

Business to business relationship at primark



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Relationship marketing is a new phenomenon which is a step ahead of traditional marketing. The emphasis here lies on 'Relationship' between a customer and a product, a customer and an organisation (b2c), an organisation with the other organisation (b2b).

According to Zeithaml and Bitner(2000) Relationship marketing is a philosophy of doing business, it's a strategic device that focuses on keeping and improving current customers rather than acquiring new customers. In Coviello's(1997) words RM is an ' integrative activity involving functions across the organisation, with emphasis on facilitating, building and maintaining relationships over the time'.

The overall purpose of Relationship Marketing is to facilitate and maintain customer relationships, which leads to changed focal points and modification of marketing management process. RM tends to provide a superior relationship between a customer and an organisation which in return gives an organisation competitive advantage.

This report would deal with the key characteristics of RM in two different organisations. For B2B relationships, the chosen one is ' Primark'- an affordable high street fashion store, which deals with multiple suppliers from all over the world. For B2C relationships, the award winning pure online banks- EGG. The report will critically evaluate the RM concepts and other facts about these companies and how they deal with their partners to accomplish their business targets.

B2B relationships at PRIMARK

' No Business is an island' (Hakansson and Snehota. 1989 p. 187)

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In the current economic climate, organisations prefer working in collaborations. Many big brands heavily rely on their suppliers to give their customers the desired quality and service. To answer the needs of the customers these brands believe in building good relations with their suppliers and distributors. Relationship marketing theory suggests that interdependence reduces transaction costs and generates better quality while keeping management cost lower (Sheth and Parvatiyar, 2000 p. 123). Relationships become resources because they contribute to the organisation's ability to efficiently and effectively produce market offerings that have value (Hunt et al., 2006 p. 77).

Company profile: Primark

Primark is a most affordable high street fashion mart, their business philosophy is: high on style, low on price. The big garment showrooms are located in all the major cities of United Kingdom. The store is popular only because of its affordable pricing and up to date fashion clothing. Primark sells everything from footwear to accessories, from childrenswear to sportswear. Primark is operated as Penneys in Ireland and has 38 stores with headquarters based in Republic of Ireland. After gaining good market in UK, Primark has moved to different parts of Europe. It is now accepted in many countries like Spain, Belgium, Germany, Portugal, and The Netherlands with total of 198 stores by May 18'2010. With operations in so many countries it is palpable that Primark must be dealing with large number of suppliers. Suppliers from India, Korea, Turkey, Pakistan, Bangladesh and majority of suppliers from China suffice the needs of Primark. These suppliers provide

finished and non finished bulk goods to Primark, which are packed and tagged in their warehouses.

With so many rivals like Matalan, Asda and Tesco, Primark has still registered 8% of sales growth. Operations in Spain have been very fruitful to the company. With their B2B contacts and huge supplier list Primark is often called 'Fast Fashion' stores, which means combination of quick turnover and extremely low prices.

RM at Primark

The product kept on the aisles in Primark doesn't reach automatically. It is an enormous and complex value chain process. This process begins right from the start, by picking up the right manufacturer for the raw material, processing the raw material to get a final product and then finally packaging and distributing it to the Primark's stores. During all this process Primark has to rely on their partners (suppliers) to ensure consistent quality, service, deliveries on time, and other inward and outward logistics.

In the retail industry, all the retailers maintain external relationships, which tend to have horizontal and vertical dimensions (Palmer, 2000 p. 68). In case of Primark it can be described as:

Vertical relationships representing those that integrate all or part of the supply chain through component suppliers, manufacturers, and intermediaries.

Customer

The above figure shows the vertical relationship (Partnering) of Primark with its suppliers and its customers.

Horizontal relationships represented by organisations that are at the same point in the channel of distribution (including competitors) who seek to cooperate and collaborate for mutual benefit.

As such Primark has no collaborations on horizontal level; it is a tough competitor with major market share in low cost garment retail industry.

ARA model and Primark

Primark works on both B2C and B2B relationship model, B2C with their millions of customers who buy Primark products on line and in stores and B2B to garment suppliers and other logistics suppliers. Here we will assess Primark's B2B relations under the lens ARA model (Hakansson and Johnson, 1992), this model suggests the outcome of the interaction process can be described in three layers: Actor bonds, Activity links and Resource ties. These all layers are inter-connected and have impact on good relation building.

ARA Model with garment suppliers

Actor bond:

This layer relates to interpersonal skills developed between the individuals developed through interaction. Trust, belief, and commitment play an important role as it builds bond between the two parties. At Primark, ethical trade managers visit their supplier countries; primarily India, China and Bangladesh (Primark, 2009) to keep in touch with them and build trust so

that they keep supplying Primark the quality product with same commitment.

Activity Links:

This layer relates to the co-ordination that may develop between the actors. In case of Primark, they use the skill of their partners (suppliers) to transform raw material into the best value fashion garment.

Resource layer:

The final layer relates to how the two actors' resources may become more or less adapted or more or less mutually tied together as their interaction develops. The resources can be tangible and intangible too; in case of Primark they help their suppliers with intangible resources i. e. by granting knowledge and technical know-how. The ethical trade managers support all the suppliers to meet the production requirements.

These three layers of buyer-seller relationship are not independent and there is important interplay between them.