

Knowledge Creation and Relationship Marketing in Family Businesses: A Case-Study Approach

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Abstract In Bosnia and Herzegovina, family businesses operate successfully as the backbone of the countries' economies. We also know that even successful firms differ widely in use of best management practice. Smaller, newer firms in less developed countries should benefit from exposure to best practice. To this end we offer provide and present the advantages of using one of the newest and most successful approaches in marketing, that of relationship marketing. This chapter presents the theoretical aspects of relationship marketing, the advantages of using it and its specifics. Furthermore, in this chapter we discuss how relationship marketing affects the business development on two family businesses from two disparate industries in Bosnia and Herzegovina. AS Group is a group, including food, trade and textile, whereas Pharmamed Ltd. operates in the pharmaceutical industry. Relationship marketing concepts and specifics explained in this chapter will not help only the owners of family businesses, but also, the non-family businesses,

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policy-makers and researchers who want to know more about advancing use of proven managerial practices in a transition economy.

Keywords Relationship marketing • Family business • Transition countries • Bosnia and Herzegovina

1 Introduction

Today, when the competition is a very fierce and when globalization touches every corner in the world, production may seem the easiest activity, whereas selling the hardest one, especially, if we consider the changing ways of selling (see Bloom, Eifert, Mahajan, McKenzie, & Roberts, 2011; Bloom & Van Reenen, 2010 about management best practices). It is much easier to gain a new customer than to maintain the old one. The processes of buying and selling have changed a lot, making the purchase process more complicated. Our decision to buy something comes from a lot of factors and why we buy is not only because we need a specific product or service, or even want it. Rather, the issue of being related in any way to the product or brand can stimulate buying (Veseli, Ramadanani, & Rexhepi, 2010).

Models of consumer behavior in the process of buying have shown that before the consumers buy a particular product, they need to have a positive attitude towards that brand and/or organization (Pope & Voges, 2000). Somehow, this means that purchasing is the last part of the buying process, stimulated by a lot of factors, separated from the actual sales process.

The traditional transactional marketing is becoming a past, and what today presents value for companies, is maintaining the old customers, developing loyalty and commitment. Essentially, this is the relationship marketing (RM). The concept of managing relations in marketing is deepening and it seems that it is at the top of marketing nowadays. It is not a new phenomenon, but it has started to be a part of the marketing theory very late, even though it is not limited to the theory. It is impossible to imagine any business activity in business-to-business (B2B) or business-to-customer (B2C) relations that does not use any element of the relationship marketing, both in consumer goods and services. But, how these approaches work in family-owned businesses (FOB), which are more unique? Some studies have shown that approaches used in FOB's can be converted into an unbelievable competitive advantage (Cooper, Upton, & Seaman, 2005; Miller, Le Breton-Miller, & Scholnick, 2008; Ward, 1997). Based on this, Carrigan and Buckley (2008) call it "familiness". Marketing departments in FOB, as in other firms try to create, communicate, and deliver value to their own customers (Dashew, 1996). In return, they expect sincerely responses from their customers, which will be translated into: sales, purchase, and patronage (Srinivasan & Hanssens, 2009). The "familiness" is more expressed in those societies where different cultural habits are much more present, such as Bosnia and Herzegovina (BiH), where people are much linked to their cultural habits, the way they live, the way they eat, wear or spend the time.

Those characteristics make them very familiar with some products or services, especially with their well known “Bosnian coffee” or the traditional ways of cooking. For instance, there are a lot of companies in BiH that pay a lot of attention to the cultivation of traditional items, products and services.

The relationship marketing in family businesses is the main topic in this chapter. We based our research on two BiH’s family businesses, respectively in AS Group from Tesanj, and Pharmamed Ltd from Travnik. We raised the following research questions in this chapter:

1. Which are the ways that family businesses use to maintain and develop loyalty, trust and commitment, both in B2B and B2C relations?
2. Which are the ways that family businesses use to maintain and develop customer satisfaction approaches with special emphasis on motivational and cooperation elements, both in B2B and B2C relations?
3. In which way, do family businesses cooperate with their competition, and which are the benefits they see from these relations?
4. Which are the economic benefits derived from using the relationship marketing approaches in the industry where they belong instead of traditional marketing ones, both in B2B and B2C relations?
5. Do and how the relationship marketing approaches of family businesses change with regards to the cultural differences, both in B2B and B2C relations?

The purpose of this chapter is to highlight a correlation among the relationship marketing and companies’ development, based on data evidence from concrete family businesses. The study will describe in details the most important elements of the relationship marketing which influence the development of the family businesses, both for B2B and B2C relations.

In BiH, as well as in the region, this concept is not very well studied. Thus, this research will provide information about the relationship marketing benefits and aim to influence family companies to implement relationship marketing activities. Moreover, this aim is becoming stronger if we consider the structure of our businesses, mostly of which are the family businesses. Even that like a practice, the relationship marketing is used here; this research aims to awake people and their family businesses about its importance, and to influence the use of high quality in every aspect of the firm’s activity.

There are only a few issues in marketing that have drawn as much attention in the last few years, like the relationship marketing has. It is considered by economists and marketers as one of the top topics, if not the first one, that should be seriously studied and implemented in the future.

Because of the globalization, all the consumers in the most places of the world are exposed to every company and organization of the world at the same time. In most cases, to customers are offered the lowest prices. Thus, to be loyal and trusted consumers to companies, in the long-term, is the hardest thing. So, the study considers that to gain the knowledge, and to see practices how to maintain loyal consumers and associates, is a really valued advantage that all our companies need. This chapter will provide the essential rules of the relationship marketing and

benefits of being a part of this kind of strategies and plans. The relationship marketing policies are based on the pure relationship rules and benefits, no matter what is your field of working or studying.

2 Literature Review

2.1 *The BiH Context*

Bosnia and Herzegovina (BiH) is an independent state in the Balkans Peninsula, bordering Serbia and Montenegro in the east, Croatia in the north, west and the south. It has a coastline of about 20 km on the Adriatic Sea. Bosnia's capital city is Sarajevo. BiH's population is about 3,802,000 people (UN Data, 2016). As most of the states in the Balkans, BiH is recovering from a 3-year war which accompanied the break-up of Yugoslavia in the early 1990s and which resulted with devastating effects. The conflict of 1992–1995 had to choose on whether BiH will stay in the Yugoslav Federation, or whether it should become an independent state. It is now an independent state, under the international administration. There are three main ethnic groups, Bosnian Muslims—50.11%, Croats—15.43% and Serbs—30.78% (Zavod za statistiku Bosne i Hercegovine, 2016). Around two million people or about half the population—were displaced during the war, mostly of them abroad. The consequences are still evident.

The Dayton accord set up two different and separated entities, Bosnian-Croat Federation of Bosnia and Herzegovina and Bosnian Serb Republic (Republika Srpska). Both have their own president, government, parliament, police and other bodies and institutions. In addition, there is the district of Brčko, a self-governing administrative unit created as a neutral area, which is placed under joint Serb, Croat and Bosnians authorities (BBC, 2016) (Fig. 1).

As is stated in the Worlds Bank Overview of Bosnia and Herzegovina, the political system in BiH is complex. In July 2015, the Council of Ministers of BiH, Government of Republika Srpska, and Government of the Federation of BiH established a joint program of reforms—known as the Reform Agenda. This Reform Agenda presents a big window of opportunity for structural reforms in BiH. The most important economic challenge for BiH is the imbalance of the country's economic model: public policies are oriented towards the public sector more than the private sector; consumption much more than investment; and imports further more than exports. BiH needs to develop the potential of the private sector while at the same time it should reduce the signs of the very large and inefficient public sector (World Bank, 2016).

The complex system of state's organization affects mostly the economy. This political and legal framework has caused the existence of overlapping competences, which negatively affects every sector, mostly the economy. It is so because of this political establishment and the fact that in the past two decades, BiH has faced



Fig. 1 Map of Bosnia and Herzegovina. Source: U.S. Department of State (n.d.)

different economic instability while undergoing economic transition from a closed-command economy to an open-market economy. One of those barriers is the rate of the structural unemployment, which means that a high unemployment rate has resulted by structural difficulties that have caused Bosnian’s underdeveloped economic system (Mirascic, 2011).

Moreover, some say that it is the Law system that prevents the BiH’s companies to develop more. Mr. RusmirHrvić, the general manager of the AS Group, declares that:

The biggest disadvantages of the economic environment in Bosnia are the laws that limit the development of domestic producers. In many situations, Bosnian producers are not competing not because of their ability, but because of the law regulations. We do not have equal conditions for employment. Foreign producers are in advantage in our trade, which is absurd and directly influences the whole economy and threatens the survivor of actual working places and the ones to come (Personal Interview).

Table 1 Economic indicators of BiH

Economic indicators			
GDP: Gross domestic product (million current US\$)	2014	18,491	
GDP growth rate (annual %, const. 2005 prices)	2014	1.3	
GDP per capita (current US\$)	2014	4843.7	
Economy: Agriculture (% of GVA)	2014	7.1	Excludes irrigation canals and landscaping care
Economy: Industry (% of GVA)	2014	26.0	Excludes publishing activities, includes irrigation canals
Economy: Services and other activity (% of GVA)	2014	66.9	Excludes repair of personal and household goods. Includes publishing activities and landscaping care
Unemployment (% of labor force)	2014	31.2	Estimate
Labor force participation (female/male pop. %)	2014	34.5/58.2	Estimate
CPI: Consumer price index (2000 = 100)	2014	123	Index base: 2005 = 100
Agricultural production index (2004–2006 = 100)	2014	113	2013
Food production index (2004–2006 = 100)	2014	114	2013
Balance of payments, current account (million US\$)	2014	–1451	
Exports (million US\$)	2015	5099.1	
Imports (million US\$)	2015	8993.9	
Balance (million US\$)	2015	–3894.8	
Major trading partners (% of exports)	2015	Germany (15.7), Italy (13.5), Croatia (10.3)	
Major trading partners (% of imports)	2015	Germany (12.1), Italy (11.1), Serbia (10.9)	

Source: UN Data (2016)

Some of the economic indicators of the BiH economy are provided in Table 1. BiH is performing much better in the recent years economically, due to different factors, especially the growth and development of SMEs and the increased exports. World Bank (2016) noted that the BiH's economic growth performed better-than expected in 2015, where net export was the main driver of it. Consumption and

investment also performed well. The real GDP has achieved the highest rate in the last 5 years—4.3% year-on-year (y/y) in the second quarter (Q2). The consumer price index declined by 1.3% y/y in December 2015. Export has increased by 3.5% and net export is increasing approximately 3%, and shows rising tendencies.

2.2 Family Businesses in BiH

Efendioglu (2001) noted that SMEs create the basement of the European economy. They are an irreplaceable part of the private sector, which contributes significantly to the job creation and plays a very important role in developing the competitiveness on selected markets, including underdeveloped markets (Stevenson, 2010) and transition markets (Dana & Ramadani, 2015). In the Balkans region, as well as in the Europe, most of the SMEs are family owned businesses, owned by one or more members of a family, or more families (Hisrich, Petković, Ramadani, & Dana, 2016; Palalic, 2017; Ramadani & Hoy, 2015). As stated in Zemlic (n.d.), the KPMG in BiH has identified that the family owned-businesses are an important part of country's economy, and they are the wheel of the economic development. Latest analyzes (Dana & Ramadani, 2015; Palalic, Ramadani, & Dana, 2017) show that almost 80% of SMEs in BiH are family owned businesses, whose employees contribute more than 60% of the total employment in the private sector. Family businesses are more focused on the long-lasting operations and success. Also, they continue investing even during an economic crisis or instable periods.

Even though the big businesses in harsh times were still reducing the number of their employees, the governments have been obligated to make strategies and new regulations for the growth of employment rate. Family businesses, seen as heroes in this period, were the job creators and the economic developers (Petković & Tešić, 2013; Ramadani & Schneider, 2013)

Even though family businesses have not been studied enough in BiH, there is a growing need to study them because of the uniqueness the BiH's entrepreneurship offers, and the environment for doing business that is improving every day, even though it is in a so called transitional phase. This phase characterizes the economic environment of every country in the neighborhood (Palalic et al., 2017).

3 The Concept of Relationship Marketing

The concept of a relationship has been used for 100 years, even though it seems that it has not been around for a long time. Before the Industrial revolution, the farmers and craftsmen individually sold their products to their customers in the local markets. Only some of the trades have been organized into groups with relationships between the members, e.g. trade on the silk route (Sheth & Parvatiyar, 1995). Mutual trust was the key element while exchanging. As Šonková and Grabowska (2015)

claim, the accomplishments of the Industrial revolution in the nineteenth century have led to both, mass production and consumption of different products. It means that for a relatively low cost, producers could have generated a large amount of goods. In this period, the marketing strategy used the most, was the promotion with regulation of price. This was possible to be realized, because the products of the producers were interchangeable at a high level. One of the most important roles in this period was the middleman's; they stored the big amounts of products and made their transportation to a specified destination.

The most important period for the development of marketing was the twentieth century; starting with mass-marketing (1950s), marketing focused on industrial marketing (1960s), marketing segmentation (1970s) (Buttle, 1996). Maxim (2009) noted that the 1970s and 1980s of the twentieth century, were the years when some authors started to question the validity of transactional marketing approaches, considering that the socio-economic changes have resulted with a change of the marketing efforts from the area of transactions to that of relationships, as the newest one. So, in the beginning of the 1980s of the last century, the first books for the relationship marketing started to appear. In the marketing literature, Berry's "Relationship marketing" in *Emerging perspectives on services marketing* (1983) is considered the first ever written book about this concept.

There are numerous reasons why this shift on the relationship marketing appeared. Palamtier (2008) identifies two the most important reasons for this shift. Firstly, he argues with the shift of world's orientation of economy to services. Under those circumstances, middleman, who was so important during the industrial revolution, is no longer needed. Sales—people, on the other hand, came into a personal contact with the company's customers. The parties to the transactions are bound on each other again as it was in the beginning and there is a direct relationship line between the customer and the company.

Consequently, Palamtier (2008) says that the relationship marketing is the best alternative for strategy for companies that provide services. It is mostly because, being different from products, services are intangible, and it is therefore more and more important to create powerful relationships to gain trust, and to be able to make their customers believe in the quality of the service.

Thirdly, the advances in technology support the return to the relationship marketing. Thanks to the modern communication channels and all the opportunities that modern media offers, companies are able to communicate with all their customers, no matter where they live or where they work. Consequently, it is much easier for customers to learn about the company and their services from different sources. Customers are well-informed and search for a value. The progress in the technology enables marketers to easily target their customers, as well as to implement the strategy. Once the program is implemented, the modern technology also helps with its evaluation.

Finally, the increase of the global competition is stated as an influential factor on the return of the relationship marketing. Its tools, such as the loyalty programs, help differentiate the company from its competitors. Creating long-lasting relationships

is also economically reasonable, since there are lower costs for retaining of customers, than for attracting new ones (Šonková & Grabowska, 2015).

It is generally accepted that it is very important to develop and maintain the long-lasting relationship among companies and customers (as well as other parties involved). An issue that is not well-studied is explain which factors managerially affect those relationships and the mechanisms used. Generally, a customer can have more relational benefits, but they can be grouped into benefits received apart from the products/services they purchase and relationship quality, which focuses on the overall nature of the relationship (Thurau, Gwinner, & Gremler, 2002).

But, what is the relationship marketing and why is it important? At the center of the relationship marketing is an exchange that is profitable to parties involved in that exchange. The concept of those exchanges, as it applies to the relationship marketing, can be viewed at from two dimensions: either a transaction cost analysis approach or a social exchange theory approach (Kangal, 2009; Ratten, 2013). It focuses on efforts of both sellers and buyers to investments in the long-term beneficial partnerships and behaviors.

George Homans (1961) is the first one that has proposed social exchange theory. He said that exchanges of goods and services take place between two parties who are entities with rationality, who act in their own interest and who will perform social action based on rewards and costs. It is not only monetary (material) benefits that take place in the exchange; non-monetary ones seem to be a special part, such as: love, approval, affection or esteem. This is called *social exchange*. The social exchanges involve interaction; interaction occurs when an activity done by one man is rewarded (or punished) by an activity done by another man. The social exchanges respect emotions; emotions are signs of the attitudes and feelings a party takes towards another party. This social exchange theory (Homans, 1961) sets the disciplines of the psychology of behaving and elementary economics in proposing the principles of social exchange. The psychology of behaving in any way derives from the history of behaviors in the past. Based on them, people behave in the present. Between the walls of past and future behaviors, the relationships are built.

There are four types of relationships between buyers and sellers—bilateral relationships, relationships that are maintained by sellers, relationships that are maintained by buyers, discrete exchanges (Dwyer, Schurr, & Oh, 1987). For a firm, a relational exchange could occur with goods suppliers, services suppliers, business units, employees, functional departments, intermediate customers, ultimate customers, competitors, non-profit organizations, governments (Morgan & Hunt, 1994).

According to Berry (1983), which was the first person that mentioned the relationship marketing concept, relationship marketing is attracting, maintaining and—in multi service organizations—enhancing customer relationships. After him, there were a lot of researchers that have given their scientific contribution about the relationship marketing. Sheth and Parvatiyar (1995) define the relationship marketing as the process of developing cooperative and collaborative relations with customers as well as other market actors. Shani and Chalasani (1992) see the relationship marketing as an effort to identify, create, and develop a network of individual customers, and to empower the network for the mutual benefit of both

sides. Furthermore, Andersen (2001) says that the relationship marketing is a group of cumulative phases during which belief and common norms are established with the help of a design of communication means and forms.

Building good and successful relationships has a lot of benefits. As noted by Levitt (1986), relationship marketing is as important in developing the intangible asset known as ‘goodwill’ as is the hard assets management. The fact that it is probably harder to do is that much more reason that hard effort be expended to do it.

Bruhn (2003), collecting data from different studies, concludes that customer retention offers advantages from a circulation perspective as well as from a costs perspective. Other than maintaining the current circulation level, retention may have a favor approach in both cross-selling and an increase in the frequency of purchases. Furthermore, the customers become less sensitive to price and are willing to accept price premiums in exchange for a reduced risk. The long-lasting relationships also ensure reduction of costs by the experience effect: the operational costs for an old customer are much smaller than those for a new one.

3.1 Specifics of Relationship Marketing

The most important goal of the RM is to identify which are the drivers that affect the outcomes for a firm, as well as to identify correlations among the drivers and outcomes. Until now, in the marketing literature have been used a lot of approaches to identify those correlations and the specific drivers and outcomes of RM, starting from one variable, then continuing to a different number of very specific variables that are still in the process of studying. Every day, a new variable that affect the RM is discovered, thus the system of the RM is becoming more and more important and valued. Based on the review of some past studies and scientific works, we are going to evaluate some indicators and specifics of the RM, which affect mostly or are derivatives of relations in marketing. We will start evaluating the characteristics of each element, starting from loyalty, trust, commitment, satisfaction as well as other indicators and specifics of the RM.

3.1.1 Loyalty

The Merriam Webster Dictionary defines the word *loyal* as: “unswerving in allegiance as faithful in to a cause, ideal, custom, institution, or product”. As the RM has been one of the most popular topics over the last years, a lot of studies try to identify the most important aspect of this field, the customer loyalty. The customer loyalty has been named as a marketing goal of the firm (Diller, 1996). The loyalty is the primary goal of the relationship marketing and sometimes even equated with the relationship marketing concept itself (Sheth, 1996). Being loyal to a company, specific brand or a product means to repeat the purchase behavior, believing in them and the company’s marketing activities.

One of the focuses of both theoretical and empirical studies has been the connection between the loyalty and the profitability. It has been found that customer loyalty positively influences profitability through. This is arrived with cost reduction effects and increased revenues per customer (Berry, 1995). Cost reduction effects means that retaining the old customers is less expensive than trying to gain new ones, that is why having loyal consumers is more cost effective. On the other side, it influences increased customer revenues along the relationship life cycle, because of cross-selling activities and increased customer penetration rates (Thurau et al., 2002).

If we look at the relationships between suppliers and customers, we will realize that in fact customers' loyalty is the way transactions among them are made and how often they do occur. It is very important that those transactions are qualitative, in terms of the way they are realized and the atmosphere where they take place. Customers will declare themselves very loyal to a supplier, through feelings and perceptions of satisfaction they have, through positive attitudes and through preferences for the supplier. More simply out, customers will want to repeat the purchase from this buyer (Diller, 2000).

Beside the effect of cost reduction for the company and increased revenues for customers, loyalty has a lot of other economic benefits. According to Diller (2000), there are three main benefits associated with customer loyalty: more certainty, more growth and more profit (Table 2). As it can be seen from Table 2, loyal customers bring *more certainty* to an organization, i.e. more stability. More certainty also can offer more customer feedback, which is sincerer when it comes from a loyal customer, than from a not loyal one, because they tend to be more bounded to the company. They can even work together with the supplier in developing customer satisfaction (Hansen & Schoenheit, 1987; Stauss & Seidel, 1998). The feedback received from loyal customers affects marketing, making it more flexible. Also, having loyal relations between customers and suppliers automatically means more trust. On the other side, having close relations with customers may result with disadvantages, such as: inflexibility (failing to adapt to changes in the market structure by being very reliant to loyal customers) and inactivity (in some cases loyal customers may turn the company or supplier to inactivity and carelessness, because they make the supplier feel complacency).

The growth of a company, by trying to maintain the old customers, can be achieved by a deeper customer penetration and more recommendations. The first one means that loyal customers are focused on purchasing by a single supplier or company and the second one means that they will influence to new customers by the good word of mouth, which is considered as the cheapest way to gain new customers. We should always know that there can be a negative word of mouth that could bring the opposite effects of a good word of mouth, as well as the risk of a skewed structure of customers.

In the end, we are going to explain how customer loyalty leads to *more profitability*. More profitability can be achieved by savings on costs on increasing revenues. Costs savings is achieved when the company has a better amortization of acquisition costs and does not have costs that occur while trying to gain new

Table 2 Potential economic effects of customer loyalty

	More certainty	More growth	More profit
+	More stability	Deeper customer penetration	Cost savings
	More feedback	More recommendations	Better amortization of acquisition costs
	More marketing flexibility		Saves costs incurred when gaining new customers
	More trust		Lower costs for customer management
			Increased revenues
			Lower price elasticity
			Cross selling revenues
-	Inflexibility	Skewed customer structure	Cost incurred by bonding activities
	Inactivity	Negative word of mouth	

Source: Based on Diller (2000)

customers. It is estimated that just 15–20% of the amount spent on gaining a new customer needs to be invested to keep this customer's loyalty (Meyer & Blümelhuber, 2000). It has also a lower cost for customer management because customers are already familiar with company's products. Increased revenues are harder to achieve, because loyal customers in mostly of the cases are less sensitive to price changes, but they can also search a discount in price for their loyalty. Loyal customers may bring extra revenues through the cross-buying activities.

According to Meyer and Blümelhuber (2000), there are several indicators of customer loyalty, as shown in the Fig. 2. Analyzing all these indicators and goals of customers' loyalty, we understand that not always the desired results of such a loyalty can be harvested. As Diller (2000) says, sometimes it is the *quality* of this loyalty, not quantity, which determines the effects of this loyalty.

3.1.2 Trust and Commitment

Trust, like loyalty, is one of the most important specifics of the RM, and of the relations in general. To trust, in a way, means to believe in something and what is more important, to believe permanently in what you give and what you are waiting to receive, i.e. the creation of the long-lasting belief and faith in something.

In marketing, the trust exists when the customer believes in the producer or service provider and their product, as well as his/her integrity. The trust is conceptualized by many authors as a necessary component for the long-lasting relationships (Bendapudi & Berry, 1997; Doney & Cannon, 1997). Moorman, Deshpandé, and Zaltman (1993) defines the trust as a will to rely on an exchange partner in whom one has confidence. As Rotter (1967) says, the trust is a generalized expectancy held by and individual that the word of another can be relied on. As we can

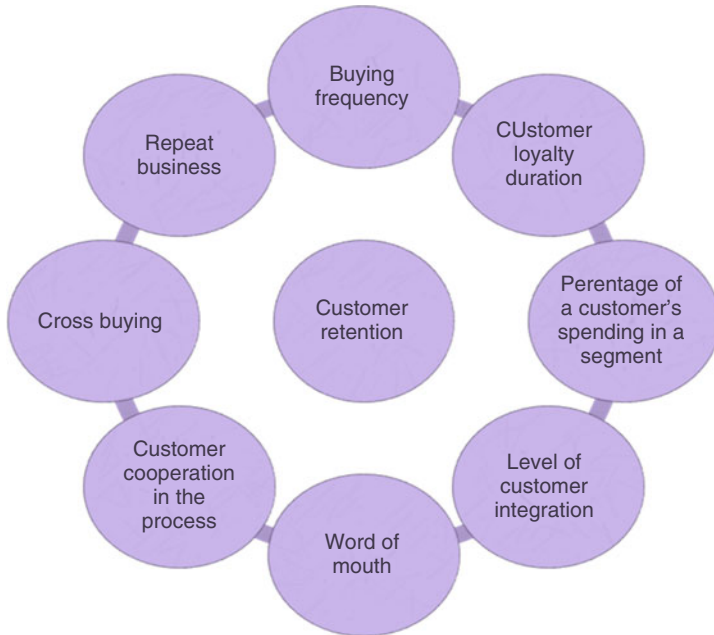


Fig. 2 Selected indicators of customer loyalty. Source: Based on Meyer and Blümelhuber (2000)

see, both definitions rely on *confidence* as one of the most important characteristics of that trust. Murphy, Lacznia, and Wood (2007) says that trust is widely regarded as being an essential element for exchanges moving from a transaction-base to a relationship-base. In the sense of behavioral interpretation, the expectation construct trust results from stimuli originating with the object of the expectation (supplier) and perceived by the person that extends his trust (customer) (Preß, 1997). Anderson and Narus (1990) are focused on the outcomes of trust. They define it the firm’s belief that another company is going to perform several actions, which will result in positive results or outcomes for the firm.

The trust is also very important to the relational exchange (Kotler, Dingena, & Pfoertsch, 2015). That is why Spekman (1988) names it as the cornerstone of the strategic partnership. Because of its characteristic of cornerstone, all parties characterized by trust to one other will like to be a part of such relationship, and will always seek only trustworthy partnerships.

Murphy et al. (2007) state that relationship marketing is based on the premise that customers and sellers are long-term partners in a so-called the exchange process that is based on trust and rooted in the marketing concept. The ethical sides of the marketing concept as well as trust are driven by the same elements.

According to Shaw's (1997), *Trust in the Balance*, in order to create a marketplace, three elements are required:

- Consumers perceive that product and service claims are honest and can be relied on.
- Integrity and consistency motives marketplace practices
- Consumer's well-being is kept in equal balance with the competing interests of the selling organization.

Based on different studies on the trust in marketing, it can be concluded that one of the most important elements that stimulate the trust in an organization is the social structure of the same. Organizations that are acting in a good atmosphere of work are more likely to have a trusty network system. That is why, it is very important to have a good and effective organizational structure, that the network will have the trust in each—other, i.e. have better economic results.

Considering these benefits of the trust, let's see a path moving from the trust to a collaborative behavior. Joint actions offer a lot of advantages in problem solving and planning (Claro, Claro, & Zylbersztajn, 2005). Once the trust is established, firms learn that coordinated, common efforts lead to outcomes that exceed what the firm could achieve if it would act as single or had a single role in its own interest (Anderson & Narus, 1990). This suggests that firms that trust one another will exchange information, thereby jointly contributing to problem-solving and planning efforts (Zand, 1972). If the focal company trusts its partner, it will be more willing and worthy to react flexibly to changing conditions or demands of the partner (Morgan & Hunt, 1994).

On the other side, commitment is seen as the long-term orientation, toward creating strong relationships, grounded on both emotional and relational basis. Gundlach and Murphy (1993) identify several characteristics of commitment; such are *stability, sacrifice and loyalty*. On the other side, Söellner (1994) says that the trust is what stimulates the communication, which makes commitment possible. Moreover, Day (1995) states that commitment often involves some managerial actions, which lead to information sharing among partners that is totally open, and thus giving the cooperative arrangements a formal status which is not embodied in the cooperating teams, rather in the organizations themselves.

The commitment represents the intentional element of the attitude of the customer, both positive and intentional, towards the supplier (Jacob, 2015). Moorman, Zaltman, and Deshpande (1992) gives a more precise definition, arguing that the commitment for a relationship is defined as an *enduring desire to maintain a valued relationship*. This includes the will to make short-term sacrifices (Dittrich, 2000).

Explaining the factors that lead to commitment, Söellner (1994, as cited in Kleinaltenkamp, Plinke, & Söllner, 2015) has developed a model of commitment (Fig. 4). Based on this model, commitment is seen as the perceived loyalty from an economic entity or organization compared to another one. But, on the relational exchange processes, commitment is not seen as a solo factor. According to the Model of commitment (Söellner, 1994), in both commitment relations of suppliers and customers, there are two factors (inputs) which lead to relationship success and

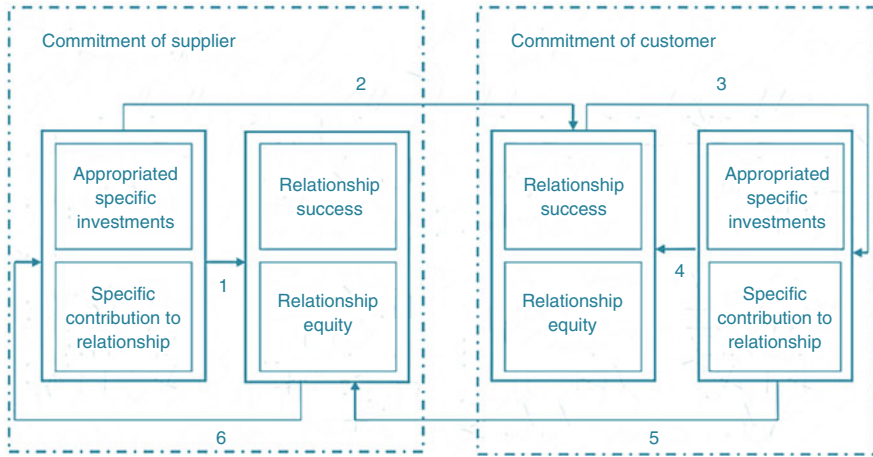


Fig. 3 Commitment model. Source: Based on Kleinaltenkamp et al. (2015, p. 41)

relationship equity (how the success of the relationship is divided between the partners), as outputs (that influence customer’s perceived loyalty). These factors are: appropriated specific investments and specific contribution to relationship (loyalty and motivation) (Fig. 3).

Many authors link the trust with the commitment and do give the relational benefits considering them as dependent to each other. Solomon and Flore (2001) indicated that trust is very important or may be even necessary for making commitments. Morgan and Hunt’s (1994) commitment-trust theory of the RM gives some relations of these specifics and how do antecedents and outcomes derive. According to him, the commitment and the trust are “key” because they encourage marketers to: (1) work at preserving relationship investments, (2) resist interesting short-term options in favor of the expected long-lasting benefits of staying with old partners, and (3) view potentially actions with a high risk, as being prudent because of the belief that their partners will not act in an opportunistic way.

Therefore, if both commitment and the trust occur together, not just one of them, they produce effective results, productivity, and efficiency. They represent the emotional attitude of the customer while having to evaluate and choose between what the company and its competitors offer. As Jacob (2015) affirms, the positive attitude is attributed to trust in the supplier, meanwhile, it is manifested in commitment to the supplier.

Morgan and Hunt (1994) have developed the *Key Mediating Variable Model* (KMV) of relationship. This model focuses on the relational exchanges of a party, and its relationship commitment and the trust. As shown in Fig. 4, what affects directly commitment are relationship termination costs and relationship benefits, shared values influence both commitment and trust and communication and opportunistic behavior affect trust and across trust, they influence commitment. On the other side, the relationship commitment directly effects acquiescence and

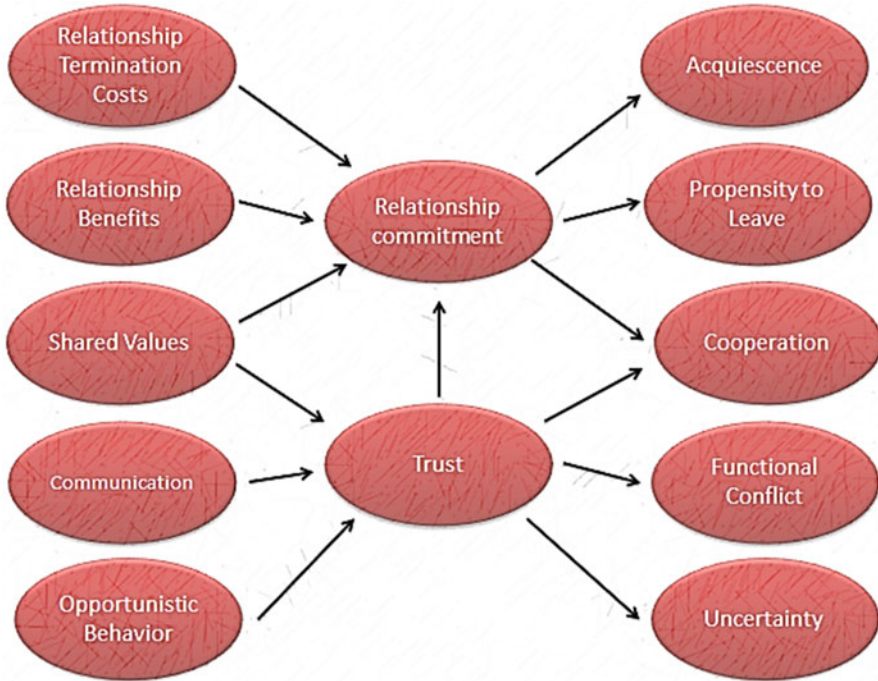


Fig. 4 The KMV Model of Relationship Marketing. Source: Based on Morgan and Hunt (1994)

propensity to leave, as well as both the relationship commitment and the trust, create cooperation. Moreover, trust leads a partner to perceive that future conflictual episodes will be functional (Morgan & Hunt, 1994) and decision making uncertainty.

Jacob (2009) has developed a *Model of Trust and Commitment* in an exchange relationship (Fig. 5), saying that the trust as an expectation of the customer is a determinant of behavior that can be acknowledged as an emergent factor. The form and extent of trust, as a very important component, always remain emergent or implicit. However, some basic correlations to active and systematic trust management can still be posed.

3.2 Satisfaction

When one party in the relational exchange has received the perceived values created before the relational exchange process, there is created a new phenomenon called satisfaction. Satisfaction occurs if the customer's experience fulfills or exceeds his or her expectations (Stauss, 1999). Satisfaction arises when a customer is rewarded for his/her loyalty and trust, in terms of a good quality, good prices and

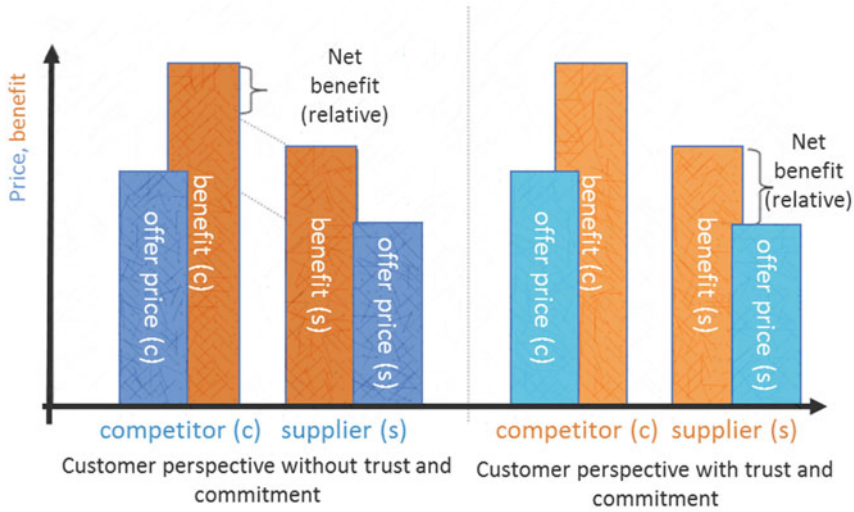


Fig. 5 Trust and commitment in an exchange relationship. Source: Based on Jacob (2015, p. 66)

loyalty in return. The same applies to B2B relation exchanges; a partner is satisfied, only when he gets what expects and what is agreed, and when he is rewarded for his trust and loyalty. There are cases when loyalty may miss, even when there is customer satisfaction. These are situations when there are barriers to close relationships, and normally, parties should work to avoid those kinds of barriers and try to build up the long-lasting and qualitative relationships.

Diller (2000) has developed a model of Customer bonding and satisfaction, based on two variables: *penetration* (high and low) and *satisfaction* (high and low). In Table 3 can be seen four situations of customer penetration and satisfaction.

The most interesting situation in this table is when there is high customer penetration, but low satisfaction. These are situations when there are not any recommendations from customers or friendly feedback from them. This arises when loyalty and satisfaction change in different rates.

The connection between customer satisfaction and customer loyalty can be demonstrated, for example, using the German Customer Satisfaction Barometer (Meyer & Dornach, 1998). The German Customer Satisfaction Barometer (NCSB or DKB) was founded in 1992 with the initiative of the German Marketing Association, and was sponsored by the German Post AG. Starting from then, it has been carried out annually (Hansen & Thureau, 1999). The results of this annual survey make it clear that “dedicated” customers are most proactive and positive with regard to repeat business, recommending the business to others, and cross buying. Customers with “only” a satisfactory opinion are very indifferent in terms of future loyalty to the business and often only recommend the business to others passively (Meyer & Blümelhuber, 2000).

Table 3 Customer bonding and satisfaction

	Low satisfaction	High satisfaction
High customer penetration	Tenuous loyalty	Well-founded loyalty
Low customer penetration	No loyalty	Potential loyalty

Source: Based on Diller (2000)

According to this, we can conclude that there is a linear connection between satisfaction and loyalty, resulting with economic success. Thus, it is important to have not only satisfied customers; it is very important to have dedicated customers and enthusiastic ones. In the terminology of the disconfirmation paradigm, this means far away from the customer expectations (Meyer & Blümelhuber, 2000).

The positive effect of satisfaction and customer loyalty on the economic success of a company is shown, for example, in the results of the Swedish Customer Satisfaction Barometer; an increase in customer satisfaction of one index point, for a period of 5 years, here produced an average 11.3% increase in return on investment (Andreson, Fornell, & Lehmann, 1993). Moreover, according to Reichheld and Sasser (1990), a 5% reduction in customer loss results with increased profits of between 25% and 85%, depending on the branch.

The potential for greater profit for the organization from the lasting customers comes from many factors, such as: higher frequencies of purchasing, invoices with increased amounts, effects of recommendations (word of mouth), willingness to pay more and accept high prices etc. Satisfaction and loyalty is a strategy that offers long-term potential for profit for a business. In the marketing terms, it means that they should focus more on customers' desires, needs and demands, so the business can offer more of what is expected to be received with good quality and resulting with customer satisfaction.

3.2.1 Gratitude

Gratitude is a feeling that arises when an individual or the so called *beneficiary* perceives that an exchange partner or a *benefactor* (which can be person or organization) has acted intentionally to improve the beneficiary's well-being (Fredrickson, 2004). How the beneficiary will react emotionally to this perception or situation, is called the "feeling of gratitude". In order to make gratitude felt, recognition and appreciation are inalienable. Although it is possible to see gratitude when it is not felt (Buck, 2004), we focus only on the actions where there is gratitude.

Gratitude is composed of some components that can be: cognitive, affective and behavioral, as when the beneficiary recognizes a benefit bestowed by a benefactor or cognition, appreciates the benefit, and acknowledges the benefit (Buck, 2004; Steindl-Rast, 2004). The renowned economist, Adam Smith, declared that gratitude is a vital civic virtue, no doubtfully essential for the good and healthy functioning of societies (Emmons, 2004). Bartlett and DeSteno (2006) says that gratitude drives

helping behavior. Specifically, gratefulness for another's actions, not awareness of society's reciprocity norm or a positive mood, cause participants to engage in helpful behaviors toward both the benefactor and also strangers. Grateful participants reciprocate a favor, even when doing this or working in this way is costly to them (Raggio, Walz, Godbole, & Folse, 2014). These feelings of gratitude can develop future interactions, even when gratitude is only felt and not expressed. (Bartlett & DeSteno, 2006).

Gratitude may be *felt* in commercial exchanges when relational investments are made, which, for example, can include extra effort extended to benefit a buyer, purchases made based on factors beyond merely financial ones, or gifts exchanged (Raggio et al., 2014). Gratitude has not only interpersonal construct (individually), but it can be expressed among companies, when partners express gratitude to each other (B2B relations) or to customers (B2C).

4 Research Methodology

4.1 General Information

This research aimed to emphasize the advantages of using relationship marketing approaches, as one of the best alternatives for having long-term efficient results. The research results are based mostly on the data collected from the interviews held with the marketing managers of two family businesses in Bosnia and Herzegovina: the AS Group and Pharmamed Ltd (Table 4). The interviews were conducted in April 2016 in Bosnia and Herzegovina. Interviews lasted about 60 minutes, and were held in the company's offices of general and marketing managers.

The interviewees are: Mr. Rusmir Hrvic—general manager of AS Group, Mr. Adis Hasaković—marketing manager of AS Group, and Mr. Sanjin Kotlica—general manager of Pharmamed Ltd. The current management positions of the interviewees made it possible to have the most updated information about the companies and the sincerest opinions about relationship marketing and its use in their organizations. Furthermore, the fact that those people are among the decision-makers in their organizations, made it possible not only to have their opinions about the issues studied, but also, they gave the ways how do they reach to such decisions about the marketing activities in their organizations as well as other decision making processes.

AS Group is one of the largest Bosnian private holding companies. It owns and operates in three divisions: food, trade and textile. It is based in Tešanj, a municipality that hosts 13 out of 100 largest companies in Bosnia and Herzegovina. AS Group's first steps were found in 1988. At that time, Sulejman Hrvic, one of the owners of this organization, together with his wife, Azra Hrvic, opened a grocery in Vukovo, BiH. After the devastating war, in 1996 the same owner established "AS", a company for wholesale trading and retail. It has been a small company with only

Table 4 Profile of AS Group and Pharmamed Ltd

	AS Group	Pharmamed Ltd.
Industry	Food, trade and textile	Pharmaceutical
Headquarters	Tesanj, Bosnia and Herzegovina	Travnik, Bosnia and Herzegovina
Established	1988	1996
Employees	3300	97

three employees. Today, AS Group employs around 3300 people. It is a group of nine companies:

1. AS (food trading from Tesanj),
2. Vispak (food producer from Visoko),
3. Klas (flour and baking industry in Sarajevo),
4. Vemal (real estate company),
5. Napredak (clothing manufacturer),
6. Fortitudo (clothing manufacturer),
7. Oaza (water producer),
8. Sprind (flour and baking industry in Sarajevo) and
9. Mill and baker Ljubace (flour and baking industry in Tuzla).

Only in food industry, AS Group has more than 1200 different products, such as: Zlatna Dzezva, Zlatni Puder and Bosanski Lokum. In 2016, Klas was chosen as “The business of the year” at Sarajevo Business Forum. This award, which for the first time was dedicated to a company, was delivered to Rusmir Hrvic, director of AS Group. This was one of the biggest awards that AS Group has gained.

Pharmamed Ltd is placed in Travnik, BiH and it was established in 1996. At the beginning, company’s headquarters and production plants were located in a private house, which was organized for the needs of production and sales processes.

Construction of the first production facility began in year 2000, and it was completed in a record time of 3 months. After that, the seat of the company was changed to its present address, Dolac n/L bb, Travnik. Construction of the second production plant, which was conducted in accordance with strict GMP guidelines, started in May 2002 and it was completed in December 2002. The construction of the third and fourth production buildings began in October 2014 and it was completed in May 2015. Today, Pharmamed Ltd has more than 5300 m² which is deployed on production, business facilities, storage facility for starting materials and facility for storage finished products.

The business strategy of the Pharmamed Ltd from the very beginning was directed towards their own production. Significant investments in marketing have contributed extremely rapid growth in sales of products from own production program. As strategic products from the assortment of own production can be distinguished:

- Production of medicines and medical devices
- The production of herbal medicines

- Production of dietary products
- Production of cosmetics, cosmetics with special purpose and children's cosmetics
- Production of herbal drops
- Production of filter and bulk teas
- Laboratory services of the physical and chemical control of products

The total range of own production line has more than 210 products. Pharmamed Ltd product portfolio was expanded in 2005, when they received the status of exclusive representative and distributor of production program of Salus-Haus, Germany. The distinctive products to the local market are Alpenkraft syrup, Floradix tonic with iron, and Kindervital multivitamin supplement for children.

Pharmamed's products are sold in Albania, Australia, Azerbaijan, Bosnia and Herzegovina, Montenegro, Egypt, Croatia, Yemen, Kingdom of Jordan, Qatar, Kosovo, Kuwait, Lebanon, Macedonia (FYOM), Morocco, Germany, Oman, Kingdom of Saudi Arabia, United States, Slovakia, Serbia, Turkey and United Arab Emirates.

The company's business started with five employees, mostly family members, while today the company has 97 employees. In the context of human resources policies, Pharmamed Ltd takes care of the continuous education of its employees, and fosters the practice of scholarship personnel who will in future be necessary for further development of the company.

The production is organized in modern facilities that meet strict standards. In their facilities, they pay close attention to the system for conditioning and control of air quality in clean rooms, as well as the production of purified water, and between the individual zones of movement provided the difference in air pressure, which are acquired preconditions for reducing cross-contamination. In order to improve the manufacturing process of strategic products successively in recent years they acquired equipment that their automated and semi-automated operation ensures sufficient capacity to meet current market demands. As a special mechanism to achieve previous targets established they run quality assurance as a first step to the ultimate goal of total quality management (Total Quality Management), which is one of the ultimate strategic goals of the company. Quality assurance (QA) is a systematic approach to quality management that defines and establishes actions that lead to a reduction in the diversity and the introduction of uniformity in the system by monitoring and react to all the factors that can disrupt the system. Good Manufacturing Practice (Good Manufacturing Practice), as part of the Quality Assurance is implemented in Pharmamed Ltd, and ensures that products are consistently produced and controlled to the quality standards, which meet the purpose of the product and quality requirements, as confirmed by the Agency for Medicines and Medical Devices BiH issuing the GMP certificate number INS-M-05-3622-06/287 of 12.06.2013. Parallel with the quality assurance, as complementary, they introduced a system that complies with the requirements of the ISO 9001: 2008. As confirmation of compliance with the new international standards in 2004, Pharmamed Ltd received the ISO 9001: 2008 certificate, from the Bureau Veritas

Company and has been renewing it until today. Product quality has been and remains one of the main strategic goals of the company. With permanent quality control of their products, they established control—analytical laboratory whose primary task is to control raw materials, packaging, semi-finished products, control of intermediates and finished products. The laboratory is staffed and equipped to provide other types of chemical analysis and testing of microbiological safety. Based on this, they have implemented the system ISO 17025:2005, which ranks their laboratory among the laboratories that can do analysis of the approved scope.

The reason why we have chosen different industries for studying is that we can offer more information to our group of interests how the RM approaches work in different industries and not only in one industry or selected industries. It is important to understand that the RM is the new way of doing the marketing strategies, end that everyone, from every industry should know how it can affect them.

5 Research Design

This research is a qualitative approach, an exploratory one, which will help us dive deeper into the marketing issues, especially into the relationship marketing ones. It provides insights into the detailed aspects of the relationship marketing in family businesses, based on case evidence from two big companies, that are part of our study analyzes: AS Group (with the companies that are part of it) and Pharmamed Ltd.

This chapter discusses an inductive approach. The inductive researches are those who will make use of all the coding techniques that are offered by theories that are grounded (Corbin & Strauss, 1990), in the process of development of sensitizing concepts (Dana & Dumez, 2015). We choose the inductive, qualitative approach, because among other advantages, it gives the opportunity to learn directly from the research subject, i.e. reducing measurement errors that are mostly appeared in survey studies. The result is deeper. This approach, also reduces Type III error (asking the wrong question) and Type IV error (solving the wrong problem), because of the interaction between researcher and subject (Dana & Dana, 2005).

Research where there should be studied the behavior, the relations, or other aspects of the inner personality, or actions that derive from inner stimulations, are hard to be studied by quantitative methods. Furthermore, the conceptual tools used in a research, influences what is actually observed (Dana & Dana, 2005). Moreover, Pasquero (1988) suggested that “quantitativists” in many cases let themselves to be carried away by some strict, but very limited methods, and by some assumptions that could not be considered as realistic, so they “miss a true understanding of real-world behaviors in alien cultures” (p. 184).

An alternative to traditional (deductive quantitative research), is the inductive qualitative approach, which is the most used paradigm in anthropological research so far. It is based on naturalistic inquiry, i.e., the research is set naturally with no manipulation by the researcher (Willens & Rausch, 1969).

Qualitative methodology is based on a personal observation of: different situations, numerous events, different types of individuals, B2B and B2C interactions and transactions, as well as analysis of documents (including quantitative data) and open interviews. Qualitative data includes thick description (Geertz, 1973), and direct quotes from different people about attitudes, beliefs, actions and experiences of theirs (Dana & Dana, 2005).

This research is based on the analysis of interviews with marketing managers and directors of AS Group and Pharmamed Ltd, both family owned businesses operating in BiH and abroad. Also, the research includes: a short preface about Bosnian economic situation, family businesses there, the economic and political structure; a deeper analyze of literature review about relationship marketing, transactional marketing; as well as family businesses.

6 Type of Data

This chapter includes qualitative and descriptive data, based on real case studies, two family owned businesses from Bosnia and Herzegovina. The results have derived from the research questions, which helped developing the idea of using relationship marketing in family businesses.

The reason why we chose these companies is that they both offered enough relationship marketing approaches. We chose BiH because it is a good example of entrepreneur and family businesses development in transition conditions, as well as the society with a high level of cultural interactivity and tradition. Thus, it is better to understand how relations among people and businesses work. Moreover, we chose case studies, instead of a generalized sample of family owned businesses, because they seem to be more reliable. Case studies are shown to be appropriate to understand better the behavior within a specific context (Yin, 2003). These case study designs gave more realistic approaches to the relationship marketing, real experiences and a lot of cases experienced among time; which of them motivated a specific behavior, etc.

7 Research Instruments

One-on-one interviews were realized with marketing managers and directors of the companies, since this is both a common and powerful way to try to understand fellow human beings (Denzin & Lincoln, 1998). Qualitative interviews are good because they allow the parties to interact freely and enter deeper into the questions; they are not like quantitative ones, where only numbers and official data can speak itself. Thus, the interviews were designed to research questions, which were the basement, but there was a free space to talk about many other issues that were interesting for researchers, or seemed important to the interviewees and they shared

them. Specifically, I was interested on the factors that affected specific behavior in B2B and B2C relations, as well as they ways relationships among them is appeared, such as: trust, commitment, loyalty, satisfaction approaches, the cooperation with competitors etc. Also, interviews covered other areas. They gave us information about the companies themselves, their activity, their history, organization and their plans for the future.

8 Findings

As we have mentioned before, this is a qualitative research based on research questions (interviews), i.e., there is no econometric model or hypothesis that we can test here. The research questions that derive from the above discussion are as follows.

RQ1 Which are the ways that family businesses use to maintain and develop loyalty, trust and commitment, both in B2B and B2C relations?

AS Group

AS Group, the leader of production of food in Bosnia and Herzegovina, bases the creation and maintain of its customer loyalty, trust and commitment on the *development of brands*, especially traditional brands, such as the Bosnian Coffee Zlatna Dzevva, flour Zlatni Puder or traditional Bosnian cookies, called *Bosnian Lokum*. Powerful brands are a guarantee for development. Their target group of interest is the BiH's population and everyone who wants to taste the BiH's tradition and culture.

Our culture and tradition is very interesting to everyone. Bosnian cuisine is very rich, qualitative and famous, so we try to offer all the products needed to taste this wealth of ours. Bosnians, for many reasons, are much related to their culture and tradition and are very committed and loyal to them. They would not change their Bosanska kafa for any other homemade coffee. Therefore, we always want to offer them and everyone else that wants to taste our culture, the non-changeable traditional products with all the qualitative ingredients needed. So, we make the traditional way of eating and foods, industrialized in order to keep the tradition going on. Except this, we are working on the development of new products, new designs and new fields of activity to satisfy our customers need. But what remain our clients loyal to our products and the way we do things is that we always keep the original recipe. In this way, we are not developing only our company, but the whole industry in Bosnia and Herzegovina—states Mr. Hasaković (Personal interview).

Also, AS Group uses the strategy of educating our customers. They organize different workshops for groups starting from children in elementary schools (“Cooking with our children”) to grandparents, in educating them about the importance of use of high quality foods and they really have fun by cooking together. Moreover, AS Group communicates with its customers to create committed customers in a way that is not used by many companies. For example, they have the right of ownership of the biggest coffee pot in the world, which has the Guinness

World Record, as the biggest coffee pot in the world.¹ Whenever there is an important event in BiH or elsewhere, they bring there their coffee pot and cook coffee for about 8000 people. It is a great attraction for the people and a good way to taste the Bosnian coffee, as well as promote this coffee. For 11 years, starting from 2004 in Mostar, the pot has travelled around the world, including: Brazil, China, Turkey, Germany, Austria, Macedonia, Slovenia etc. Last year, another product of Vispak, Bey's soup, entered the Guinness World Record.²

Pharmamed Ltd

Pharmamed Ltd representatives think that all of them must work on creating good relationships with their customers, partners, the external environment and the internal one. One of the ways that they use to build good relations with their customers is the so-called "Pharmamed's loyalty club of nature and health" or "Health club", which is about 2 years old. These days, they are working on the following segments of this club:

1. *B2C*—in this group they have around 4000 customers, who by buying a Pharmamed's product and by a symbolic participation of 5 € have become part of the club. Every product they buy has a financial value, which is converted into points. Members of the club collect those points and for a particular number of points, they can choose any of the products in the magazine of Health Club for free. Every member's house address receives the magazine of Health Club, published quarterly. With this magazine, they often include a questionnaire for a new product, its design or their needs in general. Pharmamed Ltd wants to involve their clients in their decision-making process. All the activities that Pharmamed Ltd realizes with their final customers aim to bring them to the pharmacy, i.e. their sales point, using the *pull* strategy.
2. *B2B*—beside the final customers, Pharmamed Ltd has included in the club the pharmacies that they work with. There are about 100 pharmacies that have joined the club, from 1100 pharmacies in total in BiH. Even though they do not work with them directly, because the BiH's Law says that there must be a wholesale channel between a producer and a retailer, they give the retailers the opportunity to join the club with the wholesaler's intermediation. By joining the club, they have the right of financial discount that is given by Pharmamed Ltd,

¹In 2004, under the Old Bridge in Mostar (BiH), during the jumps from the reopening of the famous Old Bridge after the war of 1992–1996, a total of 650 l of 'Zlatnadzezva' coffee had been made in the largest pot in the world and the citizens of Mostar drank 8000 cups of real Bosnian coffee. This was a world record of coffee made and drunk in the same time. For a single charge of a giant coffee pot takes about 65 kg of coffee. The largest coffee pot in the world was made in the summer of 2004 under the hammer of Bascarsija (Sarajevo) master Nasir Jabucar and his assistants. See URL: <http://www.sarajevotimes.com/?p=103703> (Accessed on 02.08.2016).

²In 2015, Bey's soup (Begova čorba) was made from 6.00 A.M. by 50 chefs and volunteers; its weight was 4.120 and was offered to thousands citizens of Sarajevo, as well as tourists who were very glad to be part of the biggest ever made soup that entered in the Guinness World Record book. See URL: <http://www.slobodnaevropa.org/a/begova-corba-za-ginisa/26962999.html> (Accessed on: 02.08.2016).

but with the intermediation of the wholesalers and they can use the opportunity to have free samples as well as distilled water for free. Moreover, they have the opportunity to host the activities of Pharmamed Ltd held in the pharmacies that are members of the club, which includes free controls of vitamins, minerals and other indicators to the final customers. It is very effective because it brings a lot of people in the pharmacy that end the control by buying a product in the pharmacy.

By joining the loyalty club, customers have the right of discount in a lot of hospitals and other health institutions. In the Health Club Magazine, customers can find all the objects divided in BiH cantons, where they can reach the right of discount. There are about 40 health institutions that are members of this club. In this way, Pharmamed Ltd has stimulated the doctors and all the other institutions, members of the club, to be loyal to Pharmamed's products and recommend them to their clients. Moreover, doctors that are specialist in a specific field, write different articles for our magazine that could be interesting and useful for customers. Meanwhile, we advertise them in different ways; such as in radio jingles, radio programmers, different kinds of direct promotions etching this way we make loyal customers stay loyal and stimulate new customers to become loyal. Our group of interests is the population of 45+ years old, which means people that are in mostly of the cases affected by any disease. More detailed, our group of interests is the woman, because the woman is the decision maker in the purchase process, especially in pharmaceutics—says Mr. Kotlica (Personal interview).

Beside this, Pharmamed tries to make committed clients to their products with the fact that they are a domestic company, even though in BiH's community there is no developed the culture of buying domestic products. They make their clients believe in their products by setting quality as the primary objective.

RQ2 Which are the ways that family businesses use to maintain and develop customers' satisfaction approaches with special emphasis on motivational and cooperation elements, both in B2B and B2C relations?

AS Group

AS Group always tries to satisfy its client's and partner's needs and demands, by offering them all the requirements in real time, with high quality. They always try to find any ways to communicate in real time with them, using different approaches of direct communication with the customer or by using social media. They are aware that using relationship approaches is more expensive than using transactional ones, but they are also aware that in long-term, relationship approaches give the best results.

What makes our customers satisfied is also the fact that in mostly of the cases we use direct marketing to present our products in the retail store, with different campaigns where customers can taste the products by themselves or see how they can use them, i.e. pull strategy as the most used relationship marketing strategy and not push strategy, which I would consider as a much transactional marketing approach. Furthermore, we have developed all the modern standards for quality required in the trade, in order to make our clients feel safe when consuming our products. It includes ISO, HACCP, Halal etc. Also, what we consider as one of the most important elements for satisfaction is respect. We are very committed to realize what is said and what is agreed with our customers and partners. We develop our relations as first with people, then with customers, media, competitors or

suppliers. In the foreign market, there are about 28 different that we work with and a big number of buyers. In order to make them satisfied, we have strong controls of the delivering process, the quality of the deliver, the time limit agreed etc. One of the most important factors that influence their satisfaction is that they must be sure that they are exclusive distributors of ours and no one is going to threaten this right of them. We are very conscious about this and we work on keeping our responsibilities in high level every single day with every single partner. (Hasaković, A., 2016, April, Personal interview)

AS Group is focused on the social responsibility, and it is one of the reasons why the customers are satisfied with them. AS Group recruits the best students in BiH universities, from different fields and also offers different scholarships for students in high schools and universities.

We are aware that they are our future and we work with them. Our Foundation created for humanity and social help, works every day in fulfilling as much as needs as we can in our society. (Hrvić, R, 2016, April, personal interview)

Pharmamed Ltd

Pharmamed Ltd is very committed to do everything by strong and strict procedures. Among others, it means that quality is necessary. Pharmamed Ltd possess the certificates by the Agency for Medicines and Medical Devices for Good Manufacturing Practices (GMP certificate), which means not only producing high quality products, but also, ensuring that all the required documentation for quality production is completed. For example, if a pharmacy or a final customer has any complaint about a specific product, they inform the company about it and it is obligated to receive it with all the required strict procedures in order to have the most professional answer. They collect and have strong evidence for every complaint from the market. Usually, they are more often appeared when they change the design or the package of any product. Related to this, Mr. Kotlica argues:

We have launched a free telephone number, where our final customers can call to ask any question about the use of our products. We have professional group of people that gives them the required information. Also, we take care of our clients by using the social media. As tendencies of this kind of media rise, we have a person that works specifically with our clients using the social media and updates the posts of Pharmamed. Moreover, we help good students while their studying period in universities with different scholarships, mostly the pharmaceutical students. (Personal interview)

RQ3 In which way do family businesses cooperate with their competition and which are the benefits they see from relations with them? Is pure cooperation possible?

AS Group

With regards to this question, Mr. Hasaković declared:

Even though that there are not a lot of companies that are our competitors in producing these kinds of products from the Bosnian cuisine, there is still a lot of space for cooperating with those who could compete in other aspects. In retail, there is a lot of space for cooperation with other retail networks, even though we have our own retail centers. For example, we are realizing the programs for cooking together with children in Bingo, which is one of the biggest retail networks in BiH, as well as our competitor and partner. Moreover, we do realize direct marketing promotion of flour Zlatni puder there. Pure

cooperation with competitors is not possible totally, but is very effective regarding the state's economy as a whole, in a high level. In order to achieve this kind of cooperation, a lot of work should be done in order to raise the level of responsibilities in our companies. (Personal interview)

Pharmamed Ltd

The general manager of Pharmamed Ltd, Mr. Kotlica says that a pure cooperation could be possible, but not in every situation and in every industry. They think that communication with their competition must be in higher levels, but the problem is that Pharmamed Ltd is the only company of this size and characteristics in BiH that produces these kinds of products, i.e. herbal products.

We have our laboratory for special analyzes, accredited by the states institutions, which can be used from other companies in this industry. We have agreement with our competition for realizing the service of analyzing their products in our laboratory; hence with our certificate they become a competition to us. Very often, we give some kind of consultancy of how some production processes should be done, because when we receive their products, we can immediately see where the problem is. Moreover, we are open to sell our competition the raw materials that they may need, and we have it. The general statement that we have for our competition is that if we do not cooperate with them, they will surely find a way to compete us because today the information is provided to everyone, today or tomorrow, and that being closed to cooperation is not a way to compete in the trade, there is quality and there is the power of the company. For example, now we are working with the biggest pharmaceutical company in BiH that produces generic products, by giving them our expertise in using the dietary supplement products and other herbal products. (Personal interview)

RQ4 Which are the economic benefits that have derived from using relationship marketing approaches in the industry where they belong instead of traditional marketing ones, both in B2B and B2C relations?

AS Group

Sponsorships have helped the AS Group to reach great economic effects and be famous all around. They sponsor almost all the national teams in: football (soccer), basketball, handball and individual swimmers in their world championships in swimming. They have realized that this is the win-win combination. One of the most effective sponsorship that they have done lately is sponsoring the Football National Team of Federation of BiH, in the World Championship in Football, in Brazil, 2014. The extraordinary thing is that they sent their the biggest coffee pot (in the world) to the World Cup and people from around the world thus had the chance to taste the pride of Bosnian coffee. They labeled our coffee packages with the championship's signs and everyone knew that Bosnia and its *dzezva* are there.

Two years from then, we have doubled the production of coffee; 2.5 times multiplied the total production of Vispak and reached the top, first place of customer loyalty in BiH from the 12th one in 2010. Meanwhile, we have not changed the prices; prices policy is not very important because we compete with quality and loyalty. Moreover, we develop our brands outside with the exclusive and irreplaceable help of the Bosnian people that live abroad. There about 1 million people that have migrated during the war, unfortunately. They live in almost every corner in the world and for as they are the best promoters. They are loyal and committed clients—concludes Mr. Hasaković (Personal interview).

Pharmamed Ltd

With regards to this question, Mr. Kotlica contended:

Using traditional marketing in the pharmaceutical industry could mean the cooperation with the doctor, i.e. the pressure made to the doctors for using your products, because they are the ones that give instructions for using a particular medicine. It is the approach used by most of the pharmaceutical companies and it is not a secret. The new approaches include education of the customers and in this way pulling them to our products. In this way, you create a very conscientious buyer that will always know what he needs and what he wants. ROI in using this approach is much bigger comparing to TV advertisement, for example. TV advertisement and other kinds of transactional marketing, as we have analyzed, have a lower level of ROI, comparing to the previous year, because about 70% of the TV watchers change the channel when there is a promotional spot. As we have analyzed, the costs for relationship marketing are much bigger than transactional marketing, but the return of investments in long term is higher. Another way is the use of social media, as we mentioned before. (Personal interview)

RQ5 Do and how the relationship marketing approaches of family businesses change with regards to the cultural differences, both in B2B and B2C relations?

AS Group

Mr. Hasaković, the marketing manager of AS Group says that:

Because of the nature of the products we produce and sell, there is not very much space to be flexible in our clients' needs from abroad, in regard of their culture. (Personal interview)

They always try to fit to everyone's needs. For example, they always have the opinion of their clients and partners while developing a new product or when they need a new product.

Pharmamed Ltd

Differently from AS Group, Mr. Kotlica, the general manager of Pharmamed Ltd claimed:

The fact that in general we are a small or medium company, gives us the opportunity to be very flexible when we have to react on cultural differences. We try to satisfy all the need of every customer. We let the distributor of a particular state to make the marketing strategy, and based on the specifics that this state has, we try to adjust. Even though two countries may be geographically very near to each other, they may have very different specifics in their needs. We have concluded that in mostly of the cases, we cannot use the practices used in BiH in other countries. For example, in Azerbaijan we sell very big quantities of the product AntiDep, which intends mild depression. It is the opposite in Bosnia and Herzegovina, i.e. we sell very small quantities of this product. Here, this product has reached the end of its life cycle. Or another example could be the sales of royal jelly in Macedonia which has very low sales levels, compared to Bosnia and Herzegovina, where it is one of our most important products. Moreover, our distributor in Macedonia has demanded mountain tea, which is not even known in BiH. In Macedonia, it is a well-known type of tea. In order to satisfy our customer's need, we developed the recipe of this type of tea and started producing it for them.

There are cases when different country's laws force them to be flexible. For example, the same syrup or medicine for coughing in Croatia, i.e. EU, is intended for *oral suspension for the mouth and pharynx*, so coughing cannot be mentioned by new regulative and laws. In BiH it is considered as a dietary supplement and in its

package may write *assistance with hash coughing*. Moreover, for the Arab countries, they are making totally different translations and totally different packaging and designs, according to their culture and desires.

9 Conclusion and Discussion

As the environment for doing business all around the globe grows more complicated and more difficult every day, it is very important for every company to know how they should act and how they should do business, and not lose market share to their competitors. Today, when everyone has the information needed in every second, and when any new product can be found in every corner in the world, sales are the hardest part of doing business. Moreover, the price is not anymore the most important determinant. Quality has a lot of cheapest alternatives. What should companies do in these cases? As we saw from all the cases presented in this research, every company should think and develop a new way of doing business; something that is not comparable and competitive to other competitor's strategies. It is: creating the long-lasting relationships with customers and partners in order to have loyal, satisfied, trustworthy and committed ones. In this way, companies will have always their group of interest opened for their products. Normally, it is harder and more expensive alternative, but it is proven that it is the best one if worked and applied as it should be.

By analyzing the RM approaches in AS Group and Pharmamed Ltd, we have confirmed many of the statements of different authors about the RM, mentioned in the literature review, about all the advantages of using the RM tools. Based on the data provided from this research, we can elaborate the outputs regarding the importance of developing good and long-lasting relations, both B2B and B2C relations, i.e. relationship marketing. According to our research questions and their answers, we can see that both companies agree that relationship is the best strategy to have effective results in the long-term. Based on their activities, they have seen these results from using RM approaches:

- They have won loyal customers, which trust them and are committed to their products and companies,
- They have reached a high satisfaction level at their customers and partners, as well as all the other groups of interests,
- RM has given them the opportunity not to be feared of their competition, giving them a lot of ways and alternatives how can they work together with their competitors and how to have effective collaborative programs,
- The economic effects are one of the most important achievements that have derived from this way of working, giving the companies the opportunity to reach the highest levels in their industry; their turnover has doubled, and in many cases, it has experienced up to 300% increase (Mr. Rusmir Hrvic),

- Last, but not least, the RM approaches have opened a new door of modern marketing, giving these companies the opportunity to offer their customers what they need, on the time they want and in the way they want.

10 Limitation of the Research

As this research is among the first ones about relationship marketing in BiH, it has several limitations, mostly because of the fields' nature. On the other side, it is an advantage because it is a rare one talking about the RM. As the first limitation, we would consider the lack of literature review about relationship marketing that cover the Balkans countries. It is obviously that BiH companies are still not very aware of the importance of this approach. Secondly, the sample size used in this research as a sample of two companies cannot definitively show the importance of relationship marketing approaches on the development of family businesses. But as a small sample, they are very important because mostly of family businesses have positive tendencies to increase, as well as are more open to implement new approaches, like the RM. Finally, another limitation is the fact that the both companies covered in this chapter come from a transition country and thereby we cannot come to a general conclusion that would include family businesses from developed and/or developing countries in terms of usage of relationship marketing approaches and their benefits.

11 Recommendations for Future Research

This research is only a water drop in the ocean, as some would say. It is so, because there is a huge area in the relationship marketing, which can be and needs to be studied, especially for the BiH's family businesses. It is obvious that some of the approaches of the RM are used in BiH's family businesses, i.e. in family businesses in transitional economies, but they are not aware of that. Thus, these businesses do not take the needed care for creating the RM strategies while running their activities. Hereby, we would recommend to scholars to emphasize more the role of the RM and make aware companies about this field. For example, a similar study in this field could be how do family businesses from other ex-Yugoslavia countries implement the relationship marketing approaches and compare them with other transitional countries.

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