5. The Driving Forces of Customer Relationships

5.1 The Relationship System

A relationship between a supplier and a customer never exists in a vacuum. Firstly, the relationship is influenced by the participants involved, here referred to as *players*. Secondly, the basic components of the specific relationship have an impact on the life of the relationship in terms of rules, functions, anticipations etc. We will name these basic components the *relationship DNA*. Together, the players and the DNA constitute a kind of relationship cell.

Around this cell, we find other cells or relationships, which the players participate in – directly or indirectly – in the same or in a different role. The relationships are tied together in relationship systems. A vertical supply system is an example of such a relationship system.

The idea of relationship systems can be illustrated as in the figure below.

In the centre we find a relationship cell consisting of players and the DNA cell. Such a relationship is in itself a dynamic force. So is also each of the elements of the relationship. Around the central relationship in the figure, we illustrate how the players are connected with other relationships. The reality is much more complex, but the basic notion is that any relationship is influenced by forces inside as well as outside the relationship.

Narrowing our focus down to the analysis of driving forces arising from the relationship itself means that one must identify and understand the players and their roles as well as the DNA structure. The elements may be illustrated as follows:

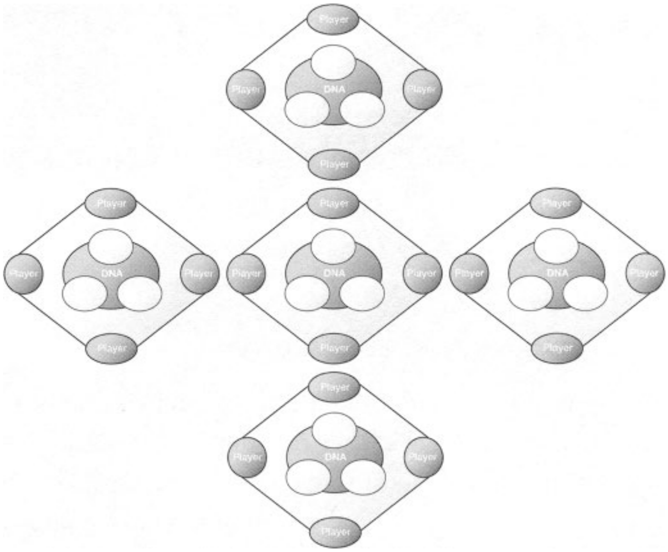

Figure 5-1: Illustration of the relationship system

Figure 5-2 illustrates the two main driving forces of customer relations. The relationship players, the game they play, the rules they follow, their tactics and scope. The four categories of players with a direct impact are the customer, the supplier,

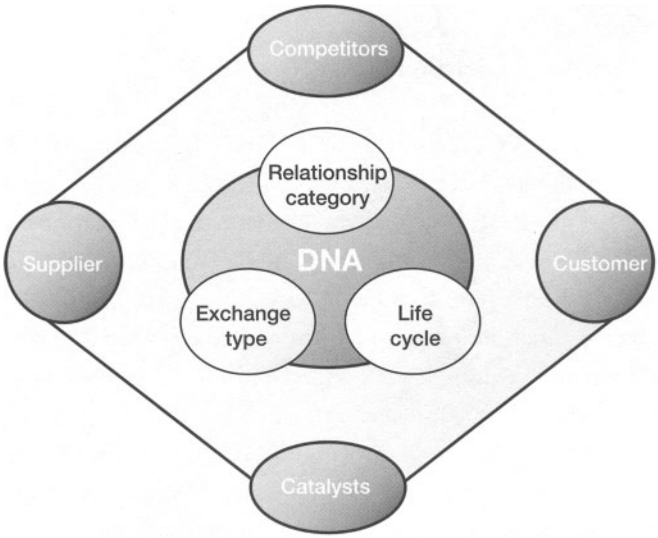

Figure 5-2: The driving forces in customer relationships

competitors and a broad, varied basket of facilitators, and inhibitors collected under the headline "catalysts". The microsystem represents the driving forces in terms of the player-behaviour with a direct impact on the relationship.

As already mentioned, the relationship DNA consists of the built-in, basic structural attributes of the relationship, which are the exchange type, the relationship form and the embedded, underlying shape of the customer life cycle. These internal driving forces are the basic structures which work underneath and influence the outcome of the players' endeavours to develop, defend or deteriorate the relationship. At the same time, the players have the possibility of manipulating the relationship DNA.

Like a biological system, almost any relationship in competitive environments has opposite forces built into it. *The self-protecting forces* try to legitimize, reinforce and enrich the relationship, while the *undermining forces* constantly challenge, limit, wear and attack its competitiveness and well-being. This organic perception of the relationship, where pressure for growth and protection acts simultaneously and in conflict with constraining and destructive mechanisms, requires further explanation and interpretation. Meaningful marketing initiatives rest on the specific understanding of this pattern of conflicting interaction behaviour and how to cope with it.

Relationships are different in nature, the determinants of life cycle shapes differ, and the level of importance of the relationship for the participants is rarely balanced between the parties. The driving force model is a framework for analysis and diagnosis that is applicable across boundaries of different relationship markets. The concept behind this model is that environmental factors and changes are transmitted to the relationship via the external driving forces through the arrangements made between the players. An exclusive distributor is, for example, exposed to the threat that the principal company will decide to internalise sales and distribution, thereby establishing an affiliate company in the territory. Such action is perhaps initiated as a reaction to strategic moves taken by competitors or as an offensive strike. On the other hand, strong distributors will sometimes be tempted to put a threatening pressure on their suppliers by backwards-vertical integration – establishing their own plants or launching private brands.

Driving forces in customer relationships are by nature difficult to identify, uncover, measure and diagnose. They change over time and interrelate constantly. Isolating the impact of a single element in the driving force model therefore requires careful and patient analysis.

5.2 The Influence Position of the Supplier

Traditional marketing can be seen as a positioning and "monopoly" game in the sense that high market share and dominance efficiency is considered to be an important requirement for high profitability. Introducing mutuality and reciprocal thinking in terms of interactive efficiency and value-driven economic principles changes the ideas of the best long-term position of the supplier. The dyadic motive and the balancing act between the creation of barriers to entry to protect customer relationships on the one hand, and the idiosyncrasy caused by a necessary asset customisation on the other, play a very important role in the new marketing approach for any supplier.

The economic value, and hence the relative importance of a relationship, is often a determinant for the distribution of power between the seller and the buyer. If a specific customer relationship is of high value to the supplier, but is only of minor importance to the customer, the influence of the supplier tends to be limited. The mere existence of asymmetric distribution of power in favour of the customer will as such impede the supplier – the "don't step on the lion's tail" effect.

Small companies with a special competence sometimes get substantial or strategically important orders from big companies, typically in the role as niche subcontractor or development partner. If such an order requires genuine customisation of systems, design, staff, equipment etc., the supplier is put in a difficult marketing situation. On the one hand, the opportunity of obtaining a strategic contract resulting in a competence and reference lift, expansion and perhaps high profitability. All this will imply a higher degree of future strategic freedom. On the other hand, the risk of engaging in an uneven relationship thus gradually weakening the range of future strategic freedom, because customer specific assets represent a low alternative market value and because the exit barriers for the customer are relatively low.

Interdependence of Ties and Trust between Customer and Supplier

The ties between supplier and customer reflect the strength of the relationship between them. When a relationship agreement replaces a market contract, transaction costs go down and the relationship moves into a positive reinforcing circle.

Ties will either be a result of conscious, i.e. explicit, investment strategies deliberately reducing the opportunistic motives of the parties or they arise gradually over the life cycle as a consequence of implicit, tacit adjustments. Hence, we can distinguish between dyadic advantages caused by contractual factors as opposed to advantages derived from incremental processes.

In command situations, as defined earlier, the customer is dependent on or is even a prisoner of the supplier. Such was the case in the early days of photocopying, when Xerox was in a monopoly situation and gave customers service agreement offers that they could definitely not refuse.

In the reverse command situation, the supplier has no other choice than to accept the opportunistic or unilateral moves decided by the customer. In subcontractor industries, such as defence, aircraft building, metal works and certain niches in the building industry etc., this is very often the case. Not only must the supplier cope with fluctuations in demand, price pressure, delays or extensive services. The customer is also forced to take over the commercial risk of the seller, e.g. R&D expenses or investment in capacity in expectation of later sales.

But what if bonds are interdependent? Interdependence does not necessarily lead to a completely balanced fit between buyer and seller strategies. Nevertheless, the parties will tend to develop patterns of behaviour enabling effective adjustment leading to a balanced distribution of the dyadic value creation, depending, however, on how the cards are distributed and the game is played.

The Threat of Vertical Integration in Dyadic Relationships

In any relationship, the influence position of the supplier will vary depending on the risk or opportunity of vertical integration – a joker in a great many customer-supplier relationships.

Forward vertical integration means that a company, typically a manufacturer or a brand owner, establishes its own businesses in finished goods production, wholesale, retail or service, i.e. closer to the end-user. Vertical forward integration represents an opportunity for the supplier and a threat against distributors. *Backward vertical integration* happens when a customer decides to set up a similar operation as its supplier.

The strategic perspective behind vertical integration has to do with either efficiency or dominance-economic aspects, or both. The efficiency-economic consideration assumes that saved transaction costs via in-sourcing exceed the larger production cost, if any. In opposition to this, the market dominance argument is rooted in positioning considerations and premium price opportunities. Some of the most apparent driving forces that stimulate vertical integration in addition to that are:

- Reduction of entry barriers. Lower entry barriers for the customer or the supplier industry influence the risk-return calculations.
- No asset customisation. If the interdependent rela-

tionship relies on non-specific assets, the costs of extrication will be affordable.

- Expected competitor moves. If a company expects competitors to integrate vertically and if the first mover advantages are considerable, some firms tend to take the more offensive step over the doorstep backwards or forwards.
- The quality of existing relationships. Vertical integration can sometimes be a reaction to the opportunism of the trading partner or a lack of motivation to co-operate with regard to specifying assets to genuine needs.

5.3 Competitors as Driving Force

Competition means to challenge, gain and defend relationships. Although the art of relationship marketing is to prevent and resist such competitive pressure, the trilateral forces are what actually keep patterns of trade up in competition. The directions of competition as an influential relationship factor can be classified into four main categories as illustrated in figure 5-3.

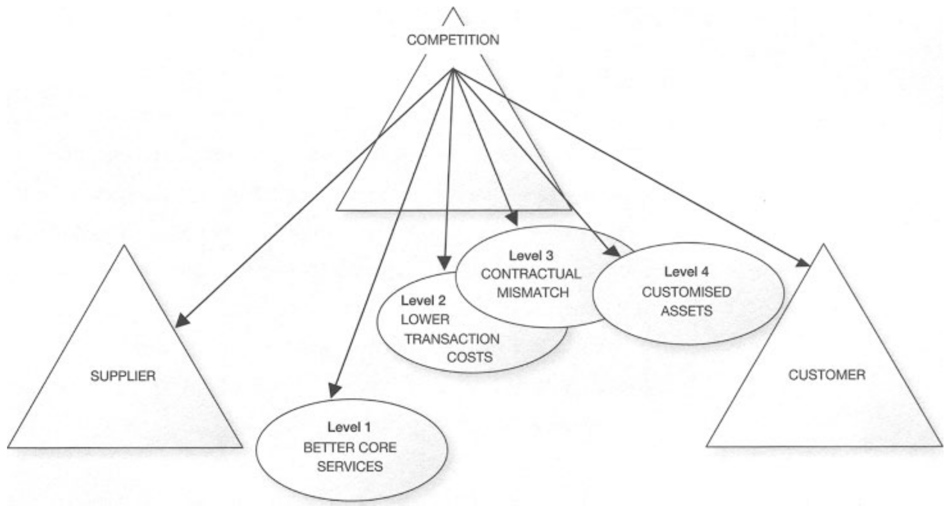

Figure 5-3: Influence of competition on established relationships

Figure 5-3 shows that a competitor can use different edges or "levels" of aggression to shake existing supplier-customer relationships. The higher the level, the more relationship-focused is the strategic move of the competitor.

• Level 1 driver: The core service

Not surprisingly, existing relationships come under pressure if competitors offer better or less expensive core products or services. Strategies built on core services are thus exchange-centric and rely on the assumption that relationship attributes and qualities are just mere supplier tricks aiming at pacifying the customer's rational search for the most competitive solution.

The contrast to this is strategies based upon relationships. Such marketing strategies seek to remove the customer's attention from core services and their generic values, considering them to be trivial, whereas other benefits are incorporated and expected to be determining buying criteria. In the airline business, services like booking, check-in, luggage handling and in-flight comfort are being promoted. In retail, it could be personal service, product exposure, in-store promotions, entertainment and events, interior design, dividend, club concepts etc.

• Level 2 driver: Lower transaction costs

Low transaction costs are a protection mechanism in any customer relationship, as the transaction costs are part of what customers perceive to pay for a product or service. Hence, an offensive strategy aiming at lowering transaction costs can also be an effective tool to challenge existing relationships.

Distribution, logistics, better or faster information, service, product line extension etc. are all key areas that may potentially generate a transaction cost advantage and change the overall competitive picture.

• Level 3 driver: Defeating contractual misfit

In chapter 1, relationships were classified according to the strategies of buyers and sellers in either competitive, command or co-operative behaviour. On this basis, the relationship contract will develop a nature of interdependence, mismatch or dependence. From this we can draw a map of opportunities for competitors to spot and overcome situations of potential mismatch in ongoing supplier-customer relationships.

Figure 5-4 illustrates how competitors can put pressure on customer relationships that are not functioning very well, symbolized as mismatch. The arrows illustrate the competitors' opportunities for breaking a relationship, given the specific established marketing and purchasing strategies. An example: The seller has a marketing approach based on the idea of co-operation. The buyer, however, is not in alignment. The buyer uses competitive measures and will not allow a co-operative atmosphere to gain foothold. The buyer plays hard ball. Whenever the seller puts a bait on the co-operative hook, the buyer eats the bait, but not the hook. Such relationships are characterized by a fundamental mismatch. A competitor will be able to win business through a similar competition-oriented relationship philosophy, e.g. simply by offering a lower price and keeping an arm's length.

• Level 4 driver: Customised assets

Customers often appreciate or even require individual solutions. Instead of offering "one size fits all", a competitor can threaten well-established relationships by offering truly cus-

Marketing Strategies

Purchasing Strategies		Competitive	Co-operative	Command
	Competitive	Independent	← Mismatch →	Independent
	Co-operative	Mismatch →	Interdependent	← Dependent
	Command	Independent →	Dependent	← Mismatch

Figure 5-4: The direction of competitor influence in established customer relations

tomized concepts – not just as a gimmick, but as a vehicle for increased profitability or satisfaction of need in the customer company. Such a move creates disturbance in existing relationship portfolios.

5.4 Buyers and Their Influence

A buyer has two opposing interests concerning supplier relationships, namely autonomy versus co-operation. High autonomy minimizes the level of dependence and hence the negative impacts of idiosyncrasy. We could call this phenomenon the *monadic-competitive* driving force. On the other hand, buyers seek stability, interactivity and smooth exchanges, leading to low transaction costs. This is called the *dyadic-co-operative* driving force. When the level of complexity in the exchange increases, so does the dyadic-co-operative motivation. Buyers demand long term solutions, not just simple exchanges. How these contrasting concerns manifest themselves in purchasing processes and regulating mechanisms depends on a variety of situational, cultural and buyer-specific elements. Most relationships between customers and their suppliers have this mixed atmosphere of co-operation.

Customers can sometimes gain substantial influence over their suppliers by increasing the perception of the relative importance of the specific relationship. Intensifying then becomes a crucial issue in the buyer's supplier relationship strategy as illustrated below in figure 5-5.

The dotted line at the customer-side symbolises increased importance and power in the mind of the supplier.

• Offer a larger share of the budget

In industries with extensive use of outsourcing and subcontracting, companies will often invite their suppliers into closer and more co-operative programmes involving R&D and hence higher risk exposure. In return, the customer offers a larger share of the budget, possibly a sole or preferred supplier contract. The strategic intention of the customer is often to

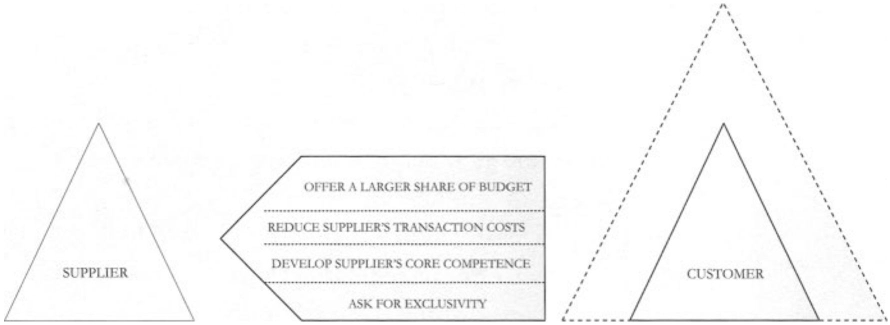

Figure 5-5: Customers intensifying the supplier relationship

increase cost competitiveness thus moving relatively quickly down the experience cost curve by offering the supplier the same opportunity. At a point in time, Boeing reduced the number of subcontractors by 75% in the rivalry with Airbus and McDonnell Douglas. Unit cost calculations were the main argument for the supplier concentration.

Often companies designate a maximum limit for the proportion of a supplier's total revenue they wish to purchase. Such ceilings can disqualify small companies as suppliers. The customer deliberately attempts not to become too influential and not to create a situation of unilateral dependence, image persuasion and lack of control. Therefore, when a hierarchy-like command relationship is about to evolve, customers prefer to loosen the ties to avoid facing costs of dependence imposed on the supplier.

• Reduce supplier's transaction costs
The transaction cost road is an obvious one to follow for a customer as the size of suppliers' transaction costs is heavily influenced by buyer behaviour, such as:

- Must the supplier cope with a bureaucratic, formalistic buying organisation centre and unclear decision-making processes? Or does the customer strive to minimise waste of supplier's time and money?
- How comprehensive are the customer's contractual

routines, i.e. certifications, documentation, legal framework, reps and warranties as well as risk aversion in operational details?
- What are the buying routines at the tactical level? Which and how many competing suppliers are invited to submit bids and how?
- Does the customer have smooth informational procedures in cases of reordering, giving notice, planning for just-in-time etc.?
- Is the quality control level sufficient to reduce supplier costs?

Very often professional purchasers pay too little attention to the transaction costs that arise in the supplying organisation.

• Develop supplier's core competence
Most companies need demanding customers who can actively contribute to the development and refinement of their core skills and serve as references. Some customers might take advantage of this fact and will put a pressure on the supplier's price or loyalty or both.

In many companies, such as IKEA, creating superior and effective suppliers has become a strategic goal rather than a marginal side effect. In relationships where a customer needs a co-operative and value chain-oriented network of suppliers and where the customer's own profitability to a large extent depends on supplier professionalism, the influence of the customer is potentially high.

In industries with short product life cycles, frequent technological shifts and unpredictability, companies are forced to work strategically with suppliers in the R&D phase as solution providers and sole component suppliers. If not, development, design and procurement would be far too slow and costly, as the windows of opportunity are not open for long.

• Ask for "exclusivity"
Customers with exclusive rights tend to be rather powerful

and sometimes even arrogant – a situation most suppliers therefore fight hard to avoid. There can, however, be good reasons for exclusivity claims and the list of such reasons is long: protection against competition, investment requirements, lack of alternatives and strategic impact are among the most common ones. On the positive side, it counts that suppliers can expect a truly committed customer.

How Can the Buyer Motivate the Supplier to Invest in Customised Assets?

Customisation of supplier-assets to one single buyer's needs obviously strengthens the influence of such a buyer. Both because such tacit or explicit investments reflect a co-operative seller strategy and because the outcomes in terms of assets with low alternative market value make the supplier vulnerable. In some situations, customisation is even the core product. Think of a bridge, an airport parking structure, a hotel or a sports arena on perpetual leasehold. The supplier of such fixed asset services cannot very easily re-deploy such assets in a neighbouring county.

The more irreversible and financially immobile a customisation of assets is and hence also the opportunistic temptation, the more comprehensive contractual assurances and arrangements will be requested by the supplier. Trust will rarely be enough of a safety precaution in such situations.

Not only is the supplier heavily influenced by asset customisation – the customer is as well. The local community will hardly threaten the bridge owner that they will switch over to another bridge. Competition does not exist in this relationship.

5.5 Catalysts as a Driving Force

The triad is at the heart of the analysis of the driving forces behind relationships and networks. The triad shapes the dynamic co-optive interaction between customer, supplier and competitors. The simultaneous threat of escalating market mechanisms and the necessary contractual modifications is what constitutes the fascinating framework of competing value chains.

Catalysts represent an independent, multifaceted driving force. From a theoretical perspective, catalysts are the sum of exogenous facilitation, disturbances and "noise" . From the marketer's point of view, catalysts that are present in the close environment are players which actually provoke opportunities or threats to the relationship.

Catalyst forces can be classified into three broad categories of drivers and players affecting a customer-supplier relationship: Complementors, invaders and innovators.

Complementors reinforce and enhance relationships; they provide additional value and stimulate demand.

Invaders are new or established players whose intention is to gain a share of the market by reformulating the relationship parameters.

Innovators are the uncontrolled variety of external parties affecting the competitiveness and sustainability of existing relationships and their underlying strategies without having these relationships as their main purpose.

Whereas invaders is a threatening, attacking element, and whereas complementors ride on the back of established markets and create new demand, innovation is composed of new business initiatives of any kind that might affect ongoing business relations – be it as arising incongruities or missing links.

The Nature of Complementors

Complementarity is an integrated part of the relationship system and an independent driving force at work. A complementor consolidates or expands ongoing customer-supplier relations. Take hardware and software. Better, faster, and cheaper computers stimulate the demand for and the supply of software just because of the new opportunities they create. Software development, on the other hand, pushes the need for new technology, more processing power and desk capac-

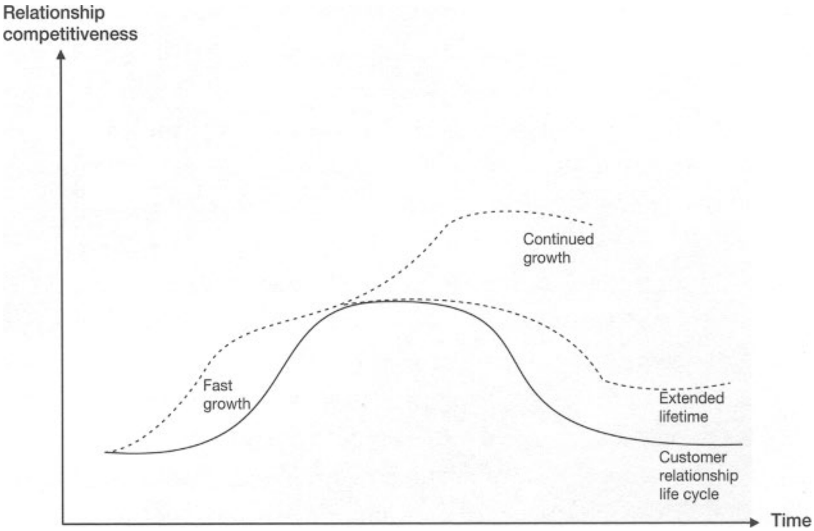

Figure 5-6: The relationship life cycle effect of complementarity

ity. The end result is a never ending positive circle of market increase for both hardware and software.

The dotted curves indicate how complementors facilitate and reinforce relationships. Without complementors, the competitiveness of a certain commercial relationship would grow less fast, mature at a lower level and fade away faster.

Companies should indeed include the often hidden complementors in their market understanding and business planning. Software companies should not just focus on the battle with competitors, but proactively try to match or be one step ahead of what the hardware industry can produce. Big software companies should even try to influence the strategies of hardware manufacturers, which some of them actually do. The same applies the other way around.

Complementors are useful in business relations. In order to get the full marketing impact of complementarity, a company must also adjust its own strategy to create new opportunities for the complementor.

In figure 5-6, the positive influence of a complementor on a supplier-customer relationship is depicted as fast growth, continued growth and extended lifetime. In almost all marketing situations, you will find complementarity – and hence also in relationships. Whereas competition is visible and the first thing in mind for the marketer, complementors are not necessarily that easy to identify and explore. As a consequence, they tend to be neglected or overlooked as a driver.

Invaders Attacking Established Value Chains

Invasion in terms of new entrants increases the intensity of competition and sometimes put the whole industry in a state of alert. They add capacity, they potentially stimulate overall demand, and they most certainly create disruption.

Invaders are different of nature. *Substitutes* are new players satisfying the generic customer needs in new ways through unprecedented business models and consequently offer customers different relationship economic values or variations. They either define the industry differently, apply existing resources in new ways, or they substitute existing business systems by the introduction of new basic elements.

A range of different factors stimulate the appearance of relationship substitution:

- Product and relationship development in other industries not previously related to the supplier industries.
- New technology or new ways of distribution, dramatically reducing transaction costs while increasing the relationship value, respectively, as the case is with video tape compared to a fully integrated digital solution.
- Changed focus among customers.
- New roles and applications.

Invasion by Reconfiguration

A successful reconfigurator may develop a unique selling proposition by rearranging, reinventing or shortcutting supply chains and offering more cost-benefit attractive patterns of relationships. Some people like the notion of such reconfiguration as Blue Ocean as opposed to conventional configuration in the Read Ocean.

Factory outlets shorten the supply chain from designer-manufacturer to customer. Suppliers of imbedded systems reconfigure the traditional value chain in the computer industry by integrating software into hardware or bundling products. One-stop shops with electronic components and IT have broken traditional borderlines between industries. Reconfiguration is also an option if first mover advantages are obvious.

Innovations – the Driver Beyond the Immediate Playground

We consider the innovative element to comprise such structural external changes or occurrences that can be exploited by the relationship participants to create benefits in the trade between them. New legislation, technology and media are examples of such changes with potential benefits.

Not all suppliers within an industry adapt to external changes and turn them into relationship innovations. In the early days of interactive TV, only a few networks and media communication companies decided to invest in set-top boxes that linked digital and analogue spheres. Interactive TV represents a radical change in the perception and the functionality of the television as media. Set-top boxes and the platform technologies underneath became the enabling factor behind a substantial relationship innovation in the TV and networks industry, i.e. TV as a two-way device.

How can a marketer identify and generate relationship innovative opportunities in the external environment? Fundamentally, there are two different working methodologies. By using the *forward approach,* the analyst is systematically searching for ways to improve well-defined relationship benefits considered to be important for competitiveness, e.g.: "How can we reduce our customers' information costs substantially?" The *backward approach* is when the analyst identifies major external changes, categorises and evaluates them into scenarios, if possible, e.g.: "How could we possibly exploit Bluetooth technology to increase the value of the relationship as perceived by our customers?". In most search-learning processes, there will be several instances where both approaches will be utilised.

5.6 The Relationship DNA

The somewhat trivial statement that the value of relationships > the value of exchanges implies that buyer rationality rests upon a relationship logic that coexists with or even defeats the pure market mechanisms. The behaviour of a buyer in any given purchasing situation is, to a certain extent, also determined by some structural elements attached to the relationship genetics. We call such elements the internal driving forces and have identified the following three:

- *The relationship form.* The relationship form between a customer and the IT supplier tends to develop in a co-operative rather than a competitive or command direction. The relationship is by nature long-lasting and considered important by both parties. The nature of the relationship will often tie the two organisations closer together than the formal contractual arrangement stipulates.
- *The exchange form* in terms of the core product and the natural, "embedded" regulating mechanisms between supplier and customer arising from it. Companies do not replace their hardware and software very often, therefore the exchange frequency is low. During the rare purchasing process, the transaction cost level is considerable. It is not unusual that IT system purchases take quite a long time. It is a very complicated, strategic purchase that involves many people and organisational units all crying out for compatibility, integration in workflow and vice versa, technical support security and many other factors. Furthermore, the buying company will need

ongoing interaction with the supplier throughout the lifetime of the system.

- *The life cycle form.* At the beginning of a project, a delivery or an ongoing relationship, the parties might be unaware of the intentions, style and capabilities of the opposite part, which can lead to somewhat complicated transaction patterns that place weakening competitive pressure on the relationship. At the later stages, the relationship may move into long-term stability and informality.

What Impact Does the Relationship Form Have on the Relationship?

The relationship form is determined by the nature of the product, distribution patterns, as well as technology and industry standards. The relationship form is in no way static; it will change due to innovations and competitive pressures.

At least four different aspects must be considered in the evaluation of the relationship form as an internal driving force and part of the DNA:

The parties

In situations where the likelihood of vertical integration is minimal, the potential rivalry between buyer and seller tends to be relatively low. In the opposite case where competition lurks, the relationship form will develop in a more instrumental control-oriented direction.

The customer needs

Strategic customer needs in industrial markets mean that the relationship form is of decisive importance to either both parties or just to one of the parties involved.

The car manufacturers have gained significant productivity improvements and cost savings, shortened the production time, reached higher capacity utilisation etc. through the just-in-time relationship form; the same goes for the subcontractor as well.

Time horizon

The longer the time horizon determined by the relationship form, the higher the impact on expectations, interaction, specificity of assets and regulating mechanisms.

The communication pattern

Some relationships anticipate intense personal communication, whereas other relationships are characterised by no or very limited personal contact. The supplier and the customer may only have met through the product or service exchanged. In general, interactivity increases the perceived proximity and lowers the transaction costs. In most industries, the increasing level of competitive pressure has forced firms to work in a relationship-oriented manner.

The Exchange Form

We have defined the new marketing concept as company behaviour that attracts, maintains and develops relationships that are mutually beneficial to both supplier and customer. In this respect, it is an imperative to include the core product characteristics in the basic market analysis.

The characteristics of the core product set the scene. Whereas commodities like crude oil, corn or transportation services will be exchanged under pure market contracts, personal or advisory services and other types of highly differentiated products will be transacted in a distinct relationship context.

The core product can in most cases be augmented by enriching the customer-product interface, developing new relationship features like self-service, do-it-yourself solutions, launching of communities, loyalty clubs etc.

The critical influence of the exchange form can be depicted in a simple model, figure 5-7, which shows the dimensions, or parameters, of the core product as a driving force.

The same core product often fulfils rather different needs; the substance and the diversity of needs covered determine the direction and strength of the core service as a driving force

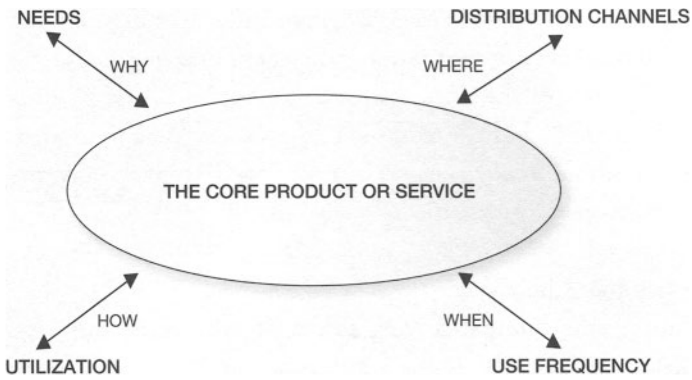

Figure 5-7: The core product as DNA component

for relationships. Take air travel. On the same flight you find both business people, alone or in groups, or tourists that are either travelling alone or in groups as part of package holidays, where the flight is but one element in the total service package.

The satisfaction of the business traveller is influenced by regularity, in-flight service, ground service level, working facilities, space between seats etc. The tourist pays attention to the price. The business traveller is much more relationship-focused than the family tourist.

In many cases the channels of distribution are crucial to the customer relationship. Compare physical stores with web shops. A consumer expects the Internet shop to have lower prices, be open 24 hours and be user-friendly. On the other hand, customers do not expect to get professional personal service, and you cannot touch and feel the products in the web shop. It is easy to click away and you don't have to feel embarrassed leaving the Internet shop without making a purchase.

Use frequency: Light versus heavy use of a given product or service determines what a supplier can and will do on the relationship front. Frequent buyers tend to be more inclined to engage in co-operative framework agreements. Use frequency will often be discriminating segmentation criteria.

The *product or service utilisation* differs. Utilisation can sometimes mirror customer involvement and hence also the importance of the relationship. If utilisation of the product is integrated into the core of the customer organisation or at consumer markets and is combined with high loyalty, the impact can be substantial.

Customer Life Cycle

Among the internal driving forces of the relationship, the customer life cycle is the most apparent. The diffusion of relationship is the underlying force and works in parallel to the dissolution of relationship. Idiosyncratic reactions tend to pull in the direction of dissolution due to conflict of interest and distrust. As opposed to this, the mutual advantages of further exploration or extension of the relationship seem obvious as well.

Some products and services possess the paradoxical attribute that quality and strength erodes at the stable long-time stage of the relationship. When companies break their relationship with advertising agencies after some years of intense co-operation, the reason usually is that communication solutions become less creative and effective, because the parties know each other too well. Adaptation to the attitudes and ideas of the other party might eventually kill creativity and will inevitably lead to conformity and value erosion.