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Buyer-Seller Exchange Situations:
Four Empirical Cases

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Abstract

From having focused almost entirely on exchange transactions in consumer goods markets, in the 1970s, academics expanded their analysis to include relational exchanges - in particular business-to-business markets and service markets. The contextual changes of the 1990s (i.e., the explosion of IT and the Internet) resulted in the introduction of relationship marketing as an alternative marketing approach in consumer goods markets introducing the notion of a shift in exchange paradigms. However, in the late 1990s, a number of authors on service marketing (e.g., Liljander & Strandvik, 1995), on business-to-business marketing (e.g., Anderson & Narus, 1999) and on contemporary marketing practices (e.g., Brodie, Coviello, Brookes & Little, 1997) supported the thesis that in many markets the process that actually takes place is one of co-existence of transactional exchanges and relational exchanges. Based on the “pluralistic approach” (Pels, Coviello & Brodie, 1999, 2000), this paper develops four cases that seek to exemplify the different exchange situations that may occur in a given marketplace.

Buyer-Seller Exchange Situations:
Four Empirical Cases

This article seeks to describe the different exchange situations that may occur in a given marketplace. Historically, academics were focused on transactional exchanges and as from the 1980s several colleagues expanded their analysis to include relational exchanges (e.g., Gummesson, 1999; Sheth & Parvatiyar, 1995; Webster, 1994). Since the mid-1990s, a number of authors on service marketing (e.g., Garbarino & Johnson, 1999; Liljander & Strandvik, 1995), business-to-business marketing (e.g., Anderson & Narus, 1999) and contemporary marketing practices (e.g., Brodie et al., 1997; Coviello et al., 1997; Lindgreen et al. 1999; Pels, 1996) supported the proposition that in most markets the process that actually takes place is one of co-existence of transactional and relational exchanges rather than the application of one or the other.

The “pluralistic approach” (Pels et al., 2000) believes in the need to develop a conceptual model that allows diversity to be represented. Building on the work of the IMP group¹ (Håkansson & Snehota, 1995; Möller & Wilson, 1995) and the North American research into buyer-seller relationships (Anderson & Narus, 1991; Dwyer, Schurr & Oh, 1987; Sheth & Parvatiyar, 1995, 2000), the pluralistic approach proposes adopting a dyadic perspective. The dyadic approach emphasizes the importance of analysing both the buyer’s exchange paradigm and the seller’s exchange paradigm. Moreover, the pluralistic approach believes that the buyer’s (or seller’s) choice between a transactional or relational exchange depends on both the environment and the buyer’s (or seller’s) interpretation of it (Thorelli, 1995) As a result, of the perceptual differences, diverse exchange situations may be present in a given marketplace. These exchange situations may be represented in the “buyer-seller exchange situation matrix” (see shortly) that seeks to help academics and managers to identify the diverse exchange situations a

firm might have to face in order to understand when to apply a transactional or a relational marketing approach.

In the first part of the article, we provide a brief description of the concepts introduced by the pluralistic approach: the role of the environment, the buyer and seller's perceptions of it, and a dyadic approach to the marketplace. We close this first section examining the buyer-seller exchange situation matrix (Pels, 1998; Pels et al., 2000). In the second part of the article, we present four empirical cases that support the conceptual model. Finally, we suggest some guidelines for future research.

The Role of the Environment and the Perception of it in the Choice between a Transactional or Relational Exchange

The Conceptual References

Bagozzi (1974) defines the exchange system as “a set of social actors, their relationships to each other, and the endogenous and exogenous variables affecting the behavior of the social actors in those relationships”. Further on, he defines exogenous forces as “social norms, situational contingencies, the availability of alternative sources of satisfaction and other determinants that may shape the outcome of the exchange” and states, “each of the exogenous variables may be thought to influence the subjective expected utilities associated with the direct interaction”. The pluralistic approach calls these exogenous forces the environmental context of an exchange situation.

Normann & Ramirez (1993) state “that the context always affects the actors’ behavior”. Sheth & Sisodia (1999) reinforce this point by arguing that “more than most other fields of scientific inquiry, marketing is context dependant.” Consequently, we must agree that the values sought (and offered) evolve with the changing environment. The late 1990s introduced a number of radical contextual changes, such as markets becoming globalised through deregulation, the explosive growth of technology and the Internet as well as the increasing importance of the service aspect of all product offers. All of these changes allow for a ample range of approaches to the marketplace.

On the other hand, Möller & Wilson (1995) assert that “the way the context is described is theory dependent” and Thorelli (1995) states that “goals are governed by the environment to a large extent, but they are further defined by entrepreneurial philosophy and perception of the environment (underline added)”. Pels et al. (2000) suggest that different perceptions are likely to co-exist within a market. Following Thorelli (1995) the pluralistic approach supports that both the contextual environment and the buyer’s and seller’s perceptions of it have a major influence on the definition of the exchange paradigms.

The Empirical Findings

In the mid-1990s, producers of consumer goods/services found that competition became more intense in their own markets and in their customers’ markets. As a result, some of their customers - both channel customers (Levy & Weitz, 1998) and end-consumers (Garbarino & Johnson, 1999) - wanted more than simple transactions. The contextual changes also impacted the service and industrial markets where buyers could now choose more freely. Recent studies

have shown that not all customers of industrial goods and services value close interactive relationships (Binks & Ennew, 1996; Pels, 1996). Summing up, buyers in all contexts are seeking both transactional and relational exchanges. Coincidentally, other studies (Brodie et al, 1997; Cumby & Barnes, 1996; Lindgreen et al., 1999) have shown that sellers are also using multiple exchange paradigms.

A Dyadic Approach to the Marketplace

To further understand what elements influence the exchange situation, it is important to take a dyadic approach and discuss the relationship between the seller's offer proposition, the buyer's need structure, as well as the perceptions each party has of its counterpart.

The Offer Proposition

Levitt's (1981) scheme helps us define an offer proposition. We will substitute the term product by the word offer (Brown & Fern, 1981). Thus, we would initially have a generic offer where value would be delivered in the form of generic goods or the core service. Moving toward the external circles, we would find a more augmented offer based upon various peripherals - these peripherals or distinctive offers may require the participation or co-participation of the customer and/or other external actors, including networking. In the last circle, we would find a unique offer proposition that is specific for each customer. This level implies a willingness to invest in understanding the needs of specific customers (through the development of higher levels of information exchange, mutuality, adaptation, trust, co-operation and commitment) and

in having a longer-term perspective. Summing up, sellers that view their proposition more as a generic offer tend to relate to the transactional exchange approach while suppliers that see their proposition as closer to the unique offer proposition tend to identify with an relational exchange paradigm.

The Need Structure

Buyers search between various offer propositions because they lack something and thus require the help/intervention of another actor to resolve the situation or to become more self-sufficient. Different customers, according to their own capabilities, competencies and views of the world, have diverse levels of need. Thus, each buyer has a specific need structure. Customers' request might go from a generic need to a unique need. Buyers seeking to satisfy a unique need are likely to invest time and resources in order to resolve their problem and tend to relate to the relational exchange paradigm. In contrast, customers with generic needs are likely to seek transactional exchanges.

The Exchange Situation

With regard to the two components of the model we have discussed so far, we have demonstrated that sellers and buyers can have different types of offer and need structures, and together with their perceptions of the context can lead them to desire different types of exchanges. We now provide a description of these buyer–seller exchange situations.

Buyer-Seller Exchange Situation Matrix

The buyer-seller exchange situation matrix (Pels, 1998), which has been depicted in Figure 1, recognises as conditioners of the actors' choice of the desired exchange paradigm both the importance of the environmental context in which the actors operate in as well as the actors' perception of it. The matrix illustrates four possible exchange situations, represented by each cell. Once the marketing managers have identified which cells of the exchange situation matrix they face, then they can define an adequate marketing strategy. We shall now describe the four cells.

INSERT FIGURE 1 ABOUT HERE

Cell 1 stands for the transactional exchange situation where the buyer seeks to satisfy a generic need and the seller is proposing a generic offer. In this cell there is complete overlap of the exchange values sought and offered. The sellers who find themselves in a Cell 1 exchange situation should apply the traditional marketing approach. However, while buyers in this group may have stable exchanges these are perceived as discrete events based on self-interest and on calculations of expected returns to themselves relative to alternative offers, thus these buyers are somewhat volatile.

Cell 2 represents a mismatch and as such it is a sub-optimal situation. Bagozzi (1975) calls our attention to an array of situations that are mismatches based on, for instance, the power of one of the actors. Heide (1994) defines them as a unilateral form of governance and Dwyer et al. (1987) term these cases buyers supported relationships. In cell 2 the buyer seeks to satisfy a

special need, but the seller is proposing a generic offer. In these cases the exchange value sought and offered are far apart. Cell 2 is a classical seller's market, such as those found in closed market economies. In these exchange situations, context conditions outweigh the actor's reading of it. Selling firms, having the upper hand, have no interest in developing ad hoc solutions as they can charge high prices for their generic offers. Cell 2 buyers are basically unsatisfied customers, most likely "hostages". Marketing managers who find themselves in a Cell 2 exchange situation must be conscious that they are in a delicate position. They are profiting from the power they hold, but their customers are not satisfied. Consequently, when the context change or one of the suppliers begins to see the benefits of modifying its offer proposition, competing sellers that cannot adapt will begin losing these hostage customers.

Cell 3 also represents a mismatch since the buyer seeks to satisfy a generic need and the seller wants to develop a close relationship based on cooperation, commitment and mutuality. The exchange value sought and offered are, once again, far apart. These cases are another form of unilateral governance (Heide, 1994), and in Dwyer et al.'s (1987) terms these are seller-supported relationships. Cell 3 is different from the Cell 2 in that they are buyer markets, such as those found in some mature sectors in developed economies. In these exchange situations the buyer is more of a "free rider". Cell 3 buyers can be characterised as based on self-interest and on calculations of expected returns to themselves relative to alternative offers. Free rider buyers engage in this type of exchanges because relationship-seeking sellers, in the courting phase, normally offer different additional benefits compared to transactional sellers. The pluralistic approach believes that marketers should view Cell 3 as a transitory cell. The sellers must try to either show the buyers the benefits of working with a relationship approach (moving toward Cell 4) or reformulate their offer turning it compatible with the buyers' need structure (moving

toward Cell 1). The important point here is to understand that the choice of a particular exchange paradigm is a complex process and that moving a buyer from Cell 3 to Cell 4 is no easy task, in particular if a buyer originally was seeking a transactional exchange. Indeed, many firms struggle to convince their customers of the benefits of establishing relationships and fail.

Cell 4 describes an overlap of the exchange value perception: the buyer seeks to satisfy a specific need and the seller is willing to develop a unique offer proposition. The seller should apply the relationship management approach.

Through the buyer-seller exchange situation matrix, the pluralistic approach allows us to understand the impact that the emergence of the relationship paradigm has had on the established application of the marketing models. Essentially, it recognises the importance of the exchange relationship paradigm but sustains that more than one exchange paradigm may co-exist with this paradigm. Furthermore, it leaves the door open to future exchange paradigms that might emerge allowing the 2 X 2 matrix to evolve into a 3 X 3 and, why not, even a 4 X 4 matrix.

Research Methodology

In order to gain a preliminary “testing” of the conceptual model, and to gain possible additional insights into the marketing exchanges, the most appropriate research methodology was believed to be the case study method using an inductive-deductive process. The appropriate research design was considered to be the multiple case study method. Empirical case data were sought from 24 case studies from the Danish food catering sector, the Danish dairy sector, the Danish bacon sector and the New Zealand wine sector. The unit of analysis was the marketing

activities directed toward important markets, including suppliers and customers (i.e., the importers).

Although the case study orientation generally is toward multiple sources of evidence (Yin, 1994), the main instrument for collecting empirical case evidence was the in-depth, face-to-face interview that has been seen as the most important source of evidence in a case study (Dey, 1993; Easton, 1995; Lincoln & Guba, 1985; Miles & Huberman, 1994; Patton, 1990). The cases would ideally include evidence from both actors in a relationship (i.e., a dyadic approach) but at times this was not possible due to the following issues: confidentiality, fragility of a business relationship and/or no geographical proximity.

Findings

Although only a number of research findings are reported in the following, it is important to realise that these findings are representative of the overall findings from the 24 case studies. The structure that has been used to describe each of the exchange scenarios is the result of the buyer-seller exchange situation matrix (Figure 1) and is as follows:

- Introduction of the leading actor (the seller).
- Presentation of the contextual change.
- Description of the leading actor's (or the other actor's) perception of the environmental change, depending upon who is impacted by it.
- Description of the offer proposition and need structure.

- Outline of the match or mismatch of the offer proposition with the counterpart's need structure.
- Presentation of the resulting exchange situation.

Case 1: Focusing on a Cell 4 Exchange Situation

In this case, the leading actor is Flensted Catering. With an annual turnover of DKK 190 million and a workforce of 77, Flensted Catering is one of the key actors in the Scandinavian salad and potato industry. Up until the mid-1990s, Flensted Catering was emphasising customer attraction seeking to maximise profit in each independent sale transaction. At the same time, the firm paid only lip service to customer retention and it knew little about what its customers wanted in their businesses. Then in 1996, things changed. The contextual change is one of fierce competition among the sellers because the number of buyers are decreasing, explained the marketing director:

In our business, the number of customers is decreasing in the food catering industry ... so it is obvious that there are less and less customers so we must keep our current customers. (Marketing director, Flensted Catering)

With regard to the firm's perception of the environmental change, the marketing director described that they have recently embarked upon a relationship marketing programme in order to retain those of their customers who are relational in their marketing orientation:

The strategy for Flensted Catering has been to maintain and enhance relationships with its customers [and to abandon the customers that are transactional in their marketing orientation]. (Marketing director, Flensted Catering)

One reason for the firm's shift in marketing orientation has been that customer retention is becoming increasingly important. Another reason has been that customers who are transactional in their marketing orientation tend to turn to suppliers of lower priced products and, consequently, Flensted Catering will not invest in such relationships. A third and very significant reason has been that the firm considers close buyer-seller relationship as a pre-requisite for creating, producing and/or improving new generations of products or existing business processes:

We believe that a company only improves its capabilities if customers are demanding. This will improve the company. I really believe that we are happy for those customers who are demanding. Often, it is about things that we have not thought about. This means that we can reach a higher level. ... There are customers who can help you in developing new products. They believe that we are doing a good job and, therefore, they want to help us, and we can help them. (Marketing director, Flensted Catering)

In 1996, Flensted Catering embarked on a programme of relationship marketing by first identifying the need structure of their diverse customers and then selecting those who perceived value in the unique offer proposition that Flensted Catering was now seeking to focus on. That is, the firm has consciously and intentionally moved from serving all types of customers to concentrating on only some of the customers. Who are then these customers? Flensted Catering

was facing four types of exchange situations and, due to contextual changes, decided to do as follows (Figure 2).

- Recover the Cell 2 customers who were not served properly at the moment by proposing the customers a unique offer instead of a generic offer (i.e., a Cell 4 exchange situation).
- Convince the Cell 3 customers that a relationship marketing philosophy (i.e., a Cell 4 exchange situation) is better for both parties with on-going benefits to both parties.
- Continue to serve the Cell 4 customers as it had previously done.
- Give up the Cell 1 customers.

INSERT FIGURE 2 ABOUT HERE

In the design phase, an audit revealed that although the firm was good at winning customers it retained only 80 per cent losing 20 per cent every year. In addressing what the customers were seeking, a representative sample of customers from each sales office attended two-hour focus groups to discuss the strengths and weaknesses of the company. Points raised from the meetings were put into a questionnaire that was built around 115 of the issues and then sent to all 4,000 customers. Some 1,200 questionnaires were returned and after an initial analysis the responses were ranked according to their perceived importance. In the roll-out phase, small project teams, consisting of employees and customer representatives, were then put together in order to deal with the more substantive problems identified in the design phase. The teams were steered by the managerial leadership at Flensted Catering. What are the results of the programme?

- Customer records show that in 1996, 14 per cent of the customers were Cell 4 customers but already a year after the implementation of the programme, the number had risen to 20 per cent. This means that Flensted Catering had been successful at converting what would equal six percentage of Cell 2 and/or Cell 3 customers into Cell 4 customers. These six percentage had either been looking for a relationship that Flensted Catering was not offering them (Cell 2) or was now convinced that a relational exchange promised more on-going benefits for them than what a transactional exchange did (Cell 3).
- Following the two-year programme, customer retention has gone up from 80 per cent to 94 per cent, which means that the average length of a customer relationship has increased from five to some 17 years. (Six per cent of the customers are lost every year so that over a period of some 17 years all of the customers – on average – have been lost.) In other words, the firm now retains some 20 per cent more of its customers who are relational in their marketing orientation (a Cell 4 exchange situation). (That the customer retention has gone up from 80 per cent to 94 per cent is equal to an increase of 14 percentage points or to an increase of some 20 per cent.)

Case 2: Moving away from an Unstable Cell 3 Exchange Situation

In the second case, the leading actor is Corbans Wines that is a 270 hectares vineyard in New Zealand. It exports wines to 18 international markets including the British market where it works with Caxton Tower, the largest importer of New World wines into Britain. With regard to the contextual change, in the mid-1990s, a number of changes took place:

- Caxton Tower had increased considerably in size and, as a result, its business procedures became more complexed. At the same time, Caxton Tower still worked on a short-term basis and the exchanges within and between Caxton Tower and Corbans Wines were only supported with limited communications.
- There had been many shifts among senior management/marketing executives within Caxton Tower – for example, there have been several different chief executive officers within the last eight years and each chief executive officer has introduced new ways of operating the business. The succession of CEOs, with their diverse perceptions of the market place and the necessary guidelines, affected the contextual change, as evidenced in the following text unit:

We are now on to the fourth CEO change in eight years ... The CEO introduces culture, structure into the organisation and often personalities in people that have a major impact, positive or negative, on the two companies [You] get rapid management time like we have had in the last twelve months where there have been three CEO's each one introduces different things. (Export manager, Corbans Wines)

How did Corbans Wines perceive the environment? First, the vineyard recognised the opportunity of growth in the international wine market, particularly in the UK wine market, and invested significant capital to improve its operations so that it could produce the necessary amounts of wine cases that could be sold in the UK. Second, Corbans Wines looked in details at the different avenues it could pursue. Although the vineyard sells its wines in a number of overseas markets, it believes that the UK market will remain the single most important market for at least the next 15 years. In addition to that, the vineyard does not have the resources to

create a strong brand and, as a result, its strategy has been to reach the consumers through the large retailers. Third, Caxton Tower is one of the largest wine importers in the UK and is – or so the vineyard reasons – a better match to the retailers. On the other hand, Corbans Wines saw that at that time the exchange situation was a mismatch (a Cell 3 exchange situation) believing that business processes were both ineffective and unstable:

[The] manner [in] which we worked with [Caxton Tower] was quite unstructured, unsystematic, probably quite ineffective and, ultimately, it meant that we were building a business around a relationship that had the potential to be unsustainable and unstable. (Export manager, Corbans Wines)

However, Corbans Wines eventually decided not to look for an alternative importer because it estimated that it would be set back if it changed its distribution system, as evidenced in the following text unit:

For example, if we changed distributors in the UK we would expect to go backwards in terms of volume for at least 18 months and that is moving to an established experienced distributor. If we were to set up our own, or in a joint venture, we would expect to go backwards probably 2 ½ to 3 years. So it doesn't make sense for us to go down this path [i.e., changing to another importer or setting up its own distribution]. (Export manager, Corbans Wines)

Finally, new systems for the vineyard's relationships with the importers were needed. As evidenced in the following text unit, these systems should ensure that the vineyard could better control the market place:

Underpinning all of that [i.e., the recognition of growth opportunity in the international wine market] and flowing from that has come a very clear requirement to improve the nature of the systems and the strength of the systems that we operate to ensure that our level of control and our reach into international markets has improved. To ensure that we are setting clear objectives and, ultimately, shared objectives with our distributors and have systems in place that allow us to manage and achieve those. (Export manager, Corbans Wines)

In the mid-1990s, the vineyard, therefore, first discussed the possibilities of appointing Caxton Tower as its official British importer. This resulted in a number of changes in the management style at the importer, as witnessed in the following text unit:

We have been able to be constructive and frank on both sides, to identify what the issues are and to verbalise and table those issues and to ensure that the other side clearly understands what ... expectations for a resolution of the problem are. There has been significant management change in this UK business. (Export manager, Corbans Wines)

From the talks it was agreed that both parties would invest in the development of a longer in-depth relationship (a Cell 4 exchange situation). Then Corbans Wines set up guidelines that would support its new offer proposition to Caxton Tower. Overall, the guidelines aim at managing the business partnership between the two entities:

Where our business is at the moment is right at the other end of the scale and we are implementing a whole bunch of systems and guidelines into our partnerships to ensure that they do operate effectively and both sides have a clear understanding of the mutual objectives and the obligations that each party has to the other. We are setting up a structure in a way of measuring how well we are performing against those guidelines. (Export manager, Corbans Wines)

According to the guidelines, Caxton Tower will manage the marketing and trading activities in Britain, including the relationships with the British retailers, whereas Corbans Wines will agree that the whole production and marketing of wines is controlled using a 36-month plan. Grapes are harvested in April and fermented to make wines of the right quality and volume. The wine is then held in bulk until it is bottled, first time in September the year of the harvesting. At the end of each harvesting, Caxton Tower will prepare an order forecast for the following year so that the vineyard knows when particular wine cases are needed. For each aspect of the business guidelines - marketing, logistics, sales, finance, reporting and reviewing - performance measures will be mutually agreed upon and then written down. Specifically, the guidelines deal with the business objectives, the time frame for implementing the marketing activities, and the outcomes.

In setting up the set of guidelines, Corbans Wines will meet with Caxton Tower and go through all of the aspects and agreeing with the importer on what is meant and what each party has to accomplish. Throughout the whole programme, meetings will take place between the two business entities. For example, the marketing people at Corbans Wines will meet with the sales team at Caxton Tower every three months to undertake a brand performance review. Another example is that Corbans Wines will produce monthly inventory and production reports and Caxton Tower write up monthly sales and inventory reports. As has been illustrated in Figure 3, the result of the changes will be a match between the vineyard's offer proposition and the importer's need structure (a Cell 4 exchange situation).

INSERT FIGURE 3 ABOUT HERE

Case 3: Combining a Cell 1 and a Cell 4 Exchange Situation

In this case, the leading actor is MD Foods, the single largest dairy firm in Denmark, with an annual turnover of DKK 23 billion and 13,000 employees working in 38 production plants. The firm has now amalgamated with Arla to form Arla Foods, which is the largest dairy firm in Europe. Since the 1980s, the contextual change in the British dairy sector has been one of an increasing number of customers who are seeking more relational exchanges (Cell 4 exchange situations). This is in contrast to earlier times when most customers did business almost entirely on the price of the products (Cell 1 exchange situations).

As a result of these changes, both exchange situations now exist, as evidenced in the following text unit:

In the British retail sector, there are still many traders. This will always be the case and you should not treat them as preferred ... customers. It is the price that matters, say, 93 pence per kilogram. In other words, 'what is the price? Can you give me an offer that I cannot refuse?' For example, they [the traders] will move their business around to suppliers of lower priced products, if possible ... This is in contrast to the preferred ... customers who are looking for the total service offering or the total experience. (Marketing director, MD Foods)

With regard to perception of the environmental change, MD Foods decided to target both transactional (Cell 1) and relational (Cell 4) exchange situations (this has been illustrated in Figure 4) because the firm believed it would be possible to make a profit in both situations. Obviously, when customers are loyal and profitable (a Cell 4 exchange situation) the choice for MD Foods has been to strengthen and deepen the relationships. But customers may still be

profitable even though they are not loyal (a Cell 1 exchange situation) in which case MD Foods has decided to continue to do business with them.

INSERT FIGURE 4 ABOUT HERE

In order to segment the customers, MD Foods uses a framework that consists of three attributes: will, skill and importance. Customers need to:

- be prepared to co-operate, collaborate and co-ordinate with MD Foods (attribute of will);
- have the same marketing orientation and strategic direction as MD Foods (attribute of skill); and
- be important to MD Foods in terms of financial strength, sales strength, product lines, reputation and market coverage (attribute of importance).

When a customer complies with these three attributes, MD Foods invest in a long-term relationship. Otherwise, the exchange situations are considered to be a Cell 1 type. The two customer segments have different need structures: the best price and the total purchasing experience. For customers in a Cell 1 exchange situation, MD Foods applies the transactional marketing paradigm focusing on the traditional 4Ps, and there is only little to moderate emphasis on customer service and communication. When the exchange situation changes to one of a Cell 4 type, MD Foods seeks to develop a unique offer proposition by implementing a customer relationship management system in three main areas: marketing, sales and service. These areas act as a bridge between the customer touch points, the back office and the operative storing and

data warehousing. The marketing systems focus on communication and campaign management. The sales systems support sales personnel when they analyse and do budgeting; plan and meet resources; generate proposals; and communicate with customers. The service systems include call centre systems, tele-systems and field services.

What are the results of targeting both of the customer segments instead of just one of them? MD Foods has become the third largest liquid dairy company in the British dairy sector and its share of the British butter market is some 30 per cent. MD Foods has indeed been so successful that more than 30 per cent of its turnover derives from Britain.

Case 4: Moving from a Cell 2 to a Cell 4 Exchange Situation

In the final case, the leading actor is the Danish bacon industry. Denmark accounts for between 20 and 30 per cent of global pork and pig meat trade (Hobbs, Kerr & Klein, 1998). Britain is one of the single most important export markets and imports some 20 per cent of Denmark's pork and pig meat products (in terms of value). About 90 per cent of the total Danish bacon production is exported to Britain, an annual export that is worth some DKK 3 billion. The companies that participated in the case study were Danish Crown and Vestjyske Slagterier that are the two largest pig meat-processing plants in Denmark with some 80 per cent of the pig slaughtering. (Two Danish distributors constituted additional cases: ESS-Food distributes about 20 per cent of all Danish pork and pig meat products. Tulip International distributes all the bacon products from Danish Crown.)

The contextual change was the following one. Historically, production, processing, marketing and retailing in the pig business have been transactional in their orientation. Because

of that, the pig meat-processing plants and distributors have also historically chosen to implement transactional marketing practices. Due to reasons that shall become more clear shortly, food retailers and, to some extent, consumers in Britain have become increasingly relational seeking and this means that the pig meat-processing plants and the distributors have become squeezed between the transactional-seeking pig breeders and the relational-seeking food retailers and consumers. This mismatch of exchange situations in the supply chain is now explained in more detail.

Pig breeders. Pig breeders in Denmark have placed much emphasis on production and processing cost measures because costs generally are high. For example, labour costs are high and feed costs have been inflated as a result of the European Union's 'Common Agricultural Policy' protection of its domestic cereal markets. Meat-processing plants also tend to have high capital equipment costs because of highly automated within-plant logistics, and land in Denmark is relatively scarce and highly priced (Hobbs et al., 1998). The result is that pig breeders to a large extent are transactional seeking.

Food retailers. Food retailers in Britain have during the last decade or so increasingly embarked on programmes of category management and efficient consumer response. In category management, the retailers seek to increase overall sales of a particular category and to develop new products within this category instead of focusing on a particular product. The implications of this strategy are that the retailers are driven by what the need of the consumers are and that they work together with their suppliers to get their advice. In efficient consumer response, the retailers try to meet the need of the consumers by implementing efficient replenishment, promotion, store assortment and product introduction. This means that retailers increasingly are turning to relational marketing practices.

Consumers. In the 1990s, the British consumers felt that their government had failed to protect them from meat products infected with mad cow disease and thus demanded that the meat products they bought from the retailers would be safe and of high quality. The consumers also required that farming methods would be environmentally friendly and conform to animal welfare (Meat and Livestock Commission, 1998; Sloyan, 1998; Wilson & Clarke, 1998; Woolven, 1996). Consumers, therefore, are increasingly interested in long-term relationships with food retailers who can promise them safe products of high quality.

What did the Danish bacon industry then do? Overall, the pig meat-processing plants and distributors found the concern that the British consumers had voiced so serious and the possible boy-cut of products from Danish farming systems by the British retailers so threatening that they decided to change their offer proposition and to back up their products with a ‘Danish Quality Guarantee’. With the scheme, food retailers can now promise to deliver bacon products from pig breeders who conform to animal welfare (Boesen, 1998; Larrain, 1998; Lindhardt, 1998). At this point, it becomes relatively easy to see that the pig breeders – being far from the market place - do not perceive the environmental change affecting the pig meat-processing plants and distributors. The resulting effect is a mismatch between the pig meat-processing plants and distributors who want a relational exchange and the pig breeders who are using a transactional approach (Cell 2 in Figure 5).

INSERT FIGURE 5 ABOUT HERE

Pig breeders now find that the need structure of the Danish bacon industry has changed from buying on price to delivering pig meat products that the food retailers can sell without

consumer protests. However, the pig breeders' offer does not change, and seeing that the pig breeders were not modifying their offer, the Danish bacon industry decided to be pro-active by:

- paying a price premium to the pig breeders in Denmark who could deliver pigs from animal welfare farms;
- working closer together with the pig breeders so that they each could decide what was required; and
- inviting the British food retailers to Denmark to visit the pig farms and the pig meat-processing plants so that the breeding industry realises how serious the problem is.

The resulting exchange situation in the bacon supply chain has been a more harmonious sharing of views between the pig breeders, pig meat-processing plants, distributors, food retailers and consumers, and a Cell 4 exchange situation is now being established throughout the supply chain.

Conclusions and Future Research

The first section of the article introduced the buyer-seller exchange situation matrix. The matrix adopts a pluralistic approach and aims to explain why both transactions and relational exchanges might be offered and sought in most markets. The conceptual model is simple, but yet strong enough to allow for a thorough examination of buyer-seller relationships, especially because it integrates the role of the environment and the buyer's and seller's perception of it, and

the dyadic approach to the marketplace. The model is also flexible, as the analysis of a buyer-seller relationship can start with the seller or the buyer.

In the second part of the article, four case studies were developed. The first case shows that some times the seller, realising that the buyer's need structure has changed, has to alter the offer structure in order to keep the customer. This was the case with Flensted Catering that first discussed its strengths and weaknesses with a representative sample of the customers and later built a questionnaire around these strengths and weaknesses in order to better serve Cell 2 customers and to convince Cell 3 customers that a relationship marketing philosophy is better for both parties. The last case shows that changes in the seller's environment might initiate the process. This was the case with the Danish bacon industry that was squeezed between transactional-seeking pig breeders and relational-seeking food retailers and consumers. Realising that the pig breeders were not modifying their offer, the bacon industry decided to be pro-active and, among other things, pay a price premium to the pig breeders who can deliver pigs from animal welfare farms. Of particular relevance is the case that provides evidence that more than one approach can be perused (Cell 1 exchange and Cell 4 exchange). One such example is the MD Food case when a transactional-seeking buyer meets with a transactional-offering seller and Relational-seeking buyer meets a relational offer proposition.

We recognise that the empirical evidence is limited to cases originate from the international food and wine sectors. It would be of interest to conduct similar case studies in other industry sectors. Furthermore, the cases described in this article originate from industrial goods, while much of our current understanding of relationship marketing, is due to advances in industrial services and consumer goods and services. Thus, future research would benefit from including case studies in these settings.

In the section on the research methodology it was mentioned that the cases would ideally include evidence from both actors in the relationship but that at times this was not possible. Future case studies should, therefore, try to implement the fully dyadic approach.

The paper has argued that the buyer-seller exchange situation matrix leaves the door open to future exchange paradigms that might emerge allowing the 2 X 2 matrix to evolve into for example a 3 X 3 matrix, future research might want to examine this in more detail.

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End Notes

(1) The IMP - International Industrial and Marketing Purchasing - group was established in the 1970s to gain a better understanding of the marketing of industrial goods. This group later expanded its research to the wider topic of interaction and relationships in business networks.

Authors' Notes and Acknowledgements

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The conceptual section of this article draws heavily from Pels (1998) and Pels, Coviello & Brodie (1999, 2000) while the empirical cases were developed from the Ph.D. thesis of Lindgreen (Lindgreen, 2000; Lindgreen & Crawford, 1999; Lindgreen et al., 1999). Warm thanks to the organisations that participated in the research. Equal thanks to Professor Rod Brodie (the University of Auckland), Senior Lecturer Ian Crawford (Cranfield University) and Professor Kjeld Porsdal Poulsen (Technical University of Denmark) for facilitating the fieldwork associated with the research.

Figure Captions

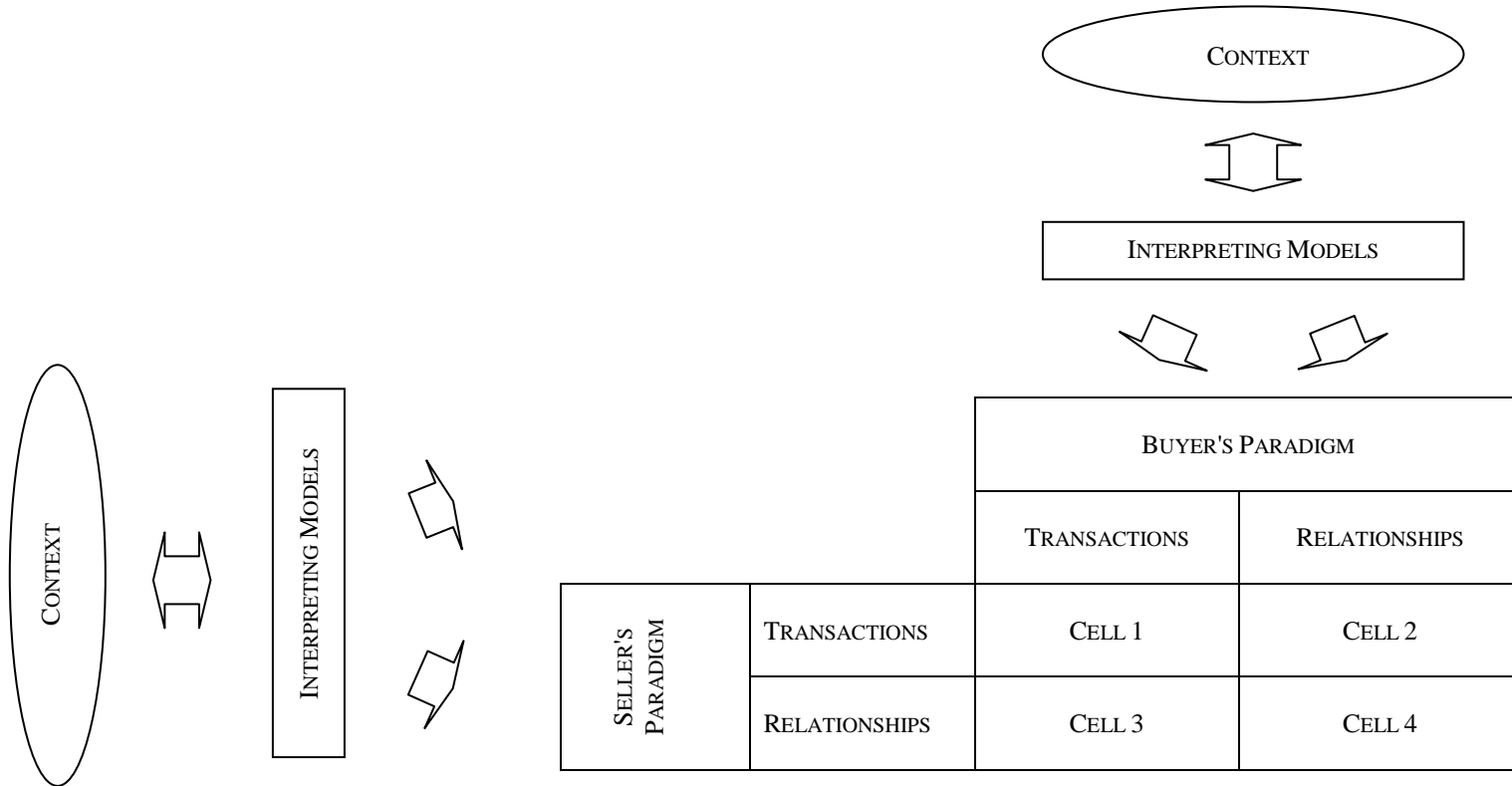
Figure 1. Buyer-seller exchange situation matrix

Figure 2. From different types of customers to Cell 4 customers

Figure 3. From a Cell 3 to a Cell 4 exchange situation

Figure 4. A combination of a Cell 1 and a Cell 4 exchange situation

Figure 5. From Cell 2 mismatch to Cell 4 match



CELL 1: TRANSACTIONAL EXCHANGE SITUATION
 CELL 2: THE "HOSTAGE" EXCHANGE SITUATION
 CELL 3: THE "FREE RIDER" EXCHANGE SITUATION
 CELL 4: RELATIONAL EXCHANGE SITUATION

		CUSTOMERS	
		TRANSACTIONS	RELATIONSHIPS
FLENSTED CATERING	TRANSACTIONS	CELL 1: GIVE UP	CELL 2: RECOVER ↓
	RELATIONSHIPS	CELL 3: CONVINCE →	CELL 4: CONTINUE TO SERVE

		CAXTON TOWER	
		TRANSACTIONS	RELATIONSHIPS
CORBANS WINES	TRANSACTIONS	CELL 1: (NOT RELEVANT)	CELL 2: (NOT RELEVANT)
	RELATIONSHIPS	CELL 3: BEFORE NEW GUIDELINES	CELL 4: AFTER NEW GUIDELINES

		CUSTOMERS	
		TRANSACTIONS	RELATIONSHIPS
MD FOODS	TRANSACTIONS	CELL 1: SELLING EXCHANGE	CELL 2: (NOT RELEVANT)
	RELATIONSHIPS	CELL 3: (NOT RELEVANT)	CELL 4: SELLING EXCHANGE

		PIG MEAT-PROCESSING PLANTS AND DISTRIBUTORS	
		TRANSACTIONS	RELATIONSHIPS
PIG BREEDERS	TRANSACTIONS	CELL 1:	CELL 2 CURRENT SITUATION
	RELATIONSHIPS	CELL 3	↓ CELL 4 PREFERRED SITUATION