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A Study of Switching Behaviours in the B2B Service Sector

(In Two Volumes)

Volume 1

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Dedication

In memory of my parents. Thank you to my father for his kind support during this academic journey who was with me to the very end – you are greatly missed.

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ABSTRACT

The marketing literature has argued the value of retaing customers and stated that loyal clients are more likely to focus on long-term benefits and engage in cooperative actions benefical to both partners (Lam et al., 2004). There is abundant quantitative research on B2C loyalty, but limited qualitative research for *B2B* loyalty within the services sector. This research has filled the gaps and contributes to the study of B2B switching by analysing the behaviours of the client, '*switched to*', and '*switched from*' service providers.

The sample consisted of Canadian staffing agencies because this sector experiences frequent switching and is a critical component of the service economy with global sales of, $ 192.6 billion in 2006 (The Economist, 2007). This industry is undergoing tremendous changes that will affect the ways companies manage their recruiting and human resources needs.

It was found the key switching factors are a loss of trust, inability to listen to clients' needs and failure to deliver a quality core service. The research also investigated the constructs necessary to form and sustain B2B relationships – trust, commitment, loyalty and risk. This study confirmed that trust is *'the blood line'* of retaining relationships and any breaches of trust resulted in switching. Contrary to previous *B2C* switching studies (Keaveney, 1995) apathy, pricing and inconvenience were not significant switching factors while it was affirmed that there are noteworthy differences between B2C and B2B switching factors.

The study contributes to marketing theory and practitioners by identifying key switching behaviours within the B2B service industry. It explores the constructs necessary to nurture B2B relationships while mitigating the chances of client switching. The staffing agency sector is particularly interesting for academic research, as it is currently being affected by significant growth which poses drastic challenges for business managers to sustain an ever-increasing competitive environment.

Chapter 1 Introduction

"While businesses agree that improving customer retention is important, customers still defect. One reason for this is because relatively little is known about why buyers leave suppliers" (Johnston et al., 2001, p 123)

1.1 Introduction

This chapter provides the foundation for the thesis by introducing the field of study. It discusses the background to the research, the research aim and objectives and the rationale for underpinning the study. The research methodology will briefly be introduced followed by a discussion surrounding the conceptual framework of the thesis. The final section provides a brief synopsis of each chapter.

The field of study is switching behaviours within the B2B service sector. The marketing literature has provided abundant studies on the B2C switching behaviours using quantitative methods (Roos and Gustafsson, 2007; Lopez et al., 2006; Hu and Hwang, 2006; Burnham et al., 2003; Ranaweera and Prabhu, 2003; Bansal and Taylor, 2002; Colgate and Lang, 2001; Ganesh et al., 2000; Mittal et al., 1998; Heide and Weiss, 1995) and qualitative studies (Yanamandram and White 2006; Grace and O'Cass, 2001; Keaveney, 1995). The value of this *qualitative* research is that it provides a rigorous study of the *B2B* switching behaviours which has not been widely studied in the literature. The sample chosen was staffing agencies which has become a dominate industry within the service sector. This is the first qualitative study that examines B2B switching from the perspective of all affected parties – the client, the '*switched to*' and '*switched from*' staffing agencies.

1.2 Background to the Research

Marketing studies have recognised the existence of a shift in the nature of customer-firm relationships from a transactional to a relational approach (Mouzas et al., 2007; Ganesan, 1994). Such changes have resulted in increasing interest in the factors and mechanisms determining the establishment, development and maintenance of successful relational exchanges (Morgan and Hunt, 1994). As a consequence, practices that used to focus on attracting new customers and gaining a large market share have given way to practices aimed at consolidating a firm's customer base and retaining existing customers (Dick and Basu, 1994; Dwyer et al., 1987).

The marketing literature has also advocated researching long-term relationships and the factors which determine them (Rosset et al., 2002), but rather less to the factors motivating customers to switch suppliers (Keaveney, 1995). In order to extend the literature on client switching behaviour the aim of this study is to investigate switching behaviours in the business to business (B2B) service sector.

Relationship marketing has played a vital role in marketing practice and theory and has emphasised the importance of relationships for improving firms' profitability and future viability (Gronroos, 1995; Morgan and Hunt, 1994; Berry, 1983). Much of this interest can be attributed to the benefits that the literature accredits to maintaining long-term relationships. Retained customers increase the firm's revenues, contribute to cutting costs since they are less expensive to serve (Ganesh et al., 2000), the positive word-of-mouth they spread attracts new customers and reduces the costs needed to attract them (Keaveney and Parthasarathy, 2001). As a consequence of this value of retaining customers and as the relationship marketing postulates, relationships have become central to marketing theory and practices and to firms' corporate business strategies. Thus, understanding the processes determining customers' switching decisions represents a decisive step in successfully establishing, developing and maintaining client-service provider relationships (Lopez et al., 2006).

Research into sustainable buyer–seller relationships in B2B, especially its drivers, has surged during the past years (Ulaga and Eggert, 2006). Building on and adapting theories from a variety of disciplines, relationship researchers have proposed, examined and provided substantial insights about how drivers such as trust (Kerrin, 2002; Bitner, 1995, Schurr and Ozanne, 1995) and commitment (de Ruyter and Lemmink, 2001; Anderson and Weitz, 1992) have influenced behaviour in relationships.

For service providers, the adoption of a relational strategy aims to build on-going customer relationships and gain competitive advantage by acquiring intangible assets such as customer trust and commitment (Morgan and Hunt, 1994). Slater and Olson (2000) suggest a relational selling strategy is based on the supplier and customer interdependence, an exchange of critical information, trust between partners and a stable relationship, which allows each party to benefit from a fair return on its investments.

In keeping with the orientation towards relational exchanges, which have been recognised as one of the fundamental changes in B2B markets during the last decades, this research also investigates several relational attributes. In particular the attributes of adaptive selling, team selling and gift giving will be investigated. The literature on adaptive selling mainly investigated the evolution of competences, skills and abilities of salespeople in the scenario of strengthening the B2B relationships (Weitz & Bradford, 1999). Wilson (2000) argues in the current relational era, radical changes have occurred in sales force activities and sales management practices. The fundamental goal of salespeople is to develop long-term, mutually profitable partnerships with customers (Anderson, 1996), or more precisely with certain types of customers so as to integrate the recent findings on the profitability of relational programmes (Reinartz and Kumar, 2002; Reinartz and Kumar, 2000).

1.3 Research Aims and Objectives

The subject of retaining *B2C* customers and switching behaviours has been extensively covered in the marketing literature. This research has identified there are gaps in the *B2B* switching literature. Considering the importance of this topic and the issues identified in the literature review, this research addresses the following research aim:

Research Aim:

To investigate switching behaviours in the B2B service sector.

Following from the aim of the research four key objectives were formulated. The four objectives have been developed using the knowledge gained from completing the literature review. The first objective will build on the existing switching theories with an emphasis on explaining how B2B clients evaluate the decision to switch service providers.

Objective One:

To extend the knowledge of switching and non-switching behaviours in the B2B service sector and determine their affects on loyalty and apathy.

The research also determined how clients' switching behaviours influence the B2B relationship. With a greater understanding of switching behaviours it is expected the results of this research will assist service providers in reducing client switching. By obtaining this deeper knowledge service providers will be able to strengthen the attributes of the client-service provider relationship which has led to the following objective:

Objective Two:

To investigate how switching behaviours affect the key attributes of the B2B relationship: the attributes being trust, commitment, loyalty, risk.

The third objective investigates how certain relational attributes affect the client's switching behaviours. It has been recognised in the literature that relational selling strategies strengthen the B2B relationships (Goff et al., 1997; Oliver and Swan, 1989) and a strong buyer-salesperson relationship has a tendency to reduce client switching (Johnson et al., 2001). These ideas have led to the third objective:

Objective Three:

To determine how relational selling attributes influence switching behaviours; the attributes being adaptive selling, team selling, gift giving and the salesperson as a 'boundary spanner'.

The fourth objective was added after completing the literature review. This objective explores how service providers create value for their clients while strengthening the B2B relationship. The study investigated the affects of offering differentiated and indirect services on client switching behaviour. These ideas led to following objective:

Objective Four:

To identify strategies service providers use to strengthen the B2B Service Relationship.

1.4 Research Rationale

As service providers are forced to compete actively and vigorously in demanding environments in order to survive, it is imperative that they understand the needs and wants of their customers (Grace and O'Cass, 2001). Reichheld (1996) argues that US corporations lose half their customers in five years and that customer disloyalty at these rates stunts corporate performance by 25% to 50%. Grace and O'Cass (2001, p 301) support this idea by stating, "owing to the negative effect of switching on bottom-line profitability, service organisations are becoming more and more concerned about those customers who chose to abandon ship and take their patronage elsewhere".

Homburg and Rudolph (2001) argue that studies in customer satisfaction and dissatisfaction in B2B service relationships are still modest and lagging far behind consumer marketing. This position is supported by Patterson et al. (1994, p 4) who state, "there has been an almost total lack of attention to the industrial B2B sector". Furthermore, the highest growth in services marketing is in business markets (Brown, 2002; Fitzsimmons et al., 1998) making this study a crucial area of research. Within the B2B context, whilst there have been some studies addressing single barriers to switching, such as relationship investments, inertia, switching costs, the impact of alternative service providers and recovery strategies, there has been only one study which has investigated a range of factors simultaneously in a single model (Yanamandram and White, 2006).

The literature has addressed the subject of service providers' attempts to reduce customers' opportunistic switching behaviours. Many researchers have also investigated how service providers prevent customers from switching to alternative service providers (Liu, 2006; Caruana, 2004; Burnham et al., 2003; Sengupta et al., 1997). Some studies have indicated that business suppliers conventionally focus on enhancing customer satisfaction in their defensive efforts to retain customers (Patterson, 2004; Jones and Sasser, 1995).

Gale (1994) argues that satisfaction building activities are fundamental to repurchase decisions and empirical studies suggest that satisfaction often has a modest effect on retention. Satisfaction does not convert current customers into long-term customers, nor does it typically prevent customers from switching to alternatives (Woodruff, 1997; Reichheld, 1996). Lui (2006) suggests that in an attempt to discourage switching and to solidify longer-term working relationships with existing customers, service providers are simultaneously building switching barriers and managing customers' value perceptions to strategically retain buyers. The goal of this research was to it investigate if the above premises are still true and determine how switching behaviours affect the key attributes of the B2B relationship.

The increasing importance of business services in the economy has encouraged fierce competition amongst service providers (Axelsson and Wynstra, 2002). This has led to many service providers to deploy 'exit barriers' through enhancing customers' perceptions of high switching costs. Service providers are able to inflict switching costs through 'hard assets', such as installed proprietary equipment, software programmes, etc., that cannot be transferred to other exchange relationships (Wilson et al., 1995). These transaction investments prevent buyers from easily switching to and from competitors (Heide and John, 1988). It is noted that many service providers, including the sample studied, do not use hard assets in the buying process with their customers; therefore they lack the ability to lock-in current customers for the long haul. As a result many service providers explore relational aspects of their business relationships that will strengthen the client-service provider relationship (Liu, 2006). This research is valuable since it explored a sample of service providers who used relational attributes and the delivery of quality services to minimise their clients' switching behaviours.

1.5 Research Methodology

This section presents an overview of the research approach and methodology followed for the research. A detailed explanation and discussion about the methodology is provided in chapter 6. The research paradigm chosen was realism, utilising the research methodology of multiple case studies. The research was designed to facilitate an exploratory investigation of switching behaviours within the B2B services sector. Exploratory case based research was chosen as the most applicable method due to the nature of the aim and objectives of the research and considering the identified gaps in the literature on the subject of B2B switching behaviours. The design of the research permits the building of theory which can be tested in later studies.

Case studies are recommended where the subject matter being investigated is on-going and has to be explored within its real-life context which allows little prospect of simplifying matters by excluding some variables while controlling and manipulating others (Perry, 1998). In addition case studies allow the researcher to observe the important contextual variables impinging on the behaviour of interest over time (Yin, 1994).

A primary goal of the research was to answer '*how*' and '*why*' questions and understand the behaviours taken by the respondents relating to their switching decision. The application of case studies as a qualitative research methodology has been supported by many researchers (Huberman and Miles, 1994; Yin, 1994; Parkhe, 1993; Patton; 1990; Eisenhardt, 1989). Qualitative research is more suitable than quantitative research in a new research area, where the phenomena are not well understood and where inter-relationships between phenomena are not well known (Rossman, 1998; Parkhe, 1993) which is applicable to this research.

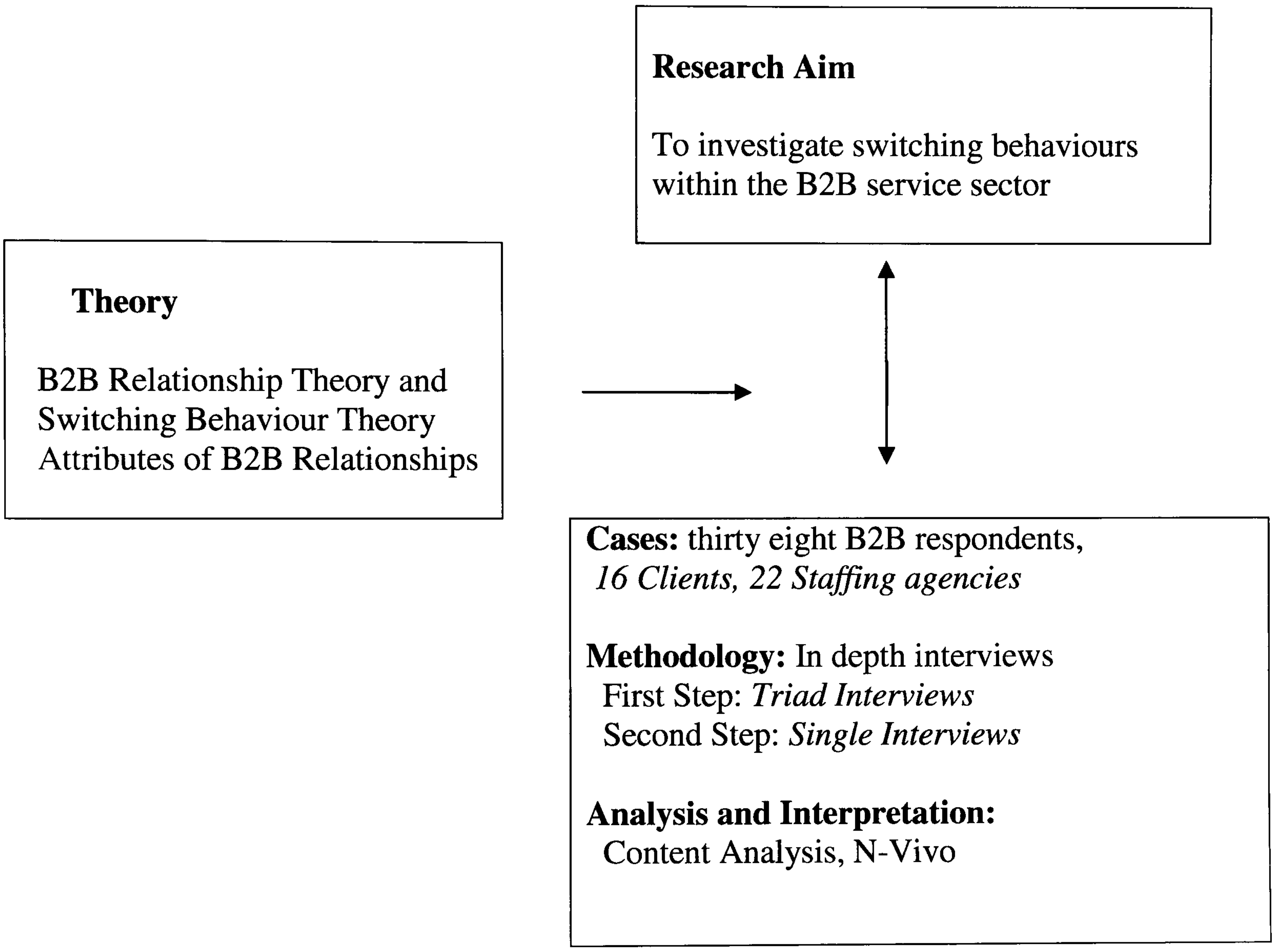
For this study, detailed attention was given to the issues of validity and reliability in order to enhance the overall quality of research (Miles and Huberman, 1994; Yin, 1994; Easterby-Smith et al., 1991) and is described in section 6.7. To conform to good case study research practice, a case study interview protocol was designed and the data base of findings was compiled and maintained with the aid of the N-Vivo software package.

The data collection techniques relied on personal interviews conducted by the author of this study, from a range of respondents who had recently switched service providers. Appendixes B, C, and D provide a list and brief description of the respondents. The analysis of the findings was assisted by the N-Vivo software programme and involved the interpretation of the data collected, with the aid of nodes, codes and hierarchical trees (see section 6.11 and Appendix L for details about N-Vivo).

The data collection involved two sample groups, '*triad interviews*' and '*single interviews*'. The triad interviews involved all three parties affected by the switching decision - the client, the '*switched to*' and '*switched from*' staffing agencies. The triad interviews are inter-dependent, which provide a robust and comprehensive study of switching behaviours. The single interviews were held with clients and staffing agencies and they were not related in any fashion. The single interviews provided further in-depth knowledge on the subject of switching behaviours.

Illustrative quotes from the respondents are included to provide transparency and to lend validity to the findings from the data analysis. Summaries of the cases and the respondents are provided in the analysis chapters. Table 6.9 provides the details surrounding the administration of the interviews and Appendixes E and F list the interview questions. Figure 1.1 listed below summarises the research methodology.

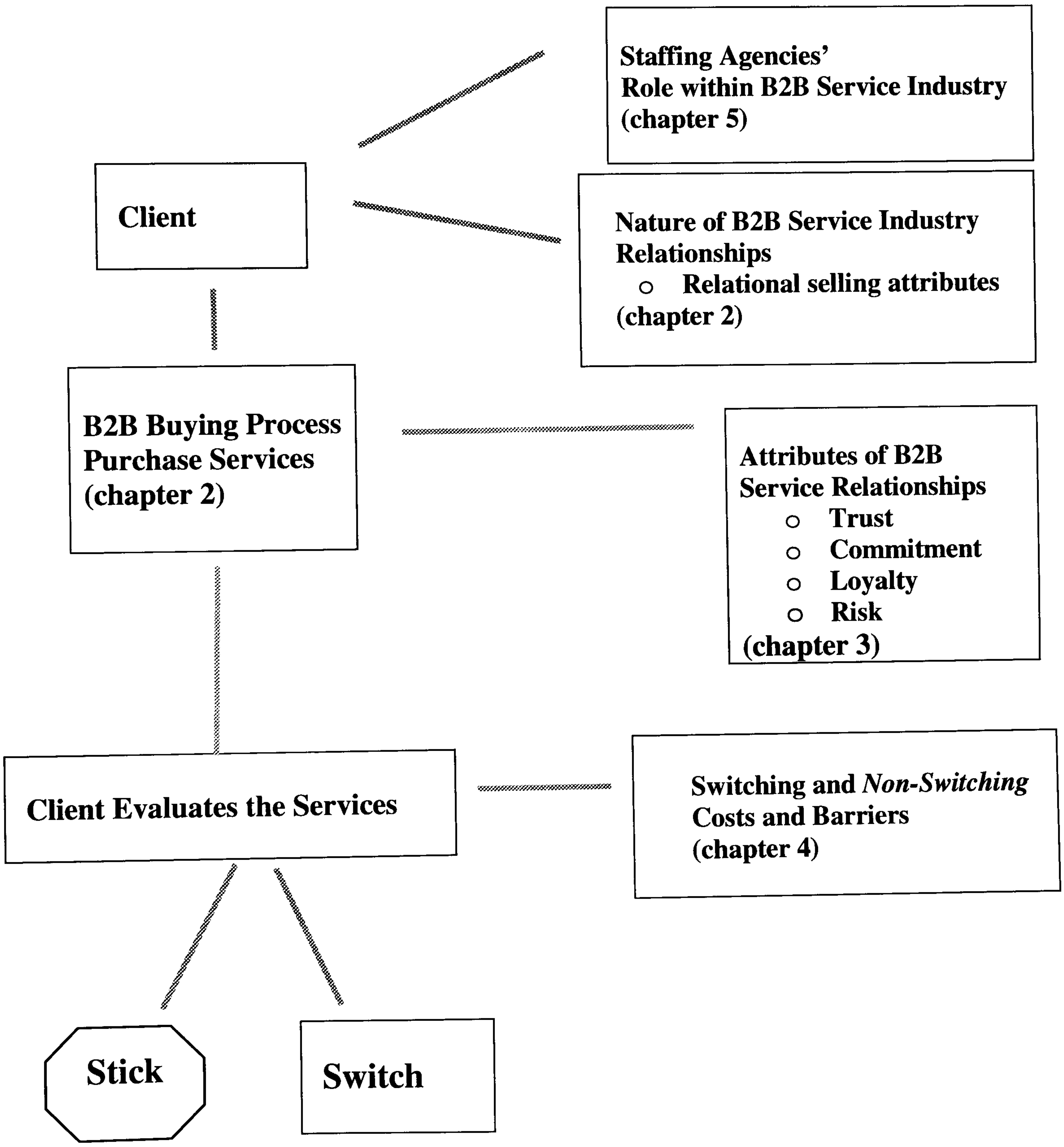
Figure 1.1 Research Design



1.6 Conceptual Framework of Thesis

The aim of the thesis was to investigate the switching behaviours within the B2B service sector and to provide service providers with a better understanding of client switching. An additional goal is for service providers to understand the attributes required to build and maintain B2B relationships – trust, commitment, loyalty and risk. A better understanding of switching behaviours and the attributes of the B2B relationship will allow service providers to prevent their clients' from switching. A review of the research aim and objectives has led to the development of figure 1.2 listed below. Figure 1.2 provides the *initial* conceptual framework and outlines the key research subjects for the study.

Figure 1.2 *Initial* Conceptual Framework of Thesis



The study was composed of the following four key subject areas:

1. Staffing agencies role within the B2B Service Sector
2. The nature of B2B Service Industry Relationships
3. The attributes of the B2B Service Relationship: trust, commitment, loyalty and risk
4. Switching and non-switching costs and barriers

The first key research area discusses the importance of the service sector in today's economy. It also explores how a B2B relationship between the client and service provider is developed and mutually beneficial to both parties. This study also investigated the indirect functions a service provider can fulfil to develop a stronger relationship. This study also investigated the buying process to determine how the variables and tasks within organisational buying influence switching behaviours.

Affiliated with investigating the B2B relationship was the need to explore the various relational attributes used to strengthen the relationship. A review of the selling process and the relational activities of the salesperson that enhances the client-service provider relationship were investigated.

The need to research relational attributes led to the third objective of, *'determining how the relational attributes influence switching behaviours – adaptive selling, team selling and gift giving and the salesperson as a boundary spanner'.*

The second research area reviewed the key attributes that influence the B2B Service relationship – trust, commitment, loyalty and risk. To fully appreciate switching behaviours there must be an understanding of how these constructs are used to establish and maintain B2B relationships. It was essential to investigate how clients' purchasing decisions and choice of retaining particular service providers were influenced by these relationship attributes. With these ideas in mind the second objective *'to investigate how switching behaviours affect the key attributes of the*

B2B relationship' was formulated and became an integral part of the conceptual framework.

The third key subject investigated the switching factors and focused on the switching and non-switching costs and barriers. It was vital to comprehend the components of switching to grasp a better understanding of a client's switching decision process. This study also examined how clients' switching behaviours affect the B2B relationship. With a greater understanding of switching behaviours it is expected that this study will offer service providers a greater insight of how to reduce client switching. This premise is directly related to the first objective, *'to extend the knowledge of switching and non-switching behaviours for the B2B service sector'.*

The fourth area of study discussed the industry that was researched, staffing agencies, and explained why this industry was chosen. It also justified staffing agencies' role within the B2B service industry and explained the values they offer their clients. This area was concluded with a discussion about the trends in the staffing agency industry and affirmed how these trends will strengthen the need for staffing agencies to prevent client switching.

This *initial* conceptual framework encompassed the key factors that were analysed during the literature review. The aim and objectives of the research were formulated using the key research areas identified in the framework. This framework indicated that all four of the key areas of study are interdependent and taken into consideration when a client is evaluating a switching decision. This study determined how the role of the service provider strengthened the attributes of the B2B relationship and made an impact on the client's switching behaviours.

This *initial* conceptual framework was further developed as the contributions of the literature review provided additional knowledge and insight. An updated conceptual framework is presented in section 5.10. Table 1.1 listed below provides a list of common terms used throughout the thesis.

Table 1.1 List of Terms used in the thesis

Term	Explanation
Candidate	A person a staffing agency is attempting to place with a client
HR	Human Resources
HRO	Human Resources Outsourcing
Staffing Agency	The organisation that provides candidates to clients; also known as: Personnel Agency; Recruitment Agency; Search Firm; Executive Recruiter (see section 5.4)
Temp	Person hired from a staffing agency working in a temporary position for a client
KAM	Key Account Management
B2B	Business-to-Business
B2C	Business-to-Consumer
Canadian Dollar	$ 1 Cdn = £ 0.505 GBP (as of Sept 1, 2007)

The following section provides a synopsis of each chapter and explains how the four key subject areas identified in this section have been incorporated into the chapters.

1.7 Overview of the chapters

This section presents an overview of the chapters and explains how the ideas within conceptual framework of the thesis have been integrated into the chapters. The literature review is presented in four separate chapters (chapters two, three, four and five). Chapter six describes the research methodology adopted for the study and chapters seven and eight present the analysis of the triad interviews and single interviews respectfully. Chapter nine, the final chapter of the thesis provides the conclusions and identifies the contributions of the research, limitations and recommendations for future research.

Listed below is a brief synopsis of each chapter.

Chapter 2 reviews the 'The Nature of B2B Service Relationships' and includes a discussion about the development and significance of B2B relationships. The chapter presents the various B2B buying processes and highlights the relational aspects of the selling process. The relational attributes of adaptive and team selling and gift giving are discussed, along with the significance these attributes contribute to form B2B relationship. This study suggestes that relational attributes have a significant impact for sustaining mutually beneficial B2B relationships. The chapter concludes with a discussion of the trends in the B2B services sector and the implications these trends have on the switching behaviour.

Chapter 3 is entitled 'Attributes and Constructs that affect B2B Service relationships: trust, commitment, loyalty and risk'. In-depth discussions about each of these constructs are provided and explain the integral role the factors have in forming and sustaining B2B relationships. The literature argues that in order to make a commitment to a service provider, the client needs to trust the service provider and trust is decisive for continuity of a B2B relationship (Schurr and Ozanne, 1985). It was also suggested that the essential antecedent that leads to forming trust must be the ability of the service provider to create a suitable atmosphere and climate within the exchange relationship that nurtures confidence and trust for the clients (Morgan and Hunt, 1994).

Chapter 4 provides an extensive review of switching and non-switching behaviours which was significant since it provides the current theory of switching behaviours. This chapter also evaluates how apathy/inertia may affect a client's switching decision.

Chapter 5 provides an overview of the sample used for the research - staffing agencies. This sample was chosen due to its significance and contribution it offers to the service economy. The chapter reviews various types of staffing agencies and their business operations. Key discussions occur on the subjects of why companies use staffing agencies and industry trends within the recruitment sector. A major trend occurring today is HRO (Human Resource Outsourcing) whereby many major corporations are contracting out all of their human resource functions to a staffing agency. These HRO decisions are worth billions of dollars and have resulted in tremendous growth and sweeping changes for the industry (Bates, 2002). This trend, along with other changes justifies the need to research this industry, particularly in the context of switching behaviours.

Chapter 6 presents the research methodology utilised in this study and justifies case base research as the most appropriate research method. It was argued that the social sciences are well suited to case studies as they satisfy the recognised need for an in-depth understanding of cause and affect relationships that other methodologies cannot achieve (Jensen and Rogers, 2001). In addition case study research helps bridge the gap between industry and academia which enables verifying perspectives from a wide range of perspectives and can often provide directions for future research due to the richness and depth of the data collected (Zonabend, 1992; Eisenhardt, 1989). Data collection, management, analysis and presentation techniques were discussed in chapter six, centering on the use of the software programme N-Vivo.

Chapters 7 and 8 provide the key findings and analysis. Chapter 7 concentrates on the findings from the seven *triad interviews*. Chapter 8 provides the results of the *single interviews* with individual clients and staffing agencies that were taken after completing the triad interviews. The single interviews were conducted independently of the triad interviews and provided further findings on the subject of B2B switching behaviours.

Chapter 9, the final chapter, presents the conclusions and recommendations while responding to the research objectives and gaps in the literature. The implications of the research for theory and professional practice are also presented. The chapter concludes with the limitations of the research and suggestions for future research.

1.8 Chapter Summary

This chapter provided the foundation of the research study by introducing the aim and objectives of the research. It also presented a brief introduction to the rationale for this study and introduced each of the chapters and briefly explained the methodology. The conceptual framework along with the four key subject areas was also introduced.

This research was instigated through the researcher's own interest in the three core subjects of this thesis which included:

- switching behaviours
- the study of B2B service relationships
- the increasingly significant role of staffing agencies

The findings of this research have contributed to the knowledge of the three subject areas identified above and encourage further empirical research be undertaken to build on the ideas, suppositions and findings of this research. The combination of these three core subjects will become a powerful force for marketing academics, practitioners and help understand the ever changing and demanding B2B service sector.

Chapter 2 The Nature of B2B Service Relationships

"Getting to know, and delivering, what the customer wants is the catch-cry of modern marketing theory. A simple and logical concept in theory maybe, but wrought with complexities in its practical application to services marketing" (Grace and O'Cass, 2001, p 317)

2.1 Introduction

The key attributes of B2B service relationships are discussed in this chapter. The attributes include the characteristics of services, the significance of B2B relationships and strategic supply management. The chapter also discusses the B2B buying process and supply chain management and concludes by reviewing the relational selling strategies. This chapter is significant since it describes the importance of the services sector in today's economy.

Research in the area of services extends back to the 1930's (Converse, 1930) and became significant in the 1960's (Rathmell, 1966; Gustafson and Ricard, 1964). Ever since there has been an increasing interest in the area of services marketing (Berry and Parsuraman, 1993; Frisk et al., 1993). Nowadays, even though the actual performance of service quality in service encounters takes place at an operational level, services have become crucial in the strategic, tactical, and operational management of business operations in many firms (Svensson, 2006).

The next section reviews the characteristics of services and discusses the significances of the service sector.

2.2 Characteristics of the Services Sector

The service sector has taken on increasing importance for companies that trade domestically or internationally. The importance of services to the global economy has grown steadily (Berry et al., 2006) making up about 70% of the aggregate production and employment in the Organisation for Economic Cooperation and

Development (OECD) nations (Wolfl, 2005). In the USA, service jobs account for 77 percent of the total employment and 70 percent of GNP and are expected to provide 90 percent of all new jobs in the next decade (Kotler, 1997). The overall service sector accounts for 74% of the UK economy and has grown 3.1% in 2007 (Thomson Financial News Service; 27 September 2007; www.tfn.com)

Early marketing research sought to differentiate services from goods by focusing particularly on four generic differences – intangibility, heterogeneity (variability), perishability of output, and the simultaneity of production and consumption (Sasser et al., 1978). Lovelock et al. (1996) extends this argument by suggesting that services are differentiated their tangible or intangible characteristics and fall within one of the following categories:

1. People-processing services (involves tangible actions to customers)
2. Possession-processing services (tangible actions to physical objects to improve value to customers)
3. Information-based services (managing data to create value)

Lovelock et al. (1994) also argues that the important characteristics of services include the fact that customers have little to evaluate before making a purchase commitment. Laing et al. (2002) argue that the concept of the service encounter is central to marketing of services, and suggest the service encounter is the intersection of service capacity and demand, while reflecting the inseparability of production and consumption in service industries. "The inseparability of the role of service provider and purchaser also refers to the lack of standardisation, since the purchaser can alter both the way in the service is delivered, as well as what is delivered, which have important implications for the process of evaluation" (Hogg, 1996, p. 17).

The service provider may be the only tangible aspect of the service and in the eye of customer and may be equated to the service itself. In fact, customers must rely on the credibility of service providers to assess whether the promised service will meet their expectations. Rahman, (2004, p 427) supports this position by stating "customers do not purchase services per se, but promises of services". It can be concluded the strength of the client-service provider relationship generates the trust that is necessary for the client to commit to purchasing the service (Morgan and Hunt, 1994).

2.2.1 Service Variables

A variable of the service sector is that it is labour intensive and leads to more heterogeneous outcomes (Berry, 1980). Service performance variability and service failures arise from the inseparability of service production and consumption, which prevents quality inspections of most services prior to delivery (Hess, 2003). Rahman (2004) supports this position by suggesting it is not often possible to remove defective services before they reach customers.

Since services are intangible and heterogeneous, most customers will perceive higher risk with services than with goods (Cunningham, 1996). Customers often depend on credence qualities to evaluate services since the intangibility of services makes the evaluation of service quality and satisfaction more difficult to assess than goods (Zeithaml, 1981). Intangibility leads to more difficulty in finding information about services and it appears that brand loyalty may be more important for services than it is for products (Zeithaml,1981).

A key feature of services is the fact that services are processes and not things. It is a fact that the consumption and production of services are simultaneous activities and that customers participate in the service production process (Gremler et al., 1998). Therefore, a service is a series of interactive processes (Gronroos, 2001). It is this interaction that allows service providers a greater opportunity to leverage a customer's rapport perceptions involved with the consumption of a service than in non-service industries (Gremler et al., 1998). Gremler et al. (1998) argues that rapport is a customer's perception of being 'connected to' and having an enjoyable interaction with one or more service provider employees.

A key factor of the service sector is the quality and efficiency of the service being delivered (Hogg, 2001). The intangible nature of service encounters makes the customer–provider interface particularly significant when the customer is evaluating service quality (Bitner et al., 1990). The customer judges the entire service company and service delivery by the service provider's employees behaviour. In fact, often for the customer these first line employees are the firm (Grewal and Sharma, 1991).

In recent years, substantial research has examined the level of quality in the performance of a service (Gounaris, 2005) by practitioners and academic researchers. There has been three distinct phases of growth for evaluating service quality. In the first phase, researchers were concerned with identifying the nature of the service equality construct (Parasuraman, Zeithamal and Berry, 1988). Secondly the focus switched to the measurement of service quality (Cronin and Taylor, 1992). More recently, researchers have concentrated on the significance of service quality (Zeithaml, 2000; Bansal and Taylor, 1999; Keaveney, 1995; Rust et al., 1995). The areas of concern within the quality of service quality include customer retention, re-purchase intentions, advocacy intentions, switching intentions and complaining intentions.

The next section will discuss the significance of the B2B relationships and how the client-service provider relationships create value and mutual benefits. The ability to form customer relationships is a significant attribute that differentiates services from goods. This capability to form associations has caused service providers to shift their focus to developing stable, long-term customer relationships and sustaining customer lifetime value (Berger and Nasr, 1998).

2.3 The Development and Significance of B2B Relationships

The study of business relationships has been virtually unexplored from an academic perspective until somewhat recently (Mohr and Nevin, 1990; Dwyer et al., 1987; Gummesson, 1987). It has been suggested that business relationships have the following advantages:

- Lower costs through economies of scale, shared research and development, and efficient just-in-time manufacturing (Mohr and Spekman, 1994; Frazier et al., 1988)
- Enlarged markets with knowledge of the market and technology fusion (Varadarajan and Cummingham, 1995; Vyas et al., 1995)
- International relationships provide both location advantages and the ability to capitalise on a partner's reputation and brand in local markets (Baumgarten and Hausman, 2000; Dominguez and Zinn, 1994)

A noteworthy trait of the service sector is that customers recognise there is a need for a relationship between themselves and their service providers (Rust and Chung, 2006; Gronroos, 1996). Customers are favouring personalised communication with the service provider's agents and seek a supplier who understands their needs (Berry and Parasuraman, 1991). The extent to which a relationship occurs is often determined by the profitability the customer can achieve by working with a service provider. Customer profitability has been explained by many models (Wayland and Cole, 1997; Blattberg and Deighton, 1996), and occurs when a firm spends resources to acquire customers (acquisition cost) and then occurs maintenance costs to grow the relationship.

Complex relationships between the client and service provider are an increasingly prevalent and an important trend in business practice (Ross and Roberterson, 2007). Such complexity becomes apparent when different layers of links, ties and bonds between the parties are analysed (Hakansson and Snehota, 1995). Lasting business relationships have been observed to include ongoing exchanges between parties with a considerable degree of commitment to conduct future business (Holm et al., 1999) and significant adaptations and cooperation between firms (Alter and Hage, 1993; Hallen et al., 1991). These findings have led to a dynamic view of relationship development where long term aspects of a relationship is said to affect and be affected by each interaction between the parties (Ford, 1990).

2.3.1 B2B Relationship Development

Anderson and Weitz, (1992) describe the process of relationship development between the parties as making pledges of commitment as they feel each other out for new or additional business investment opportunities. Anderson and Weitz, (1992) found that these business investments are unique to that relationship and are effective drivers of relationship development. When the two parties start to work with each other idiosyncratic investments will develop such as adaptations in production, research and development, logistics and administrative routines (Cunningham and Homse, 1986) and total quality management (Hackman et al., 1995).

B2B relationships are strengthen by inter-organisational investments in economic resources which include financial resources such as pledges (Anderson and Weitz, 1992) and operational resources such as service guarantees (Bolten and Drew, 1991). In addition B2B relationships are formed through interpersonal investments in social resources, and include respect, concern, advice, guidance and camaraderie between individuals representing the buyer and service provider. These investments are designed to create social and structural bonds.

Wathne et al. (2001) suggest the strength of the interpersonal relationship is positively related to the intention to continue the inter-organisational relationship and as long as the partners are satisfied and perceive value (Bagozzi, 1975). This position is further developed by Hogg, (1996, p 64) who states relationship development and performance "is assumed not only to address some of the uncertainty dimensions in the purchase, but also to assist in the information problems being described".

Chumpitaz et al. (2004) argues that the core product or service reliability is the absolute prerequisite for a business relationship to exist. If the supplier firm fails to perform to the buyer's expectations then the relationship is weakened dramatically. It is also argued that buying centres show significant sensitivity to the service issues associated with the core product or service being offered. Chumpitaz's (2004) research demonstrated that services surrounding the core product or service offering had a greater influence on the creation of satisfaction than the actual product or service offering. This validates the need for service providers to have a strategic plan to resolve quality problems surrounding delivery, reliability and quality (Zeithaml, 2000).

The next section will discuss critical attributes of the B2B relationships. The characteristics of duration, dependencies and benefits of such relationships will be discussed.

2.3.2 Key Attributes of B2B Relationships

The literature indicates that the duration of a relationship between a customer and a service provider is a key attribute and has significant financial impact (Fornell and Wernerfelt, 1988). When customers are lost, new ones must be attracted to replace them, and replacement comes at a high cost. Capturing new customers is expensive as it involves advertising, promotion and sales costs, as well as start-up operating expenses (Zeithaml et al., 1996). In support of this position, Reichheld and Sasser (1990, p 105) state "that customer defections have a stronger impact on a company's profits than scale, market share, unit costs and many other factors usually associated with competitive advantage". Luring customers from competitors is also an expensive proposition and a greater degree of service improvement is necessary to make a customer switch from a competitor than to retain a current customer (Anderson and Sullivan, 1990).

Successful service providers ensure their employees build and maintain long-term relationships with their customers (Day, 2000). The key to this success is understanding what customers really want and meeting – or exceeding – their expectations (Javalgi et al., 1997). It is important for service organisations to follow through with actions that are designed to eliminate the inefficiencies of their service processes. Employee training should be provided by service companies to instil relationship fostering skills in their employees. Training employees to be proactive and to feel empowered may help close any potential gaps between customer desires and external service value (Javalgi et al., 1997).

Additional attributes of B2B relationships includes the nature and strength of the relationship. Both of these factors moderate the effects of social and economic resources on customers' evaluations and behavioural intentions (Bendapudi and Berry, 1997). It has been found that, over time, and with added experience customers become more confident in evaluating their service providers. Customers with long term relationships with their service providers may need fewer social and economic resources to maintain their satisfaction and value levels. It is also believed that as relationships lengthen, investments in certain social and economic factors may have diminishing marginal returns (Grayson and Ambler, 1999). As customers become more experienced and confident in evaluating the quality of services they rely less on new information while relying more on their prior opinions (Boulding, Kalra and Staelin, 1999).

Creating dependencies and 'locking in' customers is one method of extending the relationship between the customer and service provider. However, Anderson and Weitz, (1992) argue that a highly dependent customer will resent being 'locked in' and seek to escape from this state. Situations of dependence result in an unbalanced distributive relationship whereby one party's behaviour is directed for self-gains at the expense of the other in order to reduce the dependency, thus endangering the relationship (Schurr and Ozane, 1985). Morgan and Hunt (1994) add that in order to achieve a long-lasting relationship the B2B service provider needs to cultivate more than merely a state of dependence. They state trust is the factor that builds longer relationships since trust is a central element of the effort to forge strong and lasting relationships. A detailed discussion about the construct of trust is presented in the next chapter.

According to Berry (1995) service providers can offer three types of benefits to entice customers to establish and maintain long-term relationships: core product performance benefits, social benefits and risk-reducing benefits. Core product performance is a benefit derived from the service-delivery system and primarily provides solutions to customers' problems. The specific desired benefits are different among customers in different segments (Mowen and Minro, 1998; Dube and

Renaghan, 1995). Social benefits refer to the providers' proactive attitudes and personalised and customised services.

When service providers can tailor their services to meet customers' special needs, the customers will perceive they receive preferential treatment, extra attention or personal recognition (Gwinner et al., 1998). Parasuraman et al. (1991) argue that personalised and customised services strengthen the customer-service provider relationship. Another benefit that service providers can offer is 'risk-reducing'. Gwinner et al. (1998) argue that service providers may demonstrate their competence by constantly providing high-quality service that earns the customer's confidence and trust – this reduces their anxiety on future purchases. Napolitano (1997) supports this role of the service provider by arguing the provider is driven by a mind-set to add value to the customer and to help the customer achieve continual, rapid improvement in all aspects of quality and operations.

2.3.3 Value Creation in B2B Relationships

Research by Eggert et al. (2006) set forth to determine the nature of value creation in B2B relationships and investigated whether the relationship cycle moderates the role of various sources of value creation in business relationships. Eggert et al. (2006) uncovered empirical evidence for the fundamental trend toward product commoditisation in many business markets. As the core offering may account for little variance when comparing the main supplier to the second best supplier, successful vendors have to search for new ways to differentiate themselves from competition (Vandenbosch and Dawar, 2002). Eggert et al. (2006, p 24) state that suppliers must "offer superior value through personal interaction and service, access to know-how, and increased time-to-market, appear as promising avenues for differentiation in today's highly competitive business markets".

Eggert et al. (2006) also determined that a supplier's best opportunity to create superior customer value is the strongest during the early stages of the relationship life cycle. Eggert et al. (2006, p 24) state, "business customers perceive a stronger need for personal interaction and service support in the sourcing process during the build-up phase, as opposed to the maturity and decline phase of the business relationships". They found that know-how transfer and time-to-market explain more variance as the relationship moves through its life cycle. Eggert et al. (2006, p 24) adds to the discussion by stating "a possible explanation for this finding may be that customers need experience in dealing with the respective suppliers to fully understand and assess their value creating potential".

In summary, Eggart et al. (2006) found that industrial customer perceptions of value reside increasingly in customer specific services. It is implied that customer- specific investments are the decisive trigger for the creation of customer value. Their research suggests that, suppliers not only face the challenging task of assessing and managing their value creation potential for different customers and customer segments but also need to anticipate and respond to value changes to avoid dissatisfaction in the partnership.

2.3.4 Indirect Functions of a Supplier Relationship

Walter et al. (2003) have argued that a supplier relationship can add extra value to the customer by providing four indirect relationship functions. These relationship functions are those factors offered by the supplier and become inputs into the customer's operations and as such contribute to the customer's overall performance. Indirect functions are beneficial for the customer only in other relationships or in the future. These functions are also known as second-order (Hakansson and Johanson, 1993) or secondary functions (Anderson, Fornell and Lehmann, 1994). Indirect relationship functions of a supplier relationship include: market, scout, innovation and social support. A description of these four functions will be provided.

Figure 2.1 Indirect Functions of a Supplier Relationship
Source: adapted from Walter et al. (2003, p 160)

Indirect Functions of
A Supplier Relationship

- **Market Function**
- **Scout Function**
- **Innovation Development**
- **Social Support**

Market function occurs when a supplier helps the customer to establish new, potential exchange partners (Hakansson and Turnbull, 1982). These new contacts can be customers, other suppliers, or industry and government associates. At times the customer may use their relationships with prestigious suppliers as references therefore the supplier plays a more passive role.

The *scout function* occurs when the supplier provides technical knowledge or market-related information. This indirect function can be helpful because firms need information about their environment and markets to remain well-informed and competitive. "Suppliers have more insight into particular areas or have a long-standing experience in their industry which they can share with a customer. Information given by known resources is considered to be reliable, true, meaningful and relevant" (Walter et al., 2003, p 162).

The third indirect function is *innovation development*. This function could involve passing on innovative ideas, supplying innovative components and production facilities or engaging in a collaborative project. "By using their suppliers' resources, customers can speed up their development process, engage in larger, riskier and long-term oriented projects and also have more technological input" (Walter et al., 2003, p 162).

The final indirect element is *social function.* Social aspects are important because "the mutual orientation among firms is principally a mutual orientation among individual actors in those firms" (Johanson and Mattsson, 1987, p 162). Working with supportive and cooperative partners will build a good working atmosphere. "Relationships are maintained because of their personal bonds and because people like to do business with each other" (Walter, 2003, p. 162). Individuals see the involvement in such relationships as a source of power, creativity and motivation, which in turn will fuel economic measure in the future or elsewhere (Biong et al., 1997).

The significance of indirect functions is the ability of the service provider to create and customise value for their customers that will add extra value to their offerings. Indirect functions also offer the service provider with a means of differentiating themselves from the competition. The next section discusses the purchasing or *supply management* aspect of services.

2.4 Strategic Supply Management

The terms Supply Chain Management (SCM) and Supply Management have become synonymous. SCM encompasses all aspects of delivering the product or service to customers, while supply management emphasises the interorganisational relations and is also known as buyer-supplier relationships (Leenders et al., 2002; Davis, 1993).

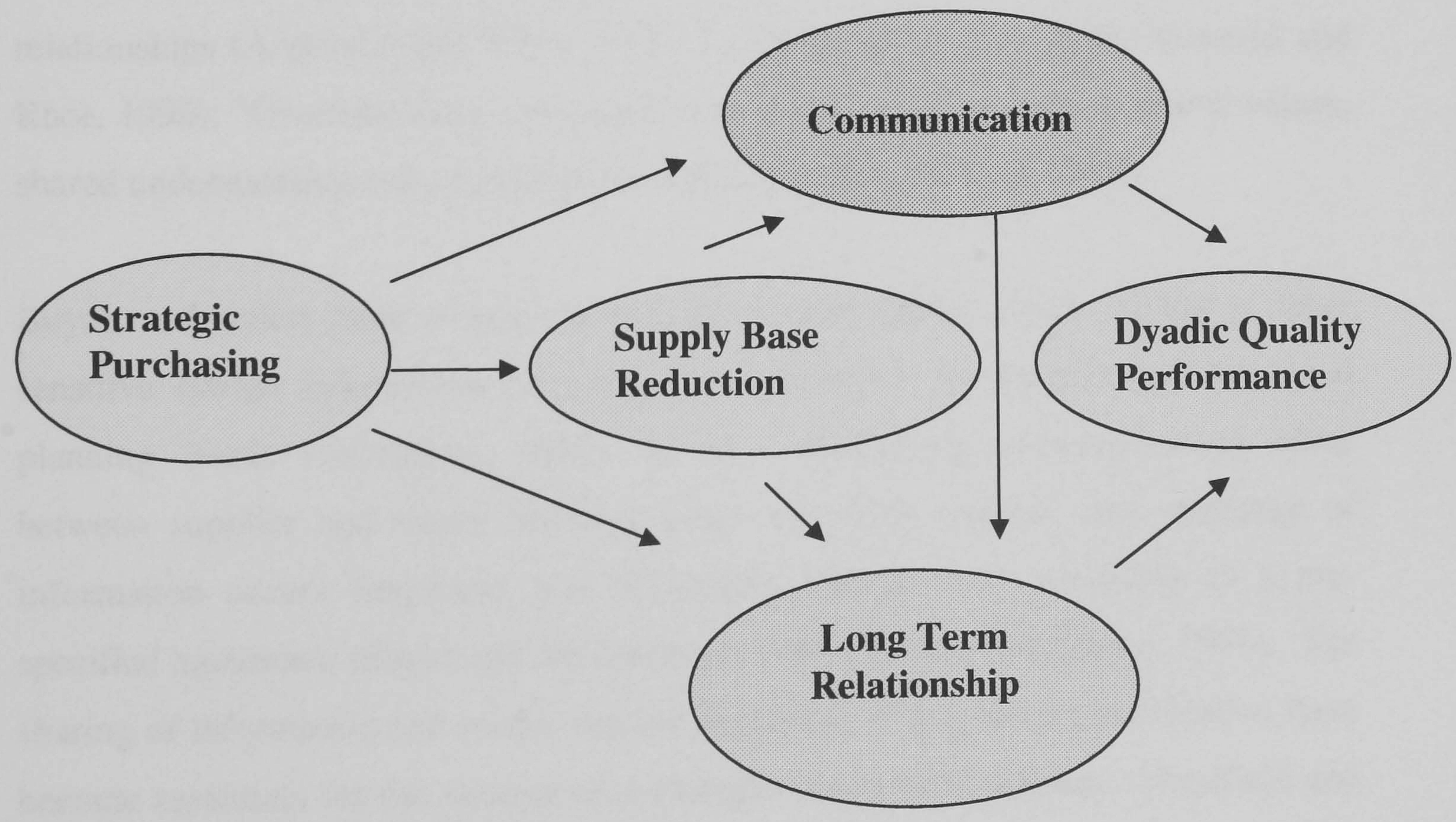
The growing importance of supply management has led to an increasing recognition of the strategic role of purchasing (Carr and Smeltzer, 1999; Cavinato, 1999; Napolean, 1994) which has:

- evolved into a strategic function
- been recognised as a critical driving force in the strategic management of the suppliers
- been relied upon to create value-added services

The strategic nature of purchasing is particularly crucial since it provides the key intermediary between the external suppliers and internal customers. Purchasing is also one of the primary boundary-spanning functions of strategic supply management (Cousins, 1999; Novack and Simco, 1991).

Paulraj and Chen (2005) have formulated a model of strategic supply management integrating the key factors that lead to dyadic quality performance between the buyer and seller (shown below, figure 2.2). Their model is based on result of superior relationships and management initiatives taken at each dyadic link while developing collaborative advantage (Dyer, 2000; Kanter, 1994). The model also draws on the innovative relational view of interorganisational competitive advantage (Kale et al., 2000; Dyer and Singh, 1998). With the relational view and collaborative advantage a supply chain is composed of a network of interdependent relationships developed and fostered through strategic collaboration with the goal of deriving mutual benefits (Chen and Paulraj, 2004).

Figure 2.2 Model of Strategic Supply Management
Source: Paulraj and Chen (2005, p. 5)



Paulraj and Chen (2005) argue that strategic purchasing has the following benefits:

- there is a positive affect on the long-term and cooperative relationship with suppliers
- buyer firms are able to maintain a closer relationship with a limited number of dedicated suppliers
- strategic purchasing helps in communication and frequent sharing of pertinent and sensitive information
- an improved quality performance for the supplier and buyer firms
- the buyer-seller relationship becomes more integrative enabling both parties to achieve higher levels of quality performance

The next section continues to discuss the model of 'Strategic Supply Management' (Paulraj and Chen, 2005) and the construct of 'communication'.

2.4.1 Impact of Communication on Strategic Supply Management

The literature describes how interorganisational communication is vital to foster confidence and reduce dysfunctional conflicts while building successful supplier relationships (Anderson and Weitz, 1992; Anderson and Narus, 1990; Newman and Rhee, 1990). "Overtime time, communication is necessary to develop shared values, shared understanding and coordinate activities" (Stanko, 2007, p 1095).

Buyers and sellers must commit an amount of information and be willing to share sensitive design information to jointly find solutions to material problems and planning issues (Giunipero, 1990). In this relationship, communication effort between supplier and buyer involves many inter-firm contacts and exchange of information occurs frequently and informally and not only according to a pre-specified agreement (Stuart and McCutcheon, 2000; Krause and Ellram, 1997). The sharing of information and assets, and the disclosure of proprietary information have become essentials for the success of a strategic buyer-seller alliance (Handfield and Nichols, 1999; Spekman et al., 1998).

When communication between dyadic partners is effective and efficient, communication errors are reduced, thereby enhancing the quality of performance (Lewis, 2000; Krause, 1999; Newman and Rhee, 1990). The literature has noted that poor communication is often a fundamental weakness in the interface between a buying firm's efforts to achieve increased levels of quality performance (Primo and Amundson, 2002; Ragatz et al., 2002; Carter and Miller, 1989). Theoretical perspectives such as resource-based view, knowledge-based view and relational competency concur that effective communications between dyadic partners can create trust and resources that will lead to competitive advantage and, eventually improve both the supplier and buyer performance (Kotabe et al., 2003; Takeisi, 2001; Dyer and Singh, 1998; Kogut and Zander, 1992).

Customers have expressed to their service providers the need to be better understood and well informed (Jain et al., 2003). Sharma and Patterson (1999) have reported a relationship between communication effectiveness and relationship commitment and perceived quality in service organisations. The quality of interpersonal interactions between the customer and service providers has significant influence on customer satisfaction (Bitner et al., 1994). The style, content and timing of communication need to be managed carefully to avoid overpromising or under promising to customers (Jain et al., 2003).

Based on their results, Paulraj and Chen, (2005, p 132), state that the "timely exchange of information through effective communication can improve coordination of buyer and supplier activities". They argue that frequent and timely exchange of information, knowledge and/or know-how will also foster confidence and help eliminate negative attitudes such as mistrust, fear, disappointment, frustration and dishonest acts on both sides. All of these communication actions and feelings will lead to improved quality performance and competitive advantages while fortifying the strategic supply management relationship between the buyer and seller.

The above discussion about client-service provider communication is a critical aspect of this research since it relates to all of the research objectives. The next section discusses the B2B buying process. The steps and decisions involved with the purchasing decisions are a key component of the B2B service sector. Also the influence of the B2B relationship and its impact on the B2B buying process will be discussed.

2.5 The Buying Process for the B2B Service Sector

One of the key factors that differentiate the B2C and B2B markets is the buying decision process. The organisational buying process is a form of problem-solving, and a buying situation is created when someone in the firm perceives a problem or discrepancy between desired outcome and the present situation that can be solved through some buying action (Webster and Wind, 1972). The B2B buying process is a complex procedure involving multiple decision makers and buying teams (Rozin, 2004). Gadde (2000) suggests the buying process emphasises that the buying companies tend more to:

- outsource non-critical activities
- establish close partnerships with suppliers
- reduce and trim their supplier bases

A change in the methods of how companies procure services and build supplier relationships has led the supply management function to become more strategic. Buyer-provider relationships have become more rationalised to increase efficiency and development to improve effectiveness (Johson et al., 1998). Rationalisation concerns how the purchasing role can increase the reliability and efficiency of the fulfilment of suppliers' offerings on a continuous basis.

When considering the level of satisfaction of a B2B customer it is necessary to consider the different constituents of the buying centre who are in contact with the supplier (Chumpitaz, 2004). In other words, the user of the service may not have been the purchaser of the service. Buying decisions in the B2B sector are normally channelled through buying centers. Knowledge of the manner in which interaction between purchasers and the selling organisations occurs and relationships are formed is critical in building and comprehending the process of relationship development (Moon and Bonney, 2007). This is particularly critical in business service markets due to the complexities created by the intangibility of business service and associated difficulties encountered in evaluating the performance of the service provider (Lian and Laing, 2007).

2.5.1 B2B Buying Models

Changes in the structure and management of buyer-seller relationships have raised several challenges for customers and suppliers alike. From the customer's perspective firms need to differentiate among qualified suppliers and identify suppliers that will form their consolidated supply base (Ulaga and Eggert, 2006). Similarly, with growing supply base consolidation, many suppliers are challenged to move into the key supplier position and to remain in this privileged position by guarding off competitors (Ulaga and Eggert, 2006). In other words, vendors must secure the key supplier title or be forced into the position of back-up supplier, capturing only a small percentage of the customer's business.

A brief overview of the various buying models will be presented. The earlier simplistic purchasing models emphasised one or two purchasing factors considered by the purchasing unit. It was the economic variables alone such as price and cost that determined the purchase decision (Katona, 1985; Westing et al., 1976; Mansfield, 1963; Aljian, 1958). In comparison, later organisational purchasing models emphasised the behavioural factors of buyer behaviour (Baker and Abu-Ismail, 1993). These were considered irrational elements and consisted of ego enhancement, risk avoidance, satisfaction from dyadic relationships between the seller and buyer and the orientation of each member of the decision making group (Bonoma and Johnson, 1978; Evans, 1963; Bauer, 1960). A B2B buying model presented by Miller et al. (1985) suggested the following four types of buyers:

Economic Buyer: This buyer releases the money and has ultimate power of veto when purchasing services.

Technical Buyer: Buyer's role is to make judgements about the technicalities of a service versus other available services offerings from different providers.

User Buyer: The buyer considers the impact the service has on a specific job within the firm. Then the buyer chooses a service that will meet a specific person's or group of people's needs.

Coach: This buyer guides the service sales representative on the internal intricacies of making a specific service sale to their company.

The above model is entirely functional in nature and does not consider in depth the qualities necessary to form mutually beneficial customer-provider relationships. A more recent buying decision model by Weitz et al. (2000) suggests that the buying process involves a lengthy series of actions involving several people managing the procurement process. The series of actions can be subdivided into the following stages:

- Pre-Purchase Stage:
  - Problem recognition
  - Determining product specifications
  - Finding qualified suppliers
  - Requesting and evaluating proposals
- Purchase Stage
  - Selecting an order process
- Post purchase
  - Conducting performance evaluation

The ultimate goal of moving the customer through the three stages of the buying decision process is to retain the customer over the long term (Harrison-Walker, 2004).

The B2B marketing literature differentiates the unique characteristics of the organisational markets from the consumer ones (Brown, 1984). For example B2B markets have a derived demand, reciprocity, fewer but larger buyers (Kotler, 1997). Hut and Speh (1995) state that to fully comprehend the nature of the decisions taken within the context of the organisation's buying behaviour it is necessary to appreciate the inclination of organisational buyers to form trusted, long-term relationships with their suppliers.

The discussion of buying models continues with looking at several other purchase models that have incorporated economic, social, psychological, and cultural dimensions in a single comprehensive purchasing model. The next model, the industry adoption model, considers how a group of buyers influence the buying process. Ozanne and Churchill's model (1971, p 322) describe their model as being, "focused not on the diffusion of an innovation but on the adoption process through which individual adopters pass from awareness to full acceptance of the new product, procedure, or idea". They argue there are incidents where focusing on a group of purchase decision makers produces more meaningful results. In other words the industrial adoption process model implicitly recognises that a decision-making group is the most likely unit of adoption for industrial innovations.

Ozanne and Churchill (1971) argue that the adoption of an industrial innovation as a decision extends over time and occurs in different phases. They call one of these phases the 'purchase-directing factors' and define it as the "the influences that shape the final decision by pointing the decision group toward a particular version of the innovation i.e. toward a particular supplier" (Ozanne and Churchill, 1971, p. 326).

The five classes of purchase-directing factors that emerged from Ozanne and Churchill's (1971, p 326) research includes:

1. Quick delivery: the supplier promised the earliest delivery date
2. Cost/benefit comparisons: the economic value of the item was viewed as superior to that of the alternate items
3. Special product attributes: the item possessed capabilities beyond competitive versions

4. Personal selling: close relationships existed with salesman or distributor

5. Past experience: the buyer experienced satisfactory results with the supplier's other products

2.5.2 Task and Non-task Model of Organisational Buying

Another traditional organisational buying model emphasised variables such as emotion, personal goals and internal politics that are involved in the buying decision process but not related to the goals of the buying task. These unrelated tasks are seen in purchasing models which emphasize the purchasing agent's interest in obtaining personal favours and enhancing his own image (Stanton, 1967) or reducing perceived risk (Levitt, 1965).

Webster and Wind (1972) argue that organisational buying models are not complete unless the model considers both the task and non-task variables. Webster and Wind (1972 p 13) contend that, "the organisational buying is a decision-making process carried out by individuals, in interaction with other people, in the context of the organisation. The organisation, in turn is influenced by a variety of forces in the environment". They classify the variables determining organisational buying behaviour as, individual, social, organisational and environmental. They also classify the buying process into either *task* or *non-task* variables. The variables directly related to the buying problem are called task variables, and those extending beyond the buying problem as non-task variables. The significance of their model is that it combines both task and non-task variables whereas earlier models were based on the singular task or non-task variable. Table 2.1 provided below describes the classification of variables.

Table 2.1 Variables of Organisational Buying Decisions
Source: Webster and Wind (1972, p 13)

Classification and Examples of Variables InfluencingOrganisational Buying Decisions		
	Task	**Non-task**
Individual	**Desire to obtain lowest price**	**Personal values and needs**
Social	**Meeting to set specifications**	**Informal, off-the-job interactions**
Organisational	**Local supplier preference**	**Personnel evaluation**
Environmental	**Anticipated changes in prices**	**Political climate in an election year**

Webster and Wind (1972) argue that it is seldom possible to identify a given set of variables as exactly exclusively task or non-task. Therefore the purchasing process involves motives relating directly to the buying problem being solved and motives involving personal goals. This model emphasises the overlap of these motives in many important respects and need not conflict, leading to a strong sense of personal involvement which can create more effective buying decisions from an organisational standpoint.

Organisational buying behaviour is a complex process (rather than a single, instantaneous act) and involves many persons, multiple goals, and potentially conflicting decision criteria. Webster and Wind (1972 p 13) state, “buying often takes place over an extended period of time, requires information from many sources, and encompasses many inter-organisational relationships”.

The final model to be discussed occurs when the procurement decisions are largely price driven and they are often delegated to a procurement department. For these simple purchase decisions the goal of procurement is to meet the internal customer needs by getting the most value for the best price (Sheth and Shah, 2003). This leads to a transactional state between buyer and seller. Typically, the type of products that are sourced based on price are considered commodities and non-strategic to the firm (Sheth and Shah, 2003).

The next section reviews how the service provider's salesperson influences the buyer/ purchasing agent during the B2B buying process.

2.5.3 The Salesperson's role in the B2B buying process

In many of the B2B service industries the salesperson is the key representative of the service provider (Wengler et al., 2006). Buyers may consider the salesperson as synonymous with the selling firm and buyers generally have more contact with their salesperson than any other employee from the supplier firm (Grewal and Sharma, 1991). In some cases the client may feel greater loyalty to the salesperson than to the selling company. This raises the issue of what portion of selling firm loyalty is 'owned' by the salesperson or what the financial impact would be if the salesperson defected to a competitor (Palmatier, 2007).

Johnson et al. (2001) have developed a buyer defection model that focuses on the role of the salesperson in the buyer-seller relationship. Their model centers around three relationship indicators: equity, satisfaction and commitment. Equity is a key component in determining if the exchange is fair and that the buyer is treated fairly (Ganesh et al., 2000). If a buyer feels there is a lack of equity this will lead to less satisfaction and less customer commitment. This premise can be extended to when a buyer is not satisfied with their salesperson, and then the buyer is less likely to be satisfied with the service provider (Goff et al., 1997). Oliver and Swan (1989) concur that buyers focus on the level of service received and level of salesperson inputs when assessing equity in the buyer-salesperson interaction.

Johnson et al. (2001) conducted a study that looked at the role of the salesperson in reducing defection in business relationship and found several principles held true.

One finding was that in established relationships, buyers usually re-buy without necessarily evaluating the benefits a new provider could offer. They argue if there's no cause to seek an alternative provider, then why waste time doing so. For ongoing relationships buyers only evaluate the extra benefits available to their firm only after they are no longer committed to the relationship.

Jones et al. (2000) argue that a strong buyer-salesperson relationship has a tendency to lead to repurchase intentions. In the purchaser's mind there are no acceptable alternatives, so there is no need for the hassle and effort of searching. Conversely, if there are acceptable alternatives, this will be negatively related to the buyer's perception of acceptable alternatives (Ping, 1994; Jackson, 1985). Stated in other words, buyers who feel there are many alternative suppliers are more likely to have defection intentions.

Johnson's et al. (2001) research suggests several ways of maintaining long-term customers and deferring switching. One way is to determine what customers perceive as equitable by interviewing established customers and those who have defected to determine those factors that lead to 'sticking' or switching. A service provider can then use these factors to develop a plan to prevent defection. In addition, high levels of customer commitment and satisfaction to the salesperson are important in reducing customer defection. Johnson's et al. (2001) research found that post-sales support and follow-up calls by the salesperson (as well as calls from any other customer service representatives from the supplier) are one way to build better levels of satisfaction and commitment between the buyer and provider. Johnson et al. (2001 p 131) also suggests that, "as part of a good retention plan firms should identify elements that increase the customer's cost of leaving. These elements should be introduced into the relationship whenever or as soon as possible". A goal of this research will be to examine Johnson's et al. (2001) idea of implementing switching costs and barriers to prevent client switching. which corresponds to the first research objective.

2.5.4 Relational Selling Strategies

There has been an increased attention by academics and practitioners to the adoption of a relational approach to managing customer relationships including the sales management processes (Morgan and Hunt, 1994). This is particularly evident for buyer-seller relationships that are composed of interdependence, long-term orientation and complexity (Heide and John, 1992; Anderson and Narus, 1991). A relational selling strategy has been defined as, a strategic approach developed by a supplier willing to establish a long-term mutually profitable relationship with some its clients (Guenzi et al., 2007). Laing (1995, p 7) supports the above ideas by stating, "the very nature of services suggests that the relational approach is likely to be of relevance in understanding the dynamics of professional services purchasing".

A relational selling strategy is based on supplier-customer interdependence, an exchange of critical information, trust between partners and a stable relationship, which allows each party to benefit from a fair return on its investments (Slater and Olson, 2000). The relational strategy can be adopted at different levels of intensity, since it has often been presented as the polar opposite of a short-term oriented, transactional strategy along a continuum of potential approaches (Slater and Olson, 2000; Gronroos, 1994).

Even with the growth of relational B2B environment, researchers have suggested that applying relational strategies should be done selectively and not applied to all customer relationships (Pillai and Sharma, 2003; Sheth and Reshma, 2003). The relational approach should be applied mainly to key or strategic customers/accounts. Homburg et al. (2000), argue that the importance of this relational strategy has led to the creation of Key Account Management (KAM) structures and processes.

Researchers today refer key account managers as '*boundary spanners*' since the success of relational strategies is strongly dependent on creating interpersonal bonds between the supplier and the customer (Narayandas and Rangan, 2004). Boundary spanners are critical in building long-lasting relationships between the buyer's and seller's organisations (Mavondo and Rodrigo, 2001; Iacobucci and Ostrom, 1996).

Laing and Lian (2005, p 116) suggest that boundary spanners serve to provide an immediate link between organisations and facilitate increasingly effective communication, whereby such communication is "a crucial lubricant for relationship development". Boundary spanners maintain both the intra and inter-organisational relationships (Seabright et al., 1992) and in turn frequently have an extra-organisational focus.

2.5.5 Key Account Management (KAM) Strategies

Homburg et al. (2000, p 465) argues "the relative importance of key account management increases as firms seek to establish closer relationships with their customers; as the extent of coordination of logistics between buyers and sellers increases; as buyers reduce the number of suppliers; as decision making is centralised within customer organisations; as multinational customers centralise purchasing decisions across countries". All of the above factors are critical to enable relational selling and key account management orientation to be successful across the selling company's departments which are in turn a prerequisite for building and maintaining positive external relationships with customers (Day, 2000). As greater emphasis is placed on key account management, more senior personnel are assigned to manage key customers accounts (Homburg et al., 2000).

A strategy for selling firms is to build on-going customer relationships and gain competitive advantage through acquiring intangible assets such as customer trust and commitment (Morgan and Hunt, 1994). The value of these intangibles is significant for relational selling and is based on the supplier–customer interdependence, an exchange of critical information, trust and a stable relationship. This allows each party to benefit from a fair return on their investment (Slater and Olson, 2000).

Traditionally literature on sales force management focused on compensation and incentive policies (John and Weitz, 1989) and control systems in setting and monitoring sales performance (Cravens et al., 1993). Overall many empirical and theoretical studies found there is an inconsistency between the selling firm's strategy and its implementation in the sales department in terms of their salespeople's behaviours (Strahle et al., 1996; Strahle and Spiro, 1986). In other words, the firm was striving to be more relational whilst its own sales department was being managed with more of a short-term, transactional direction. This discrepancy of strategies is especially problematic when relational exchanges are concerned, because the selling firm's relational intent and ability to influence the customer are within the control and expressed in practice by their own salespeople, whose behaviours exercise considerable impact on the functioning and results of interactions with customers (Price and Arnould, 1999).

It has been argued that the key account manager's objective is not to necessarily to maximise the volume of sales, but to develop long-term relationships with key accounts by increasing the value created (Wotruba and Castleberry, 1993). As the primary link between the buying and selling firms, account managers have considerable influence on the buyer's perceptions of the seller's reliability and the value of the seller's services and consequently the buyer's interest in continuing the relationship (Biong and Selnes, 1996). Weitz and Brandford (1999, p 241) suggest that, "buyers often have greater loyalty to salespeople than they have to the firms employing the salespeople". It is further argued by Langerak, (2001) that service providers are fully dependent upon the attitude and behaviours of their salespeople to develop and maintain relationships with customers. However Palmatier et al. (2007) caution that strong salesperson-buyer relationships also make the firm dependent on critical salespeople, rendering the firm vulnerable to salesperson defection (Bendapudi and Leone, 2002).

The relational behaviours of the salesperson should be exhibited both internally and externally (Homburg et al., 2002). The external orientation actions directed to the customers should be aimed at developing long-term buyer-seller relationships. For the internal orientation, "a relationship orientation must pervade the mind-sets, values and norms of the organisation" (Day, 2000 p 24), along with the integration of non-specialist front-line staff into the marketing process to effectively manage a number of diverse marketing relationships (Laing and McKee, 2000). For this to happen there must be a culture and practice of relational values within the entire selling firm by all employees. This camaraderie and organisational behaviour striving for relational orientation leads the company to endorse team selling.

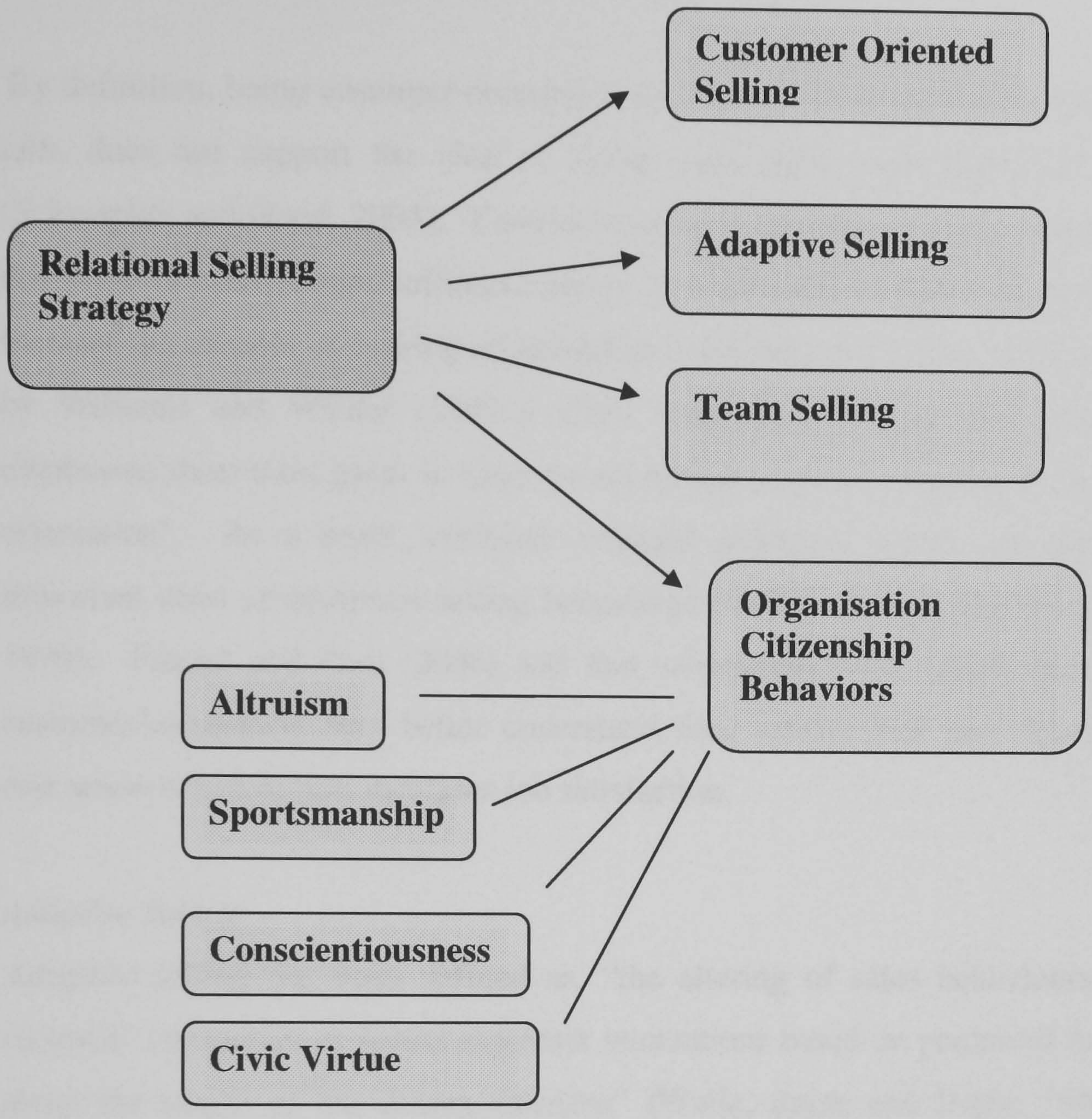
The previous section examined how relational selling strategies have been widely adapted by B2B service organisations. It is has also discussed how salespersons and account managers build stronger customer relationships by applying relational selling strategies. The ideas presented above apply to third research objective. The next section will consider the four key behaviours of relational selling in detail. Relational selling is important since it results in beneficial actions that strengthen and raise the levels of mutual success for both the customer and service provider.

2.5.6 Conceptual Framework of Relational Selling

Guenzi et al. (2007) discuss how their model of relational selling is composed of four key behaviours exhibited by account managers. The researchers' model is provided below in figure 2.3 and includes the following four relational strategies:

- Customer oriented selling
- Adaptive selling
- Team selling
- Organisational citizen behaviours (Sportsmanship, Civic Virtue, Conscientiousness and Altruism)

Figure 2.3 The factors of Relational Selling Strategy
Source: adapted from Guenzi et al. (2007, p 125)



The discussion will now focus on each of the behaviours from Guenzi's et al. (2007) model, figure 2.3 shown above. This figure is significant for the research since it provides the theory and background to the third research objective.

Customer Oriented Selling

The relational era has resulted in a shift from an adversarial model to a cooperative model of interaction between the service provider and the customer (Wotruba, 1993). Transactional relationships occur when salespeople attempt to persuade the buyer to do something that benefits the selling firm. As the relational model of the exchange develops and strengthens a win-win approach should be adopted. This allows for the salespeople to become customer partners (Weitz and Bradford, 1999) and build their customer orientation as opposed to a selling orientation.

By definition, being customer-oriented underscores a focus on the customer, and in turn, does not support the idea of acting unethically with regard to customers (Schwepker and Good, 2005). "Customer oriented salespeople avoid actions, such as deceptive or manipulative influence tactics, that sacrifice customer interest merely to increase the chances of making an immediate sale (Saxe and Weitz, 1982). As stated by Williams and Wiener (1990 p 239), "any force causing the salesperson to emphasise short-term gains in sales would diminish the resulting level of customer-orientation". As a result, customer oriented selling is widely recognised as an important class of relational selling behaviours (Keillor et al., 2000; Flaherty et al., 1999). Franke and Park (2006) add that salespeople who exhibit high levels of customer-orientation may better understand their service role and experience less role stress which in turn increases job satisfaction.

Adaptive Selling

Adaptive selling has been defined as, "the altering of sales behaviours during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation" (Weitz, Sujan and Sujan, 1986 p 124). Adaptive selling could also be considered a relevant class of relational behaviours which is consistent with a relationship selling strategy because its benefits will likely exceed opportunity costs with potentially large orders or with a probability of using currently collected information to secure future sales (Porter et al., 2003). In other words, the significance of adaptive selling occurs when the salesperson sacrifices short-term sales to maintain customer satisfaction and increase the probability of future sales.

Organisational citizenship behaviours

These actions are considered as voluntary behaviours performed by the work force, but not explicitly evaluated nor rewarded by the company, which can increase the firm's overall performance (Podsakoff et al., 1994).

In relational selling, four types of organisational citizenship behaviours have been recognised as: sportsmanship, civic virtue, conscientiousness and altruism (Netemeyer et al., 1997). A description of these four behaviours is presented.

Sportsmanship is the willingness on the part of the salesperson to tolerate less than ideal circumstances and inconveniences without complaining (Podsakoff et al., 1997; MacKenzie et al., 1993;) and willingness to tolerate actions and outcomes that do not meet the salesperson's expectations (Ingram et al., 1991).

Civic virtue has been described by Netemeyer (1997, p 86) as, "a behaviour whereby the salesperson responsibly engages concern for the company and employee initiative in recommending how the firm can improve operations".

Conscientiousness reflects behaviours beyond the normal expectations of the firm and would include working overtime and respecting the firm's norms and operating principles (Guenzi et al, 2007).

Altruism involves assisting others with company tasks such as helping to coach and orientate new recruits, sharing industry information (MacKenzie et al., 1993). The concept of altruism or caring for others was formally modelled by Becker (1974). Models of altruism have been used to explain intergenerational bequests and helping in the workplace (Rotemberg, 1994).

The four *organisational citizenship behaviours* are particularly applicable and consistent with the relational selling approach. These four factors facilitate positive internal relationships across the seller's company's departments and employees' which are in turn a prerequisite for building and maintaining positive external relationship with customers (Day, 2000; Gronroos, 1994).

The next discussion will focus on the relational selling strategy of *team selling*.

2.5.7 Team Selling

The team selling literature has often emphasised that teams are introduced when selling to major key accounts. Moon and Armstrong (1994, p 19) state that "large, complex customers are serviced by many individuals, and coordination of these individuals efforts is necessary for the seller to become the preferred provider". Team selling provides an example of relational behaviours which are both internally and externally oriented, because managing key accounts calls for coordinated processes and activities in the selling firm, but it also implies integration with customers and it affects the customer's perception of relational outcomes (Homburg et al., 2002; Weitz and Bradford, 1999).

An example of internal relational orientation are the actions linked to team selling. Teams are used in key account management situations because the selling process is beyond the capabilities of single salesperson and calls for an integrated team effort (Workman et al., 2003). The selling process involves a team effort whereby the key account manager's role shifts from simply managing their personal activities to becoming a project manager and supervising the activities of several teams. The key account manager becomes accountable to identify and deploy experts within his or her organisation and mobilizes the necessary resources to assist the customer (Georges and Eggert, 2003). Suppliers implement key account management (KAM) programmes in order to serve important customers better and follow the doctrine of investing more into account relationships than they do with ordinary relationships. This led to a KAM principle that relationship quality is a central indicator of success and that key account relationships afford higher relational input than do relationships with less important accounts (Ivens and Pardo, 2007).

In addition key account managers act as facilitative leaders of sales teams to ensure adequate communication between the members of the sales team, thereby facilitating efficient information access. Jones et al. (2005, p 187) state, "facilitative leadership raises the awareness of co-workers, customers and other colleagues about important issues. Adequate access to information informs the sales team about changes taking place in the customer account that will drive sustainable competitive advantages".

Kohl and Jaworski (1990) suggest that in the absence of competition, an organisation may perform well because customers are 'stuck' with that organisation's products and services. However, under increased competition, customers have many alternative providers to service their needs and wants. Therefore, selling teams in highly competitive environments should not only be aware of the customers' needs but also the alternative options available to their customers (Jones et al., 2005).

In a highly turbulent market, the needs of customers are constantly changing. Selling teams that are closest to key customers realise that it is imperative that the selling organisation must change to meet customer needs. The structure of such teams should be such that they have a high degree of autonomy and the ability to respond to frequently changing customer needs – trading efficiency for effectiveness (Jones et al., 2005). By contrast, in stable markets where the customers' preferences are unchanging, an organisation's products and services are likely to require relatively little modification (Jaworski and Kohli, 1993).

The next section discusses how the salesperson can use the constructs of trust and reliability to enhance and strengthen the B2B relationship.

2.6 Salesperson's Role of Building B2B Relationships

Trust has been defined as the confidence that the customer has in the integrity and reliability of the salesperson (Morgan and Hunt, 1994; Andaleeb, 1992). There is also an understanding that the salesperson will not take unexpected actions that may result in negative consequences (Anderson and Narus, 1990).

A client's trust of a salesperson is developed through repeated interactions whereby the customer observes the salesperson to be consistent, competent, honest, fair, responsible and benevolent (Altman and Taylor, 1973). Therefore the salesperson's trustworthiness is viewed as being grounded in observable behaviours and specific actions; it is not just a latent trait of the individual. Exhibiting benevolence provides an assurance of non-opportunisms. Benevolence involves a spirit of cooperation, not cheating, and not withholding helpful action (John, 1984).

Truthful communications enable relationship development in an important way. When salespersons are honest in their communications with customers, keeping their promises, and avoiding false claims, then trust can grow within the relationship (Plank, et al., 1999). By providing a customer with practical information and recommending actions that enable the customer to be more profitable, sellers can strengthen their position with that customer (O'Neal, 1989; Frazier and Summers, 1984). When salespersons engage in extraordinary activities such as making sacrifices or taking risks on behalf of a customer, they demonstrate a credible commitment to the customer and strengthen the relationship (Jap, 2001).

Trustworthy salespersons can greatly influence a customer's perceptions of seller reliability and service value and can also affect the customer's interest in continuing the relationship (Biong and Selnes, 1996). Highly trusted salespersons can preserve customer commitment during difficult situations such as times when the seller's management practices seem contrary to the customer's best interest (Schiller, 1992). Customers that praise their individual salesperson also give high performance ratings to the selling organisation (Lambert et al., 1997). The best circumstances occur when the salesperson's relationship with the customer enhances the relationship with the seller and safeguards the trust through periods of uncertainty.

As the salesperson builds trust with the customer, the process of demonstrating benevolence, engaging in honest communication and extraordinary efforts can clarify and improve many aspects of the customer relationship. The customer gains a better understanding of the seller's intention, the degree to which a salesperson is trustworthy, and the degree to which the salesperson considers the customer's interest (Jap, 2001).

2.7 Role of Gift Giving

This section discusses how the act of providing a gift affects the B2B relationship. The scope of this study will not include a detailed discussion of the ethical concerns of giving gifts but raises issues surrounding the benefits bestowed by gift giving. The purpose of this section is to discuss how gift giving helps or hinders building B2B relationships.

Within the B2B community gift giving is offered as a means to develop the relationship between suppliers and their business customers. A properly timed and appropriate gift is one of the best ways of conveying the important message that a relationship matters (Davies, 1996). At the same time giving and receiving gifts and benefits is cited as one of the most ethically problematic issues in supply management, purchasing and sales (Fritzsche, 2005; Preuss, 2000; Cooper et al., 1997; Kitson and Campbell, 1996).

There is a gap in the literature between the theory and practice regarding whether business gifts should be used to generate sales or to initiate new business contacts (Fisher, 2007). Some guidelines warn against associating gifts with future sales or any other activity. Feder (1998) suggests the ideal situation is for the recipient to feel good about the gift-giver but not feel an obligation to do anything. It is poor business etiquette to present a gift with an expectation of an obligation (Freeman, 1996). If the objective of giving a gift is to create goodwill, then no obligation should be attached, while if they are part of a sales promotion then there is an association of future sales or similar obligation (Fan, 2006).

Gifts can be classified into two categories: personal gifts and corporate gifts. Personal gifts are vendor gifts that directly benefit the individual while corporate gifts directly benefit the organisation. An example of a corporate gift would be vendor discounts, vendor sponsored training seminars (Dorsch and Kelley, 1994). Corporate gifts are widely regarded as an effective means of strengthening corporate relationships and creating goodwill (Fan, 2006). Lovelock et al. (1996) support this premise by suggesting the gifts and incentives such as hospitality are presented to existing and potential customers with the aims of promoting a company's image and building strong relationships. Personal gifts are described by Fisher (2007, p 99) as being "provided to buyers and could take many forms which include promotional items such as diaries, pens, key chains . . . through to bottles of wine, or spirits, meals, entertainment, tickets to sporting or cultural events, discounts, services, trips and money".

The offering of gifts is not restricted to buyers (or purchasing agents). It also includes people involved in supply management who will inevitably need to make judgments about whether or not it would be ethical to accept a particular gift. In addition, since the purchasing function is boundary-spanning and can influence the way a firm is regarded, ethical behaviour in purchasing is especially important (Mellahi and Wood, 2003; Kitson and Campbell, 1996). Beltramini (2000) suggests that gift giving is enhanced when the gift is consistent with ethical codes of the recipient's organisation and the gift should be deliberately (not accidently or globally) sent to each recipient.

Central to the evaluation of particular instances of providing gifts is the concept of a conflict of interest. Conflict arises if a gift or benefit could lead the recipient to sacrifice the interests of his or her employer for personal gain (Shaw and Barry, 2004; DesJardins and McCall, 2000). Ferrel and Gresham (1985) argue that the sales and purchasing functions may be under greater pressure than other areas to act ethically. In supply chain management there is increasing emphasis being placed on ethical issues; however, insufficient attention has been paid to the various partners in the supply chain, specially purchasing and sales (Mellahi and Wood, 2003; Carter, 2000; Cooper et al., 1997). Some organisations have noted that giving and receiving gifts "can be important and respectable ways of building and maintaining legitimate business relationships" (Duke Energy, 2004 p 14).

Fisher (2007) suggests when accepting the gift or benefit could be seen by an objective third party to comprise the decision making of the buyer, it is wrong to accept it. Acceptance leads to a conflict of interest and judgment is comprised. In addition, when the buyer accepts a gift he/she may not be acting solely in the best interests of their company. In a relationship marketing context, there is another factor to consider. If accepting the gift or benefit does result in a conflict of interest, then the relationship between the two organisations is also compromised. This conflicts with the principles of relationship marketing which is characterised by trust, commitment, collaboration, a long-term perspective and mutual benefit (Quester et al., 2004; Gummesson, 2002; Gronroos, 2000).

2.8 Supplier Performance In Relational Exchanges

Fink et al. (2007) conducted research to determine whether both customers and suppliers gain from relational exchanges. One of the study's aims was to understand what customer purchasing and production performance improvements were achieved through closer supplier relationships. Relational exchanges occur when customers and suppliers forge long-term cooperative relationships (Fink et al., 2007). Suppliers who build relational relationships do so as part of their exchange and governance strategy recognise that most of the economic exchanges are an integral context of social relationships (Granovetter, 1985). Within a relational setting, inter-firm relationships are characterised by a greater degree of exchange measurement and specificity, increased mutual trust and obligation, the sharing of benefits and burdens and a consistent awareness of shared interests (Kaufmann and Dant, 1992). Ritter (2007) suggests using the term 'partnership' to identify close, relational, trusting relationships built on joint efforts between the client and provider.

The result of Fink's et al. (2007) research is startling. They state "customers are using relational exchanges to achieve lower prices, planned price decreases and lower administrative costs, but they are not rewarding their suppliers with increased purchases, a greater share of their purchases, or future relationship commitments" (Fink et al., 2007, p 37). This finding suggests that suppliers are only realising reciprocal performance improvements if relational exchanges are linked to improving customer production performance.

Fink's et al. (2007) research suggest that suppliers be selective when targeting customers for relational exchanges. The most appropriate customers to target would have limited internal expertise while requiring complex and sophisticated products/services. Suitable customers would have the greatest need for the supplier's products/services and knowledge capabilities designed to improve their production performance. Suppliers targeting such opportunities "may also need to develop customer specific production improvement programmes with dedicated resources and establish individual and organisational goals linked to customer production improvements" (Fink et al., 2007 p. 37).

The above discussion has raised the issue that some customers may act in an opportunistic fashion and refrain from developing a relational relationship. This situation is worth noting since it will have an impact on this study and particularly the fourth research objective.

2.9 Trends In B2B Service Relationships – High Involvement Relationships

The previous section discussed the significance and importance of relational exchanges between the client and service provider. This section explores trends in B2B service relations and reviews the inter-dependence shared between clients and service providers.

Weitz and Bradford (1999) point out that retaining customers through close, long-term, cooperative relationships can impart a competitive advantage to the supplier. They also add that recently there is a trend of customers dramatically decreasing their number of suppliers. Suppliers who fail to sustain strong relationships with their customers will be the ones eliminated during this streamlining process. While service providers understand the importance of improving customer retention it is a fact that customers still switch (Yanamandram and White, 2006). A way of building customer relations is to understand why buyers leave their service providers (Johnston et al., 2001). Jones et al. (2000) suggest obtaining information about switching experiences and switching costs represent an important avenue for better understanding and predicting customer retention which fully supports the aim and objectives of this thesis.

A significant development in the manufacturing sector has been Supplier Controlled Inventory. This strategy gives the supplier the responsibility to manage their customers' inventory levels (Frazier et al., 1988). A benefit of this controlled inventory is that it allows the manufacturer to reduce the lead time for required materials while sustaining production rates (Srinvas and Rao, 2007). These channel management principles are necessary to compete successfully and to achieve maximum coordination among distributors within the integrated supply network (Frazier, 1999). Procurement and inventory control issues with vendors has been replaced with developing relationships with suppliers over long periods (Ford et al., 2003).

There has been a movement from ‘the more suppliers the better’ toward a high-involvement provider-buyer relationship with very few suppliers. Ford et al. (2003) described the level of involvement with supplier relationships as either low-involvement or high involvement. They state the meaning of involvement centers around a customer’s dependency and relationship with their suppliers. Table 2.2 listed below compares the low and high involvement supplier relationship factors.

Table 2.2 Type of Supplier Relationships
Source: adapted from Ford et al. (2003, p 101)

Type of Supplier Relationship	Characteristics
Low-Involvement relationship **("arm's length")**	**Customer uses a number of suppliers in order to secure availability of supplies and reduce transaction uncertainty** **Inexpensive to operate because the relationship costs are low use a number of alternative suppliers simultaneously** **Prevents being locked-in to a few suppliers**
High Involvement Relationship	**Customer increasingly relies on the resources of their outside suppliers; customer activities must be coordinated with those of the supplier** **This coordination requires companies to adapt some of their activities and invest dedicated resources in the relationship; customer does not attempt to optimise prices** **Customer aims to improve their operation in the long term by using its suppliers' resources more effectively** **Both parties try to reduce total costs of the relationship by effective adaptations by both companies** **Relationship gains attained through substantial co-ordination, adaptation and interaction**

The significance of a high involvement relationship is the interdependencies that are formed which include:

1. The parties are operating together with non-standardised solutions and customer-specific adaptations
2. It is not possible for a customer to switch suppliers frequently. The rationale is that increased involvement only makes sense when the increased relationship costs are more than offset by relationship benefits. This key trend signifies that

when the service provider is involved and providing customised solutions, the customers are less likely to switch to a competitor.

Ploetner and Ehret (2006) argue that there are several forces driving customers and suppliers to intensified levels of collaboration, which eventually lead to a vertical partnership. Ploetner and Ehret (2006, p 5) state "in general, the high level of coordination implied by modern intense competitive markets has induced industrial customers to reduce their supplier base". In other words there is an intense collaboration and cooperation between the parties such as joint research and development projects or business development. In a growing range of industries, innovation activities, once considered as pure core activities of a company are now being outsourced (Engardio and Einhorn, 2005; Quinn, 2000). Performance and time-to-market considerations have led companies to reside on collaboration with partners, in contrast to in-house development or vertical integration (Ploetner and Ehret, 2006).

The next section will discuss the strategy of B2B customers reducing their number of service providers. The formation of long-term supplier relationships founded on mutual goals has surpassed the former arms-length relationships with service providers.

2.9.1 Reducing the number of Service Providers

Reduction of the supplier base, while maintaining cooperative relationships with a handful of quality suppliers has become a characteristic of today's buyer-seller relationships (Helper, 1991). This practice of supplier reduction has led researchers in documenting the following potential benefits:

- fewer suppliers to contact in the case of orders given on short notice
- increased economies of scale based on order volume and the learning curve
- reduced lead times because of dedicated capacity and work-in-process inventory from the suppliers
- improved buyer-supplier product design relationship

- improved trust because of communication
- improved dyadic reliability and performance

(Shin et al., 2000; De Toni and Nassimbeni, 1999; Lammin, 1993; Trelevan, 1987; Hahn et al., 1986)

The potential benefits discussed above are attributed to the fact that suppliers are assessed for their capability to help in new product development, technological capabilities and ability to contribute to the competitive advantage of the buyer firm (Monczka et al., 1995). Reduction of suppliers based on the above discussion assists the buying firm to develop long-term cooperative relationships with the remaining competent suppliers (Goffin et al., 1997).

Related to supply base reduction is the outsourcing of company's non-core activities (Stuart and McCutcheon, 2000). Outsourcing is described as 'putting out' of non-core internal processes (Harland, 1996b) and is directly related to the 'make or buy' decision. Organisations are more commonly turning to outsourcing and have concentrated on their core businesses while the need to gain a competitive edge on the supply side has increased substantially (Leenders et al., 1994).

The strategy of relying on fewer service providers is exemplified by Sony Corporation and Sun Corporation, multinational electronics and I.T. firms respectfully. In 2003 Sony reduced the number of suppliers for components and raw materials from 4,700 to 1,000 (Ulaga and Eggert, 2006). Sun Corporation has developed an 'open kimono' approach to suppliers who became involved early in their new product development. Quoting Sun's vice-president for purchasing, "it's totally changed from the old days when you didn't want suppliers to know too much. Now it's the opposite. They (suppliers) know as much of our business as we do. That's how you maximise their value-added" (Carbone 2002, p 38).

Monczka et al. (1998) supports the above premise and suggest throughout the 1990's many companies began to continually reduce their number of suppliers. In the late 1990's, 40% of Lucent Technologies' company-wide purchase volume was with

2,000 suppliers whereas today Lucent relies on only 60 suppliers for 80 percent of its total purchases (Carbone, 2002). Reese, (2000, p 108) states, "that over the last several years almost half of the companies surveyed have reduced their supply base by 20 percent, another 15 percent have reduced their supply base between 20 and 60 percent, and fully three-quarters of buying firms now commit 80 percent of their total purchase dollars to fewer than 100 suppliers". This tendency for a reduced list of suppliers removes potential costs for duplication of efforts and allows for leading-edge supply management practices such as supplier involvement during product development, collaborative planning, and cooperative quality and cost-reduction initiatives (Trent, 2004).

One unintended effect of relying on fewer suppliers is an increase in supplier-switching costs. As buyers reduce their suppliers for critical requirements, utilise global suppliers to satisfy their worldwide operating needs and place their remaining suppliers on long-term agreements, there is very little flexibility to begin searching for new suppliers (Trent, 2004). The argument being, it is more advantageous to form strong, mutual buyer-supplier relationships. However this co-dependence comes with extreme switching costs in the event that one of the parties fails to perform to expectations. This may lead to the procurement strategy where buyers shop around for suppliers when the item is not essential and there are low switching costs. For critical, imperative and/or unique items, buyers should take a cooperative approach and aim to become their supplier's customer of choice (Goodman and Dion, 2001).

2.9.2 Establishing Long-term Supplier Relationships

Another key result of supply base optimization is the establishment of longer-term supplier relationships (Monczka et al., 1998). Longer relationships are founded on a 'win-win' premise with a core group of suppliers and can lead to a stronger sustainable competitive advantage than those based on a bid-buy process (Hoyt and Hug, 2000). In order to select few valuable suppliers and establish long-term relationships with them, companies are now using a formal evaluation of supplier performance using established standards and procedures (Maloni and Benton, 1997).

Long-term relationship is an extended cooperative agreement between two or more independent firms that engage in business activities for mutual economic gains (Smith et al., 1995). A threshold of interaction occurs between firms when there is cooperation and long-term contracts have been established (Spekman et al., 1998; Helper and Sako, 1995). In extended relationships dyadic partners expect the relationship to continue for considerable amount of time, share pertinent information and rely on each other, and are willing to extend the relationship into the future (Shin et al., 2000; Landeros and Monczka, 1989). Paulraj and Chen (2005, p. 13) state that "long term relationships led to higher levels of confidence, eliminate opportunistic behaviour and help in building the level of trust and commitment between the partners".

An additional trend in the B2B service sectors is for the buyer and seller to share market research and innovation resources (Moorman et al., 1992). It has become increasingly more difficult for a company to advance their own R+D separately and there is now a trend of dependence on the developmental resources of their suppliers (Wynstra 1998). This means the internal R+D activities of the customer need to be coordinated with those of its suppliers. The argument being, the buyer-provider relationship has matured beyond simply providing a product or service. This trend of sharing R+D activities between the buyer and service provider has become a critical co-dependence that is necessary to advance both parties levels of technology and innovation (Moon and Bonney, 2007).

The next section discusses *buyer attentiveness* which arises when the customer focuses all of their efforts and purchases toward a single supplier to the exclusion of other available suppliers.

2.9.3 Buyer Attentiveness

Buyer attentiveness is the degree to which a firm's attention is directed toward a specific supplier to the exclusion of other suppliers (Bonner and Calantone, 2004). Buyer attentiveness is especially important in B2B sectors where products are critically important to the buyer's operation. B2B customers spend considerable time, effort and resources in making purchase, maintenance, and service decisions concerning these products (Weiss and Heide, 1993).

Bonner and Calantone (2004) take the position that buyer attentiveness arises from buyer beliefs about the supplier formed over repeated relational interactions. These beliefs focus the buyer's attention on the supplier, and encourage buyers to undertake favourable purchase behaviours. Buyer behaviours, such as purchasing products frequently and in high volume and taking the steps to keep purchasing costs low, are valuable to manufacturing firms (Gassenheimer et al., 1995).

The literature on buying relationships has included several dimensions of dyadic factors such as dependence, switching costs, and relationalism (Heide and John, 1993; Morgan and Hunt, 1994). Bonner and Calantone's (2004) research examined the attentiveness as an outcome of relationalism, and examined how attention is directed to the focal supplier to the exclusion of other suppliers. Bonner and Calantone (2004) identified the following customer purchase behaviours as actions that strengthen buyer attentiveness:

- ordering significant amount of product from suppliers
- purchasing products at a steady and frequent rate
- when customers put effort into planning and coordinating the purchase
- process with the supplier to assure fast and efficient fulfilment of services

The above actions led to a more profitable exchange, generally more profitable customers and generate economic opportunities of scale and experience for the supplier (Gassenheimer et al., 1995). Bonner and Calantone (2004) also argue that favourable buyer purchase behaviour is driven more by buyer attentiveness than either the degree of dependence the buyer has on the manufacturer or the length of the relationship. They suggest that marketing efforts provide an alternative perspective to the relationship literature which places emphasis on dependence and retention as key determinants of profitable, loyal customers (Blattberg et al., 2001; Blattberg and Deighton, 1996). Bonner and Calantone's (2004) results are more in line with those found in member-association relationships. This is supported by Gruen et al. (2000) who found that members who only exhibited psychological bonds were more likely to be involved in activities than were members who only exhibited commitment based on the cost of leaving the relationship. Bonner and Calantone (2004) take a similar position in saying that attentive buyers are more willing to engage in activities to increase the profitability of the supplier than are less attentive buyers. The significance of this section is the role buyer attentiveness can play in strengthening a B2B relationship in conjunction with lessening the chances of customer switching.

2.10 Chapter Summary

This chapter has focused on several key factors affecting the B2B services sector. These significant factors included the characteristics of the service sector and the importance of B2B relationships. A variety of B2B buying process models were presented along with a discussion about current trends in the service sector. The trend of having the salesperson being more responsible for strengthening the buyer-seller relationship was also discussed. Additional issues reviewed were the reduction in the quantity of service providers being used by customers and buyer attentiveness.

The next chapter discusses the key attributes and constructs that affect the B2B relationship – the constructs of trust, commitment, loyalty and risk.

Chapter 3 Attributes and Constructs that effect B2B Services relationships: trust, commitment, loyalty, and risk

"Supplier relationships represent one of the most important assets the company can make use of" (Gadde and Snehota, 2000, p. 307)

3.1 Introduction

The critical constructs that are found within B2B relationships consisting of trust, commitment, loyalty and risk are discussed in this chapter. These constructs are essential elements of relationships and when one of the constructs is weakened or missing the relationship is severely destabilized and may cause a client to switch. The research of these constructs is vital to this study since they directly relate to forming and sustaining B2B relationships.

Garbarino and Johnson (1999) suggest clients' purchases of B2B services is guided by cognitive decisions involving customer satisfaction, perceived quality, perceived value, trust and commitment. Along with these factors, the customers' knowledge and experiences with particular service providers guide future purchase decisions. In the past, one of the key determinants for predicting repeat purchases has been overall customer satisfaction. Recently the shifting emphasis to relational marketing has broadened the list of factors that predict future intentions to incorporate new constructs such as trust (Moorman et al., 1993) and commitment (Gundlach et al., 1993; Dwyer et. al., 1987).

The next section will discuss the attributes that strengthen B2B relationships. These attributes include flexibility, shared commitment, mutual trust and relationalism.

3.2 Attributes of B2B Relationship Strength

Trust is perceived in the marketing literature as a significant, if not pivotal, aspect of business relationships (Mouzas et al., 2007). Such relationships have been defined by their relational nature, including the norms of bilateral governance, mutual trust, long-term orientation, and shared goals (Gundlach and Murphy, 1993; Dwyer et al., 1987; MacNeil, 1980). Ardnt (1979) emphasises aspects of the relationship such as high interdependencies and highlights the need for relational behaviours, specifically reciprocity, cooperation (Parkhe, 1993) and promise keeping (Gronroos, 1990). Hogg (1996, p 71) states, "by entering into a relationship the buyer and seller provide each other with mutual support and gain assurance that the correct decisions have been taken. This reduces the post purchase dissonance in high risk or difficult to assess decisions and act as a further risk reduction factor".

There are significant differences between the types and structure of business relationships. The literature suggests several key factors that account for the differences including contractual nature, organisation size and structure, and the reasons for forming the relationship (Cravens and Piercy, 1995; Gundlach and Murphy, 1993). An additional example would be due to the extensiveness of the inter-organisational interface between the two firms. This could extend from the gambit of involving a single employee to involving the entire firm in the interface. In addition the inter-organisational unit may contain a variety of horizontal and vertical linkages among partners. Relational partners may come from firms within a single industry or firms comprising the entire value chain between manufacturers, service providers, suppliers and customers (Cravens and Piercy, 1995; Mohr and Spekman, 1994).

The business relationship may be structured contractually, as in franchise agreements, or based on more flexible evergreen agreements (Gundlach and Murphy, 1993; MacNeil, 1980). In addition the motivation to form a business relationship, especially as they relate to the temporal expectations of the interaction, differentiates between business relationships. Hamilton and Singh (1991) suggest that relationships created to solve a specific problem or take advantage of a short-term opportunity appear to be more transactional from those whose nature is more long term.

In a market-place driven by learning and innovation, all else equal, one condition for successful business performance is likely to be the firm's willingness to modify its existing relationships with trading partners in order to realise the full benefit of changing knowledge and capabilities (Conner and Prahalad, 1996; Badaracoo, 1991). The flexibility with which the buyer–seller relationships are governed has been proposed to be an important antecedent to the productivity of knowledge, particularly in the innovative, knowledge intensive industries (e.g. computer software development). Flexibility is being described as the willingness of the parties in a trading relationship to adapt, change or adjust to new knowledge without resorting to a series of new contracts and renegotiations (Grant, 1996; Volberda, 1996).

Within an innovative knowledge-intensive industry, the stock of knowledge within the firm may not be sufficient to attain competitive advantage. In this context, critical knowledge resources must cross firm boundaries. In this vibrant atmosphere, value creation may depend on the integration of knowledge from multiple contributors (Nonaka, 1994) and the best sources may be outside the organisation (Doz and Hamel, 1998). Grant (1996, p 383) supports this premise suggesting a firm that operates in such an environment is more likely to generate economic rent if it can integrate its stock of knowledge with that of external parties and if the firm can distribute the cost of its knowledge-based resources across to multiple organisations (Kessler and Chakrabarit, 1996).

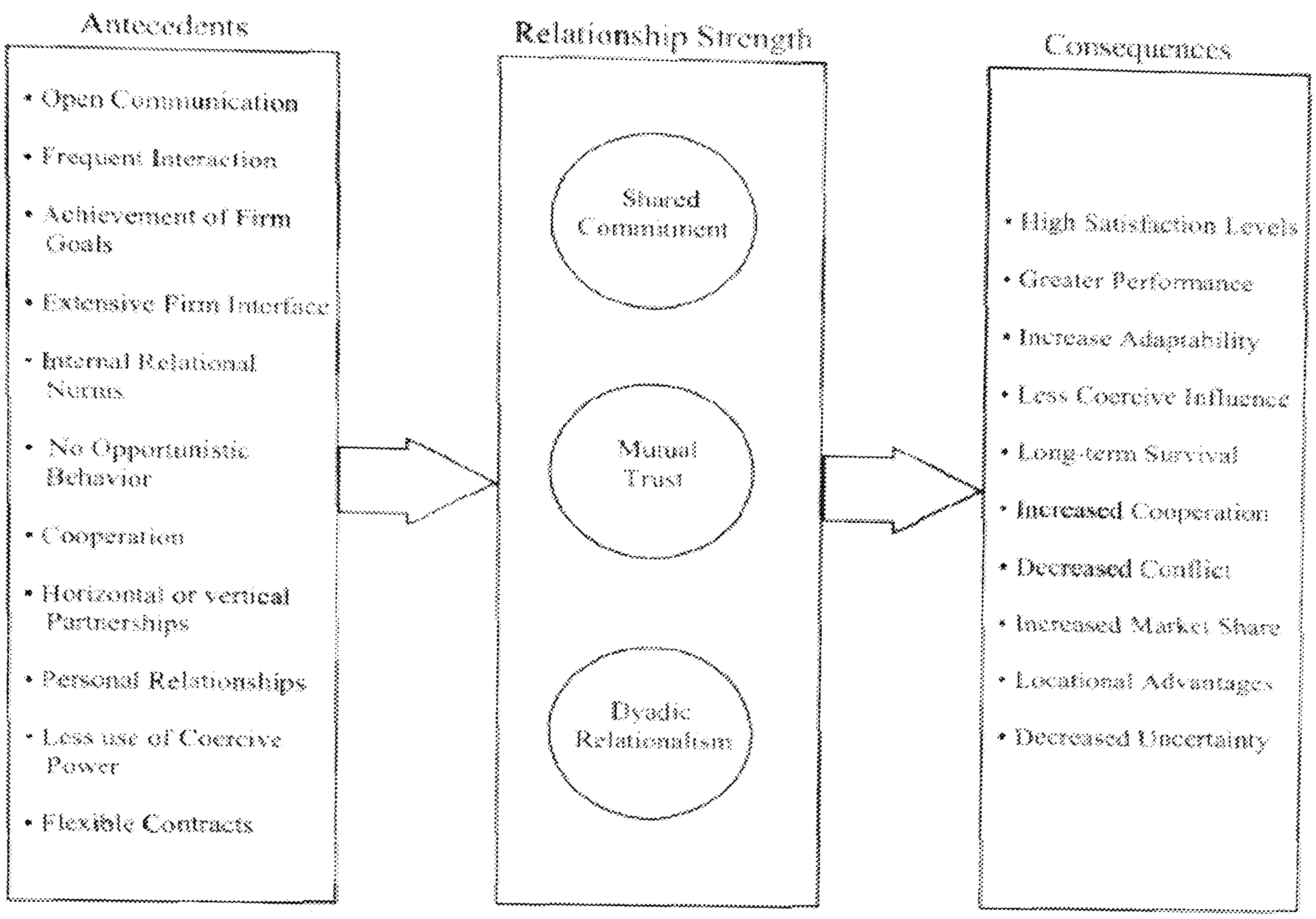
In summary, the above discussion states that for some fast-paced, knowledge-intensive B2B organisations to be successful it is best to have flexible buyer-seller relationships along with the ability to share critical information. These principles are supported by Dyer and Singh (1998) who suggest inter-firm resources and routines become increasingly important to understand competitive advantage. Conner and Prahalad (1996, p 486) call these principles the "flexibility effect", to account for the magnitude of transfer barriers that arise from the negotiation costs, delays, and compromises associated with the dynamics of exchanging knowledge substitution.

In addition to the structural differences of business relationships there are behavioural differences in the character of these relationships. Researchers have suggested that organic processes might be more beneficial criteria of forming relational goals since they have demonstrated their potential to affect the prosperity of the relationship and the outcomes achieved by the relationship members (Achrol, 1997; Simpson and Mayo, 1997). Among the behavioural processes identified as possessing the potential to affect inter-firm success in the literature include trust, commitment, dependence, relationalism and communication (Achrol, 1997; Cravens and Piercy, 1995; Morgan and Hunt, 1994; Mohr and Nevin, 1990). These constructs have been researched in various studies and have been identified as key factors in long-term relational success. They have been useful in locating a specific relationship along the relational continuum and predicting its potential for success, possibly promoting that success through improved understanding of the relationship (Hausman, 2001; Dwyer et. al., 1987).

A construct that has not been explored extensively in the literature is relationship strength. This construct centres on the premise the some relationships are stronger than others. Relationship strength refers to the ties between relational partners and reflects their ability to weather both internal and external challenges to the relationship. Hausman (2001, p 602) argues that "the key constructs that have the ability bind relationships during difficult times specifically include trust, commitment and relational norms".

Figure 3.1 provided below lists the antecedents of relationship strength and the consequences the antecedents have on forming B2B relationships.

Figure 3.1 Antecedents of Relationship Strength
Source: Hausman (2001, p 603)



The next section will discuss the nature of trust and how trust affects the customer's buying decision and the customer's relationship with their service provider.

3.3 The Construct of Trust

Trust has been defined as the willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1992) and confidence in the other's intentions and motives (Lewicki et al., 1998). Das and Teng, (1998) propose that trust acts to promote relationship success through reduced uncertainty and the less likelihood of opportunistic behaviour. A more recent definition of trust by Cheung and Lee, (2001), notes that trust is the degree of confidence or certainty the customer has in exchange options. This confidence has been expressed to reflect a willingness to be vulnerable, based on the positive expectations of another party's actions or inactions (Rousseau et al., 1998).

Trust has a great importance in the arena of B2B services as buyers face the complexity of examining many intangible aspects of a service firm's offering (Doney et al., 2007). Combined with the uncertain outcome of a future performance, buyers must consider aspects of the relationship that suggest a service firm is aligned with the buyer's future needs and objectives. Doney et al. (2007) argue that the value of the service transaction may not be as significant as the evidence that a service provider can be trusted.

Trust may concern a partner's willingness to perform according to agreements, or the intentions to do so. Risks exist if the party is not skilled to perform or if the party chooses not to act. Denize and Young (2007) suggest trust is an assessment of risks and costs set against the benefits of interacting. Spekman and Carraway (2006, p 18) support this idea by stating, "for trust to exist there must also exist risk, since if the outcome was predictable or there was no uncertainty associated with the outcome, this absence of risk would mean there would be no need for trust. In addition, if parties were not interdependent, there would be no need for trust".

Another factor of trust arises from an economic perspective. Due to the interdependencies among trading partners trust has an important economic role. Ratnasingam (2005, p 528) states "trust from an economic perspective primarily involves a calculative process, as trading partners usually undertake a cost-benefit analysis (when calculating the costs and/or rewards of staying in the relationship) when renewing trading contracts in the future". Sambamurthy and Zmud, (1999) call this 'economies of scope' as it allows the parties to evaluate the benefits from sharing expertise, know-how, and investments across the enterprise.

The construct of trust was further developed by Doney and Cannon (1997) when they identified the following three types of trust: competence, predictability and goodwill trust. Each of these types of trust will now be discussed.

Competence trust is derived from a capability process of the trading partner and determines the ability, skills, perceived competence (Dibben and Hogg, 1998), and technical knowledge of the trading partner to transact correctly (Sako, 1998; Mayer et al., 1995). Sambamurphy and Zmud (1999, p 267) extend this construct of trust by using the term 'absorptive capacity' which describes "the ability of firm's employees to develop relevant knowledge bases, recognise valuable external information, make appropriate decisions, and implement effective work processes and structure".

Second, *predictability trust* accounts for one party's ability to forecast, predict and make judgments of their partner from prior experiences derived from repeated interactions and dependable behaviours (Lewicki and Bunker, 1996).

Goodwill trust is developed from an intentionality process and focuses on the trading partner's motives and intentions. It allows the trustor to interpret their partner's behaviours and words thereby determining their intentions (Ratnasingham, 2005). When reliability and dependability expectations are met, trust moves to affective foundations that include emotional bonds such as care and concern (Doney and Cannon, 1997; McAllister, 1995). The focus here is on reliance of a trading partner's care, concern, benevolence and honesty that allows for the trust be extended from a partner's reputation of fair trading to include goodwill and further investment in their relationship. Goodwill trust is displayed by an extended level of cooperation, open communication, coordination, commitment and information sharing (Rousseau et al., 1998; Sako, 1998; Barney and Hansen, 1994; Ganesan, 1994).

Moorman et al. (1993) argues that trust is a precursor of commitment. It also follows that customers are unlikely to be committed unless trust is established and that both commitment and trust are influential in the future intentions of an exchange partner. Schurr and Ozanne (1985, p 940) state that, trust is the "belief that a party's word or promise is reliable and a party will fulfil its obligations in an exchange relationship". It has also been argued that trust and value act as critical mediating variables between satisfaction and relational commitment including future repurchase decisions and to continue the relationship (Sirdeshmukh et al., 2002).

Trust has also been viewed as a belief, sentiment, or expectation about an exchange partner's trustworthiness that results from the partner's expertise, reliability, or intentionality (Pruitt, 1981; Rotter, 1967; Blau, 1964). A second approach views trust as a behavioural intention or behaviour that reflects a reliance on a partner and involves vulnerability and uncertainty on the part of the trustor (Coleman, 1990; Zand, 1972; Deutsch, 1958). This second view suggests that without vulnerability, trust is unnecessary because outcomes are inconsequential for the trustor. Coleman (1990, p 100) emphasises that trust involves a degree of vulnerability which includes, "voluntarily placing resources at the disposal of another or transferring control over resources to another".

3.3.1 The Role of Trust In B2B Relationships

In the literature the role of trust in relationships has been treated in one of two distinct ways. First, trust has been conceptualised as a feature or an aspect of relationship quality. Trust is described as a feature of relationship quality, along with satisfaction and opportunism (Dwyer and Oh, 1987; Crosby et al., 1983). Anderson et al. (1987) view trust as a feature of relationships, in addition to power, communications, and goal compatibility. Hausman (2001, p 604) states, "that trust is a repetitious process, whereby partners trust each other to perform certain tasks and to act in the best interests of the relationship".

The second role conceptualises trust as a determinant of relationship quality. Anderson and Narus (1990) view trust as a determinant of the amount of cooperation and the functionality of conflict between parties. It is further acknowledged trustworthiness, in addition to believability and honesty, is part of credibility, which determines perceptions of service quality (Parasuraman et al., 1985). Anderson et al. (1990) and Mohr and Nevin (1990) model trust as a determinant of communications between parties.

Trust is a significant antecedent of loyalty and has been consistently related to the vulnerability of the trustor (Bigley and Pearce, 1998). It is further argued that without vulnerability of the trustor upon the trustee, trust becomes irrelevant. In business studies, trust has been found to be important for building and maintaining long-term relationships (Singh and Sirdeshmukh, 2000; Geyskens et al., 1996).

In recent decades marketing managers have become ethically more sensitive, and they are largely convinced that customers and the public expect them to act in a morally acceptable way (Amed et al., 2003; Schlegelmilch 1998; Ferrell et al., 1989). Most marketers express their moral commitment as well as the conviction that ethical conduct is mandatory to establish trust (Srnka, 2004). This is consistent with general marketing theory, which holds that all exchanges are based on trust (Kotler, 2003) and that conflicts are likely to result if buyer and seller are not in agreement with respect to their ethical mindsets (Lee, 1981). Where conflicts exist, trust will not grow. Without trust, in turn, the exchange process ceases and marketing relationships cannot develop (Morgan and Hunt, 1994). Given fierce competition and rising costs of customer acquisition, enduring relationships based on mutual trust have become more important than ever before (Srnka, 2004).

Trust has been a key factor of conducting business and the formation of long-term trading partner relationships. Trust increases cooperation, encourages open communication and information sharing (Doney and Cannon, 1997; Mohr and Spekman, 1994). Furthermore, trust operates as a governance mechanism that diminishes opportunism in exchange relations and promotes cooperation (Morgan and Hunt, 1994; Bradach and Eccles, 1989).

Ploetner and Ehret (2006) argue that potential opportunism is never totally absent when taking into account economic agents, therefore collaboration is impossible without a minimum level of trust. Ploetner and Ehret (2006, p 6) state "trust building is an essential antecedent to the development of partnerships. It must be complemented with a governance structure, providing incentives to support the partnership performance". One basic economic effect of trust built in B2B relationships is the reduction of transaction costs (Plotner and Ehret, 2006).

3.3.2 Forming B2B Relationships

Researchers working in the subject of business relationships have highlighted the importance of interpersonal trust in the initiation, the development and the nurturing of these relationships (Anderson, 2001; Cova and Salle, 2000). Das and Teng (1998) support this idea by commenting that trust implies a high level of confidence among one's partners. Trust is the reason to lessen the need for excessive contracting and monitoring (Morgan and Hunt, 1994) and is associated with a high level of psychological commitment to the relationship among the partners (Kumar and Nti, 1998). This implies that the partners are putting considerable quality effort in maintaining and deepening the relationship. In addition trust is likely to enhance flexibility and adaptability and in doing so it may strengthen the relationship between the cooperating firms (Arino, dela Torre and Ring, 2001).

Many studies on trust in inter-firm relationships define trust as the extent to which a firm believe that their exchange partner is honest and/or benevolent (Geyskens, Steenkamp and Kumar, 1998). Anderson and Kumar (2006) argue that honesty and benevolence are distinct. They comment, "while benevolence concerns the belief that one's partner is genuinely interested in one's welfare and seek joint gains from that basis, honesty concerns the belief that one's partner is reliable and fulfils promised role obligations" (Anderson and Kumar, 2006, p 523).

A variety of literature supports the value trust adds to business relationships in terms of the measures of joint outcomes linked with:

- cooperation and adaptation (Morgan and Hunt, 1994)
- greater performance (Simpson and Mayo, 1997)
- plans to continue the relationship (Morgan and Hunt, 1994)

Another dimension of trust is its ability to enable co-operative behaviour between two firms (Wilding, 2006). Trust promotes improved relationships and reduces harmful conflict and allows effective responses to crises. Wilding (2006) argues that firms perform best when there is open communication and trust building with all internal and external stakeholders. This involves an interest for both parties in building relationships inside and outside the organisation where a competitive advantage was created. Competitive advantage is gained from collaboration, support and the sharing of resources, an environment where innovation, risk taking, learning and trust building were promoted.

A brief discussion about how trust and commitment are interdependent is the subject of the next section.

3.3.3 Influence of Trust on Commitment

The literature cites numerous incidents whereby trust has been proven to be a powerful determinant of commitment in many different relationships, including relationships between employee and employer, buyers and suppliers, shoppers and retailers (Sharma and Patterson, 1999; Bowen and Shoemaker, 1998; Berry and Parasuraman, 1991). Morgan and Hunt (1994) argue that trust leads to commitment while earning customers' trust is critical for a company to develop customers' commitment toward it. Trust influences the level of a customer's relationship commitment (Moorman et al, 1993).

When the trust level is low, less favorable attitudes and behaviours will be generated between the customer and provider. In contrast, when one party highly trusts the other party, this party will hold a favorable attitude toward the other party, will desire to maintain the long-term relationship with the other party, and will coordinate and cooperate with the other party (Sharma and Patterson, 1999; Bowen and Shoemaker, 1998; Morgan and Hunt, 1994).

In order to make a commitment to a service provider, customers need to trust that service provider (Bowen and Shoemaker, 1998; Berry and Parasuraman, 1991). Dwyer, Schurr, and Oh, (1987) found a positive relationship between trust and relationship commitment. Accordingly, trust is decisive for continuity of a relationship between customers and service providers (Sharma and Patterson, 1999; Berry and Parasuraman, 1991).

Moorman et al. (1993) suggests that trust exists when a party is confident in its partner and also is willing to rely on this partner. According to their research trust composes two factors: confidence in a company and customers' willingness to rely on the company. Firstly, customers feel the company is trustworthy which means customers believe and have confidence in the company's expertise and reliability to provide consistently high-quality service. Secondly customers who trust the company are willing to rely on the company for providing the services.

The level of trust that develops between companies has been described as a fundamental relationship building block (Wilson, 1995) and a critical element of economic exchange (Ring, 1996). The more the customer trusts the supplier, the higher perceived value of the relationship by the customer (De Ruyter et al., 2001) therefore it can be expected the greater the chances the customer will remain in the relationship. For the customer of B2B services, trust is an important element of the perceived quality of service (Turnbull and Moustakatos, 1996).

The next section outlines how trust builds confidence in the B2B service relationship and how trust helps reduce deficiencies in the relationship.

3.3.4 How Trust Builds Confidence in B2B Relationships

A number of researchers suggest that the construct of trust is an important element of long-term buyer-seller relationships in a business environment (Anderson and Narus, 1990; Dwyer et al., 1987). Ganesan (1994) found that trust and dependence play key roles in determining the long-term orientation of firms in a relationship and both are related to environmental uncertainty, transaction-specific investments, reputation, and satisfaction in a buyer-seller relationship. Chow and Holden, (1997) argue that the importance of trust becomes evident as a moderator of risk when buyers move away from buying systems based on single transaction to one of repeat purchases. They state that buyer-seller alliances are often formed so both parties can share technologies and skills, and to perform required tasks as cost efficiently as possible in order to meet competitive threats. The goal is to secure valued resources of selected suppliers without the costs associated with vertical integration due to resource limitations or managerial constraints.

De Ruyter et al. (2001) found that suppliers often are geared towards achieving customers' trust and confidence by information sharing, cooperative synergy, and lowered levels of perceived risk. They suggest an open information exchange in which proprietary data is shared will instigate customers to work more closely with their supplier and to readily share their information.

Clients will form alliances with the service providers once they have established trust with their service providers (Chen, 2001). Alliances between customers and providers can be established only when there is trust between the two parties (Berry, 1995). Customers who trust a company tend to be cooperative because a relationship based on trust is so valuable and customers will commit themselves to do things to benefit the company in order to maintain a mutually beneficial long-term relationship. Therefore, trusting customers may work jointly with companies to solve each others' problems (Anderson and Narus, 1990).

The literature also discusses how confidence forms between parties and leads to integrative behaviour, which eventually prolong the length of the relationship (Ganesan, 1994). Cross and Smith (1996) suggest that when frictions arise due to deficiencies in the relationship they are easier to resolve if trust has developed. One of the prevalent views held is that trust signifies the transformation from an unpredictable and indeterminate relationship to one comprising relational stability as it reflects the ability to forecast the motives and behaviours of others (Doney and Cannon, 1997; Zaltman and Moorman, 1988).

Kingshott (2006) argues that the essential antecedent condition that leads to forming trust must be the ability to create a suitable climate and atmosphere within the exchange relationship that nurtures such confidence in the buyer's firm. It is suggested that such conditions will come into effect when buyer managers are prepared to work closely with their suppliers. Such an atmosphere will transpire because the buyers are then in an optimal position to build trust due to their ability to assess partner firm intentions. More specifically, this enables them to take advantage of the prediction and intentionality processes that foster trust through direct experience (Doney and Cannon, 1997).

Kingshott's (2006) research indicates there is clear evidence of how managers that adopt a relational orientation are able to increase trust and commitment and the interactive effects of these two constructs upon one another. Kingshott (2006) also found that a relational building strategy will result in the formation of the psychological contract. Kingshott (2006, p 734) states, "whilst the psychological contract is often nebulous and idiosyncratic in nature it provides managers an alternative mechanism to help increase the level of psychological and social bonding within the relationship. In this respect, managers can leverage the terms of the construct to help increase the level of trust and commitment directed towards them and this is a direct consequence of their relational orientation".

The next section examines the construct of commitment and discusses the role commitment has in B2B relationships.

3.4 The Construct of Commitment

Commitment has been defined as the desire by a party to a business relationship to maintain and strengthen that relationship (Morgan and Hunt, 1994). Hogg (1996, p 68) adds, "for a genuine 'relationship' to exist, there must be some perceived involvement by both parties, which leads to a form of commitment". The understanding that commitment is crucial to the long-term success of a business relationship provides one of the principle concepts in understanding of organisational success (Andaleeb, 1996; Scheer and Stern, 1994).

Commitment provides the basis for a cooperative spirit in marketing channel relationships and leads to an overall stronger partnership (Anderson and Weitz, 1992). The literature is clear that a long-term relationship and the continued strength in a committed relationship are critical for investigating commitment in marketing channels (Barber, 1983). The building of organisational commitment requires the evaluation by the distributor personnel of the rewards, benefits and costs that such a commitment brings to the relationship. As the relationship grows with time, the rewards and cost of participation also expand. It is the distributor partner that determines if the rewards from the relationship outweigh the cost, and the partnership typically continues if this proves to be true (Reichers, 1985).

There has been extensive reporting in the relationship marketing literature that describes commitment as the desire for continuity manifested by the willingness to invest resources into a relationship (Wilson, 1995). When the parties are willing to invest resources (assets, time and effort) to strengthen the relationship it is an indication of commitment to building long-term relationships (Anderson and Weitz, 1992; Assael, 1987). Trust and commitment without mutual resource sharing would result in an ill-equipped relationship, which eventually will not be maintained (Sarkar et al., 1998) .

Business relationships provide companies with the opportunity of joint value creating either through rationalization or learning. In order to reap these benefits companies must collaborate and this might lead to opportunism on the part of one partner (Anderson and Kumar, 2006). This possible exploitation makes the two partners cautious and is particularly possible where the business partners must learn about each other's activities and share proprietary knowledge. This element of opportunism shapes the way the partners behave, the judgments they form about each other, and the overall commitment they demonstrate in the relationship (Anderson and Kumar, 2006). As commitment entails vulnerability, parties will seek only trustworthy partners (Morgan and Hunt, 1994).

Another component of commitment is the nature of the customer's commitment to an organisation. The literature suggests several factors such as personal identification with the organisation, psychological attachment, concern for the welfare of the organisation and loyalty are significant factors that strengthen the B2B relationship (O'Reilly and Chatman, 1986).

Farrell and Rusbult (1981) argue that commitment is initiated in organisational buying behaviour and at times can lead to higher motivation. When repurchase decisions are being made, the strength of the relationship is considered and business loyalty becomes increasingly similar to relationship commitment (Morgan and Hunt 1994). This bond of commitment allows both parties to mutually increased profitability beyond what either member could achieve single handed.

The next section reviews the dimensions of commitment and will be discussing affective and calculative commitment.

3.4.1 The dimensions of Commitment

Understanding the role of commitment in customer retention and behaviour has taken different positions in the literature. The majority of research in marketing has used a one-dimensional conceptualisation of commitment, most commonly operationalised as affective commitment (e.g. Sharma and Patterson 2000; Garbarino and Johnson 1999; Morgan and Hunt 1994). There continues to be disagreement on the nature of the commitment dimensions. The organisational behaviour and social psychology disciples suggest that commitment is a multifaceted construct (Adams and Jones, 1997; Meyer and Allen, 1997).

Many researchers have indicated that commitment is an attitude which signifies an enduring desire of maintaining a long-term relationship (Oliver, 1999; O'Reilly and Chatman, 1986). Chen, (2001) argues that the central theme of commitment is a "psychological and attachment" and "desire" to maintain a long-term relationship, both affective and cognitive concepts rather than behavioural concepts. A psychological attachment or an affective attachment will produce an enduring desire to maintain long-term relationships (Beatty and Kahle, 1988). Resistance to change to competitors is the evidence of commitment (Bettencourt, 1997; Crosby and Taylor, 1983).

Geyskens et al. (1996) and Kumar et al. (1995) have shown there is a positive relationship between dependence and calculative commitment. Similarly, because calculative commitment is based on cost-benefit analysis, it has been shown that a positive relationship between perceived switching costs and risk on the one hand and calculative commitment on the other exists in business relationships (Venetis, 1997). The more a customer experiences difficulties with switching, the more the customer feels the need to continue working with the supplier (De Ruyter et al., 2001).

Most commitment research proposes that commitment is an affective attachment or psychological attachment. This attachment between the customer and service provider will produce an enduring desire of maintaining a long-term relationship (Bettencourt, 1997; Jacoby and Kyner, 1973). Kumar et al. (1994) suggest affective commitment expresses the degree to which customers like to maintain their relationship with their supplier. Affective commitment is based on a general positive feeling towards the exchange partner. It is also the emotional factor related to the degree to which the customer identifies and is personally involved with a company (Johnston et al., 2006; Bendapudi and Berry, 1997).

Similar forms of the affective construct are used to describe exchange relationships include friendship, rapport, and trust (Fullerton, 2003). De Ruyter et al. (2001) describes the calculative commitment as being a negatively oriented type of motivation, whereby the firm's motivation to continue the relationship is because it cannot obtain the same resources and outcomes outside its current relationship. The premise being that commitment is a calculative act in which costs and benefits are examined. Calculative commitment, also referred as continuance commitment (Fullerton, 2003) is more rational, economic based dependence on product benefits that is due to a lack of choice or switching costs that make it difficult to change suppliers (Anderson and Weitz, 1992; Dwyer, Schurr, and Oh, 1987).

The next section combines the construct of commitment with concepts of customer switching behaviour involving service providers.

3.4.2 Three-Component Model of Commitment

The three-component model of commitment involves the research of Meyer and Allen, (1997) and Meyer and Herscovitch (2001). Their research suggests there are different dimensions of an individual's commitment with underlying psychological states concerning one's relationship to commitment.

Bansal et al. (2004) extend Meyer and Allen's (1997) and Meyer and Herscovitch (2001) three-component model to a customer setting, whereby, commitment is, conceptualized as a force that binds an individual to continue to purchase services (i.e. to not switch) from a service provider. Bansal et al. (2004, p 235) states "the underlying basis of this force may be affective (binding the consumer to the service provider out of desire), normative (binding the consumer to the service provider out of perceived obligation), or continuance (binding the consumer to the service provider out of need) in nature". Listed below in table 3.1 are the key concepts defining the psychological states of commitment (Meyer and Herscovitch, 2001) and the commitment factors relating to service providers (Bansal et al., 2004).

Table 3.1 The three types of commitment
Source: Meyer and Allen, (1997) and Bansal et al. (2004)

Type of Commitment	Psychological States (Meyer and Allen, 1997; Meyer and Herscovitch, 2001)	Commitment to Service Providers(Bansal et al., 2004)
Affective Commitment	Desire-based attachment to the organisation	Loyalty commitment; Mediates the relations between switching intentions and satisfaction and trust
Continuance Commitment	Cost-based attachment to the organisation	Constraint based, relationship cannot end because of: economic, social or psychological costs, lack of alternatives, switching costs
Normative Commitment	Obligation-based attachment to the organisation	Subjective norms (perceived social pressures) compels people to conform/not switch

A discussion is now presented whereby the three component model of customer commitment is used to explain switching behaviours between clients and their service providers.

The purpose of Bansal's et al. (2004) research was to increase the understanding of customer commitment and the role it plays in customers' intentions to switch service providers. Their findings support Meyer and Allen's (1997) three-component of organisational commitment to a marketing context, specifically, commitment to service providers. In summary Bansal et al. (2004) supported the notion that commitment to one's service provider can be desire based, cost based or obligation based. This reflects differing psychological bases for the relationship customers have with their service providers (Bansal et al., 2004). Meyer et al. (2002) suggested that in the organisational commitment literature, affective commitment is the key component that is the most strongly related factor with switching intentions.

Bansal et al. (2004) also found that affective commitment – the desire to stay with the service provider - was highly correlated to normative commitment. Bansal's et al. (2004) findings are consistent with Meyer and Smith's (2000) research where it is suggested customers may feel an obligation to stay with a service provider because of positive experiences.

Meyer and Allen (1997) argued that continuance commitment might result from a perception that there is a lack of available alternatives. Bansal et al. (2004) raise the question concerning whether or not alternative attractiveness is equivalent to a perception of 'lack of alternatives'. Although these variables are likely correlated, they are not necessarily the same. In service switching research, it has been alternative attractiveness rather than lack of alternatives that has been the variable studied (Dube and Shoemaker 2000; Sharma and Patterson 2000).

Using the three-component model of customer commitment to service providers implies there are different strategies to sustain customer commitment. First it is important for service providers to recognise that customers stay for different reasons (they want to, they feel they ought to, feel they have to). Service providers may use the variables of trust, subjective norms, and switching costs in an effort to affect customers switching decisions.

Bansal et al. (2004) found that the commitment component that had the greatest influence on intentions to switch was normative commitment. They argue that normative commitment appears to be influenced by subjective norms therefore service providers could use tactics that emphasise the social visibility of using a certain service provider. In addition normative commitment is influenced by affective commitment, which in turn primarily dictated the customer's trust in the reliability and integrity of the service.

Continuance commitment evolves as a result of the switching costs and switching barriers. Service providers may use a variety of strategies that engender continuance commitment to discourage switching. Such strategies may include loyalty programmes, penalties for leaving or locking in the customer with service contracts.

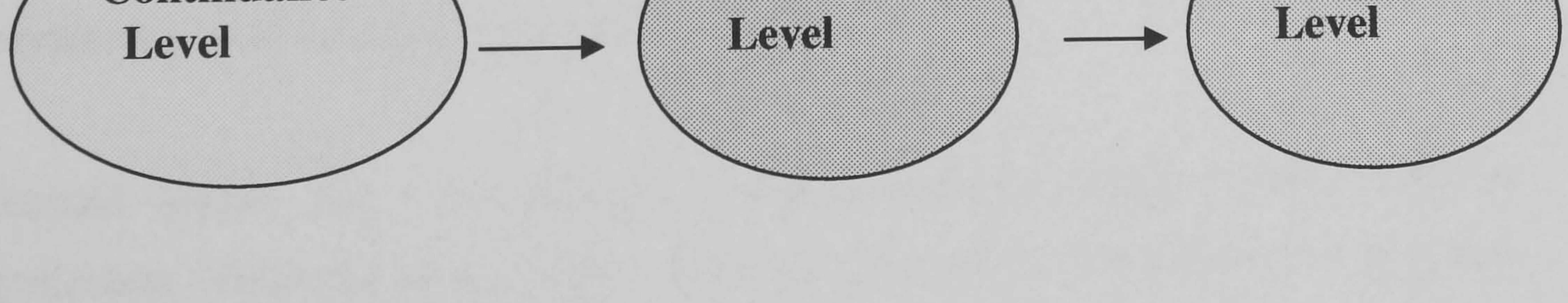
The acceptance of the three component model has been challenged in the literature questioning the conceptualisation and operationalisation of continuance commitment. It is argued that continuance commitment is measured by assessing individuals' investment and switching costs. Jones (1998) argues this measure is not measuring commitment, but is instead assessing the presence of structural bonds. As viewed with regards to interpersonal relationships (Kelley 1983), these bonds may be seen as antecedents of commitment but should not be confused with actual commitment.

Buchanan (1985) argues the formation of commitment is a development of psychological attachment involving a wide range of elements starting from affective attachment to loyalty behaviours. Buchanan's model of commitment involves three stages clients progress through to become committed to a service provider. First, customers may prefer a certain service provider due to simple cognitive evaluation. Second, after cumulative satisfying experiences customers form a favorable attitude and positive psychological attachment to the service provider. It is due to the psychological attachment that customers will desire to maintain a long-term relationship with the service provider. Third, the psychological attachment will grow to generate customers' repeat business and partnership-like activities. The psychological attachment evolves from the continuance level to the cohesive level and ends with the control level (Buchanan, 1985).

At the first level, continuance, the customer maintains the relationship not out of strong positive affect but simply because they cognitively evaluate the company more preferably among all available alternative providers (Skarmeas et al., 2002). As the customer's positive experiences grow with their service provider they move into the second phase, cohesive level. At this point a favorable attitude has been established and will advance into a positive psychological attachment at the cohesion level (Buchanan, 1985).

The control level is the final and highest affective attachment level. At this point the customer will demonstrate an affiliation and caring attitude to the provider. For instance, customers will be concerned about the provider's success, provide helpful feedback and take initiatives to inform management of service problems. Buchanan (1985) argues that loyalty behaviours such as repeat purchase and partnership-like activities are the highest affective level and the foundation of the control level of commitment. Figure 3.2 listed below outlines the levels of commitment described by Buchanan (1985).

Figure 3.2 Three levels of commitment
Source: adapted from Buchanan (1985)



Commitment has been conceptualised in terms of a temporal dimension, focusing on the fact that commitment becomes meaningful only when it develops over time (Moorman et al., 1992). With this continuity, customer switching may be reduced, and partners will be more inclined to work together to achieve mutual goals (Anderson and Narus, 1990) .

The next section discusses the construct of loyalty and reviews how loyalty affects B2B business relationships.

3.5 The Construct of Loyalty

Loyalty is a key construct to B2B service relationships however there have been few studies of the concept of loyalty within the B2B context (Rauyruen and Miller, 2007). Creating a loyal B2B customer base is not only about maintaining numbers of customers' overtime, but also about nurturing the relationship with business customers to encourage their future purchase and level of advocacy (Rauyruen and Miller, 2007).

Even though marketing has long considered loyalty to be an essential theme in the discipline, there is relatively little agreement on the nature of the construct of loyalty (Fullerton, 2003). Loyalty has been defined as an attitude, a behavioural intention, a behaviour and propensity (Uncles and Laurent, 1997; Dick and Basu, 1994). Sharp and Sharp, (1997) argue that loyalty has been narrowly regarded as mere repurchase behaviour. Other studies have described loyalty as a mixture of repurchase intentions, advocacy intentions and preference (Zeithaml, Berry and Parasuraman, 1990). This indicates that loyalty may be a complex bundle of constructs and concepts (Fournier and Yao, 1997). Common to the both views about the nature of loyalty is that it is active in the sense that customers become loyal as a result of experiencing and evaluating a product or service.

Customer loyalty has been defined as the customer's intent to stay with an organisation (Zeithaml et al., 1990). It is the customer's commitment to purchase more and varied products from the focal organisation and to help the organisation whenever possible to succeed (Bell et al., 2005). Loyalty has also been defined as a "deeply held commitment to re-buy or repatronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour" (Oliver, 1999, p 34).

Jones and Sasser (1995) describe loyalty as the feeling of attachment to or affection for a company's people, products or services whereby these feelings manifest them in many forms of customer behaviour. Jones and Sasser (1995, p 94) also define loyalty by stating "the ultimate measure of loyalty, of course, is share of purchases in that category. In the automobile business, it is share of garage. In the clothing business it is share of closet. And in the restaurant business as Taco Bell president and CEO John Martin says it is share of stomach".

The literature defines loyalty within a B2B context as the intention to buy repeatedly from the same supplier and the intention of continuing the relationship with the supplier (Biong, 1994). Jarvis and Wilcox (1977, p 2) state loyalty "occurs when repeat purchase behaviour is accompanied by a psychological bond. Bubb and van Rest (1973) suggest that loyalty becomes the means whereby past buying decisions affect the current one, and loyalty behaviour can be recognised as a tendency for a customer to repeatedly buy from a particular supplier.

Morris and Holman (1988) state that the definition of loyalty is controversial since the reasons for customers being loyal, and possibly the degree of loyalty, would appear to be changing as the environments of customer organisations become more turbulent and complex. They argue the construct of loyalty is such that the B2B buyers make more of a commitment, and take more of a risk in vendor selection than is found in the average consumer purchase.

The marketing literature is very clear that the antecedent to building a customer relationship must be loyalty. Loyalty has come to describe a customer's commitment to do business with a particular firm, purchasing their goods and services repeatedly, and recommending the services and products to their friends and associates (Mcllroy, 2000).

The advantage to service providers of having loyal customers is well documented in the literature. Loyal customers can lead to increased revenues for the firm (Reichheld, 1996); spend more money than non-loyal customers (O'Brien and Jones, 1995); result in predictable sales and profits streams (Aaker, 1992); are more likely to purchase additional services (Reichheld, 1996); typically led to low customer turn over (Reichheld and Sasser, 1990); often generate new business for a firm via word-of-mouth recommendations (Reichheld, 1996; Reichheld and Sasser, 1990) and have an influential role in the decision-making of potential customers (Rowley and Dawes, 2000). In addition, the service provider incurs lower costs as the costs related to acquiring new customers is reduced as sales and marketing costs are amortised over a longer customer lifetime (Clark and Payne, 1994; Jarvis and Wilcox, 1977).

Customers demonstrate their loyalty in a number of ways which may include staying with a service provider whether this continuance is defined as a relationship or not. In general, loyalty is something customers exhibit to brands, services, stores, product categories and activities (Yanamandram and White, 2006). Snyder (1986) contents that the construct of loyalty is more complex than brand loyalty linked to goods. He argues that loyalty to a service does not fit neatly within one loyalty principle and claims the complexity of loyalty for services are compounded by a variety of factors. Such factors may be directed toward a service, a service provider or towards the personnel fulfilling the service.

The next section discussions customers' actions that demonstrate their loyalty and the affects loyalty have on their relationship with the service provider.

3.5.1 Behavioural Disposition of Loyalty

Most loyalty research proclaims that loyalty is behavioural (Neal, 2000) and that loyalty is a repeat purchase behaviour led by favourable attitudes (Day, 1969). Loyalty is deemed as a consistent and biased purchase behaviour resulting from the psychological decision-making and evaluative process (Jacoby and Kyner, 1973). Oliver (1999) argues that loyalty is a consistent repurchasing behaviour, led by deep commitment and is resistant to switching behaviours induced by situational influences and competitors marketing efforts.

Shoemaker and Lewis (1999, p 349) state that "loyalty occurs when the customer feels so strongly that you can best meet his or her relevant needs and that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you – referring to you as their restaurant or their hotel". Fullerton (2000, p 14) supports the above position and states "it should not be the supportive behaviours or intentions that confer the loyalty status, rather it should be the consistency of the individual's attitudes and their intentions which led to the customer as being regarded as loyal".

For a customer to be loyal he/she holds a positive attitude and engages in number of behaviours, which are supportive to the service provider. These behaviours include continued patronage, greater advocacy and positive word of mouth and less price sensitivity (Fullerton, 2000). Over time clients will realise that they have come to expect greater value and benefits from one service provider than from others. As a result, clients' psychological attachment and trust will be strengthened and there will be the desire to continue the relationship (Pritchard et al., 1999; Backman and Crompton, 1991). As the psychological attachment grows the client will resist changing to competitors and their undivided loyalty behaviours will have developed (Chen, 2001).

It is important to remember that not all customer relationships are worth keeping for a service provider. If an organisation changes its strategy or customers change their buying behaviours they no longer fit the firm's profile (Blattberg and Deighton, 1996). Some customer relationships become more expensive to maintain due to costs to maintain these customers and/or their meagre sales revenues (Reinartz and Kumar, 2000). Lovelock and Wright (1999, p 114) support this premise by stating, "just as investors need to dispose of poor investments and banks may have to write off bad loans, each service firm needs to regularly evaluate its customer portfolio and consider terminating unsuccessful relationships".

Chumpitaz et al. (2004) argues that satisfaction is a key mediator role in the relationship between delivery service and loyalty. Chumpitaz et al. (2004) suggests that delivery service has a greater impact on the formation of loyalty attributes since loyalty is linked to the following crucial factors:

1. Loyalty reflects upon the buying centre's performance
2. Loyalty is directly tied to the customer's performance.

Therefore it can be said that satisfaction is critical to generating loyal business customers however errors and delays during the delivery service phase are more important.

3.5.2 Managing Customer Loyalty

Mcllroy and Barnett (2000) conducted a study of hotel patrons' loyalty and satisfaction. They found that over 70 percent of those guests who used the pub, bar, restaurant and health club were either very satisfied or satisfied with the service. However upon further research they discovered that only 21percent said they would use the service again, except for the restaurant. This highlights the fact that satisfaction is not an accurate indicator of customer loyalty. These hotel guests exhibit the characteristics of '*mercenaries*' a term derived by Morgan, (1996, p 31). This term is given to customers who have high satisfaction, low to medium loyalty and low commitment to the service provider.

The development of loyalty based on a customer's emotional bonding to their service provider was supported by Shemwell's et al. (1994) exploratory study. It was found that high levels of commitment have resulted in a defence motivation strategy (Eagly and Chaiken, 1995). An extreme level of commitment often leads the customer to foster selective cognitive processing of beliefs that are inconsistent with their own experiences. The significance of these arguments points to the importance of a customer's affective bond with their provider before loyalty is gained.

The levels of commitment and loyalty can be tested when customers are confronted with service failures. Customers typically react strongly to service failures and service organisations would benefit from a richer understanding of the role of affective commitment in driving post-failure attitudes and loyalty behaviours (Smith et al., 1999). Mattila's (2004) study found that affective commitment was important and demonstrated that emotional bonding moderates customer responses to service failures.

Mattila (2004) suggested that customers with high levels of emotional bonding with their service provider showed substantial attitude degradation, irrespective of the service recovery outcome. In other words, high affective commitment to a service provider actually magnified the immediate consequences of a service failure post-recovery attitude. However, Mattila (2004) found that these negative attitudes may not necessarily spill-over to behavioural responses. Her research demonstrated that there was a higher tendency of continuous loyalty with consumers with high degrees of emotional bonding with their service provider than those customers with lower levels of affective commitment. These findings are consistent with previous findings stating that past emotional responses might be more salient in predicting future loyalty behaviours than information based on cognitive beliefs (Dick and Basu, 1994).

Bitner et al. (1990) concur that customers with high affective commitment feel 'betrayed' by their service provider. Such emotionally-bonded customers might have a limited tolerance zone once a service failure occurs (Zeithaml et al., 1993). Mattila (2004) also found that a successful service recovery had less of an impact on those customers with a low affective commitment level.

To effectively manage customers better, it is important that service providers are able to distinguish between high and low affective committed customers. Affective commitment is nurtured via rapport building which suggests that repeat customers with high degrees of social bonding with certain employees be considered for special treatment in the event of a service failure (Henning-Thurau et al., 2002; Gremler and Gwinner, 2000). It is suggested for service firms to understand the degree of affective commitment amongst their customer base. In addition, affective commitment might create some 'stickiness' in terms of loyalty behaviours. Furthermore service organisations might need to develop customised service recovery strategies for their customers with high affective commitment since they have a low tolerance for service failures (Mattila, 2004). The goal is for the customer-contact employees to accept customer problems as their own and to become personally involved with the recovery process. This forms a link of respect and personal connection between the customer and the service provider.

Garbarino and Johnson (1999) found that different factors mediate the future intentions of customers with weak and strong relationships. They found that low relational customers future intentions are driven by overall satisfaction. High relational customers were driven by trust and commitment. For high relational customers overall satisfaction had no influence on future intentions. Furthermore, they suggested that relationship marketing programmes directed towards high relational customers should focus on maintaining and building trust and commitment, not satisfaction. This argument is supported by Berry (1995) who argues that service organisations may need to pursue dual relationship and transactional marketing strategies because of differences in customer proneness for loyalty.

The next section discusses the construct of loyalty as it pertains to attitude strength and attitudinal differentiation.

3.5.3 Relative Attitude of Loyalty

The view that loyalty is a distinct construct has had a predominant place in some literature (Stern, 1997; Uncles and Laurent, 1997 Jones and Sasser, 1995; Ping, 1993). However Dick and Basu (1994) have questioned the position that loyalty is a construct and suggest loyalty is a relationship between a supplier, relevant behaviours such as conducting future business with the supplier and acting as an advocate on behalf of the supplier (Dick and Basu, 1994). They have developed a framework for customer loyalty that combines both attitudinal and behavioural measures that proposes loyalty is determined by a combination of repeat purchase levels and relative attitude (see table 3.2 listed below).

Table 3.2 Loyalty Model
Source: Dick and Basu (1994, p 101)

		Repeat Patronage	
		High	**Low**
Relative Attitude	**High**	**Loyalty**	**Latent Loyalty**
	Low	**Spurious Loyalty**	**No Loyalty**

Dick and Basu's (1994) model is based on the following three types of loyalty:

Latent Loyalty: exists when a customer has a strong preference for, or an attitude toward a company's brand over its competitors' brands, but does not exhibit high repeat patronage due to some situational or environmental variable.

Spurious Loyalty: is present when a customer frequently purchases a brand, but sees no significant differences among brands; purchases are based purely on prior experiences.

No Loyalty Existing: customers see few differences between alternative brands and there are low repeat purchases.

The significance of classifying loyalty into these three categories can be useful to marketers as they attempt to acquire or retain customers' loyalty. Once marketers of services have identified the type of loyalty most associated with their brand, strategies can be imposed that are appropriate for building loyalty under the conditions that exist for that service (Javalgi et al., 1997).

Studying spuriously loyal customers may help to reduce customer switching as persistent customer defection has a harmful impact on a service provider's performance. Losing a customer either completely or in terms of reduced re-purchase rate reduces sales volume and must be made up by attracting new customers by even more concentrated marketing activities (Zins, 2001). Studies demonstrate that a 5 percent decrease in customer attrition could translate into a 25-85 percent increase in profits, depending on the service sector (Reichheld, 1996; Reichheld and Sasser, 1990). Therefore, maintaining and developing customer loyalty is crucial to survival and growth with service providers (Reichheld, 1996).

The literature suggests that the size of the buyer's firm (number of employees) has a negative effect on both loyalty and loyal behaviour (Lilien and Wong, 1984). Chow and Holden, (1997) found that small firms do not have the resources for extensive specification and testing of incoming components and must rely on their suppliers for quality products. Also, small firms do not have the resources to carry large inventories to safeguard against disruptions in supply.

Chow and Holden, (1997) argue that small firms must trust their suppliers in order to survive, regardless of the physical switching costs. In turn, these suppliers must provide the necessary support systems, including customer and technical services that encourage trust and build loyalty. They argue that larger firms have an apparent economic advantage gained from achieving lower prices on larger volumes of purchases. Also, larger firms are able to control their suppliers and maximise the return on individual transactions. The net result is that trust in the supplier becomes of limited value as the larger firm adapts to short planning schedules and evaluating alternative suppliers based on a limited number of product attributes such as price and availability.

The next section discusses the construct of risk and will be focusing on risk importance and risk probability.

3.6 The Construct of Risk

Risk has been described as the factors surrounding a buying situation and involve a fundamental uncertainty about a purchasing decision with a supplier as well as the magnitude of the consequences associated with making the wrong choice (Hut and Speh, 2001). Laurent and Kapferer (1985) developed a construct of risk perception that includes risk importance and risk probability.

A brief explanation of Laurent and Kapferer's (1985) model will be discussed. Risk importance is the perceived importance in the buyer's mind of the potential negative consequences of a poor purchasing decision being made. It is derived from both personal and organisational risks. The risk importance given to a supply decision is related to the importance of the suppliers' services and how essential the services are to the customer's operation (Brand, 1972).

Monczka et al. (1998) argue that supply decisions offering the greatest potential contribution to both profit and competitive advantage are highly essential and deserve the most attention from the customer. Dyer et al. (1998) also support this idea by suggesting the highest risk to relationships occurs with key suppliers who are providing customers with strategic inputs like high value-added products or services. A poor choice of strategic suppliers threatens to introduce unreliability, inefficiency, and performance failures, which detriment the organisation's core operations and in turn the purchasing agent's job security and status with the customer's firm (Moriarty, 1983; Webster and Wind, 1972).

The second component of Laurent and Kapferer's (1985) model involves risk probability, which is the perceived probability of making a poor choice. A critical factor affecting risk probability is the degree to which a buyer feels confident about service provider's capabilities. When product or service requirements are difficult to describe in a specification, or significant differences among potential providers are not easily distinguished, organisational buyers fear selecting an incompetent provider. Such a provider "is someone who doesn't really understand the customer's problems and is likely to be confronted working with the customer to tweak the design over time. The result may be supplier-requested engineering changes, additional charges from the supplier, and difficult communication resulting in delays and poor quality" (Fleischer, 2000 p 16).

Inadequate information about potential supplier capabilities often leads to the perception of significant risk in buying situations (Hunter et al., 2004). Hunter et al. (2004) have created a framework to classify decision making in different industrial buying situations – see table 3.3 below. The framework has strategic implications for both organisational buyers and sellers. It guides the buyer in identifying the most critical purchase criteria in different buying situations. The framework evaluates risk importance and risk probability as the two variables of organisational buying. Each of the framework's four quadrants represents a different buying situation based on the essentiality of the product, the capabilities of potential suppliers and ease of qualifying the suppliers' capabilities, and the ease of specifying the necessary product or services.

Table 3.3 Model Of Risk Importance and Risk Probability
Source: Hunter et al. (2004, p 148)

Risk Importance	Low (Risk Probability)	High (Risk Probability)
High	Strategic Diversification • Essential, differentiated products • Many potential suppliers with similar capabilities • Product specifications easy to develop LH	Relationship Development • Essential, differentiated products • Many potential suppliers with variation in capabilities • Difficult to assess supplier capabilities • Product specifications difficult to develop HH
Low	Disintermediation • Non-essential substitutable products • Many potential suppliers with little variation in capabilities • Product specifications easy to develop LL	Reintermediation • Non-essential, substitutable products • Many potential suppliers with variation in capabilities • Product specifications moderately easy to develop HL

The following discussion will explain each of the four quadrants from Hunter's et al. (2004) model.

High-risk probability/high-risk importance (HH): Relationship Development

This situation occurs when the buyer perceives high degrees of both risk importance and risk probability. An example would be when the buyer is sourcing complex engineering services and/or products that are difficult to specify. It is essential that the supplier recognise that relationship building is critical to mitigate the buyer's perception of high-risk importance (Dyer et al., 1998). Early in the relationship it may be difficult for the buyer to develop service specifications, especially if the required service is outside the buyer's core competence.

The chance of making a poor supplier choice, perceived risk probability, increases with the availability of numerous potential service providers who vary widely in capabilities or whose capabilities are difficult to assess. In these high-risk situations, organisational buyers typically undertake an extensive, deliberate buying process rather than making a casual selection to reduce decision risk (Hut and Speh, 2001; Mittal and Lee, 1989; Greenwald and Leavitt, 1984; Sheth, 1973).

When both high-risk importance and high-risk probability are perceived, industrial buyers often turn to relationship building to reduce decision risk. The result is source loyalty, where the buyer tends to favour known suppliers to reduce risk (Beatty and Smith, 1987; Moriarty, 1983; Webster and Wind, 1972). Incumbent suppliers typically have the advantage "because they are meeting business needs and most buyers tend to be risk aversive when examining alternatives" (Kapoor and Gupta, 1997, p 26).

The LL quadrant (Disinttermediation) represents nonessential purchase situations that are both low in risk probability and risk importance. These situations involve commodities such as stationary, cleaning products and office supplies and pose little risk to the organisation. These long-standing items have product specifications that are easy to identify, substitutable in nature and are offered by a variety of similarly qualified suppliers. A minimum price model can be applied to explain disintermediation buying behaviour suggesting that buyers sourcing substitutable products typically attempt to minimise the price as long as a minimum specified quality is met (Nagle and Holden, 1995). In the event that the buyers of these low-risk commodities are not satisfied with their current supplier, they will rapidly and simply replace the supplier with another one (Helper and MacDuffie, 2000).

The HL quadrant (Re-intermediation) is characterised by the organisational buyer who perceives a high degree of risk probability but low-risk importance. For the buying firm the item has low strategic value and is not essential to the operation. In many cases the item's specifications are readily identified and it is easily substituted which minimises the risk if a poor buying decision is made.

High perceptions of risk probability occur in this quadrant because a number of suppliers are available however they vary substantially in capability. Subtle capabilities, including the ability of the buyer-seller to work well together are critical determinants of the success of the working relationship and their ability to agree on mutually beneficial service or product strategies (Colvin, 2000; Schaff, 2000).

The LH quadrant (Strategic Diversification) represents buying situations similar to the ones found in the HH quadrant since they are typically differentiated and essential. Both the LH and HH situations create perceptions of high-risk importance. Products or services in the LH quadrant are readily specifiable and are composed of readily identifiable competencies. The buyers can easily assess the fit between the supplier capabilities and their product needs resulting in a perception of low-risk probability. The risk of selecting an unsuitable or unqualified supplier is also considered a *strategic diversification* since there are many suppliers available offering similar capabilities.

The LH buying situation is just as critical to the buying organisation however this situation demands less from the buyer-seller relationship. The existence of a pre-existing specification eliminates the need for the buyer and seller to work closely to define the specifications for the delivered product or service. "The constant sharing of information - and the trust upon which interdependence is based – is not required. The LH situation allows for a more traditional, arms-length supplier relationship where hand-offs occur between firms as opposed to intense and risky collaboration" (Hunter et al., 2004, p 152).

A potential supplier management strategy for firms in the LH buying situation is controlled diversification (Hunter et al., 2004) which limits dependency and risk by maintaining numerous alternative suppliers. The strategy of controlled diversification centers on limiting the number of alternative suppliers to achieve the benefits of diversification – low costs, price competition and supply continuity – while reducing administrative costs of having to manage numerous suppliers.

A standard diversification strategy allows for the buyer to select from a greater number of qualified suppliers. This strategy allows the buyers to frequently shift the number of business awarded to each qualified supplier in order to increase their negotiating power (Sarkar et al., 2001; Helper and MacDuffie, 2000). Controlled diversification is suitable for buying situations in quadrant LH since it "allows a buyer to maintain competition among suppliers of essential products yet skilfully and efficiently manage them" (Hunter et al., 2004, p 153).

Jackson (1985) found the best way for suppliers to develop loyal customers and minimise losing customers is to build physical switching costs thus making it more difficult and expensive for customers to move their purchases to alternative suppliers. This idea was supported in part by Chow and Holden (1997) who found that creating switching costs were a reasonable approach for complex systems where both the risk of failure and cost of changing suppliers are high. However, they suggested that loyalty can be achieved when the risk of failure is high but switching costs are low and products are in some cases viewed as commodities. Chow and Holden (1997, p 283) provide this customer's quote:

"We might be able to able to save 10% or more on the cost of a $ 1 circuit board substrate by putting it out to bid. When that board was etched and drilled, it was worth $ 10. When it was stuffed with electronic components, it was worth $ 100. If it failed in a product before shipment, it was worth $ 1,000 and if it failed in the field it could cost the firm as much as $ 10,000 to repair. It just wasn't worth the risk to try a lower priced circuit board".

The above quote exemplifies customers' unwillingness to risk quality for lower prices or risk using an unknown supplier. Tait and Guevel (2000) argue that buyers fear the threat of supply delays and poor quality that could shut down production and damage end products. Price sensitivity research confirms that buyers are willing to pay more for a known supplier who will surely deliver in an effort to minimise risk (Nagle and Holden, 1995). For buyers in high-risk situations, where quality and supply are crucial, the overall value provided by a supplier is determined more by factors as quality, customisation, process integration, after-sales service and, long-term joint cost reduction programmes than price (Hutt and Speh, 2001; Wise and Morrison, 2000).

3.7 Chapter Summary

This chapter began with a discussion about the attributes of relationship strength while stressing the need for cooperation and flexibility in the buyer-seller relationship. The chapter then discussed in detail the key constructs that consummate a B2B relationship - the attributes of trust, commitment, loyalty, and risk.

The next chapter discusses the antecedents of switching behaviours and non-switching behaviours. That chapter will be identifying switching costs, switching barriers and provide a discussion about the significance of switching and the implications switching behaviours have on the B2B relationship.

Chapter 4 Switching and Non-switching Behaviours

"An old truth is that it is more profitable to retain existing customers than to strive to attract new ones". (Fornell, 1992, p 6)

4.1 Introduction

This chapter begins by discussing the significance of switching and addresses the current marketing literature of switching behaviour in the B2B service sector. The key components of switching behaviours, switching costs and switching barriers will be discussed. The chapter then reviews the antecedents of switching which are known in the literature as 'switching triggers'. In addition the chapter will explore non-switching factors and antecedents of non-switching. These non-switching activities led to the terms of, retention, or 'sticking'.

4.2 Significance Of 'Switching'

It is important to understand the components of switching to grasp a better understanding of a client's switching decision process. It is well documented in the literature that loyal customers are the best to have since they bring a myriad of benefits to the provider (Lam et al., 2004; Roos et al., 2004; Burnham et al., 2003; Dick and Basu, 1994). Loyal customers provide higher profitability, serve as partners in developing new products and are "imperious to the advances of competitors" Srinivasan (1996, p 1). Loyal customers can lead to increased revenues for the firm and purchase additional services (Reichheld, 1996); spend more money than non-loyal customers (O'Brien and Jones, 1995); result in predictable sales and profit streams (Aaker, 1992).

Vendors who have successful relationships with selected customers in turn experience the benefits of higher profitability through reduced marketing and administration costs and better sales growth compared to supplier firms that use a transactional approach to servicing customers (Kalwani and Narayandas, 1995). These arguments signify that loyal customers share valuable feedback about a provider's product, delivery service and how the service provider performs against competitors. By understanding the antecedents of switching behaviours service providers are able to manage their clients' efficiently and confidently may prevent them from switching.

The marketing literature has been advocating that vendors establish customer relationships that extend beyond individual market transactions (Berry et al., 1991; Dwyer, Schurr, and Oh, 1987) and to pursue strategies that build and fortify existing relationships with current customers (Anderson and Narus, 1991). Blatteberg, Getz, and Thomas (2000) argue that the customer is a financial asset that companies and organisations should measure, manage and maximise just like any other asset. This belief adds credence to the need of retaining customers while minimising the opportunities of switching behaviours.

For some service providers it is easier and less costly to preserve their customers by using switching costs than by deploying competitive pricing or exemplary service (Jones et al., 2007). Other service providers believe that switching costs are antecedents of customer loyalty and are considered by customers as an investment of time, money and effort (Gremler and Brown, 1996). In other words switching costs can become an integral part of sustaining loyal customers.

4.3 The Antecedents of Switching Behaviours

Switching refers to a gradual shift of business to competitors or the immediate termination of a relationship with the service provider (Liu, 2006). This termination may either be followed by initiating a relationship with another service provider, by performing the service themselves, or refraining from the service altogether (Zeelenberg and Pieters, 2004). The literature also uses the word '*exit*' when a customer switches service providers (Panther and Farquhar, 2004).

This research has explored incidents where the client has *completely* switched service providers and awarded all of their business to a new provider. For this study 'partial switching' situations have not been included. Examples of partial or incomplete switching would include:

- Half switches: the customer transfers half of their business to a new supplier; the other half is still managed by the incumbent provider
- A switch is in progress: contractual or logistical matters have not been completed, hence a complete switch has not been made
- An inactive switch: decision was made to switch, however the switch was never made for some reason

4.3.1 Switching Costs

Switching costs represent those investments in people, assets or procedures placed into a relationship over time that must be foregone in the event that a relationship terminates (Barnes et al., 2007). The concept of customer switching costs has been recognised for quite some time by several academic disciplines, primarily in marketing (Burnham et al., 2003), economics (Stigler and Becker, 1997; Klemperer, 1987) and strategy (Porter, 1980). It is recognised that switching costs are key elements in achieving competitive advantage, and research indicated that they are becoming even more strategic in the competitive business environment (Shapiro and Varian, 1999). Caruana (2004, p 256) states "switching costs are generally defined as costs that deter customers from switching to a competitor's product or service". They are known to be one of the key sets of antecedents to customer loyalty and their importance has been highlighted in the literature (Lee et al., 2001). It is significant from both a theoretical and managerial perspective to clarify and understand the concepts of switching costs and customer loyalty and to identify their dimensions and empirically seek to determine their effect on the business operations (Caruana, 2004).

Switching costs have included the onetime cost associated with a customer's selection of a new service provider (Porter, 1980) and "the sacrifices or penalties consumers feel they incur in moving from one provider to the next" (Jones, 2007, p 337). However such costs may not occur at the time of the switch but may also be incurred during the switching process or at a later date (Lee et al., 2001). Such an example would be the expense of upgrading to a new computer network to accommodate a new provider's service. This signifies that switching costs are encountered throughout the purchase and post-purchase decision making process.

Switching costs therefore include any financial or non-financial costs or hindrances a customer may encounter when selecting a new service provider. They could also be considered an anticipated cost in the future (Lee and Cunningham 2001). Lam et al. (2004) and Jones (2002) have defined switching costs as those expenses involved in changing from one supplier to another and can be in the form of monetary and nonmonetary costs (time and psychological efforts). Switching costs are those tangible or intangible costs that deter customers from switching to a competitor's product or service (Caruana, 2004).

Switching costs are conceptualised as the customer's perception of the magnitude of the additional costs required to conclude the current relationship, and secure an alternative provider (Ping, 1993; Jackson, 1985; Porter, 1980). These perceived penalties for disloyalty discourage customers from switching to a competitor (Yanamandram and White, 2006). Switching costs include not only those costs that can be measured in monetary terms but also the psychological effect of becoming a customer of a new firm, and the time and effort involved in buying new product (Kim et al., 2003; Sengupta et al., 1997; Klemperer, 1995; Dick and Basu, 1994).

It has been argued that the cost of switching providers tends to be higher for services than for goods (Gremler and Brown, 1996). Switching costs are high for services that are intrinsically difficult to evaluate, or for which there is only a limited number of suppliers (Patterson and Johnson, 1993; Brown and Swartz, 1989). Services are intangible and heterogeneous therefore customers will perceive higher risk in services than goods (Javalgi et al., 1997). As perceived risk increases, the likelihood of loyalty to one service provider increases (Javligi and Moberg, 1997).

Patterson (2004) comments that service firms should actively consider how switching costs might be strategically employed as a mechanism for customer retention. Patterson (2004, p 1312) states, "for high contact services that often involve intimate contact, physical proximity and moderate to lengthy duration (e.g. medical, physical therapy, vacation experiences, serviced offices, and tertiary education), and even medium contact services (e.g. travel agents, financial planning services, tax planning, dry cleaning and child minding), staff might be trained to nurture close relationships with clients".

The above quote identifies the need to ensure the client feels welcome and part of the social interaction offering of the service provider. This allows an opportunity for social bonds or strong network ties to be developed (Adelman et al., 1994) or even a quasi-friendship with individual service personnel (Bove and Johnson, 2002). Some customers will be motivated to avoid the accompanying psychological and emotional stress that comes with terminating such quasi-social relationships (Patterson and Smith, 2003). These social bonds add value to the relationship for the client, and "not only become a source of satisfaction with the overall service, but also act as a disincentive to switching because the clients have made a psychological investment in the relationship" (Patterson, 2004, p 1309). In addition by ensuring customers have the knowledge to best use the service creates a psychological investment in the relationship with the service provider.

Influential switching costs identified in the literature include, the hassle and efforts to switch along with uncertainty (Panther and Farquhar 2004). Panther and Farquhar (2004) found that switching costs create exit barriers and may lead to a sense of loyalty rather than switch in response to dissatisfaction. This false loyalty is based on the punitive nature of switching costs. A service provider may deploy a strategy of imposing switching barriers as a cost-effective alternative instead of pursing truly loyal customers through satisfaction (Ranaweera et al., 2003).

4.3.2 Switching Costs Affecting Loyalty and Dependency

The realm of switching costs could also include the loss of loyalty benefits that come as a result of ending the current relationship (Jap and Ganesan, 2000; Heide and Weiss, 1995). These loyalty benefits include particular investments and familiarity with a particular supplier's procedures will be lost if the customer or supplier terminates the relationship. Lee and Cunningham (2001) extend this premise by suggesting insurmountable switching costs occur when one or both parities form some type of dependency. This may include a dependency on shared resources, suppliers or customers. This locked-in dependency creates a tremendous switching cost which may limit the customer to break-away from their provider.

Gronhaug and Gilly (1991) suggest that increasing switching costs is a common strategy advocated to increase customer loyalty as the costs of switching to alternative suppliers can discourage customers from using alternative suppliers This position is supported by Lam et al. (2004, p 307) who states, "switching costs, which can be in the form of monetary expenses, time and psychological effort all benefit the service provider to retain their customers".

A similar premise is shared by Dwyer et al. (1987) and Heide and Weiss (1995) who argue, all else being equal, a customer will be motivated to stay in an existing relationship to economise on switching costs and transaction-specific investments made for the relationship. They argue that the buyer-seller relationship represents an investment of time, effort, and money, which constitutes a significant barrier to switching to alternative service providers when the customer is dissatisfied.

4.3.3 Identifying Switching costs

The literature suggests that customers' perceive the greatest switching costs being the time and effort spent in the information search of selecting an alternative service provider (Hartmann, 2007). Brown (2001) confirms this premise and adds that perceived risk and the uncertainty of dealing with a new service provider are also significant switching costs for customers. Burnham et al. (2003) conducted switching studies with a sample of customers who used either long distance telephone service or credit cards. They identified eight switching costs and have segmented them into three 'higher order switching cost types' described in table 4.1 listed below.

Table 4.1 A Typology of customers' Perceptions of Switching Costs
Source: Burnham et al. (2003 p 112)

Procedural Switching Costs	Financial Switching Costs	Relational Switching Costs
Economic Risk Costs	Benefit Loss Costs	Personal Relationship Loss Costs
Evaluation Costs	Monetary Loss Costs	Brand Relationship Loss Costs
Set Up Costs		Brand Relationship Loss Costs
Learning Costs		

A brief explanation of each switching costs within the cost types is provided below

Procedural Switching Costs:

- Economic risk costs: Performance risk, financial risk, and convenience risk.

- Evaluation costs: Time and effort for the search and analysis to locate a new provider prior to making a switching decision. Mental effort is consumed by the customer to make the most informed decision, similarly reported by Shugan (1980).

- Learning costs: Time and effort expended to learn the latest systems and processes of a new provider effectively, commonly known as the learning curve.

- Setup costs: Time, effort and monetary costs to formulate a relationship with the new provider. Examples would include new computer software to exchange information, establishing new transportation links, forming new communication channels.

Financial Switching Costs:

- Benefit loss costs: Include any loyalty program incentives or rewards, any time service discounts or any possible economies of scale.

- Monetary costs: Onetime financial layouts incurred to switching to a new provider. Other than those used to purchase the new product/service itself (Heide and Weiss, 1995). Such costs could include credit checks, initiation fees (Guiltinan, 1989)

Relational Switching Costs:

- Personal relationship loss costs: Result of dealing with the new provider's staff. There could be a lack of trust and commitment when dealing with staff from a new service provider.

- Brand relationship loss costs: Customers will need to form new branding identifications. Utilising a provider's brand could be an integral part of a client's business model and have become part of their corporate identity and culture (McCracken, 1986).

Switching costs have been described as issues within or beyond a customer's control that causes the customer to switch (Patterson, 2004; Bansal and Taylor 2002) and may include:

- Search costs
- Transaction costs
- Learning costs
- Forfeiting loyal customer discounts
- Breaking customer habits
- Emotional costs
- Psychological risks
- Cognitive efforts

Jones et al. (2002) conducted a study examining the underlying dimensions of switching costs from a variety of service sectors. Jones's study presented six distinct dimensions of switching costs relevant in the service sector which are presented in table 4.2. The table also lists the respective correlate to the switching cost. In the third column lists potential strategies and actions that would off-set the negativity of the switching cost. The value of this chart is the dimension and description of the key switching costs within certain segments of the service sector.

Table 4.2 Dimensions of Switching Costs
Source: Jones et al. (2002, p 442)

Dimension	Description	Potential Correlates	Potential Strategic Implications
1. Lost Performance costs	Perceptions of the benefits and privileges lost by switching	-Service Quality -Interpersonal bonds -Repurchase intentions	-Focus on augmented service -Frame benefits to switching as current losses
2. Uncertainty costs	Perceptions of the likelihood of lower performance when switching	-Heterogeneity of service outcomes -Intangibility of service -Repurchase intentions	-provide tangible quality cues -encourage +WOM -provide service guarantees
3. Pre-switching search and evaluation costs	Perceptions of the time and effort of gathering and evaluation information prior to switching	-Geographic dispersion -limited alternatives -low brand awareness -intangibility of service -repurchase intentions	-Increase number/visibility of locations -increase availability of information -provide tangible quality cues -encourage positive WOM
4. Post-switching behavioural and cognitive costs	Perceptions of time and effort of learning a new service routine subsequent to switching	-High customisation -Detailed service scripts -high customer involvement -repurchase intentions	-Create efficient and logical service routines -provide adequate information regarding service roles and routines
5. Setup costs	Perceptions of time, effort, and expense of relaying needs and information	-Length of patronage -Interpersonal bonds -Cumbersome information-gathering procedures -Repurchase intentions	-Create efficient and effective modes of communication between customer and service personnel
6. Sunk Costs	Perceptions of investments and costs already incurred in establishing and maintaining relationship	-Length of patronage -Interpersonal bonds -High customer involvement -Repurchase intentions	-Promote fast, easy, and low-cost transition between providers -frame sunk costs as minor compared to the future stream

Certain switching types (search costs, set up costs, risk perceptions, inconvenience, and loss of privileges) have a bearing on the customer's decision to stick or switch and they moderate the relationship between satisfaction and repeat patronage. Jones et al. (2000) argues that such switching costs and barriers are managerially important because they generally encourage retention and assist firms to weather fluctuations in service quality and customer satisfaction that might otherwise end in customer defections.

4.3.4 Perceived Switching Costs

Perceived switching costs are defined as a buyer's perception of the costs associated with terminating a current service provider and establishing a new relationship with a replacement supplier (Liu, 2006). Since a customer's business processes and operations are so crucial to their overall operation, it is necessary for the customer to have pre-planned a suitable replacement provider prior to switching from the current provider. Therefore perceived switching costs should include both past investments lost and the potential adjustment costs in establishing a new service provider relationship (Burnham et al., 2003). It is noted that distinctive investments that cannot be easily transferred to other service providers can increase a customer's switching costs (Heide and John, 1988).

Switching costs do not have the same impact for each customer and will be evaluated and delivered differently by each individual service provider (Sharma and Patterson, 2000; Young and Denize 1995). The impact of switching costs affects each customer differently and it is best for service providers to understand how each of their customers' perceives switching costs. The customers will evaluate and combine all of the separate switching costs and perceived costs to make an informed switching strategy (Hirschman, 2000).

From the B2B buyers' perspective, the established personal relationships, along with familiar procedures, and knowledge of contact persons which are present with a current supplier, may be viewed as perceived switching costs (Bateson and Hoffman, 1999; Czepiel et al., 1985). Jackson (1985) argues that forming a new relationship not only requires the sacrificing of past achievements, but also requires modification of the established routines which motivate the customers to stay in existing relationships to economise on switching costs. As such, perceived switching costs can be viewed as non-switching barriers that hold customers in relationships (Jones et al., 2002).

Dwyer et al. (1987) argues that perceived switching costs indicate the ease or degree of difficulty a B2B buyer has in replacing an existing supplier. From the perspective of the buyer, the ability to replace a supplier decreases dependency on that supplier, which allows alternative choices. However, the hassle involved in searching and comparing alternatives, the potential monetary and non-monetary loss of past investment, often generate distressing reactions within the buying firm, and therefore, create inertia and dependency with the current supplier. This inertia and dependency consequently magnify perceptions of high switching costs (Liu, 2006). The literature indicates that highly perceived switching costs will decrease a customer's search efforts, and will limit the consideration to switch providers. (Heide and Weiss, 1995). Additionally, perceived switching costs are found to increase future interactions, commitment (Heide and John, 1992; Anderson and Weitz, 1992) and decrease exit intentions (Ping, 1994).

Suppliers who are attempting to lock-in their customers for the long haul should introduce relationship-oriented activities and practices as an effective strategy to manage value perceptions in the competitive services market (Liu,2006). Liu (2006, p 35) states, "qualitative interviews revealed that relational activities such as visiting customers when needed, informing customers of new developments, and being knowledgeable about customers' businesses are ways to enhance relational value perceptions". Perceived switching costs that extend from perceptions of high relational value are not likely to weaken since these costs are associated with personal relationships, and accumulated learning costs and set up costs (Burnham et al., 2003).

4.3.5 How switching costs affect customers

Bell et al. (2005) have conducted research examining customer relationship dynamics within the financial services industry. They argue over a series of transactions, customers build switching costs through development of personal relationships and the accumulation of firm-specific knowledge and sunk costs. Bell et al. (2005, p 182) found switching costs "often breeds complacency within organisations due to the assumption that long-term customers will continue to be loyal despite fluctuations in service quality". They found that both technical and functional elements of the service remain consistently important even as switching costs increase with the development of the relationships.

Bell et al. (2005, p 182) state, "firms must be as attentive to long-term clients entangled in switching costs, as they are to new clients with low switching costs in the 'honeymoon' phase of the relationship. The spirit of relationship marketing and customer retention underscores the importance of looking after older more established clients rather than simply chasing after new ones". In other words they suggest it is all-too-tempting for some service providers to neglect the commitment of long-term loyal customers while developing new relationships with unproven customers.

4.4 Switching Barriers

Marketing researchers have noted that switching barriers have received relatively scant attention in marketing yet they represent a potential strategy for retaining key customers (Patterson, 2004; Jones and Sasse, 1995). Studies have shown that actual and perceived switching barriers affect a customer's level of satisfaction and ultimately their decision to retain or switch their service provider (Jones, 2000). Patterson's (2004) research indicated that switching barriers are important factors influencing a customer's decision to remain with a service provider.

Switching barriers are costs (financial, time and psychological) of changing to an alternative provider and act as disincentives or obstacles of defection (Maute and Forrester, 1993). Ranaweera (2003, p 379) states, "switching barriers have both a positive effect on customer retention as well as a moderating effect on the relationship between satisfaction and retention".

Switching barriers increase the cost to switch to another supplier or vendor. In addition any pursuit of the provider to limit comparable buyer alternatives for repeat purchase is a business's strategy to establishing customer switching barriers. Fornell (1992, p 9) states, "the firm makes it difficult, expensive or even illegal for customers to switch. The monopoly is one example, but a firm can erect switching barriers in many ways without becoming a monopoly".

As defined by Jones et al. (2000) a switching barrier is any factor that makes it difficult or costly for customers to change providers and can be:

- imposed by the customer, to prevent a switch
- imposed by the service provider, to prevent an existing customer from switching
- unintentionally occurring barriers due to the lack of compatibility of both the customer and provider

Low and Johnston (2006) argue that technology incompatibility is often seen as a major inhibiting factor in the adoption of new technology, particularly when it involves substantial capital expenditure outlay and an uncertain technological migration path.

Buyers also encounter switching barriers as a result of entering a relationship with a new supplier. Established relationships with well developed routines and procedures in dealing with the present supplier will need to be modified if a new relationship is formed (Heide and John, 1992). In some incidents an entire set of working relationships will need to be established with different parts of the supplier's organisation, such as with technical support personnel and application specialists (Weiss & Heide, 1993).

Patterson (2004, p 1305) suggests that switching barriers are common and states, "so called 'loyalty programmes' associated with hotels, airlines, department stores and car rental companies are an obvious example of programmes designed with switching barriers". Frequent flier loyalty schemes are an example of economic/financial switching barriers (Dowling and Uncles, 1997) where loyalty incentives are forgone if a member elects to fly with an alternative airline. Such schemes have the effect of 'locking-in' a customer. Switching barriers have been built into the frequent flier programmes to ensure customers do not use competitive airlines. Air travel rewards are made under the ostentatious conditions pre-set by the airline firm. The rules of such schemes act as switching barriers and have been constantly rewritten and updated to disfavour the customer (Whyte, 2004).

4.5 Antecedents of Switching Triggers

This section reviews the antecedent of switching, or the 'triggers' that cause switching. A *switching trigger* is the source or starting point of the fluctuations in customer relationships in the context of the switching decision (Roos and Gustafsson, 2007). A prominent and widely cited study of B2C switching behaviour within the service sector is Keaveney (1995). Keaveney's critical incident study was one of the first to examine switching barriers as a determinant of customer switching behaviour. Keaveney's study involved 468 incidents of switching that occurred within a sample of 45 service companies (example: dry cleaners, sit down restaurants, medical doctors' services, lawn care, hotels and airlines). The study identified the following core switching triggers which are presented in table 4.3 listed below.

Table 4.3 Summary of B2C Switching Triggers
Source: adapted from Keaveney (1995)

Switching Trigger	Explanation
1. Pricing	unfair pricing; price increases; high prices; deceptive pricing
2. Inconvenience	location of provider; waiting time; hours of operation
3. Core Service Failures	mistakes, billing errors and service catastrophes
4. Service Encounter failures	attributed to some aspect of the service employees' behaviours or attitudes including, uncaring, impolite, unresponsive or unknowledgeable
5. Employee Responses to Service Failures	customer switched not because of the specific problem but from the service provider's failure to handle the situation correctly
6. Attraction by competitors	moving to a better service provider; customers seeking better personal attention, higher quality, greater reliability
7. Ethical Problems	switching occurred when the incumbent provider performed the following behaviours: dishonesty, unsafe or unhealthy practises, intimidating actions, conflicts of interest
8. Involuntary Switching and seldom-mentioned incidents	incidents beyond the control of either the provider or customer occurred, including: a relocation or move

Keaveney's study was unique for it pioneered the study of B2C switching behaviours while conducting a qualitative study whereby the customer was asked a single open ended question:

"Please tell us in your own words, what happened. Why did you switch service providers?" (Keaveney, 1995 p 74)

Keaveney's study was significant because its goal was to assist managers in their understanding of customer defections and provide researchers with a foundation for future systematic investigation (Strong and Lloyd, 1997). Keaveney's study is noteworthy since it reviewed actual incidents of customer switching; prior studies of switching focused primarily on quality, satisfaction or service encounters. Keaveney discovered there are three key switching antecedents: cores service failure, service encounter failures and pricing. Table 4.4 summarises Keaveney's findings.

Table 4.4 Identifying the antecedents of switching
Source: adapted from Keaveney (1995)

Switching Antecedent	Percentage of sample stating this was a switching antecedent	Percentage of sample stating this is the *only* switching antecedent	Percentage of sample stating this was one of two or more switching antecedents
Core Service Failures	44%	11%	33%
Service Encounter Failures	34%	9%	25%
Pricing	30%	9%	21%
Inconvenience	20%	21%	not provided
Employee Responses to Service Failures	17%	not provided	not provided
Attraction to Competitors	10%	not provided	not provided
Ethical Problems	7%	not provided	not provided
Involuntary Switching	6%	not provided	not provided

Keaveney came to the conclusion that it is combinations of causal factors interacting to cause customer switching and suggests a need to design services research that focuses directly on customer switching behaviour. Keaveney suggests measuring the total effects of service variables on customer switching behaviour, multiple antecedents must be investigated simultaneously. Keaveney also argues that six of the eight switching factors are controllable from a service provider's point of view (the two uncontrollable factors being, attraction by competitors and involuntary switching).

Keaveney suggests that service managers take action to prevent customer switching. Such actions may include a zero-defect philosophy to deliver a technically correct service every time, developing policies for effective service recovery (Berry and Parasuraman, 1991; Hart et al., 1990). Keaveney (1995, p 80) further states, "customer defections caused by unsatisfactory employee-customer interactions might be reduced by teaching employees to listen to customers, return telephone calls promptly, keep customers informed and explain procedures and by training employees in technical, state-of-the-art knowledge".

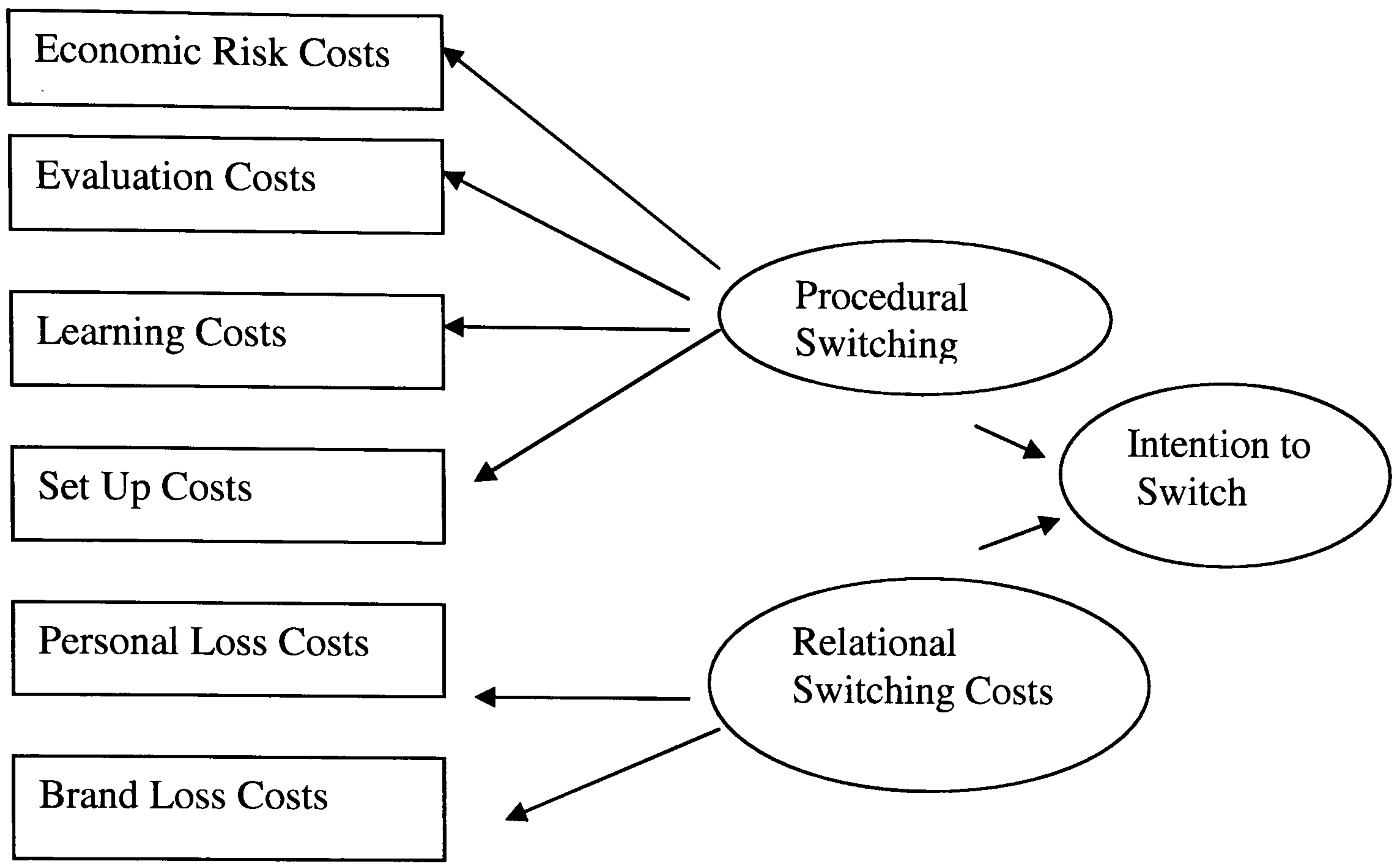
Keaveney recommends that service firms might track information about customer switching behaviour to signal market trends, measure the performance of competitive strategies, or keep current with new customer demands. She also states, "researchers in the future might conduct a parallel study among service providers to gain perspective from the other side of the dyad" (Keaveney, 1995, p 81).

Keaveney's findings have been have incorporated into the design of this *B2B* research study. The aim of this thesis is to study switching behaviours within the *B2B* service sector which will help service providers understand client switching – an aim that is identical to Keaveney's study. Keaveney suggests future research be conducted using dyads, which was taken into consideration for the methodology of this thesis. However, this study has used a series of *triad interviews* to capture robust and extensive switching behaviour data from all three parties involved in a switching decision.

4.6 Financial Costs as a Switching Enticement

Hu and Hwang (2006) conducted switching research using a sample of mobile phone users in Taiwan whereby the mobile phone market is an oligopoly and highly saturated. Their study reviewed the correlation between switching costs and the intention of switching. The significance of this study is that they have created a model that indicates the intent to switch is dependent on procedural and relational switching costs. Figure 4.2 identifies the switching costs from their model and discusses the significance of procedural and relational switching costs.

Figure 4.1 Identifying switching costs
Source: adapted from Hu and Hwang (2006, p 83)



The four procedural switching costs (economic risk, evaluation costs, learning costs, set up costs) have been defined earlier in this chapter. A brief description of the two relational switching costs, which are linked to emotional costs (Burnham et al., 2003) is provided below:

Personal Loss Costs: refers to the emotional losses suffered by the customers when they give up the sense of identification established with the service personnel of the existing service provider (Klemperer, 1995)

Brand Loss Costs: present emotional losses suffered by the customers when they give up their sense of identification with their existing provider (Aaker, 1992). This cost includes not only the loss of the customers' enjoyment in talking to service providers but also not being able to associate with the corporate public image that the service provider exhibits (Caruana, 2004).

Hu and Hwang (2006) found the greater the homogeneity of service providers' price offerings, the less evident the inverse correlation between financial switching costs and willingness to switch in the past. In other words, minimal price differences between service suppliers results in minimal switching.

Relational switching enticements centre on personal relationship loss costs. They are the emotional losses suffered by customers when they give up the sense of identification established with the service personnel of their existing providers (Klemperer, 1995). Caruana (2004, p 258) states, "relational switching costs involve psychological or emotional discomfort due to the loss of identity and breaking of bonds and consist of personal relationship loss and brand relationship costs". Caruana (2004) found that relational switching costs are significantly correlated with switching intent. These finding are supported by Hu and Hwang (2006) who argued that if customers perceive higher relational switching costs then there is a less willingness to switch service providers.

Caruana (2004) argues that it is easier for competitors to vie for customers on price than on psychological and emotional relational switching enticements. Hu and Hwang (2006) describe how Taiwanese mobile phone providers entice customers not to switch by devoting large amounts of resources into customer service centres and the deployment of CRM systems. Another enticement to prevent switching is to add enhanced features to the product or service. The Taiwanese mobile phone providers added mobile secretary services whereby customer service centre personnel provide personalised incoming call reception and message-taking services. Hu and Hwang (2006, p 80) state, "by establishing emotional ties between the users and service personnel, these services reduce the intention to switch". This signifies that in markets where financial incentives and offers are not enticing customers to switch then service providers must use extra service features to tempt customers to switch.

Hu and Hwang (2006) found that customers' perceptions of financial switching costs had little influence on their intention to switch mobile telecommunication service providers. Hu and Hwang concluded that the Taiwanese mobile phone market was a saturated oligopoly where service providers' financial competition behaviour was approaching a state of uniformity. They found customers still care about financial costs; however customers did not perceive any real discrepancies in the varied price schedules being offered by the different service providers. They concluded that with the growing homogeneity of financial competition methods among providers, the enticement of financial switching costs on switching behaviour is cancelled out. Hu and Hwang's research indicated that relational factors are currently more effective enticements of switching financial competition methods.

4.7 Switching Inertia/Apathy

The term *switching inertia* "refers to the organisational persistence with an existing relationship with incumbent suppliers" (Li et al., 2006, p 553). Interpretations of inertia have included "experienced absence of goal-directed behaviour" (Zeelenber and Pieters, 2004, p 449), a lack of a conscious decision to change (Huang and Yu, 1999) or being conditioned by habit (Bozzo, 2002). Colgate and Lang (2001, p 339) suggest inertia occurs when customers do not switch because it is "too much bother in terms of time and effort".

This latter meaning has been interpreted as the customer repeating the same behaviour to limit the information search process and the cost of thinking (Bawa, 1990). The repeat purchase may even be in spite of the customer having negative perceptions (Chintagunta and Honore, 1996) and reflects a non-conscious process (Huang and Yu, 1999). This non-conscious form of retention is distinguished from loyalty by the degree of consciousness involved in the decision to continue purchasing from the same service provider (Huang and Yu, 1999). Making the same purchases due to inertia is unstable and reflecting little, or no commitment to a preferred provider (Solomon et al., 2002) and simply denotes acceptance (Assael, 1998).

4.8 Services complexity and Dependency on the Service Provider

Customers find services to be complex and difficult to understand when there are numerous features and options (Chen and Hitt, 2002). Service complexity requires knowledge and experience to fully appreciate the use of the service. As the number of options and complexity rises the perception of an unknown outcome may occur (Holak and Lehmann 1990). In addition the increased number of attributes associated with complex services makes comparisons of a service's features more costly (Shugan 1980). Complex services are difficult to try and it takes considerable more effort to build new relationships as complexity rises. Therefore the propensity of non-switching is directly proportionate to the number of features. In other words, increasing the complexity of a service's features and benefits results in non-switching.

De Ruyter et al. (2001) found that a customer's dependency on their service provider led to non-switching behaviours. They argue it is imperative for suppliers in the high-technology sector to increase customer perceptions of dependencies and costs involved in switching. These authors further distinguish three dependency dimensions: the replaceability of the supplier, the perceived switching costs, and switching risks. The replaceability component refers to the difficulty of replacing one's partner because of the lack of alternative partners (Heide and John, 1988). The switching costs and switching risk refer to the costs expressed as time, efforts, and money and financial risk involved in switching from supplier. Heide and John (1988) also found that the more costs and risks involved in switching will influence the choice of customers. Suppliers may influence perceptions of replaceability and costs and risks of switching not only by noncompatibility of products but also by developing specific relationship routines, procedures and vendor-specific learning.

4.9 Service Provider Heterogeneity and Breadth of Use

Service provider heterogeneity is another significant non-switching antecedent. This occurs when the providers in a market are seen as different or non-substitutable (Burnham et al., 2003). This non-switching antecedent implies a lack of standards, common traits, skills or practices between different service providers. This lack of standardisation implied by the heterogeneity suggests that the skills learned for the use of one provider may not be applicable with another (Alba and Hutchinson 1987) and encourage non-switching. Customers may also see one service provider as being different, highly beneficial while perceiving stronger bonds of identification with their chosen service provider (Bhattacharya et al. 1995).

Loyalty schemes, special or discounted pricing for customers also suggest provider heterogeneity (Klemperer 1987). The implication being, when the customer perceives a provider as unique with few potential substitutes, then the likelihood of non-switching is far greater.

The breadth of use of a service provider is also considered a non-switching antecedent and is defined as the extent to which the customer employs a variety of product types, features, and functions offered by a single provider (Ram and Jung, 1990). Customers invest in a service provider when they use a variety of product types, features, and functions from that single provider. Hence, the greater breadth of use from one service provider acts as an antecedent of non-switching (Burnham et al., 2003). Blattberg and Deighton (1996) argue that the degree to which a customer buys complements and supplements to the core product determines the intrinsic retainability of the customer. An example is an insurance customer, who often buys life, car and home insurance from a single company. A 'full-line' producer provides more products, convenience, less effort and potential price savings which induces customers not to switch service providers.

Klemperer (1995) argues given time and effort savings that a 'full-line producer' offers, customers are likely to switch either all the products associated with a given producer or none of them. Burnham et al. (2003, p 114) adds, "the prospect of switching multiple products increases the risks associated with switching providers - not only one product is at risk of performance, financial, or convenience failure but multiple, often interdependent products are placed in jeopardy at once". They found as customers use more types of a provider's products, the customer appears to enter a more advanced relationship stage in which switching is more costly (Burnham, 2003).

Shugan (1980) argues when considering switching service providers those customers who use more products need to compare alternative providers on a greater number of attributes and need to set up a greater number of new products or features. There is also the need to invest in learning how to use a greater number of new products or features (Schmalensee, 1982). In addition to generating procedural costs, using more linked products or services is also likely to increase the financial costs of switching (Burnham, et al., 2003). In other words the greater breadth of products being used, the more likely the customer has accumulated benefits that will be lost in switching.

It is also noted that by establishing multiple links with a single provider requires greater interaction with the provider. This increased personal interaction leads to higher personal identification with the provider and leads to stronger personal relationship bonds with the service provider (McCracken, 1986).

4.10 Product adaptability and breadth of experience

Another antecedent of non-switching occurs when the customer adapts the product offered so that it better serves his or her individual needs (Burnham et al., 2003). The ability to modify and customise a product to maximise its benefits will likely become a strong antecedent of non-switching. McCracken (1986) suggests the interaction and the resultant matching between the customers' needs and the product provided led to a higher personal identification, thus creating higher relationship loss costs. This implies that a strong communication feedback loop between the customer and provider is advantageous. Listening to the customer and enhancing product features will lead to non-switching. Banwari et al. (1998) researched how private hospitals deployed customisation techniques to maintain loyal patients. Understanding each patient's individual needs and guiding them through the hospital treatment procedures led to more efficient patient care and sustained loyalty.

The customer's breadth of experience with the various products, features, and functions offered by a competing service provider is also an antecedent of non-switching. Burnham et al. (2003) suggest that the broader experience a customer has of an alternative provider will lead to increased expertise with the service, which reduces the uncertainty associated with using a new provider. With increased provider experience the customer is able to retrieve and analyse information needed to evaluate new products easier and facilitate new learning (Yanamandram and White, 2006; Bell et al., 2005; Alba and Hutchinson, 1987).

A study of land-line telephony of individuals by Lopez et al. (2006) found that the more frequent a customer used the service and had invested in complementary services resulted in reducing the customers' tendency to switch telephone service providers. Lopez (2006, p 567) states, "service usage reduces the probability of switching and strengthens the relationship between the parties, encouraging them to seek a long-term orientation".

An additional antecedent affecting a customer's switching decision is their switching experience. Switching experience is defined as the extent to which the customer has switched between providers in the past (Burnham, 2003). Increased switching reduces switching costs by increasing the customer's familiarity with the switching process and learning to use new providers (Nilssen, 1992). Customers prone to switching do not develop personal relationship bonds and are less likely to perceive their provider relationship as unique (Bhattacharya et al., 1995).

Burnham et al. (2003) argue that customers with greater switching experience encountered lower procedural, financial, and relational switching costs. In other words, experienced switchers are more prone to switching than customers with minimal switching experience (Sharma and Patterson, 2000). This factor relies on the idea that increased occurrences of switching benefits the customer. Greater switching experiences have led the customer to become an experienced risk taker.

Service providers need the tools to differentiate the potential switcher from the loyalty-prone ones. The premise being the inexperienced switcher is more prone to 'stick'. Burnham et al. (2003) suggest that a survey or interview can be used to assess the prior switching history of potential customers. This method of identifying potential switchers could be done for example when a prospective customer completes a gym membership application. Posing questions about previous gym memberships and participation rates would indicate proneness to switching.

Another antecedent of non-switching is a company's level of risk aversion. Companies who are particularly risk averse are less likely to take risks or be adventurous (Raj 1980). The frequency of switching service providers will be inherited to a company's acceptance of risk. Therefore, companies high in risk aversion are likely to exhibit differences in loyalty toward the current service provider compared to companies who are less risk averse (Ganesh et al., 2000).

This section has discussed the antecedents of non-switching. Many of these factors can be strategically managed by the service provider to retain customers. Some of the non-switching factors, such as bundling of services and providing a full product line are inexpensive and could be effective strategies to retain customers.

4.11 Additional Antecedents of Non-switching

Yanamandram and White, (2006) conducted qualitative research using a B2B sample to study switching behaviours. Their research provided the following non-switching antecedents which caused the customer not to switch:

Sourced from, Yanamandram and White (2006, p 175-176); not ranked by frequency or importance:

- The service provider offers sales leads
- Lower price
- Legal issues
  -due to confidentiality they stayed with the service provider

- Delivers good quality core product
- Favouritism
  -service provider's CEO was friend of the client's
- Patriotism
  -preference and support to a home country service provider
- Reciprocal purchase agreements
- Impact on other business units
- Disruptions to service that impact a customer's customers
- Recognition by service provider
  -service provider offered incentives and recognition rewards to the customer's employees
- Need to keep the existing service provider as a back-up option

The above list of non-switching antecedents provides a greater insight into the reasons why customers elect to not switch. Many of the factors listed above have been discussed earlier in this chapter. It is recognised that some factors such as favouritism, patriotism and legal issues are difficult for service providers to manage due to their unpredictable and uncontrollable nature.

4.12 Consequences of Switching

Given the limited research on switching cost management, it appears that marketing's pursuit of the customer satisfaction paradigm has blinded it to the importance of switching costs, or worse, that the field has 'blacklisted' switching costs as customer harming and thus unworthy of study (Ping, 1993). Yet, even if only passive loyalty is generated by switching costs, such behavioural constraints can prompt relationship improving investments by encouraging voice over exit (Jones et al., 2007).

The literature has also encouraged the use of switching costs since they can inhibit customers from switching immediately after a dissatisfying incident and thereby create the delay needed to return to higher global satisfaction levels that were perceived before the incident (Bolton and Drew, 1991). "Switching costs, like the commitments of marriage, may make for better relationships over time" (Burnham et al., 2003, p 120).

The marketing literature has shown that non-switching customers have a lower price sensitivity (Keaveney, 1995), greater usage of the firm's services (Bolten and Lemon, 1999), greater receptivity to the firm's new products (Hawkins et al., 2004), increased predisposition to engage in positive word-of-mouth and greater resistance to competitor's persuasion attempts (Dick and Basu, 1994). Therefore, losing a customer is a serious setback for the firm in terms of its present and future profitability. In addition to the benefits discussed above and in this chapter, the firm needs to invest resources in attracting new customers to replace the ones who have switched - advertising, promotion, initial discounts (Lopez, 2006). Consequently, retaining the current customer base is much more attractive than searching for new customers. (Roos and Gusstafsson, 2007).

Reichheld and Sasser (1990, p 105) assert that customer defections have a stronger impact on a company's profits than "scale, market share, unit costs, and many other factors usually associated with competitive advantage". They argue that customer defections should be a key performance measure for senior management and a fundamental component of incentive systems. In addition managers should know the company's defection rate, what happens to profits when the defection rate moves up or down and why defections occur (Zeithaml et al., 1996).

Concerning the financial implications of switching it would be advantageous at the company level for managers to know how defection rates affect financial performance. Reichheld and Sasser (1990) suggest that accounting systems be capable to capture the expected cash flows from customers and determine the life-time value of loyal customers. This could also be expanded to include an examination of the revenue differential between individual customers indicating a low versus a high propensity to switch (Zeithaml et al., 1996).

4.13 Chapter Summary

The aim of this chapter was to understand the key drivers of switching behaviours in the B2B service industry. This chapter examined the current literature on key switching and non-switching issues that will have an impact on the key findings of this research. The chapter began by defining the key parameters of switching which included switching, switching costs and switching barriers. This chapter continued to examine the various antecedents of switching. The chapter also identified and discussed antecedents of non-switching and concluded by providing the consequences of switching.

The next chapter provides a comprehensive overview of the staffing industry which was chosen as the sample for this research.

Chapter 5 The Staffing Agency Industry: Head-hunters and Elephant Poachers

"If you pay peanuts you get monkeys" (Cobett and Pearce, 2000, p 36)

5.1 Introduction

The purpose of this chapter is to provide background information about the service sector that was researched – the staffing agency industry. Three of the critical areas that will be discussed in this chapter include, why this industry was chosen, the significance this industry has on the service sector and trends in the staffing agency industry.

5.2 Why Staffing Agencies are being studied

Since the 1950's, the staffing agency industry has concentrated on providing clients with quick solutions to immediate labour shortages (Gannon, 1984). During the 1990's a new and modifying attitude to toward deploying temporary workers began. The increased global competition, fast-paced technological changes, and a growing but volatile economy compelled firms to maintain flexible workforces that could be contracted or expanded as needed (Pink, 2001). Rather than thinking of temporary workers, commonly referred to as '*temps*', as merely substitutes for absent workers, temps became marketed and accepted as a permanent labour option (Gossett, 2006). This change is reflected in the employment patterns throughout the world. "Between 1982 and 1990, temporary employment grew ten times faster than overall employment and in 1992 temporary jobs accounted for two out of three new private sector jobs" (Rifkin, 1995, p 191).

As a result of the above mentioned changes, the 1990's saw *'temping'* become an acceptable employment alternative for people seeking work. This resulted in one of eight people under the age of 35 in the US enrolling with a staffing agency during their job search (Kurlantzick, 2001) and staffing agencies more than doubling their employee payrolls (Berchem, 2004). In addition to the attitudinal changes, the staffing agency industry expanded beyond the traditional domains of clerical work and manual labour to include professional services such as accounting and nursing as the fastest growing segments within the industry (Siskos, 2003). Temps are as likely to be found on the factory floor, in a laboratory, behind a computer and in the executive suite as on the company switchboard (Cauldron, 1994). Today, nearly every occupation has some sort of staffing agency affiliated with it (Gossett, 2006). Given the rapid growth of this industry and its significance to the overall economy, it is important for researchers to examine the impact of temporary work arrangements with the current theories of B2B service relationships and management organisation theories (Gossett, 2006).

The aim of this research is '*to investigate switching behaviours within the B2B services sector*'. The research objectives included the goal of investigating how switching behaviours affect the attributes of B2B service relationships. Selecting staffing agencies allowed the researcher to investigate an industry experiencing frequent client switching and to analyse the attributes that maintain a client-service provider relationship. This research approach allowed the researcher to investigate switching behaviours and the B2B relationship between the client and the service providers (the '*switched from*' and '*switched to*' staffing agencies).

In the staffing agency industry the clients' assessment of quality is critical since in keeping with other services repeat business, loyal customers, recommendations and personal experiences are the biggest sources of new revenue (Britton et al., 1992). Also the clients' assessment of service quality is important along with their evaluation of the temp's work performance. This is critical for staffing agencies because the temp is central to the recruiting process and the successful completion of the job assignment. Secondly, the candidate has the potential to become a client at some future date (Britton et al., 2000). Staffing agencies were chosen as the sample for this research due to the above factors and the importance of the B2B relationship between the client and service provider.

5.3 Significance of The Staffing Agency Industry

The global existence of staffing agencies enables companies to embrace just-in-time staffing strategies – relying on the constant availability of temporary workers rather than hiring permanent employees (Aaronson et al., 2004). In the US temps "represent less than 2 percent of the American payrolls, however they employed an average of 2.27 million workers in 2003 a 10 percent increase from 2002" (Gossett, 2006, p 389). Berchem (2004) suggests that in the long term the American staffing industry is expected to create more new jobs than any other industry adding nearly 1.8 million jobs, a 54 percent increase over the next 10 years. That would be a 4.4 percent annual growth rate, making staffing agencies the fifth fastest-growing industry in America (Berchem, 2004).

In the UK staffing agencies are major component of the service industry with an estimated 10,000 staffing agencies providing one million temporary and permanent workers (Cobbett and Pearce, 2000). The UK market for temporary and contract recruitment in 2006 alone was £ 21.56 billion and £ 3.38 billion for permanent recruitment (Keynote Reports, 2007). One of the biggest users of staffing services is the UK government. It has been reported that "spending on temporary and agency staff in UK government departments have risen by 1,400 per cent on average since 1997" (Snell, 2007, p 7). Such an increase is said to have occurred because, "temporary staff are being brought in to do the work previously done by staff axed as part of UK government's efficiency review" (Snell, 2007, p 7).

Appendix N provides an overview of the three largest temporary staffing agencies, Adecco, Manpower and Kelly Services. The combined 2006 revenues for these three companies alone exceed £ 30 billion with operations in over 73 countries. The operations of these staffing agencies signify the importance this industry has on the global economy.

Korn-Ferry, the world's largest executive search firm has forecasted 2007 revenues of US $ 653 million, an increase of 25 percent from the previous year (Korn-Ferry International Annual Report, 2007; accessed August 2, 2007).

Bowen Staffing is one of the largest *local* staffing agencies in Calgary, Canada. The 2006 annual revenue for this family-owned basis "soared to C $ 34 million, up 644% from five years earlier" (www.canadianbusiness.com accessed August 2, 2007). The president, Sharon Bowen contributes the growth to expanding the services they offer their clients. The president stated, "we're a one-stop HR shop; we're doing everything from recruitment to payroll to benefit management, performance development right through to outplacement services". Regarding their success, the president added, "I think we are really good at listening to our clients . . . the contract workforce is growing at five times the rate of permanent workers which we started to see three years ago . . . we needed to move into other areas and rebrand ourselves . . . it's quite different to say, 'can I count on you for your next temporary order?' than, 'can you count on me to manage 600 of your contract workforce in a way that's actually going to improve efficiency and productivity in your organisation?" (www.canadianbusiness.com accessed August 2, 2007).

The above discussion has highlighted the business operations of various staffing agencies and clearly confirmed the significance of sales revenue and the growth this service sector has experienced and will continue to appreciate.

5.4 Types of Staffing Agencies

There are three types of staffing agencies with the differentiating factor being how they operate. Table 5. 1 lists the various names for the three tiers of staffing agencies and some of the differentiating factors.

Tier one agencies are the *executive search firms* or commonly known as *'head-hunters'*. The *tier two* agencies are known in North America as 'contingency agencies' and in the UK as, '*recruitment agency*', '*selection consultancy*' or '*advertised recruitment agency*' (Hester, 1991). For this study, tier two staffing agencies will be referred to as 'contingency firms'. *Tier three, the 'temporary agencies'* are the most popular agencies which provide hourly temporary workers.

Table 5.1 provided below provide an overview of the different types of staffing agencies.

Table 5.1 Types Of Staffing Agencies

Tier	Types of Agencies (various trade names)	Fee Structure Who pays	Type of placement Length of Time to recruit	People hired
1	Executive Search Firm *'Head-hunters'*	1/3 to begin search, 1/3 during search, 1/3 upon placement Client	Permanent hiring 3 – 12 months	CEO's, senior executive level
2	Recruitment Agency Advertised Recruitment Agency Selection Consultant Contingency Firms	Candidate may pay registration fee to agency Client pays recruitment fee to agency	Permanent hiring 2 - 8 weeks	Middle managers
3	Recruitment Agency Temporary Agency Personnel Agency	Agency bills client for hours worked	Temporary 24 - 48 hours	Hourly paid, usually clerical or industrial workers

5.5 How the Staffing Agencies Operate

The biggest hurdle for staffing agency is finding the most suitable candidate for their clients'. The CEO of Korn-Ferry International, Gary Burnison is quoted by Ruize (2007, p 10) as stating, "the agencies are seeking 'star hires' who are going to make the difference, not just by having the right set of technical skills but also by being able to assimilate to a company's culture. There needs to be an excellent *'fit'* between the candidate and a company before any hiring is finalised, otherwise there is a recipe for disaster. The majority of times, people don't fail because of lack of technical skills, but because there just wasn't a cultural melding". This quote exemplifies the intricate and time consuming task to find the right *'fit'* of candidate and to ensure the client is satisfied with the placement.

Within the staffing agency sector it is very common for the agency to draw up an assignment specification in conjunction with the client in advance of conducting the search. Such an agreement clearly specifies the procedures of the search assignment and timetable to be followed. This practice allows the client to learn more about the staffing agencies capabilities and is part of the client's information search when selecting a staffing agency (Hanson, 2007). It also provides an opportunity for the staffing agency to learn about their client's needs and to clarify each party's expectations. These clarifications prevent clients from becoming dissatisfied and potentially switching to an alternative staffing agency.

Table 5.1 above outlined some of the diversities between the different agencies. The following sections will expand on these differences and provide a brief overview of the agencies' business operations.

5.5.1 Tier 1: Executive Search Firms

Executive search, or '*head-hunter*' refers to the recruitment and selection of candidates through direct and personal contact by a specialist consultant acting as intermediary between the client and potential candidates (Guy, 2001). Executive search is used for the recruitment of positions in excess of £ 70,000 (in the UK) and/or where the position to be filled is highly specialised and there are very few potential candidates (Britton et al., 2000). Jenn (1997) estimates the total global expenses on executive search services alone to be US $ 7 billion a year.

Search firms provide an objective third party whose only goal is to properly match a client's needs with a candidate's qualifications, ability and style. Search consultants carefully assess the subjective components of the search and selection process, and place them in an appropriate perspective relative to the objective qualifications. They do not represent candidates or serve as a 'resume service'. Rather their loyalty is to their client – the organisation retaining them and paying the search fee (Pollick, 1993). Executive search consultants may provide a more impartial evaluation of job candidates compared with their internal counterparts and may help attract talent in a more discrete manner without arousing competitors' attention (Meyer, 1995). The search process involves a team of professionals, including associates and administrative coordinators who work alongside the search consultant. They use a network of resources including original industry and functional research, proprietary databases, company information and online tools to identify the target market and potential candidates.

Table 5.2 listed below presents the top three search firms in the world and presents their annual turnover figures from 2006.

Table 5.2 Executive Search Firms' Turnover
Source: Keynote, 2007

Name of Executive Search Firm (head office, number of locations)	Annual (2006) Worldwide Turnover (US $ millions)
Korn/Ferry (Los Angeles; 70 locations)	**$ 547 M**
Heidrick and Struggles (Chicago; 57 locations)	**$ 437 M**
Spencer Stuart (New York City; 51 locations)	**$ 314 M**

Over 80 percent of executive search firms use a percentage based fee structure plus expenses. This is typically one third of the successful candidate's salary (Britton and Ball, 1999). This is not a regulated price as there is no regulatory body to enforce price levels, but one third is the accepted norm in the industry. Ackerlof (1970) adds a cautionary note by suggesting that the search fee provides no information to the client on the abilities of the executive search firm, where as a 'bad' firm may charge the same search fee as a 'good' firm.

"A search can easily involve contacting 200-300 people and interviewing ten to twelve people in person in order to have three or four solid candidates (Dingman, 1993) Their recruiting service offers a number of advantages over more traditional routes. Head-hunters have a wide network of contacts, they can approach people who may *not* be actively looking for a job, conduct searches anonymously, and they can free up the client's time by conducting the recruitment search (Simms, 2004). Executive search firms use relatively sophisticated tools and techniques to assess and evaluate external leaders at the upper levels of management (Wilson, 2004; Guy, 2001).

A key strategy of head-hunters is to *poach* candidates from the client's competitors' and entice them to work for their client. "The executive search process is like hunting elephants, we can spot the elephant (the executive being targeted) but it's difficult to turn him/her around. Us head-hunters have to get the elephant to move in our direction and sometimes we have to be aggressive. Everyone has a soft spot, we have to step back and think, what will move this elephant, and remember a mouse can move an elephant" (Baldwin, 2006, p 74).

Executive search firms usually provide service guarantees to their clients which have been included in table 5.3 listed below. A service guarantee is an explicit commitment to the customer concerning all or part of the service process, generally including compensation for the customer if a commitment is not honoured (Kashyap, 2001). The service guarantee becomes a formal commitment and forces the service provider to examine customer expectations on a regular basis. A guarantee forces the service provider to adopt a customer-oriented approach, to define specific service standards and review the efficiency of its service processes on a regular basis (Fabian, 2005).

Table 5.3 Executive Search Firms' Service Guarantees (UK data)
Source: Britton and Ball (1999, p 144)

Guarantee	UK Agencies offering Guarantees (%)
Not to approach the placed candidate for a specific period of time ('poaching')	76%
To replace the candidate if he/she leaves within a specified time period	74%
To give a rebate if the candidate leaves within a specified time	74%
To guarantee to continue the search until the client is completely satisfied	76%
Not to approach other individuals in a client's firm	77%

5.5.2 Tier 2 Contingency Firms

The second type of staffing agencies are known as contingency agencies and perform candidate searches on a contingency basis for a client. The recruiter is paid upon the successful hire/placement of the candidate. The recruiter is responsible to do the initial recruiting, screening and interviewing. The contingency recruiter will also arrange interviews with the candidates for the client. The fee, either a flat fee or a percentage of the first year's salary is paid by the client. Traditionally, the jobseeker does not pay a fee (www.recruitersdirectory.com; accessed September 15, 2007).

Tier 2 is the most competitive type of agency and has been referred to as '*resume clearing house'*. The strategy for this type of staffing agency is to flood the market with candidates resumes hoping a client will be interested in one of their candidates'.

5.5.3 Tier 3 Temporary Agencies

This type of agency provides 'temporary workers', commonly known as '*temps*' who are paid by the hour. Temps are a cost effective way for companies to maintain flexibility in business operations that are volatile. Many temps are as well-trained as the full-time employees of the client (Khanna and New, 2005) and it is possible to have fairly long-term stable relationships with clients requiring 'temporary' labour.

The temp traditionally does not pay any fees. The client company pays a premium hourly rate for the contract/temp employee – for example the temp earns £ 8 / hour and the staffing agency will bill the client at £ 12 / hour. Some temp agencies build in a mark-up and profit and add it to the client's bill (Cobett and Pearce, 2000).

In this relationship the temp is employed by the staffing agency and the staffing agency pays all wages, taxes, insurance and benefits. Many times the staffing agency will offer the client the option to permanently hire the temp worker once an initial period of time has passed. Known as *'temp-to-hire'* or *'temp-to-perm'* this is a benefit that many clients will be looking for when selecting a temporary staffing agency. In addition many temps prefer to work for temp agencies where there is plenty of opportunity for their temporary assignment to be converted to permanent work with a client (www.recruitersdirectory.com; accessed September 15, 2007).

5.6 Trust and Reputation in the Industry

This section will briefly discussion how trust and reputation affects the staffing industry. The construct of trust was discussed extensively in chapter 3. Martin and Hetrick (2006) suggest that a company's reputation and trust is affected by the employment relationship or psychological contract with employees. Bones (2006) argues that reputation is based on trust and trust takes time to establish. Bones (2006) also emphasises the need for firms to recruit for trust and to manage their organisation in such a way that employees realise they are trusted. In turn, trusting employees will be more inclined to promote the well-being of the organisation (Dirks and Ferrin, 2001).

One area where trust must occur is with the staffing agencies' payment structure and timing of the service fee. Given the nature of the service process it is difficult for the client to know whether any opportunistic behaviour has occurred, therefore the need to build mutual trust (Britton et al., 1999). There is also the disclosure by the client of commercially sensitive information to the staffing agency which requires reciprocity of trust between the two parties.

The literature suggests there is an element of fiduciary obligation whereby the staffing agency will act in the interests of the client without any opportunism or self interest (Guy, 2001; Barber, 1983). One mechanism that ensures fiduciary obligation occurs internally with the staffing agency by acting on their own good business practises. Externally there are codes of conduct expected within the industry; the agency's reputation is at stake and the extent of client knowledge. These factors are essential for trust to develop between the client and the staffing agency.

Within the industry there is a code of conduct or industry norms which alleviates the threat of opportunistic behaviour. These norms serve the purpose of enhancing trust and sharing the risk of failure between the parties (Britton et al., 1999). All three tiers of staffing agencies offer a variety of service guarantees. The temporary agencies (tier 3) will generally replace a non-performing candidate within 24 - 48 hours.

For the tier 1 firms, the executive search industry, it is not just the reputation of the individual firm that is important but also the reputation of the whole industry (Britton and Ball, 1999). Dingman (1993) suggests that for executive search firms their only asset is their reputation. Britton and Ball (1999) suggest that high quality cannot be affiliated through traditional means like higher prices as the search fee is a fixed price, therefore anything that damages the reputation of the industry will also damage the prospects of *all* companies in the industry. For this reason many of the consultancies have formed trade associations to sustain reputation by having agreed upon codes of practise (Lynn, 2000).

Reputation can also be a source of product differentiation in the staffing industry since it creates a barrier to entry in that new entrants have to establish their own reputation (Britton and Ball, 1999). There is heavy reliance on the non-price, non-traditional methods of selling and repeat business for executive search firms. Britton and Ball (1999, p 146) found from their UK research that "60% of executive search firms carried out more than 70% of their business with repeat business and 90% carried out more than 50%". These findings clearly signify the importance of trust and reputation in this sector. Furthermore the reliance on repeat business discourages short-term opportunistic behaviour (Maitland et al., 1985). Britton et al. (1997) support this argument with their findings that 73 percent of the executive search firms they studied rely on recommendations by existing clients as the first or second source of attracting new clients. Due to the close rapport between the client and recruiter, clients are usually loyal to their recruiter. "It is common for a CEO or vice president of HR to continue using a particular recruiter even when the client or recruiter changes companies" (Dingman, 1993, p 28).

Nazmi (2006) argues that executive search firms are generally appointed by companies that are serious about their cultural reinforcement, marketing stand and reputation. Nazmi (2006) also suggests a competent head-hunter will look for candidates to not only support the client today, but also for the candidate to react to changing trading conditions in the future.

Britton and Ball (1999) suggest that clients can 'rent' the reputation of their staffing agency. The reputation of an established recruiting agency might be better known than the client's reputation. This allows the client to boost their own reputation by using a particular staffing agency. However Britton and Ball (1999) also point out that this will have an adverse effect on a candidate's perception of a client if the staffing agency turns out to be unprofessional or incompetent.

5.7 The Role of Staffing Agencies

This section will discuss the benefits companies receive when using a staffing agency. When companies select a staffing agency they are doing more than selecting a vendor, they're creating a partnership that eliminates the need for much of the traditional staffing responsibilities companies face (Siker et al., 1997).

A significant advantage to using a staffing agency is their quickness to fill vacancies. "Agencies are quicker than traditional means, like advertising in newspapers and most of the time it is a better-quality labour force. Candidates from staffing agencies arrive at a workplace pre-tested and trained" (Adelson, 2001, p 65). Agencies may also *'back sell'* a position whereby they notify preferred clients that a particular candidate is available even if the client is not actively looking for such a candidate. This usually occurs for professional positions that are difficult to fill and there is a shortage of candidates, such as accountants. *'Back selling'* allows the staffing agency to anticipate their client's recruiting needs and becomes a valuable service for many clients.

One of the biggest advantages staffing agencies offer that in-house HR departments cannot offer is their extensive network that has been developed over many years (Guy, 2001). Staffing agencies communicate daily with numerous candidates and clients discussing current and future recruitment goals. This networking allows staffing agencies to uncover passive candidates through proactive soliciting that can be difficult for HR departments (Sheff, 2007). In addition, "staffing agencies can provide candidates any way the client needs them: direct hire, temporary-to-permanent and temporary. The client can feel comfortable that the recruiting process is being managed consistently and fairly by a staffing provider, whether for one location or across multiple locations" (Sheff, 2007, p 42).

Companies seeking to minimise labour costs might use flexible staffing arrangements for several reasons. By tradition, firms have used flexible staffing arrangements in order to reduce the quantity of labour hired. By using flexible staffing arrangements, companies can adjust staffing levels to fluctuations in their workload over the day, week, month, or year and mitigate the need to continually maintain peak workload staffing. Similarly, companies may hire workers from temporary staffing agencies or when employees are sick or on vacation rather than pay regular workers overtime in the event of such absences (Atkinson et al., 1996). Freedman (1996) argues that, in response to competitive pressures to lower labour costs, managers are making their organisations leaner, in part, by using more flexible staffing arrangements.

Firms may also employ temps in order to provide certain groups of workers with lower wages or benefits. A unionised company may pay above market wages, and thereby have an incentive to use temporary agency workers or contract workers who are not part of their legal employee complement and who are not covered by a collective agreement. Using flexible staffing arrangements, particularly agency temporaries and contract workers who are not the company's employees' enables companies to lower wages for certain groups with minimal adverse repercussions on morale (Abraham, 1988).

Companies wishing to offer different benefit packages to different groups of workers have an especially strong incentive to use flexible staffing arrangements. The obligations of employers to pay benefits and wages to their employees and temps are contingent upon the jurisdiction of where the work is being performed and the related employment legislation. Houseman (2001, p 153), an American researcher states that "staffing agency and contract workers generally are not deemed employees of the company for benefits purposes and by using flexible staffing arrangements, employers may restrict benefits to certain groups without losing the preferential tax status of the benefit plans" .

If labour markets are characterised by imperfect competition and a mandate to extend benefits to certain workers increases their bargaining power, employers are likely to absorb at least some of the benefit costs (Houseman, 1998). In the event that employers are mandated to extend or raise the benefits paid to their permanent employees this will affect the employer's total labour costs. Therefore when benefit costs rise, especially health insurance costs which have risen relative to wages, employers may have had a growing incentive to use flexible staffing arrangements to cut benefits costs, and thereby overall labour costs (Houseman, 1998). In other words, employers will be prone to use temps to avoid paying the rising cost of employees' benefits.

An additional reason companies may use flexible staffing arrangements is to screen potential workers for regular full-time positions. Companies may increase labour productivity and reduce labour costs with such screening. Many believe the growth in lawsuits brought by terminated employees has dramatically increased the costs to companies of firing workers (Krueger, 1991).

A worker hired on a fixed-term contract or through a staffing agency may be terminated with minimal risk of legal action. Moreover, using staffing agencies as a screening device allows managers to sidestep the unpleasant task of firing new employees who display poor or mediocre performance. Questionably, managers are less likely to fire a mediocre employee than they are to 'not hire' a mediocre flexible staffing arrangement worker. Thus, the result may be more productive staff. In addition, companies may save by hiring permanent staff through temporary staffing agencies if those agencies enjoy economies of scale and can recruit and screen workers more cheaply (Houseman, 2001).

Companies may elect to use flexible staffing arrangements to assess workers with special skills or to accommodate employees' wishes for a more flexible working schedule. Houseman (2001, p 180) provides another benefit to use a staffing agency since "anecdotal evidence suggests that managers sometimes use agency temporaries, to bypass headcount limits imposed by a corporate office during restructuring or a merger".

Listed below in table 5.4 are a variety of reasons why clients use temporary workers from Tier 3, temporary staffing agencies.

Table 5.4 Reasons Clients Use Temp Workers (not listed in any priority)
Source: Adapted from Houseman (2001, p 155)

Reasons related to specific staffing or scheduling needs:
Fill vacancy until regular employee is hired
Cover absences of regular employees who are sick, on vacation or any other leave; Seasonal needs
Provide needed assistance during peak-time hours of the day, week, month or year
Provide needed assistance at times of unexpected increases in business
Special Projects
Provide needed assistance during hours not covered by full-time shifts
The coupling of corporate performance targets to employment levels, leading to a need to mask true staffing statistics
Other reasons:
Screen job candidates for potential permanent vacancies
Save on wage and/or benefit costs
Provide needed assistance during company restructuring or merger
Saving on training costs
Special expertise possessed by the temp employee
Accommodate permanent employees' wishes for part-time hours or leave of absences
Unable to find qualified full-time workers

One rationale for firms to use temps is to replace positions formerly occupied by directly hired or permanent workers, associated with outsourcing of labour and privatisation (Allen and Henry, 1996). This action allows employers the means to reduce labour costs or avoid employment protection measures, particularly in periods of demand uncertainty or industrial decline (TUC, 2001). This ebb and flow of temps has been known as employing *'just-in-time'* workers to cope with increased or decreased demand without resorting to making permanent employees redundant (Allan, 2002; Henricks, 1997).

The recent enhancement of employment rights for permanent employees may encourage the use of staffing agencies to provide the labour. Gray (2002) suggests that employers are finding ways around regulations to minimise labour costs. Temps are often hired because they offer an employer numerical flexibility whereby the temps have no guarantee of work continuity or employment protection. However some temp assignments can actually be long-term. "Under this scenario temps are generally expected to be reliable (as with permanent employees) while remaining disposable, unlike permanent employees" (Stanworth et al., 2006, p 176). This flexibility has also been referred to as *'ease of dismissal'* (Allan, 2002).

Employers deploy staffing agencies to reduce costs of recruitment, selection and basic training (Allan, 2002; Gunderson, 2001). Another advantage of using temporary workers for organisations is that much of the day-to-day management of temps such as payroll and administration becomes the responsibility of the staffing agency (Forde, 2001). This is particularly evident where the jobs are routine in nature and training is basic or where common generic skills are demanded. The staffing agency will take over those personnel functions and support the client's HR staff (Stanworth, 2006). In situations where temps are supplied in great quantities the agency may perform management tasks, deploying workers, supervising work, performance evaluations, and liaising with the client through their on-site manager (Purcell and Purcell, 1999; Peck and Theodore, 1998).

5.8 Effectively working with Staffing Agencies

This section discusses strategies the client can take to ensure they get the best service performance from a staffing agency. Messmer (2006, p 15) suggests five key strategies when working with a staffing agency:

1. Select the right firm: select a staffing agency that understands the client's firm and their needs; note the level of professionalism demonstrated by the staffing

agency's own staff (example, failing to return phone calls).

2. Defining your expectations: providing the staffing agency with detailed job descriptions of the position to be filled.

3. Meet in person at the client's company; the recruiter is able to grasp the client's corporate culture and see the work environment.

4. Utilise a staffing agency's expertise; seek their professional opinion about staffing, compensation or employment trends.

5. Stay in Touch: Arrange regular feedback opportunities; "the best relationships between recruiters and clients are built on a foundation of trust" (Messmer, 2006, p 15).

A study conducted in Australia by Simon and Kumar (2001) had the aim to determine the specific attributes clients seek from their staffing consultants. The study asked Australian HR professionals what they thought were the *key success indicators* in the client-service provider relationship. These included the following six factors found in table 5.5, listed by priority.

Table 5.5 Clients listing the key factors they seek from staffing agencies
Source: adapted from Simon and Kumar (2001)

Key Success Indicators Clients Sought From Their Service Providers
1. Ability to Listen and comprehend the client
2. Quality of Service
3. Client – service provider communication
4. Integrity and honesty
5. Technical knowledge
6. Credibility

The above study was undertaken to identify the critical attributes for successful results and relationships between clients and service providers. This information is useful since it raises an awareness of service quality and distinguishes the desired attributes sought by clients.

One of the most critical factors in the staffing agency industry is to hire the candidate who *'fits'* the requirements of the position. "Not all employers are as careful to land the right person. One of the big mistakes companies make when bringing in temps is being careless about *'the fit'*. Employers need to consider whether the potential temp is compatible with the culture and work ethic of the office" (Daniel, 2006).

5.9 Trends In The Staffing Industry

HR (Human Resources) is the philosophy, policies, and practices related to the management of people within an organisation (French, 2003). The activities that comprise HR systems include not only all of the activities focused on the employee from recruiting to termination, but also planning for the firm's staffing needs and improving effectiveness (Kosnik et al., 2006). The functions and activities of HR have traditionally been performed in-house however there has been an increased advocacy for outsourcing HR (Stewart, 1996), known as *HRO – Human Resources Outsourcing*. Csoko (1995) argues HRO can reduce costs, increase service quality by producing greater economies of scale, increase incentives and accountability for service providers, and increase access to experts in specialised areas.

An example of this growing trend occurred with Accenture's seven-year HR outsourcing contract with Unilever. This service contract is estimated to be worth more than US $ 1 billion and covering 200,000 Unilever employees (Kang, 2007). This arrangement set a new industry standard when it was negotiated in June, 2006. This agreement covers a full range of HR services for Unilever, including recruitment, payroll processing and performance management globally (Kang, 2007).

In February, 2005 Affiliated Computer Services Inc. (ACS) a provider of business process and IT outsourcing solutions announced that they have been awarded a human resources outsourcing (HRO) contract from Delta Airlines. The seven-year agreement is said to be worth US $ 120 million. ACS will provide a range of human resource functions for Delta, including compensation and benefits, administration, relocation services, recruiting, learning, payroll, HR Information Services, and employee call centre services for the airline's North American employees and retirees (www.acs.com/news.aspx; accessed September 10, 2007).

Accenture also secured an HRO contract also in February, 2005 with BT (British Telecom) worth £ 306 million over 10 years. HRO has allowed BT to rationalise their training catalogue by 50 percent, reduce training waiting lists by 26 percent and saved £ 1.1 million in time and money lost due to sickness (Hindle, 2005). Alex Wilson, BT group human resource director said, "this agreement will allow our staff to concentrate even more on the strategic role of HR management to our growing global business" (www.hrmguide.co.uk/general/bt-accenture.htm; accessed August 15, 2007). This situation exemplifies the growth trend of more companies deploying HRO strategies which has resulted in tremendous growth for the staffing industry.

While research continues, many firms are experimenting with outsourcing various combinations of human resource activities, including outsourcing the entire function (Grundy, 1998; Klaas et al., 1998; Lever, 1997). Bates (2002) adds that "HRO continues to unfold at a frantic and chaotic pace. The *Yankee Group* predicts that the US market for HRO, which involves outsourcing at least three human resources functions, will reach US $42 billion by 2008 (www.braunconsulting.com/bcg/news letters/summer2007; accessed September 10, 2007).

Frazee (1997) suggests that marketplace changes such as globalisation, increased government regulations, technological change and low unemployment are resulting in growth and diversification among staffing agencies. Frazee (1997) suggests that changes in this industry have led to nine trends which have been summarised in table 5.6 listed below.

Table 5.6 Trends In the Staffing Industry
Source: adapted from Frazee (1997, p 8)

Trend	Explanation	Impact
1. Consolidation	Number of acquisitions in the industry has increased. This trend is being spurred by market demand for national contracts and sole-source vendor relationship	Industry is becoming more oligopoly; clients are becoming more price conscious
2. National Contracts	Larger staffing agencies are targeting multinational companies for national contracts	Clients are seeking better pricing due to economies of scale, single point-of-contact and quality guarantees Small-sized and niche firms are joining this trend by partnering with national staffing services
3. On-site Management	A staffing service may provide all of the contingent staff members and management, or it could provide the management of many service providers, including its own firm	HRO (Human Resource Outsourcing)
4. One-stop Shopping	A single source for all staffing needs, including temporary-to-hire staffing, project management, office and technical support, and on-site management services	Staffing agencies are diversifying their offerings, often by partnering with other companies.
5. Internet Recruiting	Increased demand for quality temp workers has led staffing services to become more creative in their recruitment	High demand in the technology market has made the Internet an efficient tool for finding technically skilled temps
6. Executive Recruiting	Agencies who weren't in this segment are now entering this part of the industry	Corporate downsizing has created a pool of senior-level professionals, available for short-term and long term work
7. Temporary-To-Hire	Exercising the option of '*trying out*' an employee for a period of time before making a hiring decision	Staffing agency also assists in streamlining the selection process by screening, evaluating and training candidates.
8. Niche market Development	Either specialise or diversify to become a single source provider; developing an area of expertise, such as accounting, I.T. or legal, as part of their growth strategy	Industry becoming more specialised
9. Improved Quality	Intense competition causing long term dedication to maintaining a service-quality program will become a critical success factor	Further growth of the industry; trust and reputation of the service relationship strengthened

Another trend in the staffing agency industry is 'one-stop shopping'. Manpower, a full service international staffing agency manages the employer obligations, "from interviewing and recruiting, through to setting pay levels, determining job assignments and ensuring compliance to labour standards and health and safety laws" (Vu, 2005, p 16). One of Manpower's on-site management roles is to provide an initiation service which includes meeting and greeting new employees and introducing new employees to co-workers while providing an overview of the work site rules and regulations (Vu, 2005).

An industry leader, Manpower has experienced tremendous growth in the area of signing national contracts to provide all HR services. Such arrangements now account for 25 percent of Manpower's revenues. In 1994, Manpower began signing mega contracts with many multinational companies for which it fulfils most, if not all, of their temporary-help needs (Schellhardt, 1995). In North America Manpower signed such contracts with Mellon Bank Corporation, IBM, HP (Hewlett-Packard) and Northern Telecom whereby *each* of these customers translate into annual revenues to Manpower of at least US $ 25 million (Schellhardt, 1995).

It has been suggested that for large, global multinational corporations that the number of temporary employees, ranging from those on short-term contracts to consultants, can represent around a fifth of the workforce (The Economist, 2007). "Overall, temps make up about 1-3% of the total workforce in most countries. It is expected to rise to around 3% almost everywhere as the trend in hiring more temps extends from big firms to middle-sized companies (The Economist, 2007, p 59). This signifies there is continued growth in the staffing industry throughout the world.

Another trend for the global staffing agencies is to open in new markets and divest away from the traditional business model of simply providing recruiting services to offering an array of HR services for their clients. This is exemplified with Manpower who has only about 13% of its revenues now coming from America (The Economist, 2007). Moreover, as providing temps increasingly become a low-margin commodity business, staffing agencies must seek better prospects. That has led Manpower to alter its strategy to try to profit from dramatic changes under way in the world's labour markets. These include outsourcing, ageing populations and an increasingly severe shortage of talent, which include places like China.

One source of labour that will be tapped-into in the near future is the ageing 'grey-work force'. The Economist (2007, p 59) predicts in the long run, "a shortage of talent - exacerbated by demographic trends - is likely to create growing demand for older workers. Japan, Australia and Italy are expected to lead the way in embracing the grey-workforce. Training methods will be needed to teach older people to use computers. Offices may need to be redesigned for the less agile. "Asia in particular, training will be needed to help older workers cope with having a boss far younger than they are - thus far culturally unthinkable" (The Economist, 2007, p 59).

5.10 Conceptual Framework Post Literature Review

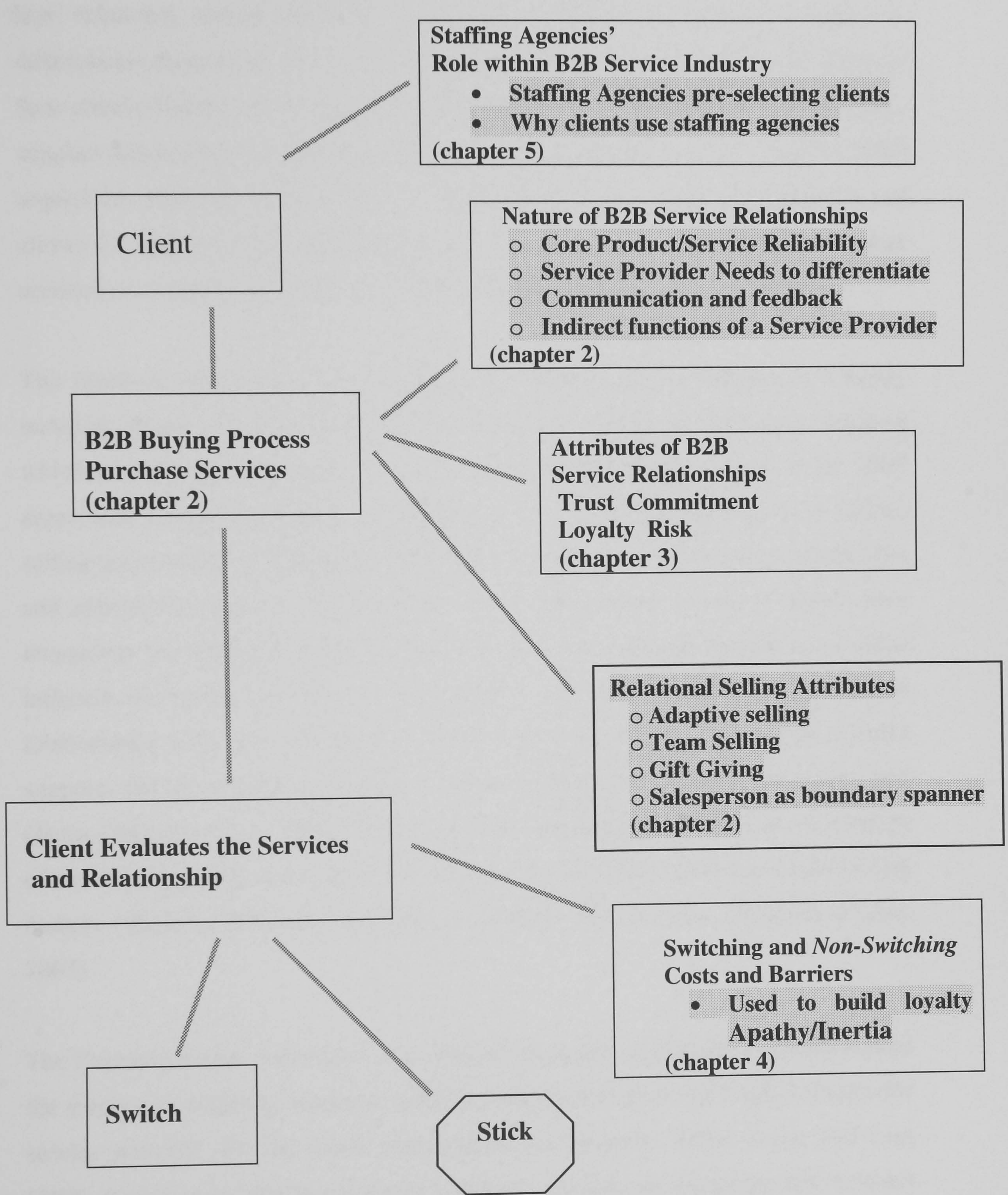
The purpose of this section is to update the *initial* conceptual framework from section 1.6 that outlined the key areas of study derived from the aim and objectives of the research. The *initial* framework focused on the four key research areas of:

1. Staffing agencies role within the B2B Service Sector
2. The nature of B2B Service Industry Relationships
   commitment, loyalty and risk affect the B2B relationship
3. The attributes of the B2B Service Relationship: trust, commitment, loyalty and risk
4. Switching and non-switching costs and barriers

The conceptual framework has be modified to include contributions, knowledge and insight on the key research areas provided by the literature review. Figure 5.1 listed below indicate where additional research topics have been added (see highlighted areas). The following section will discuss the development of the research topics.

Figure 5.1 Development of the Conceptual Framework – Post Literature Review (links to figure 1.2, page 10, *Initial* Conceptual Framework)

Updates from initial conceptual framework (figure 1.2, page 10) are highlighted



A review of figure 5.1 indicates that a fifth key subject area, '*Relational Selling Attributes*' has been added to the conceptual framework. This subject area was initially part of the 'Nature of B2B Service Industry Relationships' but due to its importance it will be researched as a separate subject. The literature review examined how relational selling strategies have been deployed by service providers to differentiate themselves and to customise their sales activities to meet the needs of their clients. Relational selling is an important process in the formation of the client-supplier relationship and results in beneficial actions for both parties. Guenzi (2007) argued the relational selling model of exchange develops a win-win approach and allows for salespeople to become customer partners while establishing a customer orientation as opposed to a selling orientation(Weitz and Brandford, 1999).

The literature review has confirmed that the staffing agency industry is a highly turbulent market (Frazee, 1997) and the needs of the client are constantly changing which requires the salesperson to use an *adaptive sales strategy*. Jones et al., 2005 argue that in highly competitive environments the best sales strategy is to deploy selling teams which are suitable to meet their customers' needs by providing flexible and alternative solutions. The literature also confirmed that service providers have recognised the value of using KAM principle that relationship quality is a critical indicator of success and that key accounts warrant higher relational input than do relationships with less important accounts (Ivens and Pardo, 2007). This premise supports the development whereby a staffing agency may elect to pre-select their clients (Johnston et al., 2001). Gift giving was identified in the literature as a means of developing a B2B relationship and conveys an important signal that a relationship matters (Davies, 1996) and can used to generate new business contracts (Fisher, 2007).

The literature review referred to key account managers as *boundary spanners* since the success of relational strategies relies on creating interpersonal bonds between the service provider and the client (Narayandas and Rangan, 2004). Laing and Lian (2005, p 116) suggested that boundary spanners provide an immediate link between the parties and facilitate increasingly effective communication which is a "crucial lubricant for relationship development".

The literature suggested that firms need to differentiate among qualified service providers and identify suppliers that will remain in a key supplier position by guarding off competitors (Ulaga and Eggert, 2006). Differentiation may come in the form of providing clients with preferential treatment, personal recognition, extra attention (Gwinner et al., 1998) or creating the best possible value for their clients (Eggert et al., 2006). The literature is very clear of the need to differentiate, and to provide a core service on a reliable basis in order for client to consider working with a particular provider. Napolitano (1997) adds that it is the role of the service provider to assist their client to achieve continual and rapid improvement in all aspects of their operations. Walter (2003) argues that a supplier can add extra value to the client by providing indirect relationship functions that contribute to the client's overall performance. This research will affirm the significance of these traits and values that have become the corner stone of the client-service provider relationship and determine if they affect a client's switching behaviours.

It was argued in the literature review that switching costs and barriers can have a positive affect on retaining customers (Jones et al., 2007; Patterson, 204) or a negative effect (Barnes et al., 2007; Burnham et al., 2003; Lee et al., 2001). The positive effects lock-in the customer whereby it is economically not viable to switch. The negative effects of switching costs and barriers, such as uncertainty and sunk costs, occur when the customer breaks away from their service provider. The literature provided a multitude of switching and non-switching triggers (see tables 4.1, 4.2, 4.3 and figure 4.1) and it can be concluded there are many environmental and market factors that must be considered by the customer when making a switching decision. Acknowledging the depth and importance of the switching literature, an additional objective was developed to determine how switching costs and barriers can build loyalty for service providers.

A significant finding in the literature was the various types of trust and the importance of trust when a B2B relationship is initially started (Anderson, 2001; Cova and Salle, 2000). Trust has been described as reliance between the parties (Moorman et al., 1993) and customers are encouraged to maintain a relationship when they have confidence in their service provider's competencies and abilities (Sharma and Patterson, 1999). The literature also affirmed that trust is decisive for continuity of the client-provider relationship (Berry and Parasuraman, 1991). Considering the importance of trust for B2B relationships it will be a goal of this research to determine how trust is initiated and review the various types of trust.

Switching inertia, also known as apathy, was identified in the literature as a reason for customers not to switch (Li et al., 2006; Keaveney, 1995). Colgate and Lang (2001, p 339) suggest apathy occurs when customers do not switch because it is "too much of a bother in terms of time and effort". Since apathy was a re-occurring factor in the literature that led customers to 'stick', it is worthwhile to determine how apathy affects the switching decisions of the sample studied for this research.

5.11 Chapter Summary

This chapter has provided an overview of the staffing industry and emphasised the vitality and growth this sector has brought to the services sector. This industry is experiencing tremendous growth and is undergoing significant changes that will result in further expansion. The chapter also reviewed the continuing trends of the industry whereby employers are using a broader range of services from staffing agencies while the expansion of HRO has led to further growth opportunities. Another key discussion from this chapter was the importance of trust to build the client - service provider relationship.

The next chapter discusses the methodology, research design and will review the research paradigm which guided this research.

Chapter 6 Methodology

"Researchers in the future might conduct a parallel study among service providers to gain perspective from the other side of the dyad" (Keaveney, 1995, p 80)

6.1 Introduction

The methodology, research design and methods undertaken for this study will be presented in this chapter. The aim of the thesis is to investigate switching behaviours within the B2B services sector. To fully understand switching behaviours an approach was undertaken whereby all three parties affected by a client's decision to switch were interviewed – the client, the '*switched to*' and '*switched from*' service providers. The research was obtained by conducting thirty-eight in depth interviews involving service providers (staffing agencies) and their clients. The data collected is robust and information-rich since it investigated switching events that occurred while analysing why the switches happened and the impact the switches had on the B2B relationships.

This chapter will also discuss why the case study approach for addressing the research objectives of this study was appropriate and will review the researcher's epistemological stance.

6.2 Re-Development of the Research Aim and Objectives

In the previous chapter, figure 5.1 updated the conceptual framework for this research study using several key research areas that were developed from the literature review. Figure 6.1 listed below extends figure 5.1 and demonstrates how the original objectives have been developed to reflect the findings of the literature review (highlighted areas indicate amendments to the original objectives).

Figure 6.1 Re-development of the Research Aim and Objectives
(links to figure 5.1, page 151, Conceptual Framework – Post Literature Review)

Staffing Agencies'
Role within B2B Service Industry
- **Staffing Agencies pre-selecting clients**
- **Why clients use staffing agencies**

(chapter 5)

Objective 4:
To identify strategies service providers use to strengthen the B2B Relationship

Nature of B2B Service Relationships
- **Core Product/Service Reliability**
- **Service Provider Needs to differentiate**
- **Communication and feedback**
- **Indirect functions of a Service Provider**

(chapter 2)

Objective 2:
Investigate how switching behaviours affect the key attributes of the B2B Relationship: the attributes being trust, commitment, loyalty and risk

Attributes of B2B
Service Relationships
Trust Commitment
Loyalty Risk
(chapter 3)

Objective 3:
To determine how relational selling attributes influence switching behaviours; the attributes being: adaptive selling, team selling, gift giving and the salesperson as a boundary spanner

Relational Selling Attributes
- **Adaptive selling**
- **Team Selling**
- **Gift Giving**
- **Salesperson as boundary spanner**

(chapter 2)

Aim of thesis:
To study Switching Behaviours in the B2B Service Sector

Switching and *Non-Switching* Costs and Barriers
- **Used to build loyalty**
- **Apathy/Inertia**

(chapter 4)

Objective 1:
To extend the knowledge of Switching and Non-switching behaviours in the B2B service sector and determine their affects on loyalty and apathy

Yin (1994, p 20) describes the research design as "the logical sequence that connects the empirical data to the study's initial research questions and ultimately, to its conclusions". Nachmias and Nachmias (1992, p 77-78) state that the research design is a "logical model of proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation". Churchill (1995) suggests that the selection of appropriate research strategies in marketing research is usually determined by the level of existing information and knowledge in the field. The research objectives are the starting point of all research and a study is then designed to achieve the stated objectives (Janesick, 1998; Brannick, et al., 1997 Frigstad, 1995). Easterby-Smith et al. (1991, p 21) propose that the research design "is the overall configuration of a piece of research". Designing a piece of research is about organising activities and data collection so that the research aims are achieved. Easterby-Smith et al. (1991) propose that the design determines the nature of findings to be collected in order to answer the aim and objectives of the research.

The literature review stated the aim of this thesis which was:

Research Aim:
To investigate switching behaviours in the B2B service sector.

It was argued in the literature review there is a lack of knowledge and a need for further research in the area of B2B services switching. This research will contribute to the subject area of switching behaviours and B2B service relationships. In the past there have been many quantitative studies on the subject of switching within the B2C services sector (Caruana, 2004; Jones et al., 2002; Colgate and Lang, 2001; Keaveney, 1995). There is a gap in the literature whereby switching behaviours have not been studied within the B2B service sector using qualitative methods. This study addresses that gap and adds valuable insight on the subject of B2B switching. In chapter 4 apathy/inertia was identified was a non-switching factor that resulted in customers to 'stick'. This is a critical factor that must be incorporated in the research objective. Similarly, the use of switching barriers and switching costs to build loyalty has been identified as another issue worthy of incorporating into a research objective.

Consideration of the above factors has led to the redevelopment of the following research objective:

Objective 1:

To extend the knowledge of Switching and Non-switching behaviours in the B2B service sector; determine their affects on loyalty and apathy.

The literature review discussed the key attributes necessary to formulate a B2B relationship – trust, commitment, loyalty and risk. To appreciate the nature of B2B relationships it is imperative to understand how these attributes provide strength in the client-service provider relationship. Whenever one of these attributes is weakened or broken it will have a direct affect on the client's decision to switch. The literature review identified there are a various types of trust and that trust has in integral role in forming B2B relationships (Gounaris and Venetis, 2002). The following objective has been re-developed to account for the importance of trust within B2B relationships:

Objective 2:
To investigate how switching behaviours affect the key attributes of the B2B relationship; the attributes being trust, commitment, loyalty, risk.

A key concept within the scope of this thesis is to understand how relational selling actions can enhance B2B relationships. The literature review clearly argued that relational selling attributes builds customer interdependence, trust between the parties and leads to a mutually beneficial and stable relationship (Slater and Olson, 2000). The literature emphasised that key account managers are being referred to as *boundary spanners* since the success of relational strategies are dependent on creating interpersonal bonds between the supplier and client (Narayandas and Rangan, 2004). In addition the literature has identified key relational attributes that require further research which have been incorporated into the following objective:

Objective 3:

To determine how relational selling attributes influence switching behaviours; the attributes being adaptive selling, team selling, gift giving and the salesperson as a boundary spanner.

Chapter 5 of the literature review discussed how staffing agencies have become a critical component of the service sector. The chapter also reviewed the reasons why clients use staffing agencies which affirms the need for service providers to offer value and differentiated services to their clients (Eggert et al., 2006). Empirical evidence further suggested there are two significant dimensions to the performance of services. The first being the 'core service' and the second dimension being the 'relational elements' or process aspects which includes how the service is delivered (Dabholkar et al., 1996, McDougall and Levesque, 1992). Walter (2003) refers to relational elements as *'indirect functions of a supplier'* and suggests such inputs allow service providers to create and customise extra value to their offerings. Consideration of the above factors derived from the literature review has led to the creation of an additional research objective.

Objective 4:

To identify strategies service providers use to strengthen the B2B Service Relationship.

It is with the inclusion of the above research aim and four objectives that the research design and methodology was chosen. The specific nature and underpinning of this research allows for an examination of how the attributes of the B2B relationship are affected by a client's switching behaviours. The contributions to knowledge will arise from exploring and contrasting how these two interdependent factors, switching behaviours and relationship attributes, combine to determine a client's loyalty to their service provider.

This research will also explore the relational attributes that strengthen the B2B relationship. "Service provider relationships represent some of the most important assets of a company and thus should be treated with similar logic to other types of investments" (Gadde and Snehota, 2000, p 311). The literature suggests that developing partnerships with service providers is a resource-intensive and complex task that proposes managing within relationships is about coping with interdependencies (Dyer et al., 1998).

6.3 Research Philosophy and Methodology

The following section describes the research paradigm which guided this research. A *paradigm* is an overall conceptual framework within which a researcher may work and can be regarded as the "basic belief system or worldview that guides the investigator" (Guba and Lincoln, 1994 p 105). Research methodology is one of the three elements of a paradigm that researchers either explicitly or implicitly work within. The other elements include ontology and epistemology.

The research philosophies provide different ways of observing, measuring and understanding social reality and each philosophy is associated with different traditions in social theory and varied research techniques (Lincoln and Guba, 2000; Neuman, 1997). The following paragraphs will provide a discussion of the four paradigms of social research, supported by the philosophical assumptions relating to ontology, epistemology and methodology. In addition, table 6.1 summarises the beliefs of the alternative paradigms.

Table 6.1 The Research Paradigms
Source: Adapted from Lincoln and Guba (2000) and Perry et al. (1999)

Element	Positivism	Constructivism	Critical Theory	Realism
Ontology	Reality is real and apprehensible	Multiple local and specific 'constructed' realities	'Virtual' reality shaped by social, economic, ethnic, political, cultural, and gender values, crystallised over time	Reality is 'real' but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to try to know it
Epistemology	Findings true-researcher is objective by viewing reality through 'one way mirror'	Created findings - researcher is a 'passionate participant' within the world being investigated	Value mediated findings – researcher is a 'transformative intellectual' who changes the social world within which participants live	Findings probably true – researcher is value-aware and needs to triangulate any perceptions he or she is collecting
Common Methodologies	Mostly concerns testing a theory. Thus mainly quantitative methods such as survey, experiments and verification of hypotheses	In-depth unstructured interviews, participant observation, action research, and grounded theory research	Action research and participant observation	Mainly qualitative methods such as case studies and convergent interviews

The terms ontology, epistemology and methodology are the interconnected generic activities, which define the research process, and all research is guided by the summation of these terms which composes the researcher's paradigm. Ontology is the 'reality' that researchers investigate, epistemology is the relationship between that reality and the researcher, and methodology is the technique used by the researcher to investigate that reality (Healy and Perry, 2000). "Behind these terms stands the personal biography of the researcher . . . the researcher approaches the world with a set of ideas, a framework (theory, ontology) that specifies a set of questions (epistemology) that he or she then examines in specific ways (methodology, analysis) (Denzin and Lincoln, 2000, p 18).

The term 'ontology' refers to the nature of reality (Healy and Perry, 2000). Ontology is the fundamental assumptions which are made about the elements of reality (Parkhe, 1993). Ontology describes the nature of reality for researchers who think in quantitative terms, the individuals who are involved in the research situation construct reality. For qualitative researchers, multiple realities exist, for example, the reality of the researcher, of the subject being studied, and the reality of the reader who interprets the study (Creswell, 1998). Lincoln and Guba (2000, p 176) state "whether or not the world has a 'real' existence outside of human experience of that world is an open question".

The term "Epistemology" comes from the Greek word "episteme" and means knowledge. Epistemology is thus the "philosophy of knowledge or how you come to know" (Trochim, 2001). Epistemology refers to the process of knowing, the nature of the relationship between the researcher and reality. Epistemology involves the study of theories of knowledge, the questions we ask about how we know (Smith, 1998). Easton (1998, p 380) argues that knowledge "is the philosophical basis for claiming to know what we know, the substantive basis for our knowledge claims".

Methodology establishes how the researcher comes to know but with a practical focus. Compared to epistemology which focuses on the philosophy of how one comes to know, methodology is more practical and refers to the specific ways or methods the researcher can use to understand the world (Trochim, 2001, p 18). Methodology describes the research process in relation to the systematic way of inquiring into the world, the nature of way to study phenomena (Easterby-Smith et al., 1991). The choice of the researcher's paradigm dictates the appropriate choice of research methods (Karami et al., 2006).

Researchers must make an axiological assumption which is the role of values in a study. Mingers (2003, p 561) defines axiology of "what is valued or considered good". The values are often present in the purpose or use of researcher's models and who develops and uses the model. Thus there is an axiological difference in whether the model is used for analysts, facilitators or participants (Mingers, 2003). Axiology also relates to the values of the researchers. Whereas studies for most positivists need to be value free, qualitative researchers acknowledge that their studies are not value free.

The following section will discuss the research paradigm of positivism and the deductive and inductive nature approaches to research.

6.3.1 Positivism

Positivism is the oldest and most widely used research approach (Neuman, 1997) and was coined by the originated the French philosopher Anguste Comte (1798-1857). Positivists believe that natural and social sciences are composed of a set of specific methods for trying to discover and measure independent facts about a single apprehendable reality, which is assumed to exist, driven by natural laws and mechanisms (Riege, 2003). Positivists believe the aim of science is to build up objective and commensurable casual relationships showing how constructs of discrete elements perform and function from a relatively secure base. Positivism assumes an objective stance in relation to the creation of knowledge (Robson, 1997; Giddens, 1978). Positivists prefer precise quantitative data and often use experiments, surveys and statistics that seek rigorous, exact meaning and objective research, and that tests hypothesize by analysing numbers from measures (Neuman, 1997). Positivist research focuses on the causes or facts rather than the subjective meaning.

Positivists argue that social scientists should "adopt the role of an observer of an independent and pre-existing reality; they should remain distant when conducting their research and not allow values and bias to distort their objective views" (Hussey and Hussy, 1997, p 52). This principle believes the researcher is independent of what is being researched and the researcher's values and biases will not influence research results. This implies the data and its analysis are value-free and the data does not change because they are being observed. Guba and Lincoln (1994, p 110) describe this situation as "the one way mirror".

Donnellan (1995, p 81) states, "positivist science is premised on axioms consisting of discrete elements; the division of discrete elements into causes and effects; independence between researcher and phenomenon; the possibility and desirability of developing statements of truth that are both generalisable across time and context, and predictive in nature; and the possibility and desirability of value free objective knowledge discovery".

Positivist studies concentrate on the facts or causes rather than the subjective meaning. This leads to the positivist view that the world exhibits objective cause and effect relationships which can discovered at least by structured observation. There is also independence between the researcher and phenomenon with the possibility and desirability of developing statements of truth that are both generalisable across time and context and predictive in nature (Donnellan, 1995).

Positivism separates the researcher from the real world, whereas the other paradigms the researcher participates in the real world. This participation allows the researcher to comprehend and describe, to revise meanings, structures and issues from managerial experiences and the perceived views of managers (Orlikowski and Baroudi, 1991). The research conducted for this thesis centres on a social sciences study involving the experiences and opinions of people have been involved in real-life situations (Perry et al., 1998). Considering these factors it can be concluded that positivism is not an appropriate approach for this thesis.

6.3.2 Critical Theory

In the study of social research there exist many critical theories (Denzin and Lincoln, 2000) including action research, Marxist and feminists (Perry et al., 1998). Critical theory assumes apprehensive social realities that are related to the critique and transformation of economic, ethnic, social, political and gender values over an extended period of time. One of the research premises for this paradigm is often long-term consisting of ethnographic and historical studies of organisational processes, changes and structures. Assumptions in this paradigm are subjective and the knowledge is grounded in social and historical routines and is therefore not value free, but dependent (Perry et al., 1998). Lincoln and Guba (2000, p 117) state that, "knower's are not portrayed as separate from some objective reality".

This research design was not appropriate for this thesis since the research does not have a long term perspective proposing to liberate people from their social or historical structures (Perry et al., 1998).

6.3.3 Social Constructivism

Social constructivists observe truth as a construction related to a particular type of belief system held in a particular context and have a critical relativist ontology (Perry et al., 1998). They believe that knowledge of the world is created socially (Easton, 1998) therefore consider that there are multiple realities that are socially and experimentally based rather than objectively determined. They have a subjectivist epistemology whereby researcher and respondent co-create understanding (Denzin and Lincoln, 2000; Perry et al., 1998). It is the interaction between the researcher and the informant that creates knowledge. Such researchers refuse to adopt any permanent, foundational or unvarying standards by which the truth can be known (Lincoln and Guba, 2000). Research findings are founded on the intangible mental constructions of the researcher. The constructivist paradigm has parallels to critical theory in that they search for the ideologies and values that lie behind the findings (Perry et al., 1998).

The methodological procedures used for social constructivism are typically naturalistic and the findings are usually of grounded theory approaches or pattern theories, using terms such as credibility, transferability, dependability and conformability. Constructivism paradigm is not often suitable for business research because of the exclusion of the real economic or technological dimensions of business (Perry et al., 1998; Hunt, 1991).

6.3.4 Realism

The fourth paradigm is realism which "is an increasingly useful worldview for some social scientists and is a growing movement transforming the intellectual scene in management research" (Sohb and Perry, 2006 p 1199). Trochim (2001, p 19) states "critical realist believes that there is a reality independent of a person's thinking about it that science can study".

Realism's philosophical position is that reality exists independently of the researcher's mind, that is, there is an external reality (Bhaskar, 1978; Harre and Madden, 1975). The realist approach "has a high degree of plausibility to social scientists who theorize that the world in terms of the impact of (objective) social structures upon (subjective) dispositions" (Silverman, 2000, p 124). This external reality consists of abstract things that are born of people's minds but exist independently of any one person, it "is largely autonomous, though created by us" (Magee, 1985, p 61). Realism refers to this external reality as consisting of structures that are themselves sets of interrelated objects, and of mechanisms through which those objects interact (Sobh and Perry, 2006).

A realism researcher considers a buyer and seller as 'objects' that interact and their interaction is not merely the creation of someone's imagination. They also belief that a company's external environment is always more important than the internal and real decisions are made in the world outside of the company, i.e. the external environment (Gummesson, 2002). Gummesson (2006, p 178) further suggests that "research include a combination of perceptions of reality based on real world data, attitudes, received theory, and persona". It can then be argued that marketers cannot do whatever they feel like doing in a post-modern fashion (Brown, 1998) because they must aim to meet the needs of an external market place at a profit. This leads to the premise that realism researchers are searching towards an understanding of the common reality of an economic system in which many people operate interdependently. This is described by Sobh and Perry (2006, p 1200) as, "realists believe that there is a real world out there to discover".

Realists consider the real world is only imperfectly and probabilistically apprehensive (Guba and Lincoln, 1994; Tsoukas, 1989; Merriam, 1988). Realists recognise disparities between the real world and their particular view of it and try to construct various views of this reality in terms of which ones are relative in time and place (Riege, 2003). Therefore the fundamental phenomenon investigated in social science is only contingently linked to the experiences that a researcher has in the field.

This means the combined effects of underlying structures and mechanisms result in patterns in experiences, but those patterns will not always occur. Thus incidents by their nature are fragile, so that causal impacts are not fixed but are contingent on their environment. Accordingly, the contexts of observed phenomena are very important and the desire of realism research is "to develop a family of answers that covers several contingent contexts and different reflective participants" (Pawson and Tilley, 1997, p 152). That is, results sought are not based on an experiment that shows A directly causes B; in social science phenomena there are few direct A to B causality links because any links are strongly influenced by the context (Sobh and Perry, 2006).

Realism does not look for single instances to explain phenomena but should be consistently asking why a result has been found because findings are merely 'outcroppings' of a deeper, unobservable reality (Neuman, 1994) or the 'tip of an iceberg' (Gummesson, 2000). Moreover, quantitative results from a positivist method like a survey are unlikely to provide understanding of a deeper reality and therefore should not be a major part of any realism research activity (Sobh and Perry, 2006). Easton (1998, p 377) sums up the overall implications of the realism position for careful probing of underlying explanations by stating, "thus valid explanatory knowledge in this realist epistemology requires the researcher to identify the contingent casual powers that are operating in the particular situation under research and the ways in which they combine and interact in order to create the particular events observed in the empirical domain".

Realism research can lead to research findings that are needed and are of practical use (Silverman, 2000). Realism is suggested as a most suitable paradigm for business research especially marketing (Perry, 2000; Perry et. al, 1998)

The next section will discuss the deductive and inductive methods of inquiry.

6.4 Deductive and Inductive Approaches

The *deductive* approach begins with theory and takes arguments from general principles to general conclusions so that they are capable of being inferred from premises. The researcher thinks about a topic and narrows it down until a very specific research question with a specific hypothesis can be formulated (Trochim, 2001). This research approach is therefore used to collect data to confirm a specific hypothesis from the theory that was developed by the researcher. In other words hypotheses are inferred from already accepted principles before being empirically tested. It is then with objective measures that statistical generalisation can be achieved and the replicable findings will be true.

The *inductive* approach representing the phenomenological paradigm "attempts to infer general patterns of order or structure from particular sets of empirical data" and makes empirical generalisations by observing particular instances (Parkhe, 1993, p 236). The logical order of induction considers observation of the empirical world to the construction of explanations and theories about what has been observed and theory is the outcome of induction (Gill and Johnson, 2005). Janesick (1998) suggests that inductive analyses are derived from data rather than being imposed prior to data collection and the framework emerges from the data and judgement must be used to decide on relationships between and among variables.

Positivists are commonly characterised by a deductive method of inquiry seeking for theory confirmation in value-free, statistical generalisations (Tsoukas, 1989;

Hirschman, 1986; Deshpande, 1983). Table 6.2 presented below highlights the key differences between the deductive and inductive methods of inquiry.

Table 6.2 Deductive and Inductive Approaches to Research
Source: Stantakos (1998, p 15)

Logic of Theory	Deductive	Inductive
Direction of Theory Building	Begins from theory	Begins from reality
Verification	Takes place after theory building is completed	Data generation, analysis and theory verification take place concurrently
Concepts	Firmly defined before research begins	Begins with orienting, sensitising or flexible concepts
Generalisation	Inductive sample to the population generalisation	Analytic or exemplar generalisations

6.5 The Research Paradigm of the Researcher

This researcher, like all researchers, must decide on their individual belief in relation to the assumptions and research paradigms that have been discussed in this chapter. Table 6.3 summarises this researcher's perspective on each perspective.

Table 6.3 The Research Paradigm of the Researcher

Item	Brief Definition	Researcher's Perspective
Ontology	What is real? What exists? Nature of reality; objective or subjective?	Subjective
Epistemology	Knowledge generated; relationship between the researcher and research	Researcher interacts with that being researched, placing the researcher within the social setting
Axiological	Overriding goal; whether the research is free or value laden	Value laden
Methodology	Nature of ways to study phenomena; choice of paradigms influencing choice of methods	Case Study Realism

As proposed by Perry et al. (1988) this research focused on the discovery, identification description and analysis of the structure and social interactions related to a complex and imperfectly apprehensible reality. This research is supported by Sobh and Perry (2006) whereby they argue that the realism paradigm is appropriate for researching marketing phenomena suited for research about external reality. They further suggest that realism considers the external reality of the market place but acknowledges that the complexities of a market place need to be investigated with in-depth qualitative research methods.

The objective of this research was to develop and contribute knowledge based upon social experience to enable understanding of the deeper structure and meaning and then to use the knowledge to inform other settings. Within the discussion of realism that has been presented and cognisant of the research objectives the realism mode of inquiry was chosen as the most appropriate paradigm for this research.

In summary this research was centred within the realism perspective and so the values, interests and beliefs of the researcher were present. The research was value laden and the personal views of the researcher were included though supported empirically where possible.

6.6 Research Methodology – Case Based Research

The methodological approach taken for this study was multiple-case design (Yin, 2003). The reason for choosing the case study approach is that it facilitates the exploration of complex social processes, taking a holistic perspective on real-life events (Perry, 1998). Looking at the literature as outlined in previous chapters, it can be argued that switching behaviours and B2B relationships are complex social constructs that can only be investigated in a real-life context within the company.

It has been highlighted that the case study method "allows investigators to retain the holistic and meaningful characteristic of real-life events such as organisational and managerial processes" (Yin, 2003, p 2). This means that the phenomenon observed does not need to be replicated in a laboratory setting to be better understood (Rowley, 2002). It has been argued that a substantial portion of research in industrial marketing focuses on the decisions and behaviours by individuals and groups within and between organisations (Woodside and Wilson, 2000; Woodside, 1992). Sinkovics et al. (2005) suggest that qualitative research provides insights into the meaning and context of B2B relationships while revealing the underlying determinants of the processes between the client and service provider, further allowing the prediction of future developments and trends.

Following from the above arguments case study approach for this research was most appropriate. Moreover, "the case study approach is seen as appropriate in the development of theory as well as in the testing of propositions derived from existing theory" (Yin, 2003, p 3).

The research objectives of this thesis, discussed in section 6.2, reflect the aim of this study to develop and build on existing switching behaviour theory that is valid for the studied case organisations. It has been argued that especially the social sciences are well suited to case studies as they satisfy the recognised need for an in-depth understanding of cause and effect relationships that other methodologies cannot achieve (Jensen and Rodgers, 2001). In addition, Simon et al. (1996) list a whole range of further advantages of case study research such as that it helps to bridge the gap between academia and industry, that enables verifying perspectives from a wide range of perspectives and that it can often give new directions for further research due to the depth of data gathered.

6.7 Research Validity and Limitations

There are two types of validity, internal and external. The former refers to what the interviewee has said or meant to say. External validity refers to the ability of the research results being applicable to similar situations. To ensure internal validity of this research an email was sent to each participant thanking them for their time and listing the key points of the interview. Interviewees were requested to verify the key points and to note any inaccuracies. All of the interviewees complied with this request and their comments were noted by the researcher.

According to Yin (2003, p 34) there are four main criteria on which the quality of a case study can be judged. The following table shows how these criteria can be addressed in case study research in general and outlines how they are addressed for the research of this thesis in particular. Table 6.4, presented below, outlines the methods the researcher used to ensure the quality and validity of the study.

Table 6.4 Criteria to Assess Case Study Quality
Source: adapted from Yin (1994)

Criterion	Tactic Used for this Case Study

Construct validity	• Use multiple sources of evidence
	  o Literature review on switching behaviours, the constructs of B2B relationships (trust, commitment, loyalty, risk) interviews with decision makers
	• Establish chain of evidence
	  o Explicit links between questions asked, data collected and conclusions drawn are established by clearly formulating the research objectives in advance and collecting and analysing the data accordingly
	• Respondents reviewed the interview notes and verify there were no misunderstandings between the respondent and the researcher

Internal validity	• Conduct pattern-matching
	  o Interview findings from all respondents were reviewed to identify patterns in their responses; the emerging patterns were compared with the predicted outcomes derived from theory
	• Conduct explanation-building
	  o The observed patterns in the data were compared to existing theory so that new explanations could be reported upon in the results and conclusions chapters

External validity	• Use theory in case studies
	  o Analytical generalisation: the entire result set is linked back to existing theory as outlined in the literature review
	  o Replication logic: The study for this thesis is a series of single case studies. However, to gain stronger data for developing more powerful explanations from the single interviews were examined and compared. Explanations of variances in results were established and analysed in detail

Reliability	• Use case study protocol
	  o To ensure the study could be replicated by other researchers the procedures of how the data was collected and analysed is clearly outlined in this thesis
	• Develop case study database
	  o The researcher's interview tapes and field notes have been stored electronically

A review of the research methodology literature suggests that Yin (2003) is one of the most cited authors in the field of case study research. What is worthwhile noting is that he does not take an ontological or epistemological stance. Yin (2003, p 3) distinguishes "the case study as a research tool from . . . ethnographies and participant-observation and qualitative research". Yin (2003) questions the hierarchical view of research strategies which suggests that case studies are only a preliminary research strategy and cannot be used to describe or test propositions. Instead, he argues that in case study research any data collection method to conduct rigorous research to derive valid and reliable conclusions may be used.

6.8 Justification for Case Study Based Research

A case study may be described as a detailed examination of an event (or series of related events) which the researcher believes exhibits the operation of some identified general theoretical principle (Mitchell, 1983). An important advantage of the case material lies in the richness of its detailed understanding of reality which implies it can work as an effective mnemonic device (Amaratunga and Baldry, 2001). Zonabend (1992) argues that case study research is done by giving special attention to complexities in observation, reconstruction, and analysis of the cases under study and is done in such way that it incorporates the views of the 'actors' in the case being studied.

The case study method was adopted as an appropriate research design for the study this focused on understanding the dynamics present within a single settings (Eisenhardt, 1989). Case studies are recommended where the phenomenon being investigated is on-going and has to be investigated within its real-life context which allows little prospect of simplifying matters by excluding some variables while controlling and manipulating others. Lindgreen and Crawford (1999, p 233) state, "the case method facilitates the exploration of complex social processes by taking a holistic perspective on real-life events with all of their potentially rich and meaningful characteristics intact. Uniquely, the method avoids the need to pre-select the context type variables to be included in the investigations". Case studies allow the researcher to observe the important contextual variables impinging on the behaviour of interest over time (Yin, 1994).

Yin (1994) defines the case study method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are clearly not evident, and in which multiple sources of evidence are used. Since the boundaries of the phenomenon of client switching behaviours were not clearly evident at the beginning of this research, the choice of using the case study approach involved a contemporary set of events, over which no experimental control or manipulation was used (Benbasat et al., 1987).

Miles and Huberman (1994) suggest that one of the main benefits of case studies, is that researchers can move far beyond 'snapshots' of '*what*' or '*how many*' to probing questions relating to '*how*' and '*why*' type of questions. These probing questions deal with operational links that may need to be traced over time, rather than relying on mere frequencies or incidence. Case studies are particularly valuable where the kind of control present in a laboratory is not feasible and not even ethically justifiable (Remenyi et al., 1998).

The purpose of case study research is usually systemic and holistic, to give a rich and robust account of a network of relationships between a host of events and factors, and not just to identify single cause and effect links or piecemeal models (Gummesson, 2001). Case research is superior to survey methods at answering the '*whys*' and '*hows*' because the case analysis can delve more deeply into motivations and actions than structured surveys (Westgren and Zering, 1998).

The case study approach has not always been recognised as a proper scientific method. The main arguments to support this statement centre on the fact that case studies provide little basis for scientific generalisation (Yin, 1994). Dubois and Gadde (2002) suggest that case studies allow for interaction between a phenomenon and its context. Yin (1994) adds that case study is remarkably hard to conduct, in spite of the fact that it has been considered a 'soft' approach. Easton (1995, p 379) identifies three types of weaknesses in case study research by stating, "some case studies are simply rich descriptions of events from which the readers are expected to come to their own conclusions. Others are really examples of data that appear to provide, at best, partial support of particular theories or frameworks and are used in a quasi-deductive theory testing way. A third kind employs multiple 'case studies' in a way that suggest that they are relying on some notion of statistical generalisation".

The research conducted for this thesis investigates the changing market structures and organisational forms within the B2B service industry as they relate to switching behaviours. The task of this researcher was to build on existing marketing theory. In the areas of switching and B2B relationships within the service sector. Marketing theory is highly pluralistic and much of the published literature in the field of marketing is dedicated to developing behavioural constructs and codifying them into theories of management behaviour (Eisenhardt, 1989). Due to the fact that many marketing constructs and theories relate to firm-level and intra-firm behaviour, case studies have been used widely in theory development as they permit investigation of individuals' and work groups' responses to decision stimuli (Westgren and Zering, 1998).

Baker (1982) suggests that the interview process allows the participants to actively construct some version of the world appropriate to the situation they are describing. "When we talk with someone else about the world we take into account who the other is, what the other person can be assumed to know, 'where' that person is in relation to our self in the world we talk about" (Baker, 1982, p 109).

6.8.1 Unit of Analysis

Hussey and Hussey (1997, p 123) state the unit of analysis is "the kind of case to which the variables or phenomena under study and the research problem refer to, and about which data is collected and analysed". The unit of analysis could be an entity, event or individual and "is related to the fundamental problem of defining what the case is" (Yin, 1994 p 21). The unit of analysis for this research was staffing agencies and the clients of staffing agencies. The clients studied were firms who had made a switching decision to use the recruiting services of an alternative staffing agency.

As the purpose of qualitative research is to obtain an understanding of the situation, there is no requirement for statistical rigor in the sample selection (Hogg, 1996). Rather it is critical to ensure the interviewees chosen are able to address and add value to the research issues. Gummesson (2006) suggests that the actual number of interviewees should be decided by saturation, i.e. the diminishing marginal contribution of each additional case. Patton (1990) calls this a purposive sampling and suggests that the number of people interviewed is governed by the additional contribution being offered by conducting further interviews. For this study it was critical to interview the participants directly involved in the decision making and buying processes.

The value of this research was the ability to speak with the three parties, the triad involved in the switching incident:

- The client who made a decision to switch service providers
- The service provider / staffing agency that was '*switched from';* the service that *lost* the client's business
- The service provider / staffing agency that was '*switched to*'; the service provider who successfully *won* the client's business

Seven *triad* interviews (twenty-one interviews) were conducted for the first part of the research. This was followed by the second part of conducting seventeen *single* interviews. The single interviews were conducted to add additional data about switching behaviours. It was felt that this sample adequately represented the views of the Canadian business community within the B2B service sector of the clients and providers of staffing services. With this sample it was evident that the diversity of the group was captured by this research until a saturation level was reached.

6.8.2 Single or Multiple Case Studies

Multiple-case designs have distinct advantages and disadvantages in comparison to single-case designs. The evidence from multiple cases is often considered more compelling, and the overall research is therefore regarded as being more robust (Herriot and Firestone, 1983). The logic underlying the use of multiple-case is that each case must be carefully chosen so that each case predicts similar results or predicts contrasting results but for predictable reasons (Yin, 2004). If the results from all of the cases turn out as predicted this would lead to compelling support for the initial set of propositions. If the cases are in some way contradictory, the initial propositions must be revised and retested with another set of cases. The critical step to the replication procedures is the development of a rich theoretical framework. The framework needs to state the conditions under which a particular phenomenon is likely to be found as well as conditions when it is not likely to be found (Yin, 2004). Theoretical framework later becomes the mechanism for generalising to new cases.

Multiple case studies were used to study inter-organisational trust in B2B firms by Ratnasingam (2005) in order to discern and induce patterns between organisations. Ratnasingam argued that multiple case studies allow the examination of complex issues in depth and to elicit rich data needed to increase the understanding of trust from several different perspectives. In addition Ratnasingam suggests that multiple case studies allow an in-depth analysis of real life issues by answering *'how'* and *'why'* type questions.

Yin (1994) contends that the single or multiple case based researches is simply a research design within the same case based research, though suggesting that multiple case based researches is more robust. Leavy (1994) argues that multiple case studies are the less risky approach, especially for the novice researcher. Parkhe (1993, p 229) suggests the use of multiple case studies to address theory generation studies that "iteratively link data to theory in an inductive process moving toward the generation of an empirically valid theory that is subject to testing and refinement through replication logic".

6.8.3 Case Selection Decisions: Number of Cases

An issue for the researcher is to determine the number of cases to be studied. There are no precise guides to the number of cases to be included, and the literature rarely specifies how many cases should be developed – this is a decision left up to the researcher (Romano, 1989).

Gummesson (2001, p 35) states that "a general rule for the number of cases needed to draw conclusions cannot be set up; anything from one to several, even hundreds can be justified depending on the situation. The sample is theoretical and purposeful – find the cases that give a maximum of information – and guided by saturation stop when the new information of additional cases approaches zero".

Eisenhardt (1989) suggests the use of multiple case studies and recommends that cases should be added until theoretical saturation is reached. Lincoln and Guba (1985, p 204) support this position by recommending a sampling selection "to the point of redundancy". Patton (1990, p 181) does not provide an exact number or range of cases that could serve as a guideline for researchers and states "there are no rules for sample size in qualitative research". Stake (1998) suggests that ultimately researchers may be more interested in a phenomenon or a population of cases than an individual case. If researchers are relying on one case there is a view that theory generation, without comparative analysis is difficult and would require depth in the single case study.

Another factor to consider when designing the research is the number of interviews. Carson et al. (2002, p 104) state "our experience and anecdotal evidence suggests that 30 or so interviews are required to provide a credible picture in a reasonably sized research project". In summary it is recommended to follow Patton's (1990, p 185) guidance of "the validity, meaningfulness and insights generated from qualitative inquiry have more to do with information-richness of the cases selected and the observational/analytical capabilities of the researcher than with the sample size".

For this research, the researcher chose and studied a multitude of cases that would answer the aim and objectives of the research. Therefore the research design follows Eisenhardt's (1989) framework with cases described from a comparative perspective and evaluated in the concepts and theories discussed within the literature review.

6.9 Data Collection Techniques

Creswell (1994) describes the data collection as a procedure with the following three steps:

a) setting the boundaries for the study
b) collecting information through observations, interviews, documents, and visual materials
c) establishing protocol for recording information

Setting the boundaries of the study included setting the parameters of the research. Miles and Huberman (1984) suggest the following parameters which are essential when considering the data collection:

The Setting – where the research will take place
The Actors – who will be observed or interviewed
The Events – what the actors will be observed doing or interviewed about
The Process – the evolving nature of events undertaken by the actors within the setting

Carson et al. (2001) advocate that the characteristics of qualitative research provide flexibility and suitability for use in the interpretation of a marketing management situation. The technique used for this research was the in-depth, personal interviews and a semi-structured interview guide was designed according to insights gained from the literature on B2B service relationships and switching behaviours (see Appendixes E and F for interview questions). Semi-structured in-depth interviews were proven very successful in developing a robust view of customers' switching experiences in the past – for example: Yanamandram and White, 2006; Price and Arnould, 1999; Keaveney, 1995).

The opportunity to use many different sources of data is a major strength of case study research (de Weerd-Nederhof, 2001). The principle being that multiple sources of evidence essentially provide multiple measures of the same phenomenon. Yin (1989) suggests any finding or conclusion in a case study is likely to be much more convincing and accurate if it is based on several different sources of information. Yin (1989) also recommends creating a case study database whereby every case study project should strive to develop a formal retrievable data base so other researchers can review directly and not be limited to written reports. In this manner, the database will increase markedly the reliability of the entire case study.

Yin (1989) suggests that maintaining a chain of evidence increases the reliability and the construct validity of the case study. It is the principle of traceability, whereby external observers can follow the derivation of any findings from the initial research aim and objectives to the ultimate conclusions of the study. Traceability allows the movement from one part of the case study to another with clear cross-referencing to methodological procedures and to the resulting evidence.

In-depth interviews are flexible, but controlled (Burgess, 1982). Rather than being locked into one set of questions for all respondents, a flexible approach allows the interview questions to be adapted to suit each individual respondent which may lead to the discovery of issues not included as part of the original interview schedule. The straight forwardness of adapting the interview situation encourages the researcher to truly hear the meaning of the respondents' replies without discarding pieces that do not fit with the initial conception of the research problem (Rubin and Rubin, 1995).

Pawson (1996, p 154) argues that, "data collection has the task of creating a conversation setting in which the information provided is faithful to the frame of reference of the respondent". The researcher's knowledge and the respondents' experiences are supposed to come forward in mutual understanding and any theory generated should be true to the subjective opinions of the respondents. The avoidance of a rigid structure indicates awareness that respondents have "unique way(s) of defining the world" (Denzin, 1970, p 125). As such, in depth interviews are consistent with the overall aims of this research and the social construct of realism.

6.9.1 Access and Selection of Cases

The choice of interviewees must relate to the aim and objectives of the research. A major feature of case selection should be that the case is information rich (Morse, 1994; Perry and Coote, 1994). The final choice of cases relied on the existence of the situation of interest and the availability of interviewees to be researched.

"A high level of access is usually needed in order to be able to develop the kind of rich description which is the primary requirement of any case-based inductive mode of research. Getting this level of cooperation from a case site can be difficult" (Levy, 1994, p 109). The researcher began negotiating access by emailing a letter to friends and colleagues who had experiences with staffing agencies requesting to arrange an interview access (see Appendix A). The researcher then telephoned the potential interviewee to assess if the person and case-site was suitable for the research and if so, a meeting was scheduled at the interviewee's place of work. These pre-interview assessments are referred to as "valuable front-end diplomacy" (Levy, 1994, p 109) and are essential to fulfil the research objectives and establish interview protocol. "The case-based qualitative researcher typically needs to have good social skills and a high degree of awareness of the effect that his/her presence can have on the organisation under study" (Levy, 1994, p 107). The researcher discovered that his past employment skills and knowledge of human resources and recruitment created an interest and reason for the interviewee to readily accept the invitation to partake in the research study.

6.10 Data Analysis and Management and Theory Generation

The analysis of interview data was carried out in two stages; within-case analysis, involving write-ups of each case, and cross case-analysis, involving searches for cross-case patterns. The idea of using cross-case searches allows the researchers to go beyond the initial impressions, especially through the use of structured and diverse views of the data. These searches improve the likelihood of accurate and reliable theory, that is, a theory with a close fit with the data. In addition cross-case searching enhances the probability that the investigator will capture the novel findings which may exist in the data (Eisenhardt, 1989).

A post-interview email was sent to each respondent to confirm the details their responses. In all situations the respondents replied stating the interview notes had captured the contents of the interview. The processes undertaken and the multiple sources of evidence helped improve the validity of the research (Yin, 1994). Data analysis focuses on quantifying the case studies and using various analytical techniques. Yin (1994. p 103) states "the ultimate goal is to treat the evidence fairly, to product compelling analytical conclusions and to rule out alternative interpretations".

The literature states there is a lack of direction for data analysis and a lack of clarity to form theories from case based research and the challenges of data analysis for qualitative research (Huberman and Miles, 1998; Bryman and Burgess, 1994; Eisenhardt, 1989). Morse (1994, p 23) states, "despite the proliferation of qualitative methodology, texts detailing techniques for conducting a qualitative project, the actual process of data analysis remains poorly described". Robson (1997) supports this position by arguing there is no clear and accepted set of conventions for analysis, corresponding to those observed with quantitative data.

Bryman (1988, p 77) argues the challenge with qualitative research centres on interpreting "brief conversations, snippets from unstructured interviews or examples of a particular activity which are used to provide evident for a particular contention. There are grounds for disquiet in that the representativeness or generality of these fragments is rarely addressed". Yin (1994) suggests the analysis must uncover results that are significant, complete, considered alternative perspectives and displays sufficient evidence, which is reported in a composed and engaging manner. Data analysis must clearly show that minimal information remained uncovered by the researcher and that critical information was given complete attention (Yin, 1994). Sufficient evidence was being uncovered so that the reader can form an independent judgement regarding the merits of the analysis.

Data analysis for qualitative studies may include explanation building, pattern matching and time series (Yin, 1994). Kolb (1986) suggested four stages of concrete experience, reflective observation, abstract conceptualisation and active experimentation as data analysis methods (Easterby-Smith, et al., 1991). Morse (1994) proposes comprehending, synthesising and theorising, which is confronting the data with alternative explanations. Miles and Huberman (1994) advise that to analyse data the process should include data reduction, data display and conclusion drawing/verification. For qualitative researchers to confront existing theories or construct a new theory they must be able to summarise data and then use the summaries to construct generalisations that are robust enough to stand analysis. The techniques of data reduction usually involve coding and organising the data into manageable and condensed form. For this research N-Vivo was used and structuring the data was achieved through the interview protocol as it related to the framework of the research.

6.10.1 Theory Generation

"Analyzing data is the heart of building theory from case studies" (Eisenhardt, 1989, p 539). The critical challenge with data analysis focuses on theorising which includes the processes of building theories, recontextualising, considering existing theories, placing results in context and establishing any new linkages and models. Eisenhardt (1989) proposes a procedural process utilising steps towards a case analysis, by searching for cross case patterns. This procedure looks at the data in many divergent ways through the development of themes, concepts, verifying relationships, linking theory back to literature and ultimately reaching closure or saturation.

Eisenhardt (1994) suggests another analytical strategy is to select pairs of cases and then list the similarities and differences between each pair. "This tactic forces researchers to look for the subtle similarities and differences between cases" Eisenhardt (1994, p 541). The search for similarity in a seemingly different pair can also lead to more sophisticated understanding resulting in categories and concepts the researcher did not anticipate. The overall premise of cross-case searching tactics is to force the researcher to go beyond initial impressions, especially through the use of structured and diverse outlooks on the data. These tactics improve the likelihood of accurate and reliable theory, that is, a theory with a close fit with the data (Eisenhardt, 1989).

Cases can be investigated by relying on theoretical propositions or developing a case description. The former was used in this study. The propositions developed from the literature review were converted into the research aim and objectives as listed in section 6.2. These propositions guided the data collection and drew attention on the necessary data to be collected and analysed (Yin, 1994). The research questions were used as section headings for the data analysis and to link back to the theory (Perry and Coote, 1994; Yin, 1994).

6.10.2 Data Analysis for this Study

Data was collected to answer the research aim and objectives and was linked to the cases through a qualitative and subjective assessment using data consistency. The researcher ensured the following actions were taken:

- A review of the consistence of the data from the different respondents
- The substantiation of the respondent's perceptions with the information from each case
- Findings were linked to the theoretical fit of the data, a plausible explanation or to the fit of a known rival explanation for the data (Huberman and Miles, 1998; Yin, 1994)

The steps taken for the data analysis for research have been outlined in table 6.5 listed below.

Table 6.5 Steps in Developing Theory from Case Research Data
Source: adapted from Yin (1994)

Steps	Issues
Initiating the research Study	Developed a research guide based on the literature which led to the development of the research aim and objectives
Selecting the Cases	Cases were selected for theoretical reasons and included a range of industries and staffing agencies located in one Canadian city (Calgary, Canada)
Designing the Methodology	In-depth personal interviews which were guided by an interview protocol; all interviews were tape recorded
Analysing the Data	N-Vivo software package aided with the analysis. Two data stages analysis – with-in the case analysis and cross case analysis involving searches for cross case patterns
Shaping Hypothesis	By analysing constructs and verifying relationships, findings were uncovered, constructs refined and evidence with measured these constructs were formalised
Enfolding literature	The emergent theories, concepts and findings were compared with extant literature to enhance the internal validity, generalisability and theoretical level of theory building
Achieving Research Closure	Iteration between data and theory ceases when the contribution to theory is minimal, but time and costs also dictated the number of cases that were studied

Each case was analysed using the iterative four stage process – data collection, data display, data reduction and conclusions (Huberman and Miles 1998). This process involved coding, which was completed using the N-Vivo programme which will be discussed in the next section.

6.11 Data Analysis Software Package: N-Vivo

This section outlines the data management and data analysis stages of the research. Analysing text from interviews includes word analysis as in content analysis and cognitive maps and methods for analysing blocks of text such as pattern matching. The data management and analysis was aided by the use of N-Vivo software package. Computer Assisted Qualitative Data Analysis Software (CAQDAS) is widely used in social science research to facilitate qualitative data analysis particularly in marketing (Doland and Ayland, 2001). The popularity of using software packages to aid in data analysis has increased over the years and those who do not use them will be at a disadvantage to those who do (Seale, 2000; Fielding and Raymond, 1998; Miles and Huberman, 1994).

It has been noted that some researchers express concern related to the potential theoretical and methodological costs of computer use in qualitative research (Coffeey et al., 1996). Kelle (1997) argues that the danger of methodological biases and distortions arising from the use of certain software packages is overemphasised. This argument is supported by Sinkovics et al. (2005, p 33) who state, "in fact, the application of computer software makes life easier for the researcher by formalising the way in which the researcher can look at the text body. Hence, qualitative software has the potential to increase reliability of research findings by making the process of analysis more systematic and transparent".

The major advantages using CAQDAS are the time saving element, though the initial step of 'coding' is exceptionally time consuming. CAQDAS can reduce analysis time, make the analysis procedures more systematic and explicit, ensure completeness and refinement while allowing for flexibility and revision during analysis (Miles and Huber, 1994). Sinkovics et al. (2005) argue that the use of CAQDAS provides for certain procedural advantages compared to traditional means of text analysis. They argue that these advantages ultimately helped in the formalisation of processes which would have had to be carried out by labour-intensive traditional means. Maclaran and Catterall (2002) suggest that qualitative analysis is more about storing, indexing and retrieving data than analysing data in some quantitative or statistical fashion. CAQDAS assist researchers with the functions that allow the data to be pooled together (storing), identifying themes or categories in the data (indexing) and looking for links or concordances between pieces of data (retrieving).

Table 6.6 outlines the differences between qualitative text analysis by traditional means and CAQDAS.

Table 6.6 Comparing Traditional Means and CAQDAS
Source: Sinkovics et al. (2005, p 21)

Issue	Traditional Means	CAQDAS
Management of large amounts of text data	Cards (paper) Transcripts (paper)	Storage of large, electronic documents. Provision of first reports, quickly and easily -on sample type and size as well as on categories (number and content). Provision of complex picture of data and sample. Inclusion of, for example, field notes in the data
Record keeping	Shuffling Organisation into piles Losing piles sometimes	Unlimited shuffling Storage of memos electronically Secure storage of documents
Coding	Screening of every card or transcript; coding of these separately	Application of standards
Searching	Highlighting text sections; cutting out of relevant sections	Use of headlines, text styles etc. to structure documents; browsing documents to show selected sections without losing the full document

The N-Vivo software package is designed for storage, coding, retrieval and analysis of text data. N-Vivo has an extensive and powerful set of code based operations with numerous search options. It assists to make connections between codes, to develop higher order classes and categories and to formulate propositions (Weitzman and Miles, 1995).

Dean and Sharp (2006) highlight that N-Vivo is widely used in management research for the following purposes:

- Organising and analysing literature reviews
- Content Analysis of secondary or archival sources
- Recording, collating, analysing and reporting interview data

For this research project N-Vivo was used for the latter reason. N-Vivo was chosen from other similar CAQDAS (Nudist, MaxQD, C-I-Said) due its particular coding features and group features which were deemed necessary for this research project.

6.11.1 Criticisms of Using Computer Assisted Software

There is the possible danger that coding qualitative data becomes the analysis whereby the data is taken out of context and the software imposes a single linear order to the analysis (Coffey, et al., 1996). The software package can distance the researcher from the data (Weitzman and Miles, 1995). Richards and Richards (1998, p 211) have stated "that the chosen computer package can have dramatic implications for the research process and outcomes, form unacceptable restrictions on analysis to unexpected opening out of possibilities". It is critical for the researcher to be cautious of these data management criticisms and not damage the thick descriptions or insights from the findings. There is also the danger of the coding system strait jacketing the researcher and can seem to design data analysis that is never ending (Richards and Richards, 1998).

N-Vivo analysis has been criticised for "producing in the final research report extraordinary boring quotes, devoid of insight" (Dean and Sharp, 2006, p 18). This comment is supported by Gibbs (2002, p 18) who argues the problem is exacerbated where quotations from interviews are used as a substitute for analysis and "the research report becomes large slabs of quotation interspersed with relatively unilluminating comment".

The use of computer assisted software to analysis data has been criticised for promoting a standard format for analysis and representation of data which Coffey et al. (1996, p 7) refer to as "a trend towards homogeneity". Seale (2000, p 172) states that "a technical fantasy seems to have emerged, uncomfortably close to quantitative work, with a language of counting, hypothesis testing and causal analysis that is alien to the interpretive freedom supported by qualitative research". There is also the situation whereby the computer package can damage or minimise the complexity of the social inter-relatedness (Coffey et al., 1996) and a risk that the researcher becomes too attached to the coding system and forgets the contextual situation (Weitzman and Miles, 1995). A qualitative researcher is advised to avoid the danger whereby "the style of the software one uses can coerce a project along a particular direction" (Richards and Richards, 1998, p 242).

6.11.2 Analytical Steps For Analysis Using N-Vivo

N-Vivo's group coding feature was used for analysis purposes for this thesis. Qualitative researchers have many ways of coding but almost all of them use coding to identify topics, themes or issues, and bring together the data segments from the different sources (Bazeley and Richards, 2000). The software allows the researcher of the central elements such as 'documents', 'nodes, 'attributes' and 'sets'. The N-Vivo 'containers' for coding are known as *nodes* which can be segmented into more identifiable 'containers' known as '*free nodes*' or '*trees*'. The '*nodes*' can also be divided into subcategories referred to as a '*parent*' and then subdivided into smaller units known as '*child*' or '*sibling nodes*'. The researcher continues the coding process until he or she has reached a theoretical saturation and no new themes emerged (Marshall, 2002).

There are five core analytical processes with N-Vivo which are completed in the sequential order:

1. Organising
2. Linking
3. Coding
4. Searching

Appendix L describes these five processes and outlines the advantages and problems that occur during each of the processes. The next sections will provide a brief discussion that outlines the key processes of the N-Vivo software programme.

6.11.3 Coding of Data

The first step with the software is coding which is naming and classifying the data. The data base is structured according to a hierarchical tree design and utilising codes for the data to be placed in the tree design. These codes are called *nodes* and they can be manipulated to suit the data. The second level of coding tries "to understand the patterns, the reoccurrences, the plausible whys" (Miles and Huberman, 1994, p 69). Coding can range from organising the data and concepts around each other to quantifying different variables (Bryman and Burgess, 1994).

The initial coding for this research focused on the objectives of the research and the pattern coding developed the main themes and issues from the research. Pattern matching is matching an empirical based pattern with a predicted one and assessing rival hypothesises for 'closeness of fit' (Yin, 1994). There are weaknesses in pattern matching in terms of rigour (Yin, 1994). The allocation of patterns as in the summary displays is still in essence summaries of qualitative data, and the interpretation is judgemental or subjective rather than actual (Miles and Huberman, 1994). Looking for repetitive or patterned behaviour for themes, patterns and categories is demanding as the study must decide if this is a normal event or a rare occurrence so the frequency of the event can be compared with other cases.

6.11.4 Code and Retrieval Analysis

Code and retrieval has been a dominant form of qualitative analysis though Richards and Richards (1998) observe that despite its popularity there is a lack of debate or discussion over the method of data handling and how it contributes to analysis and has become the 'taken for granted' method of data analysis. They add that generation of coding is a process of theory building, as decision on what text will be included at each code is based on theoretical considerations and the linking of text from a variety of sources to the one code that allows for a new way of seeing the data.

With N-Vivo there is an index system in the programme, which organises the codes and is the core of the programme. Each code has a list of references to the text it indexes and so coding is referred to as "indexing text at a node" (Weitzman and Miles, 1995, p 241). Different types of codes are available and codes can be divided into acts, activities, meanings, participation, relationships and settings. The system is flexible and the nodes can represent categories, concepts, individuals and relationships among codes and so on (Richards and Richards, 1998). Miles and Huberman, (1994, p 69) state that codes are "threads that tie together bits of data". The main benefit is that researchers can find and display all instances of the codes (Miles and Huberman, 1994).

6.11.5 Content Analysis

Content analysis is a linguistically oriented, quantifying method for qualitative research where the frequencies of use of key phrases or words are counted (Easterby-Smith et al., 1991). "This is not a simple count of arbitrary items, but is based on analysis and theoretical understanding of the substance of the text" (Hussey and Hussey, 1997, p 250). Though commenting that reliability and validity issues are aided by the use of this technique Hussey and Hussey (1997) note criticism by Silverman, (1993, p 59) who states "its theoretical basis is unclear and its conclusions can often be trite". Content analysis was used in this study but the researcher was very aware of the above criticism and the difficulties of analysing text in general (Silverman, 2000).

6.11.6 Theory Building With N-Vivo

Theory construction in qualitative research centres on capturing concepts, by exploring links and ideas which are documented and systematically reworked and then elaborating on the specification, explication, exploration and development of these ideas, all of which can be supported by software (Richards on Richards, 1998).

However "no programme builds the theory for you nor would you want it to" (Weitzman and Miles, 1995, p 18), however N-Vivo software supports theory building in three ways. The methods include memoing, elucidating structure through building and modifying the index system and system closure. The theory building aspects allows the researcher to make connections between codes, to develop higher order classifications and categories, to formulate propositions or assertions, imply a conceptual structure that fits the data and/or to test such propositions to determine whether they apply (Richards and Richards, 1998; Miles and Huberman, 1994). As theories develop the software allows for the altering of the index system, which means that the textual information is maintained and a memo can be added, explaining the changes made.

6.11.7 Memoing

Memoing is a very important part of the data analysis. Miles and Hiberman (1994, p 72) suggest memoing is "primarily conceptual in intent and don't just report data; they tie together different pieces of data into a recognisable cluster, often to show that those data are instances of a general concept". Memoing allows the researcher to add his or her own reflections to the database, which provides a certain amount of system closure because the results of your analyse becomes part of the data (Weitzman and Miles, 1995). Linking the codes to memos which are reminders of how codes were decided on can be very helpful for the researcher. The computer software programmes such as N-Vivo help and support researchers in making the analytical process of coding and analysing textual data more accessible for other researchers. The formalised procedures within N-Vivo will help ensure that issues of equivalence are addressed within the objectives of this research.

The researcher's quest for new knowledge and the challenges of the fundamental assumptions made while coding the data will lead to better results. "Formalised processes promise to make the qualitative inquiry based on textual data more logical and replicable. This is encouraging since the replication of research findings is generally considered to be the 'holy grail' of scientific research in that it ensures scientific knowledge by continually challenging it" (Sinkovics, 2006, p 32).

6.12 Development of Methodology and Research Actions

This section will review the various stages that occurred to develop the methodology. Section 5.11 provided the revised conceptual framework that was developed by using the knowledge from the literature review. Section 6.2 utilised the conceptual framework and formulated the revised four objectives for this study.

Justification of using the chosen methodology (multiple case studies) was done in section 6.8. Case studies are most suitable to situations where the researcher is able to observe important contextual variables impinging on the behaviors being studied (Yin, 1994). Gummesson (2001) adds that case studies provide rich and robust data relating to the network of relationships between a host of events and factors.

The aim and objectives of this research involve the social interdependence of many people and an interaction of networks of client and service providers from a variety of service companies. The chosen methodology is linked directly to conceptual framework and goals of the research. The researcher's paradigm of realism was discussed in section 6.3 and was determined to be most suitable for this research. Easton (1998) argues that realism allows for probing of underlying explanations requiring the researcher to identify the incidental casual powers present in the research in ways that combine and interact to create particular observable events within the empirical domain.

6.13 Interviewing

Thirty-eight in-depth interviews were conducted for this research which were divided into two parts, *triad interviews* and *single interviews.* The triad interviews were conducted first and completed before commencing the single interviews. The single interviews were conducted independently of the triad interviews and provided additional B2B switching data. Qualitative researchers rely quite extensively on in-depth interviews a process that has been described as "a conversation with a purpose" (Kahn and Cannell, 1957, p 149). Considering the more methodical forms of information collection, it has been estimated that 90 percent of all social science investigations use interviews in one way or another (Briggs, 1986) and interviewers consider their respondents as 'windows on the world' (Hyman et al., 1975).

"In the field of marketing and consumer research, qualitative research is often associated – if not equated – with personal interviews" (Moisander and Valtone, 2006 p 71). Many scholars seem to believe that with the correct interview techniques the researcher has the opportunity to step into the mind of another person, to see and experience the world as they do themselves (McCracken, 1988). Typically, qualitative in-depth interviews are much more like conversations than formal events with predetermined response categories (Marshall and Rossman, 1999). In a conventional view, the interview conversation is a pipeline for transmitting knowledge (Silverman, 1997). Whatever an interview's form, its purpose is to get inside someone's head and enter into their perspective (Patton, 1990) to find out things like feelings, memories and interpretations that cannot be observed or discovered in other ways.

The interview process allows the researcher to explore general topics to assist the respondent's views but otherwise respects how the respondent frames and structures responses. The respondent's perspective on the phenomenon of interest should unfold as the participant views it, not as the researcher views it (Marshall and Rossman, 1999). Strength of interviews is that "they can illuminate issues and turn up possible explanations: essentially a search for meaning" (Gillham, 2000, p 10).

6.14 Distinctions between Staffing Agency Tier Levels

In chapter 5 the three types of staffing agencies were identified as:

- Tier 1 – Executive Search Firms
- Tier 2 – Contingency Firms
- Tier 3 – Temporary Agencies

The distinctions between the three tiers of staffing agencies were discussed in sections 5.4, 5.5 and 5.6. Table 5.1 identified three critical differences between the staffing agencies as, the fee structure, recruitment process and the type of candidates being recruited. Due to the similarities of their operations, tier 2 and tier 3 agencies were considered as one group for this study.

The literature review affirmed there are differences between the types of staffing agencies. The key differences were that tier 1 agencies were focused on forming a long term, relational relationship and taking longer periods of time to fulfil their clients' recruitment needs. Tier 2-3 agencies were more transactional, completing hundreds of routine placements weekly whereby quickness of filling a vacancy was a critical success factor. Tier 1 agencies sourced their candidates globally and were almost always already employed. Tier 1 agencies provide a highly structured search process and spend considerable amount more time on maintaining the B2B relationship, especially after the placement has been made. Tier 2 and 3 agencies searched locally and generally had a large sample of qualified candidates. If the tier 2 and 3 agencies made a mistake in their placement, there was always another available candidate. For tier 1 agencies, a poorly placed candidate could not easily be replaced and the reputation of their agency would be permanently tarnished. Other key factors that differentiate the agencies have been summarised below in table 6.7.

Table 6.7 Summary of operating differences of the Staffing Agencies

Operating Principles	Tier 1	Tier 2 and 3
Nature of the Relationship	Relational Rely on business referrals	Tends to be transactional Rely on price and discounts
Relational Selling Attributes	Adaptive and Team Selling Boundary Spanner	Adaptive and Team Selling Boundary Spanner Gift Giving
Staffing Agency's Role	Provide the core service only Recruiting globally	Provide core service and related HR services Recruiting from local market
Use of witching Costs and Barriers	To be determined through the research	Used to build loyalty
Attributes of the Relationship	Affective Commitment Level of Trust: to be determined	Continuance Commitment Level of Trust: to be determined

Since both groups of agencies (tier 1; tiers 2-3) operate differently there were several issues taken into consideration when conducting the interviews. For the tier 1 agencies the researcher was interested in obtaining an in-depth understanding how the following factors attributed to forming B2B relationships and minimising switching behaviours:

- Identify the agencies' strategies and services used to strengthen the B2B relationship
- How the attributes of trust, commitment and loyalty were formulated
- Identify any relational selling attributes, particularly in the areas of team selling
- Investigate if any switching costs or barriers were imposed

The tier 1 business model revolved around the agency's reputation, business referrals and particularly gaining the client's trust. The success of the tier 1 agencies depended not on the frequency of placements but on establishing long term client relationships. The tier 1 agency and their client strive to ultimately achieve a very clear understanding of what the job is about as well as the attributes, style and work experience of potential candidates who will be a good fit in the current or developing culture of the client company.

The candidates that tier 1 agencies place are always employed, highly skilled, experts in their field of business with a proven record of outstanding accomplishments. This requires a professional relationship of respect, trust and utmost confidentiality between the tier 1 agency and the candidate in order for the candidate to be placed successfully. The available of candidates for tier 1 recruitment are very limited and usually require an extensive, detailed global search process.

For the tier 2-3 agencies the researcher's questions took into account that the business operations were transactional in nature and that timeliness of the placement was the most critical factor for securing a client's business. For the tier 2-3 staffing agency, candidates were readily available from a large, usually semi-skilled labour pool. This resulted in placements being filled within a couple of hours. Furthermore, if a candidate failed to meet the client's needs, a replacement candidate could be found easily and in most cases within the same day. The profitability of tier 2-3 agencies is in proportion to placing as many candidates as possible. The structure of the tier 2-3 business model lent itself to greater client switching and less time to establish long term, relational B2B relationships.

In consideration of the above issues, the research undertaken with tier 2-3 agencies delved deeper into the following issues:

- Determine how the staffing agencies' differentiated their services to secure clients' business
- Identify non-core services the agencies' offered their clients to strengthen the B2B relationship
- How the attributes of trust, commitment and loyalty were formulated

Table 6.8 provided below lists the interviews undertaken and indicates that there were fewer tier 1 staffing agencies conducted. This affirms the researcher's difficulties in gaining access to clients who were willing to describe their switching experiences at the executive recruitment level. It is also recognises the infrequency of executive placements opposed to the number of tier 2 and 3 positions being filled.

	Number of Tier 1 Staffing Agencies Interviewed	Number of Tier 2-3 Staffing Agencies Interviewed
Triad Interviews	**4**	**10**
Single Interviews	**4**	**4**

Table 6.8 Frequency of Staffing Agency Interviews by Tier

The value of this research is the ability to examine how the two different agency groups (tier 1, tier 2-3) manage their clients switching behaviours and the B2B relationships. This will allow the researcher to compare and contrast the actions the two staffing agency groups take to cause or prevent clients from switching. This comparison of data between the two groups provided a pathway to explore the data in greater depth and to formulate stronger conclusions. Gaining client switching behaviour knowledge will allow service providers to take proactive steps to prevent clients from switching and to improve their B2B relationships.

6.15 The Research Process

Each interview lasted between 60 – 75 minutes, were held at the respondents' place of work and conducted by the researcher. The researcher contacted colleagues and business contacts who had recently switched staffing agencies and were willing to partake in the research. The clients from the triad interviews agreed to provide the names of the agencies they '*switching from*' and '*switched to*'. Then the researcher arranged interviews with the effected agencies to complete the triad. Each of the triad interviews were completed in the following sequence:

First Interview: the Client

Second Interview: the agency the client '*Switched To*'

Third Interview: the agency the client '*Switched From*'

The above interview process allowed the researcher to obtain the full picture of the switching incident initiated by the client. All three parties were interviewed to obtain their views and describe the switching experience. Appendix E and F provides the interview questions that were posed to the respondents.

All of the clients requested that their identity not be made known to the staffing agencies during the interview process and the researcher honoured their request. This allowed the clients to speak candidly and provide full details about their switching experiences. The researcher had two roles, the first was to be focused on the switching incident and switching behaviours that resulted in the client's decision to switch. The secondary role was to explore how the staffing agencies manage the switching behaviours of their clients and to interpret relational actions taken by the agencies to strengthen the B2B relationships.

After completing the seven triad interviews, the researcher conducted seventeen single interviews (9 with clients and 8 with staffing agencies). The single interviews were independent of the triad interviews and the clients were not affiliated with the staffing agencies.

The purpose of conducting the single interviews was to affirm, compare and add data that had already been collected from the triad interviews. Combining the data from the triad and single interviews provided the researcher robust and comprehensive data on the subjects of B2B switching behaviours and the attributes of the B2B relationships.

Interviews are verbal reports of the respondents' experiences and are prone to bias, reduced recall or inaccurate articulation and therefore confirming information is needed (Yin, 1994). All interviews were taped and transcribed to assist in the collection and recall of the respondents' conversations. Immediately after each interview the researcher wrote down his insights of each interview. Such post-interview reflections are supported by Mills (1970) and Strauss (1987) who refer to the insights as an indispensable technique for the case-based researcher to capture their inner dialogue as the research project develops. Gummesson (2007, p 132) refers to these insights as "personal reflection" and suggest they offer valuable introspection during the research process.

Listed below in table 6.9 are the processes and details of the research actions.

Table 6.9 Summary of Research Details

Who was interviewed **(list of respondents in Appendixes B,C, D)**	**Triad Interviews: 7 clients and 14 staffing agencies** **7 Clients** **7 *'switched to' agencies* 7 *'switched from'* agencies**
	Single Interviews – 8 Staffing Agencies and 9 Clients
When	**August 1 – 28, 2006**
Where	**Calgary, Canada; respondents' work place**
Data collection	**Conducted 38 In-depth Interviews** **Respondents were tape recorded; conversations transcribed, interviews were 60 – 75 minutes in length**
Data verification	**Individual Case Studies** **Each respondent verified the interview transcription**
Data analysis	**Content Analysis; with-in Case and Cross Case Analysis using N-Vivo**

As noted above in table 6.9, the interviews involved two groupings of interviews, *triad* and *single* interviews. The triad interviews were conducted first and upon their completion the single interviews were initiated.

Appendixes G through K provide the interview transcripts from one complete set of triad interviews and from two single interviews.

6.16 Reflections On The Use of Triads and Single Interviews

This section will discuss the values of using the triad and single interviews. Section 6.8 justified using case studies for this research by stating case studies are best suited to provide an account of a network of relationships between a host of events and factors (Gummesson, 2001). Section 6.8 also confirmed that case studies can delve deeply into motivations and actions of several interdependent relationships (Westgren and Zering, 1998).

Figure 6.1 outlined the four research objectives and linked them to the key areas of knowledge being explored with this research which were:

- To extend the knowledge of switching and non-switching behaviours
- Determine how the attributes of B2B service relationships are affected by trust, commitment, loyalty and risk and how they affect switching decisions
- How relational selling attributes affect the B2B relationships and influence a client's decision to switch
- To understand the role of staffing agencies, how agencies differentiate their services and communicate with their clients

Conducting the triad interviews was a strength of this study because the interviews provided data from the three parties involved in the switching incident. The client's reasons for switching were compared to the reasons provided by the corresponding '*switched to*' and '*switched from*' staffing agencies. In other words the research was determining if the staffing agencies knew the reasons why they were acquiring or losing clients. The triad interviews provided valuable information that could be triangulated between the respondents.

The downside of using the triad interviews was the amount of time and difficulty it took to secure interviews with all three parties. It took a considerable amount of tenacity for the researcher to persuade the '*switched from*' agencies to discuss reasons why they lost clients. A second disadvantage was not telling the 'switched from' agency the names of the client that had switched. By knowing the specific client the agency may have been able to provide a deeper interpretation of the switching incident. However, the researcher elected to allow the clients to remain anonymous under the premise that the clients would be more open about sharing their switching behaviours and experiences and actually reveal the name of the agency they had switched from.

The single interviews were conducted to compare and evaluate the responses from the triad interviews. The single interviews were easier to arrange and provided new data describing how the staffing agencies created value for their clients. The downsides of the single interviews were that respondents could only provide a single, independent view of their switching behaviours.

6.17 Chapter Summary

This chapter began by reviewing the re-developed aim and objectives. The chapter then outlined and justified the appropriateness of using case based research within the realism paradigm as the most suitable design for this study. This method is the preferred method since it accounts for real life events within an organisation and the managerial processes within those organisations. In addition the research involved complex social processes best suited to answer '*how*' and '*why*' questions. Data collection, management and analysis methods were also discussed along with the benefits of using the computer software programme N-Vivo for the data analysis. The next two chapters will discuss the analysis which was divided into two parts. The first part, chapter 7, involves the analysis of the *triad interviews*. The second part of the analysis follows in chapter eight and examines the findings from the *single interviews*.