1. TWO APPROACHES TO MARKETING

Taking a look on the customer base of a firm we will find a diverse set of customer relationships. Some customers are very important for a firm. Studies have shown that the ten largest customers can account for more than 80% of the firm's turnover. Obviously, these customers will be of great importance for the firm's operations and profitability. Generally, these business relationships have evolved over a long period of time and have successively been strengthened. The customer and the supplier often have an extensive cooperation regarding technical aspects. Furthermore, often, many individuals at the buying and selling firm have contact with each other. It is also common that the buyer and the seller have made adaptations towards each other, for example with regard to logistics solutions and production equipment. Consequently, for the seller, it is very important that these customers are treated individually.

Other customers might have very little contact with the supplier. Users buying small volumes of standardized goods don't need to have any extensive contact with the supplier. Sometimes the customers don’t even buy directly from the producer of the product. In those cases the business exchange is handled by a representative of the producer, for example an agent, distributor or reseller. Between these two extremes - the largest and most important customers and the smallest buyers of standardized goods - there is a large span of business relationships that is characterized by certain adaptations being made by the parties. With this in mind, it seems fruitful to separate between two types of business situations.

One is characterized by the situation where the producer has a very limited contact with the users of the products. In this situation there is seldom a need to distinguish between different customers. From the producer's perspective the customers can be regarded as constituting a mass market. These situations will be referred to as the Marketing-mix-approach.

The other situation is present when the customer and supplier work closely together - where each customer needs to be treated individually. The perspective used to analyze this kind of situation is referred to as the Interaction approach.

1.1 The Marketing-mix-approach

The Marketing-mix-approach has its roots in marketing models for consumer goods, i.e. when private consumers are the users of the goods. Consumer marketing has a longer tradition than business marketing. So, when the business marketing area developed in the end of the 1960's it is not strange that concepts and models were borrowed from the consumer marketing area.

The Marketing-mix-approach has its roots in US textbooks on consumer marketing. The most famous representative of these models is Philip Kotler with his textbook Principles of Marketing. According to the original Marketing-mix-models, a firms has four competitive means in its marketing mix - the so called four Ps. (See figure 1)
The *product* and its characteristics are of course of great importance for the firm's possibility to compete on the market. The competitiveness of the product is closely linked to the *price* of the product, why the price is the second P. A basic idea in the Marketing-mix-approach is that a firm can stimulate the demand by various actions with regard to *promotion* – the third P. This can for example be advertisement and personal selling. The fourth P, *place*, represents the important activity of making products available to users when required. Another name for this mean of competition is distribution.

The basic idea behind the Marketing-mix-model is that the buyers constitute a mass-market. A seller can influence the demand on this mass-market through its marketing efforts. Examples of such efforts are provided in figure 2. Depending on how these means of competition are used, the buyers are expected to react in a certain way. A change of price will lead to change in demand. Similarly, an advertising campaign will lead to change in demand.

The Marketing-mix-approach only partially takes into consideration the individual buyer. However, it is not necessarily so that all buyers are expected to react identically on a certain marketing effort. On the contrary, the preferences of different customer groups will vary. Therefore, the buyers are often divided into homogenous groups – segments – that are expected to react in a similar way to a certain marketing effort.
1.2 The Interaction approach

The Marketing-mix approach is applicable in business situations where producer and user do not need close contact and when the supplier is the active part. However, the Marketing-mix approach is less applicable in situations when the customer and supplier work closely together during many years, where the exchange of technical information is of great importance, or when the companies have made major investments towards each other. In this type of business situation, individual marketing efforts such as advertisement campaigns or a temporary price discount are not expected to have any impact. Therefore, in the beginning, practitioners involved in business-to-business marketing showed very little interest in the available models. The models were not suitable for illustrating the complex business situations common in business-to-business marketing, where technical aspects of products and technology exchange between companies are central aspects. A complement to the Marketing-mix-approach was needed.
Such a complementary model was developed as a result of a European study of business relationships between customers and suppliers in different countries. The model was based on the experiences from this study and presented in Håkansson (1982). In this model, concepts were provided that enabled analysis of more developed customer-supplier relationships characterised by long-term commitment and adaptations between the parties. The Interaction model being the result from this study is presented in figure 3 below.

Figure 3: The Interaction approach model. (Håkansson 1982:24)

As illustrated in the figure the interaction between individual sellers and buyers is in focus. The relationships between them will be developed gradually. The interaction process starts with rather basic interaction where the parties test each other (referred to as ‘exchange episodes’ in the figure). If these episodes turn out well, the short-term business exchange will transform into long-term relationships. This means, in the terminology of the model, that the relationship becomes institutionalised. In this context, the earlier made adaptations are of central concern. The figure shows that the companies’ technologies, organisational structures and strategies are of great importance for the interaction process. Also the involved individuals influence the outcome. The individuals are carriers of the social relations that have proven to be very important for business exchange of this type. The figure also illustrates that the relationship ‘atmosphere’ is an important component in the model. Relationships are thus not only characterised by cooperation but also by issues of power and dependence. A central question regards the suitable degree of closeness between the parties. Furthermore, over time the parties will have different expectations on each other. Finally, important to point out is that what happens between two parties in a business relationship is very dependent on the environment in which the relationship is a part. The environment creates opportunities as well as restrictions for the development of the interaction process and the relationship.