

## Chapter 4

# Managing Relationships in Business Markets and Role of Information Communication Technologies

### ABSTRACT

*Companies can deliver superior customer value through managing their relationships in business markets. Information communication technologies play a critical role in developing effective relationships in business markets. This chapter starts with analysing the nature of relationships in business markets and continues with identifying the determinants of relationship development process in business-to-business markets. Commitment, trust, cooperation, mutual goals, interdependence and power, performance satisfaction, structural bonds, existence of alternatives, adaptation, non-retrievable investments, shared technology, and social bonds are explained as essential determinants for continuation of business relationships. After indicating the significance of value-creating business alliances and networks in customer value creation, main motivations for forming strategic business alliances are outlined. Factors that are critical for the establishment of successful ongoing supplier-customer relationships are also analysed. This chapter ends up with discussing the impact of ICTs on value-creating networks.*

### INTRODUCTION

Managing relationships in business markets constitutes a major domain of relationship marketing and it is also essential for successful customer relationship management. The concept of value has been recently attracting attention of enterprises and seen as important to gain competitive advantage over

competitors. The role and contribution of business markets in the chain of value creation is very significant. A company should be concerned with developing and managing relationships in business markets in order to create value to its customers and be successful in competitive markets. There is a tendency to improve the efficiency and effectiveness of marketing by managing relationships in

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business markets because firms want to achieve competitive advantage and function better while reducing the costs in the value adding process.

The process of managing relationships in business markets cannot be seen only as cooperation with other companies, managing relationships in business markets also involves working against them, through them, and in spite of them. This is the complex reality for companies that operate in business markets (Ford et al., 1998). In business markets, the focus has been shifting from individual firms to value creating networks that are developed to deliver value to the end consumer. Firms come together to form a value creating network through developing strong relationships with key partners who can add value to their market offering. Value creating networks have been also referred as supply chains, market networks, value chains and value nets or value creating networks in the business market literature (Kothandaraman & Wilson, 2001).

## **NATURE OF RELATIONSHIPS IN BUSINESS MARKETS**

Contribution of business markets to the value chain has been continuously increasing and relationships in business markets have been considered as means of value creation. Business relationships are often characterized as (Snehota & Hakansson, 1995):

- Continuity
- Complexity
- Symmetry
- Informality

Supplier-customer relationship in business markets often demonstrates continuity and a relative stability. Complexity of business relationships is derived from the number, type and the contact pattern of individuals who are involved in the

relationships. Business relationships not actualize only between two persons, many people that have different status and organizational roles get involved in the business relationship. In contrast to consumer markets, the parties in a business relationship tend to have resources and capabilities that are more balanced. Business relationships are relatively symmetrical and balanced in terms of the control over resources, exercising influence, taking the initiative and promoting changes. Business relationships often involve a low degree of formalization. Reliance on informal bonding, which is built on past experience such as trust and confidence, is common in supplier-customer relationships. Informal bonding is considered as being more effective for the development of relationships than formal contractual arrangements. Briefly, in business markets, supplier and customer are tied together by apparently long-lasting, broad, relatively balanced and informal relationships (Snehota & Hakansson, 1995).

Although business relationships are often complex and informal, they become institutionalized over time. During the life time of the relationships, routines and explicit and implied rules of behavior emerge. The routines facilitate the interaction between the supplier and customer, help in coping with the complexities and resolution of possible conflicts (Snehota & Hakansson, 1995).

In business markets, customer and supplier relationships may be present at a variety of levels and in various compositions (Peelen, 2005). The context of business relationship and the firm's position within the relationship influence the outcomes of the relationship and generate different relationship forms in the business markets. Differences between the parties that are involved in business relationships generate the variety of level and various compositions of supplier-customer relationships. Peelen (2005) explains the differences in supplier-customer relationships with the existence of:

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