

**Strategy Implementation in International Business**  
**Case Study: Café Ekberg and Neuhaus**

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<p>The purpose of this thesis, commissioned by patisserie Oy Fredr. Edv. Ekberg Ab, is to study the international business relationship of Ekberg and Belgian chocolate company Neuhaus and to identify the ways and means with which each can achieve its goals through co-operation with the other. An additional purpose for this thesis is to recognise the reasons why Ekberg and Neuhaus' relationship works, and to identify any areas where there is room for improvement and make suggestions on how to make these improvements.</p> <p>The research was conducted in 2011 as a qualitative case study. The theoretical framework is a patchwork of theory snippets from international business, B2B, and sales management theories, and in general explains the establishment and maintenance of an international business relationship. The data collection methods that were used were interviews and observation in Helsinki and Brussels.</p> <p>The main research findings were that while the relationship is a functional one, since it is not of vital importance to the business of either partner, it is in danger of becoming problematic. The biggest cause for this seems to be Neuhaus' decreased level of commitment to the maintenance of their business relationship. This has yet to cause any big problems for Ekberg, but it is Neuhaus' own strategic goals that are not getting fulfilled.</p> <p>The simplest way to overcome this problem would be for Neuhaus to increase its commitment to the relationship. Apart from that, finding a go-between company to handle Neuhaus' business in Finland would be an option, but that would require finding a suitable company for the position. Neuhaus could also clarify its communication system by sending more important information as its own message to all of its distributors, rather than as part of a general newsletter.</p>	
<p><b>Keywords</b> Business-to-business relationship, relationship management, strategy implementation, intermediary</p>	

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<p>Tämä opinnäytetyö tehtiin konditoria Oy Fredr. Edv. Ekberg Ab toimeksiannosta, ja sen tarkoitus on tutkia Ekbergin ja Belgialaisen suklaayhtiö Neuhausen liikesuhdetta. Tarkemmin ottaen opinnäytetyö pyrkii tunnistamaan keinoja joilla kumpikin osapuoli saavuttaa tavoitteensa yhteistyössä toisen osapuolen kanssa. Työn lisätavoite on tunnistaa syitä miksi Ekbergin ja Neuhausen liikesuhde toimii, ja kartoittaa mahdollisten parannustoimenpiteiden tarvetta, sekä tehdä yleisluontoisia ehdotuksia mikäli toimenpiteitä tarvitaan.</p> <p>Tutkimus suoritettiin laadullisena tapaus tutkimuksena vuonna 2011. Työn teoreettinen viitekehys on kokoelma pieniä osia useammasta eri teoriasta, kuten kansainvälinen liiketoiminta, yritysmyynti ja myynninjohtaminen, ja yleisesti se pyrkii selittämään kansainvälisen liikesuhteen luomista ja ylläpitoa. Tiedonkeruu menetelminä käytettiin haastatteluja ja havainnointia Helsingissä ja Brysselissä.</p> <p>Päätutkimustulokset olivat seuraavat: Vaikka liikesuhde onkin toimiva, koska se ei ole elintärkeä kummallekaan yrityksistä, se on vaarassa muuttua ongelmalliseksi. Suurin syy tähän vaikuttaisi olevan Neuhausen vähentynyt sitoutuneisuus liikesuhteen hallintaan. Tämä ei ole vielä aiheuttanut Ekbergille erityisiä ongelmia, mutta Neuhausen strategiset tavoitteet eivät tällä hetkellä täydellisesti toteudu.</p> <p>Yksinkertaisin tapa selviytyä tästä ongelmasta olisi, että Neuhaus lisäisi omaa sitoutumisen tasoaan. Toinen vaihtoehto olisi tuoda mukaan välikäsiyritys, joka huolehtisi Neuhausen liiketoimista Suomessa, mutta sitä varten pitäisi ensin löytää sopiva ja tarpeeksi luotettava liikekumppani. Neuhaus voisi myös selvittää viestintäänsä lähettämällä tärkeät tiedotteet erillisinä viesteinä kaikille jälleenmyyjille, sen sijaan että informaatio on haudattuna yleiseen uutiskirjeeseen.</p>	
<p><b>Asiasanat</b> Business-2-business myynti, liikesuhteet, hallinta, jälleenmyynti</p>	

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# 1 Introduction

Conducting successful business is all about relationships. They can be individual relationships within a company, company level relationships between manufacturer and subcontractor or distributor; or relationships between company and customer to name a few. All business relationships require a lot of work, from partner selection and initiation of relationship to maintaining one, in order to be considered functional, much less deemed to be successful. Both parties of a relationship have their own agenda and strategy which they wish to implement through the relationship. This thesis is focused upon studying international business-to-business relationships, more specifically the relationship between two sellers of upscale delicacies; the Finnish patisserie Oy Fredr. Edv. Ekberg Ab (from now on referred to as Ekberg) and the Belgian chocolate manufacturer Neuhaus Group (from now on referred to as Neuhaus).

Several factors can affect a business relationship, especially an international one, and it is important for businesses to be aware of the pitfalls and the opportunities, not just when selecting a potential relationship partner, but also when maintaining the relationship. A successful relationship can have positive effects outside the actual business relationship itself, like good word-of-mouth and an influx of new customers; while a relationship gone sour can have far reaching effects beyond the severing of the relationship in question. Depending on the context, it can negatively affect the reputation of the companies in the world at large, or in less harsh situations, the ineffective means of conducting business relationships can affect the productivity and effectiveness of both business partners. Therefore, the main purpose of this thesis is to study the international business relationship of Ekberg and Neuhaus and identify the ways and means with which each can achieve its goals through co-operation with the other. An additional purpose for this thesis is to identify the reasons why Ekberg and Neuhaus' relationship works, and to identify any areas where there is room for improvement and make suggestions on how to make these improvements.

## 1.1 Identifying the research problem and research questions

I applied for and was given a specific ready-made thesis commission by my degree programme thesis supervisor in HAAGA-HELIA University of Applied Sciences. It was about studying the business relationship between Ekberg and Neuhaus. What appealed to me about this commission was its international aspect and the type of businesses involved. I wanted to study an international business relationship and the relationship between these two producers of luxury delicacies.

The development of a thesis often starts with a broad idea of what kind of phenomenon the researcher wants to study, followed by isolation of point of view for the research, and the identification of a research problem. This problem is further broken down into research questions, from which the researcher can then begin to plan the actual research process and methods. (Kananen 2010, 13 - 20.) In my case the process was pretty much reversed.

The wording of the actual research questions was left up to me, but the topic focus of the research and the research target were set; meaning the study of the strategic business relationship between the Finnish patisserie Ekberg and Belgian chocolate manufacturer Neuhaus. I proceeded first to formulate the research questions and then by reverse-engineering identified the phenomenon and topic behind the research problem.

To present them in the classical order – from general to specific, rather than in the order they were developed, the basic research phenomenon behind this thesis is strategy implementation through an international business partner. The research problem is that getting an international business partner to fully comply with strategic requirements is difficult. The main research question is: How can Neuhaus implement its retail strategy in co-operation with Ekberg? When a company manufactures its own products and sells them to the end user, it is up to them to formulate and implement the strategy for how those products are sold and marketed. However, when they employ an intermediary to sell those products for them, they are faced with the problem of how to make sure that their own retail strategy goals are used correctly by the intermediary, if at all. As this kind of strategy implementation is heavily reliant upon the

general functionality of the business relationship between the two, the main research question is further broken down to two sub-level research questions: 1) Which factors make the Ekberg – Neuhaus relationship a good one, and 2) What is not working in the relationship and how can it be improved?

While these research questions make the thesis take the point of view of Neuhaus, even though Ekberg is the commissioning party, Ekberg does benefit from the results of the research. The analysis of their business relationship can help Ekberg to better estimate if it needs to take steps towards improving the relationship and how to do so; or alternatively it can put any potential friction issues in perspective, and Ekberg can focus on the functional aspects of the relationship and on achieving its own goals from the partnership.

The details of the chosen research methods and the reasons for their selection are explained in detail in section 3.1 of the third chapter. I will briefly state here that the narrow focus of this thesis topic to the relationship between two companies makes case study an ideal approach and the form of the research questions, coupled with the knowledge of where empirical data can be found, make qualitative research methods, like interviews and observation, the most effective choice to use in gathering this empirical information.

## 1.2 The case study company profiles

Here is a brief introduction of the two companies being studied in this thesis and an explanation of the business relationship between them.



### **Oy Fredr. Edv. Ekberg Ab**

Oy Fredr. Edv. Ekberg Ab is a patisserie located in Helsinki, Finland. It is a family owned company originating from 1852, with a turnover of 1.5 million Euros in 2010 (PRH Kaupparekisteri 2011). It employs approximately 19 people (Taloussanomat 2012) and is a legally separate business entity from the cafeteria Café Ekberg next door; though both are owned by the same people and operate closely

together. The patisserie offers a variety of luxury baked goods as well as a selection of teas, serviettes and imported chocolates (Ekberg 2012).



### **Neuhaus Group**

Neuhaus Group is a luxury chocolate manufacturer from Brussels, Belgium. It was originally established in 1857 and was a private company until early 2000's when it became a listed company, and is now owned 100 % by a holding company called Compagnie du Bois Sauvage. Neuhaus' turnover was 134 million Euros in 2011 (Compagnie du Bois Sauvage 2012, 37). It employs approximately 600 people and its products are sold in retail outlets in over 50 different countries around the world either by Neuhaus itself or by a contracted distributor. Besides luxury chocolates and pralines, Neuhaus also produces ice cream and confectionery (Neuhaus Group 2012). Neuhaus still produces all of its products itself in its facility in Brussels.

### **Ekberg - Neuhaus business relationship**

The business relationship between Ekberg and Neuhaus began around 15 years ago. In essence, Ekberg purchases products from Neuhaus, which it then sells on to customers. However, Neuhaus is very particular about the way its products are handled, presented and packaged; so it also sells all the required packing and promotional material for the chocolates and insists on their use. Neuhaus also demands upon adequate training of sales personnel, which it usually gives itself at its production facility in Brussels, so that the sales personnel are familiar with the products they sell and pack and present them in 'the Neuhaus way'.

Ekberg is essentially a distributor of Neuhaus products. And yet Ekberg is not a traditional distribution partner as the term is defined by theory. Ekberg does not have specific sales targets it needs to reach and is free to order any amount of chocolate it wishes (except the minimum requirements for one shipment). It also does not provide Neuhaus with any local market information. Ekberg is merely obliged to present, handle and sell Neuhaus products in accordance with the rules set by Neuhaus.



### 1.3 Basic terms and their explanations

I will briefly list here the most relevant and most frequently occurring terms used in this thesis, with explanations as to what they mean here. This is because many of these terms are used in other sources in several different contexts, and it might become confusing when reading this text further.

- a relationship = the interaction between two companies involved in business transactions
- business-to-business (B2B) = interaction between two companies
- business-to-customer (B2C) = interaction between a company and an individual person
- a distributor = one type of intermediary, it buys goods from the manufacturer and is usually quite independent in reselling them to customers
- end user = the actual consumer of a purchased product
- a focal firm = a company that manufactures products and sells them both home and abroad, either directly or through an intermediary
- an intermediary = an individual or a company that works as a link between the manufacturer and end user, often handles matters like sales and distribution or marketing
- a partner = a company working together with another company
- a strategic alliance = deep collaboration with an actual or potential competitor, either in the form of a joint venture or a short-term contractual project

## **1.4 The structure of this thesis**

The second chapter of this thesis after the introduction covers the theoretical framework. There is no one theory which can provide adequate background for the research topic, so the framework collects and combines applicable aspects from several different theories in two major sections. The first section looks at the beginning of a business relationship and the second examines theories on maintaining a business relationship. Chapter 3 covers the empirical part of the thesis. The first part of chapter three defines and justifies the research methods that were used to gather the empirical data. The second part gives a description of how, why and when the data was collected. The last part of the chapter three presents the relevant research results, which are divided according to collection method used and the source it was derived from. The final chapter, chapter 4, includes the discussion part of the thesis, in which the results from the collected empirical data are compared to the theoretical framework of the thesis, the research questions are answered and development suggestions are made. This is followed by a section looking at the validity, reliability and ethics of this thesis. Finally, potential topics for future research are listed and the thesis is rounded off by an assessment of the thesis process itself.

## 2 The Patchwork Quilt of Theory

The theoretical framework for this thesis is not an easy one to explain. There is no single clear theory or theories which can be tested. Due to the specific and limited nature of the case study, not much of the theory that has been written is directly applicable. However, most of the theoretical material is derived from the theories of international business (Cavusgil, Knight & Riesenberger 2008; Hill 2007), business-to-business marketing (Ellis 2011; Vitale, Giglierano & Pfoertsch 2011), customer relationship management (Bruhn 2003) as well as selling and sales management (Honeycutt, Ford & Simintiras 2003; Manning, Reece & Ahearne 2010; Weitz, Castleberry and Tanner 2009). Many of these theories, for example about international business, do briefly cover issues that I have deemed relevant for this thesis, but those parts are not the main focus of the text and therefore often only mentioned in one or two paragraphs.

Another difficulty in trying to develop the theoretical framework for this thesis is that the issues are almost always referred to differently in each source. A further complication is the fact that much of the information available is written from the viewpoint of the industrial sector and/or the viewpoint of subcontractor and manufacturer; or from the point of view of business-to-customer relationship (meaning either an individual person or an end user company). I have had to apply these viewpoints into my case study, even though the actors in my case study are differently positioned. This means that in quoting and presenting the views of my sources, sometimes the phraseology and terms or actors mentioned do not directly match the focus companies of this thesis; however, when combining the theory with the results of this case study, it can be seen that the content of the theory supports the relationship of my case companies as well.

After patching together only the relevant parts from the various theories listed at the beginning of this chapter, I have decided to divide the data for my theoretical framework into two general sections: international business through a partnership, and the life cycle and maintenance of a B2B relationship. This is because the snippets I have gathered from the main theories are often about similar issues, like selecting a good

business partner, and therefore covering them separately according to each original theory would be meaningless and their content would be repetitive. The first section lists the criteria for partner selection in international business, goes over the strategic pigeon-holing of these partners, and explains how to implement one's own business strategy and influence an intermediary or a business partner. The second section covers the B2B relationship cycle, as well as the identifying factors of a good business relationship and how to maintain it as such.

## **2.1 International business through a partnership**

The main reason for a company to go international is to tap into new markets and increase profits. There are several different ways a company can enter a new market in a foreign country, from using foreign direct investment to franchising and licensing or simply exporting products. According to Varley and Rafiq (2004, 277), several different factors influence a company's decision on how to enter an international market, such as cost, control, uniqueness of the format, availability of good locations, financial strength of the firm, size and competitiveness of foreign markets, and political and economic risk associated with a particular country.

There is a lot of information available regarding how to conduct international business, and often a lot of emphasis is put on adapting to cultural differences and the political and economic issues relating to the country in which business is to be conducted.

However, any nationality based cultural differences between the two companies of this case study can be considered negligible. This is mostly due to the fact that Finland and Belgium are relatively similar countries geographically, culturally and in terms of government or security; compared to for example countries like South Korea or Columbia.

As this thesis focuses on the selection, establishment and maintenance of business relationships between specific business partners, rather than between countries or internationalization of one company in general, the effects of politics, economics and laws and regulations of a country do not need to be studied. The companies under observation in this particular case study approach also rule out most of the theory relating to the way multinational enterprises conduct business, since Neuhaus and Ekberg are two

completely separate companies with no deeper financial connection beyond their business transactions.

With most of the other ways of entering a foreign market, or when exporting products that are sold on by the initial buyer to actual end users, the focal firm needs to choose a partner company or entrepreneur through which to work. (Cavusgil et al 2008, 62)

From comparing various sources and theories, I have noticed that the selection process and qualification requirements for a good partner tend to be similar regardless of the chosen entry method. The same rules and processes also apply from the point of view of the intermediary, if it is the intermediary which is looking for new products or companies to represent. The partner selection process is the first step in establishing and maintaining a B2B relationship. It is explained here, while the rest of the relationship steps and maintenance methods are covered in detail in the B2B section of this theoretical framework.

### **2.1.1 Selecting a partner**

According to Hill (2007, 501), when selecting a partner for a strategic alliance, the following characteristics should be looked for. A good partner helps the firm achieve its strategic goals, it must have capabilities that the firm lacks and therefore values, and it shares the firm's vision for the purpose of the alliance and is unlikely to try to exploit the alliance for its own ends. Cavusgil et al (2008, 75; 367) emphasise the following criteria in selecting a partner, regardless of the form of the partnership: the firm should be a good fit in terms of common goals and objectives and have complementary skills and competencies to that of the focal firm. Kunitzky (2011, 96; 98; 126; 129; 132; 133), in his book about partnership marketing, i.e. marketing your products through another company, talks about the different factors to look for when choosing a partner: The partner should have a market share within the focal company's target market, the partner should be growing, have potential and a clear strategy, preferably fit the focal company's product profile and establish credibility and confidence to the focal company's products as well. Of course Kunitzky does not expect all these criteria to fit a single candidate.

As can be seen from the examples in the previous paragraph, partner selection regardless of the nature of the relationship tends to look for the same things. It should share the same values and goals as the focal firm and bring skills and competencies that the focal firm lacks. Of course this works vice versa, since an intermediary, especially one with its own or other products to market has to carefully choose the products it represents or it can stand to harm its own reputation (in case of representing substandard products), or confuse its customer base (in case of mismatched product selection).

### 2.1.2 Different strategic values of partners

Having established relationships with partner companies, there are several ways of categorizing them. In his book about successful strategy implementation, Hannus (2004, 192) categorizes business suppliers according to their strategic importance into four groups: traditional supplier, special partnership, stable partnership and strategic partnership. These categories are represented in Figure 1.

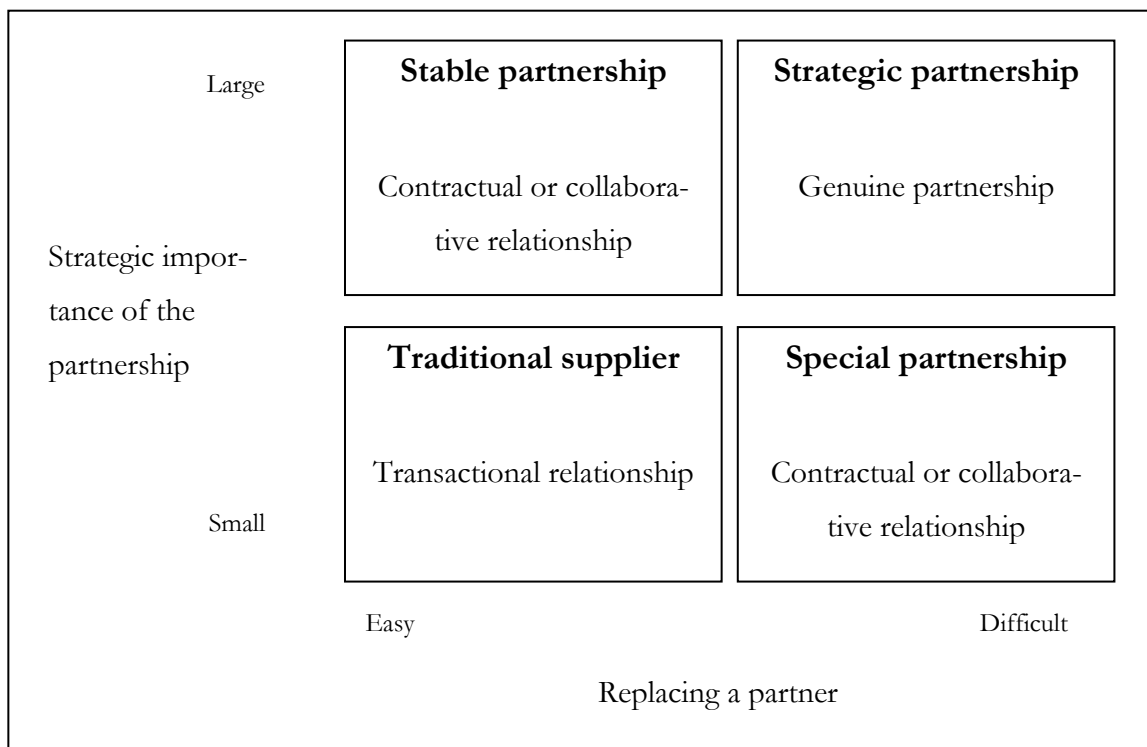


Figure 1. Strategic categories for partnerships (Hannus 2004, 192)

Looking at Figure 1, a traditional supplier interacts with its customer company only on a transactional basis; the two do not interact beyond this. The customer company can have numerous supplier partners of this type and their replacement is easy. A special partnership involves partner companies that can offer a more specialized service or product that the customer company lacks, and therefore replacing these specialist partners is more difficult. A stable partnership involves suppliers that are more closely associated with the customer company, for example through significantly larger sales volumes; and are often of bigger strategic importance, though not irreplaceable. According to Hannus, the last group, genuine strategic partnerships are few and far between (Hannus 2004, 193). The basic approach for these is deep collaboration, rather than mere supplier-customer transactions, and both parties are tied to each other on several levels (Hannus 2004, 193). These partnerships are quite vital for the customer company and therefore extremely difficult to replace.

This same group division in Figure 1 can also be used to show the strategic importance of distributors. By merely replacing the word supplier with distributor, the above explanations work exactly the same. A traditional distributor interacts on a transactional basis and in relatively small volumes. In a special partnership the distributor offers services that the focal company lacks. In a stable partnership the distributor deals in large product volumes, and a strategic partner is vital for the functioning of the focal company. Whichever way one looks at these strategic relationships, the information in the following paragraph applies.

According to Hannus (2004, 192), the traditional supplier relationships are the most numerous and the least profitable or efficient ones for a focal firm. In these cases he suggests that the focal firm should carefully analyze the relationships and determine whether there is a way to increase their value and importance and do so where possible; while giving up those relationships which are of little actual or potential value would serve to increase the focal company's overall efficiency. The remaining traditional suppliers should then be handled as efficiently as possible. (Hannus 2004, 192 - 193.) The reduction recommendation is supported by Ryals and Humphries (2007, 312 - 313), who write about key account management, and point out how traditional least-

cost transactions have changed into cultivating few key supplier relationships. These key accounts would fall under the special or stable supplier relationships in Hannus' category model.

Hannus also talks about another way for the focal firm to reduce the number of direct relationships, and that is by creating of supplier/distributor clusters. These clusters could be created according to geographic division or according to the same field of production. Each cluster would be managed by an orchestrator, a managing company of sorts. The focal firm would only deal with this particular orchestrator, while at the same time retaining the purchases/sales of all the suppliers/distributors within the cluster. (Hannus 2004, 193.)

### **2.1.3 Implementing strategy and influencing a partner**

Regardless of the importance of a business relationship, both parties have interests and strategic goals which need to be met. According to Cavusgil et al (2008, 405) in the case of exporting, an intermediary firm usually works for the focal firm under contract with specific tasks and goals set by the focal firm. And in general, in almost all entry strategies requiring an intermediary, it tends to handle many significant activities like marketing, distribution, sales and customer service for the focal company (Cavusgil et al 2008, 71).

#### **Focal firm perspective**

While an intermediary usually works independently, it is still necessary for the focal firm to ensure that its goals and strategies are being properly implemented. Hill writes about the control systems of a multinational enterprise (MNE), which is trying to ensure strategy and goal implementation in its departments and subsidiaries; especially ones that are located in abroad. It should be noted, that these MNE methods can be implemented to some extent in context with independent intermediaries as well. According to Hill (2007, 458 - 459), there are four main types of control:



- personal control
- bureaucratic control
- output controls
- cultural controls

Personal control refers to the focal firm's manager maintaining regular personal contact with his branch managers, and therefore exacting personal control over the decisions and strategies made by these branch managers and thus influencing the actions of the entire department or subsidiary. Bureaucratic control refers to setting things like budgets and capital spending rules. Output controls simply means the setting of specific goals to achieve, which can be measured for example by looking at profitability, productivity, or measuring production quality. The fourth method, cultural controls, means that the employees of departments and subsidiaries should be indoctrinated with the norms and values of the company, so that the employees then self-regulate their behaviour to suite the firms goals; reducing the need for direct supervision. (Hill 2007, 458 - 459.)

All these methods, with the exception of bureaucratic ones, are possible to apply to some degree to the case of a focal firm trying to affect an independent intermediary. Formal contracts provided a basis for output controls, though Malhotra and Lumineau (2011, 993) warn against too many control provisions in contracts. According to them, control provisions may instil competence-based trust in the partner, but they decrease goodwill-based trust. And if the relationship were ever to get damaged, any competence-based trust would be void, making the partner less willing to continue the relationship; while goodwill-based trust might be able to save the relationship. (Malhotra & Lumineau 2011, 993.) Personal and cultural controls can be used through frequent contact with the intermediary's management and regular training of the intermediary's employees on the focal firm's product and its handling. Even if the intermediary is not involved in manufacturing, the quality of its performance can be measured by observing sales and customer service behaviour through, for example, 'the secret shopper' method.

## Intermediary perspective

Bignoux and Gray (2011, 117) in an article for the Journal of Applied Business Research, write about the coercive influence methods used by suppliers in inter-firm relationships. They found that while coercive methods like promises, threats and legal action hinder inter-firm relationships; coercive methods like frequent checking, persistent reminders, benefits and favours, coalition forming and upward appeals (up to a point) actually aid inter-firm relationships. (Bignoux & Gray 2011, 133.) These coercive methods are collected and categorized in Table 1.

Table 1. Coercive methods usable by suppliers in inter-firm relationships

<b>Method category</b>	<b>Coercive methods</b>
<b>Pressure strategy</b>	Threats, promises, legal action, frequent checking, persistent reminders.
<b>Exchange strategy</b>	Benefits, favours.
<b>Coalition strategy</b>	Form coalitions with other suppliers and buyer managers.
<b>Upward appeals</b>	Go over buyer manager's head.

(Bignoux & Gray 2011, 117)

Most of the methods listed in Table 1 are self-explanatory, but I will clarify a couple of them. Benefits and favours basically mean exchanging something, like information, for partner's compliance. Coalition forming means teaming-up for example with fellow intermediaries in order to have a bigger and more effective voice in dealing with a focal firm. And upward appeals mean going over the head of the immediate person making partnership decisions and appealing to that person's boss. In addition to the results mentioned in the previous paragraph, Bignoux and Gray (2011, 130 - 133) do point out that according to their results, even the coercive methods that aid a relationship need to be used infrequently and diplomatically, otherwise they too will cause a negative reaction in the business partner.

Though Bignoux and Gray studied these coercive methods of influence from a supplier's perspective; there is no reason not to assume that these methods could not be used by distributors as well. If a smaller distributor wished to influence the focal firm, it could for example form coalitions with other distributors. With regard to Hill's MNE methods of strategy implementation, a smaller intermediary can at best use personal control to try and ensure that its interests are being met by the focal firm, but this is in essence the same as Bignoux and Gray's pressure method of checking and reminding.

## **2.2 The life cycle and maintenance of a B2B relationship**

The previous section looked at what a firm wishing to expand through a partner firm seeks in a good partner, the various strategic importance categories of a partner, and how a company can implement its own goals and strategies through its partner. But this is not all there is to conducting successful business with a partner. No matter how good the partners qualities and characteristics are, a relationship requires effort from both parties in order to work well. It cannot be one-sided or even mutual exploitation, as relationships like this tend to turn antagonistic and fail sooner rather than later.

B2B theory is mainly about the theory of how to establish and maintain a successful business relationship between two companies. Most of the information regarding B2B theory focuses on a manufacturer - end user relationship of companies, but the aspects relevant to this thesis apply to focal firm - intermediary relationships just as well. In addition, when it comes to relationship management, much of the theory in B2C selling is applicable as well.

I will briefly outline Customer Relationship Management (CRM) here, as it has become a popular solution for company's general customer management issues in the recent decade, and the term is touched upon in the development suggestions at the end of this thesis. However, CRM is not an integral part of this thesis because this case study focuses on one single business relationship, the one between Ekberg and Neuhaus, and that makes the level and methods of actual interaction more important than general technological applications. This view is supported by Richard, Thirkell and Huff,

whose research findings show that “CRM technology does have a role to play in sustaining and maintaining B2B relationships, but it is the customer communications and people aspect that may be the most important.” (Richard et al 2007, 927.) There is a multitude of interpretations about the term CRM (Payne & Frow 2005, 174), and the most common interpretation of the term relates to using technology in customer management (Payne & Frow 2005, 167). Most of the theoretical material on CRM is also about technological solutions and their effective use, for example having a database of all the customers and their buying information, so the term CRM is taken here to mean technology-based solutions only. But since it is not the purpose of this thesis to design an all-encompassing CRM technology system for either case study company, I will not go into the theory of CRM technology any further.

### **2.2.1 The relationship life cycle**

Whether dealing with an individual customer or a company, a relationship follows a certain cycle. Weitz, Castleberry and Tanner (2009, 46-47), while talking about individual customer relations define the phases of relationship development as 1) awareness 2) exploration 3) expansion 4) commitment and 5) dissolution. This cycle is described with almost exactly the same words by Ellis (2011, 78 - 79), while talking about the relationship development between businesses; and by Bruhn (2003, 46 - 49) who talks about relationship management in general. Bruhn covers the first two phases (he calls them initiation and socialisation) under the acquisition stage, the next two (growth and maturity) under the retention stage and the last one (dissolution) with imperilment phase under the recovery stage. The wording may vary a little but the descriptions and order of these phases is always the same. In gathering these steps, I will present my own visual interpretation of a simplified business relationship life cycle on the next page (Figure 2), followed by my explanation of the life cycle steps after combining the information from Weitz et al, Ellis and Bruhn.

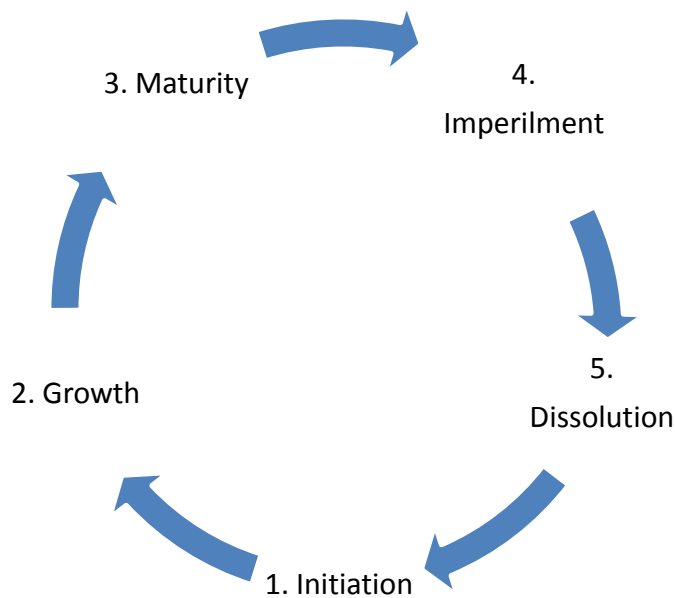


Figure 2. Simplified version of the business relationship life cycle

The first step in Figure 2 is about looking for a potential partner with whom to do business. This is closely followed by an exploration phase, which is characterized by a test buy/sell. If the experience is positive, the next step is growth, with more regularized buying/selling in increasing amounts. Next is the maturity step, where the buyer has reached the peak of its purchasing volume and the relationship is more geared towards maintaining this level, and deepening the relationship in other ways in order to ensure the retention of the relationship. This stage can go on forever, or it can enter an imperilment or a dissolution phase. The imperilment step basically means that one or both partners are for some reason unhappy with the relationship and are beginning to consider the idea of ending the relationship. The dissolution step is the phase where the relationship is terminated for some specific reason. There should be safeguards in place to at least warn the other party of impending imperilment or dissolution, and preferably also concrete strategies and plans to rapidly recover from the imperilment. Of course the preference would be to never enter the imperilment or dissolution phases, unless by mutual agreement, so what can be done to maintain a successful business or selling relationship and keep it going for as long as possible?

### **2.2.2 The makings of a good business relationship**

Regardless of the importance or type of a business relationship, the same basic aspects of good relationship management apply to all. Weitz et al (2009, 383) point out the danger of thinking that a relationship requires less time and effort once it has been established. This is not true; a lot of effort needs to go into retaining existing customers. Complacency is dangerous, especially in a competitive market, and it should be kept in mind that maintaining existing customers is more cost-effective than always attracting new ones. Manning et al echo this, according to them a company has to monitor even the low-importance sales transactions. “A competing supplier will be quick to exploit any sign of dissatisfaction by the customer.” (Manning et al 2010, 163.)

To refer back to Hannus’ partnership division according to strategic importance and the focal firm’s need to streamline and end low- and no-value partnerships in section 2.1.2 of this thesis; he does not advocate the termination or upgrading of all traditional suppliers. Even if these partners are of low-importance, they bring in business for the company, and there should be procedures in place that make the transactions as efficient, positive and low-maintenance experiences as possible for the partner. (Hannus 2004, 134; 192.) And if high-quality relationship management brings repeat business and good word-of-mouth (Manning et al 2010, 54), then the reverse is also true. If any partners or customers are treated indifferently, even if they are of low-value, it can lead to the dissolution of the relationship, bad word-of-mouth, and at worst even further loss of custom in the way of chain-reaction dissolutions and/or reluctance of potential new customers to enter into a business relationship with a company that has a bad reputation in dealing with its partners.

In general, some of the key factors of successful long-term relationships are mutual trust, openness, communication and commitment (Weitz et al 2009, 38; Ellis 2011, 69; Kunitzky 2011, 148; Bruhn 2003, 51; Vitale, Giglierano & Pfoertsch 2011, 284; Ryals & Humphries 2007, 314 - 316). If partners cannot trust one another, the relationship has no hope, and communication and commitment are the best ways to promote trust. This is especially important in international relationships, as geographical distance tends to put a dampener on both communication and commitment.

Person-to-person contact is always better than communication through writing (Bové & Thill 2005, 23; Manning et al 2010, 332). Personal contact shows a higher level of commitment, reduces the chance for misunderstandings or even blatant ignoring of instructions. It is also important to maintain contact with as many people as possible on several management levels and/or departments, in order to reduce the risk of losing contacts and knowledge due to personnel changes (Honeycutt, Ford & Simintiras 2003, 285; Weitz et al 2009, 383). Any communication should be frequent and clear enough so as not to leave a partner without proper guidance and support (Ellis 2011, 296; Richard et al 2007, 939); and in international relationships careful attention should be paid to language as well, otherwise there is a risk of one party not understanding the other because the words or phraseology used is too complicated or the words have a different meaning for both parties (Cavusgil et al 2008, 12; Honeycutt et al 2003, 57).

Though the factors for a good relationship mentioned in this section are mostly from the point of view of the focal firm towards its partners, they also apply from the point of view of the partners as well. If the intermediary wishes the relationship to be long-term, it too needs to make the business transactions or collaborative ventures and support functions run as smoothly and efficiently as possible. This gives the impression of commitment, trustworthiness and reliability to the focal firm, improving the longevity of the relationship. The intermediary should communicate any changes in the way it conducts business, or any problems it might be having, to the focal firm as soon as possible to avoid any chance of miscommunication or misunderstanding; and then actively seek collaborative solutions to any issues that might arise. According to Richards (2007, 39 - 40), the effectiveness of the relationship becomes easier to maintain if the partner companies are a good strategic and personal fit. Strategic fit means that the two firms' strategies and views are similar. Personal fit means that the interacting people from the firms get along with one another. (Richards 2007, 7 - 8.)

### 2.3 Summary

There are numerous ways a company can enter a foreign market short of establishing its own branch. Most of these methods require the establishment of a relationship with a partner company – an intermediary. A good partner has compatible values and image with the focal firm, is committed to the same strategies and goals, and has complementary skills and abilities that the focal company lacks. A typical focal firm has numerous business partnerships of various levels of importance, and it is in its own best interest to focus on the most important ones the most, though it should not neglect the lesser valued ones either. It can streamline its relationships and only interact with a leader of a relationship cluster increasing its operative efficiency and reducing the stress of having multitudes of partners to satisfy.

It is important for both the focal firm and the intermediary to make sure that their individual strategies and goals are properly met by the other. The methods of influence are slightly different depending on which company, the focal firm or the intermediary, is in question. The focal firm can use a wider variety of methods like indoctrination or training, quality controls or personal influence, while the intermediary is more restricted to personal influence or pressure strategies.

However, maintaining a successful business relationship requires mutual effort. Most relationships follow a specific pattern; and in order to not have the relationship come to an untimely end due to an avoidable mistake, trust and clear communication are important. Both parties must demonstrate commitment to each other. Especially the focal firm must maintain frequent and multiple communication channels with its partner, regardless of the strategic importance of the relationship, in order to ensure that the relationship does not falter and result in a worsening reputation for the focal firm. These are the basic theoretical aspects that relate to the research topic of this thesis. The following chapter focuses on the actual research questions, relates the practical data that was gathered to answer those questions, and expands upon the chosen research methods and the reasons they were selected to gather the empirical data for this thesis.



### 3 The Research Methods and Data Gathering

The previous chapter explored the theoretical framework for this thesis. This chapter covers the empirical aspects of the thesis and tries to answer the actual research questions of this study. First section covers the theoretical description of the selected research methods with which the empirical data was collected and the reasons why these selections were made. This is followed by an explanation of how, why and when these research methods were used to gather the empirical data about the case study companies. The final part is a compilation of the results from the gathered data.

#### 3.1 Selecting the right research methods

As stated in the introduction, the research for this thesis was conducted as qualitative research, more specifically with a qualitative case study approach through interviews and observation as data collection methods. According to Kananen (2008, 24) the definition of qualitative research is any kind of research which is conducted without the use of statistical or other quantitative methods. “Qualitative methodology investigates the quality of relationships, activities, situations, or materials...The purpose of this kind of inquiry is to achieve *depth* rather than *breadth*.” (Basit 2010, 16.) Qualitative research answers questions like what and how, while quantitative research answers questions like how much and why (Kananen 2008, 53). Kananen explains further that qualitative methods should be used if the phenomenon under study is new, if the researcher is creating new theories and hypotheses with his research, if one wants to gain an in-depth perspective of the phenomenon or if one uses triangulation as a research strategy. (Kananen 2010, 41.)

Looking back at section 1.1 of this thesis, which defines the research questions for this work, they are clearly qualitative in nature. The phenomenon under study is not unheard of, and the research problem could be studied through quantitative methods as well, but that would make the scope of the study far too large. Besides this, since I received this thesis topic with the very limited focus to these two companies already set, it automatically invited the use of a qualitative in-depth study. The limited focus group of two partner companies and one business relationship also invited the use of the case

study approach. According to Basit (2010, 19) a case study explores the uniqueness and complexity of one particular case. This means that the results are not easy to generalize, but they may serve as useful theory for future research of similar cases and situations. (Basit 2010, 19.)

The basic qualitative research methods are interviews, observation and use of documentation (Hirsjärvi, Remes & Sajavaara 2009, 192). Use of documentation simply means that empirical data is collected from written records, for example from annual reports, contracts or memos (Hirsjärvi et al 2009, 217). An interview is the most popular qualitative data gathering method. The advantages of interviewing are that it can give better access to in-depth information than other methods. It also provides an opportunity for immediate clarification if there is something either the interviewee or interviewer has not understood. The disadvantages of interviewing are that both data collection and analysis are very time consuming, and the data gathered is subjective, as it is based on the recollections and interpretations of the interviewee. (Basit 2010, 99 - 101.) Observation is a way to directly gather more objective data about a phenomenon. It is also a way to confirm whether the information given through interviews is accurate. The problems with observation are that it requires skill and time. It is usually recommended to observe the same situation several times to determine that the behaviour under initial observations was not unnatural. Additionally the researcher himself must be careful about maintaining objectivity when interpreting the data. (Hirsjärvi et al 2009, 212 - 213.)

Interview methods are divided into three different types: structured interviews, semi-structured interviews and unstructured interviews. Structured interviews are similar to surveys; they have fixed questions which are asked in the same order with every interviewee. Unlike surveys with a fixed selection of answers, however, in structured interviews interviewees are free to answer as they please. A semi-structured interview has some specific questions that are asked from all, but their wording and asking order can be altered in each situation. Additionally, the interviewer can ask additional questions that spring from the answers of interviewees. Unstructured interviews are the trickiest to handle. There are no fixed questions to be asked, the interview is more like a con-

versation and the interviewer has to carefully keep the discussion topics relevant to his research. (Hirsjärvi et al 2009, 208 - 209; Basit 2010, 102 - 103; Hirsjärvi & Hurme 2004, 44 - 47.)

Kananen (2010, 49 - 50) divides observation methods into four different groups; hidden observation, open observation, participating observation and influencing observation. Hidden observation is conducted without the awareness of the target being observed. This style of observation is most likely to get genuine results, but it is considered to be ethically questionable (Vilkka 2006, 54; Basit 2010, 137). Open observation is done with the knowledge of the target being observed, but the observer does not participate in the action. In participating observation the observer also takes part in the event being observed, but the actions are directed by the targets under observation. Influencing observation is also participatory, but the observer is also trying to change the target's behaviour. (Vilkka 2006, 43 - 47; Kananen 2010, 48 - 50.) Observation can further be conducted in structured or unstructured format. In structured format, the observer works with a specific checklist of items, events or actions to be observed. In unstructured format, the observer is looking for more in-depth data. This data is often nonverbal and acquired through sensory perception, and it usually cannot be properly prepared for. Therefore it is vital to record all results of unstructured observation as soon as possible. (Basit 2010, 126 - 129.)

There are several things that need to be taken into consideration when evaluating the ethics, validity and reliability of data collected through interviews and observation. For interviews, it is important to first explain what the interview is for and ask for permission to conduct an interview. The researcher also needs to ask permission before they can record the interview. Once the interview is over, it is important to transcribe the interview as soon as possible while the recall of the interview is still fresh. Transcribing means writing a detailed record of what was said in the interview. Basit (2010, 116) states that "as long as researchers have recorded the interview, and have not invented, falsified or distorted the data, their research is valid and ethical." In observation as well it is important to inform the target that they are being observed. Writing down observations, if not during the act of observing, then at least as soon as possible afterwards

is also vital for the reliability of the findings. To ensure validity, the findings should not be recorded out of context. (Basit 2010, 135 - 137.)

For the sake of the validity and reliability of the results of this thesis, covered in more detail in chapter 4, triangulation was used for both methods and sources. In essence, triangulation means either the use of several different research methods to study the same phenomenon, gathering data from of several different sources or using several different researchers in collecting and analysing the same data (Hirsjärvi et al 2009, 233).

As stated at the beginning of this section, the chosen research methods for this thesis were interviews and observation. This was to ensure that the collected data was as accurate as possible. Using two different data gathering methods as triangulation is acceptable, despite the tri- prefix which means three, as for example Basit describes methodological triangulation as studying the same phenomena “by using two or more methods of data collection” (Basit 2010, 67). Other triangulation definitions by Hirsjärvi et al (2009, 233) and Kananen (2010, 72 - 73) do not insist on the use of more than two methods either. Data for this thesis was also gathered from several different sources, which is another form of triangulation as defined by Hirsjärvi et al (2009, 233) and Basit (2010, 68). The next section explains the concrete way in which the data for this thesis was collected.

### **3.2 Collecting data**

As explained in the previous section, both interviews and observations were used to collect data. The official interviews were limited to just the two case study companies. These interviews were further limited to just two people, one from each company, because they are currently the only people who have personal interaction between the two companies. They are Ms Maj-Len Ekberg, the Manager of patisserie Ekberg, and Mr Stefaan Roobrouck, the Neuhaus Retail Manager in charge of Europe and Asia (excluding Germany and the Middle East). Readers should note, that in the results section when reading about the Ekberg interviews, if just the text only uses the name ‘Ek-

berg', it refers to the Ekberg patisserie, while 'Ms Ekberg' is used anytime the related information is considered to be a personal view or statement.

The interviews followed an unstructured format, which is defined in the previous section. Basically the interviews were prepared beforehand with a list of basic questions to be asked, but they were not strictly adhered to in either order or wording. The interviews were approached with an open mind to keep the possibilities open for new directions of information. Furthermore, the content of each interview was moulded according to the previous interviews and/or observations, so in essence no two interviews had the same questions. This is justifiable because the purpose of this thesis is to make an in-depth study of the relationship. There is no specific list of questions attached to this thesis, but the general themes under discussion were: the purpose of the relationship, communication, special requirements involved with the relationship and their implementation, and issues and wishes for change regarding the relationship.

The first interview was conducted with Ms Ekberg on 18 April 2011, when the commission agreement was formally signed. This interview charted the basic background for the business relationship. The second interview was with Mr Stefaan Roobrouck at the Neuhaus factory in Brussels on 26 April 2011. This interview explored Neuhaus' general retail strategy, its interests and goals towards the Finnish markets, and Mr Roobrouck's views on the business relationship between Neuhaus and Ekberg. As a follow-up to the results from the Neuhaus interview, Ms Ekberg was interviewed a second time on 22 June 2011. A third interview with Ms Ekberg was done on 8 November 2011; this was for the purpose of establishing whether any changes had occurred in the business relationship since the start of this case study and the collection of the initial results.

All observations were performed with the prior knowledge of the people involved, with one exception. The observations were unstructured in format, with an open mind for any relevant information, though the focus of the observations was mostly on the display and packaging of Neuhaus products. In the interest of triangulation, not only the two case study companies were observed, but also two other Neuhaus partners in

Helsinki. One of these is the coffee and chocolate shop Cafe Neuhaus on Unioninkatu and the other is the Stockmann department store on Mannerheimintie.

The observations of Ekberg patisserie and its display of Neuhaus products were conducted in conjunction with every Ekberg interview. An impromptu observation of Neuhaus and Ekberg interaction was conducted on 6 June after an invitation from Ms Ekberg and Mr Roobrouck. This was followed by an improvised secret shopper test in the Stockmann department store at Mr Roobrouck's request. This was the one case where the observation was hidden, meaning that it was conducted without the knowledge of the person being observed at the time, even though otherwise the observation style was participating. Observations of Neuhaus stores in Brussels were made on 26 and 27 April. These were also open and unstructured, and provided an opportunity to confirm information received from Mr Roobrouck's interview as well as compare the difference of a Belgian Neuhaus store and Ekberg. Observation of Cafe Neuhaus was done on 20 July.

Two of the interviews were recorded and then transcribed. A recorder was not available for the first two interviews, but in them like in all interviews, extensive notes were taken and written into report-form as soon as possible after the interview. The observations were also written down and transcribed as soon as possible after the observation event. Once all data had been collected, the information was analyzed and each source was compared with the others in order to discover similarities and differences in the issues being studied.

This section has listed the how, why and when the selected research methods from section 3.1 were used to collect data for this thesis. The next section presents these results.

### **3.3 Presenting research results**

The previous sections in this chapter specify the research methods chosen for the collection of data in this case study and explain the way these methods were used. Here are the results of the gathered empirical data. They are categorized according to collec-

tion method and source. The comparisons are made in the discussion chapter of this thesis. The results of the Ekberg interviews are all gathered together. This is because there is very little topic variance between them, they merely go over the same issues more in-depth.

### **3.3.1 Data gathered from the Ekberg interviews:**

The business relationship between Neuhaus and Ekberg was initiated by Ms Ekberg approximately 15 years ago. She decided that since the patisserie had more shelf space than was needed for Ekberg's own products and because it was not feasible to develop more products of its own; they would look for products from other manufacturers that could be sold in the shop. Ms Ekberg was looking for products that fit Ekberg's traditional high-quality image and through an importer ended up trying Neuhaus chocolates. She was pleased with the chocolates and the interest they generated among customers and within a year she had initiated direct contact with Neuhaus in order to establish a purchase agreement and permission to sell Neuhaus chocolates and pralines over the counter as well, not just in ready-made packages. Before such an agreement was reached, a Neuhaus representative visited Ekberg patisserie in order to ascertain that its image and facilities fit the profile Neuhaus was looking for in its retail partners. Ekberg was the first store in Finland to sell Neuhaus chocolates. Currently Ekberg receives 6 shipments a year of packaged and loose chocolates and packaging material.

Being a partner with Neuhaus has expanded Ms Ekberg's views on high-quality chocolate and its trendiness, which she has found very interesting. Yet Ms Ekberg has little interest in beginning to develop Ekberg chocolates. This is mainly because such a move would not be very cost effective; and because Neuhaus' delivery service is very efficient and the packaging and marketing materials they send with their products make things far easier for Ekberg than having to acquire them separately from elsewhere. Ms Ekberg also added that the fact that Neuhaus sends pre-packaged parcels really saves time and energy for Ekberg during busy seasons like Christmas.

According to Ms Ekberg, Neuhaus visits Finland approximately once a year, but as the number of retail partners has grown over the years, she has found that her patisserie

has moved more and more on to the margins of these visits. Ms Ekberg assumes that this is because Ekberg's chocolate sales volumes do not reach the heights of bigger sellers like Stockmann, but she understands that with the increased number of retail partners that have to be met within the time period of one day, her patisserie with smaller sales receives less time. Unfortunately Ms Ekberg also feels that her business is of lesser importance to Neuhaus because the visiting Neuhaus representative, there have been several over the years, usually does not follow-up on the decisions and suggestions they make during the annual visits. And then the same matters and suggestions and promises are gone over again in subsequent visits.

On the other hand, Ms Ekberg does not find it difficult at all to contact Neuhaus when needed. For example, the order placement runs on a regular schedule, and images of future promotions and packaging usually arrive in well in advance, and any email inquiries are readily replied. But in spite of this, and because implementing Neuhaus' ideas to the letter is not a priority for her, Ms Ekberg has no urge to follow-up on Neuhaus' decisions and improvement suggestions of her own accord. Ms Ekberg also believes that since Neuhaus became a listed company and expanded its sales to the United States, its approach to business became much more commercial. In her opinion, Neuhaus no longer seemed to invest as much in its partner relationship management as before and it became more profit orientated, for a time getting lost in the search for a new shop concept and losing much of its previous luxury image to a more generic look, especially in packaging materials for the chocolates. In recent times, this has changed a little for the better, with packaging materials regaining some of their previous stylish outlook.

Ms Ekberg states that Neuhaus is very particular about how its products are sold, and it requires the sales personnel of the retail partner to be trained in handling and packaging Neuhaus products. Ms Ekberg herself has received the training and Neuhaus does provide training sessions in its factory in Brussels, but for a long period of time there has been an information blockage from Neuhaus to Ekberg about when this training is being held. For example, the latest invitation for summer 2011 came so late that Ms Ekberg had no chance to send an employee there, even though she would have wanted



to. Even without the information delay, there is also a language problem, as formal training sessions in English will only be held if a sufficient number of trainees sign up for it. There are regular training and information sessions in French, but unfortunately Ekberg employees do not speak the language. Ms Ekberg would be ready to explore various other training options, like having a Neuhaus trainer visit Finland and teach the Ekberg employees in their own store, or sending an employee to Brussels to learn packaging in a shop. But she points out again that if Neuhaus does not show commitment to its retail partners, they will not feel the need to commit to Neuhaus, so it would be in Neuhaus' own best interest to invest more time and effort on smaller retail partner relationships as well.

### **3.3.2 Data gathered from the Neuhaus interview:**

Six years ago Neuhaus redefined its strategy, management and shop concept. The colour scheme, lighting and shop windows were redesigned to make shops appear more inviting when viewed from the outside. The interior of the shops were also altered, departing from the traditional layout of having a single counter - behind which all products are displayed - to a more sprawling, multi-counter layout, where the customer is invited to look around more. Customers also receive much more informative and personal service than before. These changes have brought about an increase of 30 % in turnover.

Internationally, e.g. in Finland, Neuhaus is looking for partner companies/entrepreneurs, who are willing to extensively market Neuhaus products. Ideal would be a company that can duplicate the way Neuhaus functions in Belgium. It would act as a central distributor of Neuhaus products to retailers, as well as be responsible for training and quality control in that particular country. (Similar to the system currently set up in Asia.) This would free up resources for Neuhaus to focus and refine its local operations. Imperative is that the partner company's standards and image are similar to Neuhaus, portraying the same level of luxury, style and tradition. Neuhaus uses distribution contracts with its foreign retail partner companies. Franchise contracts are not in use. The distribution contracts are signed for a fixed-term of three years, automatically renewed barring problems or cancellation 3 months prior to the

end of the term. The contract usually stipulates specific sales targets, if these have not been met; there is a discussion about continuing or discontinuing the contract.

Neuhaus wishes to open a store in Finland exclusively selling Neuhaus chocolates. Problems with this idea, besides finding a suitable retail partner, are finding the right kind of location (in Helsinki) and the fact that chocolate is a seasonal product. The location would have to be suitably upscale to fit the product image and be close to pedestrian traffic to encourage impulse buying. Summer is a slow month for chocolate, especially in Finland, so a shop could also sell some other suitable luxury product to avoid a seasonal slump in sales. In essence, Mr Roobrouck stated that Neuhaus wants to reduce the number of direct partners it has. They deliberately focus on the bigger sellers and regretfully have less time for small-scale partners.

### **3.3.3 Data gathered from observations:**

This section goes over the findings gathered from observations. The first location is Ekberg patisserie on Bulevardi in Helsinki. The second location or locations are Neuhaus stores in Brussels and a multiple chocolate brand shop in Brussels airport. The third observation findings are from the Ekberg - Neuhaus meeting in June. The fourth location is Stockmann department store on Mannerheimintie in Helsinki. The fifth and final location is Cafe Neuhaus on Unioninkatu in Helsinki.

## Ekberg patisserie

The Ekberg patisserie is a spacious store, with interior decoration from the 1950's (Böök 2010), as can be seen in Figure 3.



Figure 3. Patisserie Ekberg on Bulevardi

The look the store is very traditional and stylish and it fits the visual style on display in the Neuhaus web pages. Neuhaus packages are prominently displayed and the chocolates have their own space in the glass display cases (Figure 4.).



Figure 4. Neuhaus chocolates on display at the Ekberg patisserie

As can be seen in Figure 4, the chocolates are well placed next to the cash register. However it is not apparent from farther off what the brand of these chocolates is. The tags identifying each chocolate type are the official ones provided Neuhaus; but they do not have the Neuhaus logo on them anymore, which would have made identification easier for a customer.

## Neuhaus stores and Brussels airport shop

Neuhaus' own stores in Brussels have a uniform look in design and decoration, which can be seen in Figure 5, with the exception of Neuhaus' very first store in the Galerie de la Reine, which has a traditional look more akin to Ekberg.



Figure 5. The basic look of a Neuhaus store in Brussels

The other stores are very bright and easy to navigate as Mr Roobrouck explained, but from casual observation of the shops of other chocolate manufacturers in Brussels the design appeared very similar. Neuhaus stores do not really stand out from the stores of other chocolate manufacturers.

A chocolate shop in Brussels airport sells the chocolates of several different manufacturers (Figure 6.)



Figure 6. An airport chocolate shop in Brussels

The image of the airport shop shows that the brands it sells are clearly indicated and visible from far away. In this particular multi-brand shop each manufacturer has its own display case down one side of the square. So a customer can always tell whose chocolates they buy. I did observe at least one other multi-brand shop where the brand names were also clearly marked on top and below the display case itself to indicate where the chocolates of each brand were.

## **Interaction between Neuhaus and Ekberg**

Having been invited to observe the end of Mr Roobrouck's visit to Ekberg, it appeared that he and Ms Ekberg communicate very openly with each other. Several suggestions were made regarding e.g. training opportunities, but no definite decisions were made. Mr Roobrouck made some suggestions about displaying the Neuhaus name more prominently next to its products and promised to deliver a sign for that purpose. (But at least during the follow-up interview four months later, Ekberg reported that it had received no further information regarding the decisions made during this meeting.)

## **Stockmann department store**

Stockmann is a traditional and high-class department store in Helsinki, and its image is quite fitting to Neuhaus' traditional one.



Figure 7. The chocolate counter at Stockmann

As can be seen in Figure 7, Stockmann's chocolate counter has many different kinds of chocolates on display. However, there are no obvious signs indicating which chocolates belong to which manufacturer, like in the airport chocolate shop in Brussels (Figure 6). The chocolates at the Stockmann counter are divided into their own sections according to manufacturer, as much as space allows, but the only way to know which are which is either by asking a sales person or by carefully reading the price tags for each chocolate type, as it also lists the name of the manufacturer. (Figure 8.)



Figure 8. Price tags of Stockmann chocolate counter

Acting as secret shopper, Neuhaus wanted to test if Stockmann's employees would pack Neuhaus chocolates in the same box with chocolates from other companies, which is against Neuhaus' stipulations. The given instructions were to buy chocolates from different manufacturers, without indicating that the shopper knew this, to see if the sales person would say anything about it. Additional instructions were to ask about the packaging once it became apparent what the salesperson intended to use.



Stockmann placed the chocolates in one single box even though the chocolates were from 4 different manufacturers; and they used their own box, which is another thing Neuhaus does not approve of. (According to Mr Roobrouck, Neuhaus chocolates should be packaged only in materials provided by Neuhaus itself, and clear packages should be marked with a Neuhaus sticker.) However, the Stockmann employee did carefully weigh the chocolates in groups according to different price categories before packing them. Also, at least one employee at the chocolate counter was capable of discussing the differences between many of the chocolates on display.

From the point of view of an inexperienced buyer, the sales people appeared informed about the products, but it was possible to purchase chocolates with no knowledge of their origin unless specifically asked, and obviously Stockmann's own packaging gives no further information about the origin. These observations show that despite Neuhaus' strategy, training and rules in the way in which its products should be handled and packaged, it is unable to effectively monitor and enforce these rules.

## Cafe Neuhaus

Cafe Neuhaus appeared extremely small and cramped compared to Ekberg. Besides a chocolate counter, the store also includes a large display case (Figure 9.) an ice cream stand and some souvenir stands.



Figure 9. Neuhaus chocolate packages on display in Cafe Neuhaus

As can be seen from Figure 9, the large display case contains Neuhaus chocolate boxes which are clearly visible, though in some of the boxes the contents were in little disarray, which did not encourage buying them.



Figure 10. Chocolate counter at Cafe Neuhaus in Helsinki

The chocolate counter at Cafe Neuhaus (Figure 10.) shows the old Neuhaus product tags, which were still used by Neuhaus two years ago, and they clearly display the Neuhaus logo. These kinds of tags would make it easier for a customer to tell the products apart in multi-brand shops like Stockmann, but for some reason Neuhaus gave up on these tags in favour of smaller ones without a logo of any kind. Not that they would have been of any help in Stockmann anyway, because they do not include the price of the product, and that is the main reason Stockmann uses its own price tags.

### 3.4 Summary

Ms Ekberg said that she is very satisfied with the functional aspects of its business relationship with Neuhaus, like delivery and packaging. However, Ms Ekberg is dissatisfied with the way Neuhaus no longer invests time and effort towards smaller resellers, the difficulty in acquiring Neuhaus training for Ekberg staff and she has been disappointed with the overall commercialisation of Neuhaus' product and packaging development as it seems to her to reduce the Neuhaus image of tradition and high-quality. Mr Roo-

brouck on the other hand clearly stated that Neuhaus does not have the time or interest to invest wholeheartedly in all small-scale partner relations like Ekberg, and would prefer to centralize its international business relations to as few big central distributors as possible so that it can focus on its core domestic markets.

Yet at the same time the findings from observations show that Neuhaus still expects its own product and packaging standards to be adhered to, even by smaller resellers, even though it is unable to properly monitor the actions of bigger resellers like Stockmann either. Additionally, the observations show that compared to the shops in Belgium, the ones in Finland definitely lack in brand advertising of their Neuhaus products. This would be simple to fix though, if Neuhaus just spent a little more time on it. But these development suggestions are covered in the following chapter.

## 4 Discussion

Now that the theoretical framework and empirical findings have been covered, it is time to see how much the reality of this case study conforms to the theory. These comparisons are followed by answering the research questions of this thesis and development suggestions for the two case study companies. After these I will move on to examining the ethics, validity and reliability of this thesis; make suggestions for future research and finish with an assessment of this thesis process.

The development of the Ekberg – Neuhaus business relationship appears to have followed the relationship life cycle and is currently in the maturity phase (Figure 11), though it seems to be running the risk of moving towards the imperilment phase.

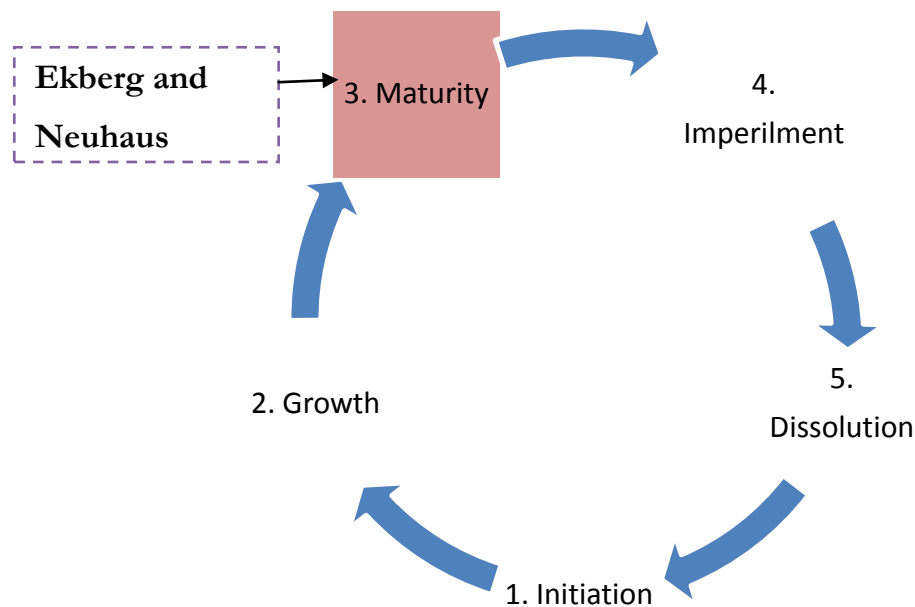


Figure 11. The life cycle phase of Ekberg - Neuhaus relationship

At the beginning, Ekberg researched potential partner manufacturers, tested and approved Neuhaus products, found them fitting to its own image and strategy, and sought to expand its purchases. At the same time Neuhaus ascertained that Ekberg was a suitable partner to represent its chocolates. These actions are in accordance with the theoretical selection criteria for a good business partner.

The strategic importance of each company to the other falls into the traditional supplier/distributor category of Hannus' division model. (Figure 12.)

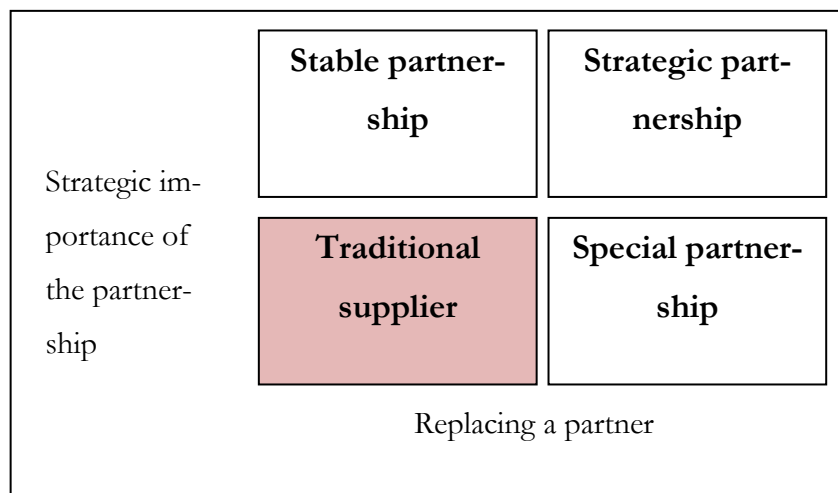


Figure 12. Ekberg and Neuhaus' strategic relationship position

Ekberg's sales volumes are not big enough for Neuhaus to consider it more important, nor is there room to increase these sales. From Ekberg's perspective, Neuhaus products are a small part of its overall sales, basically a sales revenue boost outside summer months and by no means vital or irreplaceable to Ekberg's core-functions. When looking at Hannus' suggestions for increasing relationship efficiency and value; Neuhaus is not exactly on a dissolution warpath to streamline its relationships, but it does admit to wanting to use distribution centre clustering for most of its international business relationships. Clustering may free up Neuhaus' time and give it a chance to focus on the key relationships, but it also increases the need for trust and adequate reporting standards for the cluster partner. For Ekberg there is no overriding reason to end the relationship; it does not need to streamline its partner relations nor does it need the hassle of switching partners.

With Hill's MNE methods of strategy implementation in mind, Neuhaus seems to be using personal, cultural and output control methods in an effort to enforce its will upon its retail partners. Neuhaus visits its partners regularly, it offers training in product handling and packaging and it sets sales targets in its normal distribution contracts. Ekberg on the other hand, being the smaller distributor of the relationship, is positioned to use Bignoux and Gray's pressure tactics like frequent checking and persistent reminders if it so chooses, though there has been no evidence of such actions so far. Ekberg just does not have any overriding strategic interests it needs to implement through Neuhaus.

Though Neuhaus has stated that small-scale partners like Ekberg are low on their list of priorities, it still is a reliable supplier of goods for Ekberg. Of the key factors involved in maintaining a good business relationship, Neuhaus manages trust, openness and communication. Where it is currently failing in this particular case is commitment, which is shown by Neuhaus' failure to follow-up on its own improvement suggestions that it has made to Ekberg. It is also having some trouble with communication outside the built-in automatic communication involved in the regular order and delivery transactions.

#### **4.1 Answering research questions**

The research questions in this thesis were 1) How can Neuhaus implement its retail strategy in co-operation with Ekberg? 2) Which factors make the Ekberg – Neuhaus relationship a good one? and 3) What is not working in the relationship and how can it be improved?

Answering the two sub-research questions first; 2) What works for Ekberg and Neuhaus is their similar values, image and commitment to high-quality. Additionally, the fact that the business relationship is not vital to either one makes it easier to tolerate small frictional issues, as long as those issues do not interfere with the efficiency of the core transactions between the two. 3) What does not work is Neuhaus' commitment to the maintenance of the relationship. Neuhaus makes suggestions on small improvements and on searching for solutions to staff training problems when it meets with

Ekberg, but does not follow-up on these suggestions once the Neuhaus representative makes it back home. Because of this lack of commitment perceived by Ms Ekberg, she is less inclined to increase her own efforts in solving these problems.

To answer the main research question, Neuhaus tries to use personal and cultural control methods through personal visits and employee training in order to implement its retail strategy through Ekberg, but fails itself in follow-through and execution. The similarities in image and individual goals of selling high-quality products have before and would in the future make it easier for Ekberg to commit itself to Neuhaus strategies, as Ekberg is willing to do, if only Neuhaus showed some increased commitment. In essence, Neuhaus' retail strategy is not currently being implemented as effectively as possible. However, the framework and methods for Neuhaus' strategy implementation are there. At the moment it is up to Neuhaus to effectively use them.

#### **4.2 Development suggestions**

I have six general development suggestions and one specific one for solving the friction issues between Ekberg and Neuhaus. The specific one is for improving the training possibilities of retailers. Neuhaus should automatically inform all its retail partners about the training opportunities as soon as the dates for them are confirmed. It should be a message about just the training opportunity, and not combined with any other message or worse, buried in the usual monthly newsletter where it may be easily missed. This way each partner receives the necessary invitation early enough and the message does not get buried underneath other general information.

Of my general development suggestions; one, Neuhaus should increase its own commitment level for its business relationship with Ekberg, and other small-scale distributors. This need not necessarily mean increasing personal contact. A lot could be achieved with a CRM application like a distributor database, where the issues and suggestions relating to the relationship with each individual distributor, Ekberg included, could be handled and stored, and regular checking of the database could help keep in mind all the issues that need to be addressed. A show of increased commitment like this from Neuhaus would increase Ekberg's commitment to the relationship as well.



However, this solution would require an increased investment of time from Neuhaus into its business relationships; and it would require an investment of capital, if such a CRM distributor database does not yet exist.

Two, Neuhaus could form a regional Nordic distribution cluster similar to the one it has in Asia, and find a suitable partner to act as the central distributor of the cluster. This central distributor would handle the product distribution, marketing, surveillance and training for all the cluster members. Then Neuhaus would have more time to focus on its core markets and Ekberg would have a more committed partner with whom to develop the business relationship. Neuhaus has already stated that this would be its preferred solution, but it has not yet found a suitable partner for the job.

Three, they could dissolve the relationship and Ekberg could move on to find a new partner. This is the least ideal suggestion from Ekberg's perspective, because it would have to go through the time consuming process of finding a new suitable partner whose products it could sell, or have a relatively large part of its shelf space stand empty year-round. For Neuhaus, the dissolution would be less of a burden because it would not be obligated to find a replacement retailer in Finland, since Ekberg is not the only Finnish Neuhaus-chocolate retailer, and luxury-chocolate is still not a product for the masses in Finland.

Four, Ekberg could become more active and start using pressure strategies like frequent checking and reminding, in order to prod Neuhaus into more committed action. This is also not an ideal solution from Ekberg's perspective, at least Ms Ekberg feels that it would place too much of the burden of relationship maintenance on her shoulders. It is also possible that the need for reminding and prodding would never end, causing Ekberg to spend an increasing amount of time on the relationship.

Five, both Ekberg and Neuhaus could just accept the status quo. If neither one has the interest in investing increased amounts of time on the maintenance of their relationship, and Neuhaus cannot effectively train Ekberg's staff, they could just let the relationship scale down to a purely transactional business one, with no direct contact, just

regularly buying products. However, for Neuhaus this would mean that it would also have to ease its strategic requirements and retail standards.

Six, the representatives from both companies could sit down and seriously map out the current situation of their relationship, any items each one would like to change or improve and the direction the relationship should go. Having identified these issues, they could then make concrete plans on how to solve them together, possibly by selecting one of the above mentioned development suggestions or a mixture of them. The main point would be for both to truly commit to this process of rethinking their business relationship.

### **4.3 Validity, reliability and ethics of this thesis**

In qualitative research, validity and reliability are difficult to establish as they apply better to quantitative research (Kananen 2010, 69). Reliability means that the findings and results can be repeated; either by a different person studying the same event and coming to the same conclusion, or by repeating the process and getting the same result. (Hirsjärvi et al 2009, 231.) Validity means that the correct things are studied in a correct way. Validity in qualitative research can never be established 100 %, but that does not make it invalid. (Basit 2010, 63 - 64.) The validity of qualitative research can be established as much as possible through honesty about the way the research was conducted every step of the way and by using triangulation. (Hirsjärvi et al 2009, 232 - 233.)

In order to show the validity of this research, triangulation was used in by using more than one method for data collecting and in collecting data from more than one or two sources. By triangulation of sources, interviewing both main parties verified the perception each had of the other and the perception they had of their business relationship. By triangulation of methods, observing both parties separately and together verified data collected from interviews; and observing other actors associated with Neuhaus verified the transferability of its relationship problems with Ekberg.

The reliability of this research should not be in question, if the reasons for selected research methods are sound. Analysing interviews and observations is subjective, but through triangulation of methods and sources the same issues kept appearing, which should indicate that the results are reliable.

The research for this thesis has been conducted in an ethical manner. The collected data and findings have not been falsified. The interviews and observations were recorded either during the time they occurred or immediately after. At every stage of data collection was conducted with the informed consent of the participant. The interviews were agreed to beforehand and the purpose of the research was explained to the interviewee. Any target of observation was also informed beforehand of the observation event (with the one exception explained in section 3.2 of this thesis), the reason for the observation and the focus of the observation.

#### **4.4 Applicability and suggestions for future research**

The results of a case study are usually quite specific, making the applicability of results to other situations difficult. However, since observation of Neuhaus' other business partners was used in this case, and the findings presented similarities of issues with those that exist in the relationship between Ekberg and Neuhaus, some of the results should be applicable at least within the narrow limits of Neuhaus' relationships with its partners in Helsinki.

Beyond Finland applicability is less probable, as for example the language issues which make it difficult for Ekberg to receive adequate staff training from Neuhaus become more irrelevant. This is because either most of Neuhaus' other European partners have sufficient understanding of French or there exists a local distribution centre that handles all communication and training of local distributor and retail partners.

Beyond Neuhaus' business relationships the applicability is weaker still, but the results did seem to verify aspects of the general theoretical framework, such as the need for reliable communication and commitment for the sake of a successful and stable business relationship.

It would be interesting to see more research conducted about this kind of B2B relationship, where co-operation does not end with the simple transaction of goods, and which does not have the contractual obligations of a classical distributor or franchisee relationship, nor is it from the point of view of small supplier and huge manufacturer/retailer. The more such research is done, especially across different industries, the easier it becomes to create a single directly applicable theory for such relationships. I would not offer this case study as a theory base for such a study however, as I could not point to any unique theoretical discovery made about these kinds of business relationships.

A further study or studies could also be made about the relationship between Neuhaus and various types of its distribution partners. For example a study about the relationship of Neuhaus and a large retailer, or one which looks at Neuhaus and the central distributor of a distributor cluster. Another study could be conducted where the focus is on the relationship between a member of a distribution cluster and the central distributor. If all these were studied, this case study could be used as background material and its findings could be used to see if there are any similarities that go beyond the size and sales volume of the partner or the specific nature of the relationship between the partner and Neuhaus.

#### **4.5 Assessment of the thesis process and own learning**

Managing this thesis process was very difficult for me. I have done theses before so I am familiar with the process, but this particular one had several snags. The initial problem was that the project got quite literally off to a flying start, unfortunately from the wrong direction. As I have mentioned in the beginning of this thesis, I was given the research topic by my school. Then within three days of receiving the commission I had already been led to a situation where I was to collect empirical data, first in Helsinki and then a week later in Brussels. Not that it was all bad; having the chance to conduct research in Belgium really increased the wealth of data, the problem was that it happened so fast after hearing about the commission for the first time, that I was not very well-prepared. The normal approach to a thesis is after all, first identifying the research

topic, and then formulating it into a research problem and research questions, then making a research plan and studying theory, all of this well in before the collecting of empirical data.

So after weathering this rather abrupt and disorienting start to the thesis process, I ran across a new problem: developing a theoretical framework. It could be proof of my lack of knowledge, and subsequent inability to find suitable search terms, but I could not figure out any suitable theory that could be directly applied to this thesis topic. After a very long and extremely arduous search process, I ended up building a patchwork of theories, taking a pinch there and a snippet here, and collecting them into a collection of theoretical aspects that I had deemed relevant and supporting of my case study.

In writing the actual thesis, I could have handled my own timetable better as well. Because there was no external pressure from the commissioning party to receive my research results, the time of completion of this work was left up to me, and I proceeded slowly. But even though I did not complete the thesis according to the initial time-frame schedule, the actual empirical research was conducted professionally, on schedule and accurately. The problem was merely with the writing down of the actual final report.

The topic was very interesting to study. I learned some new things about doing research, but mainly I wanted to learn more about the actual case. Studying the relationship of these two companies was fascinating. Witnessing their interaction as not just structural entities but as human beings as well was not only informative for the sake of my research, but also instructive in terms of learning about work related interaction in general. I am very glad to have been given the opportunity to write this particular thesis.

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