Certificate in International Sales and Negotiations

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Business Networks

Assignment

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Company Overview

IMS Publications are a small company based in Cork. It has a few employees who work mostly part-time. The main aspects of business have been involved in the production of tourist guides and bridal planners, in printed media, although it is envisaged to launch a website with these markets in mind. The main supplier is the printer for flyers and booklets. The company has a large portfolio of clients predominantly involved in the tourist or wedding industries.

People and Relationships

People in various sectors are crucial in good business relationships. These sectors include but are not limited to employees, suppliers and customers. Staff are essential assets to any company or organisation and a good team will be loyal and deliver excellent performance. Therefore, it is important that they are treated fairly and respectfully. Although IMS is a small company, each individual employee has an integral part to play in its operations.

Customers are obviously important also, and it is necessary to maintain favourable relationships with all existing and potential clients. Although they may be only contacted annually to be marketed for inclusion in the tourist guide or wedding planner, a follow-up dialogue is necessary to ensure continual revenue in subsequent years.

Naturally, relationships also exist with suppliers. In the case of IMS this is predominantly with the printer of the publications as well as office consumables such as stationery and telecoms. Favourable discounts have been negotiated between the printers and IMS where there is advertising

prominent for the former in the tourist guide and the wedding planner.

A potential supplier when the website is launched will be the hosting company. The website design and maintenance will be managed in-house by two of the employees.

Relationship Orientation

Within the realms of relationship marketing all aspects are important. The products are the printed guides and supporting flyers – all which must have excellent quality and readability. The tourist sector is crucial to the success of IMS and this market must be closely monitored. Competition from other tourist publications is not to be underestimated and the company must be aware of any new player entering the field.

The customer is king (or queen) (Cannon and Perreault, 1999). They will determine the success of the publications and it is imperative there are close relationships throughout the selling, launching and follow-up of all marketing. Networks such as clubs and societies will also play a major role in extending awareness of the publications. For example, in the case of the wedding planner, prenuptial courses at colleges are a good source for networking. When the website has been launched networking through social media will be extremely important. Exchange of information will be paramount.

Relationship marketing differs from transactional marketing in a number of areas. Whereas the latter focuses on one-off, high-volume sales with little or no emphasis on customer service, IMS is committed to their clients with a focus on long-term timescales of sales and continuous customer contact. Naturally, trust needs to be built up over time with all customers for IMS, not just the

smaller ones, but also the major tourist and wedding businesses, such as hotels and social venues.

Relationships IMS has with its customers are business-to-business and therefore, trust, commitment, customer service, long-term perspectives, communication, and mutual benefits are vital elements.

When canvassing for advertising space for the tourist guide and wedding planner, any relevant business is a prospect. When a prospect takes out an order they become a customer, and hopefully they will repeat the business for the following year's publications, in which case they become a client. Further up the relationship ladder of loyalty there are supporters who help the business succeed, and advocates who recommend the company to others. Within the company framework there are members and partners who contribute to the overall day-to-day operations and are usually staff and/or those with a vested interest such as family members, friends and non-related business owners.

It is sometimes necessary in IMS to outsource certain responsibilities. The company does not have the equipment to print the publications so this is outsourced to the printer. Some wedding stationery items are also outsourced, such as mass-books which are composed by a freelance typesetter.

Social Exchange Theory and the ARA Model

A number of theories relate to business relationships but the one most closely linked to the case study of IMS Publications is the Social Exchange Theory. This posits that relationships are inherent in a social structure and that social exchange is just as, if not more important, than the individual transaction. The key elements that distinguish social exchange are trust and commitment, and this leads to overlapping of boundaries between companies involved in transactions. This is certainly true for IMS since there is much co-operation and communication between itself and its clients. The aim of this is to maintain strong long-term relationships between both parties, with a view to mutually increasing sales and revenue. *"Successful marketing management must be driven by two imperatives – satisfying customer needs and doing it better than the competitor – and one constraint – doing it properly"* (Lynch and Roche, 1995).

For IMS the ARA Model (Actors, Resources and Activity) describes the relationship management in essence. The actors are the staff of the company as well as the client base, and the main suppliers, such as the printers. Resources can sometimes be shared where possible and an example of this is evident in mutual design of advertising material. Activity implies that there is negotiation and commitment between all parties to the transactions, as well as extending influence and knowledge of the products to third parties through networking and word-of-mouth.

Naturally there can be an element of risk in relationships with other actors, although this diminishes over time provided there is trust and commitment to the end goal of increasing turnover. Reciprocity is a term which best describes the way the company and its suppliers and customers can mutually benefit from sharing ideas, resources, and all types of information. In certain instances, there is also an element of interdependence especially between IMS and the printers, which have benefited from subsidised advertising in the publications, and vice versa, where IMS have supplied

artwork for advertising copy.

To some extent there have been strategic alliances between IMS and its clientele. For example, a florist may help to promote the wedding planner in their retail outlet for a discount on advertising space in the same publication. This helps both parties to increase their customer base. Because IMS has such an extensive database of relevant businesses in the tourist and wedding markets, many times a third-party has been called upon to supply a service or product. Communication, whether by direct contact or by phone or email, is crucial in improving any strategic alliance.

However, not all strategic alliances are over an indefinite time-period. Some may fail for any number of reasons. The five stages of a strategic alliance process are courtship, negotiation, start-up, maintenance, and termination. Although some relationships with clients have lasted many years they will inevitably end for reasons such as the closing of the business or a change in the management structure. Outside commitments can also influence the longevity of strategic alliances and competition can seriously impede an existing relationship.

Relationship Planning and Development

Transaction costs are extremely important for IMS. This mainly includes the cost of employee time, phone-calls, postage, and travel to the clients' premises when necessary. When the tourist guides and wedding planners have been printed they still have to be distributed over a wide area of Cork County, and not just to customers but also to other focal points such as art galleries, hotels and restaurants (whether clients or not), and a wide range of tourist attractions.

Economies of scale come into play especially on the volume of flyers and literature needed to

market the publications. Often a prospect needs to see information in writing before they commit to placing advertisements. A difference of a few thousand can make a serious impact on the cost of a print-run for the completed tourist guide and/or wedding planner. It is often necessary to develop external relationships with new potential suppliers. Capital expenditure, for office equipment for example, can have an impact on the bottom-line pricing structure for advertising rates. Cash-flow is also important, as well as accounting costs – certain times of the year are better for obtaining preferential rates from suppliers.

Development of Relationships

Out of all the clients on IMS's database, not all have strong relationships with the company. A retail outlet, for example, may be contacted every year but the call may not lead to a sale. Sometimes it takes a change in management of the prospect to open up new dialogue. Most retail outlets of the same category, such as restaurants, are in competition with each other, and one restaurant may take advertising space on the condition that their competitor further down the high street is excluded.

Stages of buyer/seller relationships include the pre-relationship stage whereby questions must be asked as to whether the relationship is worthwhile for numerous reasons. The second stage (early) determines whether or not there is commitment to the relationship, and whether distance is an issue. This includes geographical location, cultural differences, and technological capabilities.

The third stage, the development stage, should show increased commitment, greater experience with the new buyer or supplier, and whether problems with distance have been diminished. Uncertainty about the relationship should also be reduced. The fourth stage extends further into these considerations so that commitment and experience are high, and factors due to distance are

extremely low.

These factors can also be summarised by another five elements – awareness, exploration, expansion, commitment, and dissolution. The latter is where the relationship has terminated for whatever reason. They have also been summarised as *"commitment, trust, seller/customer empathy, experience/satisfaction, and communication"* (Baron et al., 2010).

Relationship Types

Relationships can be classified into four types: close, recurrent, dominant partner, and discrete. A close relationship is where communication is regular and strong, and trust and commitment are high. The length of time of the relationship is also crucial, and often there is cooperation and information sharing. For IMS Publications, this describes some of the relationships it has with most of its important clients. *"More attention is paid to the getting of customers, rather than the keeping of them"* (Martin, 1997).

A recurrent relationship has similar characteristics except cooperation is more operational than strategic. Information sharing is still evident but perhaps not to the extent as in a close relationship. A handful of IMS's clients could be described with this characteristic.

A dominant partner implies that co-operation and flexibility are enforced upon one party and information sharing is limited. Trust is also limited, and so this would not apply to any relationship that IMS has, either with its clients or its suppliers.

A discrete relationship is where there is limited communication and commitment. *"Opportunism*

dominates this approach with few, if any ties between the parties" (Donaldson and O'Toole, 2000). This type of relationship usually applies to a one-time transaction and therefore does not fall into the remit of IMS's business strategy. In their case, the type of relationship depends on the type of client or supplier they are dealing with, depending on the strength of each individual association. In most cases, relationships are close and recurrent. Above all, IMS values the client above all else, and therefore strives to give an excellent and affordable service with their publications.

It should be noted that IMS needs to have relationships with certain suppliers such as the internet service provider, utility companies and the bank and accountant. These relationships are necessary, otherwise the business would collapse, but to what extent is negotiable. They are important relationships but they need not be close and recurrent. They are all costs to the business and therefore should at least be included on the balance sheet.

Importance of Networks

Key benefits of relationships through networks include sharing information and advice, as well as problem-solving and collaboration. Sales people can help establish openings into new networks, and the business owners themselves can develop their own social network into new potential relationships. Family and friends of all staff are potential networks. Any clubs or societies they are affiliated to can also become an important link to extended networks. The main advantage that IMS has is that it has built up relationships with many networks already, whereas a new business venture would have difficulty in breaking into new network relationships.

Having several networks is a competitive advantage, and although they are not free, they are ultimately of considerable value. Relational skills, i.e. the way people deal with each other, are

personal attributes to be admired. These include patience, trustworthiness, empathy, reliability and influence. These characteristics are further enhanced with technological capabilities to communicate across a wide range of communication tools.

Social Media Potential

As mentioned, IMS have always been involved in the printed media. The company suffered a decline for a number of years, which in part was due to competition from online resources such as Trip Advisor. Many tourists would rather find information on their smart-phones than carry a tourist pocket guide around. After much consideration, it was decided to investigate the possibility of setting up a website offering a similar service to the printed media. The wedding planner was also considered as an online venture, although this would have to be considered separately.

The website is still in its developmental stages but should be launched soon. Considerations such as SEO (search engine optimisation) and inclusion on social media sites such as Facebook and Twitter are underway. IMS are well aware that in order to keep up with competitors they must have a strong online presence. The printed publications will still be available, but they will promote the new website and social media.

Many of IMS's existing clients have expressed an interest in being included on the new website, and so covering the costs of website design and hosting should be possible. The potential readership will no longer be restricted to the county area, but instead be accessible worldwide. Apart from being able to reach a wider audience it will be possible to communicate with customers whether they be looking for renewed business, or potential tourists searching facilities, accommodation, and events in the area. This is of course more B2C than B2B, but existing clients will be able to

monitor the feedback from their advertising and reviews more effectively.

Building a Brand

It is not only the website that is in its infancy. A new brand or logo is essential. The printed version of the tourist guide used to be known as the *'Great Island Guide to Cork'*, which is obviously too long and unmemorable. A number of ideas for a better name are being considered, as well as the design of an eye-catching logo. This cannot be completed until a brand-name has been decided.

Communication will be all important once the name and brand have been launched. It will be necessary to advertise as far as possible, not only to existing clients and suppliers, but also through social media. As much feedback as possible is essential for the brand to be a success. As mentioned, SEO will be vital so that the website can be ranked highly with major search engines. Keywords in the website content help towards this considerably. Another idea is to make some promotional videos and then uploaded to a new YouTube channel. As with Facebook and Twitter, positive feedback is essential. With websites such as Trip Advisor it will be vital that clients that advertise with IMS are getting good reviews from past customers.

All of this will take time and commitment, not only by the company itself, but by the relationships it has with its major clients. The initial set-up factors may be ready this year, but it probably will take until next year before a strong online presence is established. A dedicated team will be required to promote the company online, and also to build a CRM (customer relationship management) software system on the existing database. The website will also need to include some copy and links to useful websites, even if there is no financial reward for doing this.

The risk of failure must also be assessed. As with all advertising it is difficult to quantify how much revenue is generated purely from advertising alone. Competition may be too strong to make an inroad into the tourist and wedding sectors. Costs of launching the service may inhibit any return on investment, especially in the short term. It is vital that IMS keeps its strong relationships with its clients, be they large hotels or small restaurants. Experience dealing with these service industries will be extremely useful for this expansion into the online marketplace. However, if the venture is successful there is the possibility of extending the tourist guide to areas further from the county towards the West and South coasts.

Conclusion

IMS need to look closely at the potential for expansion. Their relationships with their existing clientele are paramount. Much trust and commitment has been built up over the years and it is envisaged that this should continue. Their own people are vital because without a good team they will have problems in the future. They must be loyal and well-rewarded for their efforts. Development of new business networks are extremely important especially going into an online marketplace. They must be aware of the pitfalls, and although it is important that the printed media will continue to be marketed, a good website and strong social media links will maintain goodwill and commitment from new and existing relationships, either with clients or suppliers.

Although much can, and should be, done in the immediate future, it will be a long process to get a firm foothold with an online presence that is recognisable with a good brand and logo. Networking whether in person or online is crucial. IMS has the potential – but it depends on new and existing relationships for continued success.

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