment in providing specialised technical support.

HDoX has a technical support programme known as the Product Stewardship Programme. This is a management system that promotes quality procedures, and responsible, safe, healthy and environmentally sound performance of a product through its total life cycle. The programme involved providing additional specialised technical support that the customers wanted and HDoX considered necessary and worthwhile. There are three levels of product stewardship. Level 1: providing basic literature; level 2: level 1 plus conducting a tank and dosing system audit; and level 3: level 2 plus development work such as product and process trials.

5. Providing additional ancillary support. One form of ancillary support is supplying, installing and commissioning for customers equipment such as storage tanks, dosing hoses and pumps. In some cases HDoX has financed the cost of installing storage tanks and related equipment which bulk users then repay over a period of time. A customer stated that,

"HDoX has supplied us equipment and as part of that package we have agreed to make HDoX our sole supplier of peroxide"

Another form of ancillary support is the installation of telemetry systems, a form of electronic data exchange system, between the storage tanks at customers' premises and HDoX's Customer Care Team's operations centre. This telemetry link enables HDoX to monitor the stock level in its customers' storage tanks and replenish them automatically when the stock level falls below the minimum agreed level. The telemetry link freed the customers from making repetitive orders. For safety reasons, a storage tank or a tank farm only takes in hydrogen peroxide from a single supplier. HDoX also helped to source parts or equipment for customers.

In summary, HDoX used all forms of bond to retain its customers: financial, social, and structural. It also used a combination of channels to serve its customers: direct through

---

6 The system comprises a desktop computer, i.e. at the customers' site, complete with the appropriate software and modems. There should also be some forms of sensor device or probing equipment that can monitor the level of hydrogen peroxide in the tanks and transmit the data to the computer. The cost, therefore, varies depending on the type and make or brand of equipment used.

in McLoughlin, Damien, and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999
both the Customer Care Team and ASMs and indirect through its distributors. The members of the Customer Care Team kept in touch with customers through the telephone and the designated ASMs visited and advised customers ‘face to face’ HDoX and its customers co-developed suitable specifications of hydrogen peroxide, conducted product use trials and developed or improved manufacturing processes that optimised the use of chemicals. Customers also used electronic data exchange and shared information about their inventory with HDoX. HDoX, in some cases, financed (paid in advance) the installments of storage tanks and equipment.

The components of the network

In serving its customers, HDoX works with a distributor in the mainland UK and another in Northern Ireland. HDoX also works with one contract haulier for delivery of all its bulk peroxide. Third parties also supplied the equipment needed for product and process testing, for example, pumps and hoses, as well as storage tanks to HDoX or directly to the bulk users. In summary the network comprises a distributor in the UK, a

Adaptations by HDoX

Distributors supply ready-packaged products, primarily to non-bulk users, which may also include associate companies of bulk users. HDoX withdrew from the general packaged market in 1994 and the distributors packed the products at their own sites. The distributor in the UK used its distribution centres throughout the country. Both HDoX and the distributors began to adapt to each others’ capabilities to jointly meet their customers’ demands. As the distributor for mainland UK said,

“We will talk about anything. Customers, pricing, competition. We talk about the business and we will talk at any level that we need to progress to support both companies’ objectives.”

HDoX adapted itself to the needs of its bulk users and bonded them at three levels: financial, social and structural.

a) At financial level: HDoX adjusted its prices to reflect the economics of the transactions. It, for instance, sold hydrogen peroxide at a relatively lower price to customers which used large volumes on a continuous basis.

b) At social level: HDoX made social investment in terms of staff’s time in order to maintain close relations with its customers. Customer Care Team members, ASMs and technical staff built friendships with representatives of HDoX’s customers. This is done through the telephone, frequent social encounters during site visits and also through other social activities. During these social encounters, HDoX staff took the opportunity to gather information about its customers’ business activities and that of its competitors. A better understanding of the competitive situation enabled HDoX to pursue the most appropriate form of relationship with individual customers.

<table>
<thead>
<tr>
<th>Retention practices</th>
<th>Nature of adaptation by HdoX</th>
<th>Other members of the supply network involved</th>
<th>Benefits to HDoX</th>
</tr>
</thead>
</table>

in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999
| Operating a dedicated customer care team | Customer Care Team (CCT) members developed friendships with their counterparts in the buying organisations. They studied bulk buyers’ expectations in terms of quality of products, timely delivery and post-sale services and attempted to satisfy them. | Haulier. | Made customers continue to rely on the quality of HDoX’s products and reliable deliveries. Buyers merely had to contact CCT members to order and resolve their problems. That enabled HDoX to reduce the cost of selling as ASMs no longer needed to call. |
| Assigning a dedicated sales manager to every customer | Area Sales Managers (ASMs) developed friendships with a cross-section of staff from buying organisations. HDoX adjusted its prices to reflect not only the grades of hydrogen peroxide but also the relative importance of its products to individual customers. | Haulier. | HDoX obtained information about competitors’ activities and customers’ future needs in terms of volume and specific grades. This enabled HDoX to adjust its prices and modify its product offering to suit individual bulk buyers. |
| Educating existing customers and the public | HDoX became concerned with its customers’ apprehension in using hydrogen peroxide. It invested in training and organising seminars and making both bulk buyers and their customers aware of the positive aspects of using hydrogen peroxide in terms of both handling and usage. | Haulier, distributors and suppliers of equipment. | Customers felt confident in using hydrogen peroxide and continue to use it. It also prompted existing buyers to explore other uses of hydrogen peroxide and this may increase their purchases in the future. |
| Providing specialised technical support | HDoX invested time and expertise by auditing its customers tanks’ and piping systems and providing advice to improve customers’ manufacturing processes that use hydrogen peroxide. | Distributors and suppliers of equipment. | Made customers rely on HDoX expertise and willingness to cooperate and invest in forging closer relationships. Strong bonds developed which enabled HDoX to continue to supply hydrogen peroxide as well as cross-sell other products such peracetic acid. |
| Providing additional ancillary support | HDoX supplied, installed and commissioned equipment its customers required. In some cases HDoX also invested in equipment such as telemetry systems and managed customers’ inventories of hydrogen peroxide. | Suppliers of equipment, haulier. | Similar to above, this practice made customers dependent on HDoX technical and logistical abilities in delivering hydrogen peroxide as and when they needed it. |

Table 1 – HDoX’s customer retention practices, the nature of adaptation and benefits derived.

- distributor in Northern Ireland; a contract haulier; industrial bulk customers; and third party suppliers of equipment.

- c) At structural level: HDoX invested in time and expertise in developing jointly with its customers new product specifications and manufacturing processes. In some cases HDoX also invested in equipment such as telemetry systems and managed customers’ inventories of hydrogen peroxide. At this level of bonding, HDoX was supported by third parties such as equipment suppliers. HDoX also conducted training and financed customers’ purchases of storage tanks and related equipment.

*in* McLoughlin, Damien. and C. Horan (eds.), *Proceedings of The 15th Annual IMP Conference*, University College, Dublin 1999

Page 11 of 15
In relation to the five identified retention practices, Table 1 shows the nature of adaptive process that has taken place, other members of the supply network that were involved and the benefits of that practice to HDoX. At a broader level HDoX has been able to keep the major industrial users of hydrogen peroxide. About 80% of its bulk users have been buying from HDoX for more than five years. That has given HDoX a substantial share of the market for hydrogen peroxide.

**Implications for Theory and Practice**

We believe that the practices in HDoX reflect three conceptual positions about retention of business customers.

- The building of bonds is a dynamic and contextualised process that requires constant multi-dyadic adaptations. The process may involve moving back and forth between financial, social and structural dimensions of bonding. Some customers will always remain as 'always-a-share' while others can become 'lost-for-good'. The 'lost-for-good' customers may be 'preserved' more effectively only with the co-operation of other members of the supply network and through building stronger structural bonds.

- Social bonds can be as potent as structural bonds if they incorporate market intelligence activities involving members of the supply network. A social relationship, per se, for instance, playing golf together, is of limited value and perhaps 'inferior' to the structural bond. However, social bonds when combined with information gathering about competitors' activities, customers' future business plan and customers' competitors' activities, can turn out to be an effective strategy for customer retention, i.e. by making customers 'information-dependent'. Strong social bonds have also been found to be instrumental in facilitating the emergence of structural bonds (Buttle and Ahmad, 1999).

- Product augmentation can be made more effective and valuable if done with the co-operation of other members of the supply network. In a competitive market, the value of an augmented product developed in-house can deteriorate fast as competitors emulate it. For instance, hydrogen peroxide with specific additives and properties or the use of EDI to monitor inventory can easily be copied. The core product (hydrogen peroxide) therefore has to be constantly stretched outwards with 'hard-to-copy' features, for instance, customised product and manufacturing processes, specialised technical advice and technological know-how. This form of augmentation requires co-operation with members of the supply network such specialised equipment suppliers, specialists from HDoX's Head Office, distributors to provide a wide range of chemicals and even HDoX's bank, to finance installation of storage tanks.

---

7 Taken to mean a joint investment in physical assets or infrastructure which will be too costly for either party to abandon, for instance, a hydrogen peroxide storage tank and distributive system for use in a production process.

*in McLaughlin, Damien, and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference. University College, Dublin 1999*
There have been considerable dyadic adaptations between HDoX and its business customers. Adaptations, in this context, were driven primarily by the need to establish competitive advantage and by customers’ expectations. The process was facilitated by the nature of the bonds formed by parties in the network. This phenomenon raises an important strategic implication to marketers and that is the danger of relying on an oversimplified, generalised prescription for managing customers. As this case study shows HDoX has to adapt itself to the needs of individual customers and to the expectations of other members of the supply network.

Conclusions

HDoX maintained different forms of relationship with different customers as ways of retaining them. It adapted itself to the needs of the customers by forging multi-level bonds, by using a distributor, and by building support from its network of equipment suppliers and other partners.

The normative strategy of HDoX was to understand its customers and adapt to their situations. HDoX adapted to their buying behaviour, their competitive situation, and their product applications. The strategy was also built upon the capabilities of members in the network to which HDoX belongs: divesting from the bulk breaking activities; leaving distribution of small quantities or packed products to its intermediaries; subcontracting haulage to a third party.

This case study only focused on HDoX's relationships with other business organisations that are involved in the distribution and consumption of one of its products. The content of its adaptive process would be expected to be more complex had the study included other products such as persalts. Some persalt purchase decisions are made at HDoX's Head Office and supplies involve several HDoX plants in other parts of the world. Further studies on the subsequent process of co-operation between HDoX and network members may show other forms of inter-dependent activity that help HDoX retain both its bulk users of hydrogen peroxide and users of other products. Further studies on other contexts may offer new insights into new forms of business-to-business bonds.

References


in McLoughlin, Damien. and C. Horan (eds.), Proceedings of The 15th Annual IMP Conference, University College, Dublin 1999


