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Managing the trade-off between relationships and value networks. Towards a value-based approach of customer relationship management in business-to-business markets

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Abstract

The management of buyer–seller relationships was an early antecedent to the development of customer relationship management (CRM) concepts. Currently, CRM concepts are being challenged by the rise of value networks. Value networks can and, often, do interfere with customer relationships and thereby call for a broader range of concepts to analyze and understand relationship management and the influence of value networks on relationships. This introductory article describes the nature of the problem between relationships and value networks, reviews the current state of research, and describes the contributions of the articles presented in this special issue on CRM in business-to-business markets.

Keywords: Customer relationship management; Relationship marketing; Value networks; Business networks; Customer lifetime value; Business-to-business marketing; B2B; Business market management

1. Value networks—A challenge for business-to-business relationships

Business marketing has been a key driver in the development of relationship-based concepts, such as relationship marketing or customer relationship management (CRM). The notion that value can be created by cooperation has led marketing managers to search for "win–win" positions as a way to enhance profitability through collaborative value creation (Anderson, Hakansson, & Johanson, 1994; Kanter, 1994). Academic research has shifted attention from the narrow focus on market transactions posed by microeconomic theory and transaction-based marketing concepts to the study of the antecedents of value creation bred in buyer–seller relationships (Morgan & Hunt, 1994). Although management and research focused initially on buyer–seller relationships (Dwyer, Schurr, & Oh, 1987), pioneers of relationship management concepts predicted the evolution of value networks early on (Anderson et al., 1994). Then, it was common sense that the growing interconnectedness of business processes would call for an understanding of how value is created through cooperation (Hunt & Morgan, 1994). With the growing usage of the Internet in the business world and the enhanced coordination of companies through supply chain and value network concepts, the requirement to understand this interconnectedness has manifested itself on a broader scale (Kelly, 1998). However, it remains unclear what the direct implications are for relationship-based marketing concepts.

Concepts such as relationship marketing or CRM are used with a variety of sometimes contradictory connotations. For instance, a higher degree of interconnectedness is not necessarily best addressed by an exclusive focus on buyer–seller relationships, which was traditionally suggested by relationship marketing concepts. Given the current market situation, even the most brilliantly managed buyer–seller relationships can be and, often, are, undermined by the complex dynamics of networks (Christensen, 1997). In this special issue on CRM in business-to-business markets, we explore the challenges that the growing complexity of value networks bear for the management of

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buyer–seller relationships and for the well-established research frameworks in the relationship field. As Parvatiyar and Sheth (1999) argued, relationship marketing has not developed to a discipline yet. This issue further explores the current challenges for relationship concepts posed for buyers and sellers in a value network context.

2. Value creation through cooperation—The evolution of cooperative buyer–seller relationships in the realm of business-to-business markets

The success of companies like Dell, Nike, or Cisco, and other such companies with similar business models based on the integration of value networks (Anderson & Narus, 1998; Peppers & Rogers, 2001), has called attention to business models based on relationship concepts, such as CRM or relationship marketing. This development was envisioned by early pioneers in relationship concepts in both the academia and management. In business markets, it became apparent early on that cooperative buyer–seller relationships can be the source of value creation (Anderson & Narus, 1998). This insight has been reinforced by the reorganization of companies and their procurement policies since the 1980s. Traditionally, the vertically integrated industrial company focused its buying policies on the availability and price of standardized components. Then, the dominant goal was to enable production and reduce component costs.

In this framework, suppliers were forced to compete on price and to rely on transactional marketing programs (see "circle" 1 in Fig. 1). Because original equipment manufacturers controlled the complete manufacturing and design process, room for differentiation amongst suppliers was minimal. The advent of modern management techniques, driven by the large-scale success of Japanese companies and their management policies throughout the 1980s, rendered the procurement policies of traditional industrial firms obsolete. Backed by their strong ties to capable suppliers, Japanese companies were able to introduce new products at a faster rate, with higher quality, and at a lower price than the then incumbents in the United States and Europe. The economic rationale of this competing business model was based on functional integration and economies of scope (Drucker, 1991), whereas the traditional vertically integrated industrial company, which was skilled at producing predefined products in high volumes at comparatively low costs, employed an economic rationale based on economies of scale. This model could not compete with the pace of innovation shown by process-focused companies, which leveraged economies of scope. Whereas economies of scale rely on the cost reduction potential created by mass production, economies of scope focus on the flexibility of implementing standard processes. The basic aim is to implement an integrated process that enables the rapid introduction of new products, enhances product quality, and reduces costs all at the same time. Companies focusing on economies of scope mastered this by establishing smoothly integrated processes, which crossed functional borders within the company as well as organizational borders between buyers and sellers. The capability of managing cross-functional and cross-organizational processes therefore became a basic prerequisite for companies to be able to compete (Magretta, 2002).

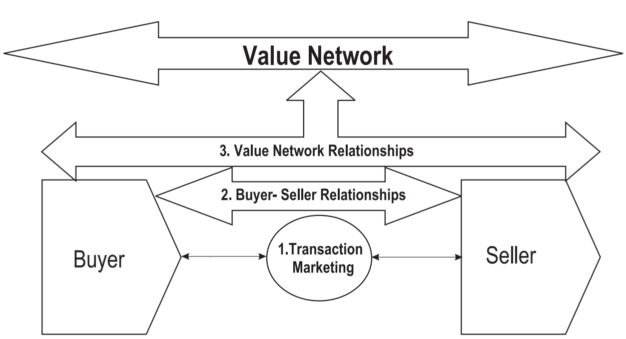

Fig. 1. Evolution of sourcing strategies and relationship concepts. Source: Anderson and Narus (1998).

This fundamental change to the source of competitive advantage has drawn the attention of marketing managers and researchers to the management of buyer–seller relationships (see arrow 2 in Fig. 1). As it became apparent that industrial companies would have to rely on stronger and more capable suppliers, an opportunity arose for suppliers to differentiate themselves in their field (Anderson & Narus, 1998).

The basic prerequisite for dealing with industrial customers then became the ability to integrate customers' and suppliers' processes through the application of management concepts as just-in-time inventory management or total quality management (Stalk & Hout, 1990). These concepts called for new and creative marketing management concepts to address the new competitive landscape, rather than the traditional market transaction focus that had previously dominated the field of marketing research. To compete in this new context, industrial suppliers had to modify their focus in the following three areas:

• *Strategic marketing*: Because the basic prerequisite for creating a sustainable competitive advantage was based on the coordination of the buyers' and sellers' processes, strategic marketing was forced to embrace customer-focused concepts. Managers of industrial suppliers had to develop an understanding of and insights into the hidden value in customers' processes (MacMillan & McGrath, 1996). Concepts such as customer lifetime value or customer equity (Rust, Lemon, & Zeithamel, 2004), for example, aim to identify a company's key customers. Activity-based costing, on the other hand, enabled the development of offerings, which reduced the customers' costs and increased the suppliers' margins at the same time (Cooper & Kaplan, 1991). The most important field for such win–win cooperation became logistics and supply management (Anderson