Test Bank for Business to Business Marketing 4th Brennan

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1. Explain the concept of the 'relationship spectrum'. Under what conditions is a buying organization likely to adopt a collaborative approach to supplier management, and what marketing strategies are appropriate in that case?

See chapter 4 of *Business-to-Business Marketing*

George Day (Journal of Academy of Marketing Science, 2000) introduced the concept of the relationship spectrum. He argued that creating and maintaining appropriate customer relationships was at the core of marketing strategy, and proposed the *relationship spectrum* as a tool for analysing whether a deep customer relationship, or a more transactional approach to marketing, was suitable. The relationship spectrum is a simple yet profound tool for developing a preliminary insight into the key contingencies affecting a B2B marketing strategy. It runs from *transactional exchange* to *collaborative exchange*, with *value-adding exchange* lying between these two extremes. Transactional exchange occurs where neither the customer nor the supplier wishes to develop a lasting business relationship; the customer makes a purchase from the supplier, pays for it, and that is the end of the matter. At the other end of the relationship spectrum is collaborative exchange, where the customer and the supplier engage in extensive information sharing develop close social and process linkages and become committed to each other because they expect to work together for the long term and generate mutual benefits. Between transactional exchange and collaborative exchange lies value-adding exchange where, without engaging in deep customer relationship building, the strategy of the selling firm moves from a simple selling approach (appropriate for transactional exchange) to a customer retention approach.

The choice of whether to adopt a more, or less, relational marketing strategy can be analysed using the relationship spectrum. In markets for commodity items (which are very hard to differentiate), where it is not necessary to establish complex information linkages to conduct business, and where the buying organization finds the purchase neither complex nor of critical importance to its business (these can be described as 'non-mission-critical' purchases), then it is likely that transactional exchanges will dominate. Under these circumstances, marketing organizations should concentrate on having the best deal available to meet the needs of the customer; a strategy of substantial investment in customer relationship development is risky in these circumstances. However, as we move along the relationship spectrum from transactional exchange to value-adding exchange and then collaborative exchange, it becomes appropriate to use more and more relationship-building approaches within the B2B marketing strategy. In markets for specialized,

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high-technology items (which are easy to differentiate), where it is necessary to establish complex information linkages to conduct business, and where the buying organization considers the purchase to be both complex and critically important to its business ('mission critical' purchases), then collaborative exchanges will dominate. The marketing strategy for this type of exchange involves multi-level contacts between the buyer and the supplier, joint planning, and joint problem-solving, and it is to be expected that trust will be developed between the relationship partners. An example of this can be seen in the relationship between the telecommunications firm BT and the financial services firm Standard Life (see the video 'Standard Life working with BT' at https://www.youtube.com/watch?v=WFlyOqy1lZk).

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